

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 10-Q**

(Mark One)

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

For the quarterly period ended July 31, 2015

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-35667

**AMBARELLA, INC.**

(Exact name of registrant as specified in its charter)

**Cayman Islands**  
(State or other jurisdiction of  
incorporation or organization)

**3101 Jay Street**  
**Santa Clara, California**  
(Address of principal executive offices)

**98-0459628**  
(I.R.S. Employer  
Identification No.)

**95054**  
(Zip Code)

**(408) 734-8888**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

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

The number of ordinary shares, \$0.00045 par value, of the Registrant, outstanding as of July 31, 2015 was 31,661,906 shares.

AMBARELLA, INC.  
QUARTERLY REPORT ON FORM 10-Q  
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## ITEM 1. Financial Statements

**AMBARELLA, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(in thousands, except share and per share data)  
(unaudited)

	July 31, 2015	January 31, 2015
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 199,577	\$ 170,291
Marketable securities	40,177	37,703
Accounts receivable, net	42,137	40,180
Inventories	27,773	21,693
Restricted cash	8	8
Deferred tax assets, current	2,019	1,990
Prepaid expenses and other current assets	2,228	3,506
Total current assets	313,919	275,371
Property and equipment, net	2,891	3,075
Deferred tax assets, non-current	4,130	3,936
Intangible assets, net	4,107	—
Goodwill	26,601	—
Other assets	2,029	1,902
Total assets	<u>\$ 353,677</u>	<u>\$ 284,284</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	20,314	21,036
Accrued liabilities	24,303	18,699
Income taxes payable	2,939	748
Deferred tax liabilities, current	72	92
Deferred revenue, current	7,078	4,907
Total current liabilities	54,706	45,482
Deferred revenue, non-current	94	198
Other long-term liabilities	2,704	1,393
Total liabilities	57,504	47,073
Commitments and contingencies (Note 13)		
Shareholders' equity:		
Preference shares, \$0.00045 par value per share, 20,000,000 shares authorized and no shares issued and outstanding at July 31, 2015 and January 31, 2015, respectively	—	—
Ordinary shares, \$0.00045 par value per share, 200,000,000 shares authorized at July 31, 2015 and January 31, 2015, respectively; 31,661,906 shares issued and outstanding at July 31, 2015; 30,837,529 shares issued and outstanding at January 31, 2015	14	14
Additional paid-in capital	157,598	140,564
Accumulated other comprehensive loss	(24)	(1)
Retained earnings	138,585	96,634
Total shareholders' equity	296,173	237,211
Total liabilities and shareholders' equity	<u>\$ 353,677</u>	<u>\$ 284,284</u>

See accompanying notes to condensed consolidated financial statements.

**AMBARELLA, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in thousands, except share and per share data)  
(unaudited)

	<u>Three Months Ended July 31,</u>		<u>Six Months Ended July 31,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenue	\$ 84,193	\$ 46,968	\$ 155,206	\$ 87,889
Cost of revenue	29,345	16,432	54,440	31,757
<b>Gross profit</b>	<u>54,848</u>	<u>30,536</u>	<u>100,766</u>	<u>56,132</u>
<b>Operating expenses:</b>				
Research and development	20,840	13,497	37,423	26,411
Selling, general and administrative	9,087	6,875	18,097	13,630
Total operating expenses	<u>29,927</u>	<u>20,372</u>	<u>55,520</u>	<u>40,041</u>
Income from operations	24,921	10,164	45,246	16,091
Other income	127	39	154	88
<b>Income before income taxes</b>	25,048	10,203	45,400	16,179
Provision for income taxes	1,951	893	3,449	1,609
<b>Net income</b>	<u>\$ 23,097</u>	<u>\$ 9,310</u>	<u>\$ 41,951</u>	<u>\$ 14,570</u>
Net income per share attributable to ordinary shareholders:				
Basic	<u>\$ 0.73</u>	<u>\$ 0.32</u>	<u>\$ 1.34</u>	<u>\$ 0.50</u>
Diluted	<u>\$ 0.68</u>	<u>\$ 0.29</u>	<u>\$ 1.25</u>	<u>\$ 0.46</u>
Weighted-average shares used to compute net income per share attributable to ordinary shareholders:				
Basic	<u>31,515,446</u>	<u>29,421,200</u>	<u>31,307,236</u>	<u>29,198,511</u>
Diluted	<u>33,904,222</u>	<u>31,899,501</u>	<u>33,688,239</u>	<u>31,831,489</u>

See accompanying notes to condensed consolidated financial statements.

**AMBARELLA, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(unaudited, in thousands)

	<u>Three Months Ended July 31,</u>		<u>Six Months Ended July 31,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<b>Net income</b>	\$ 23,097	\$ 9,310	\$ 41,951	\$ 14,570
Other comprehensive loss:				
Unrealized losses on investments	(8)	(29)	(24)	(21)
Other comprehensive loss, net of tax	(8)	(29)	(24)	(21)
<b>Comprehensive income</b>	<u>\$ 23,089</u>	<u>\$ 9,281</u>	<u>\$ 41,927</u>	<u>\$ 14,549</u>

See accompanying notes to condensed consolidated financial statements.

**AMBARELLA, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(unaudited, in thousands)

	Six Months Ended July 31,	
	2015	2014
<b>Cash flows from operating activities:</b>		
Net income	\$ 41,951	\$ 14,570
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property and equipment	755	628
Amortization/accretion of marketable securities	283	265
Loss on disposal of long-lived assets	8	4
Stock-based compensation	11,603	5,823
Excess income tax benefits associated with stock-based compensation	(263)	(416)
Other non-cash items, net	72	(2)
Changes in operating assets and liabilities:		
Accounts receivable	(1,467)	(7,996)
Inventories	(5,979)	(2,551)
Prepaid expenses and other current assets	1,369	973
Deferred tax assets	(223)	(241)
Other assets	(26)	147
Accounts payable	(741)	6,103
Accrued liabilities	5,489	727
Income taxes payable	2,395	577
Deferred tax liabilities	(20)	—
Deferred revenue	2,034	235
Net cash provided by operating activities	<u>57,240</u>	<u>18,846</u>
<b>Cash flows from investing activities:</b>		
Acquisition, net of cash acquired	(29,905)	—
Purchase of investments	(28,661)	(41,621)
Sales of investments	9,908	10
Maturities of investments	15,900	2,812
Purchase of property and equipment	(615)	(678)
Net cash used in investing activities	<u>(33,373)</u>	<u>(39,477)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from exercise of stock options and employee stock purchase plan	5,156	5,084
Excess income tax benefits associated with stock-based compensation	263	416
Net cash provided by financing activities	<u>5,419</u>	<u>5,500</u>
Net increase (decrease) in cash and cash equivalents	29,286	(15,131)
Cash and cash equivalents at beginning of period	170,291	143,394
Cash and cash equivalents at end of period	<u>\$ 199,577</u>	<u>\$ 128,263</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for income taxes	<u>\$ 551</u>	<u>\$ 435</u>
<b>Supplemental disclosure of noncash investing activities:</b>		
Increase in accrued liabilities related to non-monetary assets purchases	<u>\$ 29</u>	<u>\$ 37</u>

See accompanying notes to condensed consolidated financial statements.

**Notes to Condensed Consolidated Financial Statements  
(Unaudited)****1. Organization and Summary of Significant Accounting Policies*****Organization***

Ambarella, Inc. (the "Company") was incorporated in the Cayman Islands on January 15, 2004. The Company is a developer of semiconductor processing solutions for video that enable high-definition video capture, sharing and display. The Company combines its processor design capabilities with its expertise in video and image processing, algorithms and software to provide a technology platform that is designed to be easily scalable across multiple applications and enable rapid and efficient product development. The Company's system-on-a-chip, or SoC, designs fully integrate high-definition video processing, image processing, audio processing and system functions onto a single chip, delivering exceptional video and image quality, differentiated functionality and low power consumption.

The Company sells its solutions to leading original design manufacturers, or ODMs, and original equipment manufacturers, or OEMs, globally.

***Basis of presentation***

The accompanying unaudited condensed consolidated financial statements have been prepared by the Company in accordance with the instructions to Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and, therefore, do not include all information and notes normally provided in audited financial statements. The accounting policies are described in the "Notes to Consolidated Financial Statements" in the Annual Report on Form 10-K for the 2015 fiscal year filed with the SEC on March 30, 2015 (the "Form 10-K") and updated, as necessary, in this Form 10-Q. The year-end condensed consolidated balance sheet data presented for comparative purposes was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles in the United States ("U.S. GAAP"). In the opinion of management, all adjustments (consisting of normal recurring accruals and adjustments) considered necessary for a fair statement have been included. The results of operations for any interim period are not necessarily indicative of, nor comparable to, the results of operations for any other interim period or for a full fiscal year. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes contained in the Form 10-K.

***Basis of Consolidation***

The Company's fiscal year ends on January 31. The condensed consolidated financial statements of the Company and its subsidiaries have been prepared in conformity with U.S. GAAP. All intercompany transactions and balances have been eliminated upon consolidation.

***Use of Estimates***

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reported periods. Actual results could differ from those estimates.

On an ongoing basis, management evaluates its estimates and assumptions, including those related to (i) the collectability of accounts receivable; (ii) write down of excess and obsolete inventories; (iii) intangible assets and goodwill; (iv) the estimated useful lives of long-lived assets; (v) impairment of long-lived assets and financial instruments; (vi) warranty obligations; (vii) the valuation of stock-based compensation awards and financial instruments; (viii) the probability of performance objectives achievement; (ix) the realization of tax assets and estimates of tax liabilities, including reserves for uncertain tax positions; and (x) the recognition and disclosure of contingent liabilities. These estimates and assumptions are based on historical experience and on various other factors which the Company believes to be reasonable under the circumstances. The company may engage third-party valuation specialists to assist with estimates related to the valuation of financial instruments and assets associated with various contractual arrangements. Such estimates often require the selection of appropriate valuation methodologies and significant judgment. Actual results could differ from these estimates under different assumptions or circumstances.

### ***Concentration of Risk***

The Company's products are manufactured, assembled and tested by third-party contractors located primarily in Asia. The Company does not have long-term agreements with these contractors. A significant disruption in the operations of one or more of these contractors would impact the production of the Company's products which could have a material adverse effect on its business, financial condition and results of operations.

A substantial portion of the Company's revenue is derived from sales through its logistics provider, Wintech Microelectronics Co., Ltd., or Wintech, which serves as its non-exclusive sales representative in Asia other than Japan, and through one large direct ODM customer, Chicony Electronics Co., Ltd., or Chicony. Termination of the relationships with these two customers could result in a temporary or permanent loss of revenue and obligation to repurchase unsold product. Furthermore, any credit issues from these two customers could impair their abilities to make timely payment to the Company. See Note 14 for additional information regarding concentration with these two customers.

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash, cash equivalents, marketable securities and accounts receivable. The Company maintains its cash primarily in checking and money market accounts with reputable financial institutions. Cash deposits held with these financial institutions may exceed the amount of insurance provided on such deposits. The Company has not experienced any material losses on deposits of its cash. The cash equivalents and marketable securities consist primarily of money market funds, asset-backed securities, commercial paper, U.S. government securities, agency bonds and debt securities of corporations which management assesses to be highly liquid, in order to limit the exposure of each investment. The Company does not hold or issue financial instruments for trading purposes.

The Company performs ongoing credit evaluations for each of its customers and adjusts credit limits based upon payment history and the customer's credit worthiness. The Company regularly monitors collections and payments from its customers.

### ***Cash Equivalents and Marketable Securities***

The Company considers all highly liquid investments with original maturities of less than three months at the time of purchase to be cash equivalents. Investments that are highly liquid with original maturities at the time of purchase greater than three months are considered as marketable securities.

The Company classifies these investments as "available-for-sale" securities carried at fair value, based on quoted market prices of similar assets, with the unrealized gains or losses reported, net of tax, as a separate component of shareholders' equity and included in accumulated other comprehensive income (loss) in the condensed consolidated balance sheets. The amortization of security premiums and accretion of discounts and the realized gains and losses are both recorded in other income (loss), net in the condensed consolidated statements of operations. The Company reviews its investments for possible other-than-temporary impairments on a regular basis. If any loss on investment is believed to be other-than-temporary, a charge will be recorded and a new cost basis in the investment will be established. In evaluating whether a loss on a security is other-than-temporary, the Company considers the following factors: 1) general market conditions, 2) the duration and extent to which the fair value is less than cost, 3) the Company's intent and ability to hold the investment.

For securities in an unrealized loss position which is deemed to be other-than-temporary, the difference between the security's then-current amortized cost basis and fair value is separated into (i) the amount of the impairment related to the credit loss (i.e., the credit loss component) and (ii) the amount of the impairment related to all other factors (i.e., the non-credit loss component). The credit loss component is recognized in earnings. The non-credit loss component is recognized in accumulated other comprehensive loss. Due to the relative short term nature of the investments, there have been no other-than-temporary impairments recorded to date.

### ***Inventories***

The Company records inventories at the lower of cost or market. The cost includes materials and other production costs and is computed using standard cost on a first-in, first-out basis. Inventory reserves are recorded for estimated obsolescence or unmarketable inventories based on forecast of future demand and market conditions. If actual market conditions are less favorable than projected, or if future demand for the Company's products decrease, additional inventory write-downs may be required. Once inventory is written down, a new accounting cost basis is established and, accordingly, any associated reserve is not reversed until the inventory is sold or scrapped. There have been no material inventory losses recognized to date.



### ***Business Combinations and Intangible Assets***

The Company allocates the fair value of purchase price to the assets acquired and liabilities assumed based on their estimated fair values. The excess of the fair value of purchase price over the fair values of these identifiable assets and liabilities is recorded as goodwill. When determining the fair values of assets acquired and liabilities assumed, especially with respect to intangible assets, management makes significant estimates and assumptions.

Critical estimates in valuing certain intangible assets include, but are not limited to, replacement cost. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates.

### ***Goodwill and In-Process Research and Development***

Goodwill and in-process research and development (IPR&D) are required to be tested for impairment at least annually or sooner whenever events or changes in circumstances indicate that the assets may be impaired. The Company has a single reporting unit for goodwill impairment test purposes based on its business and reporting structure.

The Company does not amortize goodwill. Acquired IPR&D is capitalized at fair value as an intangible asset and amortization commences upon completion of the underlying projects. When a project underlying reported IPR&D is completed, the corresponding amount of IPR&D is reclassified as an amortizable purchased intangible asset and is amortized over its estimated useful life.

### ***Revenue Recognition***

The Company generates revenue from the sales of its SoCs to OEMs or ODMs, either directly or through logistics providers. Revenue from sales directly to OEMs and ODMs is recognized upon shipment provided persuasive evidence of an arrangement exists, legal title to the products and risk of ownership have transferred, the fee is fixed or determinable, and collection of the resulting receivable is reasonably assured. The Company provides its logistics providers with the rights to return excess levels of inventory and to future price adjustments. Given the inability to reasonably estimate these price changes and returns, revenue and costs related to shipments to logistics providers are deferred until the Company has received notification from its logistics providers that they have sold the Company's products. Information reported by the Company's logistics providers includes product resale price, quantity and end customer shipment information as well as remaining inventory on hand. At the time of shipment to a logistics provider, the Company records a trade receivable as there is a legally enforceable right to receive payment, reduces inventory for the value of goods shipped as legal title has passed to the logistics provider and defers the related margin as deferred revenue in the condensed consolidated balance sheets. Any price adjustments are recorded as a change to deferred revenue at the time the adjustments are agreed upon.

Arrangements with certain OEM customers provide for pricing that is dependent upon the end products into which the Company's SoCs are used. These arrangements may also entitle the Company to a share of the product margin ultimately realized by the OEM. The minimum guaranteed amount of revenue related to the sale of products subject to these arrangements is recognized when all other elements of revenue recognition are met. Any amounts at the date of shipment invoiced in excess of the minimum guaranteed contract price are deferred until the additional amounts the Company is entitled to are fixed or determinable. Additional amounts earned by the Company resulting from margin sharing arrangements and determination of the end products into which the products are ultimately incorporated are recognized when end customer sales volume is reported to the Company.

The Company also enters into engineering service agreements with certain customers. These agreements may include multiple deliverables, such as software development services, licensing for intellectual properties and post-contract customer support, or PCS. The Company does not sell separately any of these components and does not have Vendor Specific Objective Evidence, or VSOE, for the deliverables. Accordingly, revenues from these agreements are deferred for any amounts billed until delivery of all the elements. If the agreements include PCS, the revenues are recognized ratably over the estimated supporting periods.

### ***Cost of Revenue***

Cost of revenue includes cost of materials, cost associated with packaging and assembly, testing and shipping, cost of personnel, stock-based compensation, logistics and quality assurance, warranty cost, royalty expense, write-downs of inventories and allocation of overhead.

### ***Income Taxes***

The Company records income taxes using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in its financial statements or tax returns. In estimating future tax consequences, generally all expected future events other than enactments or changes in the tax law or rates are considered. Valuation allowances are provided when necessary to reduce deferred tax assets to the amount expected to be realized.

The Company applies authoritative guidance for the accounting for uncertainty in income taxes. The guidance requires that tax effects of a position be recognized only if it is “more likely than not” to be sustained based solely on its technical merits as of the reporting date. Upon estimating the Company’s tax positions and tax benefits, the Company considered and evaluated numerous factors, which may require periodic adjustments and which may not reflect the final tax liabilities. The Company adjusts its financial statements to reflect only those tax positions that are more likely than not to be sustained under examination.

As part of the process of preparing condensed consolidated financial statements, the Company is required to estimate its taxes in each of the jurisdictions in which it operates. The Company estimates actual current tax exposure together with assessing temporary differences resulting from differing treatment of items, such as accruals and allowances not currently deductible for tax purposes. These differences result in deferred tax assets, which are included in the condensed consolidated balance sheets. In general, deferred tax assets represent future tax benefits to be received when certain expenses previously recognized in the condensed consolidated statements of operations become deductible expenses under applicable income tax laws, or loss or credit carryforwards are utilized.

In assessing whether deferred tax assets may be realized, management considers whether it is more likely than not that some portion or all of deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income.

The Company makes estimates and judgments about its future taxable income based on assumptions that are consistent with its plans and estimates. Should the actual amounts differ from estimates, the amount of valuation allowance could be materially impacted. Any adjustment to the deferred tax asset valuation allowance would be recorded in the income statement for the periods in which the adjustment is determined to be required.

### ***Net Income Per Ordinary Share***

The Company applies the two-class method to calculate and present net income per ordinary share. Under the two-class method, net income is allocated between ordinary shares and other participating securities based on their participating rights. Participating securities are defined as securities that may participate in undistributed earnings with ordinary shares, whether that participation is conditioned upon the occurrence of a specified event or not. Basic net income per ordinary share is computed by dividing net income allocable to ordinary shares by the weighted-average number of ordinary shares outstanding for the period. Diluted net income per ordinary share is computed by dividing net income allocable to ordinary shares and income allocable to participating securities, to the extent they are dilutive, by the weighted-average number of ordinary shares outstanding, including the dilutive effects of participating securities on an if-converted basis plus the dilutive effects of ordinary shares. The Company’s potential dilutive ordinary share equivalents consist of incremental ordinary shares issuable upon the exercise of options, upon the issuance of shares pursuant to the Employee Stock Purchase Plan, or ESPP, and upon release of vested restricted stock units.

The Company performs an assessment as to whether instruments granted in stock-based payment transactions are participating securities. Stock-based payment awards that have not yet vested meet the definition of a participating security provided the right to receive the dividend is non-forfeitable and non-contingent. These participating securities should be included in the computation of basic net income per ordinary share under the two-class method. The Company has concluded that its non-vested early-exercised options meet the definition of a participating security and should be included in the computation of basic net income per ordinary share.

### ***Comprehensive Income (Loss)***

Comprehensive income (loss) includes unrealized gains or losses from available-for-sale securities that are excluded from net income.

## Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). The new guidance clarifies the principles and develops a common revenue recognition guidance for U.S. GAAP and International Financial Reporting Standards (the “IFRS”). Under the new guidance, an entity is required to recognize an amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The original effective date for the ASU would have required the Company to adopt the standard beginning in its first quarter of fiscal year 2018. In July 2015, the FASB voted to amend the ASU by approving a one-year deferral of the effective date as well as providing the option to early adopt the standard on the original effective date. Accordingly, the Company may adopt the standard in its first quarter of fiscal year 2019. The new revenue guidance may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of adoption. The Company is currently evaluating the impact of adoption on its financial position, results of operations and disclosures.

In August 2014, the FASB issued ASU No. 2014-15, Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern. In connection with each annual and interim period, management is required to assess whether there is substantial doubt about an entity’s ability to continue as a going concern within one year after the issuance date, and to provide related footnote disclosures in certain circumstances. The new guidance is effective for annual periods ending after December 15, 2016, and interim periods within annual periods beginning after December 15, 2016. Early adoption is permitted. This ASU is not expected to have an impact on the Company’s financial statements or disclosures.

In April 2015, the FASB issued ASU No. 2015-05, Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement. ASU No. 2015-05 provides the guidance of the accounting for fees paid by a customer in a cloud computing arrangement. If a cloud computing arrangement includes a license to internal-use software, then the entity should account for the software license consistent with the acquisition of internal-use software. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. The new guidance is effective for the Company beginning in its first quarter of fiscal year 2017. Early adoption is permitted. An entity can elect to adopt the guidance either (1) prospectively to all arrangements entered into or materially modified after the effective date or (2) retrospectively. This ASU is not expected to have an impact on the Company’s financial statements or disclosures.

In July 2015, the FASB issued ASU No. 2015-11, Simplifying the Measurement of Inventory. The new guidance changes the measurement principle for inventory from the lower of cost or market to lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. It applies to entities that measure inventory using a method other than last-in, first-out (LIFO) and the retail inventory method (RIM). The new guidance will be effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years and should be applied prospectively. Early adoption is permitted as of the beginning of an interim or annual reporting period. The Company is currently evaluating the impact of adoption on its financial position, results of operations and disclosures.

## 2. Financial Instruments and Fair Value

Beginning in fiscal year 2015, the Company invested a portion of its cash in debt securities that are denominated in United States dollars. The investment portfolio consists of money market funds, asset-backed securities, commercial paper, U.S. government securities, agency bonds and debt securities of corporations. All of the investments are classified as available-for-sale securities and reported at fair value in the condensed consolidated balance sheets. The following table summarizes the investments as of July 31, 2015 and January 31, 2015:

	As of July 31, 2015			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
	(in thousands)			
Money market funds	\$ 46	\$ —	\$ —	\$ 46
Commercial paper	1,498	—	—	1,498
Corporate bonds	30,649	1	(23)	30,627
Asset-backed securities	4,783	—	(1)	4,782
U.S. government securities	1,205	—	—	1,205
Agency bonds	2,066	—	(1)	2,065
Total cash equivalents and marketable securities	<u>\$ 40,247</u>	<u>\$ 1</u>	<u>\$ (25)</u>	<u>\$ 40,223</u>

	As of January 31, 2015			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
	(in thousands)			
Money market funds	\$ 2,427	\$ —	\$ —	\$ 2,427
Commercial paper	1,497	—	—	1,497
Corporate bonds	32,356	9	(10)	32,355
Asset-backed securities	3,851	—	—	3,851
Total cash equivalents and marketable securities	<u>\$ 40,131</u>	<u>\$ 9</u>	<u>\$ (10)</u>	<u>\$ 40,130</u>

	As of	
	July 31, 2015	January 31, 2015
	(in thousands)	
Included in cash equivalents	\$ 46	\$ 2,427
Included in marketable securities	40,177	37,703
Total cash equivalents and marketable securities	<u>\$ 40,223</u>	<u>\$ 40,130</u>

The contractual maturities of the investments at July 31, 2015 and January 31, 2015 were as follows:

	As of	
	July 31, 2015	January 31, 2015
	(in thousands)	
Due within one year	\$ 31,895	\$ 37,559
Due within one to two years	8,328	2,571
Total cash equivalents and marketable securities	<u>\$ 40,223</u>	<u>\$ 40,130</u>

The unrealized losses on the available-for-sale securities were caused by fluctuations in market value and interest rates as a result of the economic environment. As the decline in market value was attributable to changes in market conditions and not credit quality, and because the Company neither intended to sell nor was it more likely than not that it would be required to sell these investments prior to a recovery of par value, the Company did not consider these investments to be other-than temporarily impaired as of July 31, 2015.

The following fair value hierarchy is applied for disclosure of the inputs used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows:

Level 1—Inputs are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2—Inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the assets or liabilities, either directly or indirectly through market corroboration, for substantially the full term of the financial instruments.

Level 3—Unobservable inputs based on the Company's own assumptions used to measure assets and liabilities at fair value. The inputs require significant management judgment or estimation.

The Company measures the fair value of money market funds using quoted prices in active markets for identical assets and classifies them within Level 1. The fair value of the Company's investments in other debt securities are obtained based on quoted prices for similar assets in active markets, or model driven valuations using significant inputs derived from or corroborated by observable market data and are classified within Level 2.

The following table presents the fair value of the financial instruments measured on a recurring basis as of July 31, 2015 and January 31, 2015:

## As of July 31, 2015

	Total	Level 1	Level 2	Level 3
	(in thousands)			
Money market funds	\$ 46	\$ 46	\$ —	\$ —
Commercial paper	1,498	—	1,498	—
Corporate bonds	30,627	—	30,627	—
Asset-backed securities	4,782	—	4,782	—
U.S. government securities	1,205	—	1,205	—
Agency bonds	2,065	—	2,065	—
Total cash equivalents and marketable securities	\$ 40,223	\$ 46	\$ 40,177	\$ —

## As of January 31, 2015

	Total	Level 1	Level 2	Level 3
	(in thousands)			
Money market funds	\$ 2,427	\$ 2,427	\$ —	\$ —
Commercial paper	1,497	—	1,497	—
Corporate bonds	32,355	—	32,355	—
Asset-backed securities	3,851	—	3,851	—
Total cash equivalents and marketable securities	\$ 40,130	\$ 2,427	\$ 37,703	\$ —

### 3. Inventories

Inventory at July 31, 2015 and January 31, 2015 consisted of the following:

	As of	
	July 31, 2015	January 31, 2015
	(in thousands)	
Work-in-progress	\$ 12,721	\$ 13,805
Finished goods	15,052	7,888
Total	\$ 27,773	\$ 21,693

### 4. Property and Equipment, Net

Depreciation expense was approximately \$0.4 million and \$0.3 million for the three months ended July 31, 2015 and 2014, respectively. Depreciation expense was approximately \$0.8 million and \$0.6 million for the six months ended July 31, 2015 and 2014, respectively. Property and equipment at July 31, 2015 and January 31, 2015 consisted of the following:

	As of	
	July 31, 2015	January 31, 2015
	(in thousands)	
Computer equipment and software	\$ 5,766	\$ 5,310
Machinery and equipment	2,479	2,234
Furniture and fixtures	470	456
Leasehold improvements	1,235	1,215
Construction in progress	—	64
	9,950	9,279
Less: accumulated depreciation and amortization	(7,059)	(6,204)
Total property and equipment, net	\$ 2,891	\$ 3,075

## 5. Acquisition

On June 25, 2015, the Company completed the acquisition of VisLab S.r.l. (“VisLab”), a privately held Italian company that develops computer vision and intelligent control systems for automotive and other commercial applications, including Advanced Driver Assistance Systems and several generations of autonomous vehicle driving systems, for \$30.0 million in cash. This acquisition will enable extensive and robust computer vision support in future solutions targeting the Company’s core markets including automotive, IP security, wearable, and flying cameras. Of the total purchase price of \$30.0 million, \$4.1 million was attributed to intangible assets, \$25.3 million was attributed to goodwill, and \$0.6 million was attributed to net assets acquired. The goodwill represents the excess value of the purchase price over the aggregate fair value of the tangible and intangible assets acquired. The goodwill primarily represents the intangible assets that do not qualify for separate recognition and the future development initiatives of the assembled workforces. Goodwill is not expected to be deductible for tax purposes.

Pro forma result of operations for this acquisition has not been presented because it is not material to the consolidated results of operations, either individually or in aggregate.

## 6. Goodwill and Intangible Assets

On June 25, 2015, the Company completed the acquisition of VisLab. As a result, there were \$25.3 million of goodwill and \$4.1 million of intangible assets recorded in the condensed consolidated balance sheet. A deferred tax liability of \$1.3 million related to the intangible assets was recorded to account for the difference between financial reporting and tax basis at the acquisition date, with an addition to goodwill. The company does not amortize goodwill. The intangible assets primarily consist of IPR&D. Acquired IPR&D is capitalized at fair value as an intangible asset and amortization commences upon completion of the underlying projects. When a project underlying reported IPR&D is completed, the corresponding amount of IPR&D is reclassified as an amortizable purchased intangible asset and is amortized over its estimated useful life. There were no goodwill or intangible asset impairments for the six months ended July 31, 2015.

## 7. Accrued Liabilities

Accrued liabilities at July 31, 2015 and January 31, 2015 consisted of the following:

	As of	
	July 31, 2015	January 31, 2015
	(in thousands)	
Accrued employee compensation	\$ 10,665	\$ 11,318
Accrued warranty	187	203
Accrued rebates	864	254
Accrued product development costs	10,982	5,004
Other accrued liabilities	1,605	1,920
Total accrued liabilities	<u>\$ 24,303</u>	<u>\$ 18,699</u>

## 8. Deferred Revenue and Deferred Cost

Deferred revenue and related cost at July 31, 2015 and January 31, 2015 consisted of the following:

	As of	
	July 31, 2015	January 31, 2015
	(in thousands)	
Deferred revenue on product shipments	\$ 7,209	\$ 4,663
Deferred revenue from licenses & services	2,476	1,610
Deferred cost of revenue on product shipments	(2,513)	(1,168)
Total deferred revenue, net	<u>\$ 7,172</u>	<u>\$ 5,105</u>

## 9. Capital Stock

### Preference shares

After completion of the Company's initial public offering, or IPO, a total of 20,000,000 preference shares, with a \$0.00045 par value per share, were authorized. There were no preference shares issued and outstanding as of July 31, 2015 and January 31, 2015, respectively.

### Ordinary shares

As of July 31, 2015 and January 31, 2015, a total of 200,000,000 ordinary shares were authorized.

On February 1, 2015, the Company added 1,387,689 ordinary shares to the ordinary shares reserved for issuance, pursuant to an "evergreen" provision contained in the 2012 Equity Incentive Plan, or EIP. Pursuant to such provision, on February 1st of each fiscal year, the number of ordinary shares reserved for issuance under the EIP is automatically increased by a number equal to the lesser of (i) 3,500,000 ordinary shares, (ii) four and one half percent (4.5%) of the aggregate number of ordinary shares outstanding on January 31st of the preceding fiscal year, or (iii) a lesser number of shares that may be determined by the Company's Board of Directors.

On February 1, 2015, the Company added 385,469 ordinary shares to the ordinary shares reserved for issuance, pursuant to an "evergreen" provision contained in the 2012 Employee Stock Purchase Plan, or ESPP. Pursuant to such provision, on February 1st of each fiscal year, the number of ordinary shares reserved for issuance under the ESPP is automatically increased by a number equal to the lesser of (i) 1,500,000 ordinary shares, (ii) one and one quarter percent (1.25%) of the aggregate number of ordinary shares outstanding on such date, or (iii) an amount determined by the Company's Board of Directors or a duly authorized committee of the Board of Directors.

As of July 31, 2015 and January 31, 2015, the following ordinary shares were reserved for future issuance under the EIP and ESPP:

	As of	
	July 31, 2015	January 31, 2015
Shares reserved for options and restricted stock units	5,672,529	5,055,845
Shares reserved for employee stock purchase plan	1,000,672	667,990

## 10. Stock-based Compensation

The following table presents the classification of stock-based compensation for the periods indicated:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2015	2014	2015	2014
	(in thousands)			
Stock-based compensation:				
Cost of revenue	\$ 127	\$ 58	\$ 251	\$ 117
Research and development	3,671	1,629	6,765	3,219
Selling, general and administrative	2,323	1,262	4,587	2,487
Total stock-based compensation	\$ 6,121	\$ 2,949	\$ 11,603	\$ 5,823

As of July 31, 2015, total unrecognized compensation cost related to unvested stock options and unvested restricted stock units was \$10.8 million and \$66.5 million, respectively, and is expected to be recognized over a weighted-average period of 2.54 years and 3.48 years, respectively.

The following table sets forth the weighted-average assumptions used to estimate the fair value of stock options and employee stock purchase plan awards for the periods indicated:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2015	2014	2015	2014
<b>Stock Options:</b>				
Volatility	57%	64%	59%	65%
Risk-free interest rate	1.85%	1.90%	1.76%	1.93%
Expected term (years)	6.08	6.08	6.08	6.06
Dividend yield	0%	0%	0%	0%
<b>Employee stock purchase plan awards:</b>				
Volatility	—	—	63%	57%
Risk-free interest rate	—	—	0.15%	0.08%
Expected term (years)	—	—	0.5	0.5
Dividend yield	—	—	0%	0%

The following table summarizes stock option activities for the six months ended July 31, 2015:

	Option Outstanding					
	Shares	Weighted-Average Exercise Price	Weighted-Average Grant-date Fair Value	Total Intrinsic Value of options Exercised (in thousands)	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at January 31, 2015	2,281,909	\$ 13.00				
Granted	86,850	72.99	\$ 40.66			
Exercised	(419,683)	8.63		\$ 29,603		
Forfeited	(14,580)	40.93				
Outstanding at July 31, 2015	1,934,496	16.43			6.21	\$ 192,365
Exercisable at July 31, 2015	1,372,535	\$ 8.81			5.22	\$ 146,940
Vested and expected to vest at July 31, 2015	1,898,505	\$ 15.97			6.16	\$ 189,652

Exercisable shares include options with early exercise rights. The vested and expected-to-vest options are calculated based on vesting schedule of each grant as of the reporting date.

The intrinsic value of options outstanding, exercisable and expected-to-vest options are calculated based on the difference between the fair market value of the Company's ordinary shares on the reporting date and the exercise price. The closing price of the Company's ordinary shares was \$115.87 on July 31, 2015, as reported by The NASDAQ Global Market. The intrinsic value of exercised options is calculated based on the difference between the fair market value of the Company's ordinary shares on the exercise date and the exercise price.

The following table summarizes restricted stock units activities for the periods indicated:

	Shares	Weighted-Average Grant-Date Fair Value
Unvested at January 31, 2015	1,980,448	\$ 26.82
Granted	263,783	101.19
Vested	(351,907)	23.78
Forfeited	(10,969)	42.59
Unvested at July 31, 2015	1,881,355	\$ 37.72

As of July 31, 2015, the aggregate intrinsic value of unvested restricted stock units was \$218.0 million.



### Non-employee Stock-based Compensation

The fair value of awards granted to non-employees is determined on the date of grant and remeasured at the end of each reporting period until such awards vest. The non-employee stock-based compensation was not material for the three and six months ended July 31, 2015 and 2014, respectively.

### 11. Net Income Per Ordinary Share

The following table sets forth the computation of basic and diluted net income per ordinary share for the periods indicated:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2015	2014	2015	2014
(in thousands, except share and per share data)				
<b>Numerator:</b>				
Net income	\$ 23,097	\$ 9,310	\$ 41,951	\$ 14,570
Less: amount allocable to unvested early exercised options	—	(2)	—	(4)
Net income allocable to ordinary shareholders - basic	\$ 23,097	\$ 9,308	\$ 41,951	\$ 14,566
Undistributed earnings reallocated to ordinary shareholders	—	—	—	—
Net income allocable to ordinary shareholders - diluted	\$ 23,097	\$ 9,308	\$ 41,951	\$ 14,566
<b>Denominator:</b>				
Weighted-average ordinary shares outstanding	31,515,446	29,426,935	31,307,292	29,206,936
Less: weighted-average unvested early exercised options subject to repurchase	—	(5,735)	(56)	(8,425)
Weighted-average ordinary shares - basic	31,515,446	29,421,200	31,307,236	29,198,511
Effect of potentially dilutive securities:				
Employee stock options	1,351,924	1,879,067	1,374,810	1,994,912
Restricted stock units	1,028,899	599,234	995,092	627,368
Employee stock purchase plan	7,953	—	11,101	10,698
Weighted-average ordinary shares - diluted	33,904,222	31,899,501	33,688,239	31,831,489
Net income per ordinary share:				
Basic	\$ 0.73	\$ 0.32	\$ 1.34	\$ 0.50
Diluted	\$ 0.68	\$ 0.29	\$ 1.25	\$ 0.46

Earnings per share (EPS) of ordinary shares was calculated using the two-class method required for participating securities. Net income has been allocated to the ordinary shares and participating securities based on their respective rights to share in net income and weighted-average outstanding during the periods.

The following weighted-average potentially dilutive securities were excluded from the computation of diluted net income per ordinary share as their effect would have been antidilutive:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2015	2014	2015	2014
Options to purchase ordinary shares	13,081	193,633	42,257	156,550
Restricted stock units	93,002	52,978	46,501	42,167
Employee stock purchase plan	—	62,887	6,714	47,165
Early exercised options subject to repurchase	—	5,735	56	8,425
	106,083	315,233	95,528	254,307

## 12. Income Taxes

The following table provides details of income taxes for the periods indicated:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2015	2014	2015	2014
	(in thousands)			
Income before income taxes	\$ 25,048	\$ 10,203	\$ 45,400	\$ 16,179
Provision for income taxes	1,951	893	3,449	1,609
Effective tax rate	7.8%	8.8%	7.6%	9.9%

The Company files federal and state income tax returns in the United States and in various foreign jurisdictions. The tax years 2010 to 2014 remain open to examination by U.S. federal tax authorities. The tax years 2004 to 2014 remain open to examination by U.S. state tax authorities. The tax years 2010 to 2014 remain open to examination by material foreign tax authorities.

The Company is subject to ongoing tax examinations of its tax returns by the Internal Revenue Service and other tax authorities in various jurisdictions. The Company regularly assesses the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of its provision for income taxes. These assessments can require considerable estimates and judgments. As of July 31, 2015, the gross amount of unrecognized tax benefits was approximately \$4.7 million. If the estimates of income tax liabilities prove to be less than the ultimate assessment, then a further charge to expense would be required. If events occur and the payment of these amounts ultimately proves to be unnecessary, the reversal of the liabilities would result in tax benefits being recognized in the period in which the Company determines the liabilities are no longer necessary. The Company does not anticipate any material changes to its uncertain tax positions during the next twelve months.

## 13. Commitments and Contingencies

The Company leases its principal facilities and has time-based software licenses under operating leases with various expiration dates through April 2018. Net operating lease expenses for the three months ended July 31, 2015 and 2014 were approximately \$1.7 million and \$1.5 million, respectively. Net operating lease expenses for the six months ended July 31, 2015 and 2014 were approximately \$3.6 million and \$2.8 million, respectively. Future annual minimum payments under these operating leases with initial lease terms in excess of one year are as follows:

Fiscal Year	As of July 31, 2015 (in thousands)
2016	\$ 3,089
2017	5,120
2018	1,471
2019	237
2020	—
Total future annual minimum lease payments	\$ 9,917

### **Contract Manufacturer Commitments**

The Company's components and products are procured and built by independent contract manufacturers based on sales forecasts. These forecasts include estimates of future demand, historical trends, analysis of sales and marketing activities, and adjustment of overall market conditions. The Company regularly issues purchase orders to independent contract manufacturers which are cancelable only upon the agreement between the Company and the third-party. As of July 31, 2015 and January 31, 2015, total manufacturing purchase commitments were approximately \$34.0 million and \$27.5 million, respectively.

### **Indemnification**

The Company, from time to time, in the normal course of business, indemnifies certain vendors with whom it enters into contractual relationships. The Company has agreed to hold the other party harmless against third-party claims in connection with the Company's products. The Company also indemnifies certain customers against third party claims related to certain intellectual property matters. It is not possible to determine the maximum potential amount of liability under these indemnification obligations due to the unique facts and circumstances that are likely to be involved in each particular claim. The Company has not made payments under these obligations and no liabilities have been recorded for these obligations on the condensed consolidated balance sheets as of July 31, 2015 and January 31, 2015, respectively.

## 14. Segment Reporting

The Company operates in one reportable segment related to the development and sales of low-power, high-definition video products. The Chief Executive Officer of the Company has been identified as the Chief Operating Decision Maker (the “CODM”) and manages the Company’s operations as a whole and for the purpose of evaluating financial performance and allocating resources, the CODM reviews financial information presented on a consolidated basis accompanied by information by customer and geographic region.

### Geographic Revenue

The following table sets forth the Company’s revenue by geographic region for the periods indicated:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2015	2014	2015	2014
	(in thousands)			
Hong Kong	\$ 78,628	\$ 41,999	\$ 144,318	\$ 77,393
Asia Pacific	832	585	1,316	1,218
United States	1,360	1,721	2,566	3,868
North America other than United States	1,860	1,445	3,303	2,716
Europe	1,513	1,218	3,703	2,694
Total revenue	\$ 84,193	\$ 46,968	\$ 155,206	\$ 87,889

As of July 31, 2015, substantially all of the Company’s long-lived assets, property and equipment, net were located in the United States and Asia Pacific region with approximate net amount of \$1.7 million and \$1.1 million, respectively.

### Major Customers

The customers representing 10% or more of revenue and accounts receivable were Wintech, the Company’s logistic provider, and Chicony, a direct ODM customer, which combined accounted for approximately 91% and 88% of total revenue for the three months ended July 31, 2015 and 2014, respectively, and approximately 91% and 87% of total revenue for the six months ended July 31, 2015 and 2014, respectively. Accounts receivable with these two customers combined accounted for approximately \$37.9 million and \$36.2 million as of July 31, 2015 and January 31, 2015, respectively.

## 15. Related-Party Transactions

The Company considers an entity to be a related party if it owns more than 10% of the Company’s total voting stock at the end of each reporting period or if an officer or employee of an entity also serves on the Company’s board of directors or if it is a significant shareholder and has material business transactions with the Company.

In fiscal year 2015, the Company added additional software license commitments to its existing software license agreement with Cadence Design Systems, Inc. (“Cadence”). A member of the Company’s Board of Directors is also the Chief Executive Officer, President and a Director of Cadence. Under these license commitments, the Company committed to pay an aggregate amount of \$7.5 million payable through January 2017. The Company paid \$0.6 million under these agreements for the three months ended July 31, 2015 and 2014, respectively. The Company paid \$1.4 million and \$1.0 million under these agreements for the six months ended July 31, 2015 and 2014, respectively. License expenses related to these agreements included in research and development cost were approximately \$0.7 million and \$0.5 million for the three months ended July 31, 2015 and 2014, respectively. License expenses related to these agreements included in research and development cost were approximately \$1.4 million and \$0.7 million for the six months ended July 31, 2015 and 2014, respectively.

In addition to the related party transactions noted above, the Company recognized revenue from sales to Wintech, the Company’s logistics provider. Wintech, along with an affiliate, owned approximately 4.6% of the Company’s voting stock as of January 31, 2013, but is no longer a significant shareholder of the Company. The Company recognized revenue from sales to Wintech of approximately \$59.8 million and \$30.3 million for the three months ended July 31, 2015 and 2014, respectively. The Company recognized revenue from sales to Wintech of approximately \$105.1 million and \$58.5 million for the six months ended July 31, 2015 and 2014, respectively. As of July 31, 2015 and January 31, 2015, the Company had receivables from Wintech of approximately \$20.9 million and \$12.1 million, respectively.

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

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the unaudited condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q, and the consolidated financial statements and notes thereto for the fiscal year ended January 31, 2015 and management's discussion and analysis of our financial condition and results of operations included in our Annual Report on Form 10-K for the 2015 fiscal year filed with the SEC on March 30, 2015.*

*This Quarterly Report on Form 10-Q, including this "Management's discussion and analysis of financial condition and results of operations", includes a number of forward-looking statements that involve many risks and uncertainties. Forward-looking statements are identified by the use of the words "would," "could," "will," "may," "expect," "believe," "should," "anticipate," "outlook," "if," "future," "intend," "plan," "estimate," "predict," "potential," "targets," "seek" or "continue" and similar words and phrases, including the negatives of these terms, or other variations of these terms, that denote future events. Such statements include, but are not limited to, statements concerning our market opportunity, our ability to develop new solutions, our future financial and operating performance, sales and marketing strategy, investment strategy, research and development, customer and supplier relationships, industry trends, our cash needs and capital requirements, expectations about seasonality, taxes, and operating expenses. These statements reflect our current views with respect to future events and our potential financial performance and are subject to risks and uncertainties that could cause our actual results and financial position to differ materially and adversely from what is projected or implied in any forward-looking statements included in this Quarterly Report on Form 10-Q. These factors include, but are not limited to, the risks described under Item 1A of Part II — "Risk Factors," Item 2 of Part I — "Management's Discussion and Analysis of Financial Condition and Results of Operations," elsewhere in this Quarterly Report on Form 10-Q and those discussed in other documents we file with the SEC. We make these forward-looking statements based upon information available on the date of this Quarterly Report on Form 10-Q, and we have no obligation (and expressly disclaim any such obligation) to update or alter any forward-looking statements, whether as a result of new information or otherwise except as otherwise required by securities regulations.*

### Overview

We are a leading developer of semiconductor processing solutions for video that enable high-definition, or HD, video capture, sharing and display. We combine our processor design capabilities with our expertise in video and image processing algorithms and software to provide a technology platform that is designed to be easily scalable across multiple applications and enable rapid and efficient product development. Our system-on-a-chip, or SoC, designs fully integrate HD video processing, image processing, audio processing and system functions onto a single chip, delivering exceptional video and image quality, differentiated functionality and low power consumption.

We sell our solutions to leading original design manufacturers, or ODMs, and original equipment manufacturers, or OEMs, globally. We refer to ODMs as our customers and OEMs as our end customers, except as otherwise indicated or as the context otherwise requires. In the camera market, our solutions enable the creation of high-quality video content primarily for wearable sports cameras, Internet Protocol, or IP, security cameras, and automotive aftermarket cameras. In the infrastructure market, our solutions efficiently manage IP video traffic, broadcast encoding, transcoding and IP video delivery applications.

Our sales cycles typically require a significant investment of time and a substantial expenditure of resources before we can realize revenue from the sale of our solutions, if any. Our typical sales cycle consists of a multi-month sales and development process involving our customers' system designers and management along with our sales personnel and software engineers. If successful, this process culminates in a customer's decision to use our solutions in its system, which we refer to as a design win. Our sales efforts are typically directed to the OEM of the product that will incorporate our video and image processing solution, but the eventual design and incorporation of our SoC into the product may be handled by an ODM on behalf of the OEM. Volume production may begin within six to 18 months after a design win, depending on the complexity of our customer's product and other factors upon which we may have little or no influence. Once one of our solutions has been incorporated into a customer's design, we believe that our solution is likely to remain a component of the customer's product for its life cycle because of the time and expense associated with redesigning a product or substituting an alternative solution. Conversely, a design loss to a competitor will likely preclude any opportunity for us to generate future revenue from such customer's product.

## Financial Highlights and Trends

- We recorded revenue of \$84.2 million and \$155.2 million for the three and six months ended July 31, 2015, respectively. This represented increases of 79.3% and 76.6% for the three and six months ended July 31, 2015, respectively, as compared to the same periods in fiscal year 2015. The increases were primarily due to strong demand for our A9, A7L and S2L SoCs in the wearable sports, IP security, unmanned aerial vehicle or UAV, and automotive aftermarket camera markets. The strong growth in the wearable sports and IP security camera markets reflected a broader adoption of our SoCs by current customers as well as the addition of new customers. Although UAVs are in the early stage of market adoption, we experienced strong growth in the quarter ended July 31, 2015 due to the launch of new models from an existing customer and initial adoption of our SoCs by new customers. In the automobile aftermarket, revenues continued to increase as customer demand for more feature-rich products has improved our competitive position in the Asia markets. The increases were partially offset by a year-over-year decline in the infrastructure market resulting from continued weak market conditions in the United States and Europe as system manufacturers continue to delay investment in network upgrades to the new H.265 compression technology.
- We recorded operating income of \$24.9 million and \$45.2 million for the three and six months ended July 31, 2015, respectively, as compared to \$10.2 million and \$16.1 million for the three and six months ended July 31, 2014, respectively. The increase was primarily due to continuous growth in revenue, as well as efficient control of product cost and operating expenses.
- We generated cash flows from operating activities of \$57.2 million for the six months ended July 31, 2015, as compared to \$18.8 million for the six months ended July 31, 2014. The increase was primarily attributable to increased net income, adjusted for increased non-cash stock-based compensation expense, improved accounts receivable collection and increased deferred revenue associated with the timing of inventory shipments by our logistics providers and cash proceeds prior to delivery of engineering services. The increase was partially offset by decreased liabilities associated with the timing of payments to suppliers and increased inventory purchases to support the continued growth in sales.
- On June 25, 2015, we completed the acquisition of VisLab S.r.l., a privately-held Italian company that develops computer vision and intelligent control systems for automotive and other commercial applications, including Advanced Driver Assistance Systems and several generations of autonomous vehicle driving systems, for \$30.0 million in cash. Of this total purchasing price, \$4.1 million was attributed to intangible assets, \$25.3 million was attributed to goodwill, and \$0.6 million was attributed to net assets acquired.

## Factors Affecting Our Performance

*Design Wins.* We closely monitor design wins by customer and end market. We consider design wins to be critical to our future success, although the revenue generated by each design win can vary significantly. Our long-term sales expectations are based on forecasts from customers and internal estimations of customer demand factoring in the expected time to market for end customer products incorporating our solutions and associated revenue potential.

*Pricing, Product Cost and Margin.* Our pricing and margins depend on the volumes and the features of the solutions we provide to our customers. Additionally, we make significant investments in new solutions for both cost improvements and new features that we expect to drive revenue and maintain margins. In general, solutions incorporated into more complex configurations, such as those used in the infrastructure market, have higher prices and higher gross margins as compared to solutions sold into the camera market. Our average selling price, or ASP, can vary by market and application due to market-specific supply and demand, the maturation of products launched in previous years and the launch of new products.

We continually monitor the cost of our solutions. As we rely on third-party manufacturers for the production of our products, we maintain a close relationship with these suppliers to continually monitor production yields, component costs and design efficiencies.

*Shifting Consumer Preferences.* Our revenue is subject to consumer preferences, regarding form factor and functionality, and how those preferences impact the video and image capture electronics that we support. For example, improved smartphone video capture capabilities, and the rapid adoption by consumers, led to the decline of pocket video cameras aimed at the video and image capture market. The current video and image capture market is now characterized by a greater volume of more specialized video and image capture devices that are less likely to be replaced with smartphones, such as wearable sports cameras, IP security cameras and automotive aftermarket cameras. This increasing specialization of video capture devices has changed our customer base and end markets and has impacted our revenue. In the future, we expect further changes in the market to continue to impact our business performance.

*Continued Concentration of Revenue by End Market.* Historically, our revenue has been significantly concentrated in a small number of end markets. In fiscal year 2010, the majority of our revenue came from the pocket video, camcorder and infrastructure markets. Over the last five years, we have continued to provide solutions for the camcorder and infrastructure markets, but also have expanded our focus to include the wearable sports, IP security and automotive aftermarket camera markets. We believe our entry into these markets will continue to facilitate revenue growth and customer diversification. While we will continue to expand our end market exposure, such as to non-sports wearable cameras and unmanned aerial vehicles, or UAVs, we anticipate that sales to a limited number of end markets will continue to account for a significant percentage of our total revenue for the foreseeable future. Our end market concentration may cause our financial performance to fluctuate significantly from period to period based on the success or failure of the video capture markets in which we compete. In addition, we derive a significant portion of our revenue from a limited number of ODMs who build products on behalf of a limited number of OEMs and from a limited number of OEMs to whom we ship directly. We believe that our operating results for the foreseeable future will continue to depend on sales to a relatively small number of customers.

*Ability to Capitalize on Connectivity Trend.* Mobile connected devices are ubiquitous today and play an increasingly prominent role in consumers' lives. The constant connectivity provided by these devices has created a demand for connected electronic peripherals such as video and image capture devices. Our ability to capitalize on these trends by supporting our end customers in the development of connected peripherals that seamlessly cooperate with other connected devices and allow consumers to distribute and share video and images with online media platforms is critical for our success. We have added wireless communication functionality into our solutions for wearable sports cameras, IP security and automotive aftermarket cameras. The combination of our compression technology with wireless connectivity enables wireless video streaming and uploading of videos and images to the Internet. Our solutions enable IP security camera systems to stream video content to either cloud infrastructure or connected mobile devices, and our solutions for wearable sports cameras allow consumers to quickly stream or upload video and images to social media platforms.

*Sales Volume.* A typical design win can generate a wide range of sales volumes for our solutions, depending on the end market demand for our customers' products. This can depend on several factors, including the reputation of the end customer, market penetration, product capabilities, size of the end market that the product addresses and our end customers' ability to sell their products. In certain cases, we may provide volume discounts on sales of our solutions, which may be offset by lower manufacturing costs related to higher volumes. In general, our customers with greater market penetration and better branding tend to develop products that generate larger volumes over the product life cycle.

*Customer Product Life Cycle.* We estimate our customers' product life cycles based on the customer, type of product and end market. In general, products launched in the camera market have shorter life cycles than those sold into the infrastructure market. We typically commence commercial shipments from six to 18 months following a design win; however, in some markets, more lengthy product and development cycles are possible, depending on the scope and nature of the project. A portable consumer device typically has a product life cycle of six to 18 months. In the infrastructure market, the product life cycle can range from 24 to 60 months.

## Results of Operations

The following table sets forth a summary of our statement of operations for the periods indicated:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2015	2014	2015	2014
	(dollars in thousands)			
Revenue	\$ 84,193	\$ 46,968	\$ 155,206	\$ 87,889
Cost of revenue	29,345	16,432	54,440	31,757
Gross profit	54,848	30,536	100,766	56,132
Operating expenses:				
Research and development	20,840	13,497	37,423	26,411
Selling, general and administrative	9,087	6,875	18,097	13,630
Total operating expenses	29,927	20,372	55,520	40,041
Income from operations	24,921	10,164	45,246	16,091
Other income	127	39	154	88
Income before income taxes	25,048	10,203	45,400	16,179
Provision for income taxes	1,951	893	3,449	1,609
Net income	\$ 23,097	\$ 9,310	\$ 41,951	\$ 14,570

The following table sets forth operating results as a percentage of revenue of each line item for the periods indicated:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2015	2014	2015	2014
Revenue	100%	100%	100%	100%
Cost of revenue	35	35	35	36
Gross profit	65	65	65	64
Operating expenses:				
Research and development	25	29	24	30
Selling, general and administrative	11	15	12	16
Total operating expenses	36	44	36	46
Income from operations	29	21	29	18
Other income (loss), net	—	—	—	—
Income before income taxes	29	21	29	18
Provision for income taxes	2	2	2	2
Net income	27%	19%	27%	16%

### **Revenue**

We derive substantially all of our revenue from the sale of HD video and image processing SoC solutions to OEMs and ODMs, either directly or through our logistics providers. Our SoC solutions have been used in the camera and infrastructure markets, although we expect the primary market for our solutions for the foreseeable future will be in the camera market as the infrastructure market continues to decline due to delays in investments in network upgrades. We derive a substantial portion of our revenue from sales made indirectly through our logistics provider, Wintech Microelectronics Co., Ltd., or Wintech, and directly to one large ODM customer, Chicony Electronics Co., Ltd., or Chicony.

We typically experience seasonal fluctuations in our quarterly revenue with our third fiscal quarter normally being the highest revenue quarter. This fluctuation has been driven primarily by increased sales in the camera market as our customers build inventories in preparation for the holiday shopping season. More generally, our average selling prices fluctuate based on the mix of our solutions sold in a period which reflects the impact of both changes in unit sales of existing solutions as well as the introduction and sales of new solutions. Our solutions are typically characterized by a life cycle that begins with higher average selling prices and lower volumes, followed by broader market adoption, higher volumes and average selling prices that are lower than initial levels.

The end markets into which we sell our products have seen significant changes as consumer preferences have evolved in response to new technologies. As a result, the composition of our revenue may differ meaningfully during periods of technology or consumer preference changes. We expect shifts in consumer use of video capture to continue to change over time, as more specialized use cases emerge and video capture continues to proliferate.

### **Cost of Revenue and Gross Margin**

Cost of revenue includes the cost of materials such as wafers processed by third-party foundries, costs associated with packaging, assembly and test, and our manufacturing support operations such as logistics, planning and quality assurance. Cost of revenue also includes indirect costs such as warranty, inventory valuation reserves and other general overhead costs.

We expect that our gross margin may fluctuate from period to period as a result of changes in average selling price, product mix and the introduction of new products by us or our competitors. In general, solutions incorporated into more complex configurations, such as those used in the infrastructure market, have higher prices and higher gross margins, as compared to solutions sold into the camera market. As semiconductor products mature and unit volumes sold to customers increase, their average selling prices typically decline. These declines may be paired with improvements in manufacturing yields and lower wafer, packaging and test costs, which offset some of the margin reduction that could result from lower selling prices. We believe that our gross margin will decline in the future as we continue to penetrate the highly competitive camera market and as we launch our solutions into new markets.

### **Research and Development**

Research and development expense consists primarily of personnel costs, including salaries, stock-based compensation and employee benefits. The expense also includes costs of development incurred in connection with our collaborations with our foundry vendors, costs of licensing intellectual property from third parties for product development, costs of development for software and hardware tools, cost of fabrication of mask sets for prototype products, and allocated depreciation and facility expenses. All research and development costs are expensed as incurred. We expect our research and development expense to increase in absolute dollars as we continue to enhance and expand our product features and offerings.

### **Selling, General and Administrative**

Selling, general and administrative expense consists primarily of personnel costs, including salaries, stock-based compensation and employee benefits for our sales, marketing, finance, human resources, information technology and administrative personnel. The expense also includes professional service costs related to accounting, tax, legal services, and allocated depreciation and facility expenses. We expect our selling expense to increase in absolute dollars as we expand the size of our sales and marketing organization to support our anticipated growth. We expect our general and administrative expense to increase in absolute dollars but remain relatively flat as a percentage of revenue as we continue to develop the infrastructure necessary to operate as a public company, which includes increased audit and legal fees, costs to comply with the Sarbanes-Oxley Act of 2002, the rules and regulations applicable to companies listed on The NASDAQ Stock Market, investor relations costs, and higher insurance premiums.

### **Other Income**

Other income consists primarily of investment interest income and net of gains and losses from foreign currency transactions and remeasurements.

### **Provision for Income Taxes**

We are incorporated in the Cayman Islands and conduct business in several countries such as the United States, China, Taiwan, Hong Kong, Italy, South Korea and Japan, and we are subject to taxation in those jurisdictions. As such, our worldwide operating income is subject to varying tax rates and our effective tax rate is highly dependent upon the geographic distribution of our earnings or losses and the tax laws and regulations in each geographical region, by changes in the valuation of our deferred tax assets and liabilities; by expiration of or lapses in the R&D tax credit; by transfer pricing adjustments and by tax effects of nondeductible compensation. We have experienced lower effective tax rates as a substantial percentage of our operations are conducted in lower-tax jurisdictions. If our operational structure was to change in such a manner that would increase the amount of operating income subject to taxation in higher-tax jurisdictions, or if we were to commence operations in jurisdictions assessing relatively higher tax rates, our effective tax rate could fluctuate significantly on a quarterly basis and/or be adversely affected.

Significant judgment is required in evaluating our uncertain tax positions and determining our provision for income taxes. Although we believe our reserves are reasonable, no assurance can be given that the final tax outcome of these matters will not be different from that which is reflected in our historical income tax provisions and accruals. We adjust these reserves in light of changing facts and circumstances, such as the closing of a tax audit or the refinement of an estimate. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact the provision for income taxes in the period in which such determination is made. The provision for income taxes includes the impact of reserve provisions and changes to reserves that are considered appropriate, as well as the related net interest and penalties.

Significant judgment is also required in determining any valuation allowance recorded against deferred tax assets. In assessing the need for a valuation allowance, we consider all available evidence, including past operating results, estimates of future taxable income, and the feasibility of tax planning strategies. In the event that we change our determination as to the amount of deferred tax assets that can be realized, we will adjust our valuation allowance with a corresponding impact to the provision for income taxes in the period in which such determination is made.

### **Comparison of the Three and Six Months Ended July 31, 2015 and 2014**

#### **Revenue**

	Three Months Ended July 31,		Change		Six Months Ended July 31,		Change	
	2015	2014	Amount	%	2015	2014	Amount	%
Revenue	\$ 84,193	\$ 46,968	\$ 37,225	79.3%	\$ 155,206	\$ 87,889	\$ 67,317	76.6%

(dollars in thousands)



The increased revenue for the three and six months ended July 31, 2015 were primarily due to strong demand for our A9, A7L and S2L SoCs in the wearable sports, IP security, unmanned aerial vehicle or UAV, and automotive aftermarket camera markets. The strong growth in the wearable sports and IP security camera markets reflected a broader adoption of our SoCs by current customers as well as the addition of new customers. Although UAVs are in the early stage of market adoption, we experienced strong growth in the quarter ended July 31, 2015 due to the launch of new models from an existing customer and initial adoption of our SoCs by new customers. In the automobile aftermarket, revenues continued to increase as customer demand for more feature-rich products has improved our competitive position in the Asia markets.

The increases were partially offset by a year-over-year decline in the infrastructure market resulting from continued weak market conditions in the United States and Europe as system manufacturers continue to delay investment in network upgrades to the new H.265 compression technology. Infrastructure revenue declined as a percentage of total revenue from 6.8% for the three months ended July 31, 2014 to 3.0% for the three months ended July 31, 2015, and declined as a percentage of total revenue from 8.5% for the six months ended July 31, 2014 to 3.5% for the six months ended July 31, 2015.

### Cost of Revenue and Gross Margin

	Three Months Ended July 31,		Change		Six Months Ended July 31,		Change	
	2015	2014	Amount	%	2015	2014	Amount	%
	(dollars in thousands)							
Cost of revenue	\$ 29,345	\$ 16,432	\$ 12,913	78.6%	\$ 54,440	\$ 31,757	\$ 22,683	71.4%
Gross profit	54,848	30,536	24,312	79.6%	100,766	56,132	44,634	79.5%
Gross margin	65.1%	65.0%	—	0.1%	64.9%	63.9%	—	1.0%

Cost of revenue increased for the three and six months ended July 31, 2015 primarily due to an increase in the number of SoCs sold into the camera markets. The increase was partially offset by cost reductions received from suppliers for certain SoCs due to increased purchase volumes.

Gross margin increased for the three and six months ended July 31, 2015 compared to the same periods in the prior fiscal year primarily due to a higher percentage of revenues associated with higher gross margin shipments of our A9, A7L and S2L chips into the camera markets, primarily led by the increased revenues from the UAV market. The increase was partially offset by continuing reduction in the higher gross margin infrastructure business. Infrastructure revenue declined as a percentage of total revenue from 6.8% for the three months ended July 31, 2014 to 3.0% for the three months ended July 31, 2015, and declined as a percentage of total revenue from 8.5% for the six months ended July 31, 2014 to 3.5% for the six months ended July 31, 2015.

### Research and Development

	Three Months Ended July 31,		Change		Six Months Ended July 31,		Change	
	2015	2014	Amount	%	2015	2014	Amount	%
	(dollars in thousands)							
Research and development	\$ 20,840	\$ 13,497	\$ 7,343	54.4%	\$ 37,423	\$ 26,411	\$ 11,012	41.7%

Research and development expense increased for the three and six months ended July 31, 2015 compared to the same periods in the prior fiscal year primarily due to increases in engineering headcount and product development costs. Our research and development engineering headcount increased to 443 at July 31, 2015 compared to 352 at July 31, 2014, including 29 employees hired upon completion of the VisLab acquisition on June 25, 2015. The increased engineering headcount resulted in increases in salary related expenses of approximately \$2.7 million and \$3.7 million for the three and six months ended July 31, 2015, respectively. The increases were also attributable to additional stock-based compensation of approximately \$2.1 million and \$3.7 million for the three and six months ended July 31, 2015, respectively, as a result of the issuance of options and restricted stock units for newly hired employees, our annual evergreen stock program for existing employees and the increase in the fair market value of the Company's ordinary shares. The product development costs increased by approximately \$3.0 million and \$5.1 million for the three and six months ended July 31, 2015, respectively. The increased product development costs were partially offset by \$0.9 million and \$1.8 million in payments from customers who agreed to share development costs for the three and six months ended July 31, 2015, respectively.

## Selling, General and Administrative

	Three Months Ended July 31,		Change		Six Months Ended July 31,		Change	
	2015	2014	Amount	%	2015	2014	Amount	%
	(dollars in thousands)							
Selling, general and administrative	\$ 9,087	\$ 6,875	\$ 2,212	32.2%	\$ 18,097	\$ 13,630	\$ 4,467	32.8%

Selling, general and administrative expense increased for the three and six months ended July 31, 2015 compared to the same periods in the prior fiscal year primarily due to increases in headcount and outside professional services. Our selling, general and administrative headcount increased to 155 at July 31, 2015 compared to 141 at July 31, 2014, resulting in increases in salary related expenses of approximately \$0.6 million and \$1.2 million for the three and six months ended July 31, 2015, respectively. The increases were also attributable to additional stock-based compensation of approximately \$1.1 million and \$2.1 million for the three and six months ended July 31, 2015, respectively, as a result of the issuance of options and restricted stock units for newly hired employees, our annual evergreen stock program for existing employees and the increase in the fair market value of the Company's ordinary shares. In addition, we incurred approximately \$0.5 million and \$0.9 million of additional expenditures on outside professional services for the three and six months ended July 31, 2015, respectively, to support the VisLab acquisition and rapid growth of our business.

## Other Income

	Three Months Ended July 31,		Change		Six Months Ended July 31,		Change	
	2015	2014	Amount	%	2015	2014	Amount	%
	(dollars in thousands)							
Other income	\$ 127	\$ 39	\$ 88	225.6%	\$ 154	\$ 88	\$ 66	75.0%

The increases in other income for the three and six months ended July 31, 2015 compared to the same periods in the prior fiscal year were primarily due to fluctuations in exchange rates for foreign currency transactions and net interest income from securities investments.

## Provision for Income Taxes

	Three Months Ended July 31,		Change		Six Months Ended July 31,		Change	
	2015	2014	Amount	%	2015	2014	Amount	%
	(dollars in thousands)							
Provision for income taxes	\$ 1,951	\$ 893	\$ 1,058	118.5%	\$ 3,449	\$ 1,609	\$ 1,840	114.4%
Effective tax rate	7.8%	8.8%	—	(1.0)%	7.6%	9.9%	—	(2.3)%

The decreases in effective tax rates for the three and six months ended July 31, 2015 compared to the same periods in the prior fiscal year were primarily due to a higher geographic mix of profits generated in lower tax jurisdictions and the tax effects of higher deductible stock-based compensation expenses. The quarterly income taxes reflect an estimation of the corresponding fiscal year's annual effective tax rate and include, when applicable, adjustments from discrete tax items arising in that quarter.

## Liquidity and Capital Resources

As of July 31, 2015 and January 31, 2015, we had cash, cash equivalents and marketable securities of approximately \$239.8 million and \$208.0 million, respectively. In fiscal year 2015, we began investing in highly liquid, short-term marketable securities. We hold these investments as available-for-sale securities and mark them to market. As of July 31, 2015, these securities had a fair value of approximately \$40.2 million with insignificant unrealized gains and losses caused by fluctuations in market value and interest rates.

## Cash Flows

The following table summarizes our cash flows for the periods indicated:

	<u>Six Months Ended July 31,</u>	
	<u>2015</u>	<u>2014</u>
	(in thousands)	
Net cash provided by operating activities	\$ 57,240	\$ 18,846
Net cash used in investing activities	(33,373)	(39,477)
Net cash provided by financing activities	5,419	5,500
Net increase (decrease) in cash and cash equivalents	<u>\$ 29,286</u>	<u>\$ (15,131)</u>

### *Net Cash Provided by Operating Activities*

Net cash provided by operating activities increased for the six months ended July 31, 2015 primarily due to increased net income, adjusted for increased non-cash stock-based compensation expense, improved accounts receivable collection and increased deferred revenue associated with the timing of inventory shipments by our logistics providers and cash proceeds prior to delivery of engineering services. The increase was partially offset by decreased liabilities associated with the timing of payments to suppliers and increased inventory purchases to support the continued growth in sales.

### *Net Cash Used in Investing Activities*

Net cash used in investing activities decreased for the six months ended July 31, 2015 compared to the six months ended July 31, 2014 primarily due to the receipt of approximately \$22.9 million in cash during the six months ended July 31, 2015 from the partial selling and maturities of debt securities and, as a result of the timing of reinvestments, a decrease in our holdings of debt securities by approximately \$13.1 million, partially offset by the payment of \$30.0 million for the acquisition of VisLab in the second quarter of fiscal year 2016.

### *Net Cash Provided by Financing Activities*

Net cash provided by financing activities decreased for the six months ended July 31, 2015 compared to the same period in the prior fiscal year primarily due to decreased income tax benefits associated with stock-based compensation. The decrease was partially offset by additional cash proceeds from option exercises and contributions from participants in the employee stock purchase plan.

### *Operating and Capital Expenditure Requirements*

We have generated net income in each quarter beginning with the first quarter of fiscal year 2010, and we have generated cash from operations in each of fiscal years 2009 to 2015 and for the three months ended April 30, 2015. We believe that our anticipated cash generated from operations and our existing cash balances will be sufficient to meet our anticipated cash requirements through at least the next 12 months. In the future, we expect our operating and capital expenditures to increase as we increase headcount, expand our business activities, implement and enhance our information technology platforms and to meet the requirements of the Sarbanes-Oxley Act. We expect our accounts receivable and inventory balances to increase, and could be partially offset by increases in accounts payable, which will result in a greater need for working capital. If our available cash balances are insufficient to satisfy our future liquidity requirements, we may seek to sell equity or convertible debt securities or borrow funds commercially. The sale of equity and convertible debt securities may result in dilution to our shareholders and those securities may have rights senior to those of our ordinary shares. If we raise additional funds through the issuance of convertible debt securities, these securities could contain covenants that would restrict our operations. We may require additional capital beyond our currently anticipated amounts. Additional capital may not be available to us on reasonable terms, or at all.

*Our short- and long-term capital requirements will depend on many factors, including the following:*

- our ability to generate cash from operations;
- our ability to control our costs;
- the emergence of competing or complementary technologies or products;
- the costs of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights, or participating in litigation-related activities; and
- our acquisition of complementary businesses, products and technologies.

## Contractual Obligations, Commitments and Contingencies

The following table summarizes our outstanding contractual obligations as of July 31, 2015:

	Payment Due by Period as of July 31, 2015					
	(in thousands)					
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years	All Other
<b>Contractual Obligations</b>						
Facilities under operating leases	\$ 4,127	\$ 944	\$ 2,946	\$ 237	\$ —	\$ —
Technology license or other obligations under operating leases	5,790	2,145	3,645	—	—	—
Purchase obligations	34,035	34,035	—	—	—	—
Uncertain tax liabilities	1,414	—	—	—	—	1,414
Total	<u>\$ 45,366</u>	<u>\$ 37,124</u>	<u>\$ 6,591</u>	<u>\$ 237</u>	<u>\$ —</u>	<u>\$ 1,414</u>

As of July 31, 2015, we had purchase obligations with our independent contract manufacturers of \$34.0 million.

Uncertain tax liabilities represent our potential liabilities related to uncertain tax positions as of July 31, 2015. We are unable to reasonably estimate the timing of payments in individual years due to uncertainties in the timing of the effective settlement of tax positions.

## Off-Balance Sheet Arrangements

As of July 31, 2015, we did not engage in any off-balance sheet arrangements, including the use of structured finance, special purpose entities or variable interest entities.

## Recent Authoritative Accounting Guidance

See Note 1 to our unaudited condensed consolidated financial statements for information regarding recently issued accounting pronouncements.

## Critical Accounting Policies and Significant Management Estimates

There have been no material changes to our critical accounting policies and estimates as compared to the critical accounting policies and estimates described in our Annual Report on Form 10-K for the 2015 fiscal year filed with the SEC on March 30, 2015, except business combination, goodwill and in-process research and development.

### *Business Combinations and Intangible Assets*

We allocate the fair value of purchase price to the assets acquired and liabilities assumed based on their estimated fair values. The excess of the fair value of purchase price over the fair values of these identifiable assets and liabilities is recorded as goodwill. When determining the fair values of assets acquired and liabilities assumed, especially with respect to intangible assets, management makes significant estimates and assumptions.

Critical estimates in valuing certain intangible assets include, but are not limited to, replacement cost. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates.

### *Goodwill and In-Process Research and Development*

Goodwill and in-process research and development (IPR&D) are required to be tested for impairment at least annually or sooner whenever events or changes in circumstances indicate that the assets may be impaired. We have a single reporting unit for goodwill impairment test purposes based on our business and reporting structure.

We do not amortize goodwill. Acquired IPR&D is capitalized at fair value as an intangible asset and amortization commences upon completion of the underlying projects. When a project underlying reported IPR&D is completed, the corresponding amount of IPR&D is reclassified as an amortizable purchased intangible asset and is amortized over its estimated useful life.

### **ITEM 3. Quantitative and Qualitative Disclosures about Market Risk**

As of July 31, 2015 and January 31, 2015, we had cash, cash equivalents, marketable securities and restricted cash totaling \$239.8 million and \$208.0 million, respectively. Our cash and restricted cash consist of deposits in standard bank accounts and certificates of deposit. The cash equivalents and marketable securities consist primarily of investments in debt securities. Our cash is held for working capital purposes. We do not enter into investments for trading or speculative purposes.

#### *Interest Rate Fluctuation Risk*

The primary objectives of our investment activities are to preserve principal, provide liquidity and maximize income without significantly increasing risk. Some of the securities we invest in are subject to market risk. This means that a change in prevailing interest rates may cause the principal amount of the investment to fluctuate. To minimize this risk, we maintain our portfolio of short-term investments in a variety of debt securities with high liquidity. We do not enter into investments for trading or speculative purposes. A 10% change in interest rates will not have a material impact on our future interest income or investment fair value. The risk associated with fluctuating interest rates is limited to our investment portfolio.

#### *Foreign Currency Risk*

To date, all of our product sales and inventory purchases have been denominated in U.S. dollars. We therefore have not had any foreign currency risk associated with these two activities. The functional currency of all of our entities is the U.S. dollar. Our operations outside of the United States incur operating expenses and hold assets and liabilities denominated in foreign currencies, principally the New Taiwan Dollar and the Chinese Yuan Renminbi. Our results of operations and cash flows are, therefore, subject to fluctuations due to changes in foreign currency exchange rates, and certain currency exchange rates, such as the exchange rate between the Chinese Yuan Renminbi and the U.S. Dollar, have been especially volatile in the recent past. Given that the operating expenses that we incur in currencies other than U.S. dollars have not been a significant percentage of our total revenue, we believe that the exposure to foreign currency fluctuation risk from operating expenses is not material at this time. As we grow our operations, our exposure to foreign currency risk could become more significant. To date, we have not entered into any foreign currency exchange contracts and currently do not expect to enter into foreign currency exchange contracts for trading or speculative purposes.

### **ITEM 4. Controls and Procedures**

#### *Evaluation of Disclosure Controls and Procedures*

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. The term “disclosure controls and procedures” (as defined in Rules 13a- 15(e) and 15d- 15(e)) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Based upon such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of July 31, 2015, our disclosure controls and procedures were effective at the reasonable assurance level.

#### *Changes in Internal Control over Financial Reporting*

There were no changes in our internal control over financial reporting during the Company’s fiscal quarter ended July 31, 2015 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

#### *Inherent Limitations of Disclosure Controls and Internal Control over Financial Reporting*

Because of their inherent limitations, our disclosure controls and procedures and our internal control over financial reporting may not prevent material errors or fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. The effectiveness of our disclosure controls and procedures and our internal control over financial reporting is subject to risks, including that the controls may become inadequate because of changes in conditions or that the degree of compliance with our policies or procedures may deteriorate.

## PART II – OTHER INFORMATION

### ITEM 1. Legal Proceedings

We are not engaged in any material legal proceedings at this time.

### ITEM 1A. Risk Factors

*Certain factors may have a material adverse effect on our business, financial condition and results of operations. You should consider carefully the risks and uncertainties described below, in addition to other information contained in this Quarterly Report on Form 10-Q, including our unaudited condensed consolidated financial statements and related notes. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that adversely affect our business. If any of the following risks actually occurs, our business, financial condition, results of operations, and future prospects could be materially and adversely affected. In that event, the trading price of our ordinary shares could decline, and you could lose part or all of your investment.*

#### **Risks Related to Our Business and Our Industry**

***If our customers do not design our solutions into their product offerings, or if our customers' product offerings are not commercially successful, our business would suffer.***

We sell our video and image processing system-on-a-chip, or SoC, solutions to original equipment manufacturers, or OEMs, who include our SoCs in their products, and to original design manufacturers, or ODMs, who include our SoCs in the products that they supply to OEMs. We refer to ODMs as our customers and OEMs as our end customers, except as otherwise indicated or as the context otherwise requires. Our video and image processing SoCs are generally incorporated into our customers' products at the design stage, which is referred to as a design win. As a result, we rely on OEMs to design our solutions into the products that they design and sell. Without these design wins, our business would be harmed. We often incur significant expenditures developing a new SoC solution without any assurance that an OEM will select our solution for design into its own product. Once an OEM designs a competitor's device into its product, it becomes significantly more difficult for us to sell our SoC solutions to that OEM because changing suppliers involves significant cost, time, effort and risk for the OEM. Furthermore, even if an OEM designs one of our SoC solutions into its product, we cannot be assured that the OEM's product will be commercially successful over time or at all or that we will receive or continue to receive any revenue from that OEM. For example, improved smartphone video capture capabilities, and rapid adoption of smartphones by consumers, led to the decline of an entire category of pocket video cameras aimed at the casual video capture market. In fiscal year 2011, pocket video revenue represented approximately 40% of our total revenue. The proliferation of smartphones and their ability to capture high-quality video and still images significantly impacted this market, decreasing pocket video cameras' contribution to approximately zero percent of our total revenue by fiscal year 2013. If products or other product categories incorporating our SoC solutions are not commercially successful or experience rapid decline, our revenue and business will suffer.

***We depend on a limited number of customers and end customers for a significant portion of our revenue. If we fail to retain or expand our customer relationships, our revenue could decline.***

We derive a significant portion of our revenue from a limited number of ODMs who build products on behalf of a limited number of OEMs and from a limited number of OEMs to whom we ship directly. We anticipate that this customer concentration will continue for the foreseeable future. In fiscal year 2015, sales directly and through our logistics providers to our five largest customers collectively accounted for approximately 64% of our total revenue, and sales to our ten largest customers collectively accounted for approximately 74% of our total revenue. For the three months ended July 31, 2015, sales directly and through our logistics providers to our five largest customers collectively accounted for approximately 59.5% of our total revenue, and sales to our ten largest customers collectively accounted for approximately 74.9% of our total revenue. For the six months ended July 31, 2015, sales directly and through our logistics providers to our five largest customers collectively accounted for approximately 58.1% of our total revenue, and sales to our ten largest customers collectively accounted for approximately 73.9% of our total revenue. In fiscal year 2015, sales to our largest ODM customer accounted for approximately 32% of our total revenue. For the three months ended July 31, 2015, sales to our largest ODM customer accounted for approximately 20.1% of our total revenue. For the six months ended July 31, 2015, sales to our largest ODM customer accounted for approximately 23.4% of our total revenue. This ODM customer builds products for several OEM customers as well as for its own brand. We believe that our operating results for the foreseeable future will continue to depend on sales to a relatively small number of customers and end-customers. In the future, these customers may decide not to purchase our SoC solutions at all, may purchase fewer solutions than they did in the past or may alter their purchasing patterns. As substantially all of our sales to date have been made on a purchase order basis, these customers may cancel, change or delay product purchase commitments with little or no notice to us and without penalty and may make our revenue volatile from period to period. For example, our largest OEM end customer in fiscal year 2011, Eastman Kodak Company, or Kodak, closed its camera division in January 2012. The loss of a significant customer could happen again at any time and without notice, and such loss would likely harm our financial condition and results of operations.

In addition, our relationships with some customers may deter other potential customers who compete with these customers from buying our solutions. To attract new customers or retain existing customers, we may have to offer these customers favorable prices on our solutions. In that event, our average selling prices and gross margins would decline. The loss of a key customer, a reduction in sales to any key customer or our inability to attract new customers could seriously impact our revenue and harm our results of operations.

***Our customers may cancel their orders, change production quantities or delay production. If we fail to accurately forecast demand for our solutions, revenue shortfalls, or excess, obsolete or insufficient inventory could result.***

Our customers typically do not provide us with firm, long-term purchase commitments. Substantially all of our sales are made on a purchase order basis, which permits our customers to cancel, change or delay their product purchase commitments with little or no notice to us and without penalty to them. Because production lead times often exceed the amount of time required by our customers to fill their orders, we often must build SoCs in advance of orders, relying on an imperfect demand forecast to project volumes and product mix.

Our SoCs are incorporated into products manufactured by or for our end customers, and as a result, demand for our solutions is influenced by the demand for our customers' products. Our ability to accurately forecast demand can be adversely affected by a number of factors, including inaccurate forecasting by our customers, miscalculations by our customers of their inventory requirements, changes in market conditions, adverse changes in our product order mix and fluctuating demand for our customers' products. Even after an order is received, our customers may cancel these orders or request a decrease in production quantities. Any such cancellation or decrease subjects us to a number of risks, most notably that our projected sales will not materialize on schedule or at all, leading to unanticipated revenue shortfalls and excess or obsolete inventory that we may be unable to sell to other customers.

Alternatively, if we are unable to project customer requirements accurately, we may not build enough SoCs, which could lead to delays in product shipments and lost sales opportunities in the near term, as well as force our customers to identify alternative sources, which could affect our ongoing relationships with these customers. We have in the past had customers significantly increase their requested production quantities with little or no advance notice. If we do not fulfill customer demands in a timely manner, our customers may cancel their orders and we may be subject to customer claims for cost of replacement. In addition, the rapid pace of innovation in our industry could render portions of our inventory obsolete. Excess or obsolete inventory levels could result in unexpected expenses or increases in our reserves that could adversely affect our business, operating results and financial condition. In addition, any significant future cancellations or deferrals of product orders could harm our margins, increase our write-offs due to product obsolescence and restrict our ability to fund our operations.

***Our target markets may not grow or develop as we currently expect and are subject to market risks, any of which could harm our business, revenue and operating results.***

To date, our revenue has been attributable to demand for our video and image processing SoCs in the camera and infrastructure markets and the growth of these overall markets. We initially focused on the infrastructure market, and then leveraged our knowledge and experience to design solutions for the camera market. We derive the substantial majority of our revenue from the camera market, and our operating results are increasingly affected by trends in the camera market. These trends include demand for higher resolution, increasing functionality, longer battery life, greater storage and connectivity requirements, while accommodating more sophisticated standards for video compression. We may be unable to predict the timing or development of these markets with accuracy. For example, the proliferation of smartphones having the ability to capture high-quality video and still images has significantly impacted the camera market in a relatively short period of time and continues to impact this market. In the Internet Protocol, or IP, security camera market, a slower than expected adoption rate for digital technology in place of analog solutions could slow the demand for our solutions. If our target markets, such as wearable cameras, automotive aftermarket cameras, IP security cameras, and unmanned aerial vehicle, or UAV, cameras, do not grow or develop in ways that we currently expect, demand for our video and image processing SoCs may not materialize as expected and our business and operating results could suffer.

***Fluctuations in our operating results on a quarterly and annual basis could cause the market price of our ordinary shares to decline.***

Our revenue and operating results have fluctuated significantly from period to period in the past and are likely to do so in the future. In particular, our business tends to be seasonal with higher revenue in our third quarter as our customers typically increase their production to meet year-end demand for their products. We also may experience seasonally lower demand in our first quarter in the Asia-based portion of the IP security camera market as a result of industry seasonality and the impact of ODM and OEM factory closures associated with the Chinese New Year holiday. As a result, you should not rely on period-to-period comparisons of our operating results as an indication of our future performance. In future periods, our revenue and results of operations may be below the expectations of analysts and investors, which could cause the market price of our ordinary shares to decline.

Factors that may affect our operating results include:

- fluctuations in demand, sales cycles, product mix, and prices for our products;
- the forecasting, scheduling, rescheduling or cancellation of orders by our customers;
- shifts in consumer preferences and any resultant change in demand for video and image capture devices into which our solutions are incorporated;
- changes in the competitive dynamics of our markets, including new entrants or pricing pressures;
- delays in our customers' ability to manufacture and ship products that incorporate our solutions caused by internal and external factors beyond our control;
- our ability to successfully define, design and release new solutions in a timely manner that meet our customers' needs;
- changes in manufacturing costs, including wafer, test and assembly costs, mask costs, manufacturing yields and product quality and reliability;
- timely availability of adequate manufacturing capacity from our manufacturing subcontractors;
- the timing of product announcements by our competitors or by us;
- incurrence of research and development and related new products expenditures;
- write-downs of inventory for excess quantities and technological obsolescence;
- future accounting pronouncements and changes in accounting policies;
- volatility in our share price, which may lead to higher stock-based compensation expense;
- general socioeconomic and political conditions in the countries where we operate or where our products are sold or used; and
- costs associated with litigation, especially related to intellectual property.



Moreover, the semiconductor industry has historically been cyclical in nature, reflecting overall economic conditions as well as budgeting and buying patterns of consumers. We expect these cyclical conditions to continue. For example, given the current global economic uncertainty and recent signs of slowing growth in Asia, and China in particular, the demand for our products may be more varied and our customers may be more conservative with the inventory levels they maintain. As a result, our quarterly operating results are difficult to predict, even in the near term. Our expense levels are relatively fixed in the short term and are based, in part, on our expectations of future revenue. If revenue levels are below our expectations, we may experience material impacts on our business, including declines in margins and profitability or incur losses.

***Achieving design wins is subject to lengthy competitive selection processes that require us to incur significant costs. Even if we begin a product design, a customer may decide to cancel or change its product plans, resulting in no revenue from such expenditures.***

We are focused on selling our video and image processing solutions to ODMs and OEMs for incorporation into their products at the design stage. These efforts to achieve design wins typically are lengthy, especially in new markets we intend to address, and in any case can require us to both incur design and development costs and dedicate scarce engineering resources in pursuit of a single customer opportunity. We may not prevail in the competitive selection process and, even when we do achieve a design win, we may never generate any revenue despite incurring development expenditures. For example, in the past we had achieved a significant design win and projected substantial future revenue from that end customer as a result of that design win. Subsequently, based on changes in that end customer's assessment of the consumer market, among other factors, the end customer abruptly shut down its business unit with which we achieved the design win, with no notice to us.

These risks are exacerbated by the fact that some of our end customers' products, particularly in the camera market, likely will have short life cycles. Further, even after securing a design win, we have experienced and may again experience delays in generating revenue from our solutions as a result of the lengthy product development cycle typically required, if we generate any revenue at all as a result of any such design win.

Our customers generally take a considerable amount of time to evaluate our solutions. The typical time from early engagement by our sales force to actual product introduction runs from nine to 12 months for the camera market, and 12 to 24 months for the infrastructure market, though it may take longer in new markets we intend to address. The delays inherent in these lengthy sales cycles increase the risk that a customer will decide to cancel, curtail, reduce or delay its product plans, causing us to lose anticipated sales. In addition, any delay or cancellation of a customer's plans could harm our financial results, as we may have incurred significant expense and generated no revenue. Finally, our customers' failure to successfully market and sell their products could reduce demand for our SoC solutions and harm our business, financial condition and results of operations. If we were unable to generate revenue after incurring substantial expenses to develop any of our solutions, our business would suffer.

***The average selling prices of video and image processing solutions in our target markets have historically decreased over time and will likely do so in the future, which could harm our revenue and gross margins.***

Average selling prices of semiconductor products in the markets we serve have historically decreased over time, and we expect such declines to continue to occur for our solutions over time. Our gross margins and financial results will suffer if we are unable to offset reductions in our average selling prices by reducing our costs, developing new or enhanced SoC solutions on a timely basis with higher selling prices or gross margins, or increasing our sales volumes. Additionally, because we do not operate our own manufacturing, assembly or testing facilities, we may not be able to reduce our costs as rapidly as companies that operate their own facilities, and our costs may even increase, which could also reduce our gross margins. In the past, we have reduced the prices of our SoC solutions in anticipation of future competitive pricing pressures, new product introductions by us or our competitors and other factors. Recently, we have experienced competitive pricing pressures at the low ends of the automotive aftermarket camera market and China-based IP security camera market. We expect that we will have to address pricing pressures again in the future, which could require us to reduce the prices of our SoC solutions and harm our operating results.

***We expect competition to increase in the future, which could have an adverse effect on our revenue and market share.***

The global semiconductor market in general, and the video and image processing markets in particular, are highly competitive. We compete in different target markets to various degrees on the basis of a number of competitive factors, including our solutions' performance, features, functionality, energy efficiency, size, ease with which our solution may be integrated into our customers' products, customer support, reliability and price, as well as on the basis of our reputation. We expect competition to increase and intensify as more and larger semiconductor companies enter our markets, and as the internal resources of large OEMs grow and they potentially develop their own semiconductor solutions. Increased competition could result in price pressure, reduced profitability and loss of market share, any of which could harm our business, revenue and operating results.

Our competitors range from large, international companies offering a wide range of semiconductor products to smaller companies specializing in narrow markets. In the wearable sports camera market, our primary competitors are vertically integrated divisions of camera device OEMs, including Sony Corporation and Panasonic Corporation. In the IP security camera market, our primary competitors include HiSilicon Technologies Co., Ltd., Geo Semiconductor, Inc., Grain Media, Inc., Movidius Ltd., Socionext Inc., a new entity created from the merger of system LSI businesses of Fujitsu Ltd. and Panasonic Corporation, and Texas Instruments Incorporated, as well as vertically integrated divisions of IP Security camera device OEMs, including Axis Communications AB, and Sony. In the market for automotive aftermarket cameras, we compete against Allwinner Technology Co., Ltd., Alpha Imaging Technology Corp., Core Logic, Inc., Novatek Microelectronics Corp. and Sunplus Technology Co. Ltd. Our primary competitors in the infrastructure market include Intel Corporation, Magnum Semiconductor, Inc. and Texas Instruments Incorporated. Certain of our customers and suppliers also have divisions that produce products competitive with ours. We expect competition in our current markets to increase in the future as existing competitors improve or expand their product offerings and as potential new competitors, such as Broadcom Corporation, MediaTek, Inc., NVIDIA Corporation, Qualcomm Incorporated and Samsung Electronics Co., Ltd., enter these markets.

Our ability to compete successfully depends on elements both within and outside of our control, including industry and general economic trends. Many of our competitors are substantially larger, have greater financial, technical, marketing, distribution, customer support and other resources, are more established than we are and have significantly better brand recognition and broader product offerings which may enable them to develop and enable new technology into product solutions better or faster than us and to better withstand adverse economic or market conditions in the future. Our ability to compete will depend on a number of factors, including:

- our ability to anticipate market and technology trends and successfully develop solutions that meet market needs;
- our success in identifying and penetrating new markets, applications and customers;
- our ability to understand the price points and performance metrics of competing products in the marketplace;
- our solutions' performance and cost-effectiveness relative to that of competing products;
- our ability to gain access to leading design tools and product specifications at the same time as our competitors;
- our ability to develop and maintain relationships with key OEMs and ODMs;
- our products' effective implementation of video processing standards;
- our ability to protect our intellectual property;
- our ability to expand international operations in a timely and cost-efficient manner;
- our ability to deliver products in volume on a timely basis at competitive prices;
- our ability to support our customers' incorporation of our solutions into their products; and
- our ability to recruit design and application engineers with expertise in image video and image processing technologies and sales and marketing personnel.

Our competitors may also establish cooperative relationships among themselves or with third parties or acquire companies that provide similar products to ours. As a result, new competitors or alliances may emerge that could acquire significant market share. Any of these factors, alone or in combination with others, could harm our business and result in a loss of market share and an increase in pricing pressure.

***We are dependent on sales of a limited number of video and image processing solutions, and a decline in market adoption of these solutions could harm our business.***

From inception through July 31, 2015, our revenue has been generated primarily from the sale of a limited number of high-definition, or HD, video and image processing SoC solutions in the camera and infrastructure markets. Moreover, we currently derive a substantial majority of our revenue from the sale of our SoCs for use in the camera market and we expect to do so for the next several years. As a result, continued market adoption of our SoC solutions in the camera market is critical to our future success. If demand for our SoC solutions were to decline, or demand for products incorporating our solutions declines, does not continue to grow or does not grow as expected, our revenue would decline and our business would be harmed.

***If we fail to develop and introduce new or enhanced solutions on a timely basis, our ability to attract and retain customers could be impaired and our competitive position could be harmed.***

We operate in a dynamic environment characterized by rapidly changing technologies and technological obsolescence. To compete successfully, we must design, develop, market and sell enhanced solutions that provide increasingly higher levels of performance and functionality and that meet the cost expectations of our customers. Our existing or future solutions could be rendered obsolete by the introduction of new products by our competitors; convergence of other markets, such as smartphones, with or into the camera market; the market adoption of products based on new or alternative technologies; the emergence of new industry standards for video compression; or the requirement of additional functionality included in our products, such as analytics or computer vision functionality. In addition, the markets for our solutions are characterized by frequent introduction of next-generation and new products, short product life cycles, increasing demand for added functionality and significant price competition. If we or our customers are unable to manage product transitions in a timely and cost-effective manner, our business and results of operations would suffer.

Our failure to anticipate or timely develop new or enhanced solutions in response to technological shifts could result in decreased revenue and our competitors achieving design wins that we sought. In particular, we may experience difficulties with product design, development of new software, manufacturing, marketing or qualification that could delay or prevent our development, introduction or marketing of new or enhanced solutions. In addition, delays in development could impair our relationships with our customers and negatively impact sales of our solutions under development. Moreover, it is possible that our customers may develop their own product or adopt a competitor's solution for products that they currently buy from us. If we fail to introduce new or enhanced solutions that meet the needs of our customers or penetrate new markets in a timely fashion, we will lose market share and our operating results will be adversely affected.

***If we fail to penetrate new markets, our revenue and financial condition could be harmed.***

In the past several years, a significant amount of our revenue was generated from sales of our products to OEMs and ODMs of high definition, or HD, video cameras and broadcasting infrastructure equipment. Our future revenue growth, if any, will depend in part on our ability to expand within these markets with our video and image processing SoC solutions, particularly for wearable sports cameras, automotive aftermarket cameras, IP security cameras, and to enter new markets such as the non-sports wearable camera market and the UAV market. Each of these markets presents distinct and substantial risks and, in many cases, requires us to develop new software to address the particular requirements of that market. If any of these markets do not develop as we currently anticipate or if we are unable to penetrate them successfully, our revenue could decline.

Some of these markets are primarily served by only a few large, multinational OEMs with substantial negotiating power relative to us and, in some instances, with internal solutions that are competitive to our products. Meeting the technical requirements and securing design wins with any of these companies will require a substantial investment of our time and resources. We cannot assure you that we will secure design wins from these or other companies or that we will achieve meaningful revenue from the sales of our solutions into these markets.

If we fail to penetrate these or other new markets we are targeting, our revenue likely will decrease over time and our financial condition could suffer.

***We do not have long-term supply contracts with our third-party manufacturing vendors, and they may not allocate sufficient capacity to us at reasonable prices to meet future demands for our solutions.***

The semiconductor industry is subject to intense competitive pricing pressure from customers and competitors. Accordingly, any increase in the cost of our solutions, whether by adverse purchase price variances or adverse manufacturing cost variances, will reduce our gross margins and operating profit. We currently do not have long-term supply contracts with most of our primary third-party vendors, and we negotiate pricing with our main vendors on a purchase order-by-purchase order basis. Therefore, they are not obligated to perform services or supply product to us for any specific period, in any specific quantities, or at any specific price, except as may be provided in a particular purchase order. Availability of foundry capacity has in the recent past been limited due to strong demand. The ability of our foundry vendors to provide us with a product, which is sole sourced at each foundry, is limited by their available capacity, existing obligations and technological capabilities. Foundry capacity may not be available when we need it or at reasonable prices. None of our third-party foundry or assembly and test vendors has provided contractual assurances to us that adequate capacity will be available to us to meet our anticipated future demand for our solutions. Our foundry and assembly and test vendors may allocate capacity to the production of other companies' products while reducing deliveries to us on short notice. In particular, other companies that are larger and better financed than we are or that have long-term agreements with our foundry or assembly and test vendors may cause our foundry or assembly and test vendors to reallocate capacity to them, decreasing the capacity available to us. Converting or transferring manufacturing from a primary location or supplier to a backup foundry vendor could be expensive and would likely take at least two or more quarters. There are only a few foundries, including Samsung Electronics Co., Ltd., or Samsung, and Taiwan Semiconductor Manufacturing Co., Ltd., or TSMC, that are currently available for certain advanced process technologies that we may utilize. As we transition to more advanced process nodes beyond 28 nanometer, or nm, we will be increasingly dependent upon such foundries.

If, in the future, we enter into arrangements with suppliers that include additional fees to expedite delivery, nonrefundable deposits or loans in exchange for capacity commitments or commitments to purchase specified quantities over extended periods, such arrangements may be costly, reduce our financial flexibility and be on terms unfavorable to us, if we are able to secure such arrangements at all. Moreover, if we are able to secure foundry capacity, we may be obligated to use all of that capacity or incur penalties. These penalties could harm our financial results. To date, we have not entered into any such arrangements with our suppliers. If we need additional foundry or assembly and test subcontractors because of increased demand or the inability to obtain timely and adequate deliveries from our current vendors, we may not be able to do so cost-effectively, if at all.

***A substantial portion of our revenue is processed through a single logistics provider and the loss of this logistics provider may cause disruptions in our shipments, which may adversely affect our operations and financial condition.***

We sell most of our solutions through a single logistics provider, Wintech Microelectronics Co., Ltd., or Wintech, which serves as our non-exclusive sales representative in Asia, other than Japan. Approximately 57%, 56% and 63% of our revenue was derived from sales through Wintech for the fiscal years ended January 31, 2015, 2014 and 2013, respectively. Approximately 71.1% and 67.7% of our revenue was derived from sales through Wintech for the three and six months ended July 31, 2015, respectively. We anticipate that a significant portion of our revenue will continue to be derived from sales through Wintech in the foreseeable future. Our current agreement with Wintech is effective until September 2018, unless it is terminated earlier by either party for any or no reason with 90 days written notice or by failure of the breaching party to cure a material breach within 30 days following written notice of such material breach by the non-breaching party. Our agreement with Wintech will automatically renew for additional successive 12-month terms unless at least 60 days before the end of the then-current term either party provides written notice to the other party that it elects not to renew the agreement. Termination of the relationship with Wintech, either by us or by Wintech, could result in a temporary or permanent loss of revenue. We may not be successful in finding suitable alternative logistics providers on satisfactory terms, or at all, and this could adversely affect our ability to effectively sell our solutions in certain geographical locations or to certain end customers. Additionally, if we terminate our relationship with Wintech, we may be obligated to repurchase unsold product, which could be difficult or impossible to sell to other end customers. Furthermore, Wintech, or any successor or other logistics providers we do business with, may face issues obtaining credit, which could impair their ability to make timely payments to us.

***Deterioration of the financial conditions of our customers could adversely affect our operating results.***

Deterioration of the financial condition of our logistics providers or customers could adversely impact our collection of accounts receivable. We regularly review the collectability and creditworthiness of our logistics providers and customers to determine an appropriate allowance for doubtful receivables. Based on our review of our logistics providers and customers, we currently have no reserve for uncollectible accounts. If our uncollectible accounts, however, were to exceed our current or future allowance for doubtful receivables, our operating results would be negatively impacted.

***If we do not sustain our growth rate, we may not be able to execute our business plan and our operating results could suffer.***

We have experienced significant growth in a short period of time. Our revenue increased from \$21.5 million in fiscal year 2008 to \$218.3 million in fiscal year 2015, including growth rates of 38% and 30% in the last two fiscal years. We may not achieve similar growth rates in future periods. You should not rely on our revenue growth, gross margins or operating results for any prior quarterly or annual periods as an indication of our future operating performance. If we are unable to maintain adequate revenue growth, our financial results could suffer and our stock price could decline.

***If we are unable to manage any future growth, we may not be able to execute our business plan and our operating results could suffer.***

Our business has grown rapidly. Our future operating results depend to a large extent on our ability to successfully manage any expansion and growth, including the challenges of managing a company with headquarters in the United States and the majority of its employees in Asia. To manage our growth successfully and handle the responsibilities of being a public company, we believe we must effectively, among other things:

- recruit, hire, train and manage additional qualified engineers for our research and development activities, particularly in our offices in Asia and especially for the positions of semiconductor design and systems and applications engineering;
- add additional sales and business development personnel;
- add additional finance and accounting personnel;
- implement and improve our administrative, financial and operational systems, procedures and controls; and
- enhance our information technology support for enterprise resource planning and design engineering by adapting and expanding our systems and tool capabilities, and properly training new hires as to their use.

We are increasing our investment in research and development and other functions to grow our business. We are likely to incur the costs associated with these increased investments earlier than some of the anticipated benefits, and the return on these investments, if any, may be lower, may develop more slowly than we expect or may not materialize.

If we are unable to manage our growth effectively, we may not be able to take advantage of market opportunities or develop new solutions, and we may fail to satisfy customer product or support requirements, maintain product quality, execute our business plan or respond to competitive pressures.

***We may have difficulty accurately predicting our future revenue and appropriately budgeting our expenses.***

The rapidly evolving nature of the markets in which we sell our solutions, combined with substantial uncertainty concerning how these markets may develop and other factors beyond our control, limits our ability to accurately forecast quarterly or annual revenue. In addition, because we record a significant portion of our revenue from sales when we have received notification from our logistics providers that they have sold our products, some of the revenue we record in a quarter may be derived from sales of products shipped to our logistics providers during previous quarters. This revenue recognition methodology limits our ability to forecast quarterly or annual revenue accurately. We are currently expanding our staffing and increasing our expenditures in anticipation of future revenue growth. If our revenue does not increase as anticipated, we could incur significant losses due to our higher expense levels if we are not able to decrease our expenses in a timely manner to offset any shortfall in future revenue.

***While we intend to continue to invest in research and development, we may be unable to make the substantial investments that are required to remain competitive in our business.***

The semiconductor industry requires substantial investment in research and development in order to bring to market new and enhanced solutions. Our research and development expense was \$58.0 million, \$48.8 million and \$42.8 million in fiscal years 2015, 2014 and 2013, respectively. Our research and development expense was \$20.8 million and \$37.4 million for the three and six months ended July 31, 2015, respectively. We expect to increase our research and development expenditures as compared to prior periods as part of our strategy of focusing on the development of innovative and sustainable video and image processing solutions with increased functionality, such as analytics or computer vision capabilities. We do not know whether we will have sufficient resources to maintain the level of investment in research and development required to remain competitive. For example, development in the latest process nodes, such as 14 or 16 nm, can cost significantly more than required to develop in 28 nm. This added cost could prevent us from being able to maintain a technology advantage over larger competitors that have significantly more resources to invest in research and development. In addition, we cannot assure you that the technologies which are the focus of our research and development expenditures will become commercially successful or generate any revenue.

***We may experience difficulties demonstrating the value to customers of newer, higher priced and higher margin solutions if they believe existing solutions are adequate to meet end customer expectations.***

As we develop and introduce new solutions, we face the risk that customers may not value or be willing to bear the cost of incorporating these newer solutions into their products, particularly if they believe their customers are satisfied with current solutions. Regardless of the improved features or superior performance of the newer solutions, customers may be unwilling to adopt our new solutions due to design or pricing constraints. Owing to the extensive time and resources that we invest in developing new solutions, if we are unable to sell customers new generations of our solutions, our revenue could decline and our business, financial condition, operating results and cash flows could be negatively affected.

***The complexity of our solutions could result in unforeseen delays or expenses from undetected defects, errors or bugs in hardware or software which could reduce the market adoption of our new solutions, damage our reputation with current or prospective customers and adversely affect our operating costs.***

Highly complex SoC solutions such as ours frequently contain defects, errors and bugs when they are first introduced or as new versions are released. We have in the past and may in the future experience these defects, errors and bugs. If any of our solutions have reliability, quality or compatibility problems, we may not be able to successfully correct these problems in a timely manner or at all. In addition, if any of our proprietary features contain defects, errors or bugs when first introduced or as new versions of our solutions are released, we may be unable to timely correct these problems. Consequently, our reputation may be damaged and customers may be reluctant to buy our solutions, which could harm our ability to retain existing customers and attract new customers, and could adversely affect our financial results. In addition, these defects, errors or bugs could interrupt or delay sales to our customers. If any of these problems are not found until after we have commenced commercial production of a new product, we may incur significant additional development costs and product recall, repair or replacement costs. These problems may also result in claims against us by our customers or others.

***The loss of any of our key personnel could seriously harm our business, and our failure to attract or retain qualified management, engineering, sales and marketing talent could impair our ability to grow our business.***

We believe our future success depends in large part upon the continuing services of the members of our senior management team and various engineering and other technical personnel. If one or more of our senior executives or other key personnel are unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all, our business may be disrupted, and our financial condition and results of operations may be materially and adversely affected. In addition, if any member of our senior management team or any of our other key personnel joins a competitor or forms a competing company, we may experience material disruption of our operations and development plans and lose customers, know-how and key professionals and staff members, and we may incur increased operating expenses as the attention of other senior executives is diverted to recruit replacements for key personnel. Our industry is characterized by high demand and intense competition for talent, and the pool of qualified candidates is very limited. While we plan to continue to recruit software and system engineers with expertise in video processing technologies, primarily in Taiwan and China, we may not be successful in attracting, retaining and motivating sufficient numbers of technical and engineering personnel to support our anticipated growth. The competition for qualified engineering personnel in our industry, and particularly in Asia, is very intense. If we are unable to hire, train and retain qualified engineering personnel in a timely manner, our ability to grow our business will be impaired. In addition, if we are unable to retain our existing engineering personnel, our ability to maintain or grow our revenue will be adversely affected.

***Camera manufacturers incorporate components supplied by multiple third parties, and a supply shortage or delay in delivery of these components could delay orders for our solutions by our customers.***

Our customers purchase components used in the manufacture of their cameras from various sources of supply, often involving several specialized components, including lenses and sensors. Any supply shortage or delay in delivery by third-party component suppliers, or a third-party supplier's cessation or shut down of its business, may prevent or delay production of our customers' products. In addition, replacement or substitute components may not be available on commercially reasonable terms, or at all. As a result of delays in delivery or supply shortages of third-party components, orders for our solutions may be delayed or canceled and our business may be harmed. Similarly, errors or defects within a camera system or in the manner in which the various components interact could prevent or delay production of our customers' products, which could harm our business.

***We outsource our wafer fabrication, assembly and testing operations to third parties, and if these parties fail to produce and deliver our products according to requested demands in specification, quantity, cost and time, our reputation, customer relationships and operating results could suffer.***

We rely on third parties for substantially all of our manufacturing operations, including wafer fabrication, assembly and testing. Currently, the majority of our SoCs are supplied by Samsung in South Korea, from whom we have the option to purchase both fully assembled and tested products as well as tested die in wafer form for assembly. Samsung subcontracts the assembly and initial testing of the assembled chips it supplies to us to Signetics Corporation and STATS ChipPAC Ltd. In the case of purchases of tested die from Samsung, we contract the assembly to Advanced Semiconductor Engineering, Inc., or ASE. We also have products supplied by Global UniChip Corporation, or GUC, in Taiwan, from whom we purchase fully assembled and tested products. The wafers used by GUC in the assembly of our products are manufactured by TSMC in Taiwan. The assembly is done by GUC subcontracted assembly suppliers ASE, and Powertech Technology Inc, or PTI. Final testing of all of our products is handled by King Yuan Electronics Co., Ltd. or Sigurd Corporation under the supervision of our engineers. We depend on these third parties to supply us with material of a requested quantity in a timely manner that meets our standards for yield, cost and manufacturing quality. We do not have any long-term supply agreements with any of our manufacturing suppliers. If one or more of these vendors terminates its relationship with us, or if we encounter any problems with our manufacturing supply chain, our ability to ship our solutions to our customers on time and in the quantity required would be adversely affected, which in turn could cause an unanticipated decline in our sales and damage our customer relationships.

***If our foundry vendors do not achieve satisfactory yields or quality, our reputation and customer relationships could be harmed.***

The fabrication of our video and image processing SoC solutions is a complex and technically demanding process. Minor deviations in the manufacturing process can cause substantial decreases in yields, and in some cases, cause production to be suspended. Our foundry vendors, from time to time, experience manufacturing defects and reduced manufacturing yields, including in the fabrication of our SoCs. Changes in manufacturing processes or the inadvertent use of defective or contaminated materials by our foundry vendors could result in lower than anticipated manufacturing yields or unacceptable performance of our SoCs. Many of these problems are difficult to detect at an early stage of the manufacturing process and may be time consuming and expensive to correct. Poor yields from our foundry vendors, or defects, integration issues or other performance problems in our solutions, could cause us significant customer relations and business reputation problems, harm our financial results and give rise to financial or other damages to our customers. Our customers might consequently seek damages from us for their losses. A product liability claim brought against us, even if unsuccessful, would likely be time consuming and costly to defend.

Each of our SoC solutions is manufactured at a single location. If we experience manufacturing problems at a particular location, we would be required to transfer manufacturing to a new location or supplier. Converting or transferring manufacturing from a primary location or supplier to a backup fabrication facility could be expensive and could take two or more quarters. During such a transition, we would be required to meet customer demand from our then-existing inventory, as well as any partially finished goods that could be modified to the required product specifications. We do not seek to maintain sufficient inventory to address a lengthy transition period because we believe it is uneconomical to keep more than minimal inventory on hand. As a result, we may not be able to meet customer needs during such a transition, which could delay shipments, cause production delays, result in a decline in our sales and damage our customer relationships.

***We may experience difficulties in transitioning to new wafer fabrication process technologies or in achieving higher levels of design integration, which may result in reduced manufacturing yields, delays in product deliveries and increased costs.***

We aim to use the most advanced manufacturing process technology appropriate for our products that is available from our third-party foundries. As a result, we periodically evaluate the benefits of migrating our solutions to smaller geometry process technologies in order to improve performance and reduce costs. We believe this strategy will help us remain competitive. These ongoing efforts require us from time to time to modify the manufacturing processes for our products and to redesign some products, which in turn may result in delays in product deliveries. We may face difficulties, delays and increased expense as we transition our products to new processes, such as 14nm or 16nm process nodes, and potentially to new foundries. We depend on Samsung and TSMC, as the principal foundries for our products, to transition to new processes successfully. We cannot assure you that Samsung or TSMC will be able to effectively manage such transitions or that we will be able to maintain our relationship with Samsung or TSMC or develop relationships with new foundries. Moreover, as we transition to more advanced process nodes beyond 28nm, we will be increasingly dependent upon Samsung and TSMC, who are two of the few foundries currently available for certain advanced process technologies. If we or our foundry vendors experience significant delays in transitioning to smaller geometries or fail to efficiently implement transitions, we could experience reduced manufacturing yields, delays in product deliveries and increased costs, all of which could harm our relationships with our customers and our operating results. As new processes become more prevalent, we expect to continue to integrate greater levels of functionality, as well as more end-customer and third-party intellectual property, into our solutions. We may not be able to achieve higher levels of design integration or deliver new integrated solutions on a timely basis.

***We rely on third-party vendors to supply software development tools to us for the development of our new products, and we may be unable to obtain the tools necessary to develop or enhance new or existing products.***

We rely on third-party software development tools to assist us in the design, simulation and verification of new products or product enhancements. To bring new products or product enhancements to market in a timely manner, or at all, we need software development tools that are sophisticated enough or technologically advanced enough to complete our design, simulations and verifications. In the future, the design requirements necessary to meet consumer demands for more features and greater functionality from our solutions may exceed the capabilities of available software development tools. Unavailability of software development tools may result in our missing design cycles or losing design wins, either of which could result in a loss of market share or negatively impact our operating results.

Because of the importance of software development tools to the development and enhancement of our solutions, our relationships with leaders in the computer-aided design industry, including Cadence Design Systems, Inc., Mentor Graphics Corporation and Synopsys, Inc., are critical to us. We have invested significant resources to develop relationships with these industry leaders. We believe that utilizing next-generation development tools to design, simulate and verify our products will help us remain at the forefront of the video compression market, and develop solutions that utilize leading-edge technology on a rapid basis. If these relationships are not successful, we may be unable to develop new products or product enhancements in a timely manner, which could result in a loss of market share, a decrease in revenue or negatively impact our operating results.

***Our failure to adequately protect our intellectual property rights could impair our ability to compete effectively or defend ourselves from litigation, which could harm our business, financial condition and results of operations.***

Our success depends, in part, on our ability to protect our intellectual property. We rely primarily on patent, copyright, trademark and trade secret laws, as well as confidentiality and non-disclosure agreements and other contractual protections, to protect our proprietary technologies and know-how, all of which offer only limited protection. The steps we have taken to protect our intellectual property rights may not be adequate to prevent misappropriation of our proprietary information or infringement of our intellectual property rights, and our ability to prevent such misappropriation or infringement is uncertain, particularly in countries outside of the United States. As of July 31, 2015, we had forty-two issued and allowed patents in the United States plus twenty-four additional continuation patents, three issued patents in China, two issued patents in Japan and thirty-six pending and provisional patent applications in the United States. Even if the pending patent applications are granted, the rights granted to us may not be meaningful or provide us with any commercial advantage. For example, these patents could be opposed, contested, circumvented, designed around by our competitors or be declared invalid or unenforceable in judicial or administrative proceedings. The failure of our patents to adequately protect our technology might make it easier for our competitors to offer similar products or technologies. Our foreign patent protection is generally not as comprehensive as our U.S. patent protection and may not protect our intellectual property in some countries where our products are sold or may be sold in the future. Many U.S.-based companies have encountered substantial intellectual property infringement in foreign countries, including countries where we sell products. Even if foreign patents are granted, effective enforcement in foreign countries may not be available. For example, the legal environment relating to intellectual property protection in China is relatively weak, often making it difficult to create and enforce such rights. We may not be able to effectively protect our intellectual property rights in China or elsewhere. If such an impermissible use of our intellectual property or trade secrets were to occur, our ability to sell our solutions at competitive prices may be adversely affected and our business, financial condition, operating results and cash flows could be materially and adversely affected.

The legal standards relating to the validity, enforceability and scope of protection of intellectual property rights are uncertain and evolving. We cannot assure you that others will not develop or patent similar or superior technologies, products or services, or that our patents, trademarks and other intellectual property will not be challenged, invalidated or circumvented by others.

Unauthorized copying or other misappropriation of our proprietary technologies could enable third parties to benefit from our technologies without paying us for doing so, which could harm our business. Monitoring unauthorized use of our intellectual property is difficult and costly. Although we are not aware of any unauthorized use of our intellectual property in the past, it is possible that unauthorized use of our intellectual property may have occurred or may occur without our knowledge. We cannot assure you that the steps we have taken will prevent unauthorized use of our intellectual property. Our failure to effectively protect our intellectual property could reduce the value of our technology in licensing arrangements or in cross-licensing negotiations.

We may in the future need to initiate infringement claims or litigation in order to try to protect our intellectual property rights. Litigation, whether we are a plaintiff or a defendant, can be expensive, time-consuming and may divert the efforts of our technical staff and management, which could harm our business, whether or not such litigation results in a determination favorable to us. Litigation also puts our patents at risk of being invalidated or interpreted narrowly and our patent applications at risk of not issuing. Additionally, any enforcement of our patents or other intellectual property may provoke third parties to assert counterclaims against us. If we are unable to protect our proprietary rights or if third parties independently develop or gain access to our or similar technologies, our business, revenue, reputation and competitive position could be harmed.



***Third parties' assertions of infringement of their intellectual property rights could result in our having to incur significant costs and cause our operating results to suffer.***

The semiconductor industry is characterized by vigorous protection and pursuit of intellectual property rights and positions, which has resulted in protracted and expensive litigation for many companies. Certain of our customers have received and, particularly as a public company, we expect that in the future we may receive, communications from others alleging our infringement of their patents, trade secrets or other intellectual property rights. In addition, certain of our end customers have been the subject of lawsuits alleging infringement of intellectual property rights by products incorporating our solutions, including the assertion that the alleged infringement may be attributable, at least in part, to our technology. Lawsuits resulting from such allegations could subject us to significant liability for damages and invalidate our proprietary rights, though this has not occurred to date. Any potential intellectual property litigation also could force us to do one or more of the following:

- stop selling products or using technology that contain the allegedly infringing intellectual property;
- lose the opportunity to license our technology to others or to collect royalty payments based upon successful protection and assertion of our intellectual property against others;
- incur significant legal expenses;
- pay substantial damages to the party whose intellectual property rights we may be found to be infringing;
- redesign those products that contain the allegedly infringing intellectual property; or
- attempt to obtain a license to the relevant intellectual property from third parties, which may not be available on reasonable terms or at all.

Any significant impairment of our intellectual property rights from any litigation we face could harm our business and our ability to compete.

***Any potential dispute involving our patents or other intellectual property could affect our customers, which could trigger our indemnification obligations to them and result in substantial expense to us.***

In any potential dispute involving our patents or other intellectual property, our customers could also become the target of litigation. Certain of our customers have received notices from third parties claiming to have patent rights in certain technology and inviting our customers to license this technology, and certain of our end customers have been the subject of lawsuits alleging infringement of patents by products incorporating our solutions, including the assertion that the alleged infringement may be attributable, at least in part, to our technology. Because we indemnify our customers for intellectual property claims made against them for products incorporating our technology, any litigation could trigger technical support and indemnification obligations under some of our license agreements, which could result in substantial expense to us. Although we have not incurred significant indemnity expenses related to intellectual property claims to date, we anticipate that we will receive requests for indemnity in the future pursuant to our license agreements with our customers. In addition, other customers or end customers with whom we do not have formal agreements requiring us to indemnify them may ask us to indemnify them if a claim is made as a condition to awarding future design wins to us. Because some of our ODMs and OEMs are larger than we are and have greater resources than we do, they may be more likely to be the target of an infringement claim by third parties than we would be, which could increase our chances of becoming involved in a future lawsuit. Although we have not yet been subject to such claims, if any such claims were to succeed, we might be forced to pay damages on behalf of our ODMs or OEMs that could increase our expenses, disrupt our ability to sell our solutions and reduce our revenue. In addition to the time and expense required for us to supply support or indemnification to our customers, any such litigation could severely disrupt or shut down the business of our customers, which in turn could hurt our relations with our customers and cause the sale of our products to decrease.

***A breach of our security systems may have a material adverse effect on our business.***

Our security systems are designed to maintain the physical security of our facilities and information systems and protect our customers', suppliers' and employees' confidential information. Accidental or willful security breaches or other unauthorized access by third parties to our facilities or our information systems or the existence of computer viruses in our data or software could expose us to a risk of information loss and misappropriation of proprietary and confidential information. Security breaches, computer malware and computer hacking attacks have become more prevalent and sophisticated. Experienced computer programmers and hackers may be able to penetrate our security controls and misappropriate or compromise our confidential information or that of third parties or create system disruptions. Computer programmers and hackers also may be able to develop and deploy viruses, worms and other malicious software programs that attack our information systems and cause disruptions of our business. Data security breaches may also result from non-technical means, for example, actions by an employee. Any theft or misuse of this information could result in, among other things, unfavorable publicity, damage to our reputation, difficulty in marketing our products, allegations by our customers that we have not performed our contractual obligations, litigation by affected parties and possible financial obligations for liabilities and damages related to the theft or misuse of this information, any of which could have a material adverse effect on our business, financial condition, our reputation, and our relationships with our customers and partners. We also rely on a number of third-party "cloud-based" service providers of corporate infrastructure services relating to, among other things, human resources, electronic communication services and some finance functions, and we are, of necessity, dependent on the security systems of these providers. Any security breaches or other unauthorized access by third parties to the systems of our cloud-based service providers or the existence of computer viruses in their data or software could expose us to a risk of information loss and misappropriation of confidential information. Since the techniques used to obtain unauthorized access or to sabotage systems change frequently and are often not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures.

***We rely on third parties to provide services and technology necessary for the operation of our business. Any failure of one or more of our vendors, suppliers or licensors to provide such services or technology could harm our business.***

We rely on third-party vendors to provide critical services, including, among other things, services related to accounting, human resources, information technology and network monitoring that we cannot or do not create or provide ourselves. We depend on these vendors to ensure that our corporate infrastructure will consistently meet our business requirements. The ability of these third-party vendors to successfully provide reliable and high-quality services is subject to technical and operational uncertainties that are beyond our control. While we may be entitled to damages if our vendors fail to perform under their agreements with us, our agreements with these vendors limit the amount of damages we may receive. In addition, we do not know whether we will be able to collect on any award of damages or that these damages would be sufficient to cover the actual costs we would incur as a result of any vendor's failure to perform under its agreement with us. Upon expiration or termination of any of our agreements with third-party vendors, we may not be able to replace the services provided to us in a timely manner or on terms and conditions, including service levels and cost, that are favorable to us, and a transition from one vendor to another vendor could subject us to operational delays and inefficiencies until the transition is complete.

Additionally, we incorporate third-party technology into some of our products, and we may do so in future products. The operation of our products could be impaired if errors occur in the third-party technology we use. It may be more difficult for us to correct any errors in a timely manner, if at all, because the development and maintenance of the technology is not within our control. We cannot assure you that these third parties will continue to make their technology, or improvements to the technology, available to us, or that they will continue to support and maintain their technology. Further, due to the limited number of vendors of some types of technology, it may be difficult to obtain new licenses or replace existing technology. Any impairment of the technology of or our relationship with these third parties could harm our business.

***Failure to comply with the U.S. Foreign Corrupt Practices Act, or FCPA, and similar laws associated with our activities outside of the United States could subject us to penalties and other adverse consequences.***

We face significant risks if we fail to comply with the FCPA and other anti-corruption laws that prohibit improper payments or offers of payment to foreign governments and political parties by us for the purpose of obtaining or retaining business. In many foreign countries, particularly in countries with developing economies, it may be a local custom that businesses operating in such countries engage in business practices that are prohibited by the FCPA or other applicable laws and regulations. We recently implemented our FCPA compliance program and cannot assure you that all of our employees and agents, as well as those companies to which we outsource certain of our business operations, will not take actions in violation of our policies and applicable law, for which we may be ultimately held responsible. Any violation of the FCPA or other applicable anti-corruption laws could result in severe criminal or civil sanctions and, in the case of the FCPA, suspension or debarment from U.S. government contracting, which could have a material and adverse effect on our reputation, business, financial condition, operating results and cash flows.

***We, our customers and third-party contractors are subject to increasingly complex environmental regulations and compliance with these regulations may delay or interrupt our operations and adversely affect our business.***

We face increasing complexity in our procurement, design, and research and development operations as a result of requirements relating to the materials composition of our products, including the European Union's, or EU's, Restriction on the Use of Certain Hazardous Substances in Electrical and Electronic Equipment, or RoHS, directive, which restricts the content of lead and certain other hazardous substances in specified electronic products put on the market in the EU and similar Chinese legislation relating to marking of electronic products which became effective in March 2007. Failure to comply with these and similar laws and regulations could subject us to fines, penalties, civil or criminal sanctions, contract damage claims, and take-back of non-compliant products, which could harm our business, reputation and operating results. The passage of similar requirements in additional jurisdictions or the tightening of these standards in jurisdictions where our products are already subject to such requirements could cause us to incur significant expenditures to make our products compliant with new requirements, or could limit the markets into which we may sell our products.

Some of our operations, as well as the operations of our contract manufacturers and foundry vendors and other suppliers, are also regulated under various other federal, state, local, foreign and international environmental laws and requirements, including those governing, among other matters, the management, disposal, handling, use, labeling of, and exposure to hazardous substances, and the discharge of pollutants into the air and water. Liability under environmental laws can be joint and several and without regard to comparative fault. We cannot assure you that violations of these laws will not occur in the future, as a result of human error, accident, equipment failure or other causes. Environmental laws and regulations have increasingly become more stringent over time. We expect that our products and operations will be affected by new environmental requirements on an ongoing basis, which will likely result in additional costs, which could adversely affect our business.

Our failure to comply with present and future environmental, health and safety laws could cause us to incur substantial costs, result in civil or criminal fines and penalties and decreased revenue, which could adversely affect our operating results. Failure by our foundry vendors or other suppliers to comply with applicable environmental laws and requirements could cause disruptions and delays in our product shipments, which could adversely affect our relations with our ODMs and OEMs and adversely affect our business and results of operations.

***New regulations related to "conflict minerals" may force us to incur additional expenses, may make our supply chain more complex and may result in damage to our reputation with customers.***

Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd-Frank Act, the Securities and Exchange Commission has adopted new requirements for companies that use certain minerals and metals, known as conflict minerals, in their products, whether or not these products are manufactured by third parties. These requirements require companies to diligence, disclose and report whether or not such minerals originate from the Democratic Republic of Congo and adjoining countries. The implementation of these new requirements could adversely affect the sourcing, availability and pricing of minerals used in the manufacture of semiconductor devices, including our products. In addition, we have incurred, and will continue to incur, additional costs to comply with the disclosure requirements, including costs related to determining the source of any of the relevant minerals and metals used in our products. Since our supply chain is complex, we may not be able to sufficiently verify the origins for these minerals and metals used in our products through the due diligence procedures that we implement, which may harm our reputation. In such event, we may also face difficulties in satisfying customers who require that all of the components of our products are certified as conflict mineral free.

***We are subject to warranty and product liability claims and to product recalls.***

From time to time, we are subject to warranty claims that may require us to make significant expenditures to defend these claims or pay damage awards. In the future, we may also be subject to product liability claims resulting from failure of our solutions. In the event of a warranty claim, we may also incur costs if we compensate the affected customer. We maintain product liability insurance, but this insurance is limited in amount and subject to significant deductibles. There is no guarantee that our insurance will be available or adequate to protect against all claims. We also may incur costs and expenses relating to a recall of one of our customers' products containing one of our devices. The process of identifying a recalled product in consumer devices that have been widely distributed may be lengthy and require significant resources, and we may incur significant replacement costs, contract damage claims from our customers and reputational harm. Costs or payments made in connection with warranty and product liability claims and product recalls could harm our financial condition and results of operations.

***Rapidly changing industry standards could make our video and image processing solutions obsolete, which would cause our operating results to suffer.***

We design our video and image processing solutions to conform to video compression standards, including MPEG-2, H.264 and H.265, set by industry standards setting bodies such as ITU-T Video Coding Experts Group and the ISO/IEC Moving Picture Experts Group. Generally, our solutions comprise only a part of a camera or broadcast infrastructure equipment device. All components of these devices must uniformly comply with industry standards in order to operate efficiently together. We depend on companies that provide other components of the devices to support prevailing industry standards. Many of these companies are significantly larger and more influential in driving industry standards than we are. Some industry standards may not be widely adopted or implemented uniformly, and competing standards may emerge that may be preferred by our customers or by consumers. If our customers or the suppliers that provide other device components adopt new or competing industry standards with which our solutions are not compatible, or if the industry groups fail to adopt standards with which our solutions are compatible, our existing solutions would become less desirable to our customers. As a result, our sales would suffer, and we could be required to make significant expenditures to develop new SoC solutions. For example, if the new H.265 video compression standard is not broadly adopted by our customers or potential customers, sales of our H.265 compliant solutions would suffer and we may be required to expend substantial resources to comply with an alternative video compression standard. In addition, existing standards may be challenged as infringing upon the intellectual property rights of other companies or may be superseded by new innovations or standards.

Products for communications applications are based on industry standards that are continually evolving. Our ability to compete in the future will depend on our ability to identify and ensure compliance with these evolving industry standards, including any new video compression standards. The emergence of new industry standards could render our solutions incompatible with products developed by other suppliers. As a result, we could be required to invest significant time and effort and to incur significant expense to redesign our solutions to ensure compliance with relevant standards. If our solutions are not in compliance with prevailing industry standards for a significant period of time, we could miss opportunities to achieve crucial design wins, which could harm our business.

***We are subject to the cyclical nature of the semiconductor industry.***

The semiconductor industry is highly cyclical and is characterized by constant and rapid technological change, rapid product obsolescence, price erosion, evolving standards, short product life cycles and wide fluctuations in product supply and demand. The industry experienced a significant downturn during the recent global recession. These downturns have been characterized by diminished product demand, production overcapacity, high inventory levels and accelerated erosion of average selling prices. Any future downturns could harm our business and operating results. Furthermore, any significant upturn in the semiconductor industry could result in increased competition for access to third-party foundry and assembly capacity. We are dependent on the availability of this capacity to manufacture and assemble our SoC solutions. None of our third-party foundry or assembly contractors has provided assurances that adequate capacity will be available to us in the future.

***The use of open source software in our products, processes and technology may expose us to additional risks and compromise our proprietary intellectual property.***

Our products, processes and technology sometimes utilize and incorporate software that is subject to an open source license. Open source software is typically freely accessible, usable and modifiable. Certain open source software licenses, such as the GNU General Public License, require a user who intends to distribute the open source software as a component of the user's software to disclose publicly part or all of the source code to the user's software. In addition, certain open source software licenses require the user of such software to make any derivative works of the open source code available to others on terms unfavorable to us or at no cost. This can subject previously proprietary software to open source license terms.

While we monitor the use of open source software in our products, processes and technology and try to ensure that no open source software is used in such a way as to require us to disclose the source code to the related product, processes or technology when we do not wish to do so, such use could inadvertently occur. Additionally, if a third-party software provider has incorporated certain types of open source software into software we license from such third-party for our products, processes or technology, we could, under certain circumstances, be required to disclose the source code to our products, processes or technology. This could harm our intellectual property position and our business, results of operations and financial condition.

***Some of our operations and a significant portion of our customers and our subcontractors are located outside of the United States, which subjects us to additional risks, including increased complexity and costs of managing international operations and geopolitical instability.***

We have research and development design centers and business development offices in China, Japan, Italy, South Korea and Taiwan, and we expect to continue to conduct business with companies that are located outside the United States, particularly in Asia. Even customers of ours that are based in the United States often use contract manufacturers based in Asia to manufacture their products, and these contract manufacturers typically purchase products directly from us. As a result of our international focus, we face numerous challenges and risks, including:

- increased complexity and costs of managing international operations;
- longer and more difficult collection of receivables;
- difficulties in enforcing contracts generally;
- regional economic instability;
- geopolitical instability and military conflicts;
- limited protection of our intellectual property and other assets;
- compliance with local laws and regulations and unanticipated changes in local laws and regulations, including tax laws and regulations;
- trade and foreign exchange restrictions and higher tariffs;
- travel restrictions;
- timing and availability of import and export licenses and other governmental approvals, permits and licenses, including export classification requirements;
- foreign currency exchange fluctuations relating to our international operating activities;
- restrictions imposed by the U.S. government on our ability to do business with certain companies or in certain countries as a result of international political conflicts;
- transportation delays and other consequences of limited local infrastructure, and disruptions, such as large scale outages or interruptions of service from utilities or telecommunications providers;
- difficulties in staffing international operations;
- heightened risk of terrorist acts;
- local business and cultural factors that differ from our normal standards and practices;
- differing employment practices and labor relations;
- regional health issues and natural disasters; and
- work stoppages.

***Our third-party contractors and their suppliers are concentrated in South Korea, Taiwan and Japan, a region subject to earthquakes and other natural disasters. Any disruption to the operations of these contractors could cause significant delays in the production or shipment of our products.***

The majority of our products are manufactured by or receive components from third-party contractors located in South Korea, Taiwan and Japan. The risk of an earthquake or tsunami in South Korea, Taiwan, Japan and elsewhere in the Pacific Rim region is significant due to the proximity of major earthquake fault lines. For example, in December 2006 a major earthquake occurred in Taiwan and in March 2011 a major earthquake and tsunami occurred in Japan. Although we are not aware of any significant damage suffered by our third-party contractors as a result of such natural disasters, the occurrence of additional earthquakes or other natural disasters could result in the disruption of our foundry vendor or assembly and test capacity. Any disruption resulting from such events could cause significant delays in the production or shipment of our products until we are able to shift our manufacturing, assembling or testing from the affected contractor to another third-party vendor. We may not be able to obtain alternate capacity on favorable terms, or at all.

***If our operations are interrupted, our business and reputation could suffer.***

Our operations and those of our manufacturers are vulnerable to interruption caused by technical breakdowns, computer hardware and software malfunctions, software viruses, infrastructure failures, fires, earthquakes, floods, power losses, telecommunications failures, terrorist attacks, wars, Internet failures and other events beyond our control. Any disruption in our services or operations could result in a reduction in revenue or a claim for substantial damages against us, regardless of whether we are responsible for that failure. We rely on our computer equipment, database storage facilities and other office equipment, which are located primarily in the seismically active San Francisco Bay Area and Taiwan. If we suffer a significant database or network facility outage, our business could experience disruption until we fully implement our back-up systems.

***As a public company, we are subject to additional regulatory compliance requirements, including Section 404 of the Sarbanes-Oxley Act of 2002, and if we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud.***

We became a public company on October 10, 2012 and have and will continue to incur significant legal, accounting and other expenses that we did not incur as a private company. Additionally, in fiscal year 2015, we ceased to be an “emerging growth company”, as defined in the Jumpstart Our Business Startups Act, or the JOBS Act. As a result, we are now, and will continue to be, subject to additional disclosure and compliance requirements associated with being a public company going forward, including but not limited to compliance with the auditor attestation requirement of Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, as described below.

Rules and regulations such as the Sarbanes-Oxley Act have increased our legal and finance compliance costs and made some activities more time consuming and costly. For example, Section 404 of the Sarbanes-Oxley Act requires that our management report on, and our independent auditors attest to, the effectiveness of our internal control structure and procedures for financial reporting. In the future, we may discover areas of our internal controls that need improvement. If our auditors or we discover a material weakness or significant deficiency, the disclosure of that fact, even if quickly remedied, could reduce the market’s confidence in our financial statements and harm our stock price. Any inability to provide reliable financial reports or prevent fraud could harm our business. We may not be able to effectively and timely implement necessary control changes and employee training to ensure continued compliance with the Sarbanes-Oxley Act and other regulatory and reporting requirements. Our recent growth rate could present challenges to maintain the internal control and disclosure control standards applicable to public companies. In the future if our Chief Executive Officer, Chief Financial Officer or independent registered public accounting firm determines that our internal controls over financial reporting are not effective as defined under Section 404, we could be subject to sanctions or investigations by The NASDAQ Stock Market, the Securities and Exchange Commission, or SEC, or other regulatory authorities. Furthermore, investor perceptions of our company may suffer, and this could cause a decline in the market price of our ordinary shares. We cannot assure you that in the future we will be able to continue to fully comply with the requirements of the Sarbanes-Oxley Act or that management or our auditors will conclude that our internal controls are effective in future periods. Irrespective of compliance with Section 404, any failure of our internal controls could have a material adverse effect on our stated results of operations and harm our reputation.

***If we fail to hire additional finance personnel, strengthen our financial reporting systems and infrastructure, and effectively use our enterprise resource planning system, we may not be able to timely and accurately report our financial results or comply with the requirements of being a public company, including compliance with the Sarbanes-Oxley Act and SEC reporting requirements, which in turn would significantly harm our reputation and our business.***

Although we have hired additional accounting and finance personnel with system implementation experience and Sarbanes-Oxley Act compliance expertise, the continued growth of the business may require additional trained resources to meet the requirements of being a public company. Any inability to recruit and retain such finance personnel would have an adverse impact on our ability to accurately and timely prepare our financial statements. We may be unable to locate and hire qualified professionals with requisite technical and public company experience when and as needed. In addition, new employees will require time and training to learn our business and operating processes and procedures. If our finance and accounting organization is unable for any reason to respond adequately to the demands of being a public company, the quality and timeliness of our financial reporting may suffer, which could result in the identification of material weaknesses in our internal controls. Any consequences resulting from inaccuracies or delays in our reported financial statements could cause the trading price of our ordinary shares to decline and could harm our business, operating results and financial condition.

If we fail to maintain our financial reporting systems, infrastructure and internal control over financial reporting to meet the demands that will be placed upon us as a public company, including the requirements of the Sarbanes-Oxley Act, we may be unable to report our financial results timely and accurately and prevent fraud. We expect to continue incur significant expense and devote substantial management effort toward ensuring compliance with Section 404.

We recently substantially completed implementation of the core modules of a new enterprise resource planning, or ERP, system. This project has required and may continue to require investment of capital and human resources, the re-engineering of processes of our business and the attention of many employees who would otherwise be focused on other aspects of our business. Any deficiencies in the design and implementation of the new ERP system could result in potentially much higher costs than we had incurred and could adversely affect our ability to develop and launch solutions, provide services, fulfill contractual obligations, file reports with the SEC in a timely manner, otherwise operate our business or otherwise impact our controls environment. Any of these consequences could have an adverse effect on our results of operations and financial condition.

***Changes to financial accounting standards may affect our results of operations and could cause us to change our business practices.***

We prepare our consolidated financial statements to conform to generally accepted accounting principles, or GAAP, in the United States. These accounting principles are subject to interpretation by the American Institute of Certified Public Accountants, the SEC and various bodies formed to interpret and create accounting rules and regulations. Changes in those accounting rules can have a significant effect on our financial results and may affect our reporting of transactions completed before a change is announced. Changes to those rules or the questioning of current practices may adversely affect our reported financial results or the way we conduct our business.

***The complexity of calculating our tax provision may result in errors that could result in restatements of our financial statements.***

We are incorporated in the Cayman Islands and our operations are subject to income and transaction taxes in the United States, China, Hong Kong, Japan, Italy, South Korea, Taiwan and other jurisdictions in which we do business. Due to the complexity associated with the calculation of our tax provision, we have hired independent tax advisors to assist us. If we or our independent tax advisors fail to resolve or fully understand certain issues, there may be errors that could result in us having to restate our financial statements. Restatements are generally costly and could adversely impact our results of operations or have a negative impact on the trading price of our ordinary shares.

***Changes in effective tax rates or adverse outcomes resulting from examination of our income tax returns could adversely affect our results.***

Our future effective tax rates could be adversely affected if earnings are lower than anticipated in countries where we have lower statutory rates and higher than anticipated in countries where we have higher statutory rates, by changes in the valuation of our deferred tax assets and liabilities, or by changes in tax laws, regulations, accounting principles or interpretations thereof. In addition, our income tax returns are subject to continuous examination by the Internal Revenue Service, or IRS, and other tax authorities. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes. We cannot assure you that the outcomes from these continuous examinations will not have an adverse effect on our operating results and financial condition.

***Unfavorable tax law changes, an unfavorable governmental review of our tax returns, changes in our geographical earnings mix or imposition of withholding taxes on repatriated earnings could adversely affect our effective tax rate and our operating results.***

Our operations are subject to certain taxes, such as income and transaction taxes, in the Cayman Islands, the United States, China, Hong Kong, Japan, Italy, South Korea, Taiwan and other jurisdictions in which we do business. A change in the tax laws in the jurisdictions in which we do business, including an increase in tax rates or an adverse change in the treatment of an item of income or expense, possibly with retroactive effect, could result in a material increase in the amount of taxes we incur. In particular, past proposals have been made to change certain U.S. tax laws relating to foreign entities with U.S. connections, which may include us. For example, previously proposed legislation has considered treating certain foreign corporations as U.S. domestic corporations (and therefore taxable on all of their worldwide income) if the management and control of the foreign corporation occurs, directly or indirectly, primarily within the United States. If such legislation were enacted, we could, depending on the precise form, be subject to U.S. taxation notwithstanding our domicile outside the United States. In addition, the U.S. government has proposed various other changes to the U.S. international tax system, certain of which could adversely impact foreign-based multinational corporate groups, and increased enforcement of U.S. international tax laws. Although none of these proposed U.S. tax law changes has yet been enacted, and they may never be enacted in their current forms, it is possible that these or other changes in the U.S. tax laws could significantly increase our U.S. income tax liability in the future.

We are subject to periodic audits or other reviews by tax authorities in the jurisdictions in which we conduct our activities. Any such audit, examination or review requires management's time, diverts internal resources and, in the event of an unfavorable outcome, may result in additional tax liabilities or other adjustments to our historical results.

Because we conduct operations in multiple jurisdictions, our effective tax rate is influenced by the amounts of income and expense attributed to each such jurisdiction. If such amounts were to change so as to increase the amounts of our net income subject to taxation in higher-tax jurisdictions, or if we were to commence operations in jurisdictions assessing relatively higher tax rates, our effective tax rate could be adversely affected. In addition, we may determine that it is advisable from time to time to repatriate earnings from subsidiaries under circumstances that could give rise to imposition of potentially significant withholding taxes by the jurisdictions in which such amounts were earned, without our receiving the benefit of any offsetting tax credits, which could also adversely impact our effective tax rate.

***We may be classified as a passive foreign investment company which could result in adverse U.S. federal income tax consequences for U.S. holders of our ordinary shares.***

Based on the current and anticipated valuation of our assets and the composition of our income and assets, we do not expect to be considered a passive foreign investment company, or PFIC, for U.S. federal income tax purposes for our 2015 fiscal year or the foreseeable future. However, a separate determination must be made at the close of each taxable year as to whether we are a PFIC for that taxable year, and we cannot assure you that we will not be a PFIC for our 2016 fiscal year or any future taxable year. Under current law, a non-U.S. corporation will be considered a PFIC for any taxable year if either (a) at least 75% of its gross income is passive income or (b) at least 50% of the value of its assets, generally based on an average of the quarterly values of the assets during a taxable year, is attributable to assets that produce or are held for the production of passive income. PFIC status depends on the composition of our assets and income and the value of our assets (which may be based in part on the value of our ordinary shares which may fluctuate), including, among others, a pro rata portion of the income and assets of each subsidiary in which we own, directly or indirectly, at least 25% by value of the subsidiary's equity interests, from time to time. Because we currently hold, and expect to continue to hold, a substantial amount of cash or cash equivalents, and because the calculation of the value of our assets may be based in part on the value of our ordinary shares which may fluctuate after this offering and may fluctuate considerably given that market prices of technology companies historically often have been volatile, we may be a PFIC for any taxable year. If we were treated as a PFIC for any taxable year during which a U.S. holder held ordinary shares, certain adverse U.S. federal income tax consequences could apply for such U.S. holder.

***Fluctuations in exchange rates between and among the currencies of the countries in which we do business may adversely affect our operating results.***

Our sales have been historically denominated in U.S. dollars. An increase in the value of the U.S. dollar relative to the currencies of the countries in which our end customers operate could impair the ability of our end customers to cost-effectively integrate our SoCs into their devices which may materially affect the demand for our solutions and cause these end customers to reduce their orders, which would adversely affect our revenue and business. We may experience foreign exchange gains or losses due to the volatility of other currencies compared to the U.S. dollar. A significant portion of our solutions are sold to camera manufacturers located outside the United States, primarily in Asia. Sales to customers in Asia accounted for approximately 91% of our total revenue in fiscal year 2015 and accounted for approximately 94.4% and 93.8% of our total revenue for the three and six months ended July 31, 2015, respectively. Because most of our end customers or their ODM manufacturers are located in Asia, we anticipate that a majority of our future revenue will continue to come from sales to that region. Although a large percentage of our sales are made to customers in Asia, we believe that a significant number of the products designed by these customers and incorporating our SoCs are then sold to consumers globally.

A significant number of our employees are located in Asia, principally Taiwan and China. Therefore, a portion of our payroll as well as certain other operating expenses are paid in currencies other than the U.S. dollar, such as the New Taiwan Dollar and the Chinese Yuan Renminbi. Our operating results are denominated in U.S. dollars and the difference in exchange rates in one period compared to another may directly impact period-to-period comparisons of our operating results. Furthermore, currency exchange rates, particularly the exchange rate between the Chinese Yuan Renminbi and the U.S. Dollar, have been especially volatile in the recent past and these currency fluctuations may make it difficult for us to predict our operating results.

We have not implemented any hedging strategies to mitigate risks related to the impact of fluctuations in currency exchange rates. Even if we were to implement hedging strategies, not every exposure can be hedged and, where hedges are put in place based on expected foreign exchange exposure, they are based on forecasts which may vary or which may later prove to have been inaccurate. Failure to hedge successfully or anticipate currency risks accurately could adversely affect our operating results.



***We may make acquisitions in the future that could disrupt our business, cause dilution to our shareholders, reduce our financial resources and harm our business.***

In the future, we may acquire other businesses, products or technologies. Other than our acquisition of VisLab S.r.l., we have not made any acquisitions to date and do not have any agreements or commitments for any specific acquisition at this time. Our ability to make and successfully integrate acquisitions is unproven. Our acquisition of VisLab and any future acquisitions may not strengthen our competitive position and may be viewed negatively by our customers, financial markets or investors, and we may not achieve our goals in a timely manner, or at all. In addition, any acquisitions we make could lead to difficulties in integrating personnel, technologies and operations from the acquired businesses and in retaining and motivating key personnel from these businesses. Acquisitions may disrupt our ongoing operations, divert management from their primary responsibilities, subject us to additional liabilities, increase our expenses and adversely impact our business, operating results, financial condition and cash flows. Acquisitions may also reduce our cash available for operations and other uses, and could also result in an increase in amortization expense related to identifiable assets acquired, potentially dilutive issuances of equity securities or the incurrence of debt, any of which could harm our business.

***We cannot predict our future capital needs, and we may not be able to obtain additional financing to fund our operations.***

We may need to raise additional funds in the future. Any required additional financing may not be available on terms acceptable to us, or at all. If we raise additional funds by issuing equity securities or convertible debt, investors may experience significant dilution of their ownership interest, and the newly-issued securities may have rights senior to those of the holders of our ordinary shares. If we raise additional funds by obtaining loans from third parties, the terms of those financing arrangements may include negative covenants or other restrictions on our business that could impair our operational flexibility and would also require us to incur interest expense. If additional financing is not available when required or is not available on acceptable terms, we may have to scale back our operations or limit our production activities, and we may not be able to expand our business, develop or enhance our products, take advantage of business opportunities or respond to competitive pressures which could result in lower revenue and reduce the competitiveness of our products.

***Our marketable securities portfolio could experience a decline in market value, which could materially and adversely affect our financial results.***

As of July 31, 2015, we had approximately \$40.2 million in securities investments. The investments consisted primarily of money market funds, commercial paper, asset-backed securities, U.S. government securities, agency bonds and debt securities of corporations which are focused on the preservation of our capital. We currently do not use derivative financial instruments to adjust our investment portfolio risk or income profile.

These investments, as well as any cash deposited in bank accounts, are subject to general credit, liquidity, market and interest rate risks, which may be exacerbated by unusual events, such as the eurozone crisis and the U.S. debt ceiling crisis, which have affected various sectors of the financial markets and led to global credit and liquidity issues. If the global credit market continues to experience volatility or deteriorates, our investment portfolio may be impacted and some or all of our investments may experience other-than-temporary impairment which could adversely impact our financial results and position.

## **Risks Related to Ownership of Our Ordinary Shares**

***The market price of our ordinary shares may be volatile, which could cause the value of your investment to decline.***

Since our initial public offering in October 2012, the market price of our ordinary shares has been highly volatile. The trading price of our ordinary shares is likely to remain volatile and could be subject to wide fluctuations in price in response to various factors, some of which are beyond our control. These factors include:

- changes in financial estimates, including our ability to meet our future revenue and operating profit or loss projections;
- fluctuations in our operating results or those of other semiconductor or comparable companies;
- fluctuations in the economic performance or market valuations of companies perceived by investors to be comparable to us;
- economic developments in the semiconductor industry as a whole;
- general economic conditions and slow or negative growth of related markets;
- announcements by us or our competitors of acquisitions, new products, significant contracts or orders, commercial relationships or capital commitments;
- our ability to develop and market new and enhanced solutions on a timely basis;

- commencement of or our involvement in litigation;
- disruption to our operations;
- any major change in our board of directors or management;
- political or social conditions in the markets where we sell our products;
- changes in governmental regulations; and
- changes in earnings estimates or recommendations by securities analysts.

In addition, the stock market in general, and the market for semiconductor and other technology companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. These broad market and industry factors may cause the market price of our ordinary shares to decrease, regardless of our actual operating performance. These trading price fluctuations may also make it more difficult for us to use our ordinary shares as a means to make acquisitions or to use options to purchase our ordinary shares to attract and retain employees. If the market price of our ordinary shares declines, you may not realize any return on your investment in us and may lose some or all of your investment. In addition, in the past, following periods of volatility in the overall market and the market price of a company's securities, securities class action litigation has often been instituted against these companies. This litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources.

***If securities analysts or industry analysts downgrade our ordinary shares, publish negative research or reports or fail to publish reports about our business, our stock price and trading volume could decline.***

The trading market for our ordinary shares will be influenced by the research and reports that industry or securities analysts publish about us, our business and our market. If one or more analysts adversely changes their recommendation regarding our stock or our competitors' stock, our stock price would likely decline. If one or more analysts cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets which in turn could cause our stock price or trading volume to decline.

***Our actual operating results may differ significantly from our guidance and investor expectations, which would likely cause our stock price to decline.***

From time to time, we may release guidance in our earnings releases, earnings conference calls or otherwise, regarding our future performance that represent our management's estimates as of the date of release. If given, this guidance, which will include forward-looking statements, will be based on projections prepared by our management. Projections are based upon a number of assumptions and estimates that, while presented with numerical specificity, are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. The principal reason that we expect to release guidance is to provide a basis for our management to discuss our business outlook with analysts and investors. With or without our guidance, analysts and other investors may publish expectations regarding our business, financial performance and results of operations. We do not accept any responsibility for any projections or reports published by any such third persons.

Guidance is necessarily speculative in nature, and it can be expected that some or all of the assumptions of the guidance furnished by us will not materialize or will vary significantly from actual results. If our actual performance does not meet or exceed our guidance or investor expectations, the trading price of our ordinary shares is likely to decline.

***The price of our ordinary shares could decrease as a result of shares being sold in the market.***

Sales of a substantial number of our ordinary shares in the public market, or the perception that these sales might occur, could cause the market price of our ordinary shares to decline. Certain holders of our ordinary shares are entitled to rights with respect to registration of such shares under the Securities Act pursuant to a registration rights agreement between such holders and us. If such holders, by exercising their registration rights, sell a large number of shares, the market price for our ordinary shares could be adversely affected. If we file a registration statement for the purpose of selling additional shares to raise capital and are required to include shares held by these holders pursuant to the exercise of their registration rights, our ability to raise capital may be impaired.

We filed registration statements on Form S-8 under the Securities Act to register shares for issuance under our 2004 Stock Plan, 2012 Equity Incentive Plan and 2012 Employee Stock Purchase Plan. Our 2012 Equity Incentive Plan and 2012 Employee Stock Purchase Plan provide for automatic increases in the shares reserved for issuance under these plans which could result in additional dilution to our shareholders. These shares can be freely sold in the public market upon issuance and vesting, subject to restrictions provided under the terms of the applicable plan and/or the option agreements entered into with option holders.

We may also issue ordinary shares or securities convertible into ordinary shares from time to time in connection with a financing, acquisition or otherwise. Any such issuance could result in substantial dilution to our existing shareholders and cause the trading price of our stock to decline.

***We do not intend to pay dividends on our ordinary shares and, consequently, a shareholder's ability to achieve a return on its investment will depend on appreciation in the price of our ordinary shares.***

We have never declared or paid any cash dividends on our ordinary shares and do not currently intend to do so for the foreseeable future. We currently intend to invest our future earnings, if any, to fund our growth. Therefore, shareholders are not likely to receive any dividends on their ordinary shares for the foreseeable future and the success of an investment in our ordinary shares will depend upon any future appreciation in their value. There is no guarantee that our ordinary shares will appreciate in value or even maintain the price at which our shareholders have purchased their shares. Investors seeking cash dividends should not purchase our ordinary shares.

***Provisions of our memorandum and articles of association and Cayman Islands corporate law may discourage or prevent an acquisition of us which could adversely affect the value of our ordinary shares.***

Provisions of our memorandum and articles of association and Cayman Islands law may have the effect of delaying or preventing a change of control or changes in our management. These provisions include the following:

- the division of our board of directors into three classes;
- the right of our board of directors to elect a director to fill a vacancy created by the expansion of our board of directors or due to the resignation or departure of an existing board member;
- prohibition of cumulative voting in the election of directors which would otherwise allow less than a majority of shareholders to elect director candidates;
- the requirement for the advance notice of nominations for election to our board of directors or for proposing matters that can be acted upon at a shareholders' meeting;
- the ability of our board of directors to issue, without shareholder approval, such amounts of preference shares as the board of directors deems necessary and appropriate with terms set by our board of directors, which rights could be senior to those of our ordinary shares;
- the elimination of the rights of shareholders to call a special meeting of shareholders and to take action by written consent in lieu of a meeting; and
- the required approval of a special resolution of the shareholders, being a two-thirds vote of shares held by shareholders present and voting at a shareholder meeting, to alter or amend the provisions of our post-offering memorandum and articles of association.

***Holders of our ordinary shares may face difficulties in protecting their interests because we are incorporated under Cayman Islands law.***

Our corporate affairs are governed by our amended and restated memorandum and articles of association, by the Companies Law (as the same may be supplemented or amended from time to time) of the Cayman Islands and by the common law of the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not as clearly established as under statutes or judicial precedent in existence in jurisdictions in the United States. In particular, the Cayman Islands has a less developed body of securities laws than the U.S. and provides significantly less protection to investors. There is no legislation specifically dedicated to the rights of investors in securities and thus no statutorily defined private cause of action specific to investors such as those provided under the Securities Act of 1933 or the Securities Exchange Act of 1934 of the U.S. In addition, shareholders of Cayman Islands companies may not have standing to initiate shareholder derivative actions in U.S. federal courts. Therefore, you may have more difficulty in protecting your interests in the face of actions by our management, directors or controlling shareholders than would shareholders of a corporation incorporated in a jurisdiction in the United States due to the comparatively less developed nature of Cayman Islands law in this area.

Shareholders of Cayman Islands exempted companies, such as our company, have no general rights under Cayman Islands law to inspect corporate records and accounts or to obtain copies of lists of shareholders of the company. Our directors have discretion under our articles of association to determine whether or not, and under what conditions, our corporate records may be inspected by our shareholders, but are not obliged to make them available to our shareholders. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest.

Subject to limited exceptions, under Cayman Islands law, a minority shareholder may not bring a derivative action against the board of directors.

***Holders of our ordinary shares may have difficulty obtaining or enforcing a judgment against us because we are incorporated under the laws of the Cayman Islands.***

It may be difficult or impossible for you to bring an action against us in the Cayman Islands if you believe your rights have been infringed under U.S. securities laws. There is no statutory recognition in the Cayman Islands of judgments obtained in the United States, although the courts of the Cayman Islands will in certain circumstances recognize and enforce a non-penal judgment of a foreign court of competent jurisdiction without retrial on the merits. While there is no binding authority on this point, this is likely to include, in certain circumstances, a non-penal judgment of a United States court imposing a monetary award based on the civil liability provisions of the U.S. federal securities laws. The Grand Court of the Cayman Islands may stay proceedings if concurrent proceedings are being brought elsewhere. There is uncertainty as to whether the Grand Court of the Cayman Islands would recognize or enforce judgments of United States courts obtained against us predicated upon the civil liability provisions of the securities laws of the United States or any state thereof and whether the Grand Court of the Cayman Islands would hear original actions brought in the Cayman Islands against us predicated upon the securities laws of the United States or any state thereof.

**ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds**

None.

**ITEM 6. Exhibits**

The exhibits listed in the accompanying Exhibit Index are filed or incorporated by reference as part of this Quarterly Report.

**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.

Date: September 8, 2015

**AMBARELLA, INC.**

By: \_\_\_\_\_ /s/ Feng-Ming Wang  
Feng-Ming Wang  
President and Chief Executive Officer

Date: September 8, 2015

By: \_\_\_\_\_ /s/ George Laplante  
George Laplante  
Chief Financial Officer

## EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
2.1	Quota Purchase Agreement, dated as of June 25, 2015, by and among the Registrant, the University of Parma, Alberto Broggi, Massimo Bertozzi, Paolo Grisler, Pietro Cerri, Rean Fedriga, Paolo Medici, Luca Bombini, Stefano Cattani, Mirko Felisa, Pier Paolo Porta, and Paolo Zani.
3.1(1)	Amended and Restated Memorandum of Association and Second Amended and Restated Articles of Association of the Registrant.
10.1	Amended and Restated 2012 Employee Stock Purchase Plan.
10.2	Amendment to the Sales Representative Agreement dated August 1, 2015 by and between Ambarella, Inc. and WT Microelectronics Co., Ltd.
10.3	Second Amendment to Lease Agreement dated as of August 27, 2015 by and between Ambarella Corporation and DPF JAY OWNER, LLC.
31.1	Certification of Principal Executive Officer Required Under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended.
31.2	Certification of Principal Financial Officer Required Under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended.
32.1*	Certification of Principal Executive Officer and Principal Financial Officer Required Under Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. §1350.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Schema Linkbase Document
101.CAL	XBRL Taxonomy Calculation Linkbase Document
101.DEF	XBRL Taxonomy Definition Linkbase Document
101.LAB	XBRL Taxonomy Labels Linkbase Document
101.PRE	XBRL Taxonomy Presentation Linkbase Document

(1) Incorporated by reference to the Registrant's registration statement on Form S-1 (No. 333-174838) Amendment No. 3 as filed with the Securities and Exchange Commission on September 12, 2012.

\* In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release No. 33-8238 and 34-47986, Final Rule: Management's Reports on Internal Control Over Financial Reporting and Certification of Disclosure in Exchange Act Periodic Reports, the certifications furnished in Exhibits 32.1 hereto are deemed to accompany this Form 10-Q and will not be deemed "filed" for purposes of Section 18 of the Exchange Act. Such certifications will not be deemed to be incorporated by reference into any filings under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

**QUOTA PURCHASE AGREEMENT**  
**BY AND AMONG AMBARELLA, INC.**  
**AND**  
**THE SELLERS**  
**DATED AS OF JUNE 25, 2015**

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## **EXHIBITS**

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- Exhibit B – Company Capital
- Exhibit C – Continuing Employees
- Exhibit D – Form of Escrow Agreement
- Exhibit E – Form of Deed of Transfer
- Exhibit F – Company Registration Report dated June 24, 2015
- Exhibit G – Form of RSU Agreement and Sellers Receiving RSUs

## **ANNEXES**

- Annex A – Definitions

## **SCHEDULES**

- Schedule 1.1(b) – Spreadsheet

## QUOTA PURCHASE AGREEMENT

This QUOTA PURCHASE AGREEMENT (the “Agreement”) dated as of June 25, 2015 (the “Agreement Date”) is by and among Ambarella, Inc. (“Buyer”) an exempted company incorporated with limited liability under the laws of the Cayman Islands with registered office at PO Box 309GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, represented by George Laplante in his capacity as a duly authorized officer of Buyer, and the persons and entities listed on Exhibit A (collectively, the “Sellers”). All capitalized terms that are used but not defined herein shall have the respective meanings ascribed thereto in Annex A.

### RECITALS

A. The Sellers collectively own legal and beneficial title to ten thousand (10,000) quotas of VISLAB S.R.L, an Italian limited liability corporation (the “Company”) representing one hundred percent (100%) of the issued and outstanding Company Capital.

B. Subject to the terms and conditions of this Agreement, all issued and outstanding Company Capital will be purchased by Buyer for the consideration set forth herein.

C. The Sellers are the owners of and have good and valid title to the Company Capital in the respective percentages indicated in Exhibit B, free and clear of any encumbrances or liens, and the Sellers constitute all of the equity holders of the Company.

D. Buyer carried out an investigation regarding the Company by means of a due diligence review.

E. Prior to the Closing, as a material inducement to Buyer to enter into this Agreement, each of the individuals listed on Exhibit C (the “Continuing Employees”) shall enter into an employment agreement with the Company in form and substance acceptable to the Continuing Employees and Buyer to be effective as of the Closing Date (each, an “Continuing Employment Agreement”).

F. Concurrently with the execution of this Agreement, and as a material inducement to Buyer to enter into this Agreement, Buyer, the Sellers and SPAFID (the “Escrow Agent”) shall enter into an escrow agreement substantially in the form attached hereto as Exhibit D (with such changes as the Escrow Agent may reasonably request and as are mutually approved by Buyer and the Sellers, such approval to not be unreasonably withheld, delayed or conditioned, the “Escrow Agreement”), pursuant to which a portion of the aggregate purchase consideration shall be placed in an escrow account to secure the obligations set forth in Article 6 hereof.

G. The Sellers, on the one hand, and Buyer, on the other hand, desire to make certain representations, warranties, covenants and other agreements in connection with the purchase of Company Capital.

NOW, THEREFORE, in consideration of the foregoing premises and the respective representations, warranties, covenants and agreements hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, hereby agree as follows:

### ARTICLE 1

#### **PURCHASE AND SALE OF ALL QUOTAS OF THE COMPANY**

##### **1.1 Purchase and Sale of Company Capital**

(a) Upon the terms and subject to the conditions of this Agreement, each of the Sellers hereby sells to Buyer, and Buyer hereby purchases and acquires, any and all rights, title and interest in and to the quota of the Company Capital owned beneficially, of record or otherwise by such Seller from and after the Agreement Date, free and clear of all Encumbrances and with the benefit of all rights of whatsoever nature attaching or accruing to such quota, including all rights to any dividends and distributions declared, paid or made in respect of such quota on or after the Agreement Date. With respect to the purchase and sale of Company Capital provided for in this Agreement, each Seller waives all rights of pre-emption or first refusal or other rights of or restrictions on the transfer of any of the Company Capital conferred on such Seller by the Charter Documents or any Contract.

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(b) At the Closing the Buyer shall pay to the Sellers the aggregate amount of USD 30,000,000 (thirty million) as consideration for the Company Capital (the "Purchase Consideration") as set forth on the Spreadsheet attached hereto as Schedule 1.1(b). In particular, the Buyer shall pay the Purchase Consideration as follows:

- (i) the Closing Cash Consideration shall be paid by the Buyer to the Sellers' bank accounts indicated in the Spreadsheet; and
- (ii) the Escrow Amount shall be paid by the Buyer in the Escrow Fund.

(c) Except as set forth in Article 6, the Parties acknowledge and agree that the Purchase Consideration shall not be subject to any adjustment.

### 1.2 Closing

Upon the satisfaction or waiver of the conditions set forth in Article 5, the Parties shall cause the closing of the Transactions (the "Closing") on the Agreement Date. The Closing shall take place in Milan, Italy before the notary public Fabio Gaspare Pantè through the execution of a Deed of Transfer in the form attached hereto as Exhibit F (the "Deed of Transfer"), it being understood the Deed of Transfer shall (i) be entered into solely as a requirement under Italian law to perfect the transfer of the Company Capital from the Sellers to Buyer, (ii) have no other effect on the terms hereof, and (iii) remain fully valid and binding between the Parties. The date on which the Closing occurs is herein referred to as the "Closing Date." All acts and proceedings to be taken and all documents to be executed and delivered by the Parties at the Closing will be deemed to have been taken and executed simultaneously, and, except as permitted hereunder, no acts or proceedings will be deemed taken nor any documents executed or delivered until all have been taken, executed and delivered.

### 1.3 Escrow

On the Closing Date, Buyer shall deposit the Escrow Amount with the Escrow Agent by wire transfer of immediately available funds, to be held by the Escrow Agent in the Escrow Fund.

### 1.4 Exchange Procedures

On the Closing Date, Buyer shall, pursuant to Section 1.1(b), pay by wire transfer of immediately available funds to each Seller such Seller's portion of the Closing Cash Consideration as set forth in the Spreadsheet.

### 1.5 Tax Withholding.

Notwithstanding anything in this Agreement to the contrary, all amounts payable under the RSU Agreement shall be subject to applicable Tax withholding requirements.

## ARTICLE 2

### **REPRESENTATIONS AND WARRANTIES OF THE SELLERS**

#### 2.1 Representations and Warranties

The Sellers severally and not jointly, hereby represent and warrant, in each case in the form of an absolute and independent guarantee, to Buyer that the statements in the following paragraphs of this Article 2 are all true and complete on the date hereof, subject to the disclosures and other responses set forth in the Disclosure Schedule delivered to Buyer on the Closing Date (which disclosures and responses are arranged in parts that correspond to the Sections or, in the case of Subsections, such Subsections in this Article 2 to which they apply, and qualify other Sections or Subsections of this Article 2 only to the extent that it is reasonably apparent from the text of the disclosure or response that such disclosure or response is applicable to such other Section or Subsection).

Any right or remedy of the Buyer arising under this Agreement in connection with any breach of any representation and warranty of the Sellers shall be subject only to the terms specified in this Agreement. The Parties acknowledge that the Sellers are not making any representations and warranties to Buyer other than as set forth in this Agreement and the Disclosure Schedule.

## 2.2 Organization, Good Standing and Qualification

The Company is a limited liability corporation, duly organized, and validly existing under the laws of Italy. The Company is duly qualified to transact business and is in good standing in each other jurisdiction, in which it has transacted or it is currently transacting, in which the failure to so qualify would have a material adverse effect on the assets, liabilities, financial condition, results of operations, business or prospects of the Company (a “Material Adverse Effect”). The Company has all requisite power and authority to own and operate its property, to conduct its business as now conducted and to comply with the provisions of and consummate the transactions contemplated by the Transaction Documents. The Company has Made Available correct and complete copies of its articles of association (*atto costitutivo*) and bylaws (*statuto della società*), each as amended to date and each as in full force and effect on the Agreement Date (collectively, the “Charter Documents”). The board of governors of the Company has not approved any amendment to any of the Charter Documents. The Company is not in violation of any of the provisions of its Charter Documents, and no changes thereto are pending.

## 2.3 Capitalization and Voting Rights

(a) The Company has a total capital of EUR 10,000, represented by the quotas which represent all the equity interests of the Company (the “Company Capital”). The Company has not issued, and does not have any obligations to issue, any phantom stock arrangements.

(b) The Company Capital is owned legally and beneficially by the Sellers, in the percentages indicated in Exhibit B, free and clear of any Liens, and include all ancillary rights attributable thereto. The Sellers have not granted any Person any proxy or other rights with respect to the voting rights of Company Capital nor are they a party to any arrangement or agreement granting such rights with respect to the Company Capital.

(c) The Company Capital is duly authorized, validly issued, registered in the Italian Companies Register, fully paid, has not been repaid, and is not subject to assessment. Other than the Company Capital, there are no other securities of the Company of any class or kind issued, reserved for issuance, convertible, or outstanding, and there are no restrictions with respect to transferability of the Company Capital. There are no options, offers, warrants, restricted stock, restricted stock units, stock appreciation rights, conversion rights, take-along rights, co-sale rights, preemptive rights, subscriptions or agreements or rights of any kind to subscribe for, or to sell or purchase, or commitments to issue (either formal or informal, firm or contingent), existing or future quota or equity capital or securities of or interests or rights in the Company (whether debt, equity, or a combination thereof) or otherwise with respect to the equity of the Company (whether payable in equity, cash or otherwise) or obligating the Company or any equity holders to grant, extend, or enter into any such agreement or commitment. The Company has never adopted, sponsored or maintained any stock option plan or any other plan or agreement providing for issuance of equity to any Person.

(d) The Company does not have and has never had any subsidiaries or affiliated companies and does not otherwise own and has never otherwise owned any shares of capital stock or any interest in, or control, directly or indirectly, any other corporation, limited liability company, partnership, association, joint venture or other business entity.

## 2.4 Authorization

All action on the part of the Company, its officers, governors, partners and the Sellers necessary for the authorization, execution and delivery of the Transaction Documents, performance of all obligations of the Sellers hereunder and thereunder, and the Transaction Agreements, constitute valid and legally binding obligations of the Sellers, enforceable in accordance with their respective terms, except as limited by applicable bankruptcy, insolvency, reorganization, moratorium, and similar laws of general application affecting enforcement of creditors’ rights generally.

## 2.5 Noncontravention

The execution, delivery and performance of the Transaction Documents by the Sellers and the consummation of the Transactions do not and will not (a) conflict with, result in or constitute a violation of or default under (with or without notice or lapse of time, or both), or give rise to a right of termination, cancellation, renegotiation, modification or acceleration of any obligation or loss of any benefit under, or require any consent, approval or waiver from any Person, in each case, in accordance with, any provision of the Charter Documents or the organizational or constating documents of the Company, (b) result in the creation of an Encumbrance on any Assets or Properties of the Company, (c) conflict with, result in or constitute a material violation of or material default under (with or without notice or lapse of time, or both) or give rise to a right of termination, cancellation, renegotiation, modification or acceleration of any obligation or loss or modification of any benefit under, or require consent, approval or waiver from any Person in accordance with any Law or Permit applicable to the Company, or (d) conflict with, result in or constitute a material violation of or material default under (with or without notice or lapse of time, or both) or give rise to a right of termination (except for the right of

termination in the contract indicated in Schedule 2.5 of the Disclosure Schedule), cancellation, renegotiation, modification or acceleration of any obligation or loss or modification of any benefit under, or require consent, approval or waiver from any Person in accordance with any Company Material Contract.

## 2.6 Governmental Consents and Permits

No consent, approval, notice, order or authorization of, or registration, qualification, designation, declaration or filing with, any governmental authority on the part of the Company is required in connection with the consummation of the transactions contemplated by the Transaction Documents. The Company has all franchises, permits, licenses, and any similar authority necessary for the conduct of its business as now being conducted by it. The Company is not in default in any material respect under any of such franchises, permits, licenses, or other similar authority.

## 2.7 Litigation

(a) Except as disclosed in Schedule 2.7(a) of the Disclosure Schedule, there is no action, suit, proceeding or investigation pending or to the knowledge of the Sellers currently threatened against the Company (or any officer or governor of the Company) or any of the Sellers, nor is the Company or any of the Sellers aware that there is any basis for the foregoing. The Company is not a party or subject to the provisions of any order, writ, injunction, judgment or decree of any court or government agency or instrumentality. There is no action, suit, proceeding or investigation by the Company currently pending or that the Company intends to initiate.

(b) There is no material Action by the Company pending or to the knowledge of the Sellers threatened against any other Person.

(c) No insolvency, bankruptcy or composition proceeding has been initiated, or to the knowledge of the Sellers, threatened in writing with respect to the Company.

(d) There are no internal investigations or internal inquiries that, since January 1, 2011, have been conducted by or at the direction of the board of governors of the Company (or any committee thereof) concerning any material financial, accounting or other misfeasance or malfeasance issues or that would reasonably be expected to lead to a voluntary disclosure or enforcement action involving the Company.

(e) There is no Action by any Person pending or to the knowledge of the Sellers threatened against any governor or officer of the Company in their capacities as such.

(f) Except as disclosed in Schedule 2.7(a) of the Disclosure Schedule, the Sellers have no claims, disputes, grievances, Actions, or controversies pending or threatened against the Company.

## 2.8 Intellectual Property

(a) Definitions.

(1) "Company Intellectual Property" means any Technology and Intellectual Property that is owned by, purported by the Sellers to be owned by the Company, or exclusively licensed to the Company.

(2) "Company Products" means all products, services, and Software of the Company that currently are or in the past have been developed, under development, licensed or commercialized, or that have been substantially completed.

(3) "Company Source Code" means, collectively, any human readable source code, or any material portion or aspect of the source code, or any material proprietary information or algorithm contained, embedded or implemented in, in any manner, any source code, in each case for any Company Product.

(4) "Intellectual Property" means the rights associated with or arising out of any of the following; (i) domestic and foreign patents and patent applications, together with all re-issuances, divisionals, continuations, continuations-in-part, revisions, renewals, extensions, and reexaminations thereof, and any identified invention disclosures; (ii) trade secret rights and corresponding rights in confidential information and other non-public information (whether or not patentable), including ideas, formulas, compositions, inventor's notes, discoveries and improvements, know how, manufacturing and production processes and techniques, testing information, research and development information, inventions, invention disclosures, unpatented blueprints,

drawings, specifications, designs, plans, proposals and technical data, business and marketing plans, market surveys, market know-how and customer lists and information (“Trade Secrets”); (iii) all copyrights, copyrightable works, usage rights , rights in databases, data collections, “moral” rights, mask works, copyright registrations and applications therefore and corresponding rights in works of authorship; (iv) all trademarks, service marks, logos, trade dress and trade names and domain names indicating the source of goods or services, and other indicia of commercial source or origin (whether registered, statutory or otherwise), all registrations and applications to register the foregoing anywhere in the world and all goodwill associated therewith; (v) all computer software and code, including assemblers, applets, compilers, source code, object code, development tools, design tools, user interfaces and data, in any form or format, however fixed (“Software”); (vi) all Internet electronic addresses, uniform resource locators and alphanumeric designations associated therewith and all registrations for any of the foregoing; and (vii) any similar, corresponding or equivalent rights to any of the foregoing anywhere in the world.

(5) “Registered Intellectual Property” means Intellectual Property that has been registered, filed, certified or otherwise perfected or recorded with or by any government or other governmental entity or quasi-public legal authority (including domain name registrars), or any applications for any of the foregoing.

(6) “Technology” means embodiments or tangible forms of Intellectual Property, including Software, processes, methods, documentation, algorithms, APIs, apparatuses, data sets, formulae, inventions (whether or not patentable), know-how, works of authorship, and other forms of technology.

(b) Schedule 2.8(b) of the Disclosure Schedule contains a complete and accurate list (by name and version number) of all Company Products and material Company Intellectual Property.

(c) Schedule 2.8(c) of the Disclosure Schedule sets forth a complete and accurate list of all Company Intellectual Property that is Registered Intellectual Property (the “Company Registered Intellectual Property”). For each listed item, Schedule 2.8(c) of the Disclosure Schedule indicates, as applicable, the owner of such Company Registered Intellectual Property; the countries in which such Company Registered Intellectual Property is patented or registered; the patent or registration number; the filing and expiration dates thereof; and each action, filing, and payment that must be taken or made on or before the date that is 120 days after the Agreement Date in order to maintain such Company Registered Intellectual Property in full force and effect. There are no facts or circumstances that would render any Company Registered Intellectual Property invalid or unenforceable.

(d) The Company solely and exclusively owns all right, title and interest in and to the Company Products, including all Company Source Code, free and clear of all Liens (other than non-exclusive end user licenses granted to customers of the Company in the ordinary course of business), and none of the Sellers or the Company has sold, transferred, assigned or otherwise disposed of any rights or interests therein or thereto (other than non-exclusive end user licenses granted to customers of the Company in the ordinary course of business). Neither the Company nor any other Person acting on its behalf has disclosed, delivered or licensed to any Person, agreed to disclose, deliver or license to any Person, or permitted the disclosure or delivery to any escrow agent or other Person of, any Company Source Code except for disclosures to employees under binding written agreements that prohibit use or disclosure except in the performances of services to the Company.

(e) Except for inbound licenses for commercial off-the-shelf Software not embedded in Company Products (“Shrink Wrap Licenses”), the Company is not a party to any contract or agreement related to Intellectual Property of a third party. No person or entity who has licensed Intellectual Property to the Company has ownership rights or license rights to improvements, enhancements, modifications and other amendments made by the Company in such Intellectual Property. Other than Intellectual Property licensed to the Company under (i) licenses for the Open Source Software listed in Schedule 2.8(k) of the Disclosure Schedule and (ii) Shrink Wrap Licenses the Company Intellectual Property includes all Technology and Intellectual Property that is used in or necessary for the conduct of the business of the Company as it currently is conducted by the Company, including the design, development, manufacture, use, marketing, import for resale, distribution, licensing out and sale of all Company Products.

(f) Other than non-disclosure agreements, Schedule 2.8(f) of the Disclosure Schedule lists all Contracts under which the Company has granted, licensed or provided any Company Intellectual Property to third parties (other than non-exclusive rights granted to contractors or vendors to use Company Intellectual Property for the sole benefit of the Company), including any Contracts containing covenants not to sue or non-assertion provisions that relate to Intellectual Property.

(g) All of the Company Intellectual Property (i) is wholly and exclusively owned by the Company, free and clear of all Liens, and (ii) was created or developed solely by either (1) employees of the Company acting within the scope of their employment, or (2) other Persons, in each case of (1) and (2) who have validly and irrevocably assigned all of their rights therein, including Intellectual Property, to the Company. All Company Intellectual Property will be fully transferable, alienable and licensable by the Company or Buyer without restriction and without payment of any kind to any third party.

(h) The Company has never infringed or misappropriated any Intellectual Property of any other Person, violated the rights of any Person (including rights of privacy or publicity), or constituted unfair competition or trade practices under applicable Laws. The operation of the business as it was conducted, currently is conducted, including the design, development, use, import, export, manufacture, licensing, sale or other disposition of the Company Products and Company Intellectual Property, has not, does not infringe or misappropriate the Intellectual Property of any Person, violate the rights of any Person (including rights to privacy or publicity), or constitute unfair competition or trade practices under applicable Laws. The Company has not received any notice from any Person claiming or implying that the Company or such operation or any Company Product infringes or misappropriates the Intellectual Property of any Person or constitutes unfair competition or trade practices under the Laws.

(i) Schedule 2.7(a) of the Disclosure Schedule accurately identifies each material letter or other written or electronic communication or correspondence that has been sent by or to the Company regarding any actual, alleged or suspected infringement or misappropriation of any Company Intellectual Property.

(j) The Company has taken adequate and commercially reasonable steps required to protect the Company's rights in the Company Intellectual Property, or as provided by any other Person to the Company.

(k) Schedule 2.8(k) of the Disclosure Schedule lists all software that is distributed as "open source software" or under a similar licensing or distribution model (including but not limited to the GNU General Public License (GPL), GNU Lesser General Public License (LGPL), Mozilla Public License (MPL), BSD licenses, and the Apache License) (collectively, "Open Source Software") that has been incorporated into any Company Product in any way and describes the manner in which such Open Source Software was incorporated (such description shall include the applicable license terms for each such item of Open Source Software, whether (and, if so, how) the Open Source Software was modified or distributed by the Company and whether (and if so, how) such Open Source Software was incorporated into and linked in any Company Product). The Company has not used Open Source Software in any manner that would or could, with respect to any Company Product or any Company Intellectual Property (including Company Software), (i) require its disclosure or distribution in source code form, (ii) require the licensing thereof for the purpose of making derivative works, (iii) impose any restriction on the consideration to be charged for the distribution thereof, (iv) create, or purport to create, obligations for the Company with respect to Intellectual Property owned by the Company or grant, or purport to grant, to any third party, any rights or immunities under Intellectual Property owned by the Company or (v) impose any other material limitation, restriction, or condition on the right of the Company with respect to its use or distribution. With respect to any Open Source Software that is or has been used by the Company in any way, the Company has been and is in compliance with all applicable licenses with respect thereto.

(l) Except as disclosed in Section 2.8(l) of the Disclosure Schedule, the Company has not collected or received any Personally Identifiable Information, whether through Internet websites owned, maintained or operated by the Company ("Company Sites"), or through any services provided to customers of the Company. "Personally Identifiable Information" means any information that alone or in combination with other information held by the Company can be used to specifically identify a Person.

(m) The Company has implemented appropriate procedures, in accordance with applicable Laws and standard industry practice, to protect the information technology systems used in connection with the operation of the Company from intrusions and contaminants. There have been no material unauthorized intrusions or breaches of the security of information technology systems.

(n) Except as set forth in Schedule 2.8(n) of the Disclosure Schedule, no funding, facilities, resources or personnel of any Governmental Authority or college, university or other education institution were used, directly or indirectly, to develop or create, in whole or in part, any Company Product or any Company Intellectual Property. Without limiting the foregoing, no current or former founder, employee or independent contractor of the Company who is or was involved in, or who contributes or contributed to, the creation or development of any Technology or Intellectual Property for the Company or any Company Intellectual Property, performs or performed services for any other Person (including any company, Governmental Authority, university, college, educational institution or research center) during any period of time that overlaps or overlapped with such founder, employee or independent contractor's performance of services for the Company in a manner resulting in such other Person having any rights in any such Technology or Intellectual Property developed for the Company or Company Intellectual Property. No Governmental Authority or college, university or other education institution has any claim to or right, title or ownership interest in, any Intellectual Property that, but for such claim, right, title or ownership interest, would be Company Intellectual Property.

(o) The Company is not currently and has not been a member of, or a contributor to, any industry standards body or similar organization that requires or obligates the Company to grant or offer to any other Person any license or right to any Company Intellectual Property.

(p) None of the Company Products contains any "back door," "drop dead device," "time bomb," "Trojan horse," "virus" or "worm" or any other code designed or intended to have, or capable of performing, any of the following functions: (i) disrupting,



disabling, harming or otherwise impeding in any manner the operation of, or providing unauthorized access to, a computer system or network or other device on which such code is stored or installed; or (ii) damaging or destroying any data or file without the user's consent.

(q) No Intellectual Property that was Company Intellectual Property has been assigned or transferred to any other Person.

(r) No Seller owns any right, title, or interest in or to any assets, including Intellectual Property that would, but for such ownership, constitute Company Intellectual Property, or in or to any Intellectual Property used in, necessary for, or otherwise related to the business of the Company as it currently is conducted by the Company, including the design, development, manufacture, use, marketing, import for resale, distribution, licensing and sale of any Company Products (collectively, "Seller Intellectual Property").

## 2.9 Compliance with Other Instruments

The Company is not in violation of or default under any provision of its Charter Documents, or any material provision of any order, writ, injunction, judgment or decree of any court or government agency or instrumentality, contract, agreement or instrument, or to any federal, state or local statute, rule or regulation. The execution, delivery and performance of the Transaction Documents and the consummation of the transactions contemplated hereby and thereby will not result in any such violation or otherwise conflict with or result in, with or without the passage of time and giving of notice, any such default or in the creation of any lien or the suspension, revocation, impairment, forfeiture, or non-renewal of any material permit, license, authorization, approval, right or benefit of the Company.

## 2.10 Agreements; Action

(a) The Company has not sold, exchanged or otherwise disposed of any of its assets or rights, other than the sale of its inventory or nonexclusive license of software in the ordinary course of business.

(b) No officer or governor of the Company or holder of more than five percent of the Company Capital has (nor, to the knowledge of the Sellers, any immediate family member of any of such Persons or any trust, partnership or company in which any of such Persons has or has had an interest) (each a "Related Party") (1) any interest in any third party which furnished, licensed or sold, or furnishes, licenses or sells, services, products, goods, property, technology, intellectual or other property rights that the Company furnishes, licenses or sells, or proposes to furnish, license or sell, (2) any interest in any third party that purchases from or sells or furnishes to or licenses to the Company any goods or services or (3) other than with respect to Employee Benefit Plans made in the ordinary course of business, any interest in any Contract to which the Company is a party, except that ownership of no more than one percent of the outstanding voting stock of a publicly traded company shall not be deemed to be an "interest in any third party" for purposes of this Section 2.10.

## 2.11 Taxes

(a) The Company has properly completed and timely filed (after taking into account any extension of time to file) all Tax Returns required to be filed by it. All such Tax Returns are accurate and have been completed in accordance with applicable Law in all material respects, and the Company has paid or withheld and paid to the appropriate Tax Authority all Taxes due from it (whether or not shown to be due on such Tax Returns). The Company has maintained in all material respects, at all applicable times, all records in relation to Tax as it is required to maintain.

(b) The Interim Balance Sheet reflects all unpaid Taxes of the Company for periods (or portions of periods) through the Interim Balance Sheet Date. The Company has no Liability for unpaid Taxes accruing after the Interim Balance Sheet Date, other than Taxes accruing in the ordinary course of business conducted after the Interim Balance Sheet Date.

(c) There is (1) no lien for Taxes against the property of the Company other than liens for Taxes not yet delinquent or that are being contested in good faith by appropriate proceedings and for which adequate reserves have been established, nor is any such property the subject of any trust arising under Tax Law, (2) no audit of any Tax Return of the Company being conducted by a Tax Authority, and (3) no extension of any statute of limitations on the assessment of any Taxes granted to the Company currently in effect (other than any such extension resulting from an automatic extension of the time within which to file any Tax Return). The Company has not been informed in writing by any jurisdiction that the jurisdiction may open an audit, proceeding or other review of the Taxes of such entity or that the jurisdiction believes that such entity was required to file any Tax Return that was not filed.

(d) The Company has not (1) filed any disclosure with any Tax Return to prevent the imposition of penalties with respect to any Tax reporting position taken on any Tax Return, (2) engaged in a tax avoidance transaction or similar arrangement or plan, (3) ever been a member of a consolidated, combined, unitary or aggregate group of which the Company was not the ultimate parent

company, or (4) incurred any Liability for the Taxes of another member of a consolidated, combined unitary or aggregate group, or as a transferee or successor.

(e) The Company is not a party to or bound by any profit and loss sharing, Tax sharing, Tax ruling or Tax allocation agreement, nor does the Company have any Liability or potential Liability to another party under any such agreement.

(f) The Company has withheld or collected and timely paid over to the appropriate Tax Authority (or are properly holding for such timely payment) all Taxes required by Law to be withheld or collected by it.

(g) The Company will not be required to include any item of income in, or exclude any item of deduction from, taxable income for any period (or any portion thereof) ending after the Closing Date as a result of any: (1) installment sale or other open transaction disposition made on or before the Closing Date, (2) prepaid amount received on or before the Closing Date, (3) settlement agreement or closing agreement executed on or before the Closing Date, or (4) change in method of accounting for a taxable period or portion thereof ending on or before the Closing Date.

(h) Schedule 2.11(h) of the Disclosure Schedule lists all income, franchise and other material Tax Returns (federal, state, local and foreign) filed with respect to the Company for taxable periods ended on or after January 1, 2011 and indicates all Tax Returns that currently are the subject of audit.

(i) The Company has not been or is subject to Tax in a country other than its country of organization by virtue of having (during any taxable period remaining open for the assessment of Tax by any foreign Tax Authority under its applicable statute of limitations) a place of business, place of management or otherwise carrying on business in any country outside the country of its organization.

(j) The Company is in compliance in all material respects with all terms and conditions of any Tax exemption, Tax holiday, Tax credit or other Tax reduction agreement or Tax order that applies to the Company and no Tax exemption, Tax holiday, Tax credit, Tax reduction agreement or Tax order that applies to the Company will be adversely affected by the Transactions.

## 2.12 Corporate Documents

Except as disclosed in Schedule 2.12 of the Disclosure Schedule, there are no agreements between the Company and the Sellers. There are no resolutions that have been passed but have not been registered, and the Company Registration Report dated as of June 24, 2015 attached hereto as Exhibit F represents the current status of the Company.

## 2.13 Title to Property and Assets

The Company owns its property and assets free and clear of all Liens. With respect to the property and assets it leases, the Company is in compliance with such leases and holds a valid and subsisting leasehold interest in such property and assets, free and clear of any Liens.

## 2.14 Financial Statements

(a) The Company has provided to Buyer the Company's unaudited statements of operations, statements of income and statements of cash flows for the years ended 2011, 2012, 2013 and 2014, the unaudited management reports as of December 31, 2014 and the Interim Balance Sheet (collectively, the "Financial Statements"). The Financial Statements (a) have been prepared in accordance with Italian GAAP applied on a consistent basis throughout the periods presented, and (b) fairly present the consolidated financial condition and results of operations of the Company as of the dates, and for the periods, indicated therein (subject, in the case of interim period financial statements, to normally recurring year-end audit adjustments, none of which individually or in the aggregate are material). All reserves established by the Company that are set forth or reflected in the Interim Balance Sheet have been established in accordance with Italian GAAP, using the same assumptions and methods as were used to prepare the Company's consolidated balance sheet as of December 31, 2014. Since December 31, 2014, there has been no change in any accounting principle, procedure or practice followed by the Company or in the method of applying such principle, procedure or practice.

(b) The Company is not a party to, or has any commitment to become a party to, any joint venture, off-balance sheet partnership or any similar Contract relating to any transaction or relationship between or among the Company, on the one hand, and any unconsolidated affiliate, including any structured finance, special purpose or limited purpose Person on the other hand, or any Off-Balance Sheet Arrangement.

(c) The Company has in place systems and processes (including the maintenance of proper books and records) that are customary for a company at the same stage of development as the Company designed to (1) provide reasonable assurances regarding the reliability of the Financial Statements and (2) in a timely manner accumulate and communicate to the Company's principal executive officer and principal financial officer the type of information that would be required to be disclosed in the Financial Statements (such systems and processes being herein referred to as the "Financial Controls"). The Company has in place revenue recognition policies that are all consistent with Italian GAAP. The Company, its officers and the Company's independent auditors have not identified or been made aware of any complaint, allegation, deficiency, assertion or claim, whether written or oral, regarding the Financial Controls or the Financial Statements that has not been resolved. There have been no instances of fraud by any officer or, to the knowledge of the Sellers, any other employee of the Company, whether or not material, that occurred during any period covered by the Financial Statements.

#### 2.15 Absence of Certain Changes; Undisclosed Liabilities

(a) Since the Interim Balance Sheet Date, (1) the Company has conducted its business only in the ordinary course of business, except for the preparation, negotiation and execution of this Agreement and the consummation of the Transactions, (2) there has not occurred any Material Adverse Effect relating to the Company and (3) the Company has not experienced any material damage, destruction, loss or interruption in the use of any of the Properties and Assets of the Company (whether or not covered by insurance).

(b) The Company has no Liabilities that are required to be reflected in the Financial Statements in accordance with Italian GAAP, except for Liabilities that are reflected in, reserved against or shown on the Interim Balance Sheet.

#### 2.16 Employee Benefit Plans

(a) The Company does not currently sponsor, maintain or contribute to, and has never sponsored, maintained, or contributed to any Employee Benefit Plan, other than Employee Benefit Plans mandated by applicable Law to which the sole liability of the Company and its Subsidiaries is to make contributions required by Law (each, a "Mandated Plan") including plans or programs maintained by a Governmental Authority requiring the payment of social insurance taxes or similar contributions by the Company or its Subsidiaries to a fund of a Governmental Authority with respect to wages of an employee. Each Employee Benefit Plan has been maintained, operated and administered in compliance with its terms and any related documents or agreements and in compliance with the requirements prescribed by any and all Laws that are applicable to such Employee Benefit Plan, the Company and its Affiliates have performed in all material respects all obligations required to be performed by them under each Employee Benefit Plan. Neither the Company nor any Affiliate of the Company currently has, nor has it ever had, any obligation to maintain, establish, sponsor, participate in, or contribute to any Employee Benefit Plan for the benefit of any Employees who perform or have performed services in the U.S. for the Company or any Affiliate of the Company.

(b) The Company has Made Available to Buyer correct and complete copies of: (1) each Employee Agreement including (without limitation) all amendments thereto; (2) all communications material to any Employee or Employees relating to any Employee Benefit Plan and any proposed Employee Benefit Plan, in each case, relating to any amendments, terminations, establishments, increases or decreases in benefits, acceleration of payments or vesting schedules or other events which would result in any material liability to the Company and there is no document received from any governmental agency in relation thereto.

(c) No Continuing Employee, as of the Agreement Date, has given written notice to the Company or any Affiliate of the Company of such Continuing Employee's termination of employment with the Company. To the knowledge of the Sellers, no such Continuing Employee intends to terminate his or her employment with the Company or any Affiliate of the Company.

(d) There is no pending or to the knowledge of the Sellers threatened Action in or by any court or Governmental Authority with respect to any Employee Benefit Plan nor is there any basis for one to the knowledge of the Sellers, in each case which could reasonably be likely to result in Liability to the Company or its Affiliates.

(e) The Company and each Affiliate of the Company has timely made all contributions and other payments required by and due under the terms of each Employee Benefit Plan. All (1) benefits, expenses, and other amounts due and payable under an Employee Benefit Plan, (2) contributions, transfers, or payments required to be made to, any Employee Benefit Plan (including any trust or fund under an Employee Benefit Plan) and (3) amounts required to have been paid to any Governmental Authority in respect of Employees, in each case, before the Closing Date will have been paid, made or timely accrued as a liability in the Financial Statements on or before the Closing Date.

(f) No Employee Agreement provides benefits, including retiree, death or medical benefits, beyond termination of service or retirement other than coverage mandated by Law, and neither the Company nor any Affiliate of the Company has ever represented, promised or contracted (whether in oral or written form) to any Employee (either individually or to Employees as a group) or any

other Person that such Employee(s) or other Person would be provided with post-termination or retiree welfare benefits, except to the extent required by Law.

(g) The Company has not planned, agreed or committed to institute any Employee Benefit Plan or other plan, program, arrangement or agreement for the benefit of Employees, or to make any amendments to any of the Employee Benefit Plans, in each case other than as required by applicable Law with respect to Mandated Plans.

(h) Neither the execution and delivery of this Agreement nor the consummation of the Transactions will, alone or in connection with any other event (including the termination of employment or service with Buyer or the Company following the consummation of the Transactions), (1) result in any payment (including severance or unemployment compensation) becoming due under any Employee Benefit Plan, (2) increase any benefits (including severance, deferred compensation and equity benefits) otherwise payable under any Employee Benefit Plan, (3) result in the acceleration of the time of payment or vesting of any such benefits to any extent, or (4) result in the forgiveness in whole or in part of any outstanding loans made by the Company to any Person, in each case of clauses (1) through (3), excluding pursuant to Mandated Plans for which the Company will have no costs, liabilities or obligations with respect to any such payments, increases or acceleration. The Company will not make and is not obligated to make any Change of Control Payments.

(i) Except as would not individually or in the aggregate have a Material Adverse Effect:

(1) all open term Contracts of employment or for services with any current Employee of the Company can be terminated by three months' notice or less given at any time without giving rise to any claim for damages, severance pay, or compensation (other than a statutory redundancy payment applicable by virtue of Law or compensation for unfair dismissal applicable by virtue of law or any equivalent remedy under applicable local law).

(2) except as required by applicable Law, no condition or term under any relevant Employee Benefit Plan exists which would prevent Buyer or the Company or any of their subsidiaries from terminating or amending any Employee Benefit Plan, or ceasing Company participation in such Employee Benefit Plan, at any time for any reason without liability to Buyer or the Company or any of their subsidiaries (other than ordinary administration expenses or routine claims for benefits).

## 2.17 Employee Matters

(a) Schedule 2.17(a) of the Disclosure Schedule sets forth a correct and complete list of all form offer letters, Employee Agreements and stand-alone non-competition Contracts (i.e., those not included in the employment contract) used in each jurisdiction in which Employees are based or located, as well as a list of any such agreements, signed by Employees, which deviate from the forms. Schedule 2.17(a) of the Disclosure Schedule also sets forth a correct and complete list of all self-employed contracts and independent contractor's agreements in force as of the Agreement Date.

(b) Except for the national collective bargaining labor agreement for employees working in the Tertiary, Distribution and Service Sector and related addenda, which regulate the Employee Agreements, the Company is not a party to or bound by any collective bargaining agreement, shop agreement, company practice, works council agreement or arrangement, collective promise or any other labor-related agreement with any labor union, labor organization, works council or other body of employee representation, as each relates to the Employees. No such agreement is being negotiated by the Company. The Company has no duty to bargain with any labor union, labor organization or works council, as each relates to the Employees. The Company has no obligation to seek approval for this Transaction or to notify any works council or employee group regarding this Agreement. The Company has no works council or similar employee representation body, or is or was a member in any employers' associations, and no labor union, labor organization or works council has made a pending demand for recognition or certification. There have not been any and are no representation or certification proceedings or petitions seeking a representation proceeding presently pending or, to the knowledge of the Sellers, threatened in writing to be brought or filed with any labor tribunal or other competent authority. There is no labor, social security or union-related dispute, strike, slowdown, lockout, or work stoppage against the Company pending now, that has occurred in the past, or, to the knowledge of the Sellers, threatened that would reasonably be expected to interfere with the business activities of the Company. To the knowledge of the Sellers, the Company has not engaged in any unfair labor practice that relates to the Employees.

(c) Schedule 2.17(c) of the Disclosure Schedule contains a correct and complete list as of the Agreement Date of the employee identification number, positions, date of commencement of employment, years of service credit recognized by the Company and rates of compensation of all current employees (including commissions), classifications as exempt or non-exempt under applicable laws, if required, accrued paid time off or vacation balances, location and severance or termination payment obligations.

(d) Current and complete copies of the written personnel manuals, handbooks, policies, rules or procedures currently in effect and applicable to any Employee of the Company have been Made Available to Buyer.

(e) The Company has paid all compensation due to inventors under all applicable Laws, and there are no Employees and/or self-employed collaborators or independent contractors who are entitled to, or can claim, any similar compensation or reward.

(f) There are no claims, disputes, grievances, Actions, or controversies pending or, to the knowledge of the Sellers, threatened involving any Employee, group of Employees, or individual, including claims arising from wage and hour violations, unfair labor practices, misclassification of Employees or hours worked. There are no charges, investigations, administrative proceedings or formal complaints of discrimination (including discrimination based upon sex, age, marital status, race, national origin, sexual orientation, disability or veteran status or any other category protected by federal, state, or local law), retaliation, or violation of any Law pending or, to the knowledge of the Sellers, threatened before any Labor Court or any other competent or authority against the Company pertaining to any Employee. The Company is not a party to a conciliation agreement, consent decree or other agreement or order with any Governmental Authority with respect to employment practices relating to the Employees.

(g) The Company is and has been at all times in compliance with all applicable Laws, national collective bargaining labor agreements, rules and regulations respecting employment, employment practices, harassment, discrimination, retaliation, terms and conditions of employment, worker classification, Tax withholding, prohibited discrimination, equal employment, fair employment practices, meal and rest periods, immigration status, employee safety and health, wages (including overtime wages), professional qualification, compensation and social security contributions, insurance, pension and welfare, registration in the mandatory books, and hours of work, as each relates to Employees, and in each case, with respect to Employees: (1) has withheld, set aside and reported all amounts required by Law or by agreement to be withheld, set aside and reported with respect to wages, salaries, deferred compensation (TFR) and other payments to Employees or social security authorities and (2) is not Liable for any arrears of wages, severance pay or any Taxes, social security authorities or any penalty or failure to comply with any of the foregoing. The Company has no Liability with respect to the misclassification of: (A) any person as an independent contractor rather than as an employee, (B) any Employee leased from another employer, or (C) any Employee currently or formerly classified as exempt from overtime wages. The Company is and has been at all times in compliance with all applicable Laws, rules and regulations in connection with the use of labor contracts other than ordinary open-term employment, including fixed-term employment contracts, self-employment contracts or independent contractor's agreements, including with respect to the payments of compensation, fees and social security contributions. None of the non-employed personnel working or having worked for the Company is in a position to legitimately claim the status of employee of the Company.

(h) The Company is in compliance with all applicable visa and work permit requirements. No visa or work permit held by an Employee will expire prior to December 31, 2015.

(i) To the knowledge of the Sellers, no Employee or self-employed individual is in violation of any term of any employment contract, non-disclosure, confidentiality agreement, or consulting agreement with the Company or non-competition agreement, non-solicitation agreement or any restrictive covenant with a former employer relating to the right of any such employee or self-employed individual to be employed by or provide service to the Company because of the nature of the business conducted or to the use of trade secrets or proprietary information of others.

(j) All Contracts for the supply of labor or services entered into by the Company have been executed and performed in compliance with all applicable Laws and do not entitle any individual performing services or labor for the Company to be treated as, or recognized as having the status of, an employee thereof. All of the Company's contractors (and sub-contractors) have regularly paid wages, taxes and social security contributions in respect of their personnel and have complied with all applicable health and safety obligations.

## 2.18 Insurance

Correct and complete copies of all insurance policies of fire, liability, product liability, workers' compensation, health and other forms of insurance and indemnity bonds issued at the request or for the benefit of the Company as of the Agreement Date have been Made Available to Buyer. The Company is in material compliance with the terms of such policies and bonds, including timely payment of all premiums payable, and no notice of cancellation or termination has been received by the Company with respect to any such policy. To the knowledge of the Sellers, there is no threatened termination of, or material premium increase with respect to, any of such policies or bonds, nor is there any basis for any termination or material premium increase. All insurance policies are valid, outstanding and enforceable policies and provide insurance coverage in the amounts and against the risks required to comply with applicable Law or any contractual or other obligation. To the knowledge of the Sellers, the Company has not been refused any insurance for its business. No claims have been filed by the Company since January 1, 2014 under any such policies or bonds.

## 2.19 Compliance with Laws; Certain Business Practices

(a) The Company is, and since January 1, 2011 has been, in compliance with all applicable Laws and Permits with respect to the conduct of its business as currently conducted, or the ownership by the Company of its Assets and Properties, except for such non-compliance that has resulted or as would reasonably be expected to result in aggregate Liability to the Company in an amount less than USD 25,000. Each Permit that is required for the operation of the Company's business as presently conducted or the holding of any such interest has been issued or granted to the Company, except for Permits whose failure to be issued or granted has resulted or would reasonably be expected to result in aggregate Liability to the Company in an amount less than USD 25,000. Each of such Permits is in full force and effect. There is no Order binding upon the Company or its Assets and Properties that has or would reasonably be expected to have, whether before or after consummation of the Transactions, the effect of prohibiting or impairing any current business practice of the Company, any acquisition of property (tangible or intangible) by the Company or the conduct of business by the Company as currently conducted by the Company. To the knowledge of the Sellers, no officer or other employee of the Company is subject to any Action or Order that prohibits such officer or other employee from engaging in or continuing any conduct, activity or practice relating to the business of the Company.

(b) Neither the Company nor any of its governors, officers, employees, distributors or agents while retained by the Company or any other Person acting on behalf of any such Person have, with respect to the business of the Company, (1) used any funds for unlawful contributions, gifts, entertainment or other unlawful payments relating to any political activity, (2) made any unlawful payment to any government official or employee or any political party or campaign or violated any provision of the U.S. Foreign Corrupt Practices Act of 1977, Italian Law No. 190 dated 6 November 2012 or any other Law applicable to the conduct of business with Governmental Authorities (collectively, "Anti-bribery Laws"), (3) in conjunction with the development or anticipated exploitation of the Company Products and operation of the Company's business, violated or failed to comply with any applicable Law related to the sale, marketing, promotion or export of goods or (4) or made any bribe, rebate, payoff, kickback or other unlawful payment of any nature using corporate funds or on behalf of the Company. The Company has Made Available to Buyer correct and complete copies of each arrangement in effect, if any, as of the Agreement Date between the Company, on the one hand, and any foreign sales agent or foreign sales representative thereof, on the other hand.

(c) Except as disclosed in Schedule 2.8(n) of the Disclosure Schedule, the Company has not applied for or received, is or will be entitled to or is or will be the beneficiary of, any grant, subsidy or financial assistance from any Governmental Authority.

(d) The Company has at all times conducted its export transactions in compliance with (1) all applicable U.S. export and re-export controls, including the United States Export Administration Act of 2001, as amended, and Regulations and Foreign Assets Control Regulations and (2) all other applicable import/export controls in other countries in which the Company conducts business, including the European Union, except to the extent any such non-compliance would be reasonably likely to result in Liability to the Company in an amount, individually or in the aggregate, that is less than USD 25,000. Without limiting the foregoing, except to the extent any such non-compliance would be reasonably likely to result in Liability to the Company in an amount, individually or in the aggregate, that is less than USD 25,000:

(1) the Company has obtained all export licenses, license exceptions and other consents, notices, waivers, approvals, orders, authorizations, registrations, declarations, classifications and filings with any Governmental Authority required for (1) the export, import and re-export of Company Products, services, software and technologies and (2) releases of technologies and software to foreign nationals located in the United States and abroad ("Export Approvals");

(2) the Company is in compliance with the terms of all applicable Export Approvals;

(3) there are no pending or, to the knowledge of the Sellers, threatened claims against the Company with respect to such Export Approvals;

(4) to the knowledge of the Sellers, there are no actions, conditions or circumstances pertaining to the Company's export transactions that may give rise to any future claims; and

(5) no Export Approvals for the transfer of export licenses to Buyer or the Company are required, or such Export Approvals can be obtained expeditiously without material cost.

(e) If any takeover statute is or becomes applicable to this Agreement or the Transactions, the Sellers shall and shall cause the Company to (1) take all necessary action to ensure that the Transactions may be consummated as promptly as practicable upon the terms and subject to the conditions set forth in this Agreement and (2) otherwise act to eliminate or minimize the effects of such takeover statute.

## 2.20 Environmental Matters.

(a) Except in compliance with Environmental Law in a manner that would not result in any Liability to the Company or any of its subsidiaries, no Hazardous Material is present in, on or under any real property, including the land and the improvements, ground water and surface water thereof, that the Company has at any time owned, operated, occupied or leased.

(b) The Company has conducted all Hazardous Materials Activities in compliance with Environmental Law.

(c) The Company does not have, and is not required to have, any environmental Permits in connection with the operation of its business. The Company has entered into any Contract that may require it to guarantee, reimburse, pledge, defend, hold harmless or indemnify any other party with respect to any Liabilities arising out of or relating to the Hazardous Materials Activities of the Company, its subsidiaries or any third party.

(d) The Company has not been in violation of any applicable Environmental Law and, to the knowledge of the Sellers, no material expenditures are or will be required in order to comply with any Environmental Law.

## 2.21 Minute Books

The minute books of the Company contain a complete and accurate summary of all meetings of governors and equity holders or actions by written consent of the Company's governors or equity holders and the share registers and share ledgers of the Company since their time of formation and reflect all transactions referred to in such minutes, registers and ledgers accurately in all material respects.

## 2.22 Material Contracts

Schedule 2.22 of the Disclosure Schedule sets forth, as of the Agreement Date, a complete and accurate list of each Contract of the Company under which the Company has ongoing executory obligations or the ability to enforce rights thereunder and that is included within any of the following categories:

(a) any Contract that materially limits, curtails or restricts the right of the Company or any of the Company's current or future Affiliates in any material respect to (1) engage or compete in any line of business or sell, supply, license or distribute any product or service, in each case, in any geographic area, with any Person or during any period of time (or pursuant to which a benefit or right is required to be given or would be lost as a result of so competing, engaging, selling, supplying or distributing), (2) solicit or hire any Person or group of Persons or (3) acquire the securities of any other Person;

(b) any material Contract or any Contract with a Customer that grants any Person other than the Company any (1) "most favored nation" or similar preferred pricing rights, (2) rights of first refusal, rights of first negotiation or similar rights or rights that materially limit the ability of the Company to own, operate, sell, transfer, pledge or otherwise dispose of any assets or business, or (3) right to require the Company to purchase all or any portion of the Company's requirements from any third party, or similar provision;

(c) any Contract that obligates the Company to provide maintenance and/or support with respect to any Company Products;

(d) any Contract that by its terms limits the ability of the Company to declare or pay any dividend or distribution in respect of its Equity Participations;

(e) any Contract pursuant to which the Company has provided, agreed to provide, or is required to provide any third party with rights in or access to Company Source Code (including on a contingent basis), or to provide for Company Source Code to be put in escrow;

(f) any material Contract with any original equipment manufacturer, co-location service provider, data center service vendor, joint-marketing partner, joint development partner or joint venturer;

(g) any Contract with a distributor or reseller pursuant to which the Company received more than USD 25,000 in the fiscal year ending December 31, 2014;

(h) (1) any Contract with a sales representative (other than Employees) where the Company under the Contract (together with any series of related Contracts) has made or was obligated to make payments that (A) exceed USD 25,000 in the fiscal year

ending December 31, 2014, or (B) is reasonably expected to exceed USD 25,000 in the fiscal year ending December 31, 2015, or (2) any material Contract with a web hosting service provider;

(i) any Contract pursuant to which the Company is obligated to provide services at a fixed price regardless of the scope of the Company's obligations before performance of such services, and for which the fully burdened cost of complete performance by the Company currently exceeds or is reasonably expected by the Company to exceed such price (excluding Contracts pursuant to which the primary services provided by the Company are customer training and education in each case involving less than USD 25,000);

(j) any Contract that is a collective bargaining agreement or other agreements or arrangements with any labor union, trade union or works council;

(k) any material hedging, futures, options or other derivative Contract;

(l) any material agreement of guarantee, support, assumption or endorsement of, or any similar commitment with respect to, the Liabilities of any other Person other than Customer License Agreements;

(m) any Contract for any capital expenditure in excess of USD 25,000;

(n) any Contract under which the Company is a lessee of any machinery, equipment, motor vehicles, office furniture, fixtures or other personal property and involving in the case of any such Contract more than USD 25,000 remaining over the life of the Contract at the Interim Balance Sheet Date;

(o) any Contract providing for indemnification of any Person with respect to Liabilities relating to any current or former business of the Company or any predecessor of the Company, other than indemnification obligations of the Company pursuant to the provisions of a Contract entered into in the ordinary course of business that would not reasonably be expected to be material to the Company, taken as a whole;

(p) other than Employee Benefit Plans, any Contract with any Related Party or any Person with whom the Company does not deal at arm's length;

(q) any Contract relating to the disposition or acquisition of any business, division, product line, group of operating assets, entity or enterprise, except for the sale or non-exclusive license of Company Products or services in the ordinary course of business;

(r) any Contract relating to the settlement of any material Action other than a Contract that solely involves the payment by the Company of cash amounts prior to the Closing or;

(s) any Contract that results in any Person holding a power of attorney from the Company;

(t) any Contract with any investment banker, broker, advisor or similar Person, or any accountant, legal counsel or other person retained by the Company, in connection with this Agreement and the Transactions;

(u) any Contract relating to the license, sale, or assignment of Technology or Intellectual Property (1) to the Company or (2) from the Company;

(v) any Contract relating to the acquisition, transfer, development or sharing of any Technology or Intellectual Property (including any joint development agreement, technical collaboration agreement or similar agreement entered into by the Company);

(w) any Contract with any Governmental Authority or college, university or other education institution; or

(x) any Contract (1) granting exclusive rights to license, market, sell, support, make available or deliver any Company Product or Company Intellectual Property; or (2) otherwise contemplating an exclusive relationship between the Company and any other Person.

Each Contract disclosed in Schedules 2.8 or 2.22 of the Disclosure Schedule, or required to be disclosed pursuant to Sections 2.8 or 2.22 is referred to herein as a "Company Material Contract." As of the Agreement Date, a correct and complete copy of each Company Material Contract has been Made Available to Buyer. All Company Material Contracts are in executed written form. The Company is not in default of any material provision in respect of, any Company Material Contract. Each of the Company Material



Contracts is a valid and binding agreement of the Company and, to the knowledge of the Sellers, against the other parties thereto except to the extent the enforceability thereof may be limited by applicable bankruptcy, insolvency, moratorium and other Laws affecting creditor rights generally and by equitable principles (regardless of whether enforcement is sought in equity or at law). There exists no, nor has there been within the last 12 months any, default, or event of default or event, occurrence, condition or act, which would conflict with, result in or constitute a material violation of or material default under (with or without notice or lapse of time, or both) or give rise to a right of termination (other than upon the expiration of its term as provided therein), cancellation, renegotiation, modification or acceleration of any obligation or loss or modification of any benefit under, any Company Material Contract. The Company has not received any written notice or, to the knowledge of the Sellers, other communication from any Person regarding (x) any actual or alleged default under or failure to comply with any term or requirement of any Company Material Contract (other than Customer License Agreements); or (y) any actual or proposed revocation, withdrawal, suspension, cancellation, termination or amendment to any Company Material Contract (other than Customer License Agreements).

### 2.23 Property

(a) The Company does not own and has never owned any real property.

(b) The Company has good and marketable title to, or, in the case of leased or licensed Assets and Properties, marketable leasehold or license interests in, all of its tangible Assets and Properties, used or held for use in its business, free and clear of any Encumbrances, and such properties and assets have been maintained in accordance with the ordinary course of business save for normal wear and tear, except (1) as reflected in the Interim Balance Sheet, (2) liens for Taxes not yet delinquent or that are being contested in good faith by appropriate proceedings and for which adequate reserves according to Italian GAAP are included in the Interim Balance Sheet, (3) such imperfections of title and Encumbrances that do not detract materially from the value or interfere materially with the present use of the property subject thereto or affected thereby (collectively, "Permitted Encumbrances"). Schedule 2.23(b) of the Disclosure Schedule lists, and the Company has Made Available to Buyer a correct and complete copy of, each real property lease to which the Company is a party.

(c) The tangible Assets and Properties owned, leased or licensed by the Company are in good condition and repair in all material respects (subject to normal wear and tear).

(d) All interests held by the Company as lessee or licensee of real property are free and clear of all Encumbrances, except as set forth in the applicable lease or license to the Company and for Permitted Encumbrances. The Company has enjoyed uninterrupted and undisputed possession of the real properties that have been taken on lease or license by them, and there are no material disputes with respect to any such lease or license.

(e) All payments required to be made by the Company pursuant to the real property that is taken by them on lease or license have been duly paid and the Company is not in material default in performing any of its other obligations under any Contract with respect to such real property.

(f) The Company has not sub-leased or sub-licensed, or otherwise granted to any Person, the right to use or occupy any real property.

(g) The Company has no outstanding options or rights of first refusal to purchase any leased real property or any portion thereof or interest therein.

### 2.24 Assets

The Company owns all its Assets free and clear of all Liens and Encumbrances. There is no outstanding Company Indebtedness, and the Company has no Liabilities except for the obligations associated with the Contracts set forth on Schedule 2.24 (the "Assumed Contracts") and the liabilities reflected in the Interim Balance Sheet and those incurred in the ordinary course of business following the Interim Balance Sheet Date and until the Closing Date.

### 2.25 Brokers' Fees; Transaction Expenses

The Company has no Liability to pay any fees or commissions to any broker, finder, securities intermediary or agent with respect to the Transactions based upon arrangements made by or on behalf of the Company. Neither Buyer nor the Company (after the Closing Date) will incur, directly or indirectly, any such Liability based on arrangements made by or on behalf of the Company in connection with the transactions contemplated by this Agreement or otherwise.

## ARTICLE 3

### REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to the Sellers in each case in the form of an absolute and independent guarantee to Sellers that the statements in the following paragraphs of this Article 3 are all true and complete on the date hereof:

#### 3.1 Organization and Power

Buyer (a) is duly organized, validly existing and in good standing under the Laws of the jurisdiction of its organization, (b) has all requisite power and authority to own its property and assets and to carry on its business as now conducted and as proposed to be conducted and (c) is qualified to do business and is in good standing in every jurisdiction where such qualification is required, except where the failure so to qualify would not have a material adverse effect on the ability of Buyer to consummate the Transactions.

#### 3.2 Authorization; Enforceability

Buyer has the power and authority to execute, deliver and perform its obligations under this Agreement and to consummate the Transactions. The execution, delivery and performance of this Agreement and the consummation of the Transactions by Buyer have been duly authorized by all requisite corporate action on the part of Buyer. This Agreement has been duly executed and delivered by Buyer and, assuming due authorization, execution and delivery by the other parties, represents the legal, valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms, subject to the effect of (a) applicable bankruptcy, insolvency, reorganization, moratorium and other similar Laws now and hereunder in effect relating to the rights of creditors generally and (b) rules of law and equity governing specific performance, injunctive relief and other equitable remedies.

#### 3.3 Noncontravention

(a) The execution, delivery and performance of the Transaction Documents by Buyer and the consummation of the Transactions do not and will not (1) conflict with, result in or constitute a violation of or default under (with or without notice or lapse of time, or both), or give rise to a right of termination, cancellation, renegotiation, modification or acceleration of any obligation or loss of any benefit under, or require any consent, approval or waiver from any Person in each case in accordance with, any provision of the organizational documents of Buyer, (2) result in the creation of an Encumbrance on any Properties or Assets of Buyer, (3) subject to the making of filings and registrations and the receipt of consents and approvals provided for in Section 3.3(b), conflict with, result in or constitute a material violation of or material default under (with or without notice or lapse of time, or both) or give rise to a right of termination, cancellation, renegotiation, modification or acceleration of any obligation or loss or modification of any benefit under, or require consent, approval or waiver from any Person in accordance with any Law or Permit applicable to Buyer, or (4) conflict with, result in or constitute a material violation of or material default under (with or without notice or lapse of time, or both) or give rise to a right of termination, cancellation, renegotiation, modification or acceleration of any obligation or loss or modification of any benefit under, or require consent, approval or waiver from any Person in accordance with any Contract applicable to Buyer or any of its Assets or Properties, except in the case of the foregoing clauses (2), (3) and (4) as would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on the ability of Buyer to consummate the Transactions.

(b) No Permit or Order of, or registration or filing with or declaration or notification to any Governmental Authority is required by or with respect to Buyer in connection with the execution, delivery and performance of the Transaction Documents or the consummation of the Transactions.

#### 3.4 Sufficient Funds

Buyer will have all of the funds available as and when needed that are necessary to consummate the Transactions and to perform its obligations under this Agreement. Buyer's obligations under this Agreement are not subject to a condition regarding Buyer's obtaining of funds to consummate the Transactions.

#### 3.5 Absence of Litigation

Buyer is not subject to any pending or, to the knowledge of Buyer, threatened Action that would prevent or delay Buyer from (a) executing and delivering the Transaction Documents, or (b) performing Buyer's obligations pursuant to, or observing any of the terms and provisions of, the Transaction Documents.

## ARTICLE 4

### ADDITIONAL AGREEMENTS

#### 4.1 Tax Matters

(a) Cooperation. Without limiting any of the other provisions of this Section 4.1, after the Closing, Buyer shall and shall cause the Company to, and the Sellers shall, as to each such Person, using commercially reasonable efforts, cooperate fully, as and to the extent reasonably requested by any of them, in connection with the filing of Tax Returns pursuant to this Agreement and any audit or Action with respect to Taxes. After the Closing, Buyer shall retain all books and records with respect to Tax matters of the Company which are or may be pertinent to any Tax period beginning before the Closing Date until the expiration of the applicable statute of limitations and shall make them available to the Sellers in connection with any audit of the Company which could give rise to an indemnification obligation of any of the Indemnitors.

(b) Tax Returns. Buyer shall prepare all Tax Returns of or relating to the Company for the Straddle Period and for any Tax period ending on or before the Closing Date that are due after the Closing Date, which shall, except as otherwise required by applicable Law, be prepared consistently with past practice and shall provide a copy of each such income or other material Tax Return to the Sellers at least twenty Business Days before the due date for filing such Tax Return for the Sellers' review. With respect to income and other material Tax Returns relating to any Tax period ending on or before the Closing Date or relating to any Straddle Period, Buyer shall reflect in such Tax Returns all reasonable written comments made by the Sellers with respect to such Tax Returns received by Buyer at least ten Business Days prior to the due date for filing. Except as required by Law or as required by the final resolution of a Tax proceeding governed by Section 6.9 (which shall govern in case of any conflict with this Section 4.1(b)), Buyer shall not amend any Tax Return of or relating to the Company for any Tax period ending on or before the Closing Date without the written consent of the Sellers (which shall not be unreasonably withheld or delayed).

#### 4.2 Certain Taxes and Fees

All Transfer Taxes and all conveyance fees, recording charges and other fees and charges (including any penalties and interest) incurred in connection with the consummation of the Transactions, payable by the Sellers or the Company (pursuant to Contract or otherwise) will be paid and borne by the Sellers when due in proportion to their respective pro rata ownership of the quotas of Company Capital prior to the Closing, and the Sellers will, at the Sellers' expense, file all necessary Tax Returns and other documentation with respect to all such Transfer Taxes, fees and charges.

#### 4.3 Release of Claims

(a) Release. Upon and subject to the Closing and by accepting the consideration contemplated by Section 1.1(b), each Seller, on behalf of itself and its successors, assigns, heirs, executors, legatees, administrators, beneficiaries, representatives, agents and any Seller Affiliates (the "Releasing Parties"), fully, finally and irrevocably releases, acquits and forever discharges the Company and Buyer, each of their respective officers, governors, predecessors, Controlled Affiliates, successors and assigns, and the beneficiaries, heirs, executors, personal or legal representatives, insurers and attorneys of any of them (collectively, the "Released Parties"), from any and all commitments, actions, charges, complaints, promises, agreements, controversies, debts, claims, counterclaims, suits, causes of action, damages, demands, Liabilities, obligations, costs and expenses of every kind and nature whatsoever, whether arising from any express, implied, oral, or written contract or agreement or otherwise, known or unknown, past, present or future, at law or in equity, contingent or otherwise (collectively, a "Potential Claim"), that such Releasing Parties, or any of them, had, has or may have had at any time in the past until and including the Closing, against the Released Parties, or any of them, for or by reason of any matter, cause or thing whatsoever occurring at any time at or prior to the Closing with respect to the Company (the "Released Matters"), except that the Released Matters do not include, and nothing in this Agreement shall affect or be construed as a waiver or release by the Releasing Parties of, any Potential Claim by such Releasing Parties arising from or relating to (1) fees, salary, reimbursement for expenses, bonuses, change of control payments, or other compensation or employment benefits earned or accrued by or for the benefit of such Releasing Parties prior to the Closing in respect of services performed by such Seller as an employee or governor of the Company (provided that the foregoing exception in this clause (1) shall not include any Potential Claim relating to the right to acquire any Equity Participations of the Company or of Buyer), (2) any rights or benefits available to any Releasing Party or its agents under this Agreement (including the right to receive or payment of the consideration for the Company Capital and disclosed in the Spreadsheet, in each case on and subject to the terms and conditions set forth in this Agreement) or any agreement entered into by such Releasing Party in connection with the Transactions, (3) any amounts payable to such Releasing Party to the extent constituting Change of Control Payments, and (4) claims that cannot be released as a matter of Law. As used in this Section 4.3, the term "Seller Affiliates" includes such Sellers' governors, officers, controlling Persons, employees, counsel, advisors and affiliated investment funds, if any, and, for the avoidance of doubt, shall not include any of such Sellers' or the Sellers' Affiliates' portfolio companies or limited partners.

(b) No Transfer of Potential Claims. Each Seller represents and warrants to the Released Parties that such Seller has made no assignment or transfer of any of the Potential Claims for any Released Matter.

(c) Waiver of Unknown Claims. With respect to any and all Potential Claims for any Released Matter, each Seller expressly waives and relinquishes, and the other Releasing Parties shall be deemed to have expressly waived and relinquished, any and all provisions, rights and benefits conferred by any Law of any jurisdiction or principle of common law that provides that a general release does not extend to claims that are unknown or unsuspected to the releasor at the time the releasor executes the release, even if knowledge of such claims by the releasor would have materially affected his or her settlement with the debtor. Each Seller acknowledges that the inclusion of such unknown Potential Claims herein was separately bargained for and was a key element of this Section 4.3. Each Seller acknowledges, and the other Releasing Parties shall be deemed to have acknowledged, that they may hereafter discover facts which are different from or in addition to those that they may now know or believe to be true with respect to any and all Potential Claims herein released and agree that all such unknown Potential Claims are nonetheless released and that this Section 4.3 shall be and remain effective in all respects even if such different or additional facts are subsequently discovered. Furthermore, each Seller, by signing this Agreement, hereby agrees to waive any and all rights of pre-emption or first refusal or other rights of or restrictions on the transfer of any of the Company Capital conferred by the Charter Documents or any Contract with respect to the transfers of Company Capital provided for in this Agreement.

(d) Covenant Not to Sue. Each Seller hereby irrevocably covenants to refrain from and, if such Seller Controls any Releasing Parties, to cause such Releasing Parties to refrain from, asserting any Potential Claim, or commencing, instituting or causing to be commenced, any action, proceeding, charge, complaint, or investigation of any kind against any of the Released Parties, in any forum whatsoever (including, without limitation, any administrative agency), that arises out of, relates in any way to, or is based upon, any of the Released Matters.

(e) Sufficiency of Consideration. Each Seller acknowledges and agrees that the Closing Cash Consideration and the right to receive any Escrow Payment paid in respect of Company Capital, owned beneficially or of record by such Seller and payable to such Seller pursuant hereto, and the covenants of Buyer contained herein, provide good and sufficient consideration for every promise, duty, release, obligation, agreement and right contained in this Section 4.3.

(f) Basis of Defense; Attorneys' Fees. This Section 4.3 may be pleaded by the Released Parties as a full and complete defense and may be used as the basis for an injunction against any action at law or equity instituted or maintained against them in violation of this Section 4.3. In the event any Potential Claim is brought or maintained by any Seller or any Releasing Party against the Released Parties in violation of this Section 4.3, such Seller shall be responsible for all costs and expenses, including reasonable attorneys' fees, incurred by the Released Parties in defending same.

#### 4.4 Continuing Employees

With respect to the Continuing Employees, the Sellers shall be responsible for removing any restrictions preventing such individuals from working as employees of the Company as of the Closing and shall pay all costs associated with any such removals.

#### 4.5 Management

Buyer shall endeavor to hire a new Director of Engineering, to be agreed upon by Buyer and the Representative, who will manage engineering for the Company after the Closing.

#### 4.6 Termination or Assignment of Brokers' Agreements

Prior or upon the Closing, the Company shall either (i) pay in full and terminate all arrangements or agreements with any broker, finder, securities intermediary or agent with respect to the Transactions ("Brokers' Agreements") or (ii) assign to the Sellers, and the Sellers shall assume, all Brokers' Agreements, including all Liabilities thereunder.

#### 4.7 Further Assurances

On and after the Closing Date, each Party shall from time to time, at the reasonable request of any other Party, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such documents and other instruments, and take such actions, as such Party may reasonably request in order to effectuate the Transactions.

#### 4.8 License Grant

Each Seller agrees to grant and hereby grants to Company a non-exclusive, worldwide, royalty-free, perpetual, irrevocable, transferable license (with the right to sublicense) under the Seller Intellectual Property to make, use, offer for sale, sell, import, reproduce, distribute, prepare derivative works of, perform, display, and otherwise exploit any and all Technology, including the Company Products.

#### 4.9 Quotaholders' meeting

The Sellers shall cause the ordinary quotaholders' meeting of the Company to be held in order to resolve upon the appointment as new members of the board of directors of the individuals who will have been indicated in writing by the Buyer before the Closing Date.

### ARTICLE 5

#### CLOSING CONDITIONS

##### 5.1 Conditions to Obligations of Each Party.

The respective obligations of each Party to consummate the Transactions will be subject to the satisfaction or waiver at or before the Closing of each of the following conditions:

(a) Regulatory Approvals. All approvals of Governmental Entities required to be obtained in connection with Transactions contemplated hereby shall have been obtained.

(b) No Injunctions or Restraints; Illegality. The consummation of the Transactions shall not then be restrained, enjoined or prohibited by any Order, judgment, decree, injunction or ruling (whether temporary, preliminary or permanent) of a court of competent jurisdiction or any Governmental Authority with oversight of Antitrust Laws in connection with the Transactions contemplated by this Agreement.

##### 5.2 Additional Conditions to Obligations of the Sellers.

The obligations of the Sellers to consummate the Transactions will be subject to the satisfaction, or written waiver by the Sellers, at or before the Closing of each of the following conditions:

(a) Representations and Warranties of Buyer. Each of the representations and warranties made by Buyer in this Agreement shall be true and correct in all respects at and as of the Closing Date as if made on that date (except in any case that representations and warranties that expressly speak as of a specified date or time need only be true and correct or true and correct as of such specified date or time)

(b) Covenants of Buyer. Buyer will have performed and complied in all material respects with all of its covenants, obligations and conditions in this Agreement that are required to be performed and complied with by it at or before the Closing.

(c) RSU Agreements. Buyer shall have executed the restricted stock unit agreement substantially in the form attached hereto as Exhibit G ("RSU Agreement") with the Sellers listed in Exhibit G and Buyer shall not be in breach of such RSU Agreement as of the Closing.

##### 5.3 Additional Conditions to the Obligations of Buyer

The obligations of Buyer to consummate the Transactions will be subject to the satisfaction, or written waiver by Buyer, at or before the Closing of each of the following conditions:

(a) Representations, Warranties and Covenants of the Company and the Sellers. The representations and warranties of the Company and the Sellers in this Agreement shall be true and correct in all material respects as of the Closing Date as though made on and as of the Closing Date (except that any representations or warranties that expressly speak as of a specified date or time need be true and correct only as of such specified date or time). The Sellers will have performed and complied in all material respects with all of their respective covenants, obligations and conditions in this Agreement that are required to be performed and complied with by them at or before the Closing.

(b) Receipt of Closing Deliveries. At any time on or prior to the Closing (unless a specific time is otherwise specified below) the Company shall have delivered, or caused to be delivered, to Buyer the following:

(1) Termination or Assignment of Brokers' Agreements. The Company shall have either (i) paid in full and terminated all Brokers' Agreements, or (ii) assigned to the Sellers, and the Sellers shall have assumed, all Brokers' Agreements, including all Liabilities thereunder. In addition, the Sellers shall have delivered to Buyer copies of all documents by which the Brokers' Agreements have been so terminated or assigned in form and substance acceptable to the Buyer.

(2) Continuing Employment Agreements. The Continuing Employment Agreements, executed and delivered concurrently with the execution of this Agreement, shall be in full force and effect (subject to applicable Law and other than any failure to be in full force and effect resulting from any termination by Buyer or the death or disability of the other party thereto) at the Closing, and none of the Continuing Employees shall have expressed an intent to terminate his or her employment.

(3) Termination of the consultancy agreement with Mr. Simone Invernizzi. The Company shall have terminated the consultancy agreement with Mr. Simone Invernizzi at no cost to the Company. In addition, the Sellers shall have delivered to Buyer copy of all documents by which such agreement have been so terminated in form and substance acceptable to the Buyer.

(4) Resignation of Officers and Governors. Written resignations from each of the officers and governors of the Company from their positions as officers and governors of the Company, effective as of the Agreement Date in a form reasonably acceptable to Buyer.

(c) No Material Adverse Effect. No event or condition of any character that has had or is reasonably likely to have a Material Adverse Effect on the Company shall have occurred.

## ARTICLE 6

### SURVIVAL, ESCROW FUND AND INDEMNIFICATION

#### 6.1 Survival

The representations and warranties of the Company and the Sellers contained in or made pursuant to this Agreement or in any certificate delivered pursuant to this Agreement will survive in full force and effect until, and terminate eighteen (18) months after, the Closing, except that (a) the Fundamental Representations will survive until, and terminate upon, the expiration of the applicable statute of limitations and (b) that in the event of intentional misrepresentation or fraud with respect to a representation or warranty, such representation or warranty shall survive the Closing and shall remain in full force and effect until the expiration of the statute of limitations; *provided that*, if a Claim Notice is submitted in accordance with Section 6.6 prior to the applicable termination date for a representation or warranty, in which case the survival period for such representation or warranty solely as to the Liability Claim that is the subject of such Claim Notice will survive until such specific Liability Claim has been finally resolved. The representations and warranties of Buyer contained in or made pursuant to this Agreement or in any certificate delivered pursuant to this Agreement shall survive until, and terminate upon, the expiration of the applicable statute of limitations. Except as otherwise expressly provided in this Agreement, each covenant hereunder will survive the Closing in accordance with its terms. Notwithstanding anything to the contrary in this Agreement, it is the intention of the Parties that the survival periods described in this Section 6.1 supersede any applicable statute of limitations with respect to the applicable representations, warranties, covenants and agreements.

#### 6.2 Escrow Fund

From and after the Closing, for the period described in this Article 6, the Escrow Fund will be available to compensate Buyer (on behalf of itself or any other Indemnified Person) for Losses upon the terms and subject to the conditions and other limitations contained in this Article 6.

#### 6.3 Indemnification

(a) From and after the Closing, subject to this Article 6, the Sellers, each in proportion to their respective pro rata ownership of the quotas of Company Capital prior to the Closing and without any joint liability among themselves (in their capacity as such, the "Indemnitors") will indemnify and hold harmless Buyer and its Affiliates (including, after the Closing, the Company) and their respective officers, directors, agents, attorneys and employees, and each Person who Controls or may Control Buyer or the Company (each of the foregoing, an "Indemnified Person") from and against any and all actual losses, Liabilities, damages, costs and expenses, including costs of investigation and defense, reasonable legal and consulting fees, arbitration and court costs, deficiencies,

dues, Taxes, and any interest costs or penalties (collectively, "Losses"), actually suffered or incurred by an Indemnified Person to the extent arising out of, related to, or resulting directly from the following:

(1) any failure of any representation, warranty or certification made by the Sellers in Article 2 or any certificate relating to Article 2 that is required to be delivered to Buyer in accordance with this Agreement to be true and correct on the Agreement Date (except that those representations and warranties that address matters only as of a particular date need be true and correct only as of such date); *provided* that the determination of the amount of Losses arising out of or resulting from such failure shall be made as if "material," "in all material respects," "Material Adverse Effect" or similar qualifiers and all dollar thresholds were not included therein; *provided further* that, for the avoidance of doubt, when determining whether any such representation, warranty or certificate that is qualified by "material," "in all material respects," "Material Adverse Effect" or similar qualifiers or dollar thresholds is so true and correct, such qualifiers and dollar thresholds shall not be disregarded;

(2) any breach of or default in connection with any of the covenants or agreements made by the Sellers in this Agreement;

(3) any claims or Actions by or purportedly by or on behalf of any holder or former holder of Company Capital or Equity Participations of the Company that relate or purport to relate to the Transactions that, if meritorious, would constitute or give rise to an inaccuracy in or breach of any representation or warranty made by the Sellers in this Agreement or an inaccuracy in the Spreadsheet;

(4) any Taxes attributable to any period or portion thereof ending on or before the Closing Date (the "Pre-Closing Tax Liabilities");

(5) all Change of Control Payments; or

(6) all Transaction Fees.

(b) Indemnitor will indemnify and hold the Indemnified Persons harmless from and against all Losses suffered or incurred by an Indemnified Person to the extent arising out of, related to or resulting from any breach of or default in connection with any of the covenants or agreements contained in Section 4.3 (Release of Claims).

(c) In the case of any Taxable period that includes but does not end on the Closing Date (a "Straddle Period"), the amount of Pre-Closing Tax Liabilities based on or measured by income or receipts or relating to any value added tax or sales or use Tax will be determined based on an interim closing of the books as of the close of business on the Closing Date, and the amount of any Pre-Closing Tax Liabilities not based on or measured by income or receipts or relating to any sales or use Tax for a Straddle Period will be deemed to be the amount of such Tax for the entire period multiplied by a fraction, the numerator of which is the number of days in the portion of the Straddle Period ending at the end of the day that is the Closing Date and the denominator of which is the number of days in such Straddle Period; *provided* that exemptions, allowances or deductions that are calculated on an annual basis (including depreciation and amortization deductions), other than with respect to property placed in service after the Closing, shall be allocated between the portion of a Straddle Period ending on the Closing Date and the period after the Closing Date in proportion to the number of days in each period; *provided, further*, that notwithstanding any other provision of this Agreement, any Change of Control Tax Amount shall be considered to be a Pre-Closing Tax Liability.

#### 6.4 Limitations on Indemnification

(a) The Indemnified Persons may not recover Losses from the Escrow Fund or the Indemnitors in respect of any claim for indemnification under Section 6.3(a) unless and until the total amount of all Losses arising out of or resulting from the matters described in Section 6.3(a) that have been incurred or paid by the Indemnified Persons exceeds USD 25,000 (the "Indemnification Threshold"), it being understood that if the total amount of such Losses exceeds the Indemnification Threshold, then the Indemnified Persons shall be entitled to be indemnified for the amount by which such Losses exceed the Indemnification Threshold; *provided*, that the Indemnified Persons will be entitled to recover for, and the Indemnification Threshold will not apply to, any Losses in connection with intentional misrepresentation or fraud by the Company.

(b) Recovery by Indemnified Persons of their Losses will be subject to the following limitations:

(1) Except as otherwise set forth in this Section 6.4, with respect to Losses claimed under Section 6.3(a)(1) as a result of breaches of or inaccuracies in any representation or warranty made in this Agreement (other than Fundamental Representations), an Indemnified Person may recover its Losses only from the Escrow Fund.

(2) With respect to Losses in connection with intentional misrepresentation or fraud by the Company in this Agreement, any other Transaction Document or any certificates or other instruments delivered by or on behalf of the Company pursuant to this Agreement or claimed under Section 6.3(a)(1) as a result of breaches of or inaccuracies in the Fundamental Representations and Sections 6.3(a)(2), 6.3(a)(3), 6.3(a)(4), 6.3(a)(5) and 6.3(a)(6), an Indemnified Person may recover its Losses (A) from the Escrow Fund and (B) to the extent such Losses exceed the amount recovered from the Escrow Fund, directly from the Indemnitors.

(3) Notwithstanding anything to the contrary herein, no individual Seller shall be severally liable for Losses in respect of any claim for indemnification under Section 6.3(a) in excess of the total amount of consideration such Seller has received pursuant to Section 1.1; *provided* that such limitation shall not apply to any Losses in connection with intentional misrepresentation or fraud.

(c) Other than pursuant to Section 6.3(a)(1) in connection with a breach of a representation or warranty by the Company herein or fraud or willful misrepresentation by the Company, the Indemnified Persons shall have no claim or right to recovery, and none of the Indemnitors shall have or be subject to any liability to the Indemnified Persons with respect to any projections, business plans, budgets of future revenue of the Company.

(d) Except as otherwise required by applicable Law, the Parties shall treat any indemnification payments made under this Agreement as an adjustment to the purchase price paid under this Agreement for accounting and Tax purposes.

(e) Indemnitor will not have any right of contribution, right of indemnity or other right or remedy against Buyer, the Company or any other Indemnified Person for any indemnification payments made by Indemnitor (whether directly or out of the Escrow Fund) pursuant to this Article 6.

(f) No Indemnified Person's rights under this Article 6 will be adversely affected by any investigation conducted, or any knowledge acquired or capable of being acquired, by such Indemnified Person at any time, whether before or after the Agreement Date, or by the waiver of any condition to Closing. No Indemnified Person shall be required to show reliance on any representation, warranty, certificate or other agreement in order for such Indemnified Person to be entitled to indemnification hereunder.

(g) From and after the Closing, the remedies contained in this Article 6 are intended to provide the sole and exclusive remedy of each Indemnified Person for matters arising out of this Agreement; *provided, however*, that nothing in this Article 6 or elsewhere in this Agreement shall affect the Parties' rights to specific performance, injunction or other equitable remedies to enforce the Parties' obligations under this Agreement, or limit recovery against an Indemnitor for such Indemnitor's fraud or such Indemnitor's willful breach of any of the covenants or agreements contained in Section 4.3 (Release of Claims). In particular, but without limitation, no breach or inaccuracy, even if material, of any representations, warranties, undertakings or covenants of the Sellers will give rise to any right on the part of the Buyer to rescind or terminate this Agreement.

(h) Losses shall be calculated net of actual recoveries received by Buyer or the Company has received or is entitled to receive from any third party including an insurer (net of any actual costs of recovery or collection, deductibles, retroactive premium adjustments, reimbursement obligations or other costs directly related to the insurance claim and deductibles) with reference to the specific matter which is the subject of the request for indemnification; provided that neither Buyer nor the Company shall have any obligation to take any action to obtain such payments or to obtain or maintain any such insurance policies.

(i) If any Liability Claim is based upon a liability which is contingent only, the Buyer shall be entitled to send a Claim Notice also for the purpose of the Escrow Agreement but the Sellers shall not be obliged to make any indemnification payment to Buyer unless and until such contingent liability becomes due and actually payable.

#### 6.5 Escrow Claim Period

The period during which claims for indemnification from the Escrow Fund may be initiated (the "Claim Period") will commence at the Closing Date and terminate eighteen months thereafter (the "Claim Period Expiration Date"). However, on the one year anniversary of the Closing Date (the "Interim Claim Period Expiration Date"), in the event there is more than \$2 million remaining in the Escrow Fund, the amount of funds determined by subtracting such remaining amount of funds in the Escrow Fund by \$2 million shall be released to the Sellers. Notwithstanding anything contained in this Agreement or the Escrow Agreement to the contrary, on the Interim Claim Period Expiration Date or the Claim Period Expiration Date and thereafter, such portion of the Escrow Fund equal to the amount of Losses that are reasonably expected to be paid, suffered or sustained by the Indemnified Persons arising out of or resulting from any unresolved or unsatisfied Liability Claims specified in any Claim Notice delivered to the Escrow Agent on or before the Interim Claim Period Expiration Date or Claim Period Expiration Date, as applicable, will remain in the Escrow Fund until such Liability Claims have been resolved or satisfied or are no longer reasonably expected to be paid, suffered or sustained.



## 6.6 Claims for Indemnification

At any time that an Indemnified Person desires to claim a Loss (a "Liability Claim") that it reasonably believes is indemnifiable under Section 6.3, Buyer will deliver a notice of such Liability Claim (a "Claim Notice") to the Representative and to the Escrow Agent (if applicable), together with all reasonably available documentation which may be necessary for the purposes of enabling the Sellers to be informed and take all appropriate actions in respect of the Loss that is the subject of the Liability Claim. A Claim Notice will describe the Liability Claim in reasonable detail and the provisions of the Agreement that Buyer believes entitles it to indemnification, and indicate the amount (estimated, if necessary and to the extent feasible) of the Loss that has been or is reasonably expected to be paid, suffered or sustained by the Indemnified Persons. To the extent that the amount of a Loss is not determinable as of the date of delivery of a Claim Notice, Buyer may deliver a Claim Notice stating the maximum amount of Loss that Buyer in good faith estimates or anticipates that an Indemnified Person is reasonably likely to pay or suffer, except that Buyer's provision of an estimated or anticipated amount of Loss will not limit the Loss recoverable or recovered by an Indemnified Person, except as provided in Section 6.5. No delay in or failure to give a Claim Notice by Buyer to the Representative (or in the case of a Liability Claim seeking recovery from the Escrow Fund, the Escrow Agent, or the applicable Indemnitor) pursuant to this Section 6.6 will adversely affect any of the other rights or remedies that Buyer has under this Agreement or alter or relieve the Indemnitors of their obligations to indemnify the Indemnified Persons pursuant to this Article 6, except and to the extent (and only to the extent) that such delay or failure has prejudiced the Indemnitors.

## 6.7 Objections to and Payment of Claims

(a) The Representative may object to any Liability Claim set forth in such Claim Notice by delivering written notice to Buyer (with a copy to the Escrow Agent if a Claim Notice was delivered to the Escrow Agent) of the Representative's objection (an "Objection Notice"). Such Objection Notice must describe the grounds for such objection in reasonable detail.

(b) If an Objection Notice is not delivered by the Representative to Buyer (with a copy of the Escrow Agent if a Claim Notice was delivered to the Escrow Agent) within twenty Business Days after delivery by Buyer of the Claim Notice, such failure to so object will be an irrevocable acknowledgment by each Party (including the Sellers) that the Indemnified Persons are entitled to indemnification under Section 6.3 for the Losses set forth in such Claim Notice in accordance with this Article 6.

(c) If the Claim Notice is delivered to the Escrow Agent and the Representative and no Objection Notice is delivered to the Escrow Agent within twenty Business Days of the delivery of the Claim Notice, or an Objection Notice is delivered to Buyer and the Escrow Agent within twenty Business Days of the delivery of the Claim Notice, but such Objection Notice states that it was, or admits liability, only with respect to a portion of the Losses claimed in the Claim Notice, the Escrow Agent will deliver to Buyer as soon as practicable cash from the Escrow Fund having a value equal to (1) the amount of the Losses set forth in such Claim Notice, if no Objection Notice was delivered to the Escrow Agent, or (2) the amount of the portion of the Losses set forth in such Claim Notice to which no objection is made, if an Objection Notice was delivered to Buyer and the Escrow Agent, *provided* that, to the extent that the amount of the Losses set forth in the Claim Notice (or portion thereof) is an estimate, Buyer (on behalf of itself or any other Indemnified Person) will not be so entitled to receive, and the Escrow Agent will not deliver, funds in respect of such portions of such estimated Losses unless and until the amount of such estimated Losses is finally determined; and *provided further* that, with respect to Liability Claims recoverable from the Escrow Fund, if the entire amount then in the Escrow Fund is insufficient to cover such Losses, and recovery directly from the Indemnitors is permitted hereunder, Indemnitor shall within ten Business Days of the determination of such Losses wire transfer to Buyer (on behalf of itself and any other Indemnified Persons) cash from the Escrow Fund having a value equal to any such shortfall.

(d) Notwithstanding anything to the contrary in this Agreement, the Indemnitors do not have any individual right to object to any claim made in a Claim Notice under this Article 6, and any and all claims made in a Claim Notice on behalf of the Indemnified Persons may be objected to only by the Representative.

(e) From the time that an Indemnified Person delivers a Claim Notice to the Seller (or the applicable Indemnitor) pursuant to Section 6.6 until the time that the dispute, claim or controversy underlying such Claim Notice has been resolved pursuant to Section 6.8, if reasonably requested by the Representative, Buyer will afford the Representative and his accountants, counsel and other representatives reasonable access during normal business hours and at the applicable normal work location to (i) all of the properties, books, Contracts, commitments and records of the Company that are materially related to the Liability Claim (other than with respect to Taxes), and (ii) any Continuing Employees who would reasonably be expected to have knowledge of the subject matter of the Liability Claim, in each case, as the Representative may reasonably request; *provided, however*, that the Representative shall be responsible for paying his own costs and expenses incurred in connection with his accountants', counsels' and representatives' review of and access to such matters and people, and Buyer may restrict or otherwise prohibit access to any such properties, books, Contracts, commitments, records, information or Continuing Employees and officers to the extent that (A) any applicable Law requires Buyer or any of its Affiliates to restrict or otherwise prohibit access thereto, (B) access thereto would result in the waiver or other loss of any

attorney-client privilege of Buyer or any of its Affiliates or the Company applicable to such documents or information or disclosure to the Sellers of attorney work product prepared by or for counsel for Buyer or any of its Affiliates or the Company, or (C) access to a Contract of Buyer or any of its Affiliates or the Company would violate or cause a default under, or give a third party the right terminate or accelerate the rights under, such Contract.

#### 6.8 Resolution of Objections to Claims

(a) If the Representative objects in writing to any Liability Claim made in any Claim Notice within twenty Business Days after delivery of such Claim Notice, the Representative and Buyer will attempt in good faith to agree upon the rights of Buyer and the Sellers with respect to each such Liability Claim. If the Representative and Buyer should so agree, a memorandum setting forth such agreement will be prepared and signed by both the Representative and Buyer. To the extent that a Liability Claim is recoverable from the Escrow Fund under Section 6.4, a copy of the memorandum setting forth the agreement will be delivered to the Escrow Agent. The Escrow Agent will be entitled to rely on any such memorandum and will distribute cash to Buyer as soon as practicable from the Escrow Fund. To the extent a Liability Claim is recoverable directly from the Indemnitor under Section 6.4, Indemnitor will promptly, and in no event later than ten Business Days after the Representative and Buyer enter into such memorandum, wire transfer to Buyer immediately available funds equal to the amount of cash agreed to be delivered to Buyer in the memorandum.

(b) If no such agreement can be reached after good-faith negotiation and after fifteen Business Days after delivery of an Objection Notice, either Buyer or the Representative (on behalf of the Indemnitors) (or the applicable Indemnitor) may start an arbitration pursuant to Section 7.13 to resolve the dispute. To the extent a Liability Claim is recoverable directly from any Indemnitors under Section 6.4, each such Indemnitor will promptly, and in no event later than ten Business Days after such Indemnitor is notified of the final resolution of any dispute in accordance with this Section 6.8(b), wire transfer to Buyer immediately available funds equal to the amount of Losses determined in accordance with this Section 6.8(b), except that if the final resolution provides for the payment of the Losses in another manner, the Indemnitors will make payment of the Losses according to the final resolution. If the amount of the Losses so determined is an estimate, then the Indemnitors will be required to make such payment within ten Business Days of the date that the amount of the Loss is finally determined.

#### 6.9 Third-Party Claims

If Buyer or the Company receives written notice of a third-party claim that Buyer reasonably believes may result in a Liability Claim by or on behalf of an Indemnified Person, Buyer will notify the Representative (or the applicable Indemnitor) of such third-party claim and provide the Representative (or the applicable Indemnitor) the opportunity to participate at his own cost in, but not direct or conduct, any defense of such claim, except that the Representative (or the applicable Indemnitor) shall not be provided such opportunity to the extent that Buyer determines in good faith that such participation would reasonably be likely to result in the waiver or other loss of any attorney-client privilege applicable to such documents or information or disclosure of attorney work product prepared by or for counsel for Buyer or any Indemnified Person in respect of such claim it being understood that the Buyer shall use its reasonable efforts to minimize the amounts of the possible Losses arising in relation thereto to the extent within its control. The Representative's participation will be subject to Buyer's right to control such defense. Buyer will have the right in its sole discretion to settle any such claim, but if the Representative does not consent in writing to the settlement, the settlement will not be determinative of the amount of Losses relating to such matter or whether such Losses are indemnifiable Losses under this Article 6 that shall be eventually determined according to the arbitration procedure provided under Section 7.13. If the Representative consents in writing to the settlement, which consent shall be deemed to have been given unless the Representative shall have objected within twenty Business Days after receipt of a written request for such consent from Buyer, neither the Representative nor any Indemnitor will have any power or authority to object to the amount or validity of any claim by or on behalf of any Indemnified Person for indemnity with respect to such settlement.

#### 6.10 Appointment of Representative.

(a) By executing this Agreement, each Indemnitor shall be deemed to have approved the designation of and designates Mr. Alberto Broggi (the "Representative") as the representative of the Indemnitors and as the attorney-in-fact and agent for and on behalf of each Indemnitor with respect to claims for indemnification under this Article 6 and the taking by the Representative of any and all actions and the making of any decisions required or permitted to be taken by the Representative under this Agreement and the Escrow Agreement, including the exercise of the power to: (a) give and receive notices and communications to or from Buyer (on behalf of itself or any other Indemnified Person) and/or the Escrow Agent relating to this Agreement, the Escrow Agreement or any of the transactions and other matters contemplated hereby or thereby (except to the extent that this Agreement or the Escrow Agreement expressly contemplates that any such notice or communication shall be given or received by such holders individually); (b) authorize the release or delivery to Buyer of all or a portion of the Escrow Amount in satisfaction of indemnification claims by Buyer or any other Indemnified Person pursuant to this Article 6 (including by not objecting to such claims); (c) agree to, object to, negotiate, resolve, enter into settlements and compromises of, demand litigation of, and comply with orders of courts with respect to,

(i) indemnification claims by Buyer or any other Indemnified Person pursuant to this Article 6 or (ii) any dispute between any Indemnified Person and any such Indemnitor, in each case relating to this Agreement or the Escrow Agreement; and (d) take all actions necessary or appropriate in the judgment of the Representative for the accomplishment of the foregoing. The Representative shall have authority and power to act on behalf of each Indemnitor with respect to the disposition, settlement or other handling of all claims under this Article 6 and all rights or obligations arising under this Article 6. The Indemnitors shall be bound by all actions taken and documents executed by the Representative in connection with this Article 6, and Buyer and other Indemnified Persons shall be entitled to rely on any action or decision of the Representative. The Representative shall only have the duties expressly stated in this Agreement and shall have no other duty, express or implied. The Representative may engage attorneys, accountants and other professionals and experts. The Representative may in good faith rely conclusively upon information, reports, statements and opinions prepared or presented by such professionals, and any action taken by the Representative based on such reliance shall be deemed conclusively to have been taken in good faith. The individual serving as the Representative may be replaced from time to time by the holders of a majority in interest of the Escrow Amount then on deposit with the Escrow Agent upon not less than five Business Days prior written notice to Buyer. No bond shall be required of the Representative, and the Representative shall receive no compensation for his services. Notices or communications to or from the Representative shall constitute notice to or from each of the Indemnitors. The Representative hereby agrees to be bound by this Agreement and accepts the obligations and responsibilities set forth in this Section 6.10.

(b) In performing the functions specified in this Agreement, the Representative shall not be liable to any Indemnitor in the absence of gross negligence or willful misconduct on the part of the Representative. Each Indemnitor shall severally (based on each such Indemnitor's pro rata share of the Escrow Amount), and not jointly, indemnify and hold harmless the Representative from and against any loss, Liability or expense incurred without gross negligence or willful misconduct on the part of the Representative and arising out of or in connection with the acceptance or administration of his duties hereunder, including any out-of-pocket costs and expenses and legal fees and other legal costs reasonably incurred by the Representative (together, the "Representative Expenses"). If not paid directly to the Representative by the Indemnitors, such Representative Expenses may be recovered by the Representative from Escrow Amount otherwise distributable to the Indemnitors (and not distributed or distributable to any Indemnified Person or subject to a pending indemnification claim of any Indemnified Person) following the Claim Period Expiration Date, at the time of distribution, so long as the Representative has delivered to the Escrow Agent prior to such time a certificate setting forth such Representative Expenses actually incurred, and such recovery will be made from the Indemnitor according to their respective pro rata share of the Escrow Amount.

#### 6.11 Indemnification of Buyer.

From and after the Closing, for the period described under this Article 6, the Buyer will be available to compensate the Sellers (on behalf of itself or any other Indemnified Person) for actual Losses which are a direct consequence of any breach of Buyer's representations and warranties set out in Article 3 upon the terms and subjects to the conditions and other limitations contained in this Article 6.

## ARTICLE 7

### GENERAL PROVISIONS

#### 7.1 Certain Interpretations

When a reference is made in this Agreement to an Annex, Exhibit or Schedule, such reference shall be to an Annex, Exhibit or Schedule to this Agreement unless otherwise indicated. When a reference is made in this Agreement to an Article or a Section, such reference shall be to an Article or a Section of this Agreement unless otherwise indicated. The words "include," "includes" and "including" when used herein shall be deemed in each case to be followed by the words "without limitation." All references in this Agreement to "USD" shall mean U.S. denominated dollars. The table of contents and headings set forth in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. The Parties agree that they have been represented by counsel during the negotiation and execution of this Agreement and, therefore, waive the application of any law, regulation, holding or rule of construction providing that ambiguities in an agreement or other document will be construed against the Party drafting such agreement or document. Any dollar amounts or thresholds set forth herein shall not be used as a determinative benchmark for establishing what is or is not "material" or a "Material Adverse Effect" under this Agreement.

#### 7.3 Assignment

This Agreement and all the provisions hereof shall be binding upon and inure to the benefit of the Parties and their respective legal successors and permitted assigns. Neither this Agreement nor any right, interest or obligation under this Agreement may be assigned or delegated by any Party to this Agreement by operation of Law or otherwise without the prior written consent of the other

Parties, and any attempt to do so will be void, except that Buyer may assign and delegate any or all of its rights, interests and obligations under this Agreement without any consent of the other Parties (a) after the Closing, to any of its Affiliates and (b) after the Closing, to any Person, as long as any such Person agrees in writing to be bound by all of the terms, conditions and provisions contained in this Agreement, *provided* that no such assignment or delegation will relieve Buyer of its obligations under this Agreement if such assignee does not perform such obligations.

#### 7.4 Notices

All notices and other communications hereunder shall be in writing and shall be deemed given if delivered personally or by courier service, or mailed by registered or certified mail (return receipt requested) to the Parties at the following addresses:

- (a) if to Buyer to:

Ambarella, Inc.  
3101 Jay Street  
Santa Clara, CA 95054  
Attention: General Counsel

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

Wilson Sonsini Goodrich & Rosati, P.C.  
650 Page Mill Road  
Palo Alto, California 94304  
Attention: Aaron Alter  
Email: aalter@wsgr.com

- (b) if to the Sellers, to the Representative at:

Alberto Broggi

Parma  
Italy

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

Nunziante Magrone  
Studio Legale Associato  
Foro Buonaparte 70  
20121 Milano  
Attention: Gianmarco Mileni Munari  
Fax: +39 02 6570013

#### 7.5 Confidentiality

The Parties shall keep, and shall cause their officers, directors, employees and consultants, including the auditors, to keep, secret and confidential this Agreement, all documents, materials and other information which it shall have obtained regarding the other Parties hereto and the Company during the course of the negotiations leading to the consummation of the transactions contemplated hereby (whether obtained before or after the date of this Agreement), the investigation provided for herein and the preparation of this Agreement and other related documents, provided that neither Party shall be in breach of this undertaking by virtue of any disclosure required by applicable Law, or if necessary to enforce performance of this Agreement. The obligation of each Party to treat this Agreement and such documents, materials and other information in confidence shall not apply to any information which (a) is or becomes available to such Party from a third party source without any obligation of confidentiality, (b) is or becomes available to the public other than as a result of disclosure by such Party or its agents, or (c) is required to be disclosed under applicable Law or judicial process. The above confidentiality obligations shall remain in full force and effect, notwithstanding any termination of this Agreement, for a period of 60 (sixty) months after the Closing. The Sellers acknowledge that the Buyer is a publicly traded company and that any information obtained during the course of due diligence could be considered to be material non-public information within

the meaning of federal and state securities laws. Accordingly, the Sellers acknowledge and agree not to engage in any discussions, correspondence or transactions in the Buyer's securities in violation of applicable securities laws.

#### 7.6 Public Disclosure

Except as required by Law, neither the Sellers nor any of their representatives shall issue any statement or communication to any third party (other than its agents that are bound by confidentiality restrictions) regarding the subject matter of this Agreement or the transactions contemplated hereby without the written consent of Buyer.

#### 7.7 Entire Agreement

The Transaction Documents and the documents, instruments and other agreements specifically referred to herein or therein or delivered pursuant hereto or thereto, including all appendices, exhibits and schedules hereto and thereto, constitute the entire agreement of the Parties with respect to the subject matter of this Agreement and supersede all prior agreements, term sheets, letters of interest, correspondence (including e-mail) and undertakings, both written and oral, between Buyer, on the one hand, and the Company and the Sellers, on the other hand, with respect to the subject matter of this Agreement.

#### 7.8 No Third Party Beneficiaries

Except as provided in Article 6, this Agreement is for the sole benefit of the Parties and their permitted assigns and nothing in this Agreement, express or implied, is intended to or will confer upon any other Person any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

#### 7.9 Specific Performance

The rights and remedies of the Parties under this Agreement shall be cumulative (and not alternative). The Parties agree that, in the event of any breach or threatened breach by any Party of any covenant, obligation or other provision set forth in this Agreement for the benefit of another Party: (a) such other Party shall be entitled, without proof of actual damages (and in addition to any other remedy that may be available to it) to: (1) an Order of specific performance or mandamus to enforce the observance and performance of such covenant, obligation or other provision; and (2) an injunction restraining such breach or threatened breach; and (b) such other Party shall not be required to provide any bond or other security in connection with any such Order or injunction or in connection with any related Action.

#### 7.10 Costs and Expenses

Each Party shall bear and pay its own legal and other professional costs in relation to this Agreement and the performance of the obligations contemplated by it, except that the costs of the notary related to the transfer of the Company Capital resulting from the execution of the Deed of Transfer will be borne by Buyer.

#### 7.11 Severability

In the event that any provision of this Agreement, or the application thereof, becomes or is declared by a court of competent jurisdiction to be illegal, void or unenforceable, the remainder of this Agreement will continue in full force and effect and the application of such provision to other persons or circumstances will be interpreted so as reasonably to effect the intent of the Parties. The Parties further agree to replace such void or unenforceable provision of this Agreement with a valid and enforceable provision that will achieve, to the extent possible, the economic, business and other purposes of such void or unenforceable provision.

#### 7.12 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, regardless of the laws that might otherwise govern under applicable principles of conflicts of laws thereof.

#### 7.13 Arbitration

(a) AAA Rules. Any claim or dispute arising out of or related to this Agreement, or the interpretation, making, performance, breach or termination thereof, shall (except as specifically set forth in this Agreement) be finally settled by binding arbitration in the Southern District of New York in accordance with the then current Commercial Arbitration Rules of the American Arbitration Association and judgment upon the award rendered may be entered in any court having jurisdiction thereof. The

arbitrator(s) shall have the authority to grant any equitable and legal remedies that would be available in any judicial proceeding instituted to resolve a dispute.

(b) Selection of Arbitrators. A single arbitrator chosen by mutual agreement of Buyer and the Representative shall conduct the arbitration. Alternatively, at the request of Buyer, or of the Representative before the commencement of arbitration, three independent arbitrators, none of whom shall have any competitive interests with Buyer or the Sellers shall conduct the arbitration. Buyer, on one hand, and the Representative, on the other hand, shall each select one arbitrator. The two arbitrators so selected shall select a third arbitrator.

(c) Discovery. The arbitrator or arbitrators, as the case may be, shall set a limited time period and establish procedures designed to reduce the cost and time for discovery while allowing the parties an opportunity, adequate in the sole judgment of the arbitrator or majority of the three arbitrators, as the case may be, to discover relevant information from the opposing parties about the subject matter of the dispute. The arbitrator, or a majority of the three arbitrators, as the case may be, shall rule upon motions to compel or limit discovery and shall have the authority to impose sanctions for discovery abuses, including attorneys' fees and costs, to the same extent as a competent court of law or equity, should the arbitrators or a majority of the three arbitrators, as the case may be, determine that discovery was sought without substantial justification or that discovery was refused or objected to without substantial justification.

(d) Decision. The decision of the arbitrator or a majority of the three arbitrators, as the case may be, as to the validity and amount of any claim shall be final, binding and conclusive upon the Parties. Such decision shall be written and shall be supported by written findings of fact and conclusions that shall set forth the award, judgment, decree or order awarded by the arbitrator(s). Within thirty (30) days of a decision of the arbitrator(s) requiring payment by one Party to another, such Party shall make the payment to such other Party.

(e) Other Relief. The parties to the arbitration may apply to a court of competent jurisdiction for a temporary restraining order, preliminary injunction or other interim or conservatory relief, as necessary, without breach of this arbitration provision and without abridgement of the powers of the arbitrator(s).

#### 7.14 USA Patriot Act

To help the government fight the funding of terrorism and money laundering activities, federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account. For non-individual persons such as a business entity, a charity, a trust or other legal entity, the Escrow Agent will ask for documentation to verify its formation and existence as a legal entity. The Escrow Agent may also ask to see financial statements, licenses, identification and authorization documents from individuals claiming authority to represent the entity or other relevant documentation. The Sellers agree to provide all such information and documentation as to themselves as requested by Escrow Agent to ensure compliance with federal law.

#### 7.15 Counterparts

This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the Parties and delivered to the other Party, it being understood that all Parties need not sign the same counterpart.

[signature page follows]

IN WITNESS WHEREOF, Buyer and the Sellers have caused this Agreement to be executed as of the date first written above by them or their respective officers or trustees thereunto duly authorized.

**BUYER:**

**AMBARELLA, INC.**

By: /s/ George Laplante

Name: George Laplante

Title: Chief Financial Officer

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IN WITNESS WHEREOF, Buyer and the Sellers have caused this Agreement to be executed as of the date first written above by them or their respective officers or trustees thereunto duly authorized.

**SELLERS:**

**UNIVERSITY OF PARMA**

By: /s/ Loris Borghi  
Name: Loris Borghi  
Title: Rector

**ALBERTO BROGGI**

/s/ Alberto Broggi

**MASSIMO BERTOZZI**

/s/ Massimo Bertozzi

**LUCA BOMBINI**

/s/ Luca Bombini

**STEFANO CATTANI**

/s/ Stefano Cattani

**PIETRO CERRI**

/s/ Pietro Cerri

**REAN FEDRIGA**

/s/ Rean Fedriga

**MIRKO FELISA**

/s/ Mirko Felisa

**PAOLO GRISLERI**

/s/ Paolo Grisleri

**PAOLO MEDICI**

/s/ Paolo Medici

**PIER PAOLO PORTA**

/s/ Pier Paolo Porta

**PAOLO ZANI**

/s/ Paolo Zani

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**Annex A**

**Definitions**

<b>Action</b>	Shall mean any criminal, judicial, administrative or arbitral action, investigation of which a Party has knowledge, audit, charge, claim, complaint, demand, litigation, mediation, proceeding or suit, whether civil, criminal, administrative or judicial commenced, brought, conducted or heard by or before, or otherwise involving, any Governmental Authority.
<b>Affiliate</b>	Shall mean, when used with reference to any Person, another Person that directly or indirectly, through one or more intermediaries, Controls, is Controlled by, or is under common Control with such first Person.
<b>Agreement</b>	Shall have the meaning set forth in the Preamble.
<b>Agreement Date</b>	Shall have the meaning set forth in the Preamble.
<b>Anti-bribery Laws</b>	Shall have the meaning set forth in Section 2.19(b).
<b>Antitrust Laws</b>	Shall mean all federal, state or regional statutes, rules, regulations, orders, decrees, administrative and judicial doctrines and other Laws of any country or jurisdiction, including antitrust, competition or trade regulation Laws that are designed or intended to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade or lessening competition through merger or acquisition.
<b>Assets and/or Properties</b>	Shall mean, with respect to any Person, all assets of every kind, nature, character and description (whether real, personal or mixed, whether tangible or intangible, whether absolute, accrued, contingent, fixed or otherwise and wherever situated), including the goodwill related thereto, operated, owned, licensed or leased by such Person, including cash, cash equivalents, investment assets, accounts and notes receivable, chattel paper, documents, instruments, general intangibles, real estate, equipment, inventory, goods, and Intellectual Property.
<b>Assumed Contracts</b>	Shall have the meaning set forth in Section 2.24.
<b>Business Days</b>	Shall mean any day that is not a Saturday, a Sunday or other day on which banks are required or authorized by Law to be closed in the Cayman Islands or Parma, Italy.
<b>Buyer</b>	Shall have the meaning set forth in the Preamble.
<b>Change of Control Payments</b>	Shall mean the aggregate gross amount of all change of control, bonus, termination, retention, severance, forgiveness of Indebtedness, increase in benefits, Tax gross-up or other similar payments, and bonuses in respect of foregone equity, (a) that are accrued, incurred or payable by the Company prior to, at or after the Closing pursuant to any Employee Benefit Plan or Contract of the Company in effect at or prior to the Closing, or (b) that are otherwise obligations of the Company that are accrued or incurred prior to, at or after the Closing, whether payable prior to, at or after Closing that are based on arrangements entered into by the Company prior to the Closing, in the case of each of clauses (a) and (b), to any Person as a result of the consummation of the Transactions (but excluding those amounts contemplated by Section 1.1).
<b>Change of Control Tax Amount</b>	Shall mean the aggregate amount of any Liability of the Company that has not been paid prior to the Closing for any Taxes (including payroll or similar Taxes and withholding Taxes) payable as a result of or in connection with the Transactions.
<b>Charter Documents</b>	Shall have the meaning set forth in Section 2.2.
<b>Claim Notice</b>	Shall have the meaning set forth in Section 6.6.

<b>Claim Period</b>	Shall have the meaning set forth in Section 6.5
<b>Claim Period Expiration Date</b>	Shall have the meaning set forth in Section 6.5
<b>Closing</b>	Shall have the meaning set forth in Section 1.2.
<b>Closing Cash Consideration</b>	Shall mean the Purchase Consideration <u>minus</u> the Escrow Amount.
<b>Closing Date</b>	Shall have the meaning set forth in Section 1.2.
<b>Code</b>	Shall mean the U.S. Internal Revenue Code of 1986, as amended.
<b>Company</b>	Shall have the meaning set forth in the Preamble.
<b>Company Capital</b>	Shall have the meaning set forth in Section 2.3(a).
<b>Company Indebtedness</b>	Shall mean the aggregate of the following, without duplication: (a) any Liability of the Company (1) for borrowed money (including the current portion thereof), (2) under any reimbursement obligation relating to a letter of credit, bankers' acceptance or note purchase facility, (3) evidenced by a bond, note, debenture or similar instrument (including a purchase money obligation), (4) with respect to leases required to be accounted for as capital leases under Italian GAAP or (5) incurred, issued or assumed as the deferred purchase price of property (excluding, in each case, accounts payable and trade payables, in each case incurred in the ordinary course of business); (b) any Liability of other Persons described in clause (a) that the Company has guaranteed, that is recourse to the Company or any of their Assets and Properties or that is otherwise the legal Liability of the Company; and (c) any and all accrued interest, success fees, prepayment premiums, make whole premiums or penalties and fees or expenses actually incurred (including attorneys' fees) associated with the prepayment of any amounts of the nature described in clauses (a)(1), (2) or (3).
<b>Company Intellectual Property</b>	Shall have the meaning set forth in Section 2.8(a).
<b>Company Material Contract</b>	Shall have the meaning set forth in Section 2.22.
<b>Company Products</b>	Shall have the meaning set forth in Section 2.8(b).
<b>Company Registered Intellectual Property</b>	Shall have the meaning set forth in Section 2.8(c).
<b>Company Sites</b>	Shall have the meaning set forth in Section 2.8(l).
<b>Company Source Code</b>	Shall have the meaning set forth in Section 2.8(a).
<b>Continuing Employees</b>	Shall have the meaning set forth in the Recitals.
<b>Continuing Employment Agreement</b>	Shall have the meaning set forth in the Recitals.
<b>Contract</b>	Shall mean with respect to any Person, any agreement, contract, note, bond, deed, mortgage, lease, sublease, license, sublicense, instrument, commitment, promise, undertaking or other binding arrangement, whether written or oral: (a) to which such Person is a party; or (b) by which such Person or any of its assets is bound or under which such Person has any obligation.
<b>Control</b>	Shall mean, as to any Person, the possession of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise. The verb "Control" and the term "Controlled" have the correlative meanings.

<b>Customer License Agreements</b>	Shall mean non-exclusive end user licenses to the object code form, or service or access agreements (including SaaS agreements), for the Company Products granted in the ordinary course and that are in form or substance substantially the same as Company's standard agreements, copies such standard agreements which have been Made Available to Buyer.
<b>Employee</b>	Shall mean any current or former or retired employee of the Company.
<b>Employee Agreement</b>	Shall mean each management, employment, change of control, separation, settlement, retention, bonus, severance, consulting, relocation, repatriation, expatriation, via, work permit or other agreement, contract or understanding between the Company and any Employee.
<b>Employee Benefit Plan</b>	Shall mean (1) all health, medical, vision, dental, welfare, severance pay, salary continuation, bonus, incentive, stock option, stock or stock-related, retirement, pension, profit sharing or deferred compensation plans, contracts, programs, funds, policies, practices or arrangements of any kind, and (2) all Employee Agreements, and (3) all other employee benefit plans, contracts, programs, funds, policies, practices or arrangements (whether written or oral, funded or unfunded, currently effective or terminated) and any trust, escrow or similar agreement related thereto, whether or not funded, that are sponsored, maintained or contributed to by the Company or any Affiliate of the Company for the benefit of any Employees or with respect to which the Company or may have any Liability or obligation (each the items referenced in the foregoing clauses (1) – (3) being hereinafter individually referred to as an " <u>Employee Benefit Plan</u> ").
<b>Encumbrance</b>	Shall mean any mortgage, pledge, hypothecation, security interest, encumbrance, title defect, lien or charge, other than any restriction or limitation imposed by this Agreement.
<b>Environmental Law</b>	Shall mean any Law which prohibits, regulates or controls any Hazardous Material or any Hazardous Material Activity, including the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, the Resource Conservation and Recovery Act of 1976, the Federal Water Pollution Control Act, the Clean Air Act, the Occupational Safety and Health Act, the Clean Water Act, Directive 2012/19/EU of the European Parliament and of the Council on waste electrical and electronic equipment (" <u>WEEE</u> "), Directive 2011/65/EU of the European Parliament and of the Council on the restriction on the use of certain hazardous substances in electrical and electronic equipment and any implementing Laws (" <u>ROHS</u> "), the Administrative Measures on the Control of Pollution Caused by Electronic Information Products (" <u>China ROHS</u> "), Regulation (EC) No. 1907/2006 of the European Parliament and of the Council concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (" <u>REACH</u> "), and any implementing Laws, all as amended at any time.
<b>Equity Participations</b>	Shall mean, with respect to a Person, any (a) share, quota, security, participation right and any other present or future right entitling the holder, absolutely or contingently (through the exercise of any subscription, conversion, exchange, option or similar right), to participate in the revenues, dividends or equity appreciation of such Person, including capital stock, membership interests, units, performance units, options, warrants, company appreciation rights, interests in "phantom" stock plans, restricted or contingent stock or profits interests, voting securities, stock appreciation rights or equivalents, stock loan purchase plans, convertible debentures or stock bonus plans and (b) commitments of such Person to issue any of the foregoing.
<b>Escrow Agent</b>	Shall have the meaning set forth in the Recitals.
<b>Escrow Agreement</b>	Shall have the meaning set forth in the Recitals.
<b>Escrow Amount</b>	Shall mean 4,000,000 USD as may be decreased from time to time pursuant to the Escrow Agreement.
<b>Escrow Fund</b>	Shall mean the escrow account established by the Escrow Agent to administer the Escrow Amount pursuant to the Escrow Agreement.

<b>Escrow Payment</b>	Shall mean any portion of the Escrow Amount (as may be reduced in accordance with Article 6), that is released from the Escrow Fund and becomes payable in cash to the Indemnitors in accordance with the Escrow Agreement and the provisions of this Agreement.
<b>Export Approvals</b>	Shall have the meaning set forth in Section 2.19(d).
<b>Financial Controls</b>	Shall have the meaning set forth in Section 2.14(c).
<b>Financial Statements</b>	Shall have the meaning set forth in Section 2.14(a).
<b>Fundamental Representations</b>	Shall mean the representations and warranties set forth in Section 2.2 (Organization, Good Standing and Qualification), Section 2.3 (Capitalization and Voting Rights), Section 2.4 (Authorization), Section 2.8 (Intellectual Property), Section 2.11 (Taxes), Section 2.15(b) (Undisclosed Liabilities); Section 2.16 (Employee Benefit Plans); Section 2.17 (Employee Matters) and Section 2.20 (Environmental Matters).
<b>Governmental Authority</b>	Shall mean any court, tribunal, governmental authority, governmental body or other regulatory or administrative authority, agency or commission of any government of any country or any private or governmental arbitration or conciliation authority or similar body, and any body exercising, or entitled to exercise, any administrative, executive, judicial or legislative authority or power of any nature.
<b>Guarantee Element</b>	Shall mean any (a) Contract that contingently requires a guarantor to make payments (as described in the following paragraph) to a guaranteed party based on changes in an underlying that is related to an asset, a liability, or an equity security of the guaranteed party; (b) Contract that contingently requires a guarantor to make payments (as described in the following paragraph) to a guaranteed party based on another entity's failure to perform under an obligating agreement; (c) indemnification agreement that contingently requires an indemnifying party to make payments to an indemnified party based on changes in an underlying asset that is related to an asset, a liability, or an equity security of the indemnified party; or (d) indirect guarantees of the indebtedness of others, even though the payment to the guaranteed party may not be based on changes in an underlying that is related to an asset, a liability, or an equity security of the guaranteed party.
<b>Hazardous Material</b>	Shall mean any material, chemical, emission or substance that has been designated by any Governmental Authority to be radioactive, toxic, hazardous, dangerous, a pollutant or otherwise a danger to health, reproduction or the environment.
<b>Hazardous Materials Activity</b>	Shall mean the transportation, transfer, recycling, storage, use, treatment, manufacture, removal, disposal, remediation, release, exposure of others to, sale, labeling, certification, or distribution of any Hazardous Material or any product containing a Hazardous Material, including compliance with any recycling, product take-back or product content requirements, including the WEEE, ROHS, China ROHS, and REACH.
<b>Indemnitors</b>	Shall have the meaning set forth in Section 6.3(a).
<b>Indemnified Person</b>	Shall have the meaning set forth in Section 6.3(a).
<b>Intellectual Property</b>	Shall have the meaning set forth in Section 2.8(a).
<b>Interim Balance Sheet</b>	Shall mean the Company's unaudited balance sheet as of the Interim Balance Sheet Date.
<b>Interim Balance Sheet Date</b>	Shall mean May 31, 2015.
<b>Interim Claim Period Expiration Date</b>	Shall have the meaning set forth in Section 6.5.
<b>Invention Assignment Agreements</b>	Shall have the meaning set forth in Section 2.8(j).

<b>IRS</b>	Shall mean the Internal Revenue Service.
<b>Italian GAAP</b>	Shall mean accounting practice generally accepted in Italy.
<b>Law</b>	Shall mean the law of any jurisdiction, whether international, multilateral, multinational, national, federal, state, provincial, local or common law, an Order or act, statute, ordinance, regulation, rule, collective bargaining agreement, extension order or code promulgated by a Governmental Authority.
<b>Liability</b>	Shall mean any and all liabilities, debts, commitments and obligations of any kind, whether accrued or fixed, absolute, matured, determined or undeterminable, on- or off-balance sheet or required to be recorded on a balance sheet prepared in accordance with Italian GAAP including those arising under any Law, Action or Order and those arising under any Contract or otherwise.
<b>Liability Claim</b>	Shall have the meaning set forth in Section 6.6.
<b>Liens</b>	Shall mean any mortgage, easement, attachment, pledge, hypothecation, right of any Person, adverse claim, security interest, encumbrance, title defect, title retention agreement, voting trust agreement, third party right or other right or interest, option, lien, charge, any hire purchase, lease or installment purchase agreement, right of first refusal, right of preemption or right to acquire, or other restriction or limitation, including any restriction on the right to vote, sell or otherwise dispose of the subject property, other than any restriction or limitation imposed by this Agreement.
<b>Losses</b>	Shall have the meaning set forth in Section 6.3(a).
<b>Made Available</b>	Shall mean the documents or other information and materials that have been posted in the electronically accessible data room at least three Business Days prior to the Agreement Date.
<b>Material Adverse Effect</b>	Shall have the meaning set forth in Section 2.2.
<b>Objection Notice</b>	Shall have the meaning set forth in Section 6.7(a).
<b>Off-Balance Sheet Arrangement</b>	Shall mean any transaction, agreement or other contractual arrangement to which an entity with the Company is a party, under which the Company has: (a) any obligation under a guarantee contract that has a Guarantee Element; (b) a retained or contingent interest in assets transferred to an entity or similar arrangement that serves as credit, liquidity or market risk support to such entity for such assets; or (c) any obligation, including a contingent obligation, under a contract that would be accounted for as a derivative instrument, except that it is both indexed to the Company's own capital and classified as equity in the Company's financial statements.
<b>Open Source Software</b>	Shall have the meaning set forth in Section 2.8(k).
<b>Order</b>	Shall mean any order, decision, ruling, charge, writ, judgment, injunction, decree, stipulation, determination, award, assessment or binding agreement issued, promulgated or entered by or with any Governmental Authority.
<b>Party</b>	Shall mean any of Buyer, the Company, the Sellers or the Representative.
<b>Permit</b>	Shall mean any approval, authorization, consent, franchise, license, permit or certificate issued by any Governmental Authority.
<b>Permitted Encumbrances</b>	Shall have the meaning set forth in Section 2.23(b).
<b>Person</b>	Shall mean any individual, corporation, partnership, joint venture, estate, trust, unincorporated organization, Governmental Authority or any other entity.
<b>Personally Identifiable Information</b>	Shall have the meaning set forth in Section 2.8(l).

<b>Potential Claim</b>	Shall have the meaning set forth in Section 4.3(a).
<b>Purchase Consideration</b>	Shall have the meaning set forth in Section 1.1(b).
<b>Registered Intellectual Property</b>	Shall have the meaning set forth in Section 2.8(a).
<b>Related Party</b>	Shall have the meaning set forth in Section 2.10(b).
<b>Released Matters</b>	Shall have the meaning set forth in Section 4.3(a).
<b>Released Parties</b>	Shall have the meaning set forth in Section 4.3(a).
<b>Releasing Parties</b>	Shall have the meaning set forth in Section 4.3(a).
<b>Representative</b>	Shall have the meaning set forth in Section 6.10.
<b>Representative Expenses</b>	Shall have the meaning set forth in Section 6.10(b).
<b>RSU Agreement</b>	Shall have the meaning set forth in Section 5.2(c).
<b>Sellers</b>	Shall have the meaning set forth in the Preamble.
<b>Seller Affiliates</b>	Shall have the meaning set forth in Section 4.3(a).
<b>Seller Intellectual Property</b>	Shall have the meaning set forth in Section 2.8(r).
<b>Shrink Wrap Licenses</b>	Shall have the meaning set forth in Section 2.8(e).
<b>Software</b>	Shall have the meaning set forth in Section 2.8(a).
<b>Spreadsheet</b>	Shall mean a spreadsheet, dated and setting forth as of the Closing the following information: (a) the name, mailing address, and, where available, tax domicile (if different from the mailing address) and taxpayer identification numbers for each Seller; (b) the percentage of Company Capital held by such Seller; (c) the portion of the Closing Cash Consideration payable to such Seller pursuant to this Agreement; (d) the portion of the Escrow Amount that would be payable to such Seller pursuant to this Agreement assuming that no Escrow Payments are made; (e) whether any Taxes are required to be withheld by Buyer from such amounts; and (f) wire transfer instructions for each Seller.
<b>Standard Form Agreements</b>	Shall have the meaning set forth in Section 2.8(f).
<b>Straddle Period</b>	Shall have the meaning set forth in Section 6.3(c).
<b>Tax</b>	Shall mean any net income, corporate, personal income, net wealth (capital taxes), capital gains, capital acquisitions, inheritance, deposit interest retention, gift, relevant contracts, alternative minimum, add-on minimum, gross income, gross receipts, sales, use, goods and services, harmonized sales, value added, ad valorem, transfer, franchise, profits, license, withholding (including on dividends and deemed dividends), estimated, payroll, employment, social security contributions, governmentally mandated pension plan contributions, excise, severance, stamp, occupation, premium, property, environmental or windfall profit tax, custom duty, import and export taxes, or other tax, or similar governmental assessment or charge, together with any interest or any penalty, addition to tax or additional amount imposed by any Tax Authority.
<b>Tax Authority</b>	Shall mean a Governmental Authority responsible for the imposition of any Tax (whether domestic or foreign).

<b>Tax Return</b>	Shall mean any return, estimate, form, information statement or report, including amendments thereof and attachments and schedules thereto required to be filed with respect to Taxes.
<b>Technology</b>	Shall have the meaning set forth in Section 2.8(a).
<b>Trade Secrets</b>	Shall have the meaning set forth in Section 2.8(a).
<b>Transactions</b>	Shall mean the transactions to be effected pursuant to the Transaction Documents.
<b>Transaction Documents</b>	Shall mean the Agreement, Escrow Agreement, Continuing Employment Agreements and RSU Agreement.
<b>Transaction Fees</b>	Shall mean all out-of-pocket costs and expenses of the Company, any employee of the Company or any holder of Company Capital incurred by, paid by, or to be paid by, the Company in connection with the Transactions and this Agreement, including any fees and expenses of investment bankers, financial advisors, legal counsel, accountants, other professional advisors or consultants.
<b>Transfer Taxes</b>	Shall mean all sales, use, transfer, real property transfer, mortgage recording, stamp duty, value-added or similar Taxes that may be imposed in connection with the Transactions.
<b>University</b>	Shall mean the University of Parma, Italy.

## AMBARELLA, INC.

## 2012 EMPLOYEE STOCK PURCHASE PLAN

(Amended and Restated Effective September 15, 2015)

1. Purpose. The purpose of the Plan is to provide employees of the Company and its Designated Companies with an opportunity to purchase Ordinary Shares through accumulated Contributions. The Company intends for the Plan to have two components: a Code Section 423 Component ("423 Component") and a Non-Code Section 423 Component ("Non-423 Component"). The Company's intention is to have the 423 Component of the Plan qualify as an "employee stock purchase plan" under Section 423 of the Code. The provisions of the 423 Component, accordingly, will be construed so as to extend and limit Plan participation in a uniform and nondiscriminatory basis consistent with the requirements of Section 423 of the Code. In addition, this Plan authorizes the grant of an option to purchase Ordinary Shares under the Non-423 Component that does not qualify as an "employee stock purchase plan" under Section 423 of the Code; an option granted under the Non-423 Component will provide for substantially the same benefits as an option granted under the 423 Component, except that a Non-423 Component option may include features necessary to comply with applicable non-U.S. tax laws pursuant to rules, procedures or subplans adopted by the Administrator. Except as otherwise provided herein, the Non-423 Component will operate and be administered in the same manner as the 423 Component.

2. Definitions.

(a) "Administrator" means the Board or any Committee designated by the Board to administer the Plan pursuant to Section 14.

(b) "Affiliate" means any entity, other than a Subsidiary, in which the Company has an equity or other ownership interest.

(c) "Applicable Laws" means the legal and regulatory requirements relating to the administration of equity-based awards, including but not limited to, under U.S. state corporate laws, U.S. federal and state securities laws, the Code, any stock exchange or quotation system on which the Ordinary Shares are listed or quoted and the applicable laws of any foreign country or jurisdiction where options are, or will be, granted under the Plan.

(d) "Board" means the Board of Directors of the Company.

(e) "Change in Control" means the occurrence of any of the following events:

(i) A change in the ownership of the Company which occurs on the date that any one person, or more than one person acting as a group ("Person"), acquires ownership of the stock of the Company that, together with the stock held by such Person, constitutes more than fifty percent (50%) of the total voting power of the stock of the Company; provided, however, that for purposes of this subsection, the acquisition of additional stock by any one Person, who is considered to own more than fifty percent (50%) of the total voting power of the stock of the Company will not be considered a Change in Control. Further, if the stockholders of the Company immediately before such change in ownership continue to retain immediately after the change in ownership, in substantially the same proportions as their ownership of shares of the Company's voting stock immediately prior to the change in ownership, direct or indirect beneficial ownership of fifty percent (50%) or more of the total voting power of the stock of the Company, such event shall not be considered a Change in Control under this subsection (i). For this purpose, indirect beneficial ownership shall include, without limitation, an interest resulting from ownership of the voting securities of one or more corporations or other business entities which own the Company, as the case may be, either directly or through one or more subsidiary corporations or other business entities; or

(ii) A change in the effective control of the Company which occurs on the date that a majority of members of the Board is replaced during any twelve (12) month period by Directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election. For purposes of this subsection (ii), if any Person is considered to be in effective control of the Company, the acquisition of additional control of the Company by the same Person will not be considered a Change in Control; or

(iii) A change in the ownership of a substantial portion of the Company's assets which occurs on the date that any Person acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than fifty percent (50%) of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions; provided, however,

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that for purposes of this subsection, the following will not constitute a change in the ownership of a substantial portion of the Company's assets: (A) a transfer to an entity that is controlled by the Company's stockholders immediately after the transfer, or (B) a transfer of assets by the Company to: (1) a stockholder of the Company (immediately before the asset transfer) in exchange for or with respect to the Company's stock, (2) an entity, fifty percent (50%) or more of the total value or voting power of which is owned, directly or indirectly, by the Company, (3) a Person, that owns, directly or indirectly, fifty percent (50%) or more of the total value or voting power of all the outstanding stock of the Company, or (4) an entity, at least fifty percent (50%) of the total value or voting power of which is owned, directly or indirectly, by a Person described in this subsection (iii)(B)(3). For purposes of this subsection, gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

For purposes of this definition, persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Company.

Notwithstanding the foregoing, a transaction will not be deemed a Change in Control unless the transaction qualifies as a change in control event within the meaning of Code Section 409A, as it has been and may be amended from time to time, and any proposed or final U.S. Treasury Regulations and Internal Revenue Service guidance that has been promulgated or may be promulgated thereunder from time to time.

Further and for the avoidance of doubt, a transaction will not constitute a Change in Control if: (i) its sole purpose is to change the state of the Company's incorporation, or (ii) its sole purpose is to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction.

(f) "Code" means the U.S. Internal Revenue Code of 1986, as amended. Reference to a specific section of the Code or U.S. Treasury Regulation thereunder will include such section or regulation, any valid regulation or other official applicable guidance promulgated under such section, and any comparable provision of any future legislation or regulation amending, supplementing or superseding such section or regulation.

(g) "Committee" means a committee of the Board appointed in accordance with Section 14 hereof.

(h) "Company" means Ambarella, Inc., or any successor thereto.

(i) "Compensation" means an Eligible Employee's base straight time gross earnings (including 13th or 14th month salary where applicable), but exclusive of payments for commissions, payments for overtime and shift premium, incentive compensation, bonuses and other similar compensation. The Administrator, in its discretion, may, on a uniform and nondiscriminatory basis, establish a different definition of Compensation for a subsequent Offering Period.

(j) "Contributions" means the payroll deductions and other additional payments that the Company may permit to be made by a Participant to fund the exercise of options granted pursuant to the Plan.

(k) "Designated Company" means any Subsidiary or Affiliate that has been designated by the Administrator from time to time in its sole discretion as eligible to participate in the Plan. For purposes of the 423 Component, only the Company and its Subsidiaries may be Designated Companies, provided, however, that at any given time, a Subsidiary that is a Designated Company under the 423 Component shall not be a Designated Company under the Non-423 Component.

(l) "Director" means a member of the Board.

(m) "Eligible Employee" means any individual who is a common law employee providing services to the Company or a Designated Company and is customarily employed for at least twenty (20) hours per week and more than five (5) months in any calendar year by the Employer, or any lesser number of hours per week and/or number of months in any calendar year established by the Administrator (if required under applicable local law) for purposes of any separate Offering or for Eligible Employees participating in the Non-423 Component. For purposes of the Plan, the employment relationship will be treated as continuing intact while the individual is on sick leave or other leave of absence that the Employer approves or is legally protected under Applicable Laws. Where the period of leave exceeds three (3) months and the individual's right to reemployment is not guaranteed either by statute or by contract, the employment relationship will be deemed to have terminated three (3) months and one (1) day following the commencement of such leave. The Administrator retains the authority to revise the definition of Eligible Employee (on a uniform and nondiscriminatory basis or as otherwise permitted by Treasury Regulation Section 1.423-2). Accordingly, the Administrator, in its discretion, from time to time may, prior to an Enrollment Date for all options to be granted on such Enrollment Date in an Offering, determine (on a uniform and nondiscriminatory basis or as otherwise permitted by Treasury Regulation Section 1.423-2) that the

definition of Eligible Employee will or will not include an individual if he or she: (i) has not completed at least two (2) years of service since his or her last hire date (or such lesser period of time as may be determined by the Administrator in its discretion), (ii) customarily works not more than twenty (20) hours per week (or such lesser period of time as may be determined by the Administrator in its discretion), (iii) customarily works not more than five (5) months per calendar year (or such lesser period of time as may be determined by the Administrator in its discretion), (iv) is a highly compensated employee within the meaning of Section 414(q) of the Code, or (v) is a highly compensated employee within the meaning of Section 414(q) of the Code with compensation above a certain level or is an officer or subject to the disclosure requirements of Section 16(a) of the Exchange Act, provided the exclusion is applied with respect to each Offering in an identical manner to all highly compensated individuals of the Employer whose Employees are participating in that Offering. Each exclusion shall be applied with respect to an Offering in a manner complying with U.S. Treasury Regulation Section 1.423-2(e)(2)(ii).

(n) “Employer” means the employer of the applicable Eligible Employee(s).

(o) “Enrollment Date” means the first Trading Day of each Offering Period.

(p) “Exchange Act” means the U.S. Securities Exchange Act of 1934, as amended, including the rules and regulations promulgated thereunder.

(q) “Exercise Date” means the first Trading Day on or after March 15 and September 15 of each Purchase Period. Notwithstanding the foregoing, the first Exercise Date under the Plan will be on first Trading Day on or after September 15, 2013.

(r) “Fair Market Value” means, as of any date and unless the Administrator determines otherwise, the value of Ordinary Shares determined as follows:

(i) If the Ordinary Shares are listed on any established stock exchange or a national market system, including without limitation the Nasdaq Global Select Market, the Nasdaq Global Market or the Nasdaq Capital Market of the Nasdaq Stock Market, its Fair Market Value will be the closing sales price for such stock as quoted on such exchange or system on the date of determination (or the closing bid, if no sales were reported), as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable;

(ii) If the Ordinary Shares are regularly quoted by a recognized securities dealer but selling prices are not reported, its Fair Market Value will be the mean between the high bid and low asked prices for the Ordinary Shares on the date of determination (or if no bids and asks were reported on that date, as applicable, on the last Trading Day such bids and asks were reported), as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable;

(iii) In the absence of an established market for the Ordinary Shares, the Fair Market Value thereof will be determined in good faith by the Administrator; or

(iv) For purposes of the Enrollment Date of the first Offering Period under the Plan, the Fair Market Value will be the initial price to the public as set forth in the final prospectus included within the registration statement on Form S-1 filed with the Securities and Exchange Commission for the initial public offering of the Ordinary Shares (the “Registration Statement”).

(s) “Fiscal Year” means the fiscal year of the Company.

(t) “New Exercise Date” means a new Exercise Date if the Administrator shortens any Offering Period then in progress.

(u) “Offering” means an offer under the Plan of an option that may be exercised during an Offering Period as further described in Section 4. For purposes of the Plan, the Administrator may designate separate Offerings under the Plan (the terms of which need not be identical) in which Employees of one or more Employers will participate, even if the dates of the applicable Offering Periods of each such Offering are identical and the provisions of the Plan will separately apply to each Offering. To the extent permitted by U.S. Treasury Regulation Section 1.423-2(a)(1), the terms of each Offering need not be identical provided that the terms of the Plan and an Offering together satisfy U.S. Treasury Regulation Section 1.423-2(a)(2) and (a)(3).

(v) “Offering Periods” means the periods of approximately six (6) months during which an option granted pursuant to the Plan may be exercised, (i) commencing on the first Trading Day on or after March 15 and September 15 of each year and terminating on the first Trading Day on or after September 15 and March 15 approximately six (6) months later; provided, however, that the first Offering Period under the Plan will commence with the first Trading Day on or after the date on which the U.S. Securities and Exchange Commission declares the Company’s Registration Statement effective and will end on the first Trading Day on or after September 15, 2013, and provided, further, that the second Offering Period under the Plan will commence on the first Trading Day on or after September 15, 2013. The duration and timing of Offering Periods may be changed pursuant to Sections 4 and 20.

(w) “Ordinary Shares” shall mean the Ordinary Shares of the Company.

(x) “Parent” means a “parent corporation,” whether now or hereafter existing, as defined in Section 424(e) of the Code.

(y) “Participant” means an Eligible Employee who participates in the Plan.

(z) “Plan” means this Ambarella, Inc. 2012 Employee Stock Purchase Plan.

(aa) “Purchase Period” means the approximately six (6) month period commencing after one Exercise Date and ending with the next Exercise Date, except that the first Purchase Period of any Offering Period will commence on the Enrollment Date and end with the next Exercise Date. Unless the Administrator provides otherwise, the Purchase Period will have the same duration and coincide with the length of the Offering Period.

(bb) “Purchase Price” means an amount equal to eighty-five percent (85%) of the Fair Market Value of a share of Ordinary Shares on the Enrollment Date or on the Exercise Date, whichever is lower; provided however, that the Purchase Price may be determined for subsequent Offering Periods by the Administrator subject to compliance with Section 423 of the Code (or any successor rule or provision or any other applicable law, regulation or stock exchange rule) or pursuant to Section 20.

(cc) “Subsidiary” means a “subsidiary corporation,” whether now or hereafter existing, as defined in Section 424(f) of the Code.

(dd) “Trading Day” means a day on which the national stock exchange upon which the Ordinary Shares are listed is open for trading.

(ee) “U.S. Treasury Regulations” means the Treasury regulations of the Code. Reference to a specific Treasury Regulation or Section of the Code shall include such Treasury Regulation or Section, any valid regulation promulgated under such Section, and any comparable provision of any future legislation or regulation amending, supplementing or superseding such Section or regulation.

### 3. Eligibility.

(a) First Offering Period. Any individual who is an Eligible Employee immediately prior to the first Offering Period will be automatically enrolled in the first Offering Period.

(b) Subsequent Offering Periods. Any Eligible Employee on a given Enrollment Date subsequent to the first Offering Period will be eligible to participate in the Plan, subject to the requirements of Section 5.

(c) Non-U.S. Employees. Eligible Employees who are citizens or residents of a non-U.S. jurisdiction (without regard to whether they also are citizens or residents of the United States or resident aliens (within the meaning of Section 7701(b)(1)(A) of the Code)) may be excluded from participation in the Plan or an Offering if the participation of such Employees is prohibited under the laws of the applicable jurisdiction or if complying with the laws of the applicable jurisdiction would cause the Plan or an Offering to violate Section 423 of the Code. In the case of the Non-423 Component, Eligible Employees may be excluded from participation in the Plan or an Offering if the Administrator has determined that participation of such Eligible Employees is not advisable or practicable.

(d) Limitations. Any provisions of the Plan to the contrary notwithstanding, no Eligible Employee will be granted an option under the Plan (i) to the extent that, immediately after the grant, such Eligible Employee (or any other person whose stock would be attributed to such Eligible Employee pursuant to Section 424(d) of the Code) would own capital stock of the Company or any Parent or Subsidiary of the Company and/or hold outstanding options to purchase such stock possessing five percent (5%) or more of the total combined voting power or value of all classes of the capital stock of the Company or of any Parent or Subsidiary of the Company, or (ii) to the extent that his or her rights to purchase stock under all employee stock purchase plans (as defined in

Section 423 of the Code) of the Company or any Parent or Subsidiary of the Company accrues at a rate, which exceeds twenty-five thousand dollars (\$25,000) worth of stock (determined at the Fair Market Value of the stock at the time such option is granted) for each calendar year in which such option is outstanding at any time, as determined in accordance with Section 423 of the Code and the regulations thereunder.

4. Offering Periods. The Plan will be implemented by consecutive Offering Periods with a new Offering Period commencing on the first Trading Day on or after March 15 and September 15 each year, or on such other date as the Administrator will determine; provided, however, that the first Offering Period under the Plan will commence with the first Trading Day on or after the date upon which the Company's Registration Statement is declared effective by the Securities and Exchange Commission and end on the first Trading Day on or after September 15, 2013, and provided, further, that the second Offering Period under the Plan will commence on the first Trading Day on or after September 15, 2013. The Administrator will have the power to change the duration of Offering Periods (including the commencement dates thereof) with respect to future Offerings without stockholder approval if such change is announced prior to the scheduled beginning of the first Offering Period to be affected thereafter; provided, however, that no Offering Period may last more than twenty-seven (27) months.

5. Participation.

(a) First Offering Period. An Eligible Employee will be entitled to continue to participate in the first Offering Period pursuant to Section 3(a) only if such individual submits a subscription agreement authorizing Contributions in a form (which may be electronic) determined by the Administrator (which may be similar to the form attached hereto as Exhibit A) to the Company's designated plan administrator (i) no earlier than the effective date of the Form S-8 registration statement with respect to the issuance of Ordinary Shares under this Plan and (ii) no later than ten (10) business days following the effective date of such S-8 registration statement or such other period of time as the Administrator may determine (the "Enrollment Window"). An Eligible Employee's failure to submit the subscription agreement during the Enrollment Window will result in the automatic termination of such individual's participation in the first Offering Period.

(b) Subsequent Offering Periods. An Eligible Employee may participate in the Plan pursuant to Section 3(b) by (i) submitting to the Company's stock administration office (or its designee), on or before a date determined by the Administrator prior to an applicable Enrollment Date, a properly completed subscription agreement authorizing Contributions in the form provided by the Administrator for such purpose, or (ii) following an electronic or other enrollment procedure determined by the Administrator.

6. Contributions.

(a) At the time a Participant enrolls in the Plan pursuant to Section 5, he or she will elect to have Contributions (in the form of payroll deductions or otherwise, to the extent permitted by the Administrator) made on each pay day during the Offering Period in an amount not exceeding fifteen percent (15%) of the Compensation, which he or she receives on each pay day during the Offering Period; provided, however, that should a pay day occur on an Exercise Date, a Participant will have any payroll deductions made on such day applied to his or her account under the subsequent Purchase Period or Offering Period. The Administrator, in its sole discretion, may permit all Participants in a specified Offering to contribute amounts to the Plan through payment by cash, check or other means set forth in the subscription agreement prior to each Exercise Date of each Purchase Period. A Participant's subscription agreement will remain in effect for successive Offering Periods unless terminated as provided in Section 10 hereof.

(b) In the event Contributions are made in the form of payroll deductions, such payroll deductions for a Participant will commence on the first pay day following the Enrollment Date and will end on the last pay day prior to the Exercise Date of such Offering Period to which such authorization is applicable, unless sooner terminated by the Participant as provided in Section 10 hereof; provided, however, that for the first Offering Period, payroll deductions will commence on the first pay day on or following the end of the Enrollment Window.

(c) All Contributions made for a Participant will be credited to his or her account under the Plan and Contributions will be made in whole percentages only. A Participant may not make any additional payments into such account.

(d) A Participant may discontinue his or her participation in the Plan as provided in Section 10. Unless otherwise determined by the Administrator, a Participant may not increase or decrease the rate of his or her Contributions during an Offering Period, except for a withdrawal as provided in Section 10. For a future Offering Period, a Participant may adjust the rate of his or her Contributions by (i) properly completing and submitting to the Company's stock administration office (or its designee), on or before a date determined by the Administrator prior to an applicable Enrollment Date, a new subscription agreement authorizing the change in Contribution rate in the form provided by the Administrator for such purpose, or (ii) following an electronic or other procedure prescribed by the Administrator. If a Participant has not followed such procedures to change the rate of Contributions and/or withdraw, the rate of his or her Contributions will continue at the originally elected rate throughout the Offering Period and future

Offering Periods (unless terminated as provided in Section 10). The Administrator may, in its sole discretion, limit the nature and/or number of Contribution rate changes that may be made by Participants, and may establish such other conditions or limitations as it deems appropriate for Plan administration. Any change in payroll deduction rate made pursuant to this Section 6(d) will be effective on the later of: (x) the first full payroll period following five (5) business days after the date on which the change is made by the Participant, or (y) the first pay day of the following Offering Period (unless the Administrator, in its sole discretion, elects to process a given change in payroll deduction rate more quickly).

(e) Notwithstanding the foregoing, to the extent necessary to comply with Section 423(b)(8) of the Code and Section 3(d), a Participant's Contributions may be decreased to zero percent (0%) at any time during a Purchase Period. Subject to Section 423(b)(8) of the Code and Section 3(d) hereof, Contributions will recommence at the rate originally elected by the Participant effective as of the beginning of the first Purchase Period scheduled to end in the following calendar year, unless terminated by the Participant as provided in Section 10.

(f) Notwithstanding any provisions to the contrary in the Plan, the Administrator may allow Eligible Employees to participate in the Plan via cash contributions instead of payroll deductions if (i) payroll deductions are not permitted under applicable local law, (ii) the Administrator determines that cash contributions are permissible under Section 423 of the Code, or (iii) for Participants participating in the Non-423 Component.

(g) At the time the option is exercised, in whole or in part, or at the time some or all of the Ordinary Shares issued under the Plan is disposed of (or any other time that a taxable event related to the Plan occurs), the Participant must make adequate provision for the Company's or Employer's federal, state, local or any other tax liability payable to any authority including taxes imposed by jurisdictions outside of the U.S., national insurance, social security or other tax withholding obligations, if any, which arise upon the exercise of the option or the disposition of the Ordinary Shares (or any other time that a taxable event related to the Plan occurs). At any time, the Company or the Employer may, but will not be obligated to, withhold from the Participant's compensation the amount necessary for the Company or the Employer to meet applicable withholding obligations, including any withholding required to make available to the Company or the Employer any tax deductions or benefits attributable to sale or early disposition of Ordinary Shares by the Eligible Employee. In addition, the Company or the Employer may, but will not be obligated to, withhold from the proceeds of the sale of Ordinary Shares or any other method of withholding the Company or the Employer deems appropriate to the extent permitted by U.S. Treasury Regulation Section 1.423-2(f).

7. Grant of Option. On the Enrollment Date of each Offering Period, each Eligible Employee participating in such Offering Period will be granted an option to purchase on each Exercise Date during such Offering Period (at the applicable Purchase Price) up to a number of Ordinary Shares determined by dividing such Eligible Employee's Contributions accumulated prior to such Exercise Date and retained in the Eligible Employee's account as of the Exercise Date by the applicable Purchase Price; provided that in no event will an Eligible Employee be permitted to purchase during each Purchase Period more than ten thousand (10,000) Ordinary Shares (subject to any adjustment pursuant to Section 19) and provided further that such purchase will be subject to the limitations set forth in Sections 3(d) and 13. The Eligible Employee may accept the grant of such option (i) with respect to the first Offering Period by submitting a properly completed subscription agreement in accordance with the requirements of Section 5 on or before the last day of the Enrollment Window, and (ii) with respect to any subsequent Offering Period under the Plan, by electing to participate in the Plan in accordance with the requirements of Section 5. The Administrator may, for future Offering Periods, increase or decrease, in its absolute discretion, the maximum number of Ordinary Shares that an Eligible Employee may purchase during each Purchase Period of an Offering Period. Exercise of the option will occur as provided in Section 8, unless the Participant has withdrawn pursuant to Section 10. The option will expire on the last day of the Offering Period.

#### 8. Exercise of Option.

(a) Unless a Participant withdraws from the Plan as provided in Section 10, his or her option for the purchase of Ordinary Shares will be exercised automatically on the Exercise Date, and the maximum number of full shares subject to the option will be purchased for such Participant at the applicable Purchase Price with the accumulated Contributions from his or her account. No fractional Ordinary Shares will be purchased; any Contributions accumulated in a Participant's account, which are not sufficient to purchase a full share will be retained in the Participant's account for the subsequent Purchase Period or Offering Period, subject to earlier withdrawal by the Participant as provided in Section 10. Any other funds left over in a Participant's account after the Exercise Date will be returned to the Participant. During a Participant's lifetime, a Participant's option to purchase shares hereunder is exercisable only by him or her.

(b) If the Administrator determines that, on a given Exercise Date, the number of Ordinary Shares with respect to which options are to be exercised may exceed (i) the number of Ordinary Shares that were available for sale under the Plan on the Enrollment Date of the applicable Offering Period, or (ii) the number of Ordinary Shares available for sale under the Plan on such Exercise Date, the Administrator may in its sole discretion (x) provide that the Company will make a pro rata allocation of the Ordinary Shares available for purchase on such Enrollment Date or Exercise Date, as applicable, in as uniform a manner as will be practicable and as it will determine in its sole discretion to be equitable among all Participants exercising options to purchase Ordinary Shares on such Exercise Date, and continue all Offering Periods then in effect or (y) provide that the Company will make a pro rata allocation of the shares available for purchase on such Enrollment Date or Exercise Date, as applicable, in as uniform a manner as will be practicable and as it will determine in its sole discretion to be equitable among all participants exercising options to purchase Ordinary Shares on such Exercise Date, and terminate any or all Offering Periods then in effect pursuant to Section 20. The Company may make a pro rata allocation of the shares available on the Enrollment Date of any applicable Offering Period pursuant to the preceding sentence, notwithstanding any authorization of additional shares for issuance under the Plan by the Company's stockholders subsequent to such Enrollment Date.

9. **Delivery.** As soon as reasonably practicable after each Exercise Date on which a purchase of Ordinary Shares occurs, the Company will arrange the delivery to each Participant of the shares purchased upon exercise of his or her option in a form determined by the Administrator (in its sole discretion) and pursuant to rules established by the Administrator. The Company may permit or require that shares be deposited directly with a broker designated by the Company or to a designated agent of the Company, and the Company may utilize electronic or automated methods of share transfer. The Company may require that shares be retained with such broker or agent for a designated period of time and/or may establish other procedures to permit tracking of disqualifying and other dispositions of such shares. No Participant will have any voting, dividend, or other stockholder rights with respect to Ordinary Shares subject to any option granted under the Plan until such shares have been purchased and delivered to the Participant as provided in this Section 9.

10. **Withdrawal.**

(a) A Participant may withdraw all but not less than all the Contributions credited to his or her account and not yet used to exercise his or her option under the Plan at any time by (i) submitting to the Company's stock administration office (or its designee) a written notice of withdrawal in the form determined by the Administrator for such purpose (which may be, in the discretion of the Administrator, similar to the form attached hereto as Exhibit B), or (ii) following an electronic or other withdrawal procedure determined by the Administrator. All of the Participant's Contributions credited to his or her account will be paid to such Participant promptly after receipt of notice of withdrawal and such Participant's option for the Offering Period will be automatically terminated, and no further Contributions for the purchase of shares will be made for such Offering Period. If a Participant withdraws from an Offering Period, Contributions will not resume at the beginning of the succeeding Offering Period, unless the Participant re-enrolls in the Plan in accordance with the provisions of Section 5.

(b) A Participant's withdrawal from an Offering Period will not have any effect upon his or her eligibility to participate in any similar plan that may hereafter be adopted by the Company or in succeeding Offering Periods that commence after the termination of the Offering Period from which the Participant withdraws.

11. **Termination of Employment.** Upon a Participant's ceasing to be an Eligible Employee, for any reason, he or she will be deemed to have elected to withdraw from the Plan and the Contributions credited to such Participant's account during the Offering Period but not yet used to purchase Ordinary Shares under the Plan will be returned to such Participant or, in the case of his or her death, to the person or persons entitled thereto under Section 15, and such Participant's option will be automatically terminated. A Participant whose employment transfers between entities through a termination with an immediate rehire (with no break in service) by the Company or a Designated Company shall not be treated as terminated under the Plan; however, if a Participant transfers from an Offering under the 423 Component to the Non-423 Component, the exercise of the option shall be qualified under the 423 Component only to the extent it complies with Section 423 of the Code.

12. **Interest.** No interest will accrue on the Contributions of a participant in the Plan, except as may be required by Applicable Law, as determined by the Company, and if so required by the laws of a particular jurisdiction, shall apply to all Participants in the relevant Offering under the 423 Component except to the extent otherwise permitted by U.S. Treasury Regulation Section 1.423-2(f).

### 13. Stock.

(a) Subject to adjustment upon changes in capitalization of the Company as provided in Section 19 hereof, the maximum number of Ordinary Shares that will be made available for sale under the Plan will be 460,445 Ordinary Shares, plus an annual increase to be added on the first day of each Fiscal Year beginning with the 2014 Fiscal Year equal to the least of (i) 1,500,000 Ordinary Shares, (ii) one and one-quarter percent (1.25%) of the outstanding Ordinary Shares on such date, or (iii) an amount determined by the Administrator.

(b) Until the shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), a Participant will only have the rights of an unsecured creditor with respect to such shares, and no right to vote or receive dividends or any other rights as a stockholder will exist with respect to such shares.

(c) Ordinary Shares to be delivered to a Participant under the Plan will be registered in the name of the Participant or in the name of the Participant and his or her spouse.

14. Administration. The Plan will be administered by the Board or a Committee appointed by the Board, which Committee will be constituted to comply with Applicable Laws. The Administrator will have full and exclusive discretionary authority to construe, interpret and apply the terms of the Plan, to designate separate Offerings under the Plan, to designate Subsidiaries and Affiliates as participating in the 423 Component or Non-423 Component, to determine eligibility, to adjudicate all disputed claims filed under the Plan and to establish such procedures that it deems necessary for the administration of the Plan (including, without limitation, to adopt such procedures and sub-plans as are necessary or appropriate to permit the participation in the Plan by employees who are foreign nationals or employed outside the U.S., the terms of which sub-plans may take precedence over other provisions of this Plan, with the exception of Section 13(a) hereof, but unless otherwise superseded by the terms of such sub-plan, the provisions of this Plan shall govern the operation of such sub-plan). Unless otherwise determined by the Administrator, the Employees eligible to participate in each sub-plan will participate in a separate Offering or in the Non-423 Component, unless such designation would cause the 423 Component to violate the requirements of Section 423 of the Code. Without limiting the generality of the foregoing, the Administrator is specifically authorized to adopt rules and procedures regarding eligibility to participate, the definition of Compensation, handling of Contributions, making of Contributions to the Plan (including, without limitation, in forms other than payroll deductions), establishment of bank or trust accounts to hold Contributions, payment of interest, conversion of local currency, obligations to pay payroll tax, determination of beneficiary designation requirements, withholding procedures and handling of stock certificates that vary with applicable local requirements. The Administrator also is authorized to determine that, to the extent permitted by U.S. Treasury Regulation Section 1.423-2(f), the terms of an option granted under the Plan or an Offering to citizens or residents of a non-U.S. jurisdiction will be less favorable than the terms of options granted under the Plan or the same Offering to employees resident solely in the U.S. Every finding, decision and determination made by the Administrator will, to the full extent permitted by law, be final and binding upon all parties.

### 15. Designation of Beneficiary.

(a) If permitted by the Administrator, a Participant may file a designation of a beneficiary who is to receive any Ordinary Shares and cash, if any, from the Participant's account under the Plan in the event of such Participant's death subsequent to an Exercise Date on which the option is exercised but prior to delivery to such Participant of such shares and cash. In addition, if permitted by the Administrator, a Participant may file a designation of a beneficiary who is to receive any cash from the Participant's account under the Plan in the event of such Participant's death prior to exercise of the option. If a Participant is married and the designated beneficiary is not the spouse, spousal consent will be required for such designation to be effective.

(b) Such designation of beneficiary may be changed by the Participant at any time by notice in a form determined by the Administrator, which may be electronic. In the event of the death of a Participant and in the absence of a beneficiary validly designated under the Plan who is living at the time of such Participant's death, the Company will deliver such shares and/or cash to the executor or administrator of the estate of the Participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such shares and/or cash to the spouse or to any one or more dependents or relatives of the Participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

(c) All beneficiary designations will be in such form and manner as the Administrator may designate from time to time. Notwithstanding Sections 15(a) and (b) above, the Company and/or the Administrator may decide not to permit such designations by Participants in non-U.S. jurisdictions to the extent permitted by U.S. Treasury Regulation Section 1.423-2(f).

16. Transferability. Neither Contributions credited to a Participant's account nor any rights with regard to the exercise of an option or to receive Ordinary Shares under the Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other

than by will, the laws of descent and distribution or as provided in Section 15 hereof) by the Participant. Any such attempt at assignment, transfer, pledge or other disposition will be without effect, except that the Company may treat such act as an election to withdraw funds from an Offering Period in accordance with Section 10 hereof.

17. Use of Funds. The Company may use all Contributions received or held by it under the Plan for any corporate purpose, and the Company will not be obligated to segregate such Contributions except under Offerings or for Participants in the Non-423 Component for which Applicable Laws require that Contributions to the Plan by Participants be segregated from the Company's general corporate funds and/or deposited with an independent third party. Until Ordinary Shares are issued, Participants will only have the rights of an unsecured creditor with respect to such shares.

18. Reports. Individual accounts will be maintained for each Participant in the Plan. Statements of account will be given to participating Eligible Employees at least annually, which statements will set forth the amounts of Contributions, the Purchase Price, the number of Ordinary Shares purchased and the remaining cash balance, if any.

19. Adjustments, Dissolution, Liquidation, Merger or Change in Control.

(a) Adjustments. In the event that any dividend or other distribution (whether in the form of cash, Ordinary Shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Ordinary Shares or other securities of the Company, or other change in the corporate structure of the Company affecting the Ordinary Shares occurs, the Administrator, in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, will, in such manner as it may deem equitable, adjust the number and class of Ordinary Shares that may be delivered under the Plan, the Purchase Price per share and the number of Ordinary Shares covered by each option under the Plan that has not yet been exercised, and the numerical limits of Sections 7 and 13.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, any Offering Period then in progress will be shortened by setting a New Exercise Date, and will terminate immediately prior to the consummation of such proposed dissolution or liquidation, unless provided otherwise by the Administrator. The New Exercise Date will be before the date of the Company's proposed dissolution or liquidation. The Administrator will notify each Participant in writing or electronically, prior to the New Exercise Date, that the Exercise Date for the Participant's option has been changed to the New Exercise Date and that the Participant's option will be exercised automatically on the New Exercise Date, unless prior to such date the Participant has withdrawn from the Offering Period as provided in Section 10 hereof.

(c) Merger or Change in Control. In the event of a merger or Change in Control, each outstanding option will be assumed or an equivalent option substituted by the successor corporation or a Parent or Subsidiary of the successor corporation. In the event that the successor corporation refuses to assume or substitute for the option, the Offering Period with respect to which such option relates will be shortened by setting a New Exercise Date on which such Offering Period shall end. The New Exercise Date will occur before the date of the Company's proposed merger or Change in Control. The Administrator will notify each Participant in writing or electronically prior to the New Exercise Date, that the Exercise Date for the Participant's option has been changed to the New Exercise Date and that the Participant's option will be exercised automatically on the New Exercise Date, unless prior to such date the Participant has withdrawn from the Offering Period as provided in Section 10 hereof.

20. Amendment or Termination.

(a) The Administrator, in its sole discretion, may amend, suspend, or terminate the Plan, or any part thereof, at any time and for any reason. If the Plan is terminated, the Administrator, in its discretion, may elect to terminate all outstanding Offering Periods either immediately or upon completion of the purchase of Ordinary Shares on the next Exercise Date (which may be sooner than originally scheduled, if determined by the Administrator in its discretion), or may elect to permit Offering Periods to expire in accordance with their terms (and subject to any adjustment pursuant to Section 19). If the Offering Periods are terminated prior to expiration, all amounts then credited to Participants' accounts that have not been used to purchase Ordinary Shares will be returned to the Participants (without interest thereon, except as otherwise required under Applicable Laws, as further set forth in Section 12 hereof) as soon as administratively practicable.



(b) Without stockholder consent and without limiting Section 20(a), the Administrator will be entitled to change the Offering Periods or Purchase Periods, designate separate Offerings, limit the frequency and/or number of changes in the amount withheld during an Offering Period, establish the exchange ratio applicable to amounts withheld in a currency other than U.S. dollars, permit Contributions in excess of the amount designated by a Participant in order to adjust for delays or mistakes in the Company's processing of properly completed Contribution elections, establish reasonable waiting and adjustment periods and/or accounting and crediting procedures to ensure that amounts applied toward the purchase of Ordinary Shares for each Participant properly correspond with Contribution amounts, and establish such other limitations or procedures as the Administrator determines in its sole discretion advisable that are consistent with the Plan.

(c) In the event the Administrator determines that the ongoing operation of the Plan may result in unfavorable financial accounting consequences, the Administrator may, in its discretion and, to the extent necessary or desirable, modify, amend or terminate the Plan to reduce or eliminate such accounting consequence including, but not limited to:

(i) amending the Plan to conform with the safe harbor definition under the Financial Accounting Standards Board Accounting Standards Codification Topic 718 (or any successor thereto), including with respect to an Offering Period underway at the time;

(ii) altering the Purchase Price for any Offering Period or Purchase Period including an Offering Period or Purchase Period underway at the time of the change in Purchase Price;

(iii) shortening any Offering Period or Purchase Period by setting a New Exercise Date, including an Offering Period or Purchase Period underway at the time of the Administrator action;

(iv) reducing the maximum percentage of Compensation a Participant may elect to set aside as Contributions; and

(v) reducing the maximum number of Shares a Participant may purchase during any Offering Period or Purchase Period.

Such modifications or amendments will not require stockholder approval or the consent of any Plan Participants.

21. Notices. All notices or other communications by a Participant to the Company under or in connection with the Plan will be deemed to have been duly given when received in the form and manner specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

22. Conditions Upon Issuance of Shares. Shares of Ordinary Shares will not be issued with respect to an option unless the exercise of such option and the issuance and delivery of such shares pursuant thereto will comply with all applicable provisions of law, domestic or foreign, including, without limitation, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated thereunder, and the requirements of any stock exchange upon which the shares may then be listed, and will be further subject to the approval of counsel for the Company with respect to such compliance.

As a condition to the exercise of an option, the Company may require the person exercising such option to represent and warrant at the time of any such exercise that the shares are being purchased only for investment and without any present intention to sell or distribute such shares if, in the opinion of counsel for the Company, such a representation is required by any of the aforementioned applicable provisions of law.

23. Code Section 409A. The 423 Component of the Plan is intended to be exempt from the application of Code Section 409A and, to the extent not exempt, is intended to comply with Code Section 409A, and any ambiguities or ambiguous terms herein will be interpreted to so be exempt from, or comply with, Code Section 409A. In furtherance of the foregoing and notwithstanding any provision in the Plan to the contrary, if the Administrator determines that an option granted under the Plan may be subject to Code Section 409A or that any provision in the Plan would cause an option under the Plan to be subject to Code Section 409A, the Administrator may amend the terms of the Plan and/or of an outstanding option granted under the Plan, or take such other action the Administrator determines is necessary or appropriate, in each case, without the Participant's consent, to exempt any outstanding option or future option that may be granted under the Plan from or to allow any such options to comply with Code Section 409A, but only to the extent any such amendments or action by the Administrator would not violate Code Section 409A. Notwithstanding the foregoing, the Company shall have no liability to a Participant or any other party if the option to purchase Ordinary Shares under the Plan that is intended to be exempt from or compliant with Code Section 409A is not so exempt or compliant or for any action taken by the Administrator with respect thereto. Accordingly, in no event will the Company reimburse a Participant or any other party for any taxes imposed or other costs incurred as a result of Code Section 409A. The Company makes no representation that the option to purchase Ordinary Shares under the Plan is compliant with Code Section 409A.

24. Term of Plan. The Plan will become effective upon the earlier to occur of its adoption by the Board or its approval by the stockholders of the Company. It will continue in effect for a term of twenty (20) years, unless sooner terminated under Section 20.

25. Stockholder Approval. The Plan will be subject to approval by the stockholders of the Company within twelve (12) months after the date the Plan is adopted by the Board. Such stockholder approval will be obtained in the manner and to the degree required under Applicable Laws.

26. Governing Law. The Plan shall be governed by, and construed in accordance with, the laws of the State of California (except its choice-of-law provisions).

27. No Right to Employment. Participation in the Plan by a Participant shall not be construed as giving a Participant the right to be retained as an employee of the Company or a Subsidiary or Affiliate, as applicable. Furthermore, the Company or a Subsidiary or Affiliate may dismiss a Participant from employment at any time, free from any liability or any claim under the Plan.

28. Compliance with Applicable Laws. The terms of this Plan are intended to comply with all Applicable Laws and will be construed accordingly.

29. Severability. If any provision of the Plan is or becomes or is deemed to be invalid, illegal, or unenforceable for any reason in any jurisdiction or as to any Participant, such invalidity, illegality or unenforceability shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as to such jurisdiction or Participant as if the invalid, illegal or unenforceable provision had not been included.

**EXHIBIT A**

**AMBARELLA, INC.**

**2012 EMPLOYEE STOCK PURCHASE PLAN**

**SUBSCRIPTION AGREEMENT**

\_\_\_\_\_ Original Application

Offering Date: \_\_\_\_\_

\_\_\_\_\_ Change in Payroll Deduction Rate

1. \_\_\_\_\_ hereby elects to participate in the Ambarella, Inc. 2012 Employee Stock Purchase Plan (the "Plan") and subscribes to purchase shares of the Company's Ordinary Shares in accordance with this Subscription Agreement and the Plan.

2. I hereby authorize payroll deductions from each paycheck in the amount of \_\_\_\_% of my Compensation on each payday (from 0 to 15%) during the Offering Period in accordance with the Plan. (Please note that no fractional percentages are permitted.)

3. I understand that said payroll deductions will be accumulated for the purchase of Ordinary Shares at the applicable Purchase Price determined in accordance with the Plan. I understand that if I do not withdraw from an Offering Period, any accumulated payroll deductions will be used to automatically exercise my option and purchase Ordinary Shares under the Plan.

4. I have received a copy of the complete Plan and its accompanying prospectus. I understand that my participation in the Plan is in all respects subject to the terms of the Plan.

5. Shares of Ordinary Shares purchased for me under the Plan should be issued in the name(s) of \_\_\_\_\_ (Eligible Employee or Eligible Employee and Spouse only).

6. I understand that if I dispose of any shares received by me pursuant to the Plan within two (2) years after the Offering Date (the first day of the Offering Period during which I purchased such shares) or one (1) year after the Exercise Date, I will be treated for federal income tax purposes as having received ordinary income at the time of such disposition in an amount equal to the excess of the fair market value of the shares at the time such shares were purchased by me over the price that I paid for the shares. I hereby agree to notify the Company in writing within thirty (30) days after the date of any disposition of my shares and I will make adequate provision for Federal, state or other tax withholding obligations, if any, which arise upon the disposition of the Ordinary Shares. The Company may, but will not be obligated to, withhold from my compensation the amount necessary to meet any applicable withholding obligation including any withholding necessary to make available to the Company any tax deductions or benefits attributable to sale or early disposition of Ordinary Shares by me. If I dispose of such shares at any time after the expiration of the two (2)-year and one (1)-year holding periods, I understand that I will be treated for federal income tax purposes as having received income only at the time of such disposition, and that such income will be taxed as ordinary income only to the extent of an amount equal to the lesser of (a) the excess of the fair market value of the shares at the time of such disposition over the purchase price which I paid for the shares, or (b) 15% of the fair market value of the shares on the first day of the Offering Period. The remainder of the gain, if any, recognized on such disposition will be taxed as capital gain.

7. I hereby agree to be bound by the terms of the Plan. The effectiveness of this Subscription Agreement is dependent upon my eligibility to participate in the Plan.

Employee's Social

Security Number:

\_\_\_\_\_

Employee's Address:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

I UNDERSTAND THAT THIS SUBSCRIPTION AGREEMENT WILL REMAIN IN EFFECT THROUGHOUT SUCCESSIVE OFFERING PERIODS UNLESS TERMINATED BY ME.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Signature of Employee

\_\_\_\_\_

**EXHIBIT B**

**AMBARELLA, INC.**

**2012 EMPLOYEE STOCK PURCHASE PLAN**

**NOTICE OF WITHDRAWAL**

The undersigned participant in the Offering Period of the Ambarella, Inc. 2012 Employee Stock Purchase Plan that began on \_\_\_\_\_, \_\_\_\_\_ (the "Offering Date") hereby notifies the Company that he or she hereby withdraws from the Offering Period. He or she hereby directs the Company to pay to the undersigned as promptly as practicable all the payroll deductions credited to his or her account with respect to such Offering Period. The undersigned understands and agrees that his or her option for such Offering Period will be automatically terminated. The undersigned understands further that no further payroll deductions will be made for the purchase of shares in the current Offering Period and the undersigned will be eligible to participate in succeeding Offering Periods only by delivering to the Company a new Subscription Agreement.

Name and Address of Participant:

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Signature:

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Date:

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### Amendment to Extend Term of Sales Representative Agreement

This Amendment to the Sales Representative Agreement (the "Amendment") is made and entered into as of August 1, 2015 by and between Ambarella, Inc., a Cayman Island corporation having its registered offices located at PO Box 309GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands ("Company"), and WT Microelectronics Co., Ltd., a Taiwanese corporation, having its principal place of business at 14F, No. 738, Chung Cheng Road, Chung Ho City, Taipei Hsien, Taiwan, R.O.C., and its subsidiaries and affiliates (collectively referred to as "Representative").

Capitalized terms not defined in this Amendment shall have the meaning set forth in the Sales Representative Agreement between the parties effective January 31, 2011, as amended (the "Agreement").

#### RECITALS

WHEREAS, the Agreement, as amended, has an effective term extending to and including September 30, 2015, with automatic renewals for additional twelve (12) month periods.

WHEREAS, the parties wish to modify the Agreement to provide for a term of three (3) additional years beginning from October 1, 2015 and ending on September 30, 2018.

NOW, THEREFORE, in consideration of the mutual premises and of the performance of the mutual covenants herein, the parties agree as follows:

#### 1. EXTENSION OF TERM OF AGREEMENT

1.1 Extension of Term. With effect from October 1, 2015, and subject to the provisions of Section 14 of the Agreement, the term of the Agreement shall be extended to and including September 30, 2018 (the "Term"). If the parties continue to perform under the Agreement after the expiration of the foregoing Term, the Agreement will then automatically renew for successive fixed terms of twelve (12) months each unless terminated by written notice at least sixty (60) days prior to each consecutive anniversary date hereof.

#### 2. GENERAL PROVISIONS

2.1 Conflict or Inconsistency. All other provisions of the Agreement not modified by this Amendment shall remain in full force and effect. In the event of any conflict or inconsistency of any term or provision set forth in this Amendment and the Agreement, such conflict or inconsistency shall be resolved by giving precedence first to this Amendment.

2.2 Complete Agreement. This Amendment represents the full and complete agreement and understanding of the parties with respect to the subject matter hereof, and supersedes and replaces all prior and contemporaneous understandings or agreements, whether oral, written or otherwise, regarding such subject matter. Any amendment thereof must be in writing and executed by the parties hereto.

2.3 Governing Law. The validity, construction and performance of this Amendment shall be governed by and interpreted in accordance with the laws of the State of California, without regard to or application of choice of law rules or principles. The United Nations Convention on Contracts for the International Sale of Goods shall not apply.

2.4 Multiple Counterparts. This Amendment may be executed in multiple counterparts, each of which will be considered an original and all of which together will constitute one agreement. This Amendment may be executed by the attachment of signature pages which have been previously executed.

[Remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, the parties have executed this Amendment through their duly authorized representatives as set forth below:

**DULY EXECUTED:**

Signed for and on behalf of

Signed for and on behalf of

**Ambarella**

**WT Microelectronics Co., Ltd.**

Signed: /s/ Feng-Ming Wang  
Printed Name: Feng-Ming Wang  
Title: President & CEO  
Date: August 17, 2015

Signed: /s/ Eric Cheng  
Printed Name: Eric Cheng  
Title: Chairman & CEO  
Date: August 14, 2015

## SECOND AMENDMENT TO LEASE AGREEMENT

THIS SECOND AMENDMENT TO LEASE AGREEMENT (this "Second Amendment") is entered into as of the 27<sup>th</sup> day of August, 2015 (the "Execution Date"), by and between DPF JAY OWNER LLC, a Delaware limited liability company ("Landlord"), and AMBARELLA CORPORATION, a Delaware corporation ("Tenant").

**Recitals**

A. Westcore Jay, LLC, predecessor-in-interest to Landlord, as landlord, and Tenant, executed that certain Lease Agreement dated February 22, 2013 (the "Original Lease"), covering certain space designated as Suites 110 and 210, containing approximately 35,347 rentable square feet (the "Current Premises") located in that certain building complex commonly known as "Jay Technology Centre" and located at 3101 Jay Street, Santa Clara, California (the "Building"). The Original Lease has been amended by that certain First Amendment to Lease Agreement (the "First Amendment"), dated as of June 4, 2013. The Original Lease as amended by the First Amendment is referred to herein as the "Lease."

B. Tenant desires to: (i) lease certain additional space located in the Building consisting of approximately 11,668 rentable square feet and commonly known as Suite 101, as depicted on Exhibit A attached hereto and incorporated herein by this reference (the "Expansion Space"); (ii) extend the Term for a period of twenty-four (24) months, commencing on June 1, 2018 (the "Renewal Date"), and (iii) further amend and modify the Lease in certain respects as provided herein, and Landlord has agreed to such modifications, all on the terms and conditions contained herein.

**Agreement**

In consideration of the mutual covenants and agreements contained herein and in the Lease, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby agree as follows:

1. Scope of Amendment; Defined Terms; Incorporation of Recitals. Except as expressly provided in this Second Amendment, the Lease shall remain in full force and effect in all respects and the term "Lease" shall mean the Lease as modified by this Second Amendment. Capitalized terms used but not otherwise defined in this Second Amendment have the respective meanings given to them in the Lease. The preamble and recitals set forth above are hereby incorporated into this Second Amendment by this reference in their entirety.

2. Addition of Expansion Space to Premises.

(a) General Provisions. Effective upon the Expansion Space Delivery Date, the Expansion Space is hereby added to the Current Premises. Effective upon the Expansion Space Delivery Date, all references in the Lease (and, where the context so requires, in this Second Amendment) to the "Premises" shall be deemed to include the Expansion Space. The Expansion Space shall be added to the Premises, for all purposes, as of the Expansion Space Delivery Date and for the balance of the Term (as the same has been extended hereby), upon and subject to all of the terms, covenants and conditions of the Lease (as amended hereby) and Tenant's obligation to make rental payments under the Lease with respect to the Expansion Space, as set forth below, shall commence upon the later of the Estimated Expansion Space Delivery Date and the date of Landlord's delivery to Tenant of the Expansion Space Ready for Occupancy (defined in the Work Letter attached hereto as Exhibit B) (the "Expansion Space Delivery Date").

(b) Expansion Space Delivery and Construction of Improvements in Expansion Space. Landlord and Tenant agree that Tenant's leasehold interest in and right to occupy the Expansion Space is subject to Landlord's completion of the Expansion Space Improvements (as defined in the Work Letter), which Landlord anticipates to occur no later than June 1, 2016 (the "Estimated Expansion Space Delivery Date"). Landlord shall use reasonable efforts to complete the Expansion Space Improvements in the Expansion Space and to deliver the Expansion Space to Tenant on or before the Estimated Expansion Space Delivery Date. Notwithstanding the foregoing, in the event that Landlord is unable to deliver the Expansion Space to Tenant by the Estimated Expansion Space Delivery Date or any other date, regardless of the reason therefor, Landlord shall not be liable for any claims, damages or liabilities by reason thereof, nor shall such circumstances make the Lease or this Second Amendment void or voidable, and Tenant's sole and exclusive remedy for such delay shall be a postponement of Tenant's obligation to pay Base Rent and Tenant's Share of Operating Expenses and Tax Expenses for the Expansion Space; provided, however, that if Landlord is unable to deliver the Expansion Space to Tenant on or before the Estimated Expansion Space Delivery Date due to a Tenant Delay (defined in the Work Letter), Tenant's rental obligations under the Lease, as amended hereby, with respect to the Expansion Space shall begin on the date that Landlord would have been able to deliver the Expansion Space to Tenant absent such Tenant Delay and such date will be deemed the Expansion Space Delivery Date. Promptly after the determination of the Expansion Space Delivery Date, Landlord shall prepare

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and deliver to Tenant a commencement letter agreement substantially in the form attached hereto as Exhibit D. If such commencement letter is not executed by Tenant within fifteen (15) days after delivery of same by Landlord, then Tenant shall be deemed to have agreed with the matters set forth therein. The parties hereto acknowledge that the Expansion Space is currently leased to a third-party pursuant to a lease agreement which expires February 29, 2016 (the "Existing Expansion Space Lease"). Landlord agrees not to extend the Existing Expansion Space Lease and shall use commercially reasonable efforts to cause such tenant to vacate the Expansion Space by the expiration date of the Existing Expansion Space Lease. Notwithstanding anything to the contrary in this Second Amendment, if the Expansion Space Delivery Date has not occurred on or before August 1, 2016 (subject to Force Majeure and Tenant Delay) (the "Outside Expansion Space Delivery Date") then Tenant shall be entitled to two (2) days of rent abatement for each day of delay beyond the Outside Expansion Space Delivery Date; provided, however, that in no event shall Force Majeure events extend, in the aggregate, the Outside Expansion Space Delivery Date by more than thirty (30) days.

3. Definition of Premises. Commencing on the Expansion Space Delivery Date, any reference to the Premises in the Lease (and, where the context so requires, in this Second Amendment) shall thereafter be deemed to refer to the Current Premises inclusive of the Expansion Space and shall be deemed to consist of 47,015 rentable square feet.

4. Extension of Term. The Term of the Lease is hereby extended for a period of twenty-four (24) months commencing on the Renewal Date and continuing through and including May 31, 2020.

5. Base Rent – Current Premises – Renewal Term. Commencing on the Renewal Date and continuing through the Term of the Lease (as the same has been extended hereby), Tenant shall pay Base Rent for the Current Premises at the same Base Rent per rentable square foot as is then applicable to the Expansion Space, identified as follows:

<u>Time Period</u>	<u>Base Rent/RSF</u>	<u>Monthly Base Rent</u>
Renewal Date – 5/31/19	\$2.28	\$80,591.16
6/1/19 – 5/31/20	\$2.35	\$83,065.45

If there is a conflict between the above Base Rent amount and the Expansion Space Base Rent amount for the applicable time period, the latter shall control.

6. Base Rent – Expansion Space. Commencing on the Expansion Space Delivery Date and continuing through the Term of the Lease (as the same has been extended hereby) with respect to the Expansion Space, Tenant shall pay Base Rent for the Expansion Space as follows (for purposes hereof, the term "Month" shall be deemed to refer to a calendar month. In the event that the Expansion Space Delivery Date occurs on a day other than the first day of a calendar month, the term "Month 1" shall be deemed to refer to both such partial month and the next full calendar month, and Tenant's Base Rent shall be prorated accordingly for such partial month that is included in Month 1, and all subsequent "Months" shall be deemed to refer to calendar months):

<u>Time Period</u>	<u>Base Rent/RSF</u>	<u>Monthly Base Rent</u>
Expansion Space Delivery Date – Month 12	\$2.15	\$25,086.20
Month 13- Month 24	\$2.21	\$25,786.28
Month 25 – Month 36	\$2.28	\$26,603.04
Month 37 – 5/31/20	\$2.35	\$27,419.80

7. Additional Rent – Premises – Renewal Term. Commencing on the Expansion Space Delivery Date and continuing through the Term (as the same has been extended hereby), Tenant shall continue to pay Tenant's Share of Operating Expenses and Tax Expenses with respect to the Premises (inclusive of the Expansion Space) as provided in the Lease, except that Tenant's Share of the Building shall be modified from 75.18% to 100% and Tenant's Share of the Project shall be modified from 24.80% to 32.98%, for all purposes under the Lease, as amended hereby, including, without limitation, Tenant's Share of signage rights. Except as provided herein, all rental shall be paid in the same manner as provided in the Lease.

8. Acceptance of Premises. Subject only to Landlord's obligation to construct certain improvements in the Expansion Space as set forth in the Work Letter, Tenant agrees to accept the Premises (inclusive of the Expansion Space) in its current "as is" condition, and Landlord is under no obligation to repair, alter, or otherwise improve the same, except with respect to any Landlord obligation to repair or maintain expressly set forth in the Lease. Notwithstanding the foregoing, Landlord shall deliver possession of the Expansion Space to Tenant in vacant (except for any Tenant property), good and broom clean condition, with all building systems, including mechanical, electrical and plumbing systems and fixtures in good working order, in material compliance with all laws and otherwise in substantially the same condition as of the Execution Date.

9. Early Access – Expansion Space. Subject to the terms and conditions of this Paragraph 9, Tenant shall have the right to enter and occupy the Expansion Space from and after the date that is fourteen (14) days prior to the Expansion Space Delivery Date, as reasonably estimated by Landlord (the "Early Access Date"), solely for purposes of installing Tenant's computer systems, telephone equipment, cabling, furniture, fixtures and special equipment and otherwise preparing the Expansion Space for occupancy (but not to operate Tenant's business), and such early entry for such purposes shall not trigger the Expansion Space Delivery Date. Tenant agrees that (i) any such early entry by Tenant shall be at Tenant's sole risk, (ii) Tenant shall not unreasonably interfere with Landlord's performance of the Expansion Space Improvements, and (iii) all terms, provisions and conditions of the Lease (as amended hereby) shall apply (except for the payment of Base Rent and Additional Rent), including, but not limited to, (a) Tenant's obligation to provide Landlord with evidence of liability insurance coverage pursuant to Section 12 in the Lease, and (b) Tenant's indemnity obligations pursuant to Section 13 in the Lease; provided, however, Landlord shall not be obligated to deliver possession of the Expansion Space to Tenant until Landlord has received from Tenant insurance certificates as required under Section 12 in the Lease. If Landlord chooses not to deliver possession of the Expansion Space to Tenant because Landlord has not received the required insurance certificates, the Expansion Space Delivery Date shall not be affected or delayed thereby. Notwithstanding anything in this Paragraph 9 to the contrary, if, as of the Early Access Date, Landlord reasonably determines that Tenant's early access to the Expansion Space will unreasonably interfere with the completion of the Expansion Space Improvements, then (1) Landlord may limit or otherwise restrict Tenant's early access rights, and (2) Tenant shall not, in connection with any early access, interfere with the completion of the Expansion Space Improvements.

10. Additional Security Deposit. Contemporaneously with the Expansion Space Delivery Date, Tenant shall pay to Landlord the amount of \$32,312.19 to be held by Landlord as an additional security deposit (the "Additional Security Deposit"), which Additional Security Deposit will be deemed part of the security deposit held by Landlord pursuant to the terms of the Lease, and shall be subject to all of the terms and conditions of the Lease, including without limitation, Section 4 of the Lease, as pertains to the security deposit. Landlord and Tenant acknowledge and agree that Landlord is currently holding a security deposit in the amount of \$58,322.55, and that with the addition of the Additional Security Deposit, Landlord will be holding a total of \$90,634.74 as a security deposit under the Lease.

11. Modification to Parking. Effective as of the Expansion Space Delivery Date, the Parking Spaces set forth in the Part I (Basic Lease Information) of the Lease is hereby revised from 128 non-exclusive and unassigned spaces to 171 non-exclusive and unassigned spaces.

12. Building Signage License. Subject to the terms and conditions of Rider No. 1 to the Lease and this Paragraph 12, effective as of the Expansion Space Delivery Date, Landlord grants to Tenant an exclusive license (the "Exterior Building Façade Signage License"), for the Term (as the same has been extended hereby), for the purpose of operating, maintaining and repairing one (1) sign bearing only Tenant's company name and/or logo (the "Exterior Building Façade Signage") on a portion of the exterior of the Building [in substantially the location depicted on Exhibit C attached to this Second Amendment]. Tenant's Exterior Building Façade Signage License shall only be effective so long as (a) Tenant leases at least 75% of the Building and (b) no event of default exists under the Lease (as amended hereby) beyond any applicable notice and cure period. The Exterior Building Façade Signage License shall be (a) subject to the terms and conditions set forth in Section 38 (Rider No. 1) of the Lease and (b) included in the respective defined terms set forth in Section 38.2 (Rider No. 1) of the Lease. The Exterior Signage License, the Exterior Building Façade Signage and the Exterior Building Façade Signage License are personal to Tenant and shall not be transferable except in connection with a Permitted Transfer and any other sublease or assignment approved by Landlord in accordance with Section 14 of the Lease.

13. Tenant's Repairs and Maintenance Obligations. Effective as of the Expansion Space Delivery Date, Section 11.1(a) of the Lease shall be deleted in its entirety and replaced with the following in lieu thereof: "(a) all mechanical systems exclusively serving the Premises and all heating, ventilation and air conditioning systems exclusively serving the Building", and Section 11.2 of the Lease shall be revised by inserting "and all HVAC systems" before the end of the second parenthetical phrase.

14. Notices. Notwithstanding any contrary provision in the Lease, all notices to Landlord shall be addressed to:

c/o Dividend Capital Diversified Property Fund Inc.  
Attn: Larry Braud  
Vice President, Asset Management  
518 Seventeenth Street, 17th Floor  
Denver, Colorado 80202

With a copy to:

c/o Dividend Capital Diversified Property Fund Inc.  
Attn: Jonathan Linker  
Senior Real Estate Counsel  
518 Seventeenth Street, 17th Floor  
Denver, Colorado 80202

15. Address for Rent Payments. All amounts payable by Tenant to Landlord under the Lease shall, until further notice from Landlord, be paid to Landlord at the following address:

DPF Jay Owner LLC  
P.O. Box 809144  
Chicago, IL 60680-9144

16. Option to Renew. The option to renew set forth in Section 37 (Rider No. 1) of the Lease shall remain in full force and effect in accordance with its terms, and Tenant shall have the right to exercise such option at the end of the Term, as extended hereby.

17. Tenant's Estoppel. Tenant hereby certifies and acknowledges that, as of the Execution Date, to Tenant's actual knowledge, without inquiry, (i) Landlord is not in default in any respect under the Lease, (ii) Tenant does not have any defenses to its obligations under the Lease and (iii) there are no offsets against rent payable under the Lease. Tenant acknowledges and agrees that: (a) the representations herein set forth constitute a material consideration to Landlord in entering into this Second Amendment, (b) such representations are being made by Tenant for purposes of inducing Landlord to enter into this Second Amendment, and (c) Landlord is relying on such representations in entering into this Second Amendment.

18. Brokers. Landlord and Tenant have not dealt with any broker or agent in connection with the negotiation or execution of this Second Amendment, except for Colliers International, which has acted as Landlord's broker, and Newmark Cornish & Carey, which has acted as Tenant's broker (collectively, "Broker"). Landlord shall pay Broker a commission pursuant to a separate written agreement. Landlord and Tenant shall each indemnify the other against all costs, expenses, attorneys' fees, and other liability for any commissions or other compensation claimed by any other broker or agent claiming the same by, through, or under the indemnifying party.

19. Time of the Essence. Time is of the essence with respect to Tenant's execution and delivery of this Second Amendment to Landlord.

20. Waiver. No failure or delay by a party to insist upon the strict performance of any term, condition or covenant of this Second Amendment, or to exercise any right, power or remedy hereunder shall constitute a waiver of the same or any other term of this Second Amendment or preclude such party from enforcing or exercising the same or any such other term, condition, covenant, right, power or remedy at any later time.

21. Authority. This Second Amendment shall be binding upon and inure to the benefit of the parties, their respective heirs, legal representatives, successors and assigns. Each party hereto warrants that the person signing below on such party's behalf is authorized to do so and to bind such party to the terms of this Second Amendment.

22. Binding Effect. Except as modified by this Second Amendment, the terms and provisions of the Lease shall remain in full force and effect, and the Lease, as modified by this Second Amendment, shall be binding upon the parties hereto, their successors and assigns. This Second Amendment shall become effective only after the full execution and delivery hereof by Landlord and Tenant.

23. Ratification of Lease. All of the terms and provisions of the Lease, as herein modified, are hereby ratified and confirmed, and shall remain in full force and effect.

24. Entire Agreement; No Amendment. This Second Amendment constitutes the entire agreement and understanding between the parties with respect to the subject of this amendment and shall supersede all prior written and oral agreements concerning this subject matter. This Second Amendment may not be amended, modified or otherwise changed in any respect whatsoever except by a writing duly executed by authorized representatives of Landlord and Tenant. Each party acknowledges that it has read this Second Amendment, fully understands all of this Second Amendment's terms and conditions, and executes this Second Amendment freely, voluntarily and with full knowledge of its significance. Each party to this Second Amendment has had the opportunity to receive the advice of counsel prior to the execution hereof.

25. Attorneys' Fees and Costs. In the event of any action at law or in equity between the parties to enforce any of the provisions hereof, the substantially non-prevailing party to such litigation shall pay to the substantially prevailing party all costs and expenses, including reasonable attorneys' fees (including costs and expenses incurred in connection with all appeals) incurred by the substantially prevailing party, and these costs, expenses and attorneys' fees may be included in and as part of the judgment.

26. Severability. If any provision of this Second Amendment or the application thereof to any person or circumstances shall be invalid or unenforceable to any extent, the remainder of this Second Amendment and the application of such provision to other persons or circumstances, other than those to which it is held invalid, shall not be affected and shall be enforced to the furthest extent permitted by law.

27. Agreement to Perform Necessary Acts. Each party agrees that upon demand, it shall promptly perform all further acts and execute, acknowledge, and deliver all further instructions, instruments and documents which may be reasonably necessary or useful to carry out the provisions of this Second Amendment.

28. Captions and Headings. The titles or headings of the various paragraphs hereof are intended solely for convenience of reference and are not intended and shall not be deemed to modify, explain or place any construction upon any of the provisions of this Second Amendment.

29. Counterparts. This Second Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which, when so executed and delivered, shall be deemed to be an original and all of which counterparts, taken together, shall constitute but one and the same instrument; and any signature page from any such counterpart or any electronic facsimile thereof may be attached or appended to any other counterpart to complete a fully executed counterpart of this Second Amendment and any teletype or other facsimile transmission of any signature shall be deemed an original and shall bind such party.

30. Lender Consent. The effectiveness of this Second Amendment is contingent on Landlord obtaining the consent of the current holder of the mortgage on the land on which the Park, Building and Premises are located, and Landlord shall use commercially reasonable efforts to obtain said consent and shall provide evidence of same to Tenant. If such contingency has not been satisfied by the date that is sixty (60) days after the Execution Date, then either Landlord or Tenant may, at any time prior to the satisfaction of such contingency, terminate this Second Amendment (without penalty) upon written notice to the other party, in which event this Second Amendment shall be of no further force and effect. Landlord shall promptly notify Tenant in writing once the contingency has been satisfied.

31. State-Specific Provisions.

(a) Waiver. Tenant hereby waives any and all rights under and benefits of subsection 1 of Section 1932 and Sections 1941 and 1942 of the California Civil Code or under any similar law, statute, or ordinance now or hereafter in effect.

(b) Casualty. The provisions of the Lease, including Section 25 of the Lease, 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 or the Building, and any statute or regulation of the State of California, 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 the Lease (as amended hereby) or any damage or destruction to all or any part of the Premises or the Building.

(c) Notices of Completion; Lien Releases. Upon completion of any Tenant alterations in the Premises, Tenant agrees to cause a Notice of Completion to be recorded in the office of the Recorder of the County in which the Premises is located in accordance with Section 8182 of the Civil Code of the State of California or any successor statute. Any lien releases to be obtained by Tenant shall comply with the appropriate provisions, as reasonably determined by Landlord, of California Civil Code Sections 8132, 8134, 8136 and 8138.

(d) No Smoking. Tenant must comply with the State of California “No Smoking” law set forth in California Labor Code Section 6404.5, and any local “No Smoking” ordinance which may be in effect from time to time and which is not superseded by such State law.

(e) Certified Access Specialist. For purposes of Section 1938 of the California Civil Code, Landlord hereby discloses to Tenant, and Tenant hereby acknowledges, that the Building and Premises have not undergone inspection by a Certified Access Specialist (CASp).

(f) Tax Expenses. Subject to the last sentence of Section 6.2 of the Lease, “Tax Expenses” shall include, without limitation, 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, 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 Park’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.

***[Signature Page Follows]***

EXECUTED as of the day and year first above written.

**LANDLORD:**

DPF JAY OWNER LLC,  
a Delaware limited liability company

By: DPF Jay Partners,  
a Delaware general partnership,  
its sole member

By: DPF Jay JV Owner II LLC,  
a Delaware limited liability company,  
its managing general partner

By: DCTRT Real Estate Holdco LLC,  
a Delaware limited liability company,  
its sole member

By: Dividend Capital Total Realty Operating Partnership LP,  
a Delaware limited partnership,  
its sole member

By: Dividend Capital Diversified Property Fund Inc.,  
a Maryland corporation,  
its general partner

By: /s/ Larry Brand  
Name: Larry Brand  
Title: VP - Asset Management

**TENANT:**

AMBARELLA CORPORATION,  
a Delaware corporation

By: /s/ GW Laplante Jr  
Name: GW Laplante Jr  
Title: CFO

EXHIBIT A

Depiction of the Expansion Space



DATE: 07/22/16  
JOB NO.: 15111  
SCALE: N.T.S.

FLR1

FIRST FLOOR EXPANSION

AMBARELLA  
3101 JAY STREET, SUITE 110  
SANTA CLARA, CA

**A P I**  
DESIGN  
ARCHITECTURE  
1000 UNIVERSITY AVENUE  
SANTA CLARA, CA 95050  
TEL: 408.253.1111

Exhibit A-1

**EXHIBIT B**  
Work Letter  
(Turnkey)

THIS WORK LETTER (this "Work Letter") is attached to and a part of that certain Second Amendment to Lease Agreement dated for reference purposes as of August 27, 2015 (the "Second Amendment"), by and between DPF JAY OWNER LLC, a Delaware limited liability company ("Landlord"), and AMBARELLA CORPORATION, a Delaware corporation ("Tenant").

**SECTION 1**  
**DEFINED TERMS**

Capitalized terms used in this Work Letter shall have the same meanings set forth in the Lease (as amended by the Second Amendment). For purposes of this Work Letter the following capitalized terms have the following meanings:

(a) "Approved Space Plan" means that certain space plan dated April 6, 2015, prepared by AP+I Design, bearing Job No. 15111 and attached hereto as Schedule 1, which is hereby incorporated by reference, and which is the final product of the preliminary space planning and which (i) includes, among other things, all partitions, doors, HVAC (heating, ventilating and air conditioning systems) distribution, ceiling systems, light fixtures, plumbing installations, electrical installations and outlets, telephone installations and outlets, any other installations required by Tenant, fire and life-safety systems, wall finishes and floor coverings, whether to be newly installed or requiring changes from the as-is condition of the Expansion Space as of the Execution Date, all in sufficient detail for Landlord to commence preparation of the Construction Drawings (defined below); and (ii) complies with all Laws as applicable and as interpreted at the time of construction of the Expansion Space Improvements, including all building codes and the ADA;

(b) "Construction Drawings" means the final architectural plans and specifications, and engineering plans and specifications, for the real property improvements to be constructed by Landlord in the Expansion Space in sufficient detail to be submitted for governmental approvals and building permits and to serve as the detailed construction drawings and specifications for the Contractor (as defined below), all of which shall conform, in all material respects, to the Approved Space Plan;

(c) "Contractor" means the contractor or contractors selected by Landlord to construct the Expansion Space Improvements;

(d) "Expansion Space Improvements" means those improvements depicted on the Construction Drawings, including (i) new carpeting and paint (with building standard colors selected by Tenant) in the Expansion Space and the Building lobby and (ii) one 220 volt electrical outlet in the Expansion Space in a location mutually determined by Landlord and Tenant; and

(e) "Ready for Occupancy," means that the Expansion Space Improvements have been completed in accordance with the Construction Drawings, subject only to Punch List Items (as defined below), as evidenced by (i) the certificate of substantial completion of the Contractor or Landlord's Architect (defined below), and (ii) the issuance of a certificate of occupancy (temporary or final) or completion, for the Expansion Space or other evidence that occupancy of the Expansion Space is lawful.

**SECTION 2**  
**CONSTRUCTION DRAWINGS**

2.1 The Construction Drawings. Landlord, through its architects and/or space planners ("Landlord's Architect"), shall prepare the Construction Drawings, as they may be modified as provided herein, in accordance with the Approved Space Plan and in accordance with the terms of this Work Letter.



## 2.2 Tenant's Obligations.

(a) Tenant shall be responsible for the suitability for Tenant's needs and business of the design and function of all of the Expansion Space Improvements. No assistance by Landlord with respect to the design, engineering or construction of the Expansion Space Improvements, and no approval by Landlord or Landlord's representatives of any drawings, plans, or specifications that are prepared in conjunction with construction of the Expansion Space Improvements will constitute a representation or warranty by Landlord as to the adequacy or sufficiency of such drawings, plans, or specifications, or the improvements to which they relate, for any use, purpose, or condition, but such approval will merely be the consent of Landlord to the construction or installation of improvements in the Expansion Space according to said drawings, plans, or specifications. Landlord acknowledges and agrees that Tenant has, prior to the Execution Date, provided Landlord with all information necessary for Landlord's Architect to prepare the Construction Drawings. Tenant, at its own expense, shall devote such time and provide such instructions as may be necessary to enable Landlord to complete the matters described below, and Tenant shall approve such matters, within the times described below:

(b) Tenant's written approval of the Construction Drawings within five (5) business days after Tenant's receipt of the proposed Construction Drawings, which approval shall not be unreasonably withheld so long as the Construction Drawings conform, in all material respects, to the Approved Space Plan. Tenant's failure to respond within said 5-business day period shall be deemed as Tenant's approval. Any disapproval by Tenant for a reason other than that the disapproved item is inconsistent with the Approved Space Plan shall be a Tenant Delay to the extent provided in Section 6 below. Notwithstanding any provision of this Work Letter to the contrary, Landlord has no obligation to include in the Construction Drawings (or in any subsequent proposed Change Order, as defined below) any work or materials requested by Tenant that: (i) would materially increase Operating Expenses, (ii) do not comply with applicable Laws or Recorded Documents, (iii) in Landlord's judgment, are not consistent with the quality and character of the Building, (iv) would exceed or adversely affect the capacity or integrity of the Building's structure, or any of its heating, ventilating, air conditioning, plumbing, mechanical, electrical, communications, life safety, or other systems, or the safety of the Building and/or its occupants, (v) might impair Landlord's ability to furnish services to Tenant, (vi) would increase the cost of operating the Building, (vii) would violate any Laws, (viii) contain or use Hazardous Materials, (ix) would adversely affect the appearance of the Building or the marketability of the Expansion Space to subsequent tenants, (x) would be visible from outside the Expansion Space, (xi) would delay Landlord's anticipated construction schedule or are likely to be substantially delayed because of availability or shortage of labor or materials necessary to perform such work or the difficulties or unusual nature of such work, (xii) are not, at a minimum in accordance with Landlord's Building standards, or (xiii) would increase the anticipated cost of the Expansion Space Improvements unless Tenant agreed, in writing, to pay such increase in the amount set forth in the approved Change Order therefor in accordance with Section 4.1 below. To the extent that any revisions to the Construction Drawings proposed by Tenant and approved by Landlord cause the anticipated cost of the Expansion Space Improvements to increase, Tenant shall be obligated to pay Landlord, as Excess Costs (as defined below), the amount of such excess prior to Landlord's commencement of construction in the amount set forth in the approved Change Order therefor. Any payments required to be made by Tenant under this Work Letter shall be considered Rent and, if not paid when due, shall bear interest pursuant to the terms of Section 8 of the Lease.

## **SECTION 3 CONSTRUCTION**

3.1 Construction of the Expansion Space Improvements. Landlord, through the Contractor, shall, at Landlord's sole cost and expense (except as otherwise expressly set forth in this Work Letter), complete the construction of the Expansion Space Improvements in a good and workmanlike manner, in accordance with all Laws and substantially in accordance with the Construction Drawings.

3.2 Building Standard. Tenant acknowledges and agrees that, except as expressly set forth on the Approved Space Plan, the Expansion Space Improvements shall be constructed using Building-standard materials designated by Landlord for the Building. If Tenant wishes to utilize any above-Building-standard materials, Tenant must request the same within five (5) business days after Landlord delivers the Construction Drawings to Tenant. Tenant agrees to pay Landlord, as Excess Costs, the cost for all above-Building-standard materials (in excess of the cost for the Building-standard materials), and the installation costs associated with those above-Building-standard materials (in excess of the cost to install the Building-standard materials), prior to Landlord's commencement of construction, and any delay in completion of construction resulting from the use of such materials will be considered a Tenant Delay. The Expansion Space Improvements shall be done with such minor variations as Landlord may deem advisable, so long as such variations will not substantially vary from the Construction Drawings or materially interfere with the permitted use of the Expansion Space.

### 3.3 Limitations of Landlord's Obligations.

(a) In no event shall the Expansion Space Improvements include (i) any costs of procuring or installing in the Expansion Space any trade fixtures, equipment, furniture, furnishings, telephone equipment, cabling for any of the foregoing or other personal property ("Personal Property") to be used in the Expansion Space by Tenant, and the cost of such Personal Property shall be paid by Tenant, or

(ii) any costs or expenses of any consultants retained by Tenant with respect to design, procurement, installation or construction of improvements or installations, whether real or personal property, for the Expansion Space.

(b) When the Expansion Space is Ready for Occupancy and vacated by the third-party under the Existing Expansion Space Lease, Landlord shall deliver possession of the Expansion Space to Tenant, and, Landlord shall have no further obligation to construct improvements or construct modifications to or changes in the Expansion Space Improvements, except to complete the Punch List Items remaining to be completed.

#### **SECTION 4 CHANGE ORDERS; EXCESS COSTS; EXCESS COST ALLOWANCE**

4.1 Change Orders; Excess Costs. If Tenant shall request any change, addition or alteration in the approved Construction Drawings (each, a “Change Order”) or any change to a prior approved Change Order, Landlord shall promptly give Tenant a written estimate of (a) the cost of engineering and design services and the construction contractor services to prepare a Change Order in accordance with such request, (b) the cost of work to be performed pursuant to such Change Order (“Excess Costs”), which Excess Costs shall include a construction management fee payable to Landlord for its coordination and review of the Change Order in an amount equal to 4% of the hard construction costs of the Change Order, and (c) the time delay expected because of such requested Change Order. Within five (5) business days following Tenant’s receipt of the foregoing written estimate, Tenant shall notify Landlord in writing whether it approves such written estimate. If Tenant approves such written estimate, Tenant shall, within five (5) business days thereafter, provide Landlord with a good check made payable to the order of Landlord in the amount of the Excess Costs, and the foregoing shall constitute (i) Landlord’s authorization to proceed and (ii) Tenant’s full payment obligation for such Change Order, unless Tenant requests and approves any change to the subject Change Order. If such written authorization is not received by Landlord within such 5-business day period, Landlord shall not be obligated to prepare the Change Order or perform any work in connection therewith.

#### **SECTION 5 PUNCH LIST; WARRANTY**

5.1 Punch List Items. Within ten (10) business days after the Expansion Space is Ready for Occupancy, Tenant and Landlord shall (a) make an inspection of the Expansion Space, and (b) together prepare in writing a “punch list” of errors (if any) and omissions (if any) in the construction of the Expansion Space Improvements known to exist (collectively, “Punch List Items”). Upon receipt of the Punch List Items, Landlord shall promptly correct (or cause the Contractor to correct) such errors and omissions. The existence of the punch list (and completion of the Punch List Items thereon) shall not delay the Expansion Space Delivery Date and shall not affect Tenant’s obligation to occupy the Expansion Space and to pay Rent in accordance with the provisions of the Lease. Landlord shall use commercially reasonable efforts to complete Punch List Items as soon as practicable, but in any event within thirty (30) days after its receipt of such list from Tenant, except for long lead-time items which Landlord or Contractor has to re-order.

5.2 Construction Contract Warranty. Landlord shall cause the Contractor to provide a customary warranty that the Expansion Space Improvements shall be free from any defects in workmanship and materials for a period of not less than one (1) year from the date of completion thereof, and to agree to be responsible for the replacement or repair, without additional charge, of the Expansion Space Improvements that shall become defective in workmanship or materials within one (1) year after the Expansion Space Delivery Date. Landlord shall enforce such warranties.

#### **SECTION 6 TENANT DELAY**

6.1 Definition. “Tenant Delay” means any of the following events or occurrences which delay the Expansion Space from being Ready for Occupancy beyond the Estimated Expansion Delivery Date:

- (a) Tenant’s delay in submitting plans, supplying information, approving plans, specifications or estimates, giving authorizations or otherwise beyond the period provided in the Work Letter;
- (b) Change Orders in the amounts of delay set forth in the approved Change Order;
- (c) failure to timely pay for Excess Costs;
- (d) the performance or completion by Tenant or any person engaged by Tenant of any work in or about the Expansion Space, which delay continues for more than one (1) business day after delivery of notice thereof to Tenant;
- (e) failure to perform or comply with any obligation or condition binding upon Tenant pursuant to this Work Letter; or

(f) delays in obtaining a certificate of occupancy, temporary certificate of occupancy, or other appropriate sign-off (each, a “C/O”) permitting occupancy of any portion of the Expansion Space for the conduct of Tenant’s business by the local building authority, by reason of Tenant’s failure to complete the installation of any Personal Property that is required in order to obtain a C/O for any portion of the Expansion Space, which delay continues for more than one (1) business day after delivery of notice thereof to Tenant.

6.2 Tenant Delay. If the Expansion Space is delayed from being Ready for Occupancy beyond the Estimated Expansion Space Delivery Date due to Tenant Delay, then Tenant shall be responsible for all costs and any expenses occasioned by such delay, including any costs and expenses attributable to increases in labor or materials.

**SECTION 7  
GENERAL PROVISIONS**

7.1 Tenant Representative. Tenant has designated Julie Change as its sole representative with respect to the matters set forth in this Work Letter, who shall have full authority and responsibility to act on behalf of the Tenant as required in this Work Letter, until further written notice to Landlord.

7.2 Landlord’s Representative. Landlord has designated Nancy Babb at Colliers International as its sole representative with respect to the matters set forth in this 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 Work Letter.

7.3 Force and Effect. The terms and conditions of this Work Letter supplement the Lease (as amended by the Second Amendment) and shall be construed to be a part of the Lease (as amended by the Second Amendment) and are incorporated in the Lease (as amended by the Second Amendment). Without limiting the generality of the foregoing, any default by any party hereunder shall have the same force and effect as a default under the Lease (as amended by the Second Amendment). Should any inconsistency arise between this Work Letter and the Lease (as amended by the Second Amendment) as to the specific matters which are the subject of this Work Letter, the terms and conditions of this Work Letter shall control.

*[signature page follows]*

IN WITNESS WHEREOF, this Work Letter is executed by the parties as of the Lease Date specified in the Basic Lease Information.

**LANDLORD:**

DPF JAY OWNER LLC,  
a Delaware limited liability company

By: DPF Jay Partners,  
a Delaware general partnership,  
its sole member

By: DPF Jay JV Owner II LLC,  
a Delaware limited liability company,  
its managing general partner

By: DCTRT Real Estate Holdco LLC,  
a Delaware limited liability company,  
its sole member

By: Dividend Capital Total Realty Operating Partnership LP,  
a Delaware limited partnership,  
its sole member

By: Dividend Capital Diversified Property Fund Inc.,  
a Maryland corporation,  
its general partner

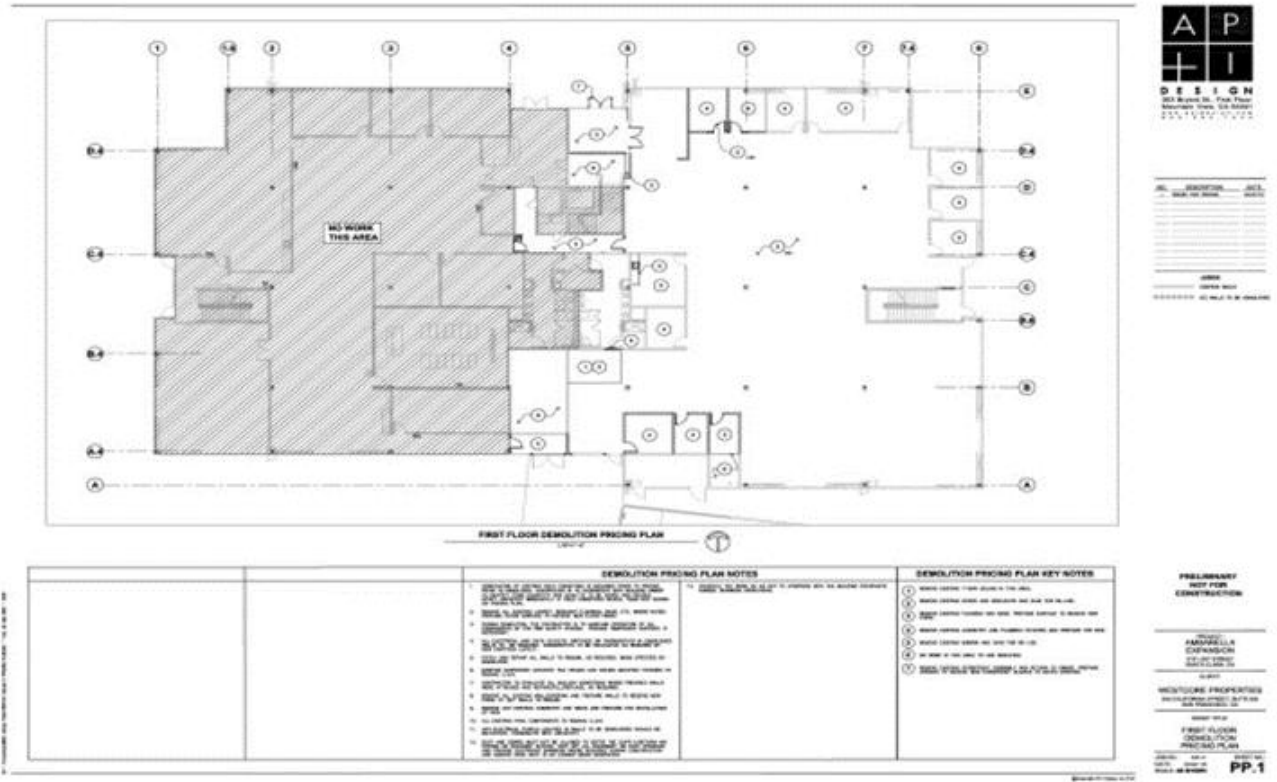
By: /s/ Larry Brand  
Name: Larry Brand  
Title: VP - Asset Management  
Date: \_\_\_\_\_

**TENANT:**

AMBARELLA CORPORATION,  
a Delaware corporation

By: /s/ GW Laplante Jr  
Name: GW Laplante Jr  
Title: CFO  
Date: \_\_\_\_\_

SCHEDULE 1  
Space Plan



Schedule 1-1



EXHIBIT C  
Depiction of Exterior Building Façade Signage

**PRODUCTION APPROVAL**

**ATTENTION: NANCY BABB @ COLLIER'S**  
PROPERTY: 3131 JAY ST., SANTA CLARA

**SpecializedGraphics**  
architectural's gnage

**11964**

6/12/14

PAGE: 2 OF 4

OPTION: 2

TO BE INSTALLED

**PLEASE READ BELOW**

REVIEW UPON CAREFULLY FOR  
SPACING ERRORS OR CHANGES  
We will provide 15 days leading our artwork  
to be ready to be printed. If you need to be  
revised, please contact us at least 10 days  
before the production date.

**PLEASE APPROVE THIS FILE BY:**  
1. Check all text and numbers are  
2. Done to your own  
3. OK for "Approve Sign" Sheet

PROPOSED BUILDING SIGNAGE  
TENANT CHANNEL LETTERS 1 3/8" DEEP STUD MOUNTED TO BUILDING

337 in  
222.8 in

YOUR NAME HERE YOUR NAME HERE

5 1/8" 5 1/8"

sinco

337 in

3951 Industrial Way | Building A | Concord | CA | 94520 | T 925-660-2205 | F 925-660-2405 | E [info@specializedgraphics.com](mailto:info@specializedgraphics.com)

Exhibit C-1

**EXHIBIT D**  
Form of Expansion Space Commencement Letter

Re: Second Amendment to Lease Agreement dated \_\_\_\_\_, 2015 (the "Second Amendment") between DPF JAY OWNER LLC ("Landlord") and AMBARELLA CORPORATION ("Tenant") for the Expansion Space, the rentable square footage of which is 11,668, located on the first floor of the building commonly known as Jay Technology Centre and located at 3101 Jay Street, Santa Clara, California (the "Building"). Unless otherwise specified, all capitalized terms used herein shall have the same meanings as in the Second Amendment or, if not defined in the Second Amendment, in the Lease.

Landlord and Tenant agree that:

To Tenant's knowledge, Landlord has fully completed all Expansion Space Improvements required under the terms of the Second Amendment.

Tenant has accepted possession of the Expansion Space. The Expansion Space is usable by Tenant as intended; Landlord has no further obligation to perform any Expansion Space Improvements or other construction, and Tenant acknowledges that both the Building, the Current Premises and the Expansion Space are satisfactory in all respects.

The Expansion Space Delivery Date is \_\_\_\_\_, 20\_\_.

The expiration date of the Lease is the last day of May, 2020.

All other terms and conditions of the Lease (as amended by the Second Amendment) are ratified and acknowledged to be unchanged.

EXECUTED as of \_\_\_\_\_, 20\_\_.

**LANDLORD:**

[INSERT SIGNATURE BLOCK]

**TENANT:**

[INSERT SIGNATURE BLOCK]



**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER**  
**Certification of Principal Executive Officer Required Under Rule 13a-14(a) and 15d-14(a) of the**  
**Securities Exchange Act of 1934, as amended.**

I, Feng-Ming Wang, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Ambarella, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 8, 2015

/s/ Feng-Ming Wang

Feng-Ming Wang  
President and Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER**  
**Certification of Principal Financial Officer Required Under Rule 13a-14(a) and 15d-14(a) of the**  
**Securities Exchange Act of 1934, as amended.**

I, George Laplante, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Ambarella, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 8, 2015

/s/ George Laplante

George Laplante

Chief Financial Officer

(Principal Financial and Accounting Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Feng-Ming Wang, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Ambarella, Inc. on Form 10-Q for the fiscal quarter ended July 31, 2015 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of Ambarella, Inc.

Date: September 8, 2015

By: /s/ Feng-Ming Wang  
Name: Feng-Ming Wang  
Title: President and Chief Executive Officer

I, George Laplante, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Ambarella, Inc. on Form 10-Q for the fiscal quarter ended July 31, 2015 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of Ambarella, Inc.

Date: September 8, 2015

By: /s/ George Laplante  
Name: George Laplante  
Title: Chief Financial Officer