As filed with the Securities and Exchange Commission on February 16, 2021.

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-1
REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

CRICUT, INC.

(Exact name of registrant as specified in its charter)

Delaware	3559	87-0282025
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification Number)*

Cricut, Inc.
10855 South River Front Parkway
South Jordan, Utah 84095
(385) 351-0633

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Ashish Arora
Chief Executive Officer
10855 South River Front Parkway
South Jordan, Utah 84095
(385) 351-0633

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Katharine A. Martin **Rezwan D. Pavri** **Richard C. Blake** **Wilson Sonsini Goodrich & Rosati** **Professional Corporation** **650 Page Mill Road** **Palo Alto, California 94304** **(650) 493-9300**	**Martin F. Petersen, Chief Financial Officer** **Donald B. Olsen, Executive Vice President, General Counsel** **Cricut, Inc.** **10855 South River Front Parkway** **South Jordan, Utah 84095** **(385) 351-0633**	**Jeffrey A. Chapman** **Stewart L. McDowell** **Gibson, Dunn & Crutcher LLP** **2001 Ross Avenue, Suite 2100** **Dallas, Texas 75201** **(214) 698-3100**

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ☐

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☐
		Emerging growth company	☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act. ☐

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price(1)(2)	Amount of Registration Fee
Class A Common Stock, par value $0.001 per share	$100,000,000	$10,910

(1) Estimated solely for the purpose of calculating the amount of the registration fee in accordance with Rule 457(o) under the Securities Act of 1933, as amended.

(2) Includes the aggregate offering price of shares that the underwriters have the option to purchase.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

Subject to Completion. Dated February 16, 2021.

Shares

Cricut, Inc.

Class A Common Stock

This is an initial public offering of shares of Class A common stock of Cricut, Inc. We are offering to sell shares of Class A common stock in this offering.

Prior to this offering, there has been no public market for the Class A common stock. It is currently estimated that the initial public offering price per share will be between $ and $. Cricut, Inc. intends to list the Class A common stock on the Nasdaq Global Select Market under the symbol "CRCT."

We are an "emerging growth company" as defined under the federal securities laws and, as such, have elected to comply with certain reduced reporting requirements in this prospectus and may elect to do so in future filings.

Following this offering, we will have two classes of authorized common stock: the Class A common stock offered hereby, as well as Class B common stock. The Class A common stock will have one vote per share. The Class B common stock will have five votes per share. Following the completion of this offering, Petrus Trust Company, LTA and affiliates will beneficially own approximately % of the total voting power of our outstanding common stock. As a result, we will be a "controlled company" within the meaning of the corporate governance rules of the Nasdaq Global Select Market. See the section titled "Management—Controlled Company Exemption" for additional information.

See the section titled "Risk Factors" on page 17 to read about factors you should consider before buying shares of the Class A common stock.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	Per share	Total
Initial public offering price	$	$
Underwriting discounts and commissions(1)	$	$
Proceeds, before expenses, to Cricut, Inc.	$	$

(1) See the section titled "Underwriters" for a description of the compensation payable to the underwriters.

We have granted the underwriters an option for a period of 30 days to purchase up to an additional shares of our Class A common stock at the initial public offering price, less the underwriting discounts and commissions.

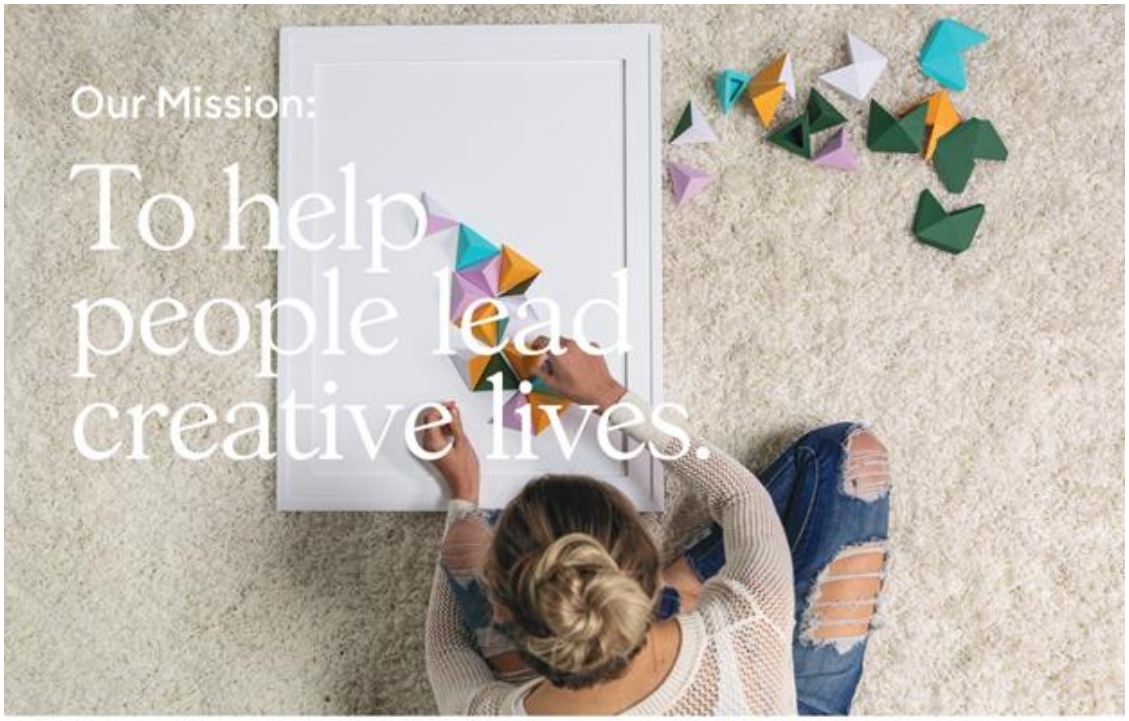
The underwriters expect to deliver the shares against payment in New York, New York on , 2021.

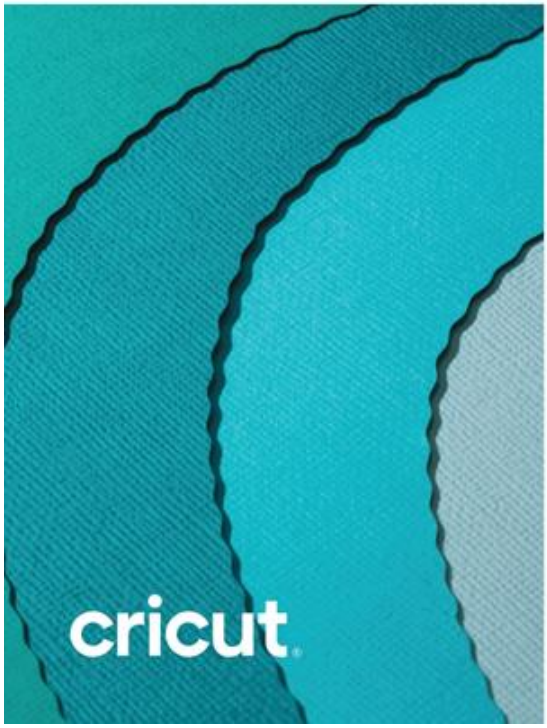
Goldman Sachs & Co. LLC **Morgan Stanley**

Citigroup **Barclays**

Baird

Prospectus dated , 2021.


Our Mission:
To help people lead creative lives.


cricut


cricut joy


Cricut
CROSS COUNTRY
birthday


QUINN

At Cricut, we place the power of professional handmade into the hands of all.

We give you beautiful, easy-to-use products to make something unique, remarkable and perfect. We surround you with community, inspiration and support to take your creativity further than you ever imagined. And together, we celebrate the exhilarating act of making every single day.

Because here's the remarkable truth: When we all make together, we make all things possible.

Let's make.

cricut.

TABLE OF CONTENTS

Prospectus

Through and including , 2021 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

Neither we nor the underwriters have authorized anyone to provide any information or to make any representations other than those contained in this prospectus or in any free writing prospectuses we have prepared. We and the underwriters take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus or in any applicable free writing prospectus is current only as of its date, regardless of its time of delivery or any sale of shares of our Class A common stock.

For investors outside of the United States: neither we nor any of the underwriters have done anything that would permit this offering or possession or distribution of this prospectus or any free writing prospectus we may provide to you in connection with this offering in any jurisdiction where action for that purpose is required, other than in the United States. You are required to inform yourselves about, and observe any restrictions relating to, this offering of the shares of our Class A common stock and the distribution of this prospectus and any such free writing prospectus outside of the United States.

As used in this prospectus, unless expressly indicated or the context otherwise requires:

References to “common stock” refer (i) prior to our redomicile as a Delaware corporation to the Class A common stock, par value $0.01 per share of Cricut, Inc., a Utah corporation, (ii) after we redomiciled as a Delaware corporation in September 2020 but prior to the completion of this offering, to the common stock, par value $0.001 per share of Cricut, Inc., a Delaware corporation and (iii) following this offering, our Class A common stock, par value $0.001 per share, and Class B common stock, par value $0.001 per share.

References to “Cricut,” “we,” “us,” “our,” the “company” and similar references refer: (i) prior to the consummation of the Corporate Reorganization described in the section titled “Corporate Reorganization” to Cricut Holdings, LLC and its consolidated subsidiaries and (ii) after the Corporate Reorganization to Cricut, Inc., and its consolidated subsidiaries.

The term “Corporate Reorganization” means the series of transactions as described under the section titled “Corporate Reorganization.”

PROSPECTUS SUMMARY

This summary highlights selected information contained in more detail elsewhere in this prospectus. This summary does not contain all the information you should consider before investing in our Class A common stock. You should carefully read this prospectus in its entirety before investing in our Class A common stock, including the sections titled "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Special Note Regarding Forward-Looking Statements" and our consolidated financial statements and the accompanying notes, provided elsewhere in this prospectus. Our fiscal year ends on December 31, and our fiscal quarters end on September 30, December 31, March 31 and June 30.

CRICUT, INC.

At Cricut, our mission is to help people lead creative lives.

We have designed and built a creativity platform that enables our engaged and loyal community of 3.7 million users to turn ideas into professional-looking handmade goods. With our highly versatile connected machines, design apps and accessories and materials, our users create everything from personalized birthday cards, mugs and T-shirts to large-scale interior decorations and more. Our cloud-based software enables us to update the functionality and features of existing physical and digital products and to release new products that seamlessly integrate with our platform. This makes our platform broadly extensible and empowers our users to unlock ever-expanding creative potential.

Cricut often becomes a huge part of our users' creative lives, serving as the foundation for their journey of creativity. Our users' journeys typically begin with the purchase of a connected machine and expand across our family of products as users harness the power of our platform. Our users have demonstrated continued engagement with their connected machines over time, which results in purchases of subscriptions and accessories and materials long after they first purchase a connected machine. As of September 30, 2020, 63% of our users created on their connected machines in the last 90 days and 84% created on their connected machines in the last 365 days.

We enable our users to be inspired, create and share projects with the Cricut community and to follow others doing the same. Our community of users has scaled significantly over time, and our number of users grew by 55% from September 30, 2018 to September 30, 2019 and 66% from September 30, 2019 to September 30, 2020.

Our software integrates our connected machines and design apps, allowing our users to create and share seamlessly. Our software is cloud-based, meaning that users can access and work on their projects anywhere, at any time, across any desktop or mobile device. Our software aggregates billions of data points of our users' contributions, giving us valuable insights into our users' preferences and behaviors. We use our data science capabilities to continuously improve our software and products, driving further engagement. As a result, our business model is characterized by strong user engagement and diversified sales across product categories.

Our portfolio of connected machines cut, write, score and create decorative effects using a wide variety of materials including paper, vinyl, leather and more. We strive for our users' journeys to be both inspiring and intuitive, so we take great care to design connected machines that are beautiful and easy to use. Our connected machines are designed for a wide range of uses and are available at a variety of price points:

- Cricut Joy for personalization on-the-go, $179.99 MSRP
- Cricut Explore for cutting, writing and scoring, $249.99 MSRP
- Cricut Maker for cutting, writing, scoring and adding decorative effects to a wider range of materials, $399.99 MSRP

We offer free design apps, in-app purchases and subscription offerings that enable our users to create and complete projects. On our apps, users can find inspiration, purchase or upload content like fonts and images, design a project from scratch or find a vast array of ready-to-make projects on both mobile and desktop devices. All users can access a select number of free images, fonts and projects from our design apps or upload their own. In addition, we offer a wider selection of images, fonts and projects for purchase à la carte, including licensed content from partners with well-known brands and characters, like major motion picture studios. We also provide two subscription offerings, Cricut Access and Cricut Access Premium. Cricut Access provides users with a subscription to a curated and growing design library of over 125,000 images, 6,000 ready-to-make projects and hundreds of fonts, as well as other member benefits, such as discounts and priority Cricut Member Care, our customer support service. Cricut Access Premium includes all of the benefits of Cricut Access as well as additional discounts and preferred shipping. As of September 30, 2020, we had nearly 1.2 million Paid Subscribers to Cricut Access and Cricut Access Premium.

We also sell a broad range of accessories and materials that help bring designs to life, from advanced tools like heat presses to Cricut-branded rulers, scoring tools, pens, paper and iron-on vinyl. These products are designed to work seamlessly and easily with our connected machines, which is why we see many of our users purchase Cricut-branded accessories and materials. Creating projects often drives repeat purchases of accessories and materials for years after a user first buys a connected machine, demonstrating ongoing engagement with our platform.

Many of our users share a love of our brand, products and mission, which fosters a loyal community of users who are deeply engaged with Cricut. Every project is an opportunity to start a conversation, both with us and with each other. We often see our users inspire, teach and create together. There are over three million Cricut followers and many independently-run Cricut groups across social media. Users often self-organize, host independent events and meet up in person across the globe.

Our community creates a reinforcing network effect. As the number of our users grow, so does the number of projects made and shared physically or digitally. This generates even more shared projects and word-of-mouth that in turn helps to grow our community. This community network effect has allowed us to efficiently acquire new users and drive sales by word-of-mouth referrals, complimented by our targeted sales and marketing efforts.

We generate revenue from the sale of our connected machines, subscriptions and accessories and materials. We sell our products through brick-and-mortar retail partners, including Hobby Lobby, HSN, Jo-Ann, Michaels, Target and Walmart, as well as through online channels such as Amazon and cricut.com.

We are a fast-growing, scaled and profitable business. For 2018 and 2019, we generated:

- Total revenue of $340 million and $487 million, respectively, representing 43% year-over-year growth
- Net income of $27 million and $39 million, representing 43% year-over-year growth
- EBITDA of $46 million and $63 million, respectively, representing 36% year-over-year growth

For the nine months ended September 30, 2019 and 2020, we generated:

- Total revenue of $313 million and $588 million, respectively, representing 88% year-over-year growth
- Net income of $31 million and $93 million, respectively, representing 196% year-over-year growth
- EBITDA of $48 million and $131 million, respectively, representing 171% year-over-year growth

Our Industry

We both influence and benefit from powerful secular tailwinds:

- **Personalization is a Global Mega Trend.** Today, more and more people want to be surrounded by personalized items. According to a study by Deloitte, one in four consumers are willing to pay more to receive a personalized product or service. We empower individuals to personalize, and the number one reason why people buy our connected machines is personalization.
- **Digitization of Tools.** Consumers have access to more tools in the digital world than ever before. Cricut has built on this trend by offering both digital and physical tools and, more importantly, bridging these two worlds together.
- **Technology is Enabling a New Generation of Entrepreneurs**. The rapid growth of marketplaces and commerce enablement platforms creates economic opportunities for millions of creative entrepreneurs. Individual entrepreneurs value supplemental income, flexibility and the opportunity to do what they love for a living. Twenty-nine percent of our users make projects to sell.
- **Social Media is Enabling a New Wave of Creativity.** The ubiquity of social media is a key driver of global consumer engagement with new creative endeavors. Billions of people globally engage on social media every month and spend an average of more than two hours per day on social networks and messaging apps. Through social media, people can be inspired by new ideas or projects anywhere and anytime. We have a powerful social media presence, and help our users turn virtual inspiration into beautiful, physical things.

Our Opportunity

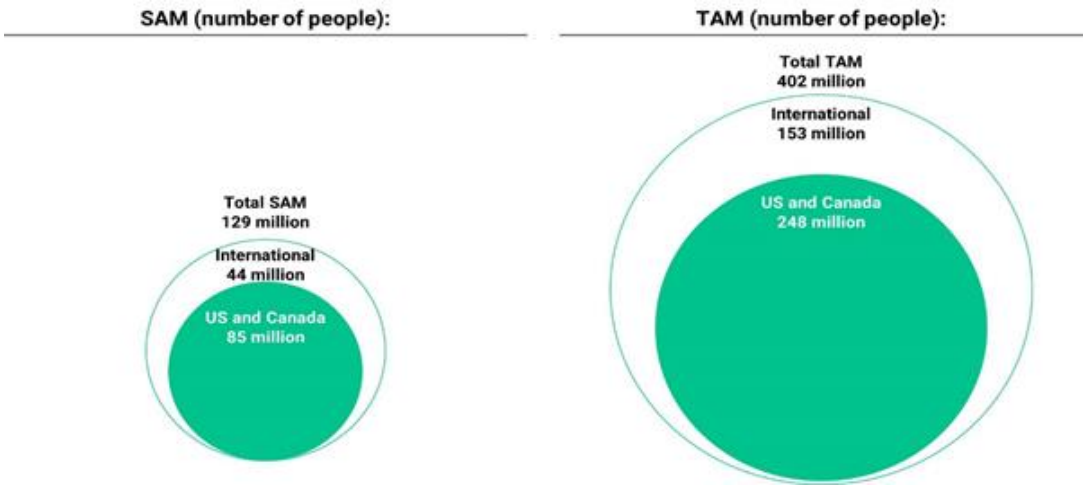
We believe that everyone is innately creative and thus anyone can be a part of the Cricut community of users. This presents us with a large, untapped market opportunity in addition to our current user base. We quantify our market opportunity in terms of a Serviceable Addressable Market, or SAM, and a Total Addressable Market, or TAM. We commissioned a study from YouGov America in September 2020 across 11 countries. The sample size of those surveyed in each country included over 1,000 individuals ages 18 and older. To calculate our SAM and TAM, we extrapolate these survey results across the general population ages 18 and older in each country.

Our SAM consists of the portion of individuals surveyed who said they have made at least one creative project in categories addressed by our current products in the last 12 months, whom we call “active creatives.” Our TAM includes the individuals in our SAM as well as the portion of individuals surveyed who said they like, buy, used to make or are interested in creating personalized, handmade or custom items, whom we call “potential creatives” but who have not made at least one creative project in categories addressed by our current products in the last 12 months. Our SAM includes active creatives who we address with our current product and price points. Our TAM includes potential creatives who we believe we can reach over the long term as we make products for new uses and products that are even more accessible, easier to use and available at a broad set of price points. We assess our SAM and TAM in the United States and Canada and internationally. Today, a small portion of our revenue is generated from countries outside the United States and Canada. We currently classify four of these countries, Australia, France, Germany and the United Kingdom, as our primary international target markets and include them in our international SAM and TAM.

Based in part on the YouGov America study we commissioned, we estimate that our SAM in the United States and Canada consists of over 85 million people. As of September 30, 2020, we had 3.7 million users, the vast majority of whom are in the United States and Canada, implying less than 5% penetration of our SAM in those markets. We estimate that our SAM among our primary international target markets consists of over 44 million people. Accordingly, we estimate our total SAM is over 129 million individuals.

We estimate that there are over 163 million potential creatives in the United States and Canada and over 109 million potential creatives in our primary international target markets. We estimate that our United

States and Canada TAM includes over 248 million individuals, which reflects our belief that all people, regardless of demographic, can be creative and part of the Cricut community. Our TAM among our primary international target markets includes over 153 million individuals, for a combined TAM of approximately 402 million individuals. We believe our products could achieve broader adoption in a number of countries beyond our primary international target markets that also have large populations engaging in creative activities and represent a similar product-market fit.



Because our products make creativity accessible, we believe our opportunity is much larger than the estimates of the size of the traditional craft market. The Association for Creative Industries estimated that the traditional craft market, which is comprised of items and supplies purchased for creative activities, in the United States was $36.2 billion in the twelve months ended September 2017. We put production power into the hands of our users by allowing them to create their own professional-looking homemade goods instead of purchasing manufactured goods from a third party, meaning that our products and the projects created by our users touch a broad array of markets that go beyond the traditional craft market. For example, the goods that users can produce or customize using our platform fall into multiple large market categories, some of which may overlap. The 2020 estimated markets for such categories were $4.1 billion for cards and calendar; $9.7 billion for stationery; $26.5 billion for seasonal décor; $55.1 billion for wedding-related services[1]; $11.3 billion for organization[2] and $21.5 billion for custom gifts[3].

The Cricut User Journey

Creative individuals come to Cricut and quickly become engaged users who can express themselves both individually and as part of a large and passionate community. As of September 30, 2020, 96% of our users are women. Many users also earn income through products they create on Cricut. According to a survey of our users that we conducted in October 2020:

- 88% of new users want to make a broad range of products
- 29% make projects to sell
- 78% say crafting helps them with their mental well-being
- 87% say crafting inspires feelings of accomplishment

1 The preceding statements are from IBIS World. See the section titled “Market, Industry and Other Data.”

2 The preceding statement is from The Freedonia Group, a division of MarketResearch.com. See the section titled “Market, Industry and Other Data.”

3 The preceding statement is from Technavio. See the section titled “Market, Industry and Other Data.”

A user's journey evolves after their first purchase. New users typically intend to create a broad range of products but may start with one or two intended uses and grow with Cricut over time. For example, a user may buy a connected machine and begin by making cards but later branch out to T-shirts, wall decals and more. As we launch new software and products, and as our community continues to grow and share on our platform and on social media, we have the opportunity to continually refresh this relationship and expand the versatility of our platform.

Our large and loyal community of users engage with Cricut and each other across our design apps and on social media. Users can share projects they created, and other users can be inspired and access and create that same project. These teaching and inspiration moments enhance our monetization opportunities as projects often lead users to purchase images, fonts, accessories and materials.

How We Go to Market

Many of our users hear about our products through word-of-mouth. With 91% of our users creating products for their friends and family, word-of-mouth marketing continues to be one of the most efficient and effective ways we attract new users. In 2020, 42% of new users first heard about Cricut through friends and family. We also use digital and social media marketing to attract users.

We sell our connected machines and accessories and materials through our brick-and-mortar and online retail partners, as well as through our website at cricut.com. In 2019 and the nine months ended September 30, 2020, 52% and 51%, respectively, of our revenue was generated through brick-and-mortar sales and 48% and 49%, respectively, was generated through online channels.

Our Competitive Strengths

Our competitive strengths include:

- **Our Vertically Integrated Platform Encourages Continual Engagement.** Our platform accompanies a user from an idea to a finished project, with Cricut providing the connected machines, design apps and accessories and materials to make this a seamless journey.
- **We Build Beautiful, Inspiring and Easy-to-Use Products.** Our mission is rooted in our passion for design, and this passion comes to life in the beautiful products we build and experiences we create. Our goal is to provide users with an experience that is both inspiring and intuitive, and we take great care to make our products easy to use. Our elegant products are backed by deep user experience, software, technology and engineering expertise.
- **We Designed our Platform to be Able to Constantly Evolve so We Can Find New Ways to Delight Users.** We constantly innovate and offer new products and functionality to provide users with new capabilities for their existing connected machines. New products are integrated seamlessly into existing connected machines with updates to our software, infrastructure and content. We aim to give our users the freedom to create without limitations while improving their experience along the way.
- **We Have a Strong and Loyal Community of Users.** Creating with Cricut can be a highly social activity. We have a strong and loyal community of users who are deeply engaged with Cricut and in turn help grow our community. This engagement has allowed us to efficiently acquire new users and drive sales by word-of-mouth referrals, complimented by our targeted sales and marketing efforts.
- **We Have a Positive Impact on Our Users, in Good Times and in Bad.** Our products enable users to express their creativity, which makes them feel accomplished and confident, powerful emotions that help create a relationship and love between our brand and our users. Crafting allows people to save money by creating their own gifts or to earn income selling handmade goods. Given the positive emotions connected with crafting, our users create to celebrate and also as a respite during difficult times.

Our Growth Strategy

These are key elements of our growth strategy:

- **Reach More Users.** We have a significant opportunity to bring more users to our platform by enhancing our brand and product awareness in both the United States and Canada and in the other geographies where we currently sell our products. We intend to pursue this opportunity in part through digital and social media marketing, retail partners and word-of-mouth referrals.
- **Increase Monetization from Current Users.** We believe that by finding new ways to inspire our users with their existing connected machines, we can sell more content and accessories and materials. By enhancing our subscription offerings, we also believe we can grow our subscription base over time.
- **Continuously Improve Ease of Use and User Experience**. We plan to continue to broaden our demographic appeal, further penetrate our SAM and continue to expand and penetrate our TAM by making our products even easier to use and educating users on our products and their capabilities.
- **Launch New Products in New Categories.** We plan to keep current users engaged by launching new products and services that attach seamlessly to our existing platform. We also plan on expanding our offerings to serve a larger portion of our SAM, including connected machine offerings with new uses to capture additional customer segments.
- **Expand Internationally.** We believe there is a significant opportunity for Cricut to grow internationally. We began our international expansion by launching in Australia, Canada, France, Germany and the United Kingdom. We have also localized our design apps in several languages such as French, German, Portuguese and Spanish. We will continue to pursue disciplined international expansion by targeting countries with large populations of active creatives where we believe the Cricut value proposition will resonate.

Our Capital Structure

Upon the closing of this offering, we will have two classes of common stock. Our Class A common stock, which is the stock we are offering by means of this prospectus, has one vote per share and our Class B common stock has five votes per share. Upon the closing of this offering, our existing owners will hold all of the issued and outstanding shares of our Class B common stock. Accordingly, upon the closing of this offering, Petrus Trust Company, LTA, or Petrus, and its affiliates will hold approximately % of the voting power of our outstanding capital stock in the aggregate. As a result, Petrus will be able to determine or significantly influence any action requiring the approval of our stockholders, including the election of our board of directors, the adoption of amendments to our certificate of incorporation and bylaws and the approval of any merger, consolidation, sale of all or substantially all of our assets or other major corporate transaction.

Upon the first date after the completion of this offering that the number of shares of capital stock, including Class A common stock and Class B common stock, and any shares of capital stock underlying any securities, including restricted stock units, options or other convertible instruments, held by Petrus and its permitted entities is less than 50% of the number of shares of capital stock held by Petrus and its permitted entities as of immediately prior to the completion of this offering, which we refer to herein as the 50% Ownership Threshold, all of the outstanding shares of Class B common stock will be converted into shares of Class A common stock.

The dual class structure of our common stock is intended to ensure that, for the foreseeable future, we will remain a “controlled company” for purposes of the rules of the Nasdaq Global Select Market, or the Exchange, and that we will be able to continue to enjoy the benefits of being a “controlled company” until the 50% Ownership Threshold is no longer met. This includes having a compensation committee that is not fully independent from influence by our principal shareholder.

Summary of Risk Factors

Our business is subject to numerous risks and uncertainties, including those highlighted in the section titled "Risk Factors" immediately following this prospectus summary and elsewhere in this prospectus. These risks include, but are not limited to, the following:

- risks regarding our ability to attract and engage with our users, including anticipating their product preferences;
- competitive risks in each of our three segments: Connected Machines, Subscriptions and Accessories and Materials;
- supply chain, manufacturing, distribution and fulfillment risks, including our being primarily dependent on a single China-based manufacturer and on limited sources of supply for components, accessories and materials;
- international risks, including regulation and tariffs that have materially increased our costs and the potential for further trade barriers or disruptions;
- sales and marketing risks, including our dependence on sales to brick-and-mortar and online retail partners and our need to continue to grow online sales;
- risks relating to the complexity of our business, which includes connected machines, custom tools, hundreds of materials, design apps, e-commerce software, subscriptions, content, international production, direct sales, and retail distribution, particularly for a company of our relative size;
- risks related to product quality, safety and warranty claims and returns;
- risks related to protection of our intellectual property, as well as to cybersecurity and potential data breaches; and
- risks related to our dependence on our Chief Executive Officer.

If we are unable to adequately address these and other risks we face, our business, financial condition, results of operations and prospects may be adversely affected.

Summary of Corporate Reorganization

Prior to the consummation of this offering, we will engage in a series of related corporate reorganization transactions as follows:

- Cricut, Inc. will engage in a forward stock split;
- Cricut, Inc. will file an amended and restated certificate of incorporation; and
- Cricut Holdings, LLC, or Cricut Holdings, will dissolve and liquidate in accordance with the terms and conditions of its existing limited liability company agreement, pursuant to which the holders of existing units in Cricut Holdings, or the Existing Unitholders, will receive 100% of the capital stock of Cricut, Inc., its sole asset, assuming it was liquidated at the time of this offering with a value implied by the initial public offering price of the shares of Class A common stock to be sold in this offering. We refer to this transaction in this prospectus as the "Cricut Holdings Liquidation." Cricut Holdings will cease to exist following the Cricut Holdings Liquidation.

We refer to the foregoing transactions, collectively, as the "Corporate Reorganization."

As a result of the Corporate Reorganization and the subsequent consummation of the offering described in this prospectus:

- investors in this offering will collectively own shares of Class A common stock (or shares of Class A common stock if the underwriters' option to purchase additional shares of our Class A common stock from us is exercised in full);

- Existing Unitholders will collectively own shares of Class A common stock and shares of Class B common stock of Cricut, Inc.; and
- Existing Unitholders will collectively own shares of either restricted stock or restricted stock units, or RSUs, of Cricut, Inc.

In connection with the Corporate Reorganization, all of the outstanding equity awards of Cricut Holdings (which are currently comprised of purchased units, incentive units and zero strike price incentive units) will be converted into shares of the Class B common stock, restricted stock, RSUs or options of Cricut, Inc., as applicable, and all of the outstanding phantom units of Cricut Holdings will be converted into either shares of Class B common stock and RSUs of Cricut, Inc. or paid in cash, to the extent permitted in each applicable jurisdiction. Except with respect to outstanding options, the portion of each outstanding equity award that is vested as of immediately prior to the consummation of the Corporate Reorganization will be converted into shares of our Class A common stock and the portion of each outstanding equity award that is unvested as of immediately prior to the consummation of the Corporate Reorganization will be converted into shares of Cricut, Inc.'s restricted stock or RSUs, as applicable. The shares of restricted stock and the RSUs will be subject to the same vesting conditions that apply to the unvested units or unit equivalents, as applicable, underlying the outstanding equity award from which such shares are converted. Options that are outstanding immediately prior to the consummation of the Corporate Reorganization will be converted into options to purchase shares of Class B common stock on the same vesting and exercise terms.

See the sections titled "Corporate Reorganization" and "Certain Relationships and Related Party Transactions" for additional information.

Channels for Disclosure of Information

Investors, the media and others should note that, following the completion of this offering, we intend to announce material information to the public through filings with the Securities and Exchange Commission, or the SEC, the investor relations page on our website, press releases, public conference calls, webcasts, our company news site at cricut.com/press and blog posts on our corporate website.

The information disclosed by the foregoing channels could be deemed to be material information. As such, we encourage investors, the media and others to follow the channels listed above and to review the information disclosed through such channels.

Any updates to the list of disclosure channels through which we will announce information will be posted on the investor relations page on our website.

Corporate Information

We were originally incorporated under the laws of the State of Utah in June 1969 as Provo Craft & Novelty, Inc. and changed our name to Cricut, Inc. in March 2018. In September 2020, we redomiciled as a Delaware corporation. Pursuant to the terms of the Corporate Reorganization that will be completed prior to the consummation of this offering, Cricut Holdings will dissolve and, in liquidation, will distribute all of the shares of capital stock of Cricut, Inc. to its members in accordance with the limited liability company agreement of Cricut Holdings.

For more information on the Corporate Reorganization and ownership of our common stock, see the sections titled "Corporate Reorganization" and "Principal Stockholders."

Our principal executive offices are located at 10855 South River Front Parkway, South Jordan, Utah 84095, and our telephone number is (385) 351-0633. Our corporate website address is cricut.com. Information contained on or accessible through our website is not a part of this prospectus, and the inclusion of our website address in this prospectus is an inactive textual reference only.

"Cricut," "Cricut Access," "Cricut Access Premium," "Cricut EasyPress," "Cricut Explore," "Cricut Maker," "Design Space," "Infusible Ink," "Adaptive Tool System," "Cut Smart," "QuickSwap," our logo and our other registered or common law trademarks, service marks or trade names appearing in this prospectus are the property of Cricut, Inc., Cricut Holdings and their subsidiaries. Other trademarks and trade names referred to in this prospectus are the property of their respective owners. Solely for convenience, the trademarks, trade names and service marks referenced in this prospectus are listed without the ™, ® and SM symbols, but we will assert our rights to our trademarks, trade names and service marks to the fullest extent under applicable law.

Implications of Being an Emerging Growth Company

We qualify as an "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012, or JOBS Act. An emerging growth company may take advantage of specified reduced reporting requirements that are otherwise generally applicable to public companies. These reduced reporting requirements include:

- an exemption from compliance with the auditor attestation requirement on the effectiveness of our internal control over financial reporting;
- an exemption from compliance with any requirement that the Public Company Accounting Oversight Board may adopt regarding a supplement to the auditor's report providing additional information about the audit and the financial statements;
- reduced disclosure about our executive compensation arrangements;
- an exemption from the requirements to obtain a non-binding advisory vote on executive compensation or golden parachute arrangements; and
- extended transition periods for complying with new or revised accounting standards.

We may take advantage of these provisions until we are no longer an emerging growth company. We would cease to be an emerging growth company upon the earliest to occur of: (i) the last day of the fiscal year in which we have more than $1.07 billion in annual revenue; (ii) the date we qualify as a large accelerated filer, with at least $700 million of equity securities held by non-affiliates; (iii) the issuance, in any three-year period, by us of more than $1.0 billion in non-convertible debt securities and (iv) the last day of the fiscal year ending after the fifth anniversary of this offering. We may choose to take advantage of some but not all of these reduced reporting burdens. We have taken advantage of certain reduced reporting burdens in this prospectus. Accordingly, the information contained herein may be different than the information you receive from other public companies in which you hold stock.

The JOBS Act permits an emerging growth company like us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies. We have elected to use this extended transition period until we are no longer an emerging growth company or until we affirmatively and irrevocably opt out of the extended transition period. As a result, our financial statements may not be comparable to companies that comply with new or revised accounting pronouncements as of public company effective dates.

THE OFFERING

Class A common stock offered by us	shares
Class A common stock outstanding after this offering	shares
Class B common stock outstanding after this offering	shares
Class A and Class B common stock outstanding after this offering	shares
Underwriters' option to purchase additional shares of Class A common stock from us	shares
Use of proceeds	We estimate that the net proceeds to us from the sale of shares of our Class A common stock in this offering will be approximately $ (or approximately $ if the underwriters' option to purchase additional shares of our Class A common stock from us is exercised in full), based upon the assumed initial public offering price of $ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. The principal purposes of this offering are to increase our capitalization and financial flexibility, create a public market for our Class A common stock and enable access to the public equity markets for us and our stockholders. We intend to use a portion of the net proceeds from this offering to pay $ for the cash settlement of outstanding phantom units of Cricut Holdings (or approximately $ if the underwriters' option to purchase additional shares of our Class A common stock from us is exercised in full), based upon the assumed initial public offering price of $ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus. We intend to use the remaining net proceeds we receive from this offering for general corporate purposes, including working capital, operating expenses and capital expenditures. Additionally, we may use a portion of the net proceeds we receive from this offering to acquire businesses, products, services or technologies. However, we do not have agreements or commitments for any material acquisitions at this time. See the section titled "Use of Proceeds" for additional information.

Voting rights	Shares of our Class A common stock are entitled to one vote per share. Shares of our Class B common stock are entitled to five votes per share. Holders of our Class A common stock and Class B common stock will generally vote together as a single class, unless otherwise required by law or our amended and restated certificate of incorporation. See the section titled “Description of Capital Stock” for additional information. Petrus and affiliates, who after this offering will control more than % of the voting power of our outstanding capital stock in the aggregate, will have the ability to control the outcome of matters submitted to our stockholders for approval, including the election of our directors. See the section titled “Principal Stockholders” for additional information.
Controlled company	After the consummation of this offering, we will be considered a “controlled company” for purposes of the rules of the Exchange, as Petrus and affiliates will, in the aggregate, control approximately % of the voting power of our outstanding capital stock in the aggregate. As a result, we will be a “controlled company” under the Exchange corporate governance standards. Under these standards, a company of which more than 50% of the voting power is held by an individual, group or another company is a “controlled company.” See the section titled “Principal Stockholders” for additional information. As a “controlled company,” we will not be subject to certain corporate governance requirements, including that: (i) a majority of our board of directors consists of “independent directors” as defined under the rules of the Exchange, (ii) our board of directors have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee purpose and responsibilities and (iii) our director nominations be made, or recommended to the full board of directors, by our independent directors or by a nominations committee that is composed entirely of independent directors and that we adopt a written charter or board resolution addressing the nominations process. As a result, we may not have a majority of independent directors on our board of directors or an entirely independent compensation committee or nominations committee, unless and until such time as we are required to do so. See the section titled “Management—Controlled Company Exemption” for additional information.

Dividend policy	We do not currently intend to pay dividends on our capital stock in the foreseeable future. Our ability to pay dividends on our capital stock is also limited by our credit agreement with JPMorgan Chase Bank, N.A., Citibank, N.A. and Origin Bank, or the New Credit Facility, and may be further restricted by the terms of any future debt or preferred securities incurred or issued by us or our subsidiaries. See the sections titled "Dividend Policy" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" for additional information.
Proposed Exchange trading symbol	"CRCT"
Corporate Reorganization	The issuer in this offering, Cricut, Inc., is a Delaware corporation and is a wholly owned subsidiary of Cricut Holdings. Pursuant to the terms of the Corporate Reorganization that will be completed prior to the consummation of this offering, Cricut Holdings will dissolve and, in liquidation, will distribute all of the shares of capital stock of Cricut, Inc. to its members in accordance with the limited liability company agreement of Cricut Holdings. See the section titled "Corporate Reorganization" for additional information.

The number of shares of our common stock that will be outstanding after this offering is based on an aggregate of shares of our Class B common stock outstanding as of December 31, 2020, and includes:

- shares of our Class B common stock that were outstanding as of December 31, 2020, upon consummation of the Corporate Reorganization (based on an assumed initial offering price of $ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus); and
- shares of our Class B common stock that are issuable upon settlement of phantom units, in jurisdictions where permitted, that were outstanding as of December 31, 2020, which settlement will occur in connection with the Corporate Reorganization (based on an assumed initial offering price of $ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus).

The number of shares of our common stock outstanding as of December 31, 2020 excludes the following:

- shares of Class A common stock reserved for future issuance under our equity compensation plans, consisting of:
  - shares of Class A common stock reserved for future issuance under our 2021 Equity Incentive Plan, or our 2021 Plan (including shares of Class A common stock issuable upon the exercise of stock options and vesting and settlement of RSUs which we intend to grant in connection with this offering as set forth below), as well as any annual increases in the number of shares of Class A common stock reserved for future issuance under our 2021 Plan, which plan will become effective in connection with the completion of this offering;

- shares of Class A common stock reserved for future issuance under our 2021 Plan including shares of Class A common stock (based on an assumed initial public offering price of $ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus) issuable upon the exercise of stock options which we intend to grant in connection with this offering; and
- additional shares of Class A common stock, subject to increase on an annual basis, reserved for future issuance under our 2021 Employee Stock Purchase Plan, or our 2021 ESPP, which plan will become effective in connection with the completion of this offering.

Except as otherwise indicated or the context otherwise requires, all information in this prospectus assumes:

- the completion of the Corporate Reorganization;
- no vesting and settlement of outstanding incentive units, zero strike price incentive units, or phantom units, as applicable, subsequent to December 31, 2020; and
- no exercise by the underwriters of their option to purchase up to an additional shares of Class A common stock from us in this offering.

SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following tables summarize our consolidated financial and other data. We have derived the summary consolidated statements of operations data for the years ended December 31, 2018 and 2019 from our audited consolidated financial statements and related notes included elsewhere in this prospectus. We have derived the summary consolidated statements of operations data for the nine months ended September 30, 2019 and 2020, and the summary consolidated balance sheet data as of September 30, 2020 from our unaudited consolidated interim financial statements and related notes included elsewhere in this prospectus. Our unaudited consolidated interim financial statements have been prepared on a basis consistent with our audited annual consolidated financial statements appearing elsewhere in this prospectus and, in our opinion, includes all normal recurring adjustments necessary for the fair statement of the financial information contained in those statements. Our historical results are not necessarily indicative of our future results. The following summary consolidated financial and other data should be read in conjunction with the sections titled "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Selected Consolidated Financial and Other Data" and the consolidated financial statements and related notes included elsewhere in this prospectus. The last day of our fiscal year is December 31.

	Year Ended December 31,		Nine Months Ended September 30,	
(in thousands, except for per share amounts)	2018	2019	2019	2020
Consolidated Statements of Operations Data:			(unaudited)	
Revenue:				
Connected machines	$ 147,081	$ 198,144	$ 118,183	$ 245,799
Subscriptions	31,300	53,829	38,218	74,414
Accessories and materials	161,407	234,581	156,522	267,851
Total revenue	339,788	486,554	312,923	588,064
Cost of revenue:				
Connected machines(1)	127,546	176,894	100,658	205,645
Subscriptions(1)	5,027	8,827	6,079	8,961
Accessories and materials(1)	96,119	158,483	103,954	165,833
Total cost of revenue	228,692	344,204	210,691	380,439
Gross profit	111,096	142,350	102,232	207,625
Operating expenses:				
Research and development(1)	24,056	26,674	19,037	27,784
Sales and marketing(1)	30,698	40,110	27,927	39,544
General and administrative(1)	18,363	22,005	13,228	19,368
Total operating expenses	73,117	88,789	60,192	86,696
Income from operations	37,979	53,561	42,040	120,929
Other income (expense):				
Interest income (expense), net	(1,934)	(3,291)	(2,062)	(1,081)
Other income (expense), net	108	(2)	(1)	(163)
Total other income (expense), net	(1,826)	(3,293)	(2,063)	(1,244)
Income before provision for income taxes	36,153	50,268	39,977	119,685
Provision for income taxes	8,721	11,057	8,555	26,555
Net income	$ 27,432	$ 39,211	$ 31,422	$ 93,130
Net income attributable to common stockholders(2)	49,337	39,211	31,422	93,130
Earnings per share attributable to common stockholders, basic and diluted(2)	$ 15.23	$ 12.11	$ 9.70	$ 28.76
Weighted-average common shares outstanding used to compute earnings per share attributable to common stockholders, basic and diluted(2)	3,238,427	3,238,427	3,238,427	3,238,427

(1) Includes stock-based compensation expense as follows:

(in thousands)	Year Ended December 31, 2018	Year Ended December 31, 2019	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2020
			(unaudited)	
Cost of revenue				
Connected machines	$ 11	$ 2	$ 2	$ 5
Subscriptions	51	11	8	22
Accessories and materials	—	—	—	—
Total cost of revenue	62	13	10	27
Research and development	5,467	881	675	1,984
Sales and marketing	2,843	623	307	2,278
General and administrative	2,006	328	205	672
Total stock-based compensation expense	$ 10,378	$ 1,845	$ 1,197	$ 4,961

(2) See Note 1, Note 2 and Note 15 to our consolidated financial statements included elsewhere in this prospectus for an explanation of the methods used to calculate basic and diluted net income per share.

	As of September 30, 2020	
	Actual	As Adjusted(1)(2)
Consolidated Balance Sheet Data:		
(in thousands)		
Cash and cash equivalents	$ 67,507	
Working capital	133,701	
Total assets	419,548	
Term loan, net of current portion	—	
Total liabilities	255,218	
Total stockholders' equity	164,330	

(1) The as adjusted column in the balance sheet data above reflects the sale and issuance of shares of our Class A common stock by us in this offering, at the assumed initial public offering price of $ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

(2) The as adjusted information is illustrative only and will change based on the actual initial public offering price and other terms of this offering determined at pricing. Each $1.00 increase (decrease) in the assumed initial public offering price of $ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, would increase (decrease) each of our cash and cash equivalents, working capital, total assets, term loan, net of current portion, total liabilities and total stockholders' equity by $ million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. We may also increase or decrease the number of shares we are offering. Each increase (decrease) of 1.0 million shares in the number of shares offered by us would increase (decrease) cash and cash equivalents, working capital, total assets, term loan, net of current portion, total liabilities and total stockholders' equity by $ million, assuming the assumed initial public offering price remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

Key Business and Non-GAAP Financial Measures

In addition to the measures presented in our consolidated financial statements, we use the following key business metrics and non-generally accepted accounting principles financial measures to help us evaluate our business, identify trends affecting our business, formulate business plans and make strategic decisions. For more information regarding our use of these non-GAAP financial measures and reconciliations to the most directly comparable financial measures calculated in accordance with generally accepted accounting principles in the United States, or GAAP, see the section titled "Selected Consolidated Financial and Other Data—Key Business Metrics and Non-GAAP Financial Measures."

	As of December 31, 2018	As of December 31, 2019	As of September 30, 2019	As of September 30, 2020
Users (in thousands)	1,685	2,525	2,221	3,681
Percentage of Users Creating in Trailing 90 Days	N/A	64%	60%	63%
Paid Subscribers (in thousands)	417	604	536	1,164

	Year Ended December 31,		Nine Months Ended September 30,	
	2018	2019	2019	2020
Subscription ARPU	$ 23.19	$ 25.57	$ 19.57	$ 23.98
Accessories and Materials ARPU	$ 119.61	$ 111.44	$ 80.14	$ 86.33
EBITDA (in millions)	$ 46.1	$ 62.7	$ 48.4	$ 130.9

RISK FACTORS

Investing in our Class A common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information in this prospectus, including in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations," our consolidated financial statements and related notes and all of the other information in this prospectus, before making a decision to invest in our Class A common stock. If any of the risks actually occur, our business, financial condition, results of operations and prospects could be materially and adversely affected. In that event, the market price of our Class A common stock could decline, and you could lose part or all of your investment.

Summary of Risk Factors

Investing in our Class A common stock involves a high degree of risk because our business is subject to numerous risks and uncertainties, as described below. The principal factors and uncertainties that make investing in our Class A common stock risky include, among others:

- risks regarding our ability to attract and engage with our users, including anticipating their product preferences;
- competitive risks in each of our three segments: Connected Machines, Subscriptions and Accessories and Materials;
- supply chain, manufacturing, distribution and fulfillment risks, including our being primarily dependent on a single China-based manufacturer and on limited sources of supply for components, accessories and materials;
- international risks, including regulation, tariffs that have materially increased our costs and the potential for further trade barriers;
- sales and marketing risks, including our dependence on sales to brick-and-mortar and online retail partners and our need to continue to grow online sales;
- risks relating to the complexity of our business, which includes connected machines, custom tools, hundreds of materials, design apps, e-commerce software, subscriptions, content, international production, direct sales, and retail distribution, particularly for a company of our relative size;
- risks related to product quality, safety and warranty claims and returns;
- risks related to protection of our intellectual property, as well as to cybersecurity and potential data breaches; and
- risks related to our dependence on our Chief Executive Officer.

Risks Related to Our Industry and Business

If we are not able to attract and engage with our users, our business and rate of growth could be adversely affected.

Since launching our first connected machine, we have built a loyal and growing community of users that has reached substantial scale. Our business and rate of growth is dependent upon our ability to attract and engage with our users. We cannot ensure that our efforts to attract and engage with users will be successful or that we will be able to maintain sales to our users. There are a number of factors that could impact our number of users and our ability to increase sales to users, including:

- a decline in the public's interest in do-it-yourself, or DIY, crafting activities;
- pricing, perceived value and ease of use of our connected machines and accessories and materials as well as our subscriptions;
- our ability to satisfy demand for and deliver quality products and value for subscriptions;
- sales of competitive products;
- our failure to broaden our demographic appeal;
- our ability to continue to improve the user experience in each aspect of our business and successfully educate our users about our products;
- our failure to capitalize on growth opportunities;
- our inability to meet the challenges resulting from fast-paced changes in technology;
- the failure of our connected machines to communicate or sync properly with Cricut-authorized design apps, including our Design Space apps, or other third-party applications such as Android, iOS and Windows;
- unsatisfactory experiences with our products, including with respect to the use, purchasing or delivery of our products or with Cricut Member Care, including public disclosure of those experiences through social media or other communications from our community;
- our failure to increase our international presence, including the failure to translate and localize our digital content and subscriptions, or the failure to further expand internationally;
- decreased word-of-mouth referrals from our community or failed marketing efforts; and
- deteriorating general economic conditions or changes in consumer spending preferences or buying trends.

As a result of these factors, we cannot be sure that we will be successful in attracting and engaging with users, or increasing sales to our users, at levels that will be adequate to maintain or grow our business.

Our revenue growth rate and financial performance in recent periods may not be indicative of our future performance, and we expect our revenue growth rate to decline compared to prior years.

We have experienced rapid revenue growth in recent periods, with revenue of $313 million and $588 million for the nine months ended September 30, 2019 and 2020, respectively. You should not rely on our revenue for any previous quarterly or annual period as any indication of our revenue or revenue growth in future periods. As we grow our business, we expect our revenue growth rates to decline compared to prior years due to a number of reasons, including more challenging comparisons to prior periods as our revenue grows, slowing demand for our products and subscriptions, increasing competition, a decrease in the growth of our overall market and our failure to capitalize on growth opportunities. For example, during the COVID-19 pandemic, we have seen significant growth in sales online through the online channels of our brick-and-mortar or online retail partners as well as through our website in 2020, but there can be no assurance that online sales will remain at these levels in the future or that we will be able to continue to significantly grow our online channels.

If we are unable to anticipate user preferences and successfully develop and introduce new, innovative and updated products in a timely manner, our business may be adversely affected.

Our success in maintaining and increasing our user community depends on our ability to identify trends, as well as to anticipate and react to changing preferences, which cannot be predicted with certainty. If we are unable to introduce new or enhanced products, or additional designs and projects, in a timely manner, if such new offerings are not accepted by our user community or if our competitors introduce similar offerings faster than we do, our business may be adversely affected. We also need to successfully educate our users on new offerings or improvements to current offerings. Moreover, our new offerings may not receive market acceptance if preferences change rapidly to different types of personal DIY offerings or away from these types of offerings altogether. Our future success depends in part on our ability to anticipate and respond to these changes as well as to improve the user experience in each aspect of our business. For example, some users find our connected machines to be challenging to use or may require user education in order to operate them efficiently or have the best user experience. If we are not able to make our connected machines easier to use or improve user education and experience, it may have an adverse effect on our business. In addition, failure to anticipate and respond in a timely manner to changing user preferences could lead to, among other things, reduced word-of-mouth referrals, lower sales, lower subscription rates, pricing pressure, lower gross margins, discounting of our existing products and excess inventory levels.

Even if we are successful in anticipating user preferences, our ability to adequately react to and address them will partially depend upon our continued ability to develop and introduce innovative, high-quality products. Development and launch of new or enhanced products is time-consuming and requires significant financial investment, which could result in increased costs and a reduction in our profit margins. We have experienced, and may in the future experience, delays in the planned release dates of new products. Delays could result in adverse publicity (if potential new product announcements are leaked and then delayed), loss of sales and delay in market acceptance, any of which could cause us to lose or fail to engage with existing users or impair our ability to attract new users. In addition, the introduction of new products by competitors could adversely affect our ability to compete. Any delay or failure in the introduction of new products could harm our business, results of operations and financial condition.

Moreover, we must successfully manage the introduction of new or enhanced products, which could adversely affect the sales of our existing products. For instance, users may choose to forgo purchasing existing connected machines in advance of new product launches, and we may experience higher returns from users of existing products after a new product launch occurs. As we introduce new or enhanced products, we may face additional challenges related to managing a more complex supply chain and manufacturing process, including the time and cost associated with onboarding and overseeing additional suppliers, contract manufacturers and third-party logistics partners. We may also face challenges managing the inventory of new or existing products, which could lead to excess inventory and discounting of such products. In addition, new or enhanced products may have varying selling prices and costs compared to legacy products, which could negatively impact our gross margins and results of operations.

We derive a significant portion of our revenue from sales of our connected machines, and a decline in sales of our connected machines would adversely affect our future revenue and results of operations.

We derive a significant portion of our revenue from sales of our connected machines. Any factors adversely affecting sales of our connected machines, including introduction by competitors of comparable machines at lower price points, a maturing product lifecycle, shortages in our supply or inventory of connected machines, a decline in consumer spending or other factors discussed elsewhere in this Risk Factors section, could result in a decline in sales of our connected machines, which would adversely affect our future revenue and results of operations. Moreover, because we derive a significant portion of our revenue from the sale of subscriptions and accessories and materials as an extension of the sales and use of our connected machines, any material decline in the sales and use of our connected machines would also have a pronounced impact on the sales of subscriptions and accessories and materials, which would adversely affect our future revenue and results of operations.

Our results of operations could be adversely affected if we are unable to accurately forecast consumer demand for our products or adequately manage our inventory, the manufacturing capacity of our contract manufacturers or their component supply.

Our ability to accurately forecast demand could be affected by many factors, including changes in consumer demand for our products, changes in demand for the products of our competitors, unanticipated changes in general market or economic conditions or changes in consumer confidence in future economic conditions. This risk may be exacerbated by the fact that we do not have the manufacturing capacity or supply-chain flexibility to satisfy short-term demand increases. For example, during the COVID-19 pandemic and stay-at-home orders, we saw significant growth in sales in 2020, which has strained our inventory levels and caused shortages that likely resulted in lost sales. If we fail to accurately forecast consumer demand, we may experience insufficient or excess inventory levels or a shortage or surplus of products available for sale. If we underestimate demand or are otherwise unable to meet consumer demand, we could experience loss of revenue, reputational harm and damaged relationships, including through social media or other communications from our community, and adversely affect our business, financial condition and results of operations. If we forecast inventory levels in excess of consumer demand, this may result in inventory write-downs or write-offs and the sale of excess inventory at discounted prices, which would cause our gross margins to suffer and could impair the strength and premium nature of our brand image.

We depend on sales to brick-and-mortar and online retail partners, including a limited number of sophisticated key brick-and-mortar and online retail partners. The loss or substantial decline in volume of sales to any of our key brick-and-mortar and online retail partners could adversely affect our financial performance.

Our financial performance has been and will continue to be significantly determined by our success in attracting and retaining brick-and-mortar and online retail partners. For the nine months ended September 30, 2020, our top seven brick-and-mortar and online retail partners accounted for 62% of product revenue. We anticipate that this concentration will continue for the foreseeable future.

We are dependent on our brick-and-mortar and online retail partners to manage the sales of our products in their stores and on their websites. For example, we depend on brick-and-mortar retail partners to provide adequate and attractive space for our products and point of purchase displays in their stores and to employ, educate and motivate their sales personnel to sell our products. We also depend on our brick-and-mortar and online retail partners to adequately market our products on their websites and provide a positive online shopping and shipping experience for their customers. However, we generally do not have significant input or control over the display or promotion of our products by our brick-and-mortar and online retail partners, and they are generally not prohibited from promoting products of our competitors.

Our key brick-and-mortar and online retail partners have demanded and may in the future demand heightened security, product safety or packaging requirements and specified service levels. If we fail to meet these requirements, we may not only lose a brick-and-mortar and online retail partner, but we may have to pay significant punitive costs or retailer-imposed fines for such failures. We also impose policies and guidelines on our brick-and-mortar and online retail partners through our contractual agreements. If a retailer fails to follow the policies and guidelines in our sales agreements, we may choose to temporarily or permanently stop shipping product to that retailer, which could adversely affect our revenue and results of operations.

Because our key brick-and-mortar and online retail partners have dominant positions in their markets, a loss of any key retailer may not be easily replaced. The loss or substantial decline in volume of sales to our key brick-and-mortar and online retail partners would adversely affect our financial performance. Moreover, if we are not able to meet demand from our key brick-and-mortar and online retail partners, they may limit or eliminate our shelf space, fail to feature our products on their websites or cease to offer our products and instead offer or promote products from our competitors who are able to meet their demands.

If the financial condition of one or more of our key brick-and-mortar and online retail partners weakens, a key retailer stops selling our products or uncertainty regarding demand for some or all of our products causes one or more of these brick-and-mortar and online retail partners to reduce its ordering and marketing of our products, it could decrease revenue from sales to brick-and-mortar and online retail partners and adversely affect our total revenue. Financial difficulties for one or more of our key brick-and-mortar and online retail partners could also expose us to financial risk if such retailer were unable to pay for the products purchased from us. We may not be able to collect our receivables from our brick-and-mortar and online retail partners, or we may incur significant expense in attempting to collect receivables, which would materially and adversely affect our profitability and cash flows from operations. For example, the COVID-19 pandemic has had a material adverse effect on many retail chains generally, many of whom were required to close their stores for periods of time, and some of which have gone out of business. While the challenges that many retail chains experienced during the COVID-19 pandemic have not had a material adverse effect on our business, such challenges could negatively affect our business and results of operations in the future.

Our long-term growth is dependent upon our ability to increase online sales through the websites of our brick-and-mortar and online retail partners as well as through our own website. If we do not effectively grow our online channels while reducing our reliance on our other sales channels, our business, financial condition, results of operations and profitability could be harmed.

Our ability to continue our revenue growth and increase our profitability depends in part upon our ability to successfully implement certain strategic go-to-market initiatives, including expanding our online sales presence while continuing to work with key brick-and-mortar and online retail partners. Our online sales include online sales through the websites of our brick-and-mortar and online retail partners as well as through our own website cricut.com. In the year ended December 31, 2019 and in the nine months ended September 30, 2020, 48% and 49%, respectively, of our revenue was generated from these online channels. During the COVID-19 pandemic, we have seen significant growth in sales from online channels in 2020, but there can be no assurance that online sales will remain at these levels in the future or that we will be able to continue to significantly grow our online channels.

To successfully grow our sales through cricut.com, we must continue to drive traffic to our website, convert a larger percentage of potential brick-and-mortar and online retail partner sales to our website and create and maintain a streamlined and intuitive online shopping experience. Increasing sales through cricut.com may be costly and may place increased demands on our operational, managerial, administrative and other resources. We are dependent on our brick-and-mortar and online retail partners to manage their own e-commerce operations effectively and to promote our products through those channels. We or our brick-and-mortar and online retail partners may be unable to effectively address the challenges involved with increasing online sales, which could negatively affect our results of operations and financial condition.

Sales through online channels, either through cricut.com or our online retail partners' websites, could reduce sales by our current brick-and-mortar retail partners, which could adversely affect our relationship with our brick-and-mortar retail partners, particularly those that do not have a strong online presence. Based on our strategic initiative to increase sales through online channels, our brick-and-mortar retail partners may decide not to adequately display our products in store, choose to reduce the in-store space for our products, locate our products in less than premium positioning in their store, choose not to carry some or all of our products or promote competitors' products over ours in store, and as a result, our sales could decrease and our business could be harmed.

If we are not successful in effectively and sustainably growing our online sales channels, through cricut.com and our brick-and-mortar and online retail partners' websites, our business, financial condition, results of operations and profitability could be harmed.

If we are unable to maintain or increase our subscriptions, or if existing users do not renew their subscriptions, our future revenue and results of operations could be harmed.

As of September 30, 2020, approximately one in three of our users was a Paid Subscriber. If we are unable to maintain or increase subscriptions, which have higher margins than our other products, our future revenue and results of operations could be harmed. Our Paid Subscribers have no contractual obligation to renew their subscriptions to Cricut Access or Cricut Access Premium after the expiration of their initial subscription term, and our subscriptions may be offered on a monthly and annual basis. The images and designs on our platform are available for purchase à la carte, which may limit the incentive for users to purchase subscriptions. Our ability to increase new subscriptions may decline or fluctuate as a result of a number of factors, including seasonality, the quality of images and projects we offer, the number of new features and capabilities only offered through our subscriptions, the prices of products offered by our competitors and the budgets and consumer spending habits of our users. If our users do not renew their subscriptions or if additional users do not purchase subscriptions, our future revenue and results of operations could be harmed. To the extent that users of our free design apps do not purchase images, projects or products à la carte or convert to a subscription, our future revenue and results of operations could be harmed. Finally, any future changes to our subscription model could make our subscriptions less attractive to users or reduce our margins on subscriptions, which could negatively affect our future revenue and results of operations.

We operate in a highly competitive market and we may be unable to compete successfully against existing and future competitors.

The markets in which we participate, including the traditional craft market and the other creative or DIY markets we touch, are highly competitive with limited barriers to entry. We operate and manage our business in three reportable segments: Connected Machines, Subscription and Accessories and Materials. We face competition in every aspect of our business, but particularly in Accessories and Materials. Many accessories and materials produced by our competitors, including the private label products of some of our retail partners, are compatible with our connected machines and are often available for purchase through our retail partners. Our competitors may offer competing accessories and materials at lower price points or with different features than our products. Moreover, we expect the competition in the accessories and materials DIY market to intensify in the future as new and existing competitors introduce new or enhanced products that may compete with our product lines. Because we derive a significant portion of our revenue from the sales of accessories and materials, any material decline in such sales would have a pronounced impact on our future revenue and results of operations.

We also experience competition in connected machines from sellers of both connected and manual cutting and other machines. For example, Brother, Graphtec and Silhouette America sell cutting machines, and a number of companies sell heat press machines. Our Subscriptions business, which provides users with fonts and images for making designs, competes with free content available on the Internet.

With respect to all of our segments, introduction by competitors of comparable products at lower price points, a maturing product lifecycle, a decline in consumer spending or other factors could result in a decline in our revenue derived from our products, which may adversely affect our business, financial condition and results of operations.

As our product categories mature, new competitive forces and competitors may emerge. As we expand our product offerings, we may begin to compete in new product offerings with new competitors. Our competitors may develop, or have already developed, products, features, content, services or technologies that are similar to ours or that achieve greater market acceptance, undertake more successful product development efforts, create more compelling employment opportunities or marketing campaigns or may adopt more aggressive pricing policies. Our competitors may develop or acquire, or have already developed or acquired, intellectual property rights that significantly limit or prevent our ability to compete effectively in the public marketplace. In addition, our competitors may have significantly greater resources than we do, allowing them to identify and capitalize more efficiently upon opportunities in new markets and consumer preferences and trends, quickly transition and adapt their products, devote greater resources to marketing

and advertising or better position themselves to withstand substantial price competition. If we are not able to compete effectively against our competitors, they may acquire and engage our users or generate revenue at the expense of our efforts, which could adversely affect our business, financial condition and results of operations.

Sales of copycat products or unauthorized "gray market" products by brick-and-mortar and online retail partners or distributors could adversely affect our authorized distribution channels and harm our reputation, business and results of operations.

Copycat companies or products may attempt to imitate our connected machines and accessories and materials, our brand or the functionality of our products. When consumers purchase copycat products in lieu of our products, it negatively affects our business and results of operations. In the past, when we have become aware of such products, we have employed technological or legal measures in an attempt to halt their distribution, and we plan to continue to employ such measures in the future. However, we may be unable to detect all copycat products in a timely manner, and, even if we could, technological and legal measures may be insufficient to halt their distribution. In some cases, particularly in the case of brick-and-mortar and online retail partners and distributors operating outside of the United States, our available remedies may not be adequate to protect us against the effect of such copycat products. Regardless of whether we can successfully enforce our rights against the producers of these products, any measures that we may take could require us to expend significant financial or other resources, which could harm our business, results of operations or financial condition. For example, we are currently aware of certain unauthorized copycat products, such as mats and other accessories, that are actively marketed for use with our connected machines and are available through certain major online retail partners. We have taken legal action against certain of the producers of these copycat products and anticipate expending significant financial or other resources in the future to combat these products. In addition, to the extent that sales of copycat products create confusion or experiences with our products among consumers, our brand and business could be harmed. For example, in some cases, users purchase copycat products believing them to be Cricut products and then inaccurately attribute defects with those products to Cricut, which would adversely affect our reputation. In other cases, our users purchase copycat accessories to use with their connected machine, but since the copycat accessories are not calibrated correctly to work with our connected machines, they may have a negative experience and attribute it to the connected machine.

Further, some of our products may find their way to unauthorized outlets or distribution channels. This "gray market" for our products can undermine authorized brick-and-mortar and online retail partners and distributors who promote and support our products and can damage our reputation and business, and we may have to spend significant time and resources in the future to challenge such copycat products and unauthorized "gray market" products.

Competitive pricing pressures, including with respect to our products, subscriptions and shipping, may harm our business and results of operations.

If we are unable to sustain pricing levels for our products and subscriptions, whether due to competitive pressure or otherwise, our gross margins could be significantly reduced. Our portfolio of connected machines range from $179.99 to $399.99 MSRP, and subscription offerings range from $9.99 per month to $95.88 per year for Cricut Access or $119.88 per year for Cricut Access Premium, which includes all of the benefits of Cricut Access as well as additional discounts and preferred shipping. Within our accessories and materials, our SKUs range in price from $0.99 to $239.99.

Demand for our products can be sensitive to price, especially in times of slow or uncertain economic growth and consumer economic conservatism. Many factors can significantly impact our pricing strategies, including production and personnel costs, as well as other factors outside of our control, such as consumer sentiment, increases in the price of raw materials, and our competitors' pricing and marketing strategies. Changes in our pricing strategies have had, and may continue to have, a significant impact on our revenue and net income. From time to time, we have made changes to our pricing structure to remain competitive, because if we fail to meet our brick-and-mortar and online retail partners' and users' price expectations, we could lose sales. Furthermore, brick-and-mortar and online retail partners may choose to offer promotions

or sales on our products, including our connected machines, and we may have to match those prices on our own website to continue to attract users to our website to make purchases, which could affect our business and results of operations.

Many of our accessories and materials, including vinyl, iron-on vinyl, paper, metal, laminate, leather, fabric, stationery, stickers and other merchandise, are also offered by our competitors at lower prices or with free or accelerated shipping timelines that we either are unable to or choose not to match. Accordingly, if a user runs out of materials during a project, they may opt to purchase a replacement from a competitor or other online retail partner, such as Amazon, to receive one or two-day shipping, which we may not be able to offer. In addition, many of our competitors discount our accessories and materials or competitors' accessories and materials at significant levels, and, as a result, we may be compelled to change our discounting strategy, which could impact our business and results of operations. If in the future, due to competitor discounting, shipping or other marketing strategies, we significantly reduce our prices on our products without a corresponding increase in sales volume, it would negatively impact our revenue and could adversely affect our gross margins and overall profitability.

Further, our decisions around the development of new products and subscriptions are grounded in assumptions about eventual pricing levels. If there is price compression in the market after these decisions are made, our business and results of operations could be adversely affected.

If we are not able to accurately estimate variable consideration from sales incentives each quarter, it could affect revenue in future periods.

We participate in promotional and rebate programs with our key brick-and-mortar and online retail partners to enhance the sale of our products. These promotional programs consist of incentives or entitlements to our customers, such as advertising allowances, volume and growth incentives, business development, product damage allowances and point-of-sale support. Sales incentives are considered to be variable consideration, which we estimate each quarter using the expected value method or most likely amount, based upon the nature of the incentive. Sales are reduced by the cost of these promotional and rebate programs and we record a related customer rebate liability in our consolidated balance sheets at the date of the transaction. To the extent that our estimates of variable consideration from sales incentives each quarter are not accurate, it could affect our revenue in future periods.

We have grown rapidly in recent years and have limited operating experience at our current scale of operations. If we are unable to manage our growth and the complexity of our business effectively, our brand, company culture and financial performance may suffer.

We have grown rapidly in recent years and have limited operating experience at our current size. For example, our revenue has grown from $340 million to $487 million for the years ended December 31, 2018 and 2019, respectively. In addition, between January 1, 2019 and September 30, 2020, our employee headcount increased from over 350 to over 510, and we expect headcount growth to continue for the foreseeable future. Further, as we grow, our business becomes increasingly complex, particularly for a company of our relative size. To effectively manage and capitalize on our growth, we must continue to forecast demand and manage our supply chain, expand our sales and marketing, focus on innovative product development, upgrade and secure our management information systems and other processes and obtain more space for our expanding staff. Our continued growth and complexity could strain our existing resources, and we could experience ongoing operating difficulties in managing our business across numerous jurisdictions, including difficulties in hiring, training and managing a diffuse and growing employee base. Failure to scale with growth could harm our future success, including our ability to effectively focus on and pursue our corporate objectives. Moreover, the complicated nature of our business, in which we design our own products, develop our own design apps, rely on third-party manufacturers and sell our products through brick-and-mortar and online retail partners, as well as through our website, exposes us to risk and disruption at many points that are critical to successfully operating our business and may make it more difficult for us to scale our business. If we do not adapt to meet these evolving challenges, including hiring and maintaining the right number of employees for each aspect of our business, or if our management team does not effectively scale with our growth, we may experience erosion to our brand, the quality of our products may suffer and our company culture may be harmed.

Our growth strategy contemplates an increase in our advertising and other sales and marketing spending, which represented 9% and 7% of revenue in the nine months ended September 30, 2019 and 2020, respectively. Successful implementation of our growth strategy will require significant expenditures before any substantial associated revenue is generated, and we cannot guarantee that these increased investments will result in corresponding and offsetting revenue growth.

Because we have a limited history of operating our business at its current scale, it is difficult to evaluate our current business and future prospects, including our ability to plan for and model future growth and anticipate the risks that may affect our business. This limited operating experience, combined with the complexity of our business and rapidly evolving nature of the market in which we sell our products, raises substantial uncertainty concerning how these markets and other economic factors beyond our control may develop and reduces our ability to accurately forecast quarterly or annual revenue. Failure to manage our future growth effectively could adversely affect our business, financial condition and results of operations.

Our business is affected by seasonality.

Our business has historically been influenced by seasonal trends. We generate a disproportionate amount of sales activity related to our products during the fourth quarter, due in large part to seasonal holiday demand. For example, in 2018 and 2019, our fourth quarter represented % and % of total revenue for the year, respectively. Our promotional discounting activity is also higher in the fourth quarter as well, which negatively impacts gross margin during this period. Accordingly, adverse events that occur during these months could have a disproportionate effect on our results of operations for the entire fiscal year. In contrast, sales of accessories and materials typically slow in the second quarter of the year in connection with school summer holidays. Seasonality in our business can also be affected by introductions of new or enhanced products, including the costs associated with such introductions. Furthermore, our rapid growth in recent years may obscure the extent to which seasonality trends have affected our business and may continue to affect our business. Accordingly, yearly or quarterly comparisons of our results of operations may not be useful and our results in any particular period will not necessarily be indicative of the results to be expected for any future period. Moreover, we have experienced a significant increase in sales since the outbreak of the COVID-19 pandemic, and the development of a vaccine and/or normalized full-time return to work trends may negatively impact demand for our products and subscriptions, and our sales activity may diminish as a result.

Our quarterly results of operations and other operating metrics may fluctuate from quarter to quarter, which makes these metrics difficult to predict.

Our quarterly results of operations and other operating metrics have fluctuated and may continue to fluctuate in the future. Additionally, our limited operating history at our current scale of operations makes it difficult to forecast our future results. As a result, you should not rely on our past quarterly results of operations as indicators of future performance. Our financial condition, results of operations and operating metrics in any given quarter can be influenced by numerous factors, many of which we are unable to predict or are outside of our control, including those discussed in this Risk Factors section and:

- the continued market acceptance, and the growth, of the personal craft market;
- our ability to attract and engage our users, leading to increased sales to them;
- our development and improvement of the quality of our user experience, including enhancement of existing products, creation of new products, technology and features and licensing of new content;
- the continued development and upgrading of our proprietary software;
- the timing and success of new products, features and content introductions by us or our competitors or any other change in the competitive landscape of the markets in which we operate;
- pricing pressure as a result of competition or otherwise;

- delays or disruptions in our supply chain;
- errors in our forecasting of the demand for our products, which could lead to lower revenue, increased costs or both;
- increases in marketing, sales and other operating expenses;
- seasonal fluctuations in subscriptions, engagement by users and purchases of accessories and materials;
- the mix of our products sales from period to period;
- our ability to maintain gross margins and operating margins;
- system failures or breaches of security or privacy;
- adverse litigation judgments, settlements or other litigation-related costs;
- changes in the legislative or regulatory environment, including with respect to privacy, data protection and security, consumer product safety and advertising or enforcement by government regulators, including fines, orders or consent decrees;
- fluctuations in currency exchange rates and changes in the proportion of our revenue and expenses denominated in foreign currencies;
- changes in our effective tax rate;
- changes in accounting standards, policies, guidance, interpretations or principles; and
- changes in business or macroeconomic conditions, including the impact of the current COVID-19 outbreak, lower consumer confidence, recessionary conditions, increased unemployment rates or stagnant or declining wages.

Any one of the factors above or the cumulative effect of some of the factors above may result in significant fluctuations in our results of operations.

The variability and unpredictability of our quarterly results of operations or other operating metrics could result in our failure to meet our or investors' expectations or those of analysts that cover us with respect to revenue or other results of operations for a particular period. If we fail to meet such expectations, the market price of our Class A common stock could fall substantially, and we could face costly lawsuits, including securities class action suits.

Our future growth depends in part on further penetrating our SAM and TAM and we may not be successful in doing so.

We believe that our growth depends on our ability to reach our market opportunity in terms of our SAM, which includes active creatives who we address with our current products and price points, and our TAM, which includes potential creatives who we believe we can reach over the long term as we make products for new uses and products that are more accessible, even easier to use and available at a broad set of price points. See the section titled "Business – Our Opportunity." We assess our SAM and TAM in the United States and Canada, as well as internationally. We believe that in order to further penetrate our SAM and TAM, we must continually improve ease of use and user experience, launch new products in new categories and expand internationally. For example, some users find our connected machines to be challenging to use or may require user education in order to operate them efficiently or have the best user experience. If we are not able to make our connected machines easier to use or improve user education and experience, we may not be able to expand our SAM and TAM. Our SAM and TAM are representative of a broad demographic. However, historically we have served a largely female demographic representing 96% of our users as of September 30, 2020. We continue to explore additional offerings that address new categories that will appeal to a wider demographic. Any new offerings may not appeal to current consumer preferences and may not be accepted by our user community or potential new users. While we believe our growth depends on our ability to expand our sales into our SAM and our TAM, we cannot be certain that we will be successful in doing so.

Our focus on delivering a high-quality product, which may not maximize short-term financial results, may yield results that conflict with the market's expectations and could result in our stock price being negatively affected.

We focus on delivering a high-quality product, which may not necessarily maximize short-term financial results. We operate on the conviction that focusing on the needs of our users and our employees will produce positive results for our owners over the long term. We frequently make business decisions that may reduce our short-term financial results if we believe that the decisions are consistent with our goals to improve our users' experience, which we believe will improve our financial results over the long term. These decisions may not be consistent with the short-term expectations of our stockholders or produce the long-term benefits that we expect, which could hinder the growth of the number and engagement of our users and harm our business, financial condition and results of operations.

Any failure to successfully implement new technology or upgrade our information technology systems, or any major disruption or failure of our information technology systems or websites, could adversely affect our business and operations.

Certain of our information technology systems are designed and maintained by us and are critical for the efficient functioning of our business, including the manufacture and distribution of our products, online sales of our products and the ability of our users to access their content and designs. Our rapid growth has, in certain instances, strained these systems. As we grow, we continue to implement modifications and upgrades to our systems, including sunsetting the use of internal servers and the implementing a company-wide product lifecycle management system. These changes subject us to inherent costs and risks associated with replacing and upgrading these systems, including, but not limited to, impairment of our ability to fulfill brick-and-mortar and online retail partners orders and other disruptions in our business operations. Further, our system implementations may not result in productivity improvements at a level that outweighs the costs of implementation, or at all.

Our platform is complex and multifaceted, and operational and performance issues could arise both from the platform itself and from outside factors, such as cybersecurity attacks or other third-party attacks. Errors, failures, vulnerabilities or bugs have been found in the past, and may in the future be found. Our platform also relies on third-party technology and systems to perform properly, and our platform is often used in connection with computing environments utilizing different operating systems, system management software, equipment and networking configurations, which may cause errors in, or failures of, our platform or such other computing environments. Operational and performance issues with our platform could include the failure of our user interface, outages, errors during upgrades or patches, unanticipated volume overwhelming our systems, server failure or catastrophic events affecting one or more server farms. While we have built redundancies in our systems, full redundancies do not exist, and some failures could shut our platform down completely. As our user community grows and their usage of our services increases, we will be required to make additional investments in network capacity to maintain adequate data transmission speeds, the availability of which may be limited, and the cost of which may be on terms unacceptable to us. If adequate capacity is not available to us as our users' usage increases, our network may be unable to achieve or maintain sufficiently high reliability or performance. In the event that our users are unable to access our platform or suffer operational issues with our platform, it could negatively affect their experience with our products and platform and harm our reputation.

In addition, any unexpected technological interruptions to our systems, internal servers or websites could disrupt our operations, including our ability to process orders, timely ship and track product orders, project inventory requirements, manage our supply chain, sell our products online, provide Cricut Member Care and otherwise adequately serve our community. Specifically, a portion of our online sales comes directly from cricut.com, and any system interruptions or delays could prevent potential customers from purchasing our products directly from us. If users or potential customers fail to purchase our products directly from us, or if we are otherwise unable to maintain an efficient and uninterrupted operation of online order-taking and fulfillment operations, our revenue will be negatively impacted. In the event we experience significant disruptions or are unable to repair our systems in an efficient and timely manner, it could adversely affect our business, financial condition and results of operations.

Our sales to brick-and-mortar and online retail partners can be subject to lower gross margins, heightened product or packaging requirements or long ramp up times.

Our top seven brick-and-mortar and online retail partners, measured by the product revenue we derive from them, accounted for 62% of product revenue for the nine months ended September 30, 2020. Gross margins from sales to retailers may decline as a result of a number of factors outside our control, including tariffs as a result of trade wars and our reliance on a primary contract manufacturer which holds influence over the supply chain. This may magnify the impact of variations in revenue and operating costs on our results of operations, which in turn could adversely affect our overall margins and profitability. We had in 2018 and 2019, and may continue to have in the future, low gross margins in the early stages of our relationships with certain brick-and-mortar and online retail partners, particularly international brick-and-mortar and online retail partners that often require significant ramp-up periods, which has and may in the future adversely affect our total revenue. To compete effectively, we have been, and may in the future decide to offer significant discounts to large brick-and-mortar and online retail partners at lower margins or reduce or withdraw from existing relationships with smaller brick-and-mortar and online retail partners, which could negatively impact our revenue and could adversely affect our gross margins and overall profitability.

We rely on a limited number of distributors to generate a portion of our sales, particularly in our international target markets. The loss of, or a substantial decline in, volume of sales from any of our key distributors could adversely affect our financial performance.

We rely on a limited number of distributors for certain domestic sales, including to help establish relationships with certain retailers, and primarily sell through distributors internationally. If we lose any of our key distributors, particularly in our international target markets, if we are unable to meet our key distributors' demand requirements or if our key distributors sell competing products, our business and results of operations could be adversely affected. Moreover, because certain of our key distributors may have dominant positions in their markets, such key distributors may not be easy to replace and the loss of a key distributor could also impact our relationships with certain retailers. Any loss of market share or financial difficulties faced by our key distributors, including bankruptcy and financial restructuring, could adversely affect our financial performance.

We also continue to pursue direct to retailer sales, which may impact our relationships with existing distributors. In the future, we may choose to temporarily or permanently stop shipping product to distributors who do not follow the policies and guidelines in our sales agreements, which could adversely affect our revenue and results of operations.

Additionally, our international distributors generally buy from us in U.S. dollars and generally sell to retailers in local currency, so significant currency fluctuations could affect their profitability, and in turn, affect their ability to buy products from us in the future. For example, the COVID-19 pandemic has created significant short-term volatility in global stock markets and has caused currency exchange rate fluctuations that make it more expensive for international distributors to purchase our products. Any reduction in sales by our international retailers could harm our international expansion and adversely affect our future growth.

Our future success depends on the continuing efforts of our key employees and our ability to attract and retain highly skilled personnel and senior management.

Our future success depends, in part, on our ability to continue to identify, attract, develop, integrate and retain qualified and highly skilled personnel, including senior management, engineers, designers, product managers, logistics and supply chain personnel, retail managers and Cricut Member Care personnel. In particular, we are highly dependent on the services of Ashish Arora, our Chief Executive Officer and the founder of our current product family and business model, who is critical to the development of, future vision for and strategic direction of our business. We also heavily rely on the continued service and performance of our senior management team, which provides leadership, contributes to the core areas of our business and helps us to efficiently execute our strategic direction. If our senior management team, including any new hires that we make, fails to work together effectively and to execute our plans and strategies on a timely basis, then our business and future growth prospects could be harmed.

Additionally, the loss of any key personnel could make it more difficult to manage our operations and research and development activities, reduce our employee retention and revenue and impair our ability to compete. In connection with this offering, we will enter into employment letters with our key personnel. These letters have no specific duration and constitute at-will employment. We do not maintain key person life insurance policies on any of our employees.

Competition for highly skilled personnel in our industry is often intense. We may not be successful in attracting, integrating or retaining qualified personnel to fulfill our current or future needs. We have from time to time experienced, and we expect to continue to experience, difficulty in hiring and retaining highly skilled employees with appropriate qualifications. In addition, job candidates and existing employees often consider the value of the equity awards they receive in connection with their employment. If the perceived value of our Class A common stock declines, it may adversely affect our ability to hire or retain highly skilled employees. In addition, we may periodically change our equity compensation practices, which may include reducing the number of employees eligible for equity awards or reducing the size of equity awards granted per employee. If we are unable to attract, integrate or retain the qualified and highly skilled personnel required to fulfill our current or future needs, our business and future growth prospects could be harmed.

Our success depends on our ability to maintain the value and reputation of the Cricut brand.

We believe that our brand is important to our large and loyal community of users, many of whom become deeply engaged with our brand. Maintaining, protecting and enhancing our brand depends largely on the success of our marketing efforts, our ability to provide consistent, high-quality products, services, features, content and support and our ability to successfully secure, maintain and defend our rights to use the Cricut, Cricut Access, Cricut EasyPress, Cricut Explorer, Cricut Maker and Design Space marks and other trademarks important to our brand or that we develop in the future. Our brand value also depends on our ability to maintain a positive user perception of our corporate integrity and culture. We believe that the importance of our brand will increase as competition further intensifies and brand promotion activities may require substantial expenditures. Our brand could be harmed if we fail to achieve these objectives or if our public image were to be tarnished by negative publicity, including through social media or other communications from our community. Unfavorable publicity about us, including our products, technology, Cricut Member Care, content, personnel and suppliers could diminish confidence in, and the use of, our products. Such negative publicity also could adversely affect the size, engagement and loyalty of our user base or the effectiveness of word-of-mouth marketing, and result in decreased revenue, or require us to expend additional funds for marketing efforts, which could adversely affect our business, financial condition and results of operations.

We rely on Amazon Web Services for a substantial portion of our computing, storage, data processing, networking and other services. Any disruption of or interference with our use of Amazon Web Services or other third-party services could adversely affect our business, financial condition and results of operations.

We rely on Amazon Web Services for a substantial portion of our computing, storage, data processing, networking and other services. Any significant disruption of, or interference with, our use of Amazon Web Services could adversely affect our business, financial condition and results of operations. Amazon Web Services has broad discretion to change and interpret the terms of service and other policies with respect to us, and those actions may be unfavorable to our business operations. Amazon Web Services may also take actions beyond our control that could seriously harm our business, including discontinuing or limiting our access to one or more services, increasing pricing terms, terminating or seeking to terminate our contractual relationship altogether or altering how we are able to process data in a way that is unfavorable or costly to us. Although we expect that we could obtain similar services from other third parties, if our arrangements with Amazon Web Services were terminated, we could experience interruptions on our platform and in our ability to make our content available to users, as well as delays and additional expenses in arranging for alternative cloud infrastructure services. Any transition of the cloud services currently provided by Amazon Web Services to another cloud provider would be difficult to implement and will cause us to incur significant time and expense.

Additionally, we are vulnerable to service interruptions experienced by Amazon Web Services and other providers, and we expect to experience interruptions, delays or outages in service availability in the future due to a variety of factors, including infrastructure changes, human, hardware or software errors, hosting disruptions and capacity constraints. Outages and capacity constraints could arise from a number of causes such as technical failures, natural disasters, fraud or security attacks. The level of service provided by these providers, or regular or prolonged interruptions in that service, could also affect the use of, and our users' satisfaction with, our products and services and could harm our business and reputation. In addition, hosting costs will increase as user engagement grows, which could harm our business if we are unable to grow our revenue faster than the cost of using these services or the services of other providers. Any of these factors could further reduce our revenue or subject us to liability, any of which could adversely affect our business, financial condition and results of operations.

If we fail to offer high-quality customer support, our business and reputation will suffer.

Once users purchase our products, they depend on Cricut Member Care to resolve technical and operational issues relating to our products. Our ability to provide effective customer support is largely dependent on our ability to attract, train and retain qualified personnel with experience in supporting customers using complex products and software such as ours. We spend significant time and resources in training our Cricut Member Care team to effectively use our software and to resolve any issues that may arise with Design Space, Cricut Access and Cricut Access Premium. A variety of factors including an increase in sales or fluctuation in demand for support due to seasonality or other factors, have and will continue to put additional pressure on our customer support team. In particular, the COVID-19 pandemic-related closure of our offices has forced our Cricut Member Care staff to work from home, which has and may continue to result in work-productivity issues or a decrease in efficiencies, particularly during times of high call volume as we have seen when delivery lead times get longer. We may be unable to respond quickly enough to accommodate short-term increases in demand for technical support. In addition, as we continue to grow our operations and expand internationally, our Cricut Member Care team will face additional challenges, including those associated with delivering support, training and documentation in languages other than English and across various time zones globally. If we are unable to provide efficient customer support globally at scale, our ability to grow our operations may be harmed, and we may need to hire additional support personnel, which could negatively impact our results of operations, particularly if it is not accompanied by a corresponding increase in revenue. In addition, we provide self-service support resources to our users, some of which rely on engagement and collaboration by and with other users. If we are unable to continue to develop self-service support resources that are easy to use and allow our users to resolve their technical issues, or if our users choose not to collaborate or engage with other users on technical support issues, our self-service support resources may not be effective, and our users' experience with our platform may be negatively impacted. Any failure to, or market perception that we do not, maintain high-quality support, including through social media or other communications from our community, could harm our reputation, our ability to attract new users, the engagement of our existing users with our platform and our business, results of operations and financial condition.

Our business depends on the integration of our software across a wide range of desktop and mobile devices and operating systems that are outside of our control.

Users engage with our software across a wide range of desktop and mobile devices and from a number of operating systems that are outside of our control. We are dependent on the interoperability of our software, as well as Cricut Access, Cricut Access Premium, Cricut Joy App, Design Space and other design apps, with popular desktop and mobile operating systems, such as Android and iOS. Any changes in such systems that degrade the functionality of our software or design apps or give preferential treatment to competitors could adversely affect our software's usage on desktop and mobile devices. To deliver high-quality images and projects, it is important that our software is designed effectively and works well with a range of third-party desktop and mobile systems, networks and standards. We may not be successful in developing relationships with key participants with original equipment manufacturing or mobile industry or in developing software that operate effectively with these technologies, systems, networks or standards. For example, mobile network operators or operating system providers could block or place onerous restrictions on the ability to download and use our software.

Outside of the United States, it is possible that governments of one or more countries may seek to censor images or projects available on our software or website or even attempt to block access to our website or design apps. If we are restricted from operating in one or more countries, our ability to attract and engage users in those regions may be adversely affected, and we may not be able to grow our business as we anticipate.

Failures in Internet infrastructure or interference with broadband access, including regulatory actions, could cause current or potential users to believe that our platform system or design apps are unreliable, possibly leading our users to switch to our competitors or to avoid using our products and subscriptions.

Many of our products and our subscriptions depend on our users' high-speed broadband access to the Internet. Increasing numbers of users and increasing bandwidth requirements may degrade the performance of our users' Internet access and therefore their access to or experience with our services and design apps. In particular, during the COVID-19 pandemic, many people are working or attending school from home, significantly increasing the number of users and volume of data on residential Internet systems. If Internet access service providers have outages or deteriorations in their quality of service, our users will not have access to our platform or may experience a decrease in the quality of our services. Frequent or persistent interruptions, even if resulting from users' personal Internet access rather than our systems, could cause current or potential users to believe that our systems or services are unreliable, leading them to switch to our competitors or avoid using our products and subscriptions, and could permanently harm our reputation and brands.

In addition, users who access our subscriptions and design apps through mobile devices, such as smartphones and tablets, should utilize a high-speed connection, such as Wi-Fi, 4G, 5G or LTE, to ensure the best experience with our services and design apps. Currently, this access is provided by companies that have significant and increasing market power in the broadband and Internet access marketplace, including incumbent phone companies, cable companies and wireless companies. These providers could take measures that degrade, disrupt or increase the cost of user access to high-speed Internet connections, any of which would make our design apps and subscriptions less attractive to users, and reduce our revenue. Failures of Internet infrastructure or interference with broadband access may also impact our international expansion in countries that lack widespread high-speed Internet.

Further, in January 2018, the Federal Communications Commission, or the FCC, released an order reclassifying broadband Internet access as an information service, subject to certain provisions of Title I of the Communications Act of 1934. Among other things, the order eliminates rules adopted in 2015 that prohibited broadband providers from blocking, impairing or degrading access to legal content, applications, services or non-harmful devices or engaging in the practice of paid prioritization, e.g., the favoring of some lawful Internet traffic over other traffic in exchange for higher payments. The order was contested in federal court; it was largely affirmed by a three-judge panel but the panel did order the FCC to reconsider certain elements of the repeal. The request for rehearing was denied and the parties declined to appeal the decision to the U.S. Supreme Court. In October 2020, the FCC adopted an order concluding that the issues remanded by the court did not provide a basis to alter its conclusions in the 2018 order. The 2020 order could be subject to further petitions for reconsideration or court appeals. A number of states have enacted or are considering legislation or executive actions that would regulate the conduct of broadband providers. Democratic control of the Executive Branch, Congress and the FCC following the 2020 elections may increase the likelihood of legislative or FCC action to reverse the 2018 order or adopt new national network neutrality rules. We cannot predict whether the FCC order or state initiatives will be modified, overturned or vacated by legal action of the court, federal or state legislation or the FCC. Under the new FCC rules, broadband Internet access providers may be able to charge web-based services such as ours for priority access to customers, which could result in increased costs to us and a loss of existing users, impair our ability to attract new users and materially and adversely affect our business and opportunities for growth.

We may be subject to warranty claims and brick-and-mortar and online retail partner return policies that could result in significant direct or indirect costs, or we could experience greater product returns than expected, either of which could adversely affect our business, financial condition and results of operations.

We generally provide a one-year limited warranty on our connected machines and customer satisfaction guarantees on certain other products, and we permit returns of certain products for a full refund within 15 days of receipt of order. Additionally, our brick-and-mortar and online retail partners and distributors provide users with their own respective warranty and/or return policies relative to our connected machines, accessories and materials and other Cricut products they sell, which in turn flow down to us as a contractual obligation and/or allowance that we must honor. The occurrence of any material defects in our connected machines or certain other products, or the flow-down obligations for brick-and-mortar and online retail partner and distributor returns, could result in an increase in product returns or make us liable for damages and warranty claims and/or returns in excess of our current reserves, which could result in an adverse effect on our business prospects, liquidity, financial condition and cash flows if warranty claims were to materially exceed anticipated levels. In addition, we could incur significant costs to correct any defects, warranty claims or other problems, including costs related to product recalls. We have experienced negative publicity related to the perceived quality and safety of our products, including social media or other communications from our community, and we may experience such negative publicity in the future. Such negative publicity could increase the number of warranty claims made, affect our brand image, decrease user confidence and demand and adversely affect our financial condition and results of operations. Also, while our warranty is limited to repairs and returns, warranty claims may result in litigation, the occurrence of which could adversely affect our business, financial condition and results of operations.

In addition to warranties supplied by us, our brick-and-mortar and online retail partners may offer the option for users to purchase third-party extended warranty and services contracts in some markets, which creates an ongoing performance obligation beyond the warranty period. Extended warranties are regulated in the United States on a state level and are treated differently by each state. Outside the United States, regulations for extended warranties vary from country to country. Changes in interpretation of the insurance regulations or other laws and regulations concerning extended warranties on a federal, state, local or international level may cause us to incur costs or have additional regulatory requirements to meet in the future. Our failure to comply with past, present and future similar laws could result in reduced sales of our products, reputational damage, penalties and other sanctions, which could adversely affect our business, financial condition and results of operations.

Product recalls and/or product liability, as well as changes in product safety and other consumer protection laws, may adversely affect our operations, merchandise offerings, reputation, results of operations, cash flow and financial condition.

We are subject to regulations by a variety of federal, state and international regulatory authorities, including the Consumer Product Safety Act, amended by the Consumer Product Safety Improvement Act of 2008, California Proposition 65 (officially known as the Safe Drinking Water and Toxic Enforcement Act of 1986), the European Union's, or EU's, European Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals and Restriction of Hazardous Substances Directive. While our contracts with our suppliers and manufacturers require them to comply with product safety requirements and quality control standards, one or more of our suppliers or contract manufacturers may fail to adhere to such requirements or standards, and we may not identify the deficiency before merchandise ships to brick-and-mortar and online retail partners or users. These issues may be exacerbated in the case of products like ours that are manufactured outside the United States, as the product safety regimes in some countries may be less robust than in the United States. Any issues of product safety, including but not limited to those manufactured in foreign countries, could cause us to recall some of those products. Furthermore, to the extent we are unable to replace any recalled products, we may have to reduce our product offerings, resulting in a decrease in sales, especially if a recall occurs near or during a period of seasonally higher demand. If our suppliers or manufacturers are unable or unwilling to recall products failing to meet our quality standards, we may be required to recall those products at a substantial cost to us. Moreover, changes in product safety or other consumer protection laws could lead to increased costs to us for certain

merchandise, or additional labor costs associated with readying merchandise for sale. Long lead times on merchandise ordering cycles increase the difficulty for us to plan and prepare for potential changes to applicable laws. The Consumer Product Safety Improvement Act of 2008 imposes significant requirements on manufacturing, importing, testing and labeling requirements for our products. In the event that we are unable to timely comply with regulatory changes or regulators do not believe we are complying with current regulations applicable to us, significant fines or penalties could result and could adversely affect our reputation, results of operations, cash flow and financial condition.

Furthermore, any product defects could make our products and services unsafe, create a risk of property damage and personal injury, harm our reputation and subject us to the hazards and uncertainties of product liability claims and related litigation. For example, we are aware of several situations in which our products were investigated as the potential cause of a fire. While we believe that in each of those cases, the investigations determined a different cause of the fire, any perception that our products are unsafe could harm our reputation and sales and use of our products. We maintain general liability insurance; however, design and manufacturing defects, and claims related thereto, may subject us to judgments or settlements that result in damages materially in excess of the limits of our insurance coverage. In addition, we may be exposed to write-offs of inventory or intangible assets or other expenses such as litigation costs and regulatory fines. If we cannot successfully defend any large claim, maintain our general liability insurance on acceptable terms or maintain adequate coverage against potential claims, our business, results of operations and financial condition could be adversely impacted.

Changes in how we market our products could adversely affect our marketing expenses and revenue.

We use a broad mix of marketing and other brand-building measures to attract potential customers. Traditionally, our users have been our most effective marketing tools, helping to generate robust word-of-mouth referrals, which have been significant drivers of our growth. However, we also employ traditional online advertising as marketing tools or market through third-party social media. As online and social media continue to rapidly evolve and grow more competitive, we must increase our efforts to maintain an advertising presence on these platforms and establish a presence on new or emerging popular social media and advertising and marketing platforms.

If our community of users does not continue to promote our products through word-of-mouth referrals at the same or increasing rates or we otherwise experience a decline in our ability to acquire new users organically, we will need to expend additional resources on advertising and increase our marketing expenses. Moreover, we expect our efforts to attract new users outside of the United States and Canada will require us to spend additional resources, particularly in marketing. If we cannot use marketing tools in a cost-effective manner or if we fail to promote our products efficiently and effectively, our ability to acquire new users and our financial condition may suffer. In addition, an increase in the use of online and social media for product promotion and marketing may increase the burden on us to monitor compliance of such materials and increase the risk that such materials could contain problematic product or marketing claims in violation of applicable regulations.

***User metrics and other estimates are subject to inherent challenges in measurement, and real or perceived inaccuracies in those metrics could harm our business, revenue and financial results*.**

We regularly review metrics, including the number of our users, the number of times users have created on their connected machines in the last 90 days, the number of Paid Subscribers and other measures to evaluate engagement and growth trends, to measure our performance and to make strategic decisions. These metrics are calculated using internal company data and have not been validated by an independent third party. While these numbers are based on what we currently believe to be reasonable estimates for the applicable period of measurement, there are inherent challenges in measuring how our products are used across our user population. If we fail to maintain effective analytics capabilities, our metrics calculations may be inaccurate, and we may not be able to identify those inaccuracies.

An economic downturn or economic uncertainty may adversely affect consumer discretionary spending and demand for our products.

Our products and subscriptions may be considered discretionary items for consumers. Factors affecting the level of consumer spending for such discretionary items include general economic conditions, consumer confidence in future economic conditions, fears of recession, the availability and cost of consumer credit, levels of unemployment and tax rates. While we have seen an increase in demand for our products and subscriptions during the COVID-19 pandemic, there is no guarantee that such trends will continue at the same rate in the future or at all. To date, our business has operated almost exclusively in a relatively strong economic environment and, therefore, we cannot be sure the extent to which we may be affected by recessionary conditions. Unfavorable economic conditions may lead consumers to delay or reduce purchases of our products and subscriptions, and consumer demand for our products and subscriptions may not grow as we expect. Our sensitivity to economic cycles and any related fluctuation in consumer demand for our products and subscriptions could adversely affect our business, financial condition and results of operations.

Covenants in the New Credit Agreement governing our secured revolving New Credit Facility may restrict our ability to grow our business, and if we do not effectively manage our business to comply with these covenants, our financial condition could be adversely affected.

In September 2020, we entered into a credit agreement, or the New Credit Agreement, with JPMorgan Chase Bank, N.A., Citibank, N.A. and Origin Bank, providing for a three-year secured revolving New Credit Facility with aggregate lender commitments of $150 million. We have the option to increase the lender commitments by up to $200 million (for maximum aggregate lender commitments of up to $350 million), subject to the satisfaction of certain conditions under the New Credit Agreement, including obtaining the consent of the administrative agent and each lender being added or increasing its commitment. The New Credit Facility is a standard asset-based lending facility, meaning that notwithstanding the aggregate lender commitments, we can only borrow up to an amount equal to our borrowing base at any given time. For example, as of September 30, 2020, we were able to borrow up to $81.5 million. Our borrowing base is determined according to certain percentages of eligible accounts receivable and eligible inventory (which may be valued at average cost, market value or net orderly liquidation value), subject to reserves determined by the administrative agent. At any time that our borrowing base is less than the aggregate lender commitments, we can only borrow revolving loans up to the amount of our borrowing base and not in the full amount of the aggregate lender commitments.

The New Credit Agreement and related loan documents contain various restrictive covenants, including, among other things, a minimum fixed charge coverage ratio, restrictions on our ability to dispose of assets, make acquisitions or investments, incur debt or liens, make distributions to our stockholders or enter into certain types of related party transactions. These restrictions may restrict our current and future operations, particularly our ability to respond to certain changes in our business or industry or take future actions. Pursuant to the New Credit Agreement and related loan documents, we granted a security interest in substantially all of our assets. See the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Credit Agreement” for additional information.

Our ability to comply with these restrictive covenants and limitations on our ability to grow our business can be impacted by events beyond our control and we may be unable to do so. The New Credit Agreement provides that our breach or failure to satisfy certain covenants constitutes an event of default. Upon the occurrence of an event of default, our lenders could elect to declare all amounts outstanding under the New Credit Agreement to be immediately due and payable or proceed against the assets we provided as collateral. If the debt under the New Credit Agreement was to be accelerated, we may not have sufficient cash on hand or be able to sell sufficient collateral to repay it, which would have an immediate adverse effect on our business and results of operations.

We may require additional capital to support business growth and objectives, and this capital may not be available to us on reasonable terms, if at all, and could result in stockholder dilution.

We expect that our existing cash and cash equivalents, together with our net proceeds from this offering, will be sufficient to meet our anticipated cash needs for the foreseeable future. However, we intend to continue to make investments to support our business growth and may require additional capital to fund our business and to respond to competitive challenges, including the need to promote our products, develop new products, enhance our existing products and operating infrastructure and potentially to acquire complementary businesses and technologies. Accordingly, we may need to engage in equity or debt financings to secure additional funds. There can be no assurance that such additional funding will be available on terms attractive to us, or at all. Our inability to obtain additional funding when needed could adversely affect our business, financial condition and results of operations. If additional funds are raised through the issuance of equity or convertible debt securities, holders of our Class A common stock could suffer significant dilution, and any new shares we issue could have rights, preferences and privileges superior to those of our Class A common stock. Any debt financing secured by us in the future could involve restrictive covenants relating to our capital-raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions.

If we cannot maintain our culture as we grow, we could lose the innovation and teamwork that we believe contribute to our success and our business may be harmed.

We believe that a critical component of our success has been our corporate culture. As we continue to grow, including by expanding our presence internationally, and develop the infrastructure associated with being a public company, we will need to maintain our culture among a larger number of employees, dispersed across various geographic regions. The widespread stay-at-home orders resulting from the COVID-19 pandemic have required us to make substantial changes to the way that the vast majority of our employee population does their work, and we have faced new and unforeseen challenges arising from the management of remote, geographically-dispersed teams. Any failure to preserve our culture could adversely affect our future success, including our ability to retain and recruit personnel and to effectively focus on and pursue our corporate objectives.

Our management team has limited experience managing a public company.

Most members of our management team have limited experience managing a publicly traded company, interacting with public company investors and complying with the increasingly complex laws pertaining to public companies. Specifically, Ashish Arora, our Chief Executive Officer, has not previously been the chief executive officer of a publicly traded company. Our management team may not successfully or efficiently manage our transition to being a public company subject to significant regulatory oversight and reporting obligations under the federal securities laws and the continuous scrutiny of securities analysts and investors. These new obligations and constituents will require significant attention from our senior management and could divert their attention away from the day-to-day management of our business, which could adversely affect our business, financial condition and results of operations.

We may experience fluctuations in our tax obligations and effective tax rate.

We are subject to a variety of taxes and tax collection obligations in the United States and in numerous other foreign jurisdictions. We record tax expense, including indirect taxes, based on current tax payments and our estimates of future tax payments, which may include reserves for estimates of probable or likely settlements of tax audits. Fluctuations in our tax obligations and effective tax rate could adversely affect our business.

In the ordinary course of our business, there are numerous transactions and calculations for which the ultimate tax determination is uncertain. For example, our effective tax rates could be adversely affected by earnings being 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 foreign currency exchange

rates or by changes in the relevant tax, accounting and other laws, regulations, principles and interpretations. As we operate in numerous taxing jurisdictions, the application of tax laws can be subject to diverging and sometimes conflicting interpretations by tax authorities of these jurisdictions. It is not uncommon for taxing authorities in different countries to have conflicting views with respect to, among other things, the manner in which the arm's-length standard is applied for transfer pricing purposes, or with respect to the valuation of intellectual property. Although we believe that our tax positions and related provisions reflected in the financial statements are fully supportable, we recognize that these tax positions and related provisions have been challenged and may be challenged in the future by various tax authorities. These tax positions and related provisions are reviewed on an ongoing basis and are adjusted as additional facts and information become available, including progress on tax audits, changes in interpretation of tax laws, developments in case law and closing of statute of limitations. To the extent that the ultimate results differ from our original or adjusted estimates, our effective tax rate can be adversely affected.

Projected levels of taxable income and tax planning could change the effective tax rate and tax balances recorded by us. In addition, tax authorities periodically review income tax returns filed by us and can raise issues regarding our filing positions, timing and amount of income and deductions and the allocation of income among the jurisdictions in which we operate. A significant period of time may elapse between the filing of an income tax return and the ultimate resolution of an issue raised by a tax authority with respect to that return. Any adjustments as a result of any examination may result in additional taxes or penalties being assessed on or imposed against us. If the ultimate result of any audit differs from original or adjusted estimates, it could have a material impact our effective tax rate and tax liabilities.

At any one time, multiple tax years could be subject to audit by various taxing jurisdictions. As a result, we could be subject to higher than anticipated tax liabilities as well as ongoing variability in our quarterly tax rates as audits close and exposures are re-evaluated.

We continue to analyze our exposure for taxes and related liabilities and have accrued $0.88 million and $3.99 million for the years ended December 31, 2018 and 2019, respectively, for uncertain tax positions.

We may incur significant losses from fraud.

We have incurred and may in the future incur losses from various types of fraud, including stolen credit card numbers, claims that a user did not authorize a purchase, merchant fraud and users who have closed bank accounts or have insufficient funds in open bank accounts to satisfy payments. In addition to the direct costs of such losses, if the fraud is related to credit card transactions and becomes excessive, it could result in us paying higher fees or losing the right to accept credit cards for payment. In addition, under current credit card practices, we are typically liable for fraudulent credit card transactions. Our failure to adequately prevent fraudulent transactions could damage our reputation, result in litigation or regulatory action and lead to expenses that could substantially impact our results of operations.

Risks Related to Manufacturing, Supply Chain and Fulfillment

We primarily depend upon a single contract manufacturer, and our operations would be disrupted if we encountered problems with the contract manufacturer.

We depend on third-party contract manufacturers to produce all of our products, and primarily rely upon one contract manufacturer, Xiamen Intretech, Inc. and its affiliates, or Intretech, to build our connected machines. The agreements with our top vendors in 2018 and 2019, including Intretech, each have an initial term of five years from 2018 and automatically renew for subsequent periods of one year unless either party provides notice of non-renewal at least 60 days prior to the expiration of the initial term. Such agreements may be terminated by the vendors only for cause, such as (i) a breach of our payment obligation for accepted products that is not cured within ten days after notice from the vendor or (ii) certain events relating to our insolvency or filing a petition for bankruptcy. Such agreements may be terminated by us for cause, such as (i) failure to deliver products pursuant to the terms of the agreement, (ii) breaches of product warranty, indemnity or insurance; intellectual property; property and representations and covenants

contained in the agreements; (iii) breaches of any other representations and warranties that are not cured within five days after notice or (iv) certain events relating to our top vendors' insolvency or their filing a petition for bankruptcy. We may also terminate the agreements for convenience for any reason by giving 60 days' prior written notice to the vendor.

As is the case generally with contract manufacturers, Intretech may be vulnerable to capacity constraints and reduced component availability, and our control over delivery schedules, manufacturing yields and costs, particularly when components are in short supply or when we introduce new products or features, is limited. In addition, we must rely on Intretech to manufacture our connected machines and other accessories and materials to our quality and performance standards and specifications. Delays, component shortages and other manufacturing and supply problems could impair the distribution of our connected machines and ultimately our brand, or could negatively affect our gross margins. Furthermore, any adverse change in Intretech's or our other contract manufacturers' financial or business conditions could disrupt our ability to supply our products to our brick-and-mortar and online retail partners, distributors and online sales channels. In addition, Intretech primarily manufactures our connected machines at one facility located in the People's Republic of China, or China, which may be subject to political, economic, social and legal uncertainties that may harm our relationships with these parties. Our other contract manufacturers are also located in China and Malaysia, which may increase supply risk, including the risk of supply interruptions.

Our contract with Intretech does not obligate them to supply our connected machines in any specific quantity or at any specific price and allows us to enter purchase orders with Intretech. Entering into agreements requiring additional purchase orders is a typical part of our business and is common practice with other vendors that we may use from time to time. If Intretech fails for any reason to continue manufacturing our connected machines in required volumes, in a timely manner, at high quality levels or at all, we may have to increase connected machine production at currently qualified contract manufacturers or engage acceptable alternative contract manufacturers, either of which would be time consuming, particularly given the complexity of our connected machines. Identifying, selecting and onboarding acceptable alternative contract manufacturers could also be costly. Alternative contract manufacturers may not be available to us when needed or may not be in a position to satisfy our production requirements at commercially reasonable prices or to our quality and performance standards. Any significant interruption in manufacturing at Intretech would reduce our supply of connected machines, which could cause us to delay our orders or breach our purchase orders with our brick-and-mortar and online retail partners, distributors and online sales channels, which in turn would reduce our revenue and user growth.

If our third-party contract manufacturers are unable to meet our needs, as a result of operational issues or other factors, our business would be harmed. The location of our third-party manufacturers in China and Malaysia may exacerbate some of these risks.

We believe that we must continue to upgrade and expand our current third-party contract manufacturer production capability to meet our projected revenue targets and quality control requirements. Operational difficulties, such as a significant interruption in the operations of or equipment breakdowns in production facilities operated by third parties, could delay production or shipment of our products. In addition, events such as inclement weather, natural disasters, government shut-downs as a result of pandemics or civil unrest, labor strikes or shortages, transportation security vulnerabilities or cyberattacks could impair third-party production capabilities. The inability of our third-party contract manufacturers to meet our production requirements, particularly in our peak season, could lead to customer dissatisfaction, impact sales and damage our reputation and brand, which would result in reduced revenue. Moreover, if the costs of meeting production requirements, including capital expenditures, were to exceed our expectations, our results of operations would be harmed.

Our third-party manufacturers, including Intretech, are largely based in China, though we have moved, and may continue to move, an increasing portion of our manufacturing to Malaysia. As a result, our manufacturing, and therefore our business, financial condition and results of operations may be adversely affected by social, political, regulatory and economic developments in China and Malaysia. In particular, the COVID-19 pandemic has caused, and will likely continue to cause, interruptions in the development, manufacturing (including the sourcing of key components) and shipment of our connected machines, which

could adversely impact our revenue, gross margins and results of operations. Such interruptions may be due to, among other things, temporary closures of our facilities or those of our contract manufacturers or other vendors in our supply chain, restrictions on travel or the import and export of goods and services from certain ports that we use and local quarantines.

Any adverse change in the operations of our manufacturers, including as a result of political, social, economic or transportation conditions in China or Malaysia, could affect deliveries of our products to our brick-and-mortar and online retail partners or users, possibly resulting in business interruptions, substantially delayed or lost sales, loss of inventory or increased expenses that cannot be passed on to brick-and-mortar and online retail partners or users, any of which could ultimately adversely affect our business and financial results.

We rely on a limited number of third-party suppliers, some of which are sole-source suppliers, and many of which are located internationally, to provide components to our manufacturers, as well as to source our accessories and materials, which may lead to supply shortages, long lead times for components and supply changes, any of which could disrupt our supply chain and may negatively affect our business.

All of the components that go into the manufacturing of our products, as well as our accessories and materials, are sourced from a limited number of third-party suppliers, many of which are located internationally. Some of the key components our manufacturers use in the production of our products come from a limited or single source of supply. We are subject to the risk of shortages and long lead times in the supply of these components or accessories and materials, and the risk that our suppliers discontinue or modify components used in our products. In addition, the lead times associated with procuring certain components or accessories and materials are lengthy and preclude rapid changes in quantities and delivery schedules and could increase for a number of reasons outside our control, including natural disaster, a pandemic, social or political unrest or other interruptions. In particular, the COVID-19 pandemic has caused, and will likely continue to cause, interruptions in the development, manufacturing, sourcing and shipment of our products, which could adversely affect our revenue, gross margins and results of operations. During the COVID-19 pandemic, we have also purchased components on behalf of our contract manufacturers to ensure they have sufficient supply, and may continue to do so in the future. To the extent that we do not accurately forecast the components we purchase, we may be left paying for components that our contract manufacturers do not need. Furthermore, most of our contract manufacturers' primary facilities are located in China and Malaysia, which exposes us to certain additional risks in addition to the above that could adversely affect our business, financial condition and results of operations. For example, we have experienced issues with the import of goods and services from certain ports. If we or our contract manufacturers lose access to components or accessories and materials from a particular supplier or experience a significant disruption in the supply of products and components from a current supplier, we may be unable to locate alternative suppliers of comparable quality on terms that are acceptable to us, or at all, which may undermine our ability to deliver our products to brick-and-mortar and online retail partners or users in a timely manner and our business could be materially and adversely affected. In addition, if we experience an increase in demand for our products, our suppliers may not have the capacity or may elect not to meet our needs as they allocate components or accessories and materials to their other customers. Identifying suitable alternate sources of supply for these components or accessories and materials is an extensive process that requires us to become satisfied with their quality control, technical capabilities, responsiveness and service, financial stability, regulatory compliance and labor and other ethical practices. Accordingly, a loss of any of our component or accessories and materials suppliers could adversely affect our business, financial condition and results of operations.

Our reliance on single source, or a small number of suppliers involves a number of additional risks, including risks related to supplier capacity constraints, price increases, timely delivery, component quality, failure of a key supplier to remain in business and adjust to market conditions, delays in, or the ability to execute on, a supplier roadmap or components and technologies and natural disasters. Acquiring additional suppliers could be time consuming and expensive, particularly given the complexity of our connected machines and their components.

In particular, our connected machines incorporate certain alloys, Bluetooth components and microchips that are critical in the performance of our connected machines. These components have unique performance profiles, and, as a result, it is not commercially practical to support multiple sources for these components for our products. We do not currently have alternative suppliers for several key components. In the event that any of our key or sole suppliers are unable to supply the components that our manufacturers need to meet anticipated consumer demand, our business would be materially and adversely affected.

Managing our inventory supply chain, including manufacturing and component lead time, is complex and exposes us to risk.

To ensure adequate inventory supply, we must forecast inventory needs and expenses and place orders with our contract manufacturers sufficiently in advance, based on our estimates of future demand for particular products. Failure to accurately forecast our needs may result in manufacturing delays or increased costs. Because we bear supply risk under our contract manufacturing arrangements, any such delays or increased costs could negatively impact our business. Failure to forecast appropriate lead times, significant price fluctuations or shortages in materials or components, including the costs to transport such materials or components, the uncertainty of currency fluctuations against the U.S. dollar, increases in labor rates, trade duties or tariffs and/or the introduction of new and expensive raw materials could adversely affect our contract manufacturers' ability to manufacture our products in sufficient quality and within sufficient time to meet our consumer demand, which would adversely affect our business, financial condition and operational results.

If we overestimate our production requirements, we or our contract manufacturers may purchase excess components and build excess inventory. If we, or our contract manufacturers at our request, purchase excess components that are unique to our products or build excess products, we could be required to pay for these excess components or products. In limited circumstances, we have agreed to reimburse our manufacturers for purchased components that were not used as a result of our decision to discontinue products or the use of particular components. If we incur costs to cover excess supply commitments, this would harm our business. If we underestimate our product requirements, our contract manufacturers may have inadequate component inventory, which could interrupt the manufacturing of our products and result in delays or cancellation of orders from brick-and-mortar and online retail partners, distributors and online sales channels. We may be required to incur higher costs to secure the necessary production capacity and components to meet unanticipated demand, which could result in lower margins.

The failure of our third-party logistics partners to adequately and effectively staff could adversely affect our brick-and-mortar and online retail partner and user experience and results of operations.

We currently receive and distribute merchandise through four third-party logistics partners, two of which are located in the United States and one of which is located in each of China and Europe. The majority of our products are received and distributed through one of our third-party logistics partners in California. These third-party logistics partners assist with online logistics, inventory management, warehousing and fulfillment for both business-to-business (to brick-and-mortar and online retail partners and distributors) and business-to-consumer (drop-ship via retail partners and direct-to-consumer). If our third-party logistics partners are unable to adequately staff their third-party logistics facilities to meet demand, or if the cost of such staffing is higher than historical or projected costs due to mandated wage increases, regulatory changes, international expansion or other factors, these effects could be exacerbated and our results of operations could be further harmed. In addition, operating third-party logistics partner facilities comes with potential risks, such as workplace safety issues and employment claims for the failure or alleged failure to comply with labor laws or laws respecting union organizing activities. Any such issues may result in delays in shipping times, reduced packing quality or costly litigation, and our reputation and results of operations may be harmed.

By using third-party operators for our inventory management, warehousing and fulfillment, we also face additional risks associated with not having complete control over operations at those facilities. Any deterioration in the financial condition or operations of the third parties, or the loss of the relationship with any third party, would have significant impact on our operations.

We also rely on our third-party logistics partners, including last mile warehouse and delivery partners, to complete a substantial percentage of our deliveries to brick-and-mortar and online retail partners, distributors and online sales channels. If our third-party logistics partners do not perform their obligations or meet our expectations, or those of our brick-and-mortar and online retail partners, distributors or our online sales channels, our reputation and business could suffer.

A disruption in the service, a significant increase in the cost of our primary delivery and shipping services for our products or a significant disruption at shipping ports could adversely affect our business.

We use a variety of shipping services for delivery of our products to users and brick-and-mortar and online retail partners, including air carriers and ocean shipping services. All of our contract manufacturers are based in Asia, so our products are shipped to our third-party logistics partner facilities primarily via ocean shipping services. We have experienced and could continue to experience increased congestion and new import and export restrictions implemented at ports on which we rely for our business. In many cases, we have had to secure alternative transportation, such as air freight, or use alternative routes, at increased costs, to run our supply chain.

In the event of any significant interruption in service by shipping providers or at airports or shipping ports, we may be unable to engage alternative suppliers or to receive or ship goods through alternate sites in order to deliver our products in a timely and cost-efficient manner. As a result, we could experience delays, increased shipping costs and lost sales as a result of missed delivery deadlines and product demand cycles. For example, at times during the COVID-19 pandemic, shipping of our products has been delayed, which has inconvenienced our users and brick-and-mortar and online retail partners. Furthermore, if the cost of delivery or shipping services were to increase significantly and the additional costs could not be covered by product pricing, our results of operations could be adversely affected.

In particular, we are dependent upon major shipping companies, including FedEx, for the shipment of our products to and from our third-party logistics partner facilities. Changes in shipping terms, or the inability of these third-party shippers to perform effectively, could affect our responsiveness to our users and brick-and-mortar and online retail partners. Increases in our shipping costs may adversely affect our financial results if we are unable to pass on these higher costs to our users or brick-and-mortar and online retail partners.

We have limited control over our contract manufacturers, component suppliers and third-party logistics partners, which may subject us to significant risks, including the potential inability to produce or obtain quality products on a timely basis or in sufficient quantity, which could adversely affect our business, financial condition and results of operations.

We have limited control over our contract manufacturers, component suppliers and third-party logistics partners, which subjects us to additional risks, including, but not limited to:

- inability to satisfy demand for our products;
- reduced control over delivery timing and product reliability;
- reduced ability to monitor the manufacturing process and components used in our products;
- limited ability to develop comprehensive manufacturing specifications that take into account any materials shortages or substitutions;
- variance in the manufacturing capability of our third-party manufacturers;
- price increases;

- difficulties in establishing additional supplier, manufacturer or third-party logistics partner relationships if we experience difficulties with our existing suppliers, manufacturers or third-party logistics partners;
- shortages of materials or components;
- infringement or misappropriation of our intellectual property or cyberattacks;
- exposure to natural catastrophes, political unrest, terrorism, labor strikes or disputes, pandemics and economic instability resulting in the disruption of trade from foreign countries in which our products are manufactured or the components thereof are sourced;
- changes in local economic conditions in the jurisdictions where our manufacturers, suppliers and third-party logistics partners are located;
- the imposition of new laws and regulations, including those relating to labor conditions, quality and safety standards, imports, duties, tariffs, taxes and other charges on imports, as well as trade restrictions and restrictions on currency exchange or the transfer of funds; and
- insufficient warranties and indemnities on components supplied to our manufacturers or performance by our partners.

The occurrence of any of these risks, especially during seasons of peak demand, could cause us to experience a significant disruption in our ability to produce and deliver our products, affect the quality of our products and harm our business, results of operations and financial condition.

Our products may be affected from time to time by design and manufacturing defects, and we may face claims related to such defects, either of which could adversely affect our business and result in harm to our reputation.

Our connected machines and design apps may be affected by design and manufacturing defects. In addition, sophisticated firmware and applications, such as those offered by us, may have issues that unexpectedly interfere with the intended operation of hardware or software products. Defects may also exist in software, components and products that we source from third parties. Any such defects could make our products unsafe, create a risk of environmental or property damage, personal injury or data privacy, security and data protection harms, and subject us to the hazards and uncertainties of product liability and other claims and related litigation. As a result, our services may not perform as anticipated and may not meet expectations. There can be no assurance that we will be able to detect and fix all issues and defects in the hardware, software and services we offer.

Failure to timely identify, patch, fix or recall products and services with such defects could result in widespread technical and performance issues affecting our products and could lead to claims against us. We maintain general liability insurance; however, design and manufacturing defects, and claims related thereto, may subject us to judgments or settlements that result in damages materially in excess of the limits of our insurance coverage. In addition, we may be exposed to recalls, product replacements or modifications, write-offs of inventory or intangible assets and significant warranty and other expenses, such as litigation costs and regulatory fines. If we cannot successfully defend any large claim, maintain our general liability insurance on acceptable terms or maintain adequate coverage against potential claims, our financial results could be adversely affected.

In the event that we receive shipments of products that have defects or otherwise fail to comply with our technical specifications or that fail to conform to our quality control standards, and we are not able to obtain replacement products in a timely manner, we risk revenue losses from the inability to sell those products, increased administrative and shipping costs and lower profitability. Further, quality problems could adversely affect the experience for users of our products, and result in harm to our reputation, including through social media or other communications from our community, loss of competitive advantage, poor market acceptance, reduced demand for our products, delay in new product and service introductions and lost revenue.

Regulations related to conflict minerals may cause us to incur additional expenses and could limit the supply and increase the costs of certain metals used in the manufacturing of our products.

We are subject to requirements under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, which will require us to conduct due diligence on and disclose whether or not our products contain conflict minerals. The implementation of these requirements could adversely affect the sourcing, availability and pricing of the materials used in the manufacture of components used in our products. In addition, we will incur additional costs to comply of minerals that may be used or necessary to the production of our products and, if applicable, potential changes to products, processes or sources of supply as a consequence of such due diligence activities. It is also possible that we may face reputational harm if we determine that certain of our products contain minerals not determined to be conflict free or if we are unable to alter our products, processes or sources of supply to avoid such materials.

Significant increases in inflation, commodity prices or transportation costs may adversely affect the costs of our component suppliers and contract manufacturers, and we may be unable to pass on these higher costs to our brick-and-mortar and online retail partners or users.

Significant future increases in commodity prices, such as for alloys, or inflation could adversely affect the costs of our component suppliers and contract manufacturers and result in higher costs to us if we are unable to pass on the increased costs to our brick-and-mortar and online retail partners or users. Furthermore, transportation costs have fluctuated as a result of a variety of factors, such as capacity shortages, and we may not be able to pass such costs on to our brick-and-mortar and online retail partners or users, higher fuel prices and labor shortages. Our results of operations may be adversely affected if we are unable to secure, or are able to secure only at significantly higher costs, components for our products or adequate transportation resources in a cost-effective manner.

Key third-party manufacturers are located in China and may be affected by recent and possible future political, social and economic conditions in China.

We rely on third-party manufacturers in China and Chinese-owned manufacturers in Malaysia through which the substantial majority of our finished products are prepared and shipped to brick-and-mortar and online retail partners, users or third-party logistics partners. Our business therefore could be affected by social, political, regulatory or economic developments in China. In 2018, the Office of the U.S. Trade Representative, or the USTR, enacted a tariff of 10% on imports into the U.S. from China, including communications equipment products and components manufactured and imported from China. Since then, additional tariffs have been imposed by the USTR on imports into the United States from China, and China has also imposed tariffs on imports into China from the United States. In addition, due to concerns with the security of products and services from certain telecommunications and video providers based in China, the United States government has enacted bans on the use of certain Chinese-origin components or systems either in items sold to the U.S. government or in the internal networks of government contractors and subcontractors (even if those networks are not used for government-related projects). It is possible that the U.S. government may take future measures to impose stricter export controls on items destined for China or additional duties on shipments made from China. In addition, the U.S. government may add additional parties to the Entity List, which could harm our business, increase the cost of conducting our operations in China or result in retaliatory actions against U.S. interests. Continued deterioration in trade relations or adverse developments in political, social or economic conditions in China or future unforeseen problems, including health pandemics or regulatory changes, could affect deliveries of our products to our retail partners or users, possibly resulting in business interruptions, substantially delayed or lost sales, loss of inventory or increased expenses that cannot be passed on to brick-and-mortar and online retail partners or users, any of which could ultimately have a material adverse effect on our business and financial results. In such an eventuality, we could be forced to relocate our manufacturing, either temporarily or permanently, to another potentially costlier location or find alternative potentially costlier methods of shipping our finished products to brick-and-mortar and online retail partners and users. While we are taking measures to attempt to maintain the continuity of our product delivery operations notwithstanding the impact on the use of our international facilities, the continued or deteriorating conditions in China or other future unforeseen problems in China, we cannot ensure that these measures will be successful in eliminating disruptions in our business.

Developments in the social, political, regulatory and economic environment in Malaysia may have a material adverse impact on us.

We have been expanding our relationships with contract manufacturers in Malaysia, increasingly shifting our contract manufacturing presence to Malaysia and expect to continue to do so in the future. As a result, our business, financial condition and results of operations may be adversely affected by social, political, regulatory and economic developments in Malaysia. Such political and economic uncertainties include, but are not limited to, the risks of war, terrorism, nationalism, nullification of contract, changes in interest rates, imposition of capital controls and methods of taxation. In addition, our contract manufacturers in Malaysia are subject to risks of theft, fire, earthquake, flooding and other similar casualty risks.

Negative developments in Malaysia's socio-political environment may adversely affect our business, financial condition, results of operations and prospects. Although the overall Malaysian economic environment appears to be positive, there can be no assurance that this will continue to prevail in the future. Economic growth is determined by countless factors, and it is extremely difficult to predict with any level of certainty.

Changes in U.S. tax, tariff or other trade policy regarding products produced in other countries could adversely affect our business.

A predominant portion of the products we sell is originally manufactured in countries other than the United States. International trade disputes that result in tariffs and other protectionist measures could adversely affect our business, including disruption in and cost increases for sourcing our merchandise and increased uncertainties in planning our sourcing strategies and forecasting our margins. Importing and exporting has involved more risk since the beginning of 2018, as there has been increasing rhetoric, in some cases coupled with legislative or executive action, from several United States and foreign leaders regarding tariffs against foreign imports of certain materials. For example, the U.S. government recently imposed significant new tariffs on China related to the importation of certain product categories following the U.S. Trade Representative's Section 301 investigation. It is possible that the U.S. government may take further measures in the future to impose stricter export controls on items destined for China or additional duties on shipments made from China. During fiscal 2019, the Bureau of Industry and Security, or BIS, of the U.S. Department of Commerce placed certain Chinese entities on the Entity List, limiting the ability of U.S. companies to do business with those entities. The U.S. government may add additional parties to the Entity List, which could harm our business, increase the cost of conducting our operations in China or result in retaliatory actions against U.S. interests. In addition, the U.S. government has exercised additional trade-related powers in a manner that could have a material adverse impact on our business, financial condition or results of operations. For example, on May 15, 2019, then-President Trump issued an executive order that invoked national emergency economic powers to implement a framework to regulate the acquisition or transfer of information communications technology in transactions that imposed undue national security risks. The executive order was subject to implementation by the Secretary of Commerce and purports to apply to contracts entered into prior to the effective date of the order. On January 19, 2021, the U.S. Department of Commerce published interim final rules in the Federal Register, subject to public notice and comment, which purport to permit the Department of Commerce to investigate transactions involving the use of information communications technology products or services provided by persons owned or controlled by certain nations, including China, and potentially to modify or prohibit those transactions. In addition, the White House, the Department of Commerce and other executive branch agencies have implemented additional restrictions and may implement still further restrictions that would affect conducting business with certain Chinese companies. We cannot predict whether these recent rules and restrictions will be implemented and acted upon by the Biden administration, modified, overturned or vacated by legal action. A substantial portion of our products are manufactured in China. As a result of recently imposed tariffs, our cost of goods imported from China increased substantially, and could increase further depending on the outcome of the current trade negotiations, which have been protracted and recently resulted in increases in U.S. tariff rates on specified products from China. Although we continue to work with our vendors to mitigate our exposure to current or potential tariffs, there can be no assurance that we will be able to offset any increased costs. Other changes in U.S. tariffs, quotas, trade relationships or tax provisions could also reduce the supply of goods available to us or increase our cost of goods. We may fail to

effectively adapt to and manage the adjustments in strategy that would be necessary in response to those changes. In addition to the general uncertainty and overall risk from potential changes in U.S. laws and policies, as we make business decisions in the face of such uncertainty, we may incorrectly anticipate the outcomes, miss out on business opportunities or fail to effectively adapt our business strategies and manage the adjustments that are necessary in response to those changes. These risks could adversely affect our revenue, reduce our profitability and negatively impact our business.

Risks Related to Privacy, Data Protection and Cybersecurity

Our actual or perceived failure to comply with privacy, data protection and information security laws, regulations and obligations could harm our business.

We are subject to numerous federal, state, local and international laws and regulations regarding privacy, data protection, information security and the storing, sharing, use, processing, transfer, disclosure and protection of personal information and other content and data, which we refer to collectively as privacy laws, the scope of which is changing, subject to differing interpretations and may be inconsistent among countries, or conflict with other laws, regulations or other obligations. We are also subject to the terms of our privacy policies and obligations to our users and other third parties related to privacy, data protection and information security. We strive to comply with applicable privacy laws; however, the regulatory framework for privacy and data protection worldwide is, and is likely to remain for the foreseeable future, varied, and it is possible that these or other actual obligations may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another.

We also expect that there will continue to be new privacy laws proposed and enacted in various jurisdictions. For example, in May 2018, the General Data Protection Regulation, or GDPR, went into effect in the EU. The GDPR imposed stringent data protection requirements and provides greater penalties for noncompliance than previous data protection laws, including potential penalties of up to €20 million or 4% of annual global revenue.

Although legal mechanisms have been designed to allow for the transfer of personal data from the United Kingdom, the European Economic Area, or EEA, and Switzerland to the United States, uncertainty about compliance with such data protection laws remains and such mechanisms may not be available or applicable with respect to the personal data processing activities necessary to research, develop and market our products and services. For example, legal challenges in Europe to the mechanisms allowing companies to transfer personal data from the EEA to the United States could result in further limitations on the ability to transfer personal data across borders, particularly if governments are unable or unwilling to reach agreement on or maintain existing mechanisms designed to support cross-border data transfers. Specifically, on July 16, 2020, the Court of Justice of the EU, or CJEU, invalidated Decision 2016/1250, which had deemed the protection provided by the EU-U.S. Privacy Shield Framework, which includes the EU-U.S. and Swiss-U.S. Privacy Shield Frameworks, adequate under EU data protection law. To the extent that any of our vendors, contractors or consultants have been relying on the EU-U.S. Privacy Shield Framework, they will not be able to do so in the future, which could increase our costs and may limit our ability to process personal data from the EU. The same decision also imposed additional conditions with respect to use of one of the primary alternatives to the Privacy Shield Frameworks, namely, the European Commission's Standard Contractual Clauses, to lawfully transfer personal data from Europe to the United States and most other countries. The full impact of the CJEU decision is uncertain at this time. The CJEU decision and related developments could result in increased costs of compliance and limitations on our vendors, contractors, consultants and us. More generally, as a result of the CJEU decision or related developments, we may find it necessary or desirable to modify our data handling practices, and our practices relating to cross-border transfers of data or other data handling practices, or those of our vendors, contractors and consultants and vendors, may be challenged and our business, financial condition and operating results may be adversely impacted. We continue to monitor and review the impact of any developments relating to cross-border data transfers from the EU that could affect our operations.

Further, following a referendum in June 2016 in which voters in the United Kingdom approved an exit from the EU, or Brexit, the United Kingdom left the EU effective on January 31, 2020, subject to a transition

period that ended December 31, 2020. Brexit has created uncertainty with regard to the regulation of data protection in the United Kingdom. In particular, while the United Kingdom has implemented legislation that substantially implements the GDPR, which legislation provides for penalties for noncompliance of up to the greater of £17.5 million or four percent of worldwide revenues, aspects of the United Kingdom's data protection regime and its relationship with the EU, and how those may evolve over time, remain unclear. The United Kingdom is considered a "third country" under the GDPR as of January 1, 2021. The United Kingdom and the EU entered into a Trade and Cooperation Agreement on December 24, 2020, that permits personal data transfers between the United Kingdom and the EU for a six-month grace period, subject to certain conditions. We cannot fully predict how United Kingdom data protection laws or regulations may develop in the medium to longer term or how the EU will treat the United Kingdom with respect to data protection issues, including those relating to data transfers to and from the United Kingdom. We continue to monitor and review the impact of any resulting changes to EU or United Kingdom law, or related developments, that could affect our operations. We may incur liabilities, expenses, costs and other operational losses relating to the GDPR and privacy laws of applicable EU Member States and the United Kingdom, including in connection with any measures we take to comply with them.

In Brazil, the (Lei Geral de Proteção de Dados Pessoais) – Law No. 13,709/2018, or LGPD, similar in many respects to the EU's GDPR, was enacted August 14, 2018 and entered into effect September 18, 2020. Penalties for violation of the LGPD, if and when enforced, may be up to 2% of revenue in Brazil, capped at R$50 million per violation (roughly US$9.6 million as of December 31, 2020). The LGPD applies to businesses (both inside and outside Brazil) that process the personal data of individuals located in Brazil and provides consumer rights similar to the GDPR. A Brazilian Data Protection Authority, Brazilian National Data Protection Authority (Autoridade Nacional de Proteção de Dados, or ANPD), has been established to provide forthcoming rules and guidance on how to interpret and implement the LGPD's requirements, including regarding notice of processing, data transfer requirements and other compliance obligations, such as security measures, recordkeeping, training and governance. Pending such developments from the ANPD and any emerging caselaw, our LGPD approach may be subject to further change, our compliance measures when implemented may not be fully adequate, we may expend significant time and cost in developing a privacy governance program and data transfer mechanisms in an effort to comply with the LGPD and any implementing regulations or guidance, and we may potentially face litigation prior to the implementation of regulations and guidance regarding the LGPD or before we have had a reasonable opportunity to fully implement measures designed to comply with such regulations and applicable guidance.

Vietnam's cybersecurity law went into effect on January 1, 2019 and includes stringent requirements regarding data localization and data transfers. A draft Decree on Personal Data Protection, with sub-legislation introduced December 27, 2019, elaborates requirements relating to data protection; however, further notice and comment is anticipated before its requirements enter into effect. As proposed, the draft decree would require us to further invest in potentially duplicative infrastructure and personnel in Vietnam, establish and maintain a local data protection program, and incur other costs and expenses related to these new requirements.

California also recently enacted legislation affording consumers expanded privacy protections, the California Consumer Privacy Act of 2018, or CCPA, that went into effect as of January 1, 2020 and was subject to enforcement starting July 1, 2020. Additionally, the California Attorney General issued regulations that may add additional requirements on businesses. The potential effects of this legislation and the related CCPA regulations are far-reaching and may require us to modify our data processing practices and policies and to incur substantial costs and expenses in an effort to comply. For example, the CCPA gives California residents, (including employees, though only in limited circumstances until January 1, 2023), expanded rights to transparency access and require deletion of their personal information, opt out of certain personal information sharing and receive detailed information about how their personal information is collected and used. The CCPA also provides for civil penalties for violations, as well as a private right of action for data breaches that may increase data breach litigation. Additionally, a new privacy law, the California Privacy Rights Act, or CPRA, was approved by California voters in November 2020. The CPRA creates obligations relating to consumer data beginning on January 1, 2022, with implementing regulations expected on or before July 1, 2022, and enforcement beginning July 1, 2023. The CPRA significantly modifies the CCPA, potentially resulting in further uncertainty and requiring us to incur additional costs and expenses in efforts

to comply. The enactment of such laws is prompting similar legislative developments in other states in the United States, which could create the potential for a patchwork of overlapping but different state laws, and is inspiring federal legislation.

Further, some countries also are considering or have passed legislation requiring local storage and processing of data, or similar requirements, which could increase the cost and complexity of operating our products and services and other aspects of our business.

With laws and regulations such as the GDPR in the EU and the CCPA and CPRA in the United States imposing new and relatively burdensome obligations, and with substantial uncertainty over the interpretation and application of these and other laws and regulations, there is a risk that the requirements of these or other laws and regulations, or of contractual or other obligations relating to privacy, data protection or information security, are interpreted or applied in a manner that is, or is alleged to be, inconsistent with our management and processing practices, our policies or procedures, or the features of our products and services. We may face challenges in addressing their requirements and making any necessary changes to our policies and practices, and we may find it necessary or appropriate to assume additional burdens with respect to data handling, to restrict our data processing or otherwise to modify our data handling practices and to incur significant costs and expenses in these efforts. Any failure or perceived failure by us to comply with our privacy policies, our privacy, data protection or information security-related obligations to brick-and-mortar and online retail partners or users or other third parties or any of our other legal obligations relating to privacy, data protection or information security may result in governmental investigations or enforcement actions, litigation, claims or public statements against us by consumer advocacy groups or others, and could result in significant liability or cause our users to lose trust in us, which could adversely affect our reputation and business. Furthermore, the costs of compliance with, and other burdens imposed by, the laws, regulations and policies that are applicable to the businesses of our brick-and-mortar and online retail partners may limit the adoption and use of, and reduce the overall demand for, our products and services.

Additionally, if third parties we work with, such as vendors or developers, violate applicable laws or regulations or our contracts and policies, such violations may also put our users' content and personal information at risk and could in turn adversely affect our business. Any significant change to applicable privacy laws or relevant industry practices could increase our costs and require us to modify our platform, design apps and features, possibly in a material manner, which we may be unable to complete and may limit our ability to store and process user data or develop new design apps and features.

Cybersecurity risks could adversely affect our business and disrupt our operations.

Information technology helps us operate more efficiently, interface with users and brick-and-mortar and online retail partners, offer features for our products and services, maintain financial accuracy and efficiency and accurately produce our financial statements. If we do not allocate and effectively manage the resources necessary to build, sustain and secure necessary technology infrastructure, we could be subject to transaction errors, processing inefficiencies, the loss of brick-and-mortar and online retail partners or users, business disruptions or the loss of or unauthorized access to personal information or loss or damage to intellectual property through a security breach or cyberattack. Such security breaches or cyberattacks could expose us to a risk of lost, exposed or corrupted information, unauthorized disclosure of information, litigation and possible liability to employees, users and brick-and-mortar and online retail partners and regulatory authorities. In addition, a significant portion of our data and information is hosted in a cloud-computing environment, where design apps and data are hosted, accessed and processed through a third-party provider over a broadband Internet connection. In a cloud-computing environment, we could be subject to outages, security breaches and cyberattacks by the third-party service provider. In the COVID-19 pandemic, more of our and our service providers' personnel are working remotely, which increases the risks of security breaches and cyberattacks.

If our data management systems do not effectively collect, store, process and report relevant data for the operation of our business, whether due to equipment malfunction or constraints, software defects or deficiencies, computer viruses, security breaches, cyberattacks, catastrophic events or human error, our

ability to effectively plan, forecast and execute our business plan and comply with applicable laws and regulations will be impaired, perhaps materially. Any such impairment could materially and adversely affect our financial condition, results of operations, cash flows and the timeliness with which we internally and externally report our results of operations. As a result, our information systems require an ongoing commitment of significant resources to maintain, protect and enhance existing systems and develop new systems to keep pace with continuing changes in information processing technology, evolving legal and regulatory standards, the increasing need to protect customer, partner and employee information and the information technology needs associated with our changing products and services. We will implement reasonable security procedures and practices to help ensure that our data management systems effectively collect, store, process and report relevant data for the operation of our business, though there are no assurances that these procedures and practices will be successful or that additional systems issues will not arise in the future.

In addition, security breaches from errors, malfeasance or misconduct by employees, contractors or others with access to our systems may pose a risk that sensitive data, including individually identifiable data, may be exposed to unauthorized persons or to the public and may compromise our security systems. We have been, and may in the future be, subject to compromises and other security breaches impacting such data. There can be no assurance that any efforts we make to prevent against such breaches will prevent breakdowns in our systems or security breaches that could adversely affect our business. Third parties may also attempt to fraudulently induce employees or users into disclosing usernames, passwords or other sensitive information, which may in turn be used to access information technology systems used in our business. For example, our employees have received and likely will continue to receive “phishing” e-mails attempting to induce them to divulge sensitive information. In addition, unauthorized persons may attempt to hack into our products or systems to obtain personal data relating to users or employees, our confidential or proprietary information or confidential information we maintain from third parties, which, if successful, could pose a risk of loss of data, risk to customer safety and risk of product recall. While we provide security and privacy training to attempt to protect against these risks, the techniques used to obtain unauthorized access to systems and data change frequently and may be difficult to detect, so we may not be able to anticipate and prevent these intrusions or other breaches, to identify them promptly or to mitigate them when they occur.

Moreover, we manufacture and sell hardware and software products that allow our users to store confidential information, including their original designs, locally or in our cloud infrastructure. We do not have measures to configure, update or secure our users’ desktop or mobile devices or any information stored in our users’ own systems or at their locations, which is the responsibility of our users. While we have implemented security measures to protect our hardware and software products from unauthorized access and cyberattacks, these measures may not be effective in securing these products, particularly since techniques used to obtain unauthorized access or otherwise sabotage systems, change frequently and may not be recognized until launched against a target. A breach of network security and systems or other events that cause the loss or public disclosure of, or access by third parties to, sensitive information stored by us or our brick-and-mortar and online retail partners, or the perception that any of these have occurred, could have serious negative consequences for our business, including loss of information, indemnity obligations, possible fines, penalties and damages, reduced demand for our products and services, an unwillingness of our users to use our products or services, harm to our reputation and brand, and time consuming and expensive litigation, any of which could adversely affect our financial results.

We maintain cybersecurity insurance, subject to applicable deductibles and policy limits; however, our cybersecurity insurance may not cover losses from all types of incidents or may provide insufficient compensation that does not cover our total losses.

If the use of “cookie” tracking technologies is further restricted, regulated or blocked, or if changes in technology cause cookies to become less reliable or acceptable as a means of tracking

consumer behavior, the amount or accuracy of Internet user information we collect would decrease, which could harm our business and results of operations.

Cookies are small data files sent by websites and stored locally on an Internet user's computer or mobile device. We, and third parties who work on our behalf, collect data via cookies to track the behavior of visitors to our sites, provide a more personalized and interactive experience and analyze and increase the effectiveness of our marketing. However, Internet users can easily disable, delete and block cookies directly through browser settings or through other software, browser extensions or hardware.

Privacy laws and regulations restrict how we deploy our cookies, and this could potentially increase the number of Internet users that choose to proactively disable cookies on their systems. In the EU, the Directive on Privacy and Electronic Communications requires users to give their consent before cookie data can be stored on their local computer or mobile device. Additionally, the most commonly used Internet browsers—Chrome, Firefox, Internet Explorer and Safari—allow Internet users to modify their browser settings to prevent cookies from being accepted by their browsers, and a number of other software tools allow users to block or otherwise limit the functionality of cookies. Users can decide to opt out of nearly all cookie data creation, which could negatively impact operations. We may have to develop alternative systems to determine our users' behavior, customize their online experience or efficiently market to them if users block cookies or regulations introduce additional barriers to collecting cookie data.

Risk Related to Foreign Operations

We plan to further expand into international target markets, which will expose us to significant risks.

Our primary international target markets include Australia, France, Germany, New Zealand and the United Kingdom, and we plan to expand our operations further, which requires significant resources and management attention and subjects us to regulatory, economic and political risks in addition to those we already face in the United States. There are significant risks and costs inherent in doing business in international target markets, including:

- difficulty establishing and managing international operations and the increased travel, infrastructure, including establishment of local delivery service and Cricut Member Care operations, and legal compliance costs associated with locations in different countries or regions;
- difficulty accessing and maintaining operations with international brick-and-mortar and online retail partners and distribution channels that may be small, fragmented or complex;
- the need to vary pricing and margins to effectively compete in international target markets;
- the need to adapt, translate and localize products for specific countries, comply with country-specific product safety and liability laws, as well as obtaining rights to third-party intellectual property used in each country;
- increased competition from local providers of competing or imitation products;
- the ability to protect and enforce intellectual property rights abroad;
- the need to offer content and customer support in various languages;
- difficulties in understanding and complying with local laws, regulations and customs in other jurisdictions;
- compliance with anti-bribery laws, such as the U.S. Foreign Corrupt Practices Act, or FCPA, and the United Kingdom Bribery Act 2010, or U.K. Bribery Act, by us, our employees and our business partners;

- complexity and other risks associated with current and future legal requirements in other countries, including legal requirements related to consumer protection, consumer product safety and data privacy frameworks, such as the EU's GDPR, including data transfer or localization restrictions, or LGPD;
- varying levels of Internet technology adoption and infrastructure, and increased or varying network and hosting service provider costs;
- tariffs and other non-tariff barriers, such as quotas and local content rules, as well as tax consequences;
- fluctuations in currency exchange rates and the requirements of currency control regulations, which might restrict or prohibit conversion of other currencies into U.S. dollars; and
- political or social unrest or economic instability in a specific country or region in which we operate, including, for example, recent social and political unrest in China, which could have an adverse impact on our operations in that location.

These risks can make it more expensive to operate our business outside the United States, meaning that our international business may be less profitable than our U.S. business.

We have limited experience with international regulatory environments and market practices and may not be able to penetrate or successfully operate in the markets we choose to enter. In addition, we may incur significant expenses as a result of our international expansion, and we may not be successful or may not execute our strategy successfully. We currently face limited brand recognition in certain parts of the world that could lead to non-acceptance or delayed acceptance of our products by consumers in new markets. Our failure to successfully manage these risks could harm our international operations and adversely affect our business, financial condition and results of operations.

In addition, Brexit, and the ongoing negotiations of the future trading relationship between the United Kingdom and the EU during the transition period, have yet to provide clarity on what the outcome will be for the United Kingdom or Europe. Changes related to Brexit could subject us to heightened risks in that region, including disruptions to trade and free movement of goods, services and people to and from the United Kingdom, disruptions to the workforce of our business partners, increased foreign exchange volatility with respect to the British pound and additional legal, political and economic uncertainty. If these actions impacting our international distribution and sales channels result in increased costs for us or our international partners, such changes could result in higher costs to us, adversely affecting our operations, particularly as we expand our international presence.

We are subject to governmental export and import controls and economic sanctions laws that could subject us to liability and impair our ability to compete in international target markets.

The United States and various foreign governments have imposed controls, license requirements and restrictions on the import and/or export of certain technologies, products, software and services. Compliance with applicable regulatory requirements regarding the export of our products and services may create delays in the introduction of our products and services in some international target markets, prevent our international users from accessing our products and services, and, in some cases, prevent the export of our products and services to some countries altogether.

Furthermore, U.S. export control and economic sanctions laws prohibit the provision of products and services to countries, governments and persons that are the subject of U.S. sanctions. Even though we take precautions to prevent our products from being provided to persons and jurisdictions in violation of U.S. sanctions laws, our products and services, including our firmware updates, could find their way to such prohibited parties, which could have negative consequences, including government investigations, penalties and reputational harm. Our failure to obtain any required import or export approval for our products could harm our international and domestic sales and adversely affect our revenue.

Additionally, our supply chain is very complex and compliance with U.S. import laws and regulations requires that we make determinations based on the best information that we have available at the time. U.S. Customs and Border Protection may not always agree with those determinations and, at has times, has requested that we modify the information we have provided to them including that related to country of origin determinations.

We could be subject to future enforcement action with respect to compliance with governmental export and import controls and economic sanctions laws that result in penalties, costs and restrictions on export privileges that could adversely affect our business, financial condition and results of operations.

Failure to comply with anti-corruption and anti-money laundering laws, including the FCPA and similar laws associated with our activities outside of the United States, could subject us to penalties and other adverse consequences.

We operate a global business and may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities. We are subject to the FCPA, the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the U.S. Travel Act, the USA PATRIOT Act, the U.K. Bribery Act and possibly other anti-bribery and anti-money laundering laws in countries in which we conduct activities. These laws prohibit companies and their directors, officers, employees and third-party business partners and intermediaries, representatives, contractors and agents from corruptly promising, authorizing, offering or providing, directly or indirectly, improper payments or anything of value to foreign government officials, political parties and private-sector recipients for the purpose of obtaining or retaining business, directing business to any person or securing any improper advantage.

Our global operations expand our compliance obligations. For example, we import and export items to and from several countries. In many foreign countries, including countries in which we may conduct business, including interacting with governmental officials, it may be a local custom that businesses engage in practices that are prohibited by the FCPA or other applicable laws and regulations. In addition, we or our third-party business partners or intermediaries, employees, representatives, contractors, suppliers and agents may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities, including as governmental customers. We can be held liable for the corrupt or other illegal activities of our employees or third-party business partners or intermediaries, representatives, contractors and agents, even if we do not explicitly authorize such activities.

In addition, U.S. public companies are required to maintain records that accurately and fairly represent their transactions and maintain internal controls and compliance procedures designed to prevent violations of anti-corruption laws. While we have policies, procedures and training to foster compliance with these laws, we cannot assure you that our employees or third-party business partners or intermediaries, contractors, representatives and agents will not take actions in violation of our policies or applicable law for which we may ultimately be held responsible.

Any violation of the FCPA, other applicable anti-corruption laws or anti-money laundering laws could result in whistleblower complaints, adverse media coverage, investigations, loss of export privileges, fines, damages, severe criminal or civil penalties against us, our officers or our employees, disgorgement of profits, suspension or debarment from U.S. government contracts, any of which could adversely affect our reputation, business, results of operations, stock price, financial condition and prospects. In addition, detecting, investigating and resolving actual or alleged violations of anti-corruption laws and responding to any enforcement action may result in a significant diversion of management's attention and resources and significant defense costs and other professional fees.

Changes in legislation in U.S. and foreign taxation of international business activities or the adoption of other tax reform policies, as well as the application of such laws, could adversely impact our financial position and results of operations.

Recent or future changes to U.S., Canada, United Kingdom and other foreign tax laws could impact the tax treatment of our foreign earnings. We generally conduct our international operations through wholly owned subsidiaries and report our taxable income in various jurisdictions worldwide based upon our

business operations in those jurisdictions. The intercompany relationships between our legal entities are subject to complex transfer pricing regulations administered by taxing authorities in various jurisdictions. Although we believe we are compliant with applicable transfer pricing and other tax laws in the United States, Canada, the United Kingdom and other relevant countries, due to changes in such laws and rules, we may have to modify our international structure in the future, which will incur costs, may increase our worldwide effective tax rate and may adversely affect our financial position and results of operations. In addition, significant judgment is required in evaluating our tax positions and determining our provision for income taxes.

If U.S., Canadian, United Kingdom or other foreign tax laws further change, if our current or future structures and arrangements are challenged by a taxing authority, or if we are unable to appropriately adapt the manner in which we operate our business, we may have to undertake further costly modifications to our international structure and our tax liabilities and results of operations may be adversely affected.

We may face exposure to foreign currency exchange rate fluctuations.

While we have historically transacted the majority of our business in U.S. dollars, we also transact in some foreign currencies, such as the Australian Dollar, Canadian Dollar, Chinese Yuan, Euro, British Pound Sterling and Malaysian Ringgit, and we may transact in more foreign currencies in the future. Accordingly, changes in the value of foreign currencies relative to the U.S. dollar can affect our revenue and results of operations. As a result of such foreign currency exchange rate fluctuations, it could be more difficult to detect underlying trends in our business and results of operations. In addition, to the extent that fluctuations in currency exchange rates cause our results of operations to differ from our expectations or the expectations of our investors, the trading price of our Class A common stock could be lowered. We do not currently maintain a program to hedge transactional exposures in foreign currencies. However, in the future, we may use derivative instruments, such as foreign currency forward and option contracts, to hedge certain exposures to fluctuations in foreign currency exchange rates. The use of such hedging activities may not offset any or more than a portion of the adverse financial effects of unfavorable movements in foreign exchange rates over the limited time the hedges are in place and may introduce additional risks if we are unable to structure effective hedges with such instruments.

Risks Related to our Intellectual Property

Our intellectual property rights are valuable, and any inability to protect them could reduce the value of our products, services and brand.

Our success depends in large part on our proprietary technology and our patents, trade secrets, trademarks and other intellectual property rights. We rely on, and expect to continue to rely on, a combination of trademark, trade dress, domain name, copyright, trade secret and patent laws, as well as confidentiality and license agreements with our employees, contractors, consultants and third parties with whom we have relationships, to establish and protect our brand and other intellectual property rights. However, our efforts to protect our intellectual property rights may not be sufficient or effective, and any of our intellectual property rights may be challenged, which could result in them being narrowed in scope or declared invalid or unenforceable. There can be no assurance that our intellectual property rights will be sufficient to protect against others offering products, services or technologies that are substantially similar to ours and that compete with our business.

Effective protection of patents, trademarks and domain names is expensive and difficult to maintain, both in terms of application and registration costs as well as the costs of defending and enforcing those rights. As we have grown, we have sought to obtain and protect our intellectual property rights in an increasing number of countries, a process that can be expensive and may not always be successful. For example, the U.S. Patent and Trademark Office and various foreign governmental patent agencies require compliance with a number of procedural requirements to complete the patent application process and to maintain issued patents, and noncompliance or non-payment could result in abandonment or lapse of a patent or patent application, resulting in partial or complete loss of patent rights in a relevant jurisdiction. Further, intellectual property protection may not be available to us in every country in which our products are available. For example, the existence of prior art – or information that is already in the public domain – may limit our ability to obtain additional patents in the U.S. and foreign jurisdictions. Some foreign countries

also have compulsory licensing laws under which a patent owner must grant licenses to third parties. In addition, many countries limit the enforceability of patents against certain third parties, including government agencies or government contractors. In these countries, patents may provide limited or no benefit.

We have an active program of monitoring, investigating and enforcing our proprietary rights against companies and individuals who market or manufacture counterfeits and “knockoff” products, particularly ancillary and/or specialized products used with our connected machines. We assert our rights against infringers of our copyrights, patents, trademarks and trade dress. However, these efforts may not be successful in reducing sales of imitation products by these infringers. Additionally, other manufacturers may be able to produce successful personal desktop manufacturing devices which imitate our designs without infringing any of our copyrights, patents, trademarks or trade dress. Particularly with respect to the accessories and materials we sell to users for use with their machines, counterfeits, knockoffs or imitations are known to exist in the industry. The failure to prevent or limit such infringers or imitators could adversely affect our reputation and sales.

In order to protect our brand and intellectual property rights, we may be required to spend significant resources to monitor and protect these rights. Litigation brought to protect and enforce our intellectual property rights could be costly, time-consuming and distracting to management and could result in the impairment or loss of portions of our intellectual property. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights. Accordingly, we may not be able to prevent third parties from infringing upon or misappropriating our intellectual property. Our failure to secure, protect and enforce our intellectual property rights could seriously damage our brand and our business.

We have faced threats, and in the future may be threatened, by third parties for alleged infringement of their proprietary rights.

There is considerable patent and other intellectual property development activity in the technology industry, and litigation, based on allegations of infringement or other violations of intellectual property, is frequent in the technology industry. Furthermore, it is common for individuals and groups to purchase patents and other intellectual property assets for the purpose of making claims of infringement to extract settlements from companies like ours. Our use of third-party content, including images, software and other intellectual property may be subject to claims of infringement or misappropriation. We cannot guarantee that our internally-developed or acquired technologies and content do not or will not infringe the intellectual property rights of others. From time to time, our competitors or other third parties may claim that we are infringing upon or misappropriating their intellectual property rights, and we may be found to be infringing upon such rights. Any claims or litigation could cause us to incur significant expenses and, if successfully asserted against us, could require that we pay substantial damages or ongoing royalty payments, prevent us from offering our products or services or using certain technologies, force us to implement expensive work-arounds or impose other unfavorable terms. We expect that the occurrence of infringement claims is likely to grow as the market for our products and services grows and as we introduce new and updated products and services. Accordingly, our exposure to damages resulting from infringement claims could increase and this could further exhaust our financial and management resources. Further, during the course of any litigation, we may make announcements regarding the results of hearings and motions, and other interim developments. If securities analysts and investors regard these announcements as negative, the market price of our Class A common stock may decline. Even if intellectual property claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and require significant expenditures. Any of the foregoing could prevent us from competing effectively and could adversely affect our business, financial condition and results of operations.

We depend upon third-party licenses and the purchase of third-party works for the use of digital content. An adverse change to, loss of or claim that we do not hold necessary licenses or rights may adversely affect our business, results of operations and financial condition.

Digital content is an important element of the overall content that we make available to our users. To secure the rights to use certain fonts, images, ready-to-make projects, patterns and other digital contents that are used on or with our products and services, we enter into agreements to obtain licenses from rights holders such as copyright owners or their agents. We pay royalties to such parties or their agents around the world. In other instances, we enter into agreements with various third parties to purchase their pre-existing works or engage on a "works for hire" basis to procure desired content.

The process of obtaining licenses, purchasing pre-existing works and new engagement involves identifying and negotiating with many rights holders, some of whom are unknown or difficult to identify, and implicates a myriad of complex and evolving legal issues across many jurisdictions, including open questions of law as to when and whether particular licenses are needed. Rights holders also may attempt to take advantage of their market power to seek onerous financial terms from us. Our relationship with certain rights holders may deteriorate. Additionally, there is a risk that aspiring rights holders, their agents or legislative or regulatory bodies will create or attempt to create new rights that could require us to enter into new license agreements with, and pay royalties to, newly defined groups of rights holders, some of which may be difficult or impossible to identify.

Although we expend significant resources to seek to comply with the statutory, regulatory and judicial frameworks, we cannot guarantee that we currently hold, or will always hold, every necessary right to use all of the digital content that is used with our products and services, and we cannot assure you that we are not infringing or violating any third-party intellectual property rights, or that we will not do so in the future.

These challenges, and others concerning the use of licensed content with our products, may subject us to significant liability for copyright infringement, breach of contract or other claims. For additional information, see the section titled "Business—Legal Proceedings."

Legislation regarding copyright protection or content review could impose complex and costly constraints on our business model.

Although our agreements with users submitting designs or other content to our websites and mobile apps specifically require users to represent that they have the right and authority to provide and license the designs and other content they submit for the purposes used by us, that the content does not and will not violate any law, statute, ordinance or regulation, and that the content (and our use of it) does not and will not infringe on any rights of any third party, we do not currently have the ability to determine the accuracy of these representations on a case-by-case basis. There is a risk that a user may supply an image or other content that is the property of another party used without permission, that infringes the copyright or trademark of another party or another party's right of privacy or right of publicity or that would be considered to be defamatory, pornographic, hateful, racist, scandalous, obscene or otherwise offensive, objectionable or illegal under the laws or court decisions of the jurisdiction where that user lives. There is, therefore, a risk that users may intentionally or inadvertently order and receive products from us that are in violation of the rights of another party or a law or regulation of a particular jurisdiction.

The EU has also enacted a new law that will require us to use best efforts in accordance with the high industry standards of professional diligence to exclude infringing content from our platform that may be uploaded by our users. To comply with this new law, we will likely have to devote significant time and resources to develop technologies to prevent infringing content from being uploaded to our platform and, to the extent infringing content makes it onto our platform, to expeditiously remove such content and implement measures to prevent re-uploads of such content. Although the new law does not mandate monitoring, there may be no practical way for us to comply with the law's stringent new requirements without adopting some form of robust content identification systems. We may also be required to enter into license agreements with various rights holders to obtain licenses that authorize the storage and use of content uploaded by our users. We may not be able to develop technological solutions to comply with applicable

law on economically reasonable terms and there is no guarantee that we will be able to enter into agreements with all relevant rights holders on terms that we deem reasonable. Compliance may therefore cause us to encounter increased costs which could substantially harm our business and results of operations.

Some of our products contain open source software, which may pose particular risks to our proprietary software, technologies, products and services in a manner that could harm our business.

We use open source software in our products and anticipate using open source software in the future. Some open source software licenses require those who distribute open source software as part of their own software product to publicly disclose all or part of the source code to such software product or to make available any derivative works of the open source code on unfavorable terms or at no cost. The terms of many open source licenses to which we are subject have not been interpreted by U.S. or foreign courts, and there is a risk that open source software licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to provide or distribute our products or services. Additionally, we could face claims from third parties claiming ownership of, or demanding release of, the open source software or derivative works that we developed using such software, which could include proprietary source code, or otherwise seeking to enforce the terms of the applicable open source license. These claims could result in litigation and could require us to make our software source code freely available, purchase a costly license or cease offering the implicated products or services unless and until we can re-engineer them to avoid infringement. This re-engineering process could require us to expend significant additional research and development resources, and we cannot guarantee that we will be successful.

Additionally, the use of certain open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or controls on the origin of software. There is typically no support available for open source software, and we cannot ensure that the authors of such open source software will implement or push updates to address security risks or will not abandon further development and maintenance. Many of the risks associated with the use of open source software, such as the lack of warranties or assurances of title or performance, cannot be eliminated, and could, if not properly addressed, negatively affect our business. We have processes to help alleviate these risks, including a review process for screening requests from our developers for the use of open source software, but we cannot be sure that all open source software is identified or submitted for approval prior to use in our products. Any of these risks could be difficult to eliminate or manage, and, if not addressed, could adversely affect our business, financial condition and results of operations.

Risks Related to the Ownership of Our Class A Common Stock and This Offering

The dual class structure of our common stock will have the effect of concentrating voting power with our pre-offering stockholders, which will limit your ability to influence the outcome of matters submitted to our stockholders for approval, including the election of our board of directors, the adoption of amendments to our certificate of incorporation and bylaws, and the approval of any merger, consolidation, sale of all or substantially all of our assets or other major corporate transaction.

Our Class A common stock, which is the stock we are offering by means of this prospectus, has one vote per share and our Class B common stock has five votes per share, except as otherwise required by law. Upon the closing of this offering, Petrus and affiliates will hold shares of issued and outstanding Class B common stock. Accordingly, upon the closing of this offering, Petrus and affiliates will hold approximately % of the voting power of our outstanding capital stock in the aggregate. As a result, Petrus will be able to determine or significantly influence any action requiring the approval of our stockholders, including the election of our board of directors, the adoption of amendments to our certificate of incorporation and bylaws and the approval of any merger, consolidation, sale of all or substantially all of our assets or other major corporate transaction. Petrus may have interests that differ from yours and may vote in a way with which you disagree and which may be adverse to your interests. This concentrated

control may have the effect of delaying, preventing or deterring a change in control of our company, could deprive our stockholders of an opportunity to receive a premium for their capital stock as part of a sale of our company and might ultimately affect the market price of our Class A common stock. Further, the separation between voting power and economic interests could cause conflicts of interest between Petrus and our other stockholders, which may result in Petrus undertaking, or causing us to undertake, actions that would be desirable for Petrus but would not be desirable for our other stockholders.

Future transfers by the holders of Class B common stock will generally result in those shares automatically converting into shares of Class A common stock, subject to limited exceptions, such as certain transfers effected for estate planning or other transfers by Petrus. In addition, each share of Class B common stock will convert automatically into one share of Class A common stock upon (i) the date following the completion of this offering on which the number of shares of our capital stock, including Class A common stock and Class B common stock, and any shares of capital stock underlying any securities, including restricted stock units, options or other convertible instruments, held by Petrus and its permitted entities is less than 50% of the number of shares of Class B common stock held by Petrus and its permitted entities as of immediately following the completion of this offering, which we refer to herein as the 50% Ownership Threshold, or (ii) the time following the completion of this offering specified by affirmative vote or written election of the holders of at least two-thirds of the outstanding shares of Class B common stock. We refer to the date on which such final conversion of all outstanding shares of Class B common stock pursuant to the terms of our amended and restated certificate of incorporation occurs as the Final Conversion Date. For information about our dual class structure, see the section titled “Description of Capital Stock.”

We cannot predict the effect our dual class structure may have on the market price of our Class A common stock.

We cannot predict whether our dual class structure will result in a lower or more volatile market price of our Class A common stock or in adverse publicity or other negative consequences. For example, certain index providers have announced restrictions on including companies with multiple-class share structures in certain of their indices. In July 2017, FTSE Russell and S&P Dow Jones announced that they would cease to allow most newly public companies utilizing dual or multi-class capital structures to be included in their indices. Affected indices include the Russell 2000 and the S&P 500, S&P MidCap 400 and S&P SmallCap 600, which together make up the S&P Composite 1500. Beginning in 2017, MSCI, a leading stock index provider, opened public consultations on their treatment of no-vote and multi-class structures and temporarily barred new multi-class listings from certain of its indices; however, in October 2018, MSCI announced its decision to include equity securities “with unequal voting structures” in its indices and to launch a new index that specifically includes voting rights in its eligibility criteria. Under the announced policies, our dual class capital structure would make us ineligible for inclusion in certain indices, and as a result, mutual funds, exchange-traded funds and other investment vehicles that attempt to passively track those indices will not be investing in our stock. These policies are still fairly new and it is currently unclear what effect, if any, they will have on the valuations of publicly traded companies excluded from the indices, but it is possible that they may depress their valuations compared to the valuations of other similar companies that are included. Because of our dual class structure, we will likely be excluded from certain of these indices and we cannot assure you that other stock indices will not take similar actions. Given the sustained flow of investment funds into passive strategies that seek to track certain indices, exclusion from stock indices would likely preclude investment by many of these funds and could make our Class A common stock less attractive to other investors. As a result, the market price of our Class A common stock could be adversely affected.

There has been no prior public market for our Class A common stock, the stock price of our Class A common stock may be volatile or may decline regardless of our operating performance, and you may not be able to resell your shares at or above the initial public offering price.

There has been no public market for our Class A common stock prior to this offering. The initial public offering price for our Class A common stock will be determined through negotiations between us and the underwriters and may vary from the market price of our Class A common stock following this offering. The market prices of the securities of newly public companies such as us have historically been highly volatile.

The market price of our Class A common stock may fluctuate significantly in response to numerous factors, many of which are beyond our control, including:

- overall performance of the equity markets and the performance of technology companies in particular;
- variations in our results of operations, cash flows and other financial metrics and non-financial metrics and how those results compare to analyst expectations;
- changes in the financial projections we may provide to the public, or our failure to meet these projections;
- failure of securities analysts to initiate or maintain coverage of us, changes in financial estimates by any securities analysts who follow our company or our failure to meet these estimates or the expectations of investors;
- recruitment or departure of key personnel;
- the economy as a whole and market conditions in our industry;
- negative publicity related to problems in our manufacturing or the real or perceived quality of our products, as well as the failure to timely launch new products or services that gain market acceptance;
- rumors and market speculation involving us or other companies in our industry;
- announcements by us or our competitors of new products, accessories, features and content, significant technical innovations, acquisitions, strategic partnerships, joint ventures or capital commitments;
- actual or perceived privacy or data security incidents;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- lawsuits threatened or filed against us, litigation involving our industry, or both;
- developments or disputes concerning our or other parties' products, services or intellectual property rights;
- the inclusion or exclusion of our Class A common stock from any trading indices, such as the S&P 500 Index;
- other events or factors, including those resulting from war, incidents of terrorism, manmade or natural disasters, pandemics or responses to these events;
- the expiration of contractual lock-up or market standoff agreements; and
- sales of shares of our Class A common stock by us or our stockholders.

In addition, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. Stock prices of many companies have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies. In the past, stockholders have instituted securities class action litigation following periods of market volatility. If we were to become involved in securities litigation, it could subject us to substantial costs, divert resources and the attention of management from our business and adversely affect our business.

Upon the completion of this offering, our directors, executive officers and holders of 5% or more of our common stock will beneficially own approximately % of our common stock and will be able to exert significant control over us, which will limit your ability to influence the outcome of important transactions, including a change of control.

Upon completion of this offering, our directors, executive officers and holders of 5% or more of our outstanding common stock, and their respective affiliates, will beneficially own, in the aggregate, approximately % of the shares of our outstanding common stock, based on the number of shares outstanding as of . Further, Petrus and affiliates, collectively, are currently our largest stockholder. Upon completion of this offering, Petrus and affiliates will hold approximately % of the total voting power of our common stock based on the number of shares outstanding as of . See the section titled "Principal Stockholders" for additional information. As a result, our directors, executive officers and holders of 5% or more of our outstanding common stock, and their respective affiliates, if acting together, will be able to determine or significantly influence all matters requiring stockholder approval, including the elections of directors, amendments of our organizational documents and approval of any merger, sale of assets or other major corporate transaction. These stockholders may have interests that differ from yours and may vote in a way with which you disagree and which may be adverse to your interests. This concentration of ownership may delay, prevent or discourage acquisition proposals or other offers for our Class A common stock that you may feel are in your best interest as a stockholder and ultimately could deprive you of an opportunity to receive a premium for your Class A common stock as part of a sale of our company, which in turn might adversely affect the market price of our Class A common stock.

We are a "controlled company" within the meaning of the Exchange rules and, as a result, are entitled to rely on exemptions from certain corporate governance requirements that are designed to provide protection to stockholders of companies that are not "controlled companies."

Because Petrus and affiliates own more than 50% of the total voting power of our common shares, we are a "controlled company" within the meaning of the Exchange's corporate governance standards. As a controlled company, we are exempt under the Exchange's standards from the obligation to comply with certain corporate governance requirements, including the requirements:

- that a majority of our board of directors consists of independent directors;
- that we have a nominating committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities; and
- that we have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities.

As a result of relying on the controlled company exemptions, the procedures for approving significant corporate decisions could be determined by directors who have a direct or indirect interest in such decisions, and our stockholders do not have the same protections afforded to stockholders of other companies that are required to comply with all of the independence rules of the Exchange.

If securities or industry analysts do not publish research, or publish inaccurate or unfavorable research, about our business, the price of our Class A common stock and trading volume could decline.

The trading market for our Class A common stock will depend in part on the research and reports that securities or industry analysts publish about us or our business, our market and our competitors. We do not have any control over these analysts. If few securities analysts commence coverage of us or fail to publish reports on us regularly, or if industry analysts cease coverage of us, demand for our Class A common stock could decrease, which might cause our Class A common stock price and trading volume to decline. If one or more of the analysts who cover us downgrade our Class A common stock or publish inaccurate or unfavorable research about our business, our Class A common stock price would likely decline.

If you purchase our Class A common stock in our initial public offering, you will experience immediate and substantial dilution.

The assumed initial public offering price of $ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, is substantially higher than the as adjusted net tangible book value per share of our outstanding common stock of $ per share as of , 2021. Investors purchasing shares of our Class A common stock in this offering will pay a price per share that substantially exceeds the book value of our tangible assets after subtracting our liabilities. Therefore, if you purchase Class A common stock in this offering, you will incur immediate dilution of $ per share in the net tangible book value per share from the price you paid. This dilution is due in large part to the fact that our earlier investors paid substantially less than the initial public offering price when they purchased shares prior to this offering. You will experience additional dilution when those holding options exercise their right to purchase common stock under our equity incentive plans or when we otherwise issue additional shares of our Class A common stock. See the section titled “Dilution” for additional information.

We will have broad discretion in the use of the net proceeds we receive in this offering and may not use them effectively.

We will have broad discretion in the application of the net proceeds we receive in this offering, including for any of the purposes described in the section titled “Use of Proceeds,” and you will not have the opportunity as part of your investment decision to assess whether the net proceeds are being used appropriately. Because of the number and variability of factors that will determine our use of the net proceeds from this offering, their ultimate use may vary substantially from their currently intended use. If we do not use the net proceeds that we receive in this offering effectively, our business, financial condition, results of operations and prospects could be harmed, and the market price for our Class A common stock could decline.

We do not currently intend to pay dividends for the foreseeable future.

In September 2020, we paid a cash dividend to Cricut Holdings, our sole stockholder at the time. We currently do not intend to pay any cash dividends in the foreseeable future. Additionally, our ability to pay dividends on our common stock is limited by the restrictions under the terms of our New Credit Agreement. We anticipate that for the foreseeable future we will retain all of our future earnings for use in the development of our business and for general corporate purposes. Any determination to pay dividends in the future will be at the discretion of our board of directors. Accordingly, investors must rely on sales of their Class A common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments.

Provisions in our charter documents that will be in effect upon the completion of this offering and under Delaware law could make an acquisition of us difficult, limit attempts by our stockholders to replace or remove our current management and limit the market price of our Class A common stock.

Provisions in our amended and restated certificate of incorporation and amended and restated bylaws that will be in effect upon the completion of this offering may have the effect of delaying or preventing transactions involving an actual or potential change in our control or change in our management, including transactions in which stockholders might otherwise receive a premium for their shares, or transactions that our stockholders might otherwise deem to be in their best interests. Therefore, these provisions could adversely affect the price of our Class A common stock.

Our charter documents will also contain other provisions that could have an anti-takeover effect, such as:

- subject to the rights of the holders of preferred stock, permitting the board of directors to establish the number of directors and fill any vacancies and newly created directorships;

- prohibiting cumulative voting for directors;
- requiring super-majority voting to amend some provisions in our certificate of incorporation and bylaws;
- authorizing the issuance of undesignated preferred stock that our board of directors could use to implement a stockholder rights plan;
- eliminating the ability of stockholders to call special meetings of stockholders;
- prohibiting stockholder action by written consent prior to the Final Conversion Date unless the action is first recommended or approved by the board, and prohibiting stockholder action by written consent from and after the Final Conversion Date, which requires stockholder actions to be taken at a meeting of our stockholders;
- certain litigation against us can only be brought in Delaware; and
- our dual class common stock structure as described above.

For information regarding these and other provisions, see the section titled “Description of Capital Stock—Anti-Takeover Provisions.”

Our charter documents that will be in effect on the completion of this offering will provide that the Court of Chancery of the State of Delaware and the federal district courts of the United States will be the exclusive forums for substantially all disputes between us and our stockholders, which could limit our stockholders’ ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our amended and restated certificate of incorporation that will be in effect on the completion of this offering and our amended and restated bylaws that will be in effect upon the completion of this offering will provide that the Court of Chancery of the State of Delaware, to the fullest extent permitted by law, will be the exclusive forum for any derivative action or proceeding brought on our behalf, any action asserting a breach of fiduciary duty, any action asserting a claim against us arising pursuant to the Delaware General Corporation Law, or DGCL, our amended and restated certificate of incorporation or our amended and restated bylaws, or any action asserting a claim against us that is governed by the internal affairs doctrine. This choice of forum provision may limit a stockholder’s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or any of our directors, officers or other employees, which may discourage lawsuits against us and our directors, officers and other employees. This exclusive forum provision will not apply to claims that are vested in the exclusive jurisdiction of a court or forum other than the Court of Chancery of the State of Delaware, or for which the Court of Chancery of the State of Delaware does not have subject matter jurisdiction.

Section 22 of the Securities Act creates concurrent jurisdiction for U.S. federal and state courts over causes of action arising under the Securities Act. Accordingly, both U.S. state and federal courts have jurisdiction to entertain such claims. To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our amended and restated bylaws will provide that, unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act. This exclusive forum provision will not apply to suits brought to enforce any liability or duty created by the Exchange Act. Any person or entity purchasing or otherwise acquiring any interest in any of our securities shall be deemed to have notice of and consented to the foregoing provision of our amended and restated bylaws.

Although we believe this exclusive forum provision benefits us by providing increased consistency in the application of U.S. federal securities laws in the types of lawsuits to which they apply, the exclusive forum provision may limit a shareholder’s ability to bring a claim in a judicial forum of its choosing for disputes with us or any of our directors, shareholders, officers or other employees, which may discourage lawsuits with respect to such claims against us and our current and former directors, shareholders, officers or other employees. Our stockholders will not be deemed to have waived our compliance with the U.S.

federal securities laws and the rules and regulations thereunder as a result of our exclusive forum provision. Further, in the event a court finds the exclusive forum provision contained in our amended and restated bylaws to be unenforceable or inapplicable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our results of operations.

General Risk Factors

The outbreak of the COVID-19 pandemic could adversely affect our business, results of operations and financial condition.

The COVID-19 pandemic has caused significant volatility in financial markets. Public health problems resulting from the COVID-19 pandemic and precautionary measures instituted by governments and businesses to mitigate its spread, including government lock-downs, travel restrictions and quarantines, have contributed to, and could for the foreseeable future contribute to, a general slowdown in the global economy, adversely impact our brick-and-mortar and online retail partners, potential customers, third-party suppliers, contract manufacturers, third-party logistics providers and other business partners, and disrupt our operations. Changes in our operations in response to the COVID-19 pandemic have resulted, and could continue to result in, inefficiencies or delays, including in manufacturing, sales, delivery and product development efforts, and additional costs related to business continuity initiatives, that cannot be fully mitigated through succession and business continuity planning, employees working remotely or teleconferencing technologies.

During the COVID-19 pandemic we have experienced an increase in demand for our products and subscriptions. For example, from the third quarter of 2018 to the third quarter of 2019 our revenue from connected machines grew 40%, our revenue from subscriptions grew 74% and our revenue from accessories and materials grew 53%. In comparison, from the third quarter of 2019 to the third quarter of 2020 our revenue from connected machines grew 74%, our revenue from subscriptions grew 125% and our revenue from accessories and materials grew 86%. We believe that some portion of our revenue growth was a result of the COVID-19 pandemic, but we are not able to quantify the proportion of the increase in demand that is attributable to the COVID-19 pandemic as opposed to other factors contributing to our growth in recent periods.

There is no guarantee that such trends will continue at all or at the same rate in the future. To the contrary, the COVID-19 pandemic has had and may lead to a negative impact on our business and results of operations due to the occurrence of some or all of the following events or circumstances, among others:

- our inability to manage our business effectively due to key employees becoming ill or infection clusters in worker populations, working from home inefficiently and being unable to travel to our facilities;
- our third-party suppliers', contract manufacturers', third-party logistics providers' and other business partners' inability to operate worksites, including manufacturing facilities, shipping and fulfillment centers and third-party logistics facilities; for example, we have experienced longer lead times requirements with suppliers and slowdowns with our contract manufacturers during the COVID-19 pandemic;
- prolonged delivery timelines;
- increased return rates or decreased sales of our connected machines, subscriptions and accessories and materials, as applicable, due to a decrease in consumer discretionary spending;
- inventory shortages caused by a combination of increased demand for our products and longer lead-times in the manufacturing of our connected machines and certain other products, due to work restrictions related to the COVID-19 pandemic, import and export conditions, such as port congestion and local government orders;

- interruptions in manufacturing (including the sourcing of key components) and shipment of our products; for example, in certain instances, our suppliers, manufacturers and third-party logistic partners have closed and may in the future temporarily close certain of their facilities for short periods of time;
- government mandated shutdowns or movement control orders in the countries in which our contract manufacturers and suppliers are located, specifically China and Malaysia, which may disrupt the operations of our contract manufacturers and third-party suppliers, which could impact our ability to purchase components at efficient prices and in sufficient amounts; and
- incurrence of significant increases to employee health care and benefits costs.

The extent of the impact of the COVID-19 pandemic on our business and financial results will depend largely on future developments, including the duration of the spread of the outbreak, the impact on capital and financial markets and the related impact on the financial circumstances of our customers, all of which are highly uncertain and cannot be predicted. This situation is changing rapidly, and additional impacts may arise that we are not aware of currently.

We are an "emerging growth company" and intend to take advantage of the reduced disclosure requirements applicable to emerging growth companies which may make our Class A common stock less attractive to investors.

We are an "emerging growth company" as defined in the JOBS Act. We will remain an emerging growth company until the earliest of (i) the last day of the fiscal year in which we have total annual gross revenue of $1.07 billion or more, (ii) the last day of the fiscal year following the fifth anniversary of the date of the completion of this offering, (iii) the date on which we have issued more than $1.0 billion in nonconvertible debt during the previous three years and (iv) the date on which we are deemed to be a "large accelerated filer" under the rules of the SEC. For so long as we remain an emerging growth company, we are permitted to, and intend to, rely on exemptions from certain disclosure requirements that are applicable to other public companies that are not "emerging growth companies," including:

- not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act;
- reduced disclosure obligations regarding executive compensation; and
- exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

We currently intend to take advantage of the available exemptions described above. We have taken advantage of reduced reporting burdens in this prospectus. In particular, we have not included all of the executive compensation information that would be required if we were not an emerging growth company. We cannot predict if investors will find our Class A common stock less attractive if we rely on these exemptions. Furthermore, under the JOBS Act, emerging growth companies can also delay adopting new or revised accounting standards until such time as those standards apply to private companies. We plan to avail ourselves of this accommodation allowing for delayed adoption of new or revised accounting standards. If some investors find our Class A common stock less attractive as a result of these decisions, there may be a less active trading market for our Class A common stock and the price of our Class A common stock may be more volatile.

Our business is subject to a large number of U.S. and non-U.S. laws, many of which are evolving, including laws specific to e-commerce.

We are subject to a variety of laws and regulations in the United States and around the world, including those relating to traditional businesses, such as employment laws and taxation, as well as laws and regulations focused on e-commerce and online marketplaces, such as online payments, privacy, anti-spam, data security and protection, online platform liability, intellectual property and consumer protection, the

ability to collect and/or share necessary information that allows us to conduct business on the Internet, marketing communications and advertising, content protection, electronic contracts or gift cards. In some cases, non-U.S. privacy, data protection, information security, consumer protection, e-commerce and other laws and regulations are more detailed than those in the United States and, in some countries, are actively enforced.

These laws and regulations are continuously evolving, and compliance is costly and could require changes to our business practices and significant management time and effort, or may result in enforcement actions or litigation. For example, California's Automatic Renewal Law requires companies to adhere to enhanced disclosure requirements when entering into automatically renewing contracts with consumers. As a result, a wave of consumer class action lawsuits was brought against companies that offer online products and services on a subscription or recurring basis. Other laws, like the CCPA and the EU's GDPR, require us to implement reasonable privacy and security measures, including applying security requirements by contract to certain service providers and processors acting on our behalf, as well as requiring certain privacy and security disclosures to consumers and employees. In some jurisdictions, these laws and regulations may be subject to attempts to apply such domestic rules world-wide against us or our subsidiaries. Additionally, it is not always clear how existing laws apply to online marketplaces as many of these laws do not address the unique issues raised by online marketplaces or e-commerce. For example, as described elsewhere in this Risk Factors section, laws relating to privacy, data protection and information security are evolving differently in different jurisdictions. Federal, state and non-U.S. governmental authorities, as well as courts interpreting relevant laws, continue to evaluate and assess applicable privacy, data protection and information security requirements.

Existing and future laws and regulations enacted by federal, state or non-U.S. governments or the inconsistent enforcement of such laws and regulations could impede the growth of e-commerce or online marketplaces, which could have a negative impact on our business and operations. Examples include data localization requirements, limitations on marketplace scope or ownership, intellectual property intermediary liability rules, regulation of online speech, limits on network neutrality and rules related to security, privacy, data protection or national security, which may impede us or our users. We could also face regulatory challenges or be subject to discriminatory or anti-competitive practices that could impede both our growth prospects, increase our costs and harm our business.

We strive to comply with all applicable laws, but they may conflict with each other, and by complying with the laws or regulations of one jurisdiction, we may find that we are in conflict with the laws or regulations of another jurisdiction. Despite our best efforts, we may not have fully complied with all applicable laws and may not in the future. Any failure, or perceived failure, by us to comply with any of these laws or regulations could result in damage to our reputation, lost business and proceedings or actions against us by governmental entities or others, which could result in significant expenses, fines or penalties. Laws or regulations, or enforcement thereof, could also force us to change the way we operate, which could require us to incur significant expenses or to discontinue certain services, which could negatively affect our business.

Additionally, if third parties with whom we work violate applicable laws or our policies, those violations could result in other liabilities for us and could harm our business. Furthermore, the circumstances in which we may be held liable for the acts, omissions or responsibilities of these parties is uncertain, complex and evolving. If an increasing number of such laws are passed, the resulting compliance costs and potential liability risk could negatively impact our business.

From time to time, we may be subject to legal proceedings, regulatory disputes and governmental inquiries that could cause us to incur significant expenses, divert our management's attention and materially harm our business, results of operations and financial condition.

From time to time, we may be subject to claims, lawsuits, regulatory disputes, government inquiries and other proceedings, including matters related to intellectual property, commercial, employment and tax that could adversely affect our business, results of operations and financial condition. As we have grown, we have seen a rise in the number and significance of these disputes and inquiries. Litigation and regulatory

proceedings, and particularly any intellectual property infringement matters that we may face, could be protracted and expensive, and the results are difficult to predict. Certain of these matters may include speculative claims for substantial or indeterminate amounts of damages and include claims for injunctive relief. Adverse outcomes with respect to any of these legal proceedings may result in significant settlement costs or judgments, penalties and fines, or require us to modify our products or services, make content unavailable or require us to stop offering certain features, all of which could negatively affect our subscription and revenue growth. See the section titled "Business—Legal Proceedings" for additional information.

The results of claims, lawsuits, regulatory disputes, government inquiries and other proceedings cannot be predicted with certainty, and determining reserves for pending litigation and other legal and regulatory matters requires significant judgment. There can be no assurance that our expectations will prove correct, and even if these matters are resolved in our favor or without significant cash settlements, these matters, and the time and resources necessary to litigate or resolve them, could harm our business, financial condition and results of operations.

We may engage in merger and acquisition activities, which could require significant management attention, disrupt our business, dilute stockholder value and adversely affect our results of operations.

As part of our business strategy, we may in the future engage in investment, merger or acquisition activities involving other companies, products or technologies. We may not be able to find suitable acquisition candidates, and we may not be able to complete acquisitions on favorable terms, if at all. If we do complete acquisitions, we may not ultimately strengthen our competitive position or achieve our goals, and any acquisitions we complete could be viewed negatively by our users or investors. Moreover, an acquisition, investment or business relationship may result in unforeseen operating difficulties and expenditures, including disrupting our ongoing operations, diverting management from their primary responsibilities, subjecting us to additional liabilities, increasing our expenses and adversely affecting our business, financial condition and results of operations. Moreover, we may be exposed to unknown liabilities, and the anticipated benefits of any acquisition, investment or business relationship may not be realized, if, for example, we fail to successfully integrate such acquisitions, or the technologies associated with such acquisitions, into our company.

To pay for any such acquisitions, we would have to use our cash and cash equivalents, incur debt or issue equity securities, or a combination thereof, each of which may affect our financial condition or the value of our Class A common stock and could result in dilution to our existing stockholders. If we incur more debt, it would result in increased fixed obligations and could also subject us to additional covenants or other restrictions that would impede our ability to manage our operations. Additionally, we may receive indications of interest from other parties interested in acquiring some or all of our business. The time required to evaluate such indications of interest could require significant attention from management, disrupt the ordinary functioning of our business and adversely affect our business, financial condition and results of operations.

Our business is subject to the risk of earthquakes, fire, power outages, floods, public health crises, including the COVID-19 pandemic, and other catastrophic events, and to interruption by manmade problems such as terrorism.

Our business is vulnerable to damage or interruption from earthquakes, fires, pandemics, floods, power losses, telecommunications failures, terrorist attacks, acts of war, human errors, break-ins, public health crises, including the COVID-19 pandemic and similar events. For example, our operations are subject to a range of external factors related to the COVID-19 pandemic that are not within our control. A wide range of governmental restrictions have been imposed on our employees', customers' and suppliers' physical movement to limit the spread of COVID-19. There can be no assurance that precautionary measures, whether adopted by us or imposed by others, will be effective, and such measures could negatively affect our sales, marketing and Cricut Member Care efforts, delay and lengthen our sales cycles, decrease our employees' or customers' or partners' productivity or create operational or other challenges,

any of which could harm our business, results of operations and financial condition. The third-party systems and operations and manufacturers we rely on are subject to similar risks. Our insurance policies may not cover losses from these events or may provide insufficient compensation that does not cover our total losses. For example, a significant natural disaster, such as a pandemic, earthquake, fire or flood, could adversely affect our business, financial condition and results of operations, and our insurance coverage may be insufficient to compensate us for losses that may occur. Acts of terrorism, which may be targeted at metropolitan areas that have higher population density than rural areas, could also cause disruptions in our or our suppliers' and manufacturers' businesses or the economy as a whole. We may not have sufficient protection or recovery plans in some circumstances, such as natural disasters affecting locations that store significant inventory of our products, that house our servers, or from which we generate content. As we rely heavily on our computer and communications systems, and the Internet to conduct our business and provide high-quality Cricut Member Care, these disruptions could negatively impact our ability to run our business and either directly or indirectly disrupt suppliers' and manufacturers' businesses, which could adversely affect our business, financial condition and results of operations.

We are subject to payment processing risk.

Our brick-and-mortar and online retail partners and users pay for our products using a variety of different payment methods, including credit and debit cards, gift cards, electronic fund transfers and electronic payment system and third-party financing providers. We rely on internal systems as well as those of third parties to process payment. Acceptance and processing of these payment methods are subject to certain rules and regulations and require payment of interchange and other fees. To the extent there are disruptions in our payment processing systems, increases in payment processing fees, material changes in the payment ecosystem, such as large re-issuances of payment cards, delays in receiving payments from payment processors or changes to rules or regulations concerning payment processing, our revenue, operating expenses and results of operation could be adversely impacted. We leverage our third-party payment processors to bill users on cricut.com and Paid Subscriber on our behalf. If these third parties become unwilling or unable to continue processing payments on our behalf, we would have to find alternative methods of collecting payments, which could adversely impact user and Paid Subscriber acquisition and retention. In addition, from time to time, we encounter fraudulent use of payment methods, which could impact our results of operation and if not adequately controlled and managed could create negative consumer perceptions of our service.

In 2020, we introduced an integration with a third-party financing provider, Affirm, which allows users to finance the purchase of our connected machines through third-party consumer financing. There is no assurance that Affirm, or any other company that may in the future offer financing to our users, will continue to provide users with access to credit or that credit limits under such arrangements will be sufficient. Such restrictions or limitations on the availability of consumer credit could have an adverse impact on our business, results of operations and financial condition.

The estimates of market size included in this prospectus may prove to be inaccurate, and even if the market in which we compete is of the size we estimate, we cannot assure you that our business will penetrate some or all of our SAM or TAM.

Market size estimates are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. The estimates of market size in this prospectus relating to our SAM and TAM, including estimates based on our commissioned surveys or our own internal survey data, may prove to be inaccurate. Even if the market is of the size we estimate in this prospectus, we may not further penetrate our SAM or TAM, or at all. Accordingly, the estimates of market size included in this prospectus should not be taken as indicative of our future growth.

The requirements of being a public company, including maintaining adequate internal control over our financial and management systems, may strain our resources, divert management's attention and affect our ability to attract and retain executive management and qualified board members.

As a public company we will incur significant legal, accounting and other expenses that we did not incur as a private company. Following the completion of this offering we will be subject to reporting requirements of the Exchange Act, the Sarbanes-Oxley Act, the rules subsequently implemented by the SEC, the rules and regulations and the listing standards of the Exchange and other applicable securities rules and regulations. Compliance with these rules and regulations will likely strain our financial and management systems, internal controls and employees.

The Exchange Act requires, among other things, that we file annual, quarterly and current reports with respect to our business and results of operations and the Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures, and internal control, over financial reporting. In order to maintain and, if required, improve our disclosure controls and procedures, and internal control over, financial reporting to meet this standard, significant resources and management oversight may be required. If, in the future, we have material weaknesses or deficiencies in our internal control over financial reporting, we may not detect errors on a timely basis and our consolidated financial statements may be materially misstated. Effective internal control is necessary for us to produce reliable financial reports and is important to prevent fraud.

In addition, we will be required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act when we cease to be an emerging growth company. We expect to incur significant expenses and devote substantial management effort toward ensuring compliance with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act. As a result of the complexity involved in complying with the rules and regulations applicable to public companies, our management's attention may be diverted from other business concerns, which could harm our business, results of operations and financial condition. Although we have already hired additional employees to assist us in complying with these requirements, our finance team is small and we may need to hire more employees in the future, or engage outside consultants, which will increase our operating expenses.

Being a public company and complying with applicable rules and regulations will make it much more expensive for us to obtain director and officer liability insurance, and we will incur substantially higher costs to obtain and maintain the same or similar coverage. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors and qualified executive officers.

If our estimates or judgments relating to our critical accounting policies prove to be incorrect, our results of operations could be adversely affected.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as provided in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates." The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities and stockholders' equity/deficit and the amount of revenue and expenses that are not readily apparent from other sources. Significant assumptions and estimates used in preparing our consolidated financial statements include those related to deferred revenue and entitlements. Our results of operations may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our results of operations to fall below the expectations of securities analysts and investors, resulting in a decline in the price of our Class A common stock.

We may be subject to sales and other taxes, and we may be subject to liabilities on past sales for taxes, surcharges and fees.

The application of indirect taxes, such as sales and use tax, subscription sales tax, value-added tax, provincial taxes, goods and services tax, business tax and gross receipt tax, to businesses like ours is a complex and evolving issue. Significant judgment is required to evaluate applicable tax obligations. In many cases, the ultimate tax determination is uncertain because it is not clear how existing statutes apply to our business. One or more states, the federal government or other countries may seek to impose additional reporting, record-keeping or indirect tax collection obligations on businesses like ours that offer subscription services. For example, on June 21, 2018, the U.S. Supreme Court held in *South Dakota v. Wayfair, Inc.* that states could impose sales tax collection obligations on out-of-state sellers even if those sellers lack any physical presence within the states imposing the sales taxes. Under *Wayfair*, a person requires only a "substantial nexus" with the taxing state before the state may subject the person to sales tax collection obligations therein. An increasing number of states (both before and after the publication of *Wayfair*) have considered or adopted laws that attempt to impose sales tax collection obligations on out-of-state sellers. The U.S. Supreme Court's *Wayfair* decision has removed a significant impediment to the enactment and enforcement of these laws, and it is possible that states may seek to tax out-of-state sellers on sales that occurred in prior tax years, which could create additional administrative burdens for us, put us at a competitive disadvantage if such states do not impose similar obligations on our competitors and decrease our future sales, which could adversely impact our business and results of operations. Although we believe that we currently collect and remit sales taxes in all states that have adopted laws imposing sales tax collection obligations on out-of-state sellers since *Wayfair* was decided, a successful assertion by one or more states requiring us to collect sales taxes where we presently do not do so, or to collect more taxes in a jurisdiction where we currently do collect some sales taxes, could result in substantial tax liabilities, including taxes on past sales, as well as interest and penalties. The adoption of new laws by, or a successful assertion by taxing authorities of such laws, could also require us to incur substantial costs to capture data and collect and remit taxes. If such obligations were imposed, the additional costs associated with tax collection, remittance and audit requirements could adversely affect our business, financial condition and results of operations.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements within the meaning of the federal securities laws under the sections titled "Prospectus Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" and in other sections of this prospectus. These forward-looking statements, which are subject to a number of risks, uncertainties and assumptions about us, generally relate to future events or our future financial or operating performance. In some cases, you can identify these statements by forward-looking words such as "believe," "may," "will," "estimate," "continue," "anticipate," "design," "intend," "expect," "could," "plan," "potential," "predict," "seek," "should," "would," "target," "project" or "contemplate" or the negative version of these words and other comparable terminology that concern our expectations, strategy, plans, intentions or projections. Forward-looking statements contained in this prospectus include, but are not limited to, statements about:

- our ability to attract and engage users and attract and expand our relationships with brick-and-mortar and online retail partners and distributors;
- our future results of operations, including trends in revenue, costs, operating expenses and key metrics;
- our ability to compete successfully in competitive markets;
- our expectations and management of future growth;
- our ability to manage our supply chain, manufacturing, distribution and fulfillment, including the ability to forecast demand;
- our ability to enter new markets and manage our expansion efforts, including internationally;
- our ability to attract and retain management, key employees and qualified personnel;
- our ability to effectively and efficiently protect our brand;
- our ability to maintain, protect and enhance our intellectual property and not infringe upon others' intellectual property;
- our continued use of open source software;
- our estimated SAM and TAM;
- our ability to prevent serious errors, defects or vulnerabilities in our products and software;
- the adequacy of our capital resources to fund operations and growth;
- our anticipated uses of net proceeds from this offering;
- our ability to remain in compliance with laws and regulations that currently apply or become applicable to our business both domestically and internationally;
- Petrus' significant influence over us and our status as a "controlled company" under the rules of the Exchange;
- expectations regarding the impact of the COVID-19 pandemic, the related responses by governments and private industry on our business and financial condition, as well as the financial condition of our brick-and-mortar and online retail partners, online and e-commerce channels and users; and
- the other factors identified under the section titled "Risk Factors" appearing elsewhere in this prospectus.

We caution you that the foregoing list may not contain all of the forward-looking statements made in this prospectus.

You should not rely upon forward-looking statements as predictions of future events. These statements are only predictions based primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, results of operations and prospects. There are important factors that could cause our actual results, events or circumstances to differ materially from the results, events or circumstances expressed or implied by the forward-looking statements, including those factors discussed in the section titled “Risk Factors” and elsewhere in this prospectus. You should specifically consider the numerous risks outlined in the section titled “Risk Factors.” Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this prospectus.

Neither we nor any other person assumes responsibility for the accuracy and completeness of any of these forward-looking statements. Moreover, the forward-looking statements made in this prospectus relate only to events as of the date on which the statements are made. We undertake no obligation to update any of these forward-looking statements after the date of this prospectus to reflect events or circumstances after the date of this prospectus or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this prospectus, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.

MARKET, INDUSTRY AND OTHER DATA

Unless otherwise indicated, estimates and information contained in this prospectus concerning our industry and the market in which we operate, including our general expectations and market position, market opportunity and market size, are based on information from various sources, including the independent industry publications set forth below, and are subject to a number of assumptions and limitations. You are cautioned not to give undue weight to these estimates. Although we are responsible for all of the disclosure contained in this prospectus and we believe the information from the industry publications and other third-party sources included in this prospectus is reliable, we have not independently verified the accuracy or completeness of the data contained in such sources. The content of the below sources, except to the extent specifically set forth in this prospectus, does not constitute a portion of this prospectus and is not incorporated herein.

The sources of certain statistical data, estimates and forecasts contained in this prospectus are the following independent industry publications or reports:

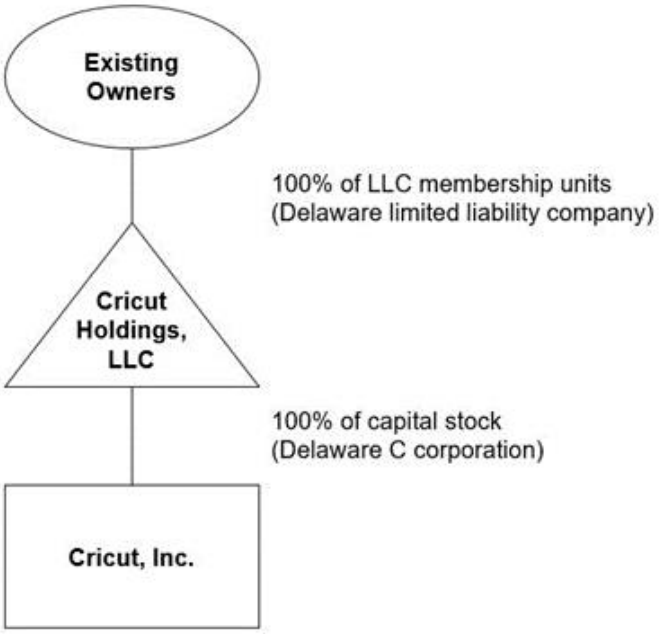
- Association for Creative Industries, *2016 Creative Products Size of the Industry Study UPDATE, Q4 2016 – Q3 2017*, 2017;
- Deloitte, *Made to order: The rise of mass personalisation*, The Deloitte Consumer Review, July 2015;
- GlobalWebIndex, *Social, GlobalWebIndex's flagship report on the latest trends in social media*, 2020;
- IBISWorld, *Greeting Cards & Other Publishing in the US*, September 2020;
- IBISWorld, *The Retail Market for Seasonal Decorations*, February 2020;
- IBISWorld, *The Retail Market for Stationary Products*, February 2020;
- IBISWorld, *Wedding Services in the US*, September 2020;
- The Freedonia Group, a division of MarketResearch.com, *Home Organization Products*, February 2019;
- Technavio, *Non-Photo Personalized Gift Market by Product, Distribution Channel, and Geography – Forecast and Analysis 2020-2024*, 2020; and
- YouGov America, *2020 Cricut TAM Study Background Information*, September 2020.

The industry in which we operate is subject to a high degree of uncertainty and risk due to a variety of factors, including those described in the section titled "Risk Factors" and elsewhere in this prospectus. These and other factors could cause results to differ materially from those expressed in the estimates made by the independent parties and by us.

Certain information regarding users contained in this prospectus is based on annual internal surveys and studies we conduct and has not been verified by a third party.

CORPORATE REORGANIZATION

The diagram below depicts our organizational structure immediately prior to the consummation of this offering:



Currently, the capital structure of Cricut Holdings consists of: (i) common units, (ii) incentive units, which are profits interests, (iii) zero strike price incentive units, (iv) purchased units and (v) phantom units. Prior to this offering, Cricut, Inc. has been a wholly owned subsidiary of Cricut Holdings.

Corporate Reorganization

Prior to the consummation of this offering, we will take a series of related corporate reorganization transactions as follows:

- Cricut, Inc. will engage in a forward stock split;
- Cricut, Inc. will file an amended and restated certificate of incorporation; and
- Cricut Holdings will liquidate in accordance with the terms and conditions of its existing limited liability company agreement. We refer to this transaction in this prospectus as the “Cricut Holdings Liquidation.” Existing Unitholders will receive, as a result of the Cricut Holdings Liquidation, 100% of the capital stock of Cricut, Inc. The capital stock of Cricut, Inc. will be allocated to such unit holders pursuant to the distribution provisions of the existing limited liability company agreement of Cricut Holdings based upon the liquidation value of Cricut Holdings, assuming it was liquidated at the time of this offering with a value implied by the initial public offering price of the shares of Class A common stock to be sold in this offering. Cricut Holdings will cease to exist following the Cricut Holdings Liquidation.

We refer to the foregoing transactions, collectively, as the “Corporate Reorganization.”

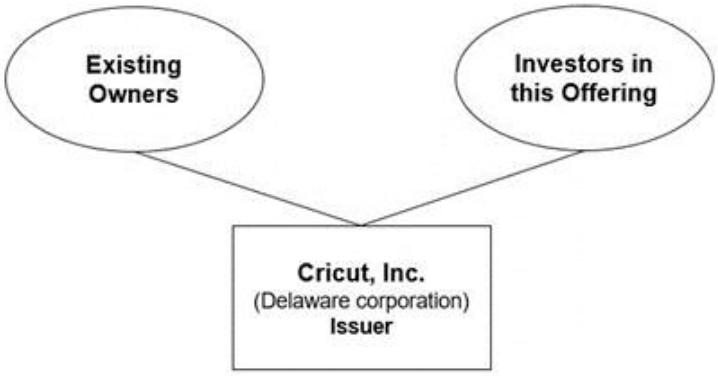
As a result of the Corporate Reorganization and the subsequent consummation of the offering described in this prospectus:

- investors in this offering will collectively own shares of Class A common stock of Cricut, Inc. (or shares of Class A common stock if the underwriters' option to purchase additional shares of our Class A common stock from us is exercised in full);
- Existing Unitholders in Cricut Holdings will collectively own shares of Class A common stock and shares of Class B common stock of Cricut, Inc.; and
- Existing Unitholders will collectively own shares of either restricted stock or RSUs of Cricut, Inc.

Treatment of Outstanding Equity Awards

In connection with the Corporate Reorganization, all of the outstanding equity awards that have been granted will be converted into shares of Class B common stock, restricted stock, RSUs or options of Cricut, Inc., as applicable, and all of the outstanding phantom units that have been granted will be converted into either shares of Class B common stock and RSUs of Cricut, Inc. or paid in cash, to the extent permitted in each applicable jurisdiction. Except with respect to outstanding options, the portion of each outstanding equity award that is vested as of immediately prior to the consummation of the Corporate Reorganization will be converted into shares of our Class B common stock, and the portion of each outstanding equity award that is unvested as of immediately prior to the consummation of the Corporate Reorganization will be converted into shares of Cricut, Inc.'s restricted stock or RSUs, as applicable. The shares of restricted stock and the RSUs will be subject to the same vesting conditions that apply to the unvested units or unit equivalents, as applicable, underlying the outstanding equity award from which such shares are converted. Options that are outstanding immediately prior to the consummation of the Corporate Reorganization will be converted into options to purchase shares of our Class B common stock on the same vesting and exercise terms.

The diagram below depicts our organizational structure immediately following the consummation of this offering. As used in the following diagram, "Existing Owners" refers to Petrus and other holders of our Class B common stock immediately prior to this offering:



USE OF PROCEEDS

We estimate that the net proceeds from the sale of shares of our Class A common stock in this offering will be approximately $, based on an assumed initial offering price of $ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. If the underwriters' option to purchase additional shares of our Class A common stock from us is exercised in full, we estimate our net proceeds will be approximately $ after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

Each $1.00 increase or decrease in the assumed initial public offering price of $ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, would increase or decrease, respectively, the net proceeds that we receive from this offering by approximately $, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, each increase or decrease of 1.0 million in the number of shares of our Class A common stock offered by us would increase or decrease the net proceeds that we receive from this offering by approximately $, assuming the assumed initial public offering price remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The principal purposes of this offering are to increase our capitalization and financial flexibility, increase our visibility in the marketplace, create a public market for our Class A common stock and enable access to the public equity markets for our stockholders.

We intend to use the net proceeds we receive from this offering for general corporate purposes, including working capital, operating expenses and capital expenditures and payment of outstanding phantom unit awards in certain jurisdictions. We also intend to use $ for the cash settlement of outstanding phantom units of Cricut Holdings, based on an assumed initial offering price of $ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus. Each $1.00 increase or decrease in the assumed initial public offering price of $ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, would increase or decrease, respectively, proceeds for the cash settlement of outstanding phantom units of Cricut Holdings by approximately $.

Additionally, we may use a portion of the net proceeds we receive from this offering to acquire businesses, products, services or technologies. However, we do not have agreements or commitments for any material acquisitions at this time. We cannot specify with certainty the particular uses of the net proceeds that we will receive from this offering. Accordingly, we will have broad discretion in using these proceeds. Pending the use of proceeds from this offering as described above, we may invest the net proceeds that we receive in this offering in short-term, investment grade, interest-bearing instruments.

DIVIDEND POLICY

In September 2020, we paid a cash dividend to holders of our common stock totaling $51.2 million. We do not currently intend to pay any cash dividends on our common stock in the foreseeable future.

We currently intend to retain all available funds and any future earnings to support operations and to finance the growth and development of our business. Any future determination to pay dividends on our common stock will be made at the discretion of our board of directors subject to applicable laws, and will depend upon, among other factors, our results of operations, financial condition, contractual restrictions and capital requirements. Our ability to pay cash dividends on our capital stock may also be limited by the terms of our New Credit Agreement and the terms of any future debt or preferred securities or future indebtedness.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of December 31, 2020:

- on an actual basis; and
- on an as adjusted basis to reflect the sale and issuance of shares of Class A common stock pursuant to this offering, based on an assumed initial public offering price of $ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The as adjusted information set forth in the table below is illustrative only and will be adjusted based on the actual initial public offering price and other terms of this offering determined at pricing. You should read the information in this table together with our consolidated financial statements and related notes included elsewhere in this prospectus and the sections titled "Corporate Reorganization," "Selected Consolidated Financial and Other Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	As of December 31, 2020	
	Actual	As Adjusted[1]
	(unaudited)	
	(in thousands, except share and per share data)	
Cash and cash equivalents	$	$
Stockholders' (deficit) equity:	$	$
Common stock, par value $0.001 per share; shares authorized, shares issued and outstanding, actual, shares authorized, issued and outstanding, as adjusted		
Class A common stock, par value $0.001 per share; shares authorized, shares issued and outstanding, actual, shares authorized, issued and outstanding, as adjusted		
Class B common stock, par value $0.001 per share; shares authorized, shares issued and outstanding, actual, shares authorized, issued and outstanding, as adjusted		
Additional paid-in capital		
Accumulated other comprehensive loss		
Accumulated deficit		
Total stockholders' (deficit) equity		
Total capitalization		

(1) Each $1.00 increase (decrease) in the assumed initial public offering price of $ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, would increase (decrease) each of cash and cash equivalents, additional paid-in capital, total stockholders' (deficit) equity and total capitalization by $ million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. We may also increase or decrease the number of shares we are offering. Each increase (decrease) of 1.0 million shares in the number of shares offered by us would increase (decrease) cash and cash equivalents, additional paid-in capital, total stockholders' (deficit) equity and total capitalization by $ million, assuming the assumed initial public offering price remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. The as adjusted information discussed above is illustrative only and will be adjusted based on the actual initial public offering price and other terms of this offering determined at pricing.

If the underwriters' option to purchase additional shares of our Class A common stock from us were exercised in full, as adjusted cash, and cash equivalents, additional paid-in capital, total stockholders' (deficit) equity and total capitalization would be $, $, $ and $, respectively.

The number of shares of our common stock that will be outstanding after this offering is based on an aggregate of shares of our Class B common stock outstanding as of December 31, 2020, and includes:

- shares of our Class B common stock that were outstanding as of December 31, 2020, upon consummation of the Corporate Reorganization (based on an assumed initial offering price of $ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus); and
- shares of our Class B common stock that are issuable upon settlement of phantom units, in jurisdictions where permitted, that were outstanding as of December 31, 2020, which settlement will occur in connection with the Corporate Reorganization (based on an assumed initial offering price of $ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus).

The number of shares of our common stock outstanding as of December 31, 2020 excludes the following:

- shares of Class A common stock reserved for future issuance under our equity compensation plans, consisting of:
  - shares of Class A common stock reserved for future issuance under our 2021 Plan (including shares of Class A common stock issuable upon the exercise of stock options and vesting and settlement of RSUs which we intend to grant in connection with this offering as set forth below), as well as any annual increases in the number of shares of Class A common stock reserved for future issuance under our 2021 Plan, which plan will become effective in connection with the completion of this offering;
  - shares of Class A common stock reserved for future issuance under our 2021 Plan including shares of common stock (based on an assumed initial public offering price of $ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus) issuable upon the exercise of stock options which we intend to grant in connection with this offering; and
  - additional shares of Class A common stock, subject to increase on an annual basis, reserved for future issuance under our 2021 ESPP, which plan will become effective in connection with the completion of this offering.

DILUTION

If you invest in our Class A common stock in this offering, your ownership interest will be immediately diluted to the extent of the difference between the amount per share paid by purchasers of shares of Class A common stock in this offering and the as adjusted net tangible book value per share of our Class A common stock and Class B common stock immediately after the completion of this offering. Dilution in net tangible book value per share to new investors represents the difference between the amount per share paid by purchasers of shares of our Class A common stock in this offering and the as adjusted net tangible book value per share of our Class A common stock and Class B common stock immediately after completion of this offering.

After giving effect to the Corporate Reorganization, our net tangible book value as of December 31, 2020 was approximately $, or $ per share, based on shares of our common stock deemed to be outstanding as of December 31, 2020.

After giving effect to our sale in this offering of shares of our Class A common stock, at an assumed initial public offering price of $ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us, our as adjusted net tangible book value as of December 31, 2020, would have been approximately $ million, or $ per share. This represents an immediate increase in net tangible book value of $ per share to our existing stockholders and an immediate dilution of $ per share to investors purchasing Class A common stock in this offering at the assumed initial public offering price.

The following table illustrates this dilution to new investors on a per share basis:

Assumed initial public offering price per share		$
Net tangible book value per share as of December 31, 2020	$	
Increase in net tangible book value per share attributable to investors purchasing shares of our Class A common stock in this offering		
As adjusted net tangible book value per share immediately after the completion of this offering		
Dilution in net tangible book value per share to investors purchasing shares in this offering		$

If the underwriters' option to purchase additional shares of our Class A common stock from us were exercised in full, the as adjusted net tangible book value would be $ per share, the increase in the net tangible book value per share for existing stockholders would be $ per share and the dilution to new investors participating in this offering would be $ per share.

Each $1.00 increase (decrease) in the assumed initial public offering price of $ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, would increase (decrease) the as adjusted net tangible book value by $ per share and the dilution per share to new investors by $ per share, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

We may also increase or decrease the number of shares we are offering. Each increase (decrease) of 1.0 million shares in the number of shares offered by us would increase (decrease) our as adjusted net tangible book value by approximately $, or $ per share, and the dilution per share to investors in this offering by $ per share, assuming the assumed initial public offering price remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The information discussed above is illustrative only and will change based on the actual initial public offering price, number of shares and other terms of this offering determined at pricing.

The table below summarizes, as of December 31, 2020, after giving effect to the sale by us of shares of our Class A common stock in this offering, the number of shares of our common stock, the total consideration and the average price per share (i) paid to us by our existing stockholders and (ii) to be paid by new investors participating in this offering at an assumed initial public offering price of $ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, before deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

	Shares Purchased		Total Consideration		Average Price
	Number	Percent	Amount	Percent	Per Share
Existing stockholders		%	$ —	%	$
Investors purchasing shares of our common stock in this offering					
Total		100%	$ —	100%	

Each $1.00 increase (decrease) in the assumed initial public offering price of $ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, would increase (decrease) the total consideration paid by new investors and total consideration paid by all stockholders by $ million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. We may also increase or decrease the number of shares we are offering. Each increase (decrease) of 1.0 million in the number of shares offered by us would increase (decrease) total consideration paid by new investors by $, assuming the assumed initial price to the public remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

Except as otherwise indicated, the above discussion and tables assume no exercise of the underwriters' option to purchase additional shares of our Class A common stock from us. If the underwriters exercise in full their option to purchase additional shares of our Class A common stock from us, our existing stockholders would own % and our new investors would own % of the total number of shares of our common stock outstanding upon completion of this offering.

The number of shares of our common stock that will be outstanding after this offering is based on an aggregate of shares of our Class B common stock outstanding as of December 31, 2020, and includes:

- shares of our Class B common stock that were outstanding as of December 31, 2020, upon consummation of the Corporate Reorganization (based on an assumed initial offering price of $ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus); and
- shares of our Class B common stock that are issuable upon settlement of phantom units, in jurisdictions where permitted, that were outstanding as of December 31, 2020, which settlement will occur in connection with the Corporate Reorganization (based on an assumed initial offering price of $ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus).

The number of shares of our common stock outstanding as of December 31, 2020 excludes the following:

- shares of Class A common stock reserved for future issuance under our equity compensation plans, consisting of:
  - shares of Class A common stock reserved for future issuance under our 2021 Plan (including shares of Class A common stock issuable upon the exercise of stock options and vesting and settlement of RSUs which we intend to grant in connection with this offering as set forth below), as well as any annual increases in the number of shares of Class A common stock reserved for future issuance under our 2021 Plan, which plan will become effective in connection with the completion of this offering;
  - shares of Class A common stock reserved for future issuance under our 2021 Plan including shares of common stock (based on an assumed initial public offering price of $ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus) issuable upon the exercise of stock options which we intend to grant in connection with this offering; and
  - additional shares of Class A common stock, subject to increase on an annual basis, reserved for future issuance under our 2021 ESPP, which plan will become effective in connection with the completion of this offering.

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following tables present selected historical financial and other data for the periods indicated. The selected consolidated statements of operations data for the years ended December 31, 2018 and 2019 and the consolidated balance sheets as of December 31, 2018 and 2019 are derived from our audited consolidated financial statements and related notes included elsewhere in this prospectus. We have derived the selected consolidated statements of operations data for the nine months ended September 30, 2019 and 2020, and the selected consolidated balance sheet data as of September 30, 2020 from our unaudited consolidated interim financial statements and related notes included elsewhere in this prospectus. Our unaudited consolidated interim financial statements have been prepared on a basis consistent with our audited annual consolidated financial statements appearing elsewhere in this prospectus and, in our opinion, includes all normal recurring adjustments necessary for the fair statement of the financial information contained in those statements. Our historical results are not necessarily indicative of our future results. The following selected consolidated financial and other data below should be read in conjunction with the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and related notes included elsewhere in this prospectus. The last day of our fiscal year is December 31.

	Year Ended December 31,		Nine Months Ended September 30,	
	2018	2019	2019	2020
(in thousands, except for per share amounts)			(unaudited)	
Consolidated Statements of Operations Data:				
Revenue:				
Connected machines	$ 147,081	$ 198,144	$ 118,183	$ 245,799
Subscriptions	31,300	53,829	38,218	74,414
Accessories and materials	161,407	234,581	156,522	267,851
Total revenue	339,788	486,554	312,923	588,064
Cost of revenue:				
Connected machines(1)	127,546	176,894	100,658	205,645
Subscriptions(1)	5,027	8,827	6,079	8,961
Accessories and materials(1)	96,119	158,483	103,954	165,833
Total cost of revenue	228,692	344,204	210,691	380,439
Gross profit	111,096	142,350	102,232	207,625
Operating expenses:				
Research and development(1)	24,056	26,674	19,037	27,784
Sales and marketing(1)	30,698	40,110	27,927	39,544
General and administrative(1)	18,363	22,005	13,228	19,368
Total operating expenses	73,117	88,789	60,192	86,696
Income from operations	37,979	53,561	42,040	120,929
Other income (expense):				
Interest income (expense), net	(1,934)	(3,291)	(2,062)	(1,081)
Other income (expense), net	108	(2)	(1)	(163)
Total other income (expense), net	(1,826)	(3,293)	(2,063)	(1,244)
Income before provision for income taxes	36,153	50,268	39,977	119,685
Provision for income taxes	8,721	11,057	8,555	26,555
Net income	$ 27,432	$ 39,211	$ 31,422	$ 93,130
Net income attributable to common stockholders(2)	49,337	39,211	31,422	93,130
Earnings per share attributable to common stockholders, basic and diluted(2)	$ 15.23	$ 12.11	$ 9.70	$ 28.76
Weighted-average common shares outstanding used to compute earnings per share attributable to common stockholders, basic and diluted(2)	3,238,427	3,238,427	3,238,427	3,238,427

(1) Includes stock-based compensation expense as follows:

(in thousands)	Year Ended December 31, 2018	Year Ended December 31, 2019	Nine Months Ended September 30, 2019 (unaudited)	Nine Months Ended September 30, 2020 (unaudited)
Cost of revenue				
Connected machines	$ 11	$ 2	$ 2	$ 5
Subscriptions	51	11	8	22
Accessories and materials	—	—	—	—
Total cost of revenue	62	13	10	27
Research and development	5,467	881	675	1,984
Sales and marketing	2,843	623	307	2,278
General and administrative	2,006	328	205	672
Total stock-based compensation expense	$ 10,378	$ 1,845	$ 1,197	$ 4,961

(2) See Note 1, Note 2 and Note 15 to our consolidated financial statements included elsewhere in this prospectus for an explanation of the methods used to calculate basic and diluted net income per share.

(in thousands)	Year Ended December 31, 2018	Year Ended December 31, 2019	Nine Months Ended September 30, 2019 (unaudited)	Nine Months Ended September 30, 2020 (unaudited)
Consolidated Balance Sheet Data:				
Cash and cash equivalents	$ 6,016	$ 6,653	$ 3,329	$ 67,507
Working capital	72,787	111,604	109,782	133,701
Total assets	241,618	317,645	335,312	419,548
Term loan, net of current portion	11,667	17,843	19,076	—
Total liabilities	161,852	196,503	222,769	255,218
Total stockholders' equity	79,766	121,142	112,543	164,330

Key Business Metrics and Non-GAAP Financial Measures

In addition to the measures presented in our consolidated financial statements, we use the following key business metrics and non-GAAP financial measures to help us evaluate our business, identify trends affecting our business, formulate business plans and make strategic decisions. For more information regarding our use of these key business metrics see the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Business Metrics and Non-GAAP Financial Measures."

	As of December 31, 2018	As of December 31, 2019	As of September 30, 2019	As of September 30, 2020
Users (in thousands)	1,685	2,525	2,221	3,681
Percentage of Users Creating in Trailing 90 Days	N/A	64%	60%	63%
Paid Subscribers (in thousands)	417	604	536	1,164

	Year Ended December 31, 2018	Year Ended December 31, 2019	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2020
Subscription ARPU	$ 23.19	$ 25.57	$ 19.57	$ 23.98
Accessories and Materials ARPU	$ 119.61	$ 111.44	$ 80.14	$ 86.33
EBITDA (in millions)	$ 46.1	$ 62.7	$ 48.4	$ 130.9

EBITDA and EBITDA Margin

We calculate EBITDA as net income adjusted to exclude: interest expense, net; income taxes and depreciation and amortization expense. EBITDA Margin is calculated by dividing EBITDA by total revenue.

We use EBITDA and EBITDA Margin as measures of operating performance in our business. We believe these non-GAAP financial measures are useful to investors for period-to-period comparisons of our business and in understanding and evaluating our results of operations for the following reasons:

- EBITDA and EBITDA Margin are widely used by investors and securities analysts to measure a company's operating performance without regard to items such as depreciation and amortization expense, interest expense and income taxes that can vary substantially from company to company depending upon their financing and the method by which assets were acquired;
- our management uses EBITDA and EBITDA Margin in conjunction with financial measures prepared in accordance with GAAP for planning purposes, including the preparation of our annual operating budget, as a measure of our core results of operations and the effectiveness of our business strategy and in evaluating our financial performance; and
- EBITDA and EBITDA Margin provide consistency and comparability with our past financial performance, facilitate period-to-period comparisons of our core results of operations and also facilitate comparisons with other peer companies, many of which use similar non-GAAP financial measures to supplement their GAAP results.

Our use of EBITDA and EBITDA Margin has limitations as an analytical tool, and you should not consider these measures in isolation or as substitutes for analysis of our financial results as reported under GAAP. Some of these limitations are, or may in the future be, as follows:

- although depreciation and amortization expense are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and EBITDA and EBITDA Margin do not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- EBITDA and EBITDA Margin do not reflect the portion of software development costs that we capitalize under GAAP, which has recently been, and will continue to be for the foreseeable future, a significant recurring expense for our business and an important part of our investment in new products;
- EBITDA and EBITDA Margin do not reflect: (i) changes in, or cash requirements for, our working capital needs, (ii) interest expense, or the cash requirements necessary to service interest or principal payments on our debt, which reduces cash available to us or (iii) tax payments that may represent a reduction in cash available to us.

Because of these limitations, we believe EBITDA and EBITDA Margin should be considered along with other operating and financial performance measures presented in accordance with GAAP.

The following table presents a reconciliation of EBITDA to net income, the most directly comparable financial measure prepared in accordance with GAAP, for each of the periods indicated:

	December 31,		September 30,	
	2018	2019	2019	2020
(in thousands)			(unaudited)	
Net income	$ 27,432	$ 39,211	$ 31,422	$ 93,130
Interest expense, net	1,934	3,291	2,062	1,081
Depreciation and amortization	8,016	9,108	6,321	10,097
Provision for income taxes	8,721	11,057	8,555	26,555
EBITDA	$ 46,103	$ 62,667	$ 48,360	$ 130,863

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 together with our consolidated financial statements and related notes and other financial information appearing elsewhere in this prospectus. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results could differ materially from these forward-looking statements as a result of many factors, including those discussed in the sections titled "Risk Factors" and "Special Note Regarding Forward-Looking Statements."

Overview of Our Business and History

At Cricut, our mission is to help people lead creative lives. We have designed and built a creativity platform that enables our engaged and loyal community of 3.7 million users to turn ideas into professional-looking handmade goods. With our highly versatile connected machines, design apps and accessories and materials, our users create everything from personalized birthday cards, mugs and T-shirts to large-scale interior decorations.

Our users' journeys typically begin with the purchase of a connected machine. We currently sell a portfolio of connected machines that cut, write, score and create other decorative effects using a wide variety of materials including paper, vinyl, leather and more. Our connected machines are designed for a wide range of uses and are available at a variety of price points:

- Cricut Joy for personalization on-the-go, $179.99 MSRP
- Cricut Explore for cutting, writing and scoring, $249.99 MSRP
- Cricut Maker for cutting, writing, scoring and adding decorative effects to a wider range of materials, $399.99 MSRP

Our software integrates our connected machines and design apps, allowing our users to create and share seamlessly. Our software is cloud-based, meaning that users can access and work on their projects anywhere, at any time, across desktops or mobile devices. We enable our users to be inspired, to create and share projects with the Cricut community and to follow others doing the same. On our apps, users can find inspiration, purchase or upload content like fonts and images, design a project from scratch or find a vast array of ready-to-make projects.

Users can leverage the full power of our platform by using our connected machines together with our free design apps, in-app purchases and subscription offerings to design and complete projects. All users can access a select number of free images, fonts and projects from our design apps or upload their own. In addition, we offer a wider selection of images, fonts and projects for purchase à la carte, including licensed content from partners with well-known brands and characters, like major motion picture studios. We also have two subscription offerings: Cricut Access and Cricut Access Premium. Cricut Access provides a subscription to images, fonts and projects as well as other member benefits, such as discounts and priority Cricut Member Care. Cricut Access is billed monthly for $9.99 per month or annually for $95.88 per year. Cricut Access Premium includes all of the benefits of Cricut Access as well as additional discounts and preferred shipping and is billed annually for $119.88 per year. As of September 30, 2020, we had nearly 1.2 million Paid Subscribers to Cricut Access and Cricut Access Premium.

We sell a broad range of accessories and materials that bring our users' designs to life, from advanced tools like heat presses to Cricut-branded rulers, scoring tools, pens, paper and iron-on vinyl, all designed to work seamlessly with our connected machines. Designing and completing projects drives repeat purchases of Cricut-branded accessories and materials.

We design and develop our software and hardware products, and we work with third-party contract manufacturers to source components and finished goods and with third-party logistics companies to warehouse and distribute our products.

We sell our connected machines and accessories and materials through our brick-and-mortar and online retail partners, as well as through our website at cricut.com. Our partners include Amazon, Hobby Lobby, HSN, Jo-Ann, Michaels, Target, Walmart and many others. We also sell our products, including subscriptions to Cricut Access and Cricut Access Premium, on cricut.com. In 2019, 52% of our revenue was generated through brick-and-mortar sales, and 48% was generated through online channels.

We have experienced rapid and profitable growth in our business. In 2018 and 2019, we generated:

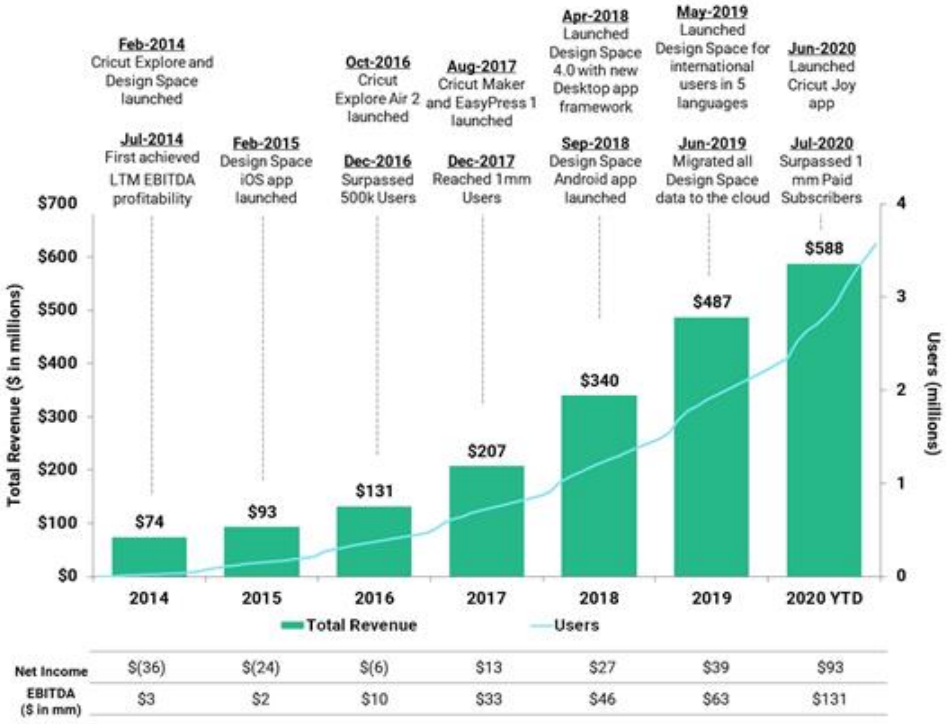
- Total revenue of $340 million and $487 million, respectively, representing 43% year-over-year growth
- Net income of $27 million and $39 million, respectively, representing 43% year-over-year growth
- EBITDA of $46 million and $63 million, respectively, representing 36% year-over-year growth

For the nine months ended September 30, 2019 and 2020, we generated:

- Total revenue of $313 million and $588 million, respectively, representing 88% year-over-year growth
- Net income of $31 million and $93 million, respectively, representing 196% year-over-year growth
- EBITDA of $48 million and $131 million, respectively, representing 171% year-over-year growth

The graphic below shows key milestones in our recent history as well as the annual number of users and annual total revenue since 2014.

Our Recent History and Milestones



Our Business Model

Our business model thrives because our products unlock creativity, which then in turn drives the engagement of our users. Our 3.7 million users' journeys typically begin with the purchase of a connected machine and expand across our family of products as users harness the power of our platform. Our business model is characterized by strong engagement and diversified sales across product categories. This engagement has led to rapid growth and strong profitability.

Attracting and Engaging New Users through Connected Machine Sales

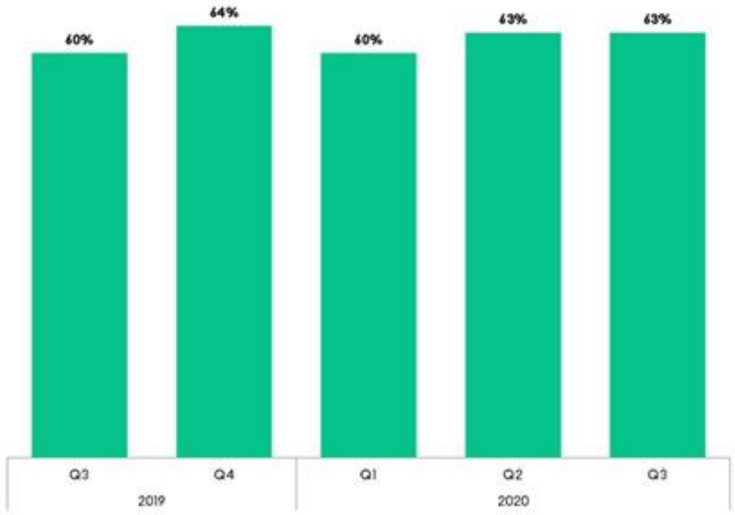
Since launching our first connected machine, we have built a loyal and growing community of users that has reached substantial scale. As of September 30, 2019 and 2020, we had 2.2 million and 3.7 million users, respectively, representing 66% year-over-year growth. See the section titled "—Key Business Metrics and Non-GAAP Financial Measures" for the definition of users. We believe we are in the early stages of our growth and that we have a significant untapped opportunity in the United States and Canada, as well as globally. Our 3.7 million users represent less than 5% of our estimated SAM in the United States and Canada and less than 3% of our total SAM including our primary international target markets of Australia, France, Germany and the United Kingdom.

We have been able to efficiently acquire new users and drive sales of our products because of the powerful network effects of our community. To date, word-of-mouth referrals, as well as effective use of low-cost marketing channels like social media, have driven our success. In 2020, 42% of new users indicated that they first heard about Cricut from friends and family. Another 21% of our users first heard about Cricut from other low cost or free marketing channels including YouTube, DIY blogs and press coverage. Sales and marketing expenses represented 9% and 8% of revenue in 2018 and 2019, respectively, and 9% and 7% for the nine months ended September 30, 2019 and 2020, respectively.

Once we acquire a user, we see strong engagement with them over time. We drive engagement through a highly interactive and fulfilling product experience and the strength of our community. We continuously innovate and improve our connected machines, design apps and accessories and materials, giving our users more to create. Once they have purchased connected machines, users inspire one another to create and use more of our digital content, subscriptions and accessories and materials. In turn, we learn from our users' creativity, and launch new products to help expand their creative horizons. We measure engagement by the Percentage of Users Creating in Trailing 90 Days. See the section titled "—Key Business Metrics and Non-GAAP Financial Measures" for the definition of Percentage of Users Creating in Trailing 90 Days. As of September 30, 2020, 63% of our 3.7 million users created on their connected machines in the last 90 days. User engagement has been relatively consistent over time, demonstrating how our platform becomes a regular part of the creative lives of our users.

The chart below shows the Percentage of Users Creating in Trailing 90 Days for the periods indicated.

Percentage of Users Creating on Their Connected Machines
in the Trailing 90 Days as of Each Quarter End



Many of our users choose to pay for our subscription offerings which include a subscription to images, fonts and projects as well as other member benefits, such as discounts, priority Cricut Member Care and, in the case of Cricut Access Premium, preferred shipping. By subscribing to our offerings, users have access to a curated and growing design library of over 125,000 images, 6,000 ready-to-make projects and hundreds of fonts. We believe that the number of Paid Subscribers is an indicator of the depth of our users' engagement. See the section titled "—Key Business Metrics and Non-GAAP Financial Measures" for the definition of Paid Subscribers. As of September 30, 2020, we had nearly 1.2 million Paid Subscribers, representing 117% year-over-year growth. As of September 30, 2020, approximately 32% of our users were also Paid Subscribers. We aim to increase the number of our users that are Paid Subscribers over time.

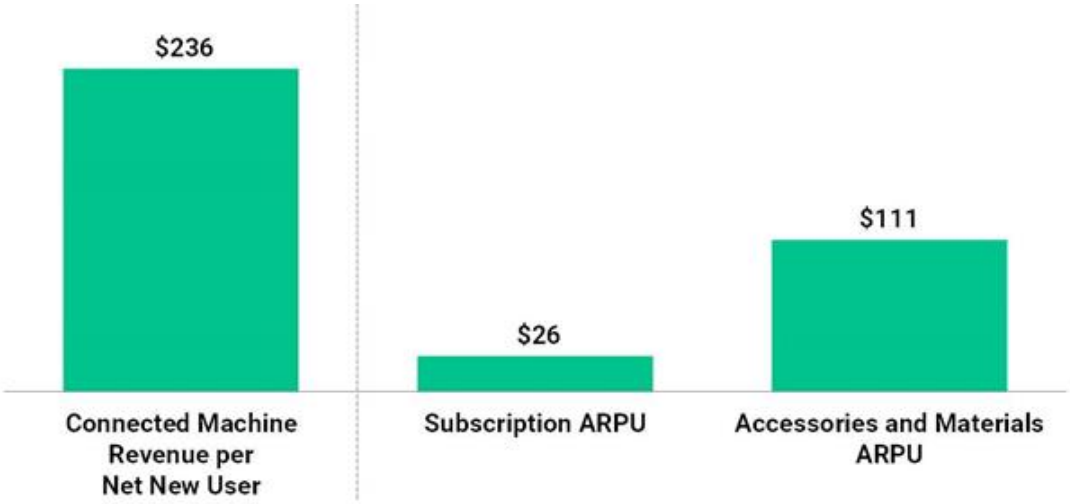
Growing With Users Over Time

The vast majority of the connected machines we sell are first-time Cricut purchases. We launch software enhancements and new tools for our connected machines, as well as new accessories and materials SKUs, to enhance the capabilities of our connected machines over time. We grow with our users as they continue to create on their connected machines, subscribe to Cricut Access and Cricut Access Premium and purchase à la carte items and our accessories and materials repeatedly.

The chart below is a summary of our average Connected Machine revenue per net new user in 2019 from purchases of connected machines, together with our Subscription ARPU and Accessories and Materials ARPU in 2019. We define Connected Machine revenue per net new user as connected machine revenue in a period divided by the number of net new users in that period. We define net new users as the difference between the number of users as of the end of the current and prior periods. In addition, excluding Connected Machine revenue, in 2019 we generated, on average, approximately $137 combined from subscriptions and accessories and materials per user. Our users purchase subscriptions and accessories and materials, our higher gross margin categories, long after they first purchase a connected machine. In 2019, the gross margin of our subscriptions and accessories and materials categories was 84% and 32%, respectively, compared to 11% for our connected machines category.

We review Connected Machine revenue per net new user as an indicator of revenue generated by first-time purchases of connected machines. We review this in connection with Subscription ARPU and Accessories and Material ARPU as an indicator of the monetization of the journey of our users. Connected Machine revenue fluctuates as we introduce new connected machines at various price points and as the mix of connected machines purchased changes.

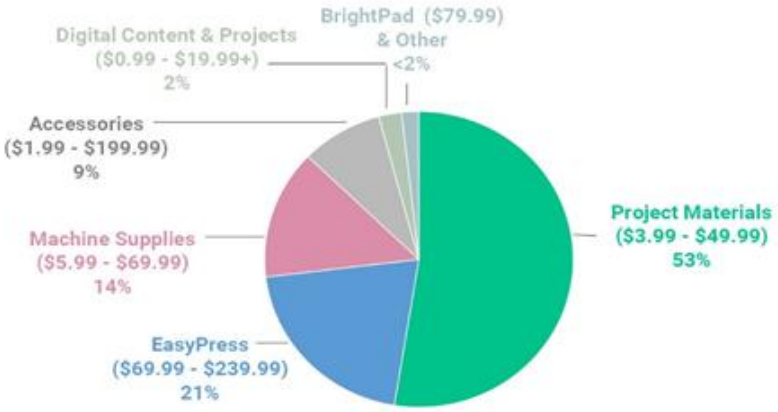
Monetization of the User Journey, Year Ended December 31, 2019



We define Accessories and Materials ARPU as Accessories and Materials revenue divided by average users in a period. Accessories and Materials ARPU fluctuates over time as we introduce new accessories and materials at various price points and as the volume and mix of accessories and materials purchased changes. We aim to continue to engage our users and maintain consistency and growth in this metric over time.

The chart below shows our current mix of accessories and materials SKUs and price points. We currently sell nearly 3,000 SKUs within accessories and materials ranging from an MSRP of $0.99 to $239.99.

2019 Accessories and Materials Sales by Item Category



Factors Affecting Our Performance

Our financial condition and results of operations have been, and will continue to be, affected by a number of factors, including the following:

Attracting New Users and Driving Connected Machine Sales

Our growth depends in part on our ability to drive continued growth in users and connected machine sales. We believe we are in the early stages of growth in our addressable market. We have been successful in attracting new users by delivering positive product experiences and due to the powerful network effects associated with our large and loyal user community. We plan to continue to grow our number of users through word-of-mouth referrals, by investing in sales and marketing initiatives and by broadening our partnerships with new and existing brick-and-mortar and online retail partners and distributors. We expect that our efforts to attract new users outside of the United States and Canada will require us to spend additional resources, particularly in marketing. If we cannot attract new users, our results of operations would be adversely affected. While we have seen an increase in demand of our products and subscriptions during the COVID-19 pandemic, there is no guarantee that such trends will continue at the same rate in the future or at all.

Engaging and Expanding With our Existing Users

Our success is driven by engagement of our users, as well as our ability to sell additional products to our users after their first connected machine purchase. Our users are engaged when they create with connected machines, design apps and accessories and materials. It is therefore important that users find our products intuitive and easy to use. As users create on their connected machines, they are more likely to purchase subscriptions and accessories and materials. Historically we find that our users continue to be engaged over time. As of September 30, 2020, 63% of our users created on their connected machines in the last 90 days and 84% created on their connected machines in the last 365 days. This durable relationship is motivated by new software and products that we launch to expand the capabilities of existing

connected machines as well as through the inspiration derived from our large and passionate community. If our users engage with their connected machines less over time, the overall growth in our business may slow.

Scaling our Product Offerings

We have historically enjoyed strong demand for our products, driving methodical growth. Our growth depends in part on our ability to design and introduce new products and enhance existing products that meet the preferences of our users. To continue to grow, we must employ the right personnel to execute our product roadmap and effectively work with third-party suppliers and manufacturers. If we fail to expand our products or maintain high quality standards in our products, our brand, business and results of operations will be adversely affected.

Managing our Supply Chain

We rely on third-party suppliers, contract manufacturers and third-party logistics partners to produce and distribute our products. Our ability to grow depends largely on the ability of these third-party companies to scale with us, provide high quality services and deliver components and finished products on time and at reasonable costs. While we are working to diversify our supply chain, some of our third-party suppliers and manufacturers are sole-source suppliers, including one manufacturer for the majority of our connected machines. Our concentration of suppliers could lead to supply shortages, long lead times for components and supply changes. Much of our supply chain originates in China and Malaysia. We expect to pursue additional geographic diversification in our supply chain to mitigate tariffs and other supply chain challenges. We must continue to build relationships with strong third-party suppliers, contract manufacturers and third-party logistics companies and continue to diversify our supply chain to improve operational results. We manage our inventory levels to account for the complexity of our supply chain, resulting in significant working capital risks and elevated obsolescence risks.

Driving Innovation

We focus on understanding our users and their needs. We engage with our users through our customer service channels, as well as through regularly conducted surveys, ethnographies and focus groups. Social media serves as an additional conversational channel where we learn from our users. We then seek to methodically translate these insights into elegant solutions that serve the needs of our users, including through new products and enhancements to existing products. In particular, we are continually driving innovation in our software, connected machines, design apps, accessories and materials. While all of these offerings are designed to work seamlessly with each other, they each require significantly different strengths and talents, and so we have built our research and development teams with the unique needs of each offering in mind. Improving our software, expanding the capabilities of our connected machines and subscriptions and releasing new accessories and materials will require continued investment and expenses. Research and development expenses were $27 million in 2019. Capitalized software development represented $8.9 million, or 51%, of our capital expenditures in 2019. As a result, our reported capital expenditures and research and development expenses should be viewed in tandem to understand our investments in innovation.

Balancing Operating Discipline and Investment for Growth

We seek to balance investments for long-term growth with operating discipline and the profitability of our business. We have been EBITDA profitable in every year of operations since 2014. In 2019, we had an EBITDA Margin of 13% and grew EBITDA 36% compared to 2018. In the nine months ended September 30, 2020, we had an EBITDA Margin of 22% and grew EBITDA 171% compared to the nine months ended September 30, 2019. We have a strong focus on the unit economics of each of our products and consistency in how we operate the business. Our investments to date have been critical to our success and have allowed us to reach 3.7 million users as of September 30, 2020, and launch nearly 3,000 SKUs since the launch of our first connected machine. We will continue to prioritize our investments in technology innovation including software and hardware development, content and accessories and materials. In addition, we are investing in sales and marketing and operations as appropriate to support our growth. Our

expenses may also increase as we hire additional personnel and continue to attract technical talent. While we expect to continue or increase our spending in these investments in the future, we cannot be certain they will result in the growth of our number of users or increase engagement with existing users.

Growing Internationally

Expanding internationally, including by entering new geographic markets and increasing our sales in markets that we have already entered, requires us to invest in sales and marketing, distribution partnerships, infrastructure and personnel. Our international growth will depend on our ability to create brand awareness, attract new users, develop retail and distribution partnerships and sell connected machines, subscriptions and accessories and materials. Our international expansion has resulted in, and will continue to result in, increased costs and is subject to a variety of risks, including content localization, multilingual customer support, potentially complex delivery logistics and compliance with foreign laws and regulations.

Seasonality

Historically, we have experienced the highest revenue levels in the fourth quarter of the year, coinciding with the holiday shopping season in the United States. For example, in 2019 and 2020, our fourth quarter represented % and % of total revenue for the year, respectively. Our promotional discounting activity is higher in the fourth quarter as well, which negatively impacts gross margin during this period. For example, gross margin in the fourth quarter of 2020 was %, compared to gross margin of % for all of 2020. Additionally, sales of accessories and materials typically slow in the second quarter of the year in connection with school summer holidays. As we continue to grow internationally, we expect we may experience seasonality in additional markets, which may differ from the seasonality experienced in the United States.

Key Business Metrics and Non-GAAP Financial Measures

In addition to the measures presented in our consolidated financial statements, we use the following key metrics to evaluate our business, measure our performance, identify trends and make strategic decisions.

	As of December 31,		As of September 30,	
	2018	2019	2019	2020
Users (in thousands)	1,685	2,525	2,221	3,681
Percentage of Users Creating in Trailing 90 Days	N/A	64%	60%	63%
Paid Subscribers (in thousands)	417	604	536	1,164

	Year Ended December 31,		Nine Months Ended September 30,	
	2018	2019	2019	2020
Subscription ARPU	$ 23.19	$ 25.57	$ 19.57	$ 23.98
Accessories and Materials ARPU	$ 119.61	$ 111.44	$ 80.14	$ 86.33
EBITDA (in millions)	$ 46.1	$ 62.7	$ 48.4	$ 130.9

Users

We define a User as a registered user of at least one registered connected machine as of the end of a period. One user may own multiple registered connected machines, but is only counted once if that user registers those connected machines by using the same email address. If possession of a connected machine is transferred to a new owner and registered by that new owner, the new owner is added to the total user count and the prior owner is removed from the total user count if the prior owner does not own any other registered connected machines. User count is a key indicator of the health of our business, because changes in the number of users reflects changes in connected machine sales and represents opportunities for us to drive additional sales of subscriptions and accessories and materials. There are certain limitations associated with this metric. For example, this metric does not capture whether a User is active in using a connected machine and does not indicate whether a User is purchasing subscriptions or accessories and materials. We compensate for these limitations by also reviewing other metrics that capture portions of this information, including the metrics below.

Percentage of Users Creating in Trailing 90 Days

We define the Percentage of Users Creating in Trailing 90 Days as the percentage of users who have used a connected machine for any activity, such as cutting, writing or any other activity enabled by our connected machines, in the past 90 days. This metric is a key indicator of our engagement with users, which helps drive sales of subscriptions and accessories and materials. We began tracking this metric in July 2019 and therefore do not have information for the full year 2019 or for any prior periods. There are certain limitations associated with this metric. For example, this metric does not capture whether a User is purchasing subscriptions or accessories and materials. We compensate for these limitations by also reviewing other metrics that capture portions of this information, including the metrics below.

Paid Subscribers

We define Paid Subscribers as the number of users with a subscription to Cricut Access or Cricut Access Premium, excluding cancelled, unpaid or free trial subscriptions, as of the end of a period. Paid Subscribers is a key metric to track growth in our subscriptions revenue and potential leverage in our gross margin.

Subscription ARPU

We define Subscription ARPU as Subscriptions revenue divided by average users in a period. Subscription ARPU allows us to forecast Subscriptions revenue over time and is an indicator of our ability to expand with users and of user engagement with our subscription offerings.

Accessories and Materials ARPU

We define Accessories and Materials ARPU as Accessories and Materials revenue divided by average users in a period. Accessories and Materials ARPU allows us to forecast Accessories and Materials revenue over time and is an indicator of our ability to expand with users, particularly the volume of projects created by our users.

EBITDA

We define EBITDA as net income adjusted to exclude: interest expense, net; income taxes and depreciation and amortization. See the section titled “Selected Consolidated Financial and Other Data—Key Business Metrics and Non-GAAP Financial Measures” for information regarding our use of EBITDA and EBITDA Margin.

Components of our Results of Operations

We operate and manage our business in three reportable segments: Connected Machines, Subscriptions and Accessories and Materials. We identify our reportable segments based on the information used by management to monitor performance and make operating decisions. See Note 16 to our consolidated financial statements included elsewhere in this prospectus for additional information regarding our reportable segments.

Revenue

Connected Machines

We generate Connected Machines revenue from sales of our portfolio of connected machines, currently consisting of Cricut Maker, Cricut Explore and Cricut Joy, net of sales discounts, incentives and returns. Connected Machines revenue is recognized at the point in time when control is transferred, which is either upon shipment or delivery to the customer in accordance with the terms of each customer contract.

Subscriptions

We generate Subscriptions revenue primarily from sales of subscriptions to Cricut Access and Cricut Access Premium and a minimal amount of revenue allocated to the unspecified future upgrades and enhancements related to the essential software and access to our cloud-based services. For a monthly or annual subscription fee, Cricut Access includes a subscription to images, fonts and projects as well as other member benefits, including discounts and priority Cricut Member Care. For an annual subscription fee, Cricut Access Premium includes all of the benefits of Cricut Access as well as additional discounts and preferred shipping. Subscriptions revenue excludes à la carte digital content purchases. Subscriptions revenue is recognized on a ratable basis over the subscription term.

Accessories and Materials

We generate Accessories and Materials revenue from sales of ancillary products, such as Cricut EasyPress, hand tools, machine replacement tools and blades, project materials such as vinyl and iron-on and sales of à la carte digital content purchases, including fonts, images and projects. Accessories and Materials revenue is recognized for sales of such items, net of sales discounts, incentives and returns. Accessories and Materials revenue is recognized at the point in time when control is transferred, which is either upon shipment or delivery to the customer in accordance with the terms of each customer contract.

Cost of Revenue

Connected Machines

Cost of revenue related to Connected Machines consists of product costs, including costs of components, costs of contract manufacturers for production, inspecting and packaging, shipping, receiving, handling, warehousing and fulfillment, duties and other applicable importing costs, warranty replacement, excess and obsolete inventory write-downs, tooling and equipment depreciation and royalties. We expect our cost of revenue related to Connected Machines as a percentage of revenue to fluctuate in the near term as we address global supply chain challenges created by the COVID-19 pandemic and continue to invest in the growth of our business and decrease over the long term as we drive greater scale and efficiency in our business.

Subscriptions

Cost of revenue related to Subscriptions consists primarily of hosting fees, digital content costs, amortization of capitalized software development costs and software maintenance costs. We expect our cost of revenue related to Subscriptions as a percentage of revenue to fluctuate in the near term as we expand our content offerings, including localized content for international target markets, and decrease over time as we drive greater scale and efficiency in our business.

Accessories and Materials

Costs of revenue related to Accessories and Materials consists of product costs, including costs of components, costs of contract manufacturers for production, inspecting and packaging, shipping, receiving, handling, warehousing and fulfillment, duties and other applicable importing costs, warranty replacement, excess and obsolete inventory write-downs, tooling and equipment depreciation and royalties. We expect our cost of revenue related to Accessories and Materials as a percentage of revenue to fluctuate in the near term as we address global supply chain challenges created by the COVID-19 pandemic and continue to invest in the growth of our business and decrease over the long term as we drive greater scale and efficiency in our business.

Operating Expenses

Research and Development

Research and development expenses consist primarily of costs associated with the development of our connected machines, software and accessories and materials, including personnel-related expenses for engineering, product development and quality assurance, as well as prototype costs, service fees incurred by contracting with vendors and allocated overhead. We expect our research and development expenses to grow in the near term as we begin developing and investing in more new products to support growth further into the future. Longer term, we expect research and development expense to decline as a percentage of revenue to levels somewhat higher than historical levels.

Sales and Marketing

Sales and marketing expenses consist primarily of the advertising and marketing of our products and personnel-related expenses, including salaries and bonuses, benefits and stock-based compensation expense, as well as sales incentives, professional services and allocated overhead costs. We expect our sales and marketing expenses as a percentage of revenue to increase in the near and long term as we expand internationally and launch new products.

General and Administrative

General and administrative expenses consist of personnel-related expenses for our finance, legal, human resources and administrative personnel, including salaries and bonuses, benefits and stock-based compensation expense, as well as the costs of professional services, any allocated overhead, information technology and other administrative expenses. We expect our general and administrative expenses as a percentage of revenue to increase in the near term as we expand our operations and incur expenses to become a public company, and to decline over the long term as we drive greater scale and efficiency in our business.

Interest Expense

Interest expenses consist primarily of interest expenses associated with our debt financing arrangements and amortization of debt issuance costs.

Provision for Income Taxes

Provision for income taxes consists of income taxes in the United States and certain state and foreign jurisdictions in which we conduct business. We have not recorded a valuation allowance against our deferred tax assets as we have concluded that it is more likely than not that the deferred tax assets will be realized.

Results of Operations

The following tables set forth the components of our consolidated statements of operations for each of the periods presented and as a percentage of our revenue for those periods. The period-to-period comparison of results of operations is not necessarily indicative of results of future periods.

The following table is presented in thousands:

	Year Ended December 31,		Nine Months Ended September 30,	
	2018	2019	2019	2020
(in thousands)			(unaudited)	
Consolidated Statements of Operations Data:				
Revenue:				
Connected machines	$ 147,081	$ 198,144	$ 118,183	$ 245,799
Subscriptions	31,300	53,829	38,218	74,414
Accessories and materials	161,407	234,581	156,522	267,851
Total revenue	339,788	486,554	312,923	588,064
Cost of revenue:				
Connected machines(1)	127,546	176,894	100,658	205,645
Subscriptions(1)	5,027	8,827	6,079	8,961
Accessories and materials(1)	96,119	158,483	103,954	165,833
Total cost of revenue	228,692	344,204	210,691	380,439
Gross profit	111,096	142,350	102,232	207,625
Operating expenses:				
Research and development(1)	24,056	26,674	19,037	27,784
Sales and marketing(1)	30,698	40,110	27,927	39,544
General and administrative(1)	18,363	22,005	13,228	19,368
Total operating expenses	73,117	88,789	60,192	86,696
Income from operations	37,979	53,561	42,040	120,929
Other income (expense):				
Interest income (expense), net	(1,934)	(3,291)	(2,062)	(1,081)
Other income (expense), net	108	(2)	(1)	(163)
Total other income (expense), net	(1,826)	(3,293)	(2,063)	(1,244)
Income before provision for income taxes	36,153	50,268	39,977	119,685
Provision for income taxes	8,721	11,057	8,555	26,555
Net income	$ 27,432	$ 39,211	$ 31,422	$ 93,130

(1) Includes stock-based compensation expense as follows:

	Year Ended December 31,		Nine Months Ended September 30,	
	2018	2019	2019	2020
(in thousands)			(unaudited)	
Cost of revenue				
Connected machines	$ 11	$ 2	$ 2	$ 5
Subscriptions	51	11	8	22
Accessories and materials	—	—	—	—
Total cost of revenue	62	13	10	27
Research and development	5,467	881	675	1,984
Sales and marketing	2,843	623	307	2,278
General and administrative	2,006	328	205	672
Total stock-based compensation expense	$ 10,378	$ 1,845	$ 1,197	$ 4,961

Comparison of the Nine Months Ended September 30, 2019 and 2020

Revenue

(dollars in thousands)	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Change $	Change %
		(unaudited)		
Revenue:				
Connected machines	$ 118,183	$ 245,799	$ 127,616	108%
Subscriptions	38,218	74,414	36,196	95%
Accessories and materials	156,522	267,851	111,329	71%
Total revenue	$ 312,923	$ 588,064	$ 275,141	88%

Connected Machines revenue increased by $127.6 million, or 108%, from $118.2 million for the nine months ended September 30, 2019 to $245.8 million for the nine months ended September 30, 2020. The increase was primarily driven by significant growth in the number of Connected Machines sold during the period, especially unit sales of Cricut Maker, which grew by 124% from September 30, 2019 to September 30, 2020 due to increased consumer demand.

Subscriptions revenue increased by $36.2 million, or 95%, from $38.2 million for the nine months ended September 30, 2019 to $74.4 million for the nine months ended September 30, 2020. The increase was primarily driven by a 117% increase in the number of Paid Subscribers from over 0.5 million to nearly 1.2 million from September 30, 2019 to September 30, 2020.

Accessories and Materials revenue increased by $111.3 million, or 71%, from $156.5 million for the nine months ended September 30, 2019 to $267.9 million for the nine months ended September 30, 2020. The increase was primarily driven by growth in sales of accessories, particularly EasyPress units, which increased 154% from September 30, 2019 to September 30, 2020, and materials units, which increased 63% from September 30, 2019 to September 30, 2020.

Cost of Revenue, Gross Profit and Gross Margin

(dollars in thousands)	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Change $	Change %
		(unaudited)		
Cost of Revenue:				
Connected machines	$ 100,658	$ 205,645	$ 104,987	104%
Subscriptions	6,079	8,961	2,882	47%
Accessories and materials	103,954	165,833	61,879	60%
Total cost revenue	$ 210,691	$ 380,439	$ 169,748	81%
Gross Profit:				
Connected machines	$ 17,525	$ 40,154	$ 22,629	129%
Subscriptions	32,139	65,453	33,314	104%
Accessories and materials	52,568	102,018	49,450	94%
Total gross profit	$ 102,232	$ 207,625	$ 105,393	103%
Gross Margin				
Connected machines	15%	16%		
Subscriptions	84%	88%		
Accessories and materials	34%	38%		

Connected Machines cost of revenue increased by $105.0 million, or 104%, from $100.7 million for the nine months ended September 30, 2019 to $205.6 million for the nine months ended September 30, 2020. The increase was primarily driven by growth in connected machines sold during the period, especially unit sales of our highest cost Connected Machine, Cricut Maker, which grew by 124% from September 30, 2019 to September 30, 2020.

Gross margin for Connected Machines increased from 15% for the nine months ended September 30, 2019 to 16% for the nine months ended September 30, 2020. Gross margin increased due to the net impact of fewer sales discounts and lower handling costs as a percent of revenue offset by continued negative margin pressure from machine tariff costs that began in the second quarter of 2019 when U.S. foreign policy changes increased tariffs from 10% in 2018 to 25% in 2019 on Connected Machines produced by our China based-manufacturer.

Subscriptions cost of revenue increased $2.9 million, or 47%, from $6.1 million for the nine months ended September 30, 2019 to $9.0 million for the nine months ended September 30, 2020. The increase was primarily driven by a $1.7 million increase in amortization of capitalized software development costs, a $1.5 million increase in hosting fees to support our growing base of subscribers and a $0.4 million increase in software development expenses. The increases were partially offset by a decrease in digital content costs of $0.7 million.

Gross margin for Subscriptions increased from 84% for the nine months ended September 30, 2019 to 88% for the nine months ended September 30, 2020. Gross margin increased due to a decrease in digital content costs and lower hosting and amortization of capitalized software development costs as a percentage of subscriptions revenue.

Accessories and Materials cost of revenue increased by $61.9 million, or 60%, from $104.0 million for the nine months ended September 30, 2019 to $165.8 million for the nine months ended September 30, 2020. The increase was primarily driven by growth in Accessories and Materials sold from September 30, 2019 to September 30, 2020.

Gross margin for Accessories and Materials increased from 34% for the nine months ended September 30, 2019 to 38% for the nine months ended September 30, 2020. Gross margin primarily increased due to lower costs for EasyPress which experienced a 154% increase in unit sales, favorable product mix changes, lower handling costs as a percent of revenue and less promotional activity during the third quarter of 2020 due to inventory constraints.

Operating Expenses

Research and Development

	Nine Months Ended September 30,		Change	
	2019	2020	$	%
(dollars in thousands)	(unaudited)			
Research and development	$ 19,037	$ 27,784	$ 8,747	46%
As a percentage of total revenue	6%	5%		

Research and development expenses increased by $8.7 million, or 46%, from $19.0 million for the nine months ended September 30, 2019 to $27.8 million for the nine months ended September 30, 2020. The increase was primarily due to a $5.2 million increase in personnel-related expenses due to headcount increasing during the period, a $1.3 million increase in stock-based compensation expense and a $1.2 million increase in product development expenses and overhead related to prototypes and consulting.

Sales and Marketing

	Nine Months Ended September 30,		Change	
	2019	2020	$	%
(dollars in thousands)	(unaudited)			
Sales and marketing	$ 27,927	$ 39,544	$ 11,617	42%
As a percentage of total revenue	9%	7%		

Sales and marketing expenses increased by $11.6 million, or 42%, from $27.9 million for the nine months ended September 30, 2019 to $39.5 million for the nine months ended September 30, 2020. The increase was primarily due to an increase in personnel-related expenses of $5.3 million due to headcount increasing during the period, an increase in payment processing fees of $2.4 million due to increases in sales, an increase in advertising and other marketing costs of $2.3 million and an increase in stock-based compensation expense of $2.0 million. The increases were offset by a $0.7 million impairment of a legacy trade name that only occurred during 2019.

General and Administrative

	Nine Months Ended September 30,		Change	
	2019	2020	$	%
(dollars in thousands)	(unaudited)			
General and administrative	$ 13,228	$ 19,368	$ 6,140	46%
As a percentage of total revenue	4%	3%		

General and administrative expenses increased by $6.1 million, or 46%, from $13.2 million for the nine months ended September 30, 2019 to $19.4 million for the nine months ended September 30, 2020. The increase was primarily due to an increase in personnel-related expenses of $3.0 million due to headcount increasing during the period, an increase in professional services of $2.3 million and an increase in stock-based compensation of $0.5 million.

Interest Income (Expense), Net and Other Income (Expense), Net

	Nine Months Ended September 30,		Change	
	2019	2020	$	%
(dollars in thousands)	(unaudited)			
Interest income (expense), net	$ (2,062)	$ (1,081)	$ 981	(48)%
Other income (expense), net	(1)	(163)	(162)	N/M

N/M: result not meaningful

Interest income (expense), net decreased by $1.0 million, or 48%, from $2.1 million for the nine months ended September 30, 2019 to $1.1 million for the nine months ended September 30, 2020. The decrease was primarily due to a decrease in interest expense due to favorable interest rate fluctuations on our variable rate borrowings and decrease in the outstanding borrowed amount in 2020.

Provision for Income Taxes

	Nine Months Ended September 30,		Change	
	2019	2020	$	%
(dollars in thousands)	(unaudited)			
Provision for income taxes	$ 8,555	$ 26,555	$ 18,000	210%

Provision for income taxes increased by $18.0 million, or 210%, from $8.6 million for the nine months ended September 30, 2019 to $26.6 million for the nine months ended September 30, 2020. This represents an effective tax rate of 21% for the nine months ended September 30, 2019 and 22% for the nine months ended September 30, 2020. The increase in the effective tax rate is primarily due to state taxes and the tax effects of stock-based compensation offset by the U.S. research and development tax credit and the Foreign Derived Intangible Income deduction.

Comparison of the Years Ended December 31, 2018 and 2019

Revenue

	Year Ended December 31,		Change	
	2018	2019	$	%
(dollars in thousands)				
Revenue:				
Connected machines	$ 147,081	$ 198,144	$ 51,063	35%
Subscriptions	31,300	53,829	22,529	72%
Accessories and materials	161,407	234,581	73,174	45%
Total revenue	$ 339,788	$ 486,554	$ 146,766	43%

Connected Machines revenue increased by $51.1 million, or 35%, from $147.1 million in 2018 to $198.1 million in 2019. The increase was primarily driven by significant growth in the number of Connected Machines sold during the period, especially unit sales of Cricut Maker, which grew by 67% from 2018 to 2019 due to increased consumer demand.

Subscriptions revenue increased by $22.5 million, or 72%, from $31.3 million in 2018 to $53.8 million in 2019. The increase was primarily driven by a 45% increase in the number of Paid Subscribers from 0.4 million to 0.6 million from 2018 to 2019.

Accessories and Materials revenue increased by $73.2 million, or 45%, from $161.4 million in 2018 to $234.6 million in 2019. The increase was primarily driven by growth in sales of accessories, particularly EasyPress units, which increased 74% from 2018 to 2019, and materials units, which increased 49% from 2018 to 2019.

Cost of Revenue, Gross Profit and Gross Margin

	Year Ended December 31,		Change	
	2018	2019	$	%
(dollars in thousands)				
Cost of Revenue:				
Connected machines	$ 127,546	$ 176,894	$ 49,348	39%
Subscriptions	5,027	8,827	3,800	76%
Accessories and materials	96,119	158,483	62,364	65%
Total cost of revenue	$ 228,692	$ 344,204	$ 115,512	51%
Gross Profit:				
Connected machines	$ 19,535	$ 21,250	$ 1,715	9%
Subscriptions	26,273	45,002	18,729	71%
Accessories and materials	65,288	76,098	10,810	17%
Total gross profit	$ 111,096	$ 142,350	$ 31,254	28%
Gross Margin:				
Connected machines	13%	11%		
Subscriptions	84%	84%		
Accessories and materials	40%	32%		

Connected Machines cost of revenue increased by $49.3 million, or 39%, from $127.5 million in 2018 to $176.9 million in 2019. The increase was primarily driven by growth in connected machines sold during the period, especially unit sales of our highest cost connected machine, Cricut Maker, which grew by 67% from 2018 to 2019.

Gross margin for Connected Machines decreased from 13% in 2018 to 11% in 2019. Gross margin decreased due to the increase in tariff costs that began in the second quarter of 2019 when U.S. foreign policy changes increased tariffs from 10% in 2018 to 25% in 2019 on connected machines produced by our China-based manufacturer. We have moved, and may continue to move, an increasing portion of our connected machine manufacturing to Malaysia and as a result may experience reduced tariff costs. The negative impact from tariffs was partially offset by supplier cost reductions on connected machines and fewer sales discounts as a percentage of revenue.

Subscriptions cost of revenue increased by $3.8 million, or 76%, from $5.0 million in 2018 to $8.8 million in 2019. The increase was primarily driven by a $1.8 million increase in amortization of capitalized software development costs, $1.4 million in increased digital content costs and a $0.6 million increase in hosting fees to support our growing base of subscribers.

Gross margin for Subscriptions was consistent at 84% in 2018 and 2019.

Accessories and Materials cost of revenue increased by $62.4 million, or 65%, from $96.1 million in 2018 to $158.5 million in 2019. The increase was primarily driven by growth in Accessories and Materials sold from 2018 to 2019.

Gross margin for Accessories and Materials decreased to 32% in 2019 from 40% in 2018. Gross margin primarily decreased due to the negative impact from tariffs along with inventory adjustments in 2019 to write off certain accessories and materials inventories deemed obsolete. We did not experience inventory adjustments for write offs of accessories and materials inventories in 2018.

Operating Expenses

Research and Development

	Year Ended December 31,		Change	
	2018	2019	$	%
(dollars in thousands)				
Research and development	$ 24,056	$ 26,674	$ 2,618	11%
As a percentage of total revenue	7%	5%		

Research and development expenses increased by $2.6 million, or 11%, from $24.1 million in 2018 to $26.7 million in 2019. The increase was primarily due to a $4.8 million increase in personnel-related expenses due to headcount increasing during the period, and a $2.1 million increase in product development expenses related to prototypes and consulting. The increases were partially offset by a $4.5 million decrease in stock-based compensation expense.

Sales and Marketing

	Year Ended December 31,		Change	
	2018	2019	$	%
(dollars in thousands)				
Sales and marketing	$ 30,698	$ 40,110	$ 9,412	31%
As a percentage of total revenue	9%	8%		

Sales and marketing expenses increased by $9.4 million, or 31%, from $30.7 million in 2018 to $40.1 million in 2019. The increase was primarily due to an increase in personnel-related expenses of $4.2 million due to headcount increasing during the period, increases in advertising and other marketing costs of $4.9 million, increases in credit card processing fees for our direct-to-consumer business of $1.3 million and $0.8 million related to the impairment of a legacy trade name. The increases were offset by a $2.2 million decrease in stock-based compensation expense.

General and Administrative

	Year Ended December 31,		Change	
	2018	2019	$	%
(dollars in thousands)				
General and administrative	$ 18,363	$ 22,005	$ 3,642	20%
As a percentage of total revenue	5%	5%		

General and administrative expenses increased by $3.6 million, or 20%, from $18.4 million in 2018 to $22.0 million in 2019. The increase was primarily due to an increase in personnel-related expenses of $2.7 million due to headcount increasing during the period, $1.0 million increase in general operating expenses, and a $0.8 million increase in software subscription fees. The increases were offset by a $1.7 million decrease in stock-based compensation expenses.

Interest Income (Expenses), Net and Other Income (Expense), Net

	Year Ended December 31,		Change	
	2018	2019	$	%
(dollars in thousands)				
Interest income (expense), net	$ (1,934)	$ (3,291)	$ (1,357)	70%
Other income (expense), net	108	(2)	(110)	-102%

Interest income (expense), net increased by $1.4 million, or 70%, from $1.9 million in 2018 to $3.3 million in 2019. The increase was primarily due to an increase in interest expense incurred under our credit facilities.

Provision for Income Taxes

	Year Ended December 31,		Change	
	2018	2019	$	%
(dollars in thousands)				
Provision for income taxes	$ 8,721	$ 11,057	$ 2,336	27%

Provision for income taxes increased by $2.3 million, or 27%, from $8.7 million in 2018 to $11.1 million in 2019. This represents an effective tax rate of 24.1% in 2018 and 22% in 2019. The decrease in the effective tax rate is primarily due to a reduction in stock-based compensation and return to provision adjustments, partially offset by changes in unrecognized tax benefits.

Quarterly Results of Operations and Key Metrics

Quarterly Results of Operations

The following table sets forth our unaudited quarterly consolidated statements of operations data for each of the seven quarters in the period ended September 30, 2020. The information for each of these unaudited quarterly statements of operations data have been prepared on a basis consistent with our audited annual consolidated financial statements appearing elsewhere in this prospectus and, in our opinion, includes all normal recurring adjustments necessary for the fair statement of the financial information contained in those statements. The following unaudited consolidated quarterly financial data should be read in conjunction with our annual consolidated financial statements and the related notes included elsewhere in this prospectus. These quarterly results are not necessarily indicative of our operating results for a full year or any future period.

	Three Months Ended						
	Mar. 31, 2019	Jun. 30, 2019	Sep. 30, 2019	Dec. 31, 2019	Mar. 31, 2020	Jun. 30, 2020	Sep. 30, 2020
(in thousands)				(unaudited)			
Revenue:							
Connected machines	$ 44,512	$ 30,179	$ 43,492	$ 79,961	$ 56,888	$ 113,388	$ 75,523
Subscriptions	11,787	12,578	13,853	15,611	19,180	24,028	31,206
Accessories and materials	49,570	51,841	55,111	78,059	67,655	97,920	102,276
Total revenue	105,869	94,598	112,456	173,631	143,723	235,336	209,005
Cost of revenue:							
Connected machines(1)	35,912	23,975	40,771	76,236	51,577	95,543	58,525
Subscriptions(1)	1,647	2,167	2,265	2,748	2,841	3,122	2,998
Accessories and materials	29,567	36,432	37,955	54,529	44,537	63,364	57,932
Total cost of revenue	67,126	62,574	80,991	133,513	98,955	162,029	119,455
Gross profit	38,743	32,024	31,465	40,118	44,768	73,307	89,550
Operating expenses:							
Research and development(1)	5,834	6,001	7,202	7,637	9,171	8,636	9,977
Sales and marketing(1)	8,714	9,299	9,914	12,183	12,447	13,437	13,660
General and administrative(1)	3,962	4,527	4,739	8,777	5,700	5,473	8,195
Total operating expenses	18,510	19,827	21,855	28,597	27,318	27,546	31,832
Income from operations	20,233	12,197	9,610	11,521	17,450	45,761	57,718
Other income (expense):							
Interest income (expense), net	(663)	(643)	(756)	(1,229)	(574)	(367)	(140)
Other income (expense), net	—	(1)	—	(1)	—	(1)	(162)
Total other income (expense), net	(663)	(644)	(756)	(1,230)	(574)	(368)	(302)
Income before provision for income taxes	19,570	11,553	8,854	10,291	16,876	45,393	57,416
Provision for income taxes	4,461	2,713	1,381	2,502	3,836	10,514	12,205
Net income	$ 15,109	$ 8,840	$ 7,473	$ 7,789	$ 13,040	$ 34,879	$ 45,211

(1) Includes stock-based compensation expense as follows:

	Three Months Ended						
	Mar. 31, 2019	Jun. 30, 2019	Sep. 30, 2019	Dec. 31, 2019	Mar. 31, 2020	Jun. 30, 2020	Sep. 30, 2020
(in thousands)				(unaudited)			
Cost of revenue							
Connected machines	$ —	$ 1	$ 1	$ —	$ 2	$ 1	$ 2
Subscriptions	2	3	3	3	9	6	7
Accessories and materials	—	—	—	—	—	—	—
Total cost of revenue	2	4	4	3	11	7	9
Research and development	196	238	241	206	760	508	716
Sales and marketing	78	112	117	316	457	655	1,166
General and administrative	53	75	77	123	218	157	297
Total stock-based compensation expense	$ 329	$ 429	$ 439	$ 648	$ 1,446	$ 1,327	$ 2,188

Quarterly Trends

Revenue

Our revenue from our Connected Machines and Accessories and Materials varies seasonally and we have historically experienced higher levels of Connected Machines revenue and Accessories and Materials revenue in the fourth quarter of each fiscal year as compared to other quarters due in large part to seasonal holiday demand. In the second and third quarter of 2020, we experienced a significant increase in our revenue from Connected Machines and Accessories and Materials, which we believe was driven in part by the COVID-19 pandemic. The decrease in revenue from the second to the third quarter of 2020 was due in part to inventory constraints during the third quarter.

Subscriptions revenue increased in each of the quarters presented primarily due to increased sales of our connected machines and user growth, as well as a subscription attach rate that has generally been increasing over time.

Cost of Revenue

Connected Machines and Accessories and Materials cost of revenue have fluctuated in line with Connected Machines and Accessories and Materials revenue for all periods presented, due primarily to costs associated with sales of Connected Machines and Accessories and Materials.

Our Subscriptions cost of revenue generally increased each quarter as a result of increases in content and cloud-based services costs.

Accessories and Materials cost of revenue has largely fluctuated in line with Accessories and Materials revenue but was also affected by product mix within the category as well as promotional activity.

Operating Expenses

Research and development expense generally increased over the periods presented, primarily due to personnel-related expenses as we have continued to increase our headcount to support product and platform innovation.

Sales and marketing expense increased each quarter presented due to an increase in expenses associated with advertising costs and other marketing programs. In addition, sales and marketing expenses increased as a result of higher personnel-related expenses and increased headcount.

General and administrative expense generally increased over the periods presented, primarily due to increases in personnel-related expenses, facilities costs and professional service fees as we grow our business and scale operations.

Key Business Metrics and Non-GAAP Financial Measures

Set forth below are key metrics used to evaluate our business, measure our performance, identify trends and make strategic decisions.

	As of						
	Mar. 31, 2019	Jun. 30, 2019	Sep. 30, 2019	Dec. 31, 2019	Mar. 31, 2020	Jun. 30, 2020	Sep. 30, 2020
Users (in thousands)	1,907	2,058	2,221	2,525	2,803	3,274	3,681
Percentage of Users Creating in Trailing 90 Days	N/A	N/A	60%	64%	60%	63%	63%
Paid Subscribers (in thousands)	457	496	536	604	740	996	1,164

	Three Months Ended						
	Mar. 31, 2019	Jun. 30, 2019	Sep. 30, 2019	Dec. 31, 2019	Mar. 31, 2020	Jun. 30, 2020	Sep. 30, 2020
Subscription ARPU	$ 6.56	$ 6.34	$ 6.47	$ 6.58	$ 7.20	$ 7.91	$ 8.97
Accessories and Materials ARPU	$ 27.60	$ 26.15	$ 25.76	$ 32.90	$ 25.40	$ 32.23	$ 29.41
EBITDA (in millions)	$ 22.1	$ 14.2	$ 12.0	$ 14.3	$ 20.7	$ 49.2	$ 61.0

We have been able to efficiently acquire new users and drive sales of our products because of the powerful network effects of our community. To date, word-of-mouth referrals, as well as effective use of low-cost marketing channels like social media, have driven our success.

EBITDA and EBITDA Margin

Set forth below is a reconciliation of EBITDA to net income for the periods presented:

	Three Months Ended						
	Mar. 31, 2019	Jun. 30, 2019	Sep. 30, 2019	Dec. 31, 2019	Mar. 31, 2020	Jun. 30, 2020	Sep. 30, 2020
(in thousands)	(unaudited)						
Net income	$ 15,109	$ 8,840	$ 7,473	$ 7,789	$ 13,040	$ 34,879	$ 45,211
Adjusted to exclude the following:							
Depreciation and amortization expense	1,856	2,047	2,418	2,787	3,236	3,430	3,431
Interest expense	663	643	756	1,229	574	367	140
Corporate income tax expense	4,461	2,713	1,381	2,502	3,836	10,514	12,205
EBITDA	$ 22,089	$ 14,243	$ 12,028	$ 14,307	$ 20,686	$ 49,190	$ 60,987
EBITDA margin	20.9%	15.1%	10.7%	8.2%	14.4%	20.9%	29.2%

Starting in the quarter ended June 30, 2019, we began to incur significant costs related to machine tariffs as foreign policy changes increased tariffs on the import category related to connected machines. Since then, we have taken steps mitigate the impact of tariffs including moving manufacturing of key products to other geographies.

EBITDA margin was also more adversely impacted in certain quarters presented primarily due to the impact of these tariffs, which we then reduced by transitioning machine manufacturing to lower-tariff regions.

Liquidity and Capital Resources

Our operations over all periods have been financed primarily through cash flow from operating activities and borrowings under our credit facilities. As of September 30, 2020, we had cash and cash equivalents of $67.5 million.

We believe our existing cash and cash equivalents, cash flow from operations and amounts available for borrowing under our New Credit Agreement will be sufficient to meet our working capital and capital expenditure needs for at least the next 12 months. Our future capital requirements may vary materially from those currently planned and will depend on many factors, including our rate of revenue growth, the timing and extent of spending on research and development efforts and other growth initiatives, the expansion of sales and marketing activities, the timing of new product introductions, market acceptance of our products and overall economic conditions. To the extent that current and anticipated future sources of liquidity are insufficient to fund our future business activities and requirements, we may be required to seek additional equity or debt financing. The sale of additional equity would result in additional dilution to our stockholders. The incurrence of debt financing would result in debt service obligations, and the instruments governing such debt could provide for operating and financing covenants that would restrict our operations. There can be no assurances that we will be able to raise additional capital. The inability to raise capital would adversely affect our ability to achieve our business objectives.

Credit Facilities

New Credit Facility

In September 2020, we entered into the New Credit Agreement with JPMorgan Chase Bank, N.A., Citibank, N.A. and Origin Bank. The New Credit Agreement replaces our prior amended Credit Agreement with Origin Bank, as described below. The New Credit Agreement provides for a three-year asset-based senior secured revolving credit facility of up to $150.0 million, maturing on September 4, 2023. In addition, during the term of the New Credit Agreement, we may increase the aggregate amount of the New Credit Facility by up to an additional $200.0 million, subject to customary conditions (for maximum aggregate lender commitments of up to $350.0 million), subject to the satisfaction of certain conditions under the New Credit Agreement, including obtaining the consent of the administrative agent and each lender being added or increasing its commitment. The New Credit Facility may be used to issue letters of credit, and for other business purposes, including working capital needs.

The New Credit Facility is a standard asset-based lending facility, meaning that notwithstanding the aggregate lender commitments, we can only borrow up to an amount equal to our borrowing base at any given time. For example, as of September 30, 2020, we were able to borrow up to $81.5 million. Our borrowing base is determined according to certain percentages of eligible accounts receivable and eligible inventory (which may be valued at average cost, market value or net orderly liquidation value), subject to reserves determined by the administrative agent. At any time that our borrowing base is less than the aggregate lender commitments, we can only borrow revolving loans up to the amount of our borrowing base and not in the full amount of the aggregate lender commitments.

Generally, borrowings under the New Credit Agreement will bear interest at the Adjusted LIBO rate or the ABR, plus, in each case, an applicable margin. The applicable margin will range from (a) with respect to borrowings bearing interest at the ABR, 1.50% to 2.00%, and (b) with respect to borrowings bearing interest at the ABR (i) if the “REVLIBOR30 Screen Rate” (as defined in the New Credit Agreement) is available for such period, 1.50% to 2.00%, or (ii) otherwise, 0.0% to 0.50%, in each case for the previous clauses (a) and (b), based on our “Fixed Charge Coverage Ratio” as defined in the New Credit Agreement.

The New Credit Agreement contains financial covenants during the initial year of the agreement, requiring us to maintain a fixed charge coverage ratio of at least 1.0 to 1.0, measured monthly on a trailing 12-month basis. We are also subject to this covenant in future periods if the available commitments is less than the greater of $15.0 million and 10% of the total commitment made by all lenders. Management has determined that we were in compliance with all financial and non-financial debt covenants as September 30, 2020.

Prior Term Loan and Revolving Credit Loan with Origin Bank

In October 2017, we entered into a syndicated Revolving Credit Loan and Term Loan with Origin Bank to provide a $30.0 million Revolving Credit Loan, or the Revolving Credit Loan, which was later amended to increase the availability to $80.0 million, and a $20.0 million Term Loan, which was later amended to increase the availability to $25.0 million, or collectively. We borrowed $20.0 million under the Term Loan in order to repay and cancel loans to a related party, as well as to our previous lender, Sterling National Bank. The New Credit Agreement described above replaced the Revolving Credit Loan and Term Loan with Origin Bank.

The Revolving Credit Loan and Term Loan initially bore interest at an annual rate equal to the lesser of LIBOR plus 3.0%, or the maximum rate of interest permitted from day-to-day by any applicable state or federal law, with required monthly principal amortization payments of $0.3 million, commencing on December 1, 2017, maturing on October 26, 2022. Prior to repayment, the Term Loan bore interest at an annual rate of LIBOR plus 2.25%, had required monthly principal amortization payments of $0.4 million and a maturity date of July 12, 2024, and the Revolving Credit Loan bore interest at a rate of LIBOR plus 2.0% to 2.4% based on the leverage ratio. During the years ended December 31, 2018 and 2019, the effective interest rate approximated the stated interest rate. As of December 31, 2019, we had drawn down $32.6 million on and had $47.4 million available for borrowing under the Revolving Credit Loan.

The Revolving Credit Loan and Term Loan included several financial and non-financial debt covenants. As of December 31, 2019, we were in compliance with all financial and non-financial debt covenants. See Note 8 to our consolidated financial statements included elsewhere in this prospectus for additional information.

Cash Flows

	Year Ended December 31,		Nine Months Ended September 30,	
	2018	2019	2019	2020
(in thousands)			(unaudited)	
Net cash flows (used in) provided by operating activities	$ (8,304)	$ 3,861	$ (15,345)	$ 187,403
Net cash flows used in investing activities	(8,114)	(14,095)	(10,545)	(16,883)
Net cash flows provided by (used in) financing activities	17,442	10,896	23,202	(109,627)

Operating Activities

Net cash provided by operating activities of $187.4 million for the nine months ended September 30, 2020 was primarily due to net income of $93.1 million, non-cash adjustments of $17.9 million and an increase in the net change of operating assets and liabilities of $76.4 million. Non-cash adjustments primarily consisted of depreciation and amortization of $10.1 million, inventory write-offs of $2.2 million, stock-based compensation of $5.0 million and provision for doubtful accounts $0.4 million. The increase in the net change of operating assets and liabilities was primarily due to a $96.4 million increase in accounts payable due to increased inventory purchases, a $13.2 million increase in accrued expenses and other current liabilities and other non-current liabilities, a $5.3 million increase in deferred revenue and a $4.4 million decrease in inventory. These changes were offset by a $41.3 million increase in accounts receivable, a $1.0 million increase in prepaid expenses and other current assets and a $0.6 million increase in other assets.

Net cash used in operating activities of $15.3 million for the nine months ended September 30, 2019 was primarily due to net income of $31.4 million and non-cash adjustments of $10.7 million, offset by a decrease in the net change of operating assets and liabilities of $57.5 million. Non-cash adjustments primarily consisted of depreciation and amortization of $6.3 million, inventory write-offs of $2.4 million, stock-based compensation of $1.2 million and impairment of trade name of $0.7 million. The decrease in

the net change of operating assets and liabilities was primarily due to a $101.9 million increase in inventory levels to support increased demand for our products, offset by a $29.5 million increase in accounts payable, a $6.9 million increase in accrued expenses and other current liability and other non-current liabilities, a $4.2 million decrease in prepaid expenses and other current assets, a $2.2 million decrease in accounts receivable and a $1.6 million increase in deferred revenue.

Net cash provided by operating activities of $3.9 million for 2019 was primarily due to net income of $39.2 million and non-cash adjustments of $16.4 million, offset by a decrease in the net change of operating assets and liabilities of $51.7 million. Non-cash adjustments primarily consisted of depreciation and amortization of $9.2 million, inventory write-offs of $5.2 million, stock-based compensation of $1.8 million, impairment of trade name of $0.7 million and provision for doubtful accounts $0.7 million, partially offset by deferred income tax of $1.3 million. The decrease in the net change of operating assets and liabilities was primarily due to a $73.2 million increase in inventory levels to support increased demand for our products and a $4.9 million increase in accounts receivable. These changes were offset by a $4.6 million decrease in prepaid expenses and other current assets, a $4.1 million increase in deferred revenue, a $10.3 million increase in accounts payable and a $7.5 million increase in accrued expenses and other current liabilities and other non-current liabilities due to increased expenditures to support general business growth.

Net cash used in operating activities of $8.3 million for 2018 was primarily due to net income of $27.4 million and non-cash adjustments of $24.0 million, offset by a decrease in the net change of operating assets and liabilities of $59.7 million. Non-cash adjustments primarily consisted of stock-based compensation of $10.4 million, depreciation and amortization of $8.1 million, inventory write-offs of $1.4 million, deferred income tax of $2.7 million and impairment of trade name of $1.5 million. The decrease in the net change of operating assets and liabilities was primarily due to a $85.1 million increase in inventory levels to support increased demand for our products, a $15.0 million increase in accounts receivable, and a $3.4 million increase in prepaid expenses and other current assets, partially offset by a $30.1 million increase in accounts payable, a $9.8 million increase in accrued expenses and other current liabilities and other non-current assets and a $3.8 million increase in deferred revenue due to an increase in sales volume.

Investing Activities

Cash used in investing activities for the nine months ended September 30, 2020 was $16.9 million, all of which related to property and equipment acquisition or investment, software development and investment and product research and development.

Cash used in investing activities for the nine months ended September 30, 2019 was $10.5 million, all of which related to property and equipment acquisition or investment, software development and investment and product research and development.

Cash used in investing activities for 2019 was $14.1 million, all of which related to property and equipment acquisition or investment, software development and investment and product research and development.

Cash used in investing activities for 2018 was $8.1 million, all of which related to property and equipment acquisition or investment, software development and investment and product research and development.

Financing Activities

Net cash used in financing activities of $109.6 million for the nine months ended September 30, 2020 was primarily related to cash dividends of $51.2 million, net payment from the line of credit of $32.6 million, payments on the Term Loan with Origin Bank of $22.9 million, repurchases of compensatory units of $3.0 million, payments of debt issuance costs of $0.8 million and payments of deferred offering costs of $0.1 million, partially offset by proceeds from capital contributions of $1.1 million.

Net cash provided by financing activities of $23.2 million for the nine months ended September 30, 2019 was primarily related to net proceeds from the line of credit of $26.4 million and proceeds from capital contributions of $0.8 million, partially offset by payments on the term loan of $3.2 million, repurchases of compensatory units of $0.7 million and payments on capital leases of $0.1 million.

Net cash provided by financing activities of $10.9 million for 2019 was primarily related to net proceeds from the line of credit of $15.0 million and proceeds from capital contributions of $1.3 million, partially offset by payments on the term loan of $4.4 million, repurchases of compensatory units of $0.7 million and payments on capital leases of $0.1 million.

Net cash provided by financing activities of $17.4 million for 2018 was primarily related to net proceeds from the line of credit of $19.2 million and proceeds from capital contributions of $2.7 million, partially offset by payments on the term loan of $4.0 million, repurchases of compensatory units of $0.3 million and payments on capital leases of $0.2 million.

Contractual Obligations and Other Commitments

The following table summarizes our commitments to settle contractual obligations as of December 31, 2019:

	Payments due by period				
(in thousands)	Total	Less Than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Debt obligations, including interest(1)	$ 57,904	$ 38,562	$ 11,139	$ 8,203	$ —
Operating lease commitments(2)	20,050	3,442	7,114	7,354	2,140
Capital lease commitments	130	87	43	—	—
Other obligations(3)	14,901	6,364	8,526	11	—
	$ 92,985	$ 48,455	$ 26,822	$ 15,568	$ 2,140

(1) As of December 31, 2019, the outstanding principal balance of our Term Loan was $22.9 million and outstanding borrowings on our Revolving Credit Loan were $32.6 million. Future interest on the Term Loan is estimated based on the stated rate as of December 31, 2019, which was 4%. See Note 8 to our consolidated financial statements included elsewhere in this prospectus for more information regarding the terms of the Term Loan and Revolving Credit Loan. On September 4, 2020, we prepaid in full the Revolving Credit Loan and Term Loan. See Note 17 to our consolidated financial statements included elsewhere in this prospectus for more information regarding the New Credit Agreement.

(2) Operating lease obligations relate to our office space and warehouses. The remaining lease terms are between one and five years, and the majority of the lease agreements are renewable at the end of the lease period.

(3) Other obligations include purchase obligations and royalties. Purchase obligations include minimum payments due to third-party logistics for noncancelable periods and future payments for subscription software services for which we have entered into non-cancelable arrangements. Royalties include minimum commitments for license arrangements.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of December 31, 2019.

Quantitative and Qualitative Disclosure About Market Risk

Interest Rate Risk

We were primarily exposed to changes in interest rates with respect to our cost of borrowing under our Revolving Credit Loan and Term Loan. We monitor our cost of borrowing, taking into account our funding requirements and our expectations for interest rates in the future. To date, we have not been exposed, nor do we anticipate being exposed to material risks due to changes in interest rates. A hypothetical 10% change in interest rates during any of the periods presented would not have had a material impact on our consolidated financial statements.

Foreign Currency Risk

Our reporting currency is the U.S. dollar and the functional currency of each of our subsidiaries is either its local currency or the U.S. dollar depending on the circumstances. For foreign subsidiaries where the functional currency is the local currency, assets and liabilities are translated into U.S. dollars at exchange rates in effect at each balance sheet date. Revenue and expenses are translated using the average exchange rate for the relevant period. Equity transactions are translated using historical exchange rates. Decreases in the relative value of the U.S. dollar to other currencies may negatively affect revenue and other results of operations as expressed in U.S. dollars. Foreign currency translation adjustments are accounted for as a component of accumulated other comprehensive income (loss) within stockholders' equity. Gains or losses due to transactions in foreign currencies are included in general and administrative operating expenses in our consolidated statements of operations. As the impact of foreign currency exchange rates was not material to results of operations during 2018, 2019 and the nine months ended September 30, 2020, we have not entered into derivative or hedging transactions, but we may do so in the future if our exposure to foreign currency becomes more significant.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with GAAP. In preparing the consolidated financial statements, we make estimates and judgments that affect the reported amounts of assets, liabilities, stockholders' equity, revenue, expenses and related disclosures. We re-evaluate our estimates on an on-going basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Because of the uncertainty inherent in these matters, actual results may differ from these estimates and could differ based upon other assumptions or conditions. The critical accounting policies that reflect our more significant judgments and estimates used in the preparation of our consolidated financial statements include those noted below.

Revenue Recognition

We derive the majority of our revenue from the sale of connected machines, subscriptions and accessories and materials. We market and sell our products to customers, which include brick-and-mortar and online retail partners as well as users that purchase from our website at cricut.com.

We determine revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when, or as, we satisfy a performance obligation.

Revenue is recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. Revenue is recorded at the net sales price, which includes estimates of variable consideration such as product returns, volume rebates and other incentive adjustments or discounts. The estimates of variable consideration are based on historical return experience, historical and projected sales data and current contract terms.

Taxes collected from customers relating to product sales and remitted to governmental authorities are excluded from revenue. We account for shipping and handling activities performed after a customer obtains control of the goods as activities to fulfill the promise to transfer the good. We do not incur significant costs to obtain contracts with customers.

The following describes the nature of our primary types of revenue and the revenue recognition policies and significant payment terms as they pertain to the types of transactions with our customers.

Connected Machines

Connected machines include Cricut Joy, Cricut Explore and Cricut Maker. Payment for sale of products online through the online channel at cricut.com is collected at point of sale in advance of shipping the products. Payment by traditional brick-and-mortar retail partners, including their online channels, is due under customary fixed payment terms. Our contracts with customers for a connected machine contain multiple promises that include hardware, software, unspecified future upgrades and enhancements related to the software and access to our cloud-based services. Determining whether products and services are considered distinct performance obligations that should be accounted for separately requires significant judgment. The software used to design, cut and complete projects can be accessed offline or with our cloud-based services at no charge. When accessed with the cloud-based services, users are also able to sync projects across various devices. The connected machines are not able to function without the software, inclusive of firmware and the downloadable software. Together, the hardware and software are inputs into providing the essential functionality of the connected machines and are accounted for as a single performance obligation. Revenue is recognized for the single performance obligation of hardware with essential software at a point-in-time when control is transferred, which is either upon shipment or delivery of goods, in accordance with the terms of each contract with the customer.

The promise to provide the customer with unspecified future upgrades and enhancements related to the essential software and the promise to provide access to our cloud-based services are both distinct performance obligations that provide incremental benefits to the connected machines and are recognized using a time-based output measure over the service period as the customer consumes the benefit of the service each day. We estimate the service period when it is not contractually stated. In developing the estimated period of providing future services, we consider past history, plans to continue to provide services, expected technological developments, obsolescence, competition and other factors. The estimated service period may change in the future in response to competition, technology developments and our business strategy.

Judgment is required to determine the SSP for each distinct performance obligation. We allocate revenue to each performance obligation based on their relative standalone selling price, or SSP. We estimate SSP for items that are not sold separately, which include the connected machines and related software, unspecified software upgrades and cloud-based services using information that may include the range of prices for the bundle of products and services and the cost of providing the products or services plus a reasonable margin. In developing SSP estimates, we also consider the nature of the products and services and the expected level of future services. SSP of the hardware and essential software reflects our best estimate of the selling price if it was sold regularly on a standalone basis and comprises the majority of the contract value.

Subscriptions

Our paid subscriptions provide subscribers unlimited access to images, fonts and ready-to-make projects within our software, which is in addition to the free service of unspecified future upgrades and enhancements related to the essential software and access to our cloud-based services noted above. The paid subscription services are offered on a month-to-month or annual basis. Payments for subscription services are due month-to-month or annually in advance. Cricut Access and Cricut Access Premium are generally sold in standalone contracts and reallocations are not required. Revenue related to subscriptions is recognized ratably over the length of the subscription using a time-based output measure as the customer consumes the benefit of the service each day.

Accessories and Materials

We also sell accessories and materials which generally consist of a single performance obligation, and reallocations are not required. Revenue from accessories and materials is recognized at a point-in-time when control is transferred, either upon shipment or delivery of goods, in accordance with the terms of each contract with the customer, or in the case of digital goods, at a point-in-time when the goods are made available to the customer. Payment for sale of accessories and materials online through the online channel at cricut.com is collected at point of sale in advance of shipping the products. Payment by traditional brick-and-mortar retail partners, including their online channels, due under customary fixed payment terms.

Customer Rebates

We participate in promotional and rebate programs with our key brick-and-mortar and online retail partners to enhance the sale of our products. These promotional programs consist of incentives or entitlements to our customers, such as advertising allowances, volume and growth incentives, business development, product damage allowances and point-of-sale support. Sales incentives are considered to be variable consideration, which we estimate using the expected value method or most likely amount, based upon the nature of the incentive. Sales are reduced by the cost of these promotional and rebate programs and we record a related customer rebate liability in our consolidated balance sheets at the date of the transaction.

In limited cases where the customer rebate is specifically for co-operative marketing or advertising campaigns, we will classify these expenditures as selling and marketing expenses only if they meet the criteria of being a distinct good or service, are distinct within the context of the contract and the fair value is readily estimable.

Sales Refund Liability

We provide our customers a limited right of return with the sale of our products. We estimate sales returns and record reserves at the time the related sales are recorded based on historical data and current economic trends. Actual sales returns could differ from these estimates. We regularly assess and adjust the estimate of accrued sales returns by updating the return rates for actual trends and projected costs. We classify the estimated sales returns as a current liability as they are expected to be paid out in less than one year using the expected-value method. The estimated sales returns are recorded as a reduction of revenue at the time of sale and recorded as a liability on the consolidated balance sheets. At the same time the liability is recorded, a right of recovery asset is also recorded within inventory.

Warranty Reserves

We provide an assurance-type limited warranty on most of the products sold. The estimated warranty costs, which are expensed at the time of sale and included in cost of revenue, are based on the results of product testing, industry and historical trends and warranty claim rates incurred and are adjusted for any current or expected trends as appropriate. Actual warranty claim costs could differ from these estimates. We regularly assess and adjust the estimate of accrued warranty claims by updating claims rates for actual trends and projected claim costs.

Inventories

Inventories, which primarily consist of finished goods, are valued at the lower of average cost or net realizable value. Net realizable value is defined as estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. Assessments to value the inventory at the lower of the average cost to purchase the inventory, or the net realizable value of the inventory, are based upon assumptions about future demand, physical deterioration, changes in price levels and market conditions. As a result of our assessment, when the net realizable value of inventory is less than the carrying value, the inventory cost is written down to the net realizable value and the write down is recorded as a charge to cost of revenue. Inventories include indirect acquisition and production

costs that are incurred to bring the inventories to their present condition and location. Inventories are recorded net of reserves for obsolescence. Once established, the original cost of the inventory less the related inventory reserve represents the new cost basis of such products.

Impairment of Long-lived Assets

We assess potential impairments to our long-lived assets, including intangible assets subject to amortization, on an annual basis or when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset may not be recovered. We regularly evaluate whether events or circumstances have occurred that indicate possible impairment and rely on a number of factors, including results of operations, business plans, economic projections and anticipated future cash flows. An impairment loss is recognized when the carrying amount of the long-lived asset is not recoverable and exceeds its fair value. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. Any required impairment loss is measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value and is recorded as a reduction in the carrying value of the related asset and a charge to the statement of operations.

Stock-Based and Stock-Equivalent Compensation

Cricut Holdings has granted to certain of our employees common incentive units, which include incentive units with a participation threshold and zero strike price incentive units, or CIUs. CIUs entitle recipients certain interests in Cricut Holdings upon satisfaction of service, performance or market conditions. The awards are equity classified awards. As of December 31, 2019, all outstanding equity-based awards are in our parent company, Cricut Holdings. As the awards are issued by Cricut Holdings, we record a capital contribution from Cricut Holdings commensurate with the amount of compensation expenses recorded. We record compensation expenses for all stock-based awards granted based on the fair value of the award at the time of the grant. Stock-based compensation costs are recognized as expenses over the requisite service period, which is generally the vesting period, on a straight-line basis for awards with only a service condition. The graded vesting method is used for awards that have service and other conditions. Forfeitures are accounted for as they occur.

Cricut Holdings has granted to certain of our employees incentive unit equivalents (phantom units), which entitle the recipient to receive future compensation based upon satisfaction of service conditions. The amount of compensation is determined by the change in the underlying value of Cricut Holdings common units. The awards are liability classified awards. Since the awards also have a market condition, we record stock-based compensation expenses over the requisite service period using the graded vesting method. The stock-based equivalent awards are recorded at fair value and are required to be re-measured at fair value at each reporting period during the period from the date of grant through the settlement date. Fair value re-measurement increases and decreases will be recognized as compensation cost over the requisite service period.

We estimate the fair value of awards with time-based or performance-based vesting provisions using the Black-Scholes method. The fair value of awards subject to market conditions is estimated using a Geometric Brownian Motion Stock Path Monte Carlo Simulation, or Monte Carlo Simulation. The determination of the grant date fair value of the awards issued is affected by a number of variables, including the fair value of Cricut Holdings' units, the expected unit price volatility over the expected life of the awards, the expected term of the award, risk-free interest rates, the expected dividend yield of Cricut Holdings' units and the likelihood of termination. We derive our volatility from the average historical stock volatilities of peer public companies over a period equivalent to the expected term of the awards. We estimate the expected term based on the expected time to a liquidation event or other transaction that would result in settlement of the award. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant. Expected dividend yield is 0.0% as Cricut Holdings has not paid and does not anticipate paying dividends on its common units other than a one-time dividend paid in September 2020. Likelihood of termination for the Monte Carlo Simulation is estimated based upon both historical turnover and anticipated turnover based upon Company or market pressures.

The fair value of equity classified incentive units was estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	Year Ended December 31,		Nine Months Ended September 30,	
	2018	2019	2019	2020
Fair value of unit	$ 0.48	$ 0.80	$ 0.80	$ 2.21
Expected life (in years)	3.7	3.5	3.5	3.5
Expected volatility	38.1%	42.9%	42.9%	48.3%
Risk-free interest rate	2.5%	2.3%	2.3%	0.7%
Expected dividend yield	0.0%	0.0%	0.0%	0.0%

The fair value of liability classified incentive units was estimated using a Monte Carlo Simulation with the following weighted-average assumptions:

	Year Ended December 31,		Nine Months Ended September 30,	
	2018	2019	2019	2020
Fair value of unit	$ 0.77	$ 1.85	$ 0.86	$ 4.52
Expected life (in years)	3 - 5	3 - 5	3 - 7	0.5 - 5
Expected volatility	46.8%	40.2%	39.5%	50.9%
Risk-free interest rate	2.5%	1.6%	1.6%	0.2%
Expected dividend yield	0.0%	0.0%	0.0%	0.0%
Likelihood of termination	10%	10%	10%	10%

Common Unit Valuations

Given the absence of a public trading market, the fair value of the underlying common units of Cricut Holdings has historically been determined by Cricut Holdings' Board of Managers, or Holdings' Board, on the date of grant for all awards granted. In the absence of a public trading market, Holdings' Board, with input from us, exercises significant judgment and considers numerous objective and subjective factors to determine the fair value of Cricut Holdings' common units as of the date of each award grant, including:

- relevant precedent transactions involving Cricut Holdings' capital units;
- Cricut Holdings' actual consolidated operating and financial performance;
- current business conditions and projections;
- Cricut Holdings' stage of development;
- the likelihood and timing of achieving a liquidity event, such as an initial public offering, given prevailing market conditions;
- any adjustment necessary to recognize a lack of marketability of the common units;
- the market performance of comparable publicly traded companies; and
- U.S. and global capital market conditions.

In addition, Holdings' Board considers the independent valuations completed by a third-party valuation consultant. The valuations of Cricut Holdings' common units are determined in accordance with the guidelines outlined in the American Institute of Certified Public Accountants Practice Aid, Valuation of Privately-Held-Company Equity Securities Issued as Compensation.

We performed valuations of our common units using various valuation methods including combinations of income and market approaches with input from management. The income approach estimates the fair value based on the expectation of future cash flows that we will generate. These future cash flows are discounted to their present values using an appropriate discount rate to reflect the risks

inherent in us achieving these estimated cash flows. The market approach estimates value considering an analysis of guideline public companies. The guideline public companies method estimates value by applying a representative multiple of gross profits and EBITDA from a peer group of companies in similar lines of business to our gross profits and EBITDA. Our peer group of companies was selected based on operational and economic similarities to us and factors considered included but were not limited to industry, business model, growth rates, customer base, capitalization, size, profitability and stage of development.

Following this offering, it will not be necessary to determine the fair value of our common units using these valuation approaches as shares of our Class A common stock will be traded in the public market.

Based upon the assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, the aggregate intrinsic value of CIUs and incentive unit equivalents (phantom units) outstanding as of was $ million, of which $ million related to vested units and $ million related to unvested units.

Income Taxes

We utilize the asset and liability method for computing our income tax provision. Deferred tax assets and liabilities reflect the expected future consequences of temporary differences between the financial reporting and tax bases of assets and liabilities as well as operating loss, capital loss and tax credit carryforwards, using enacted tax rates. We make estimates, assumptions and judgments to determine our provision for income taxes, deferred tax assets and liabilities, and any valuation allowance recorded against deferred tax assets. We assess the likelihood that our deferred tax assets will be recovered from future taxable income and, to the extent we believe that recovery is not likely, we establish a valuation allowance.

We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon settlement. Interest and penalties related to unrecognized tax benefits, which to date have not been material, are recognized within the provision for income taxes.

Legal Contingencies

We are involved in legal proceedings, claims and regulatory, tax and government inquiries and investigations that arise in the ordinary course of business. Certain of these matters include claims for substantial or indeterminate amounts of damages. We record a liability when we believe that it is both probable that a loss has been incurred and the amount can be reasonably estimated. If we determine that a loss is reasonably possible and the loss or range of loss can be reasonably estimated, we disclose the possible loss in the accompanying notes to the consolidated financial statements. If we determine that a loss is reasonably possible but the loss or range of loss cannot be reasonably estimated, we state that such an estimate cannot be made.

We review the developments in our contingencies that could affect the amount of the provisions that have been previously recorded, and the matters and related reasonably possible losses disclosed. We make adjustments to our provisions and changes to our disclosures accordingly to reflect the impact of negotiations, settlements, rulings, advice of legal counsel and updated information. Significant judgment is required to determine both the probability and the estimated amount of loss. These estimates have been based on our assessment of the facts and circumstances at each balance sheet date and are subject to change based on new information and future events.

The outcome of litigation is inherently uncertain. Therefore, if one or more of these matters were resolved against us for amounts in excess of management’s expectations, our results of operations and financial condition, including in a particular reporting period in which any such outcome becomes probable and estimable, could be materially adversely affected.

Recent Accounting Pronouncements

See Note 2 to our consolidated financial statements included elsewhere in this prospectus for recently adopted accounting pronouncements and recently issued accounting pronouncements not yet adopted as of the dates of the statement of financial position included in this prospectus.

Emerging Growth Company Status

We are an "emerging growth company," as defined in the JOBS Act. Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. We have elected to use this extended transition period to enable us to comply with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date we are no longer an emerging growth company or affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our financial statements may not be comparable to companies that comply with new or revised accounting pronouncements as of public company effective dates.

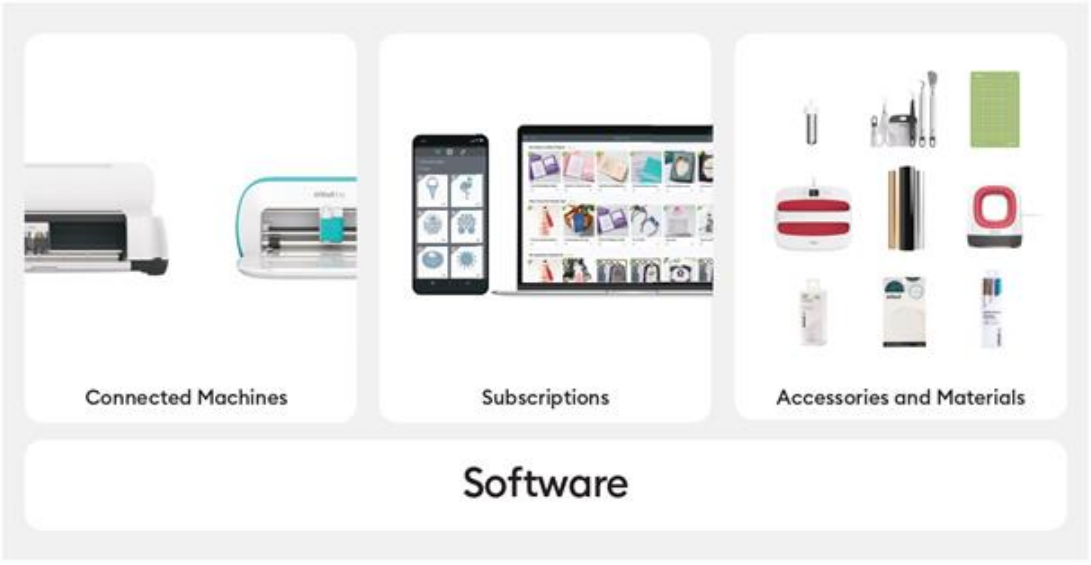
At Cricut, our mission is to help people lead creative lives.

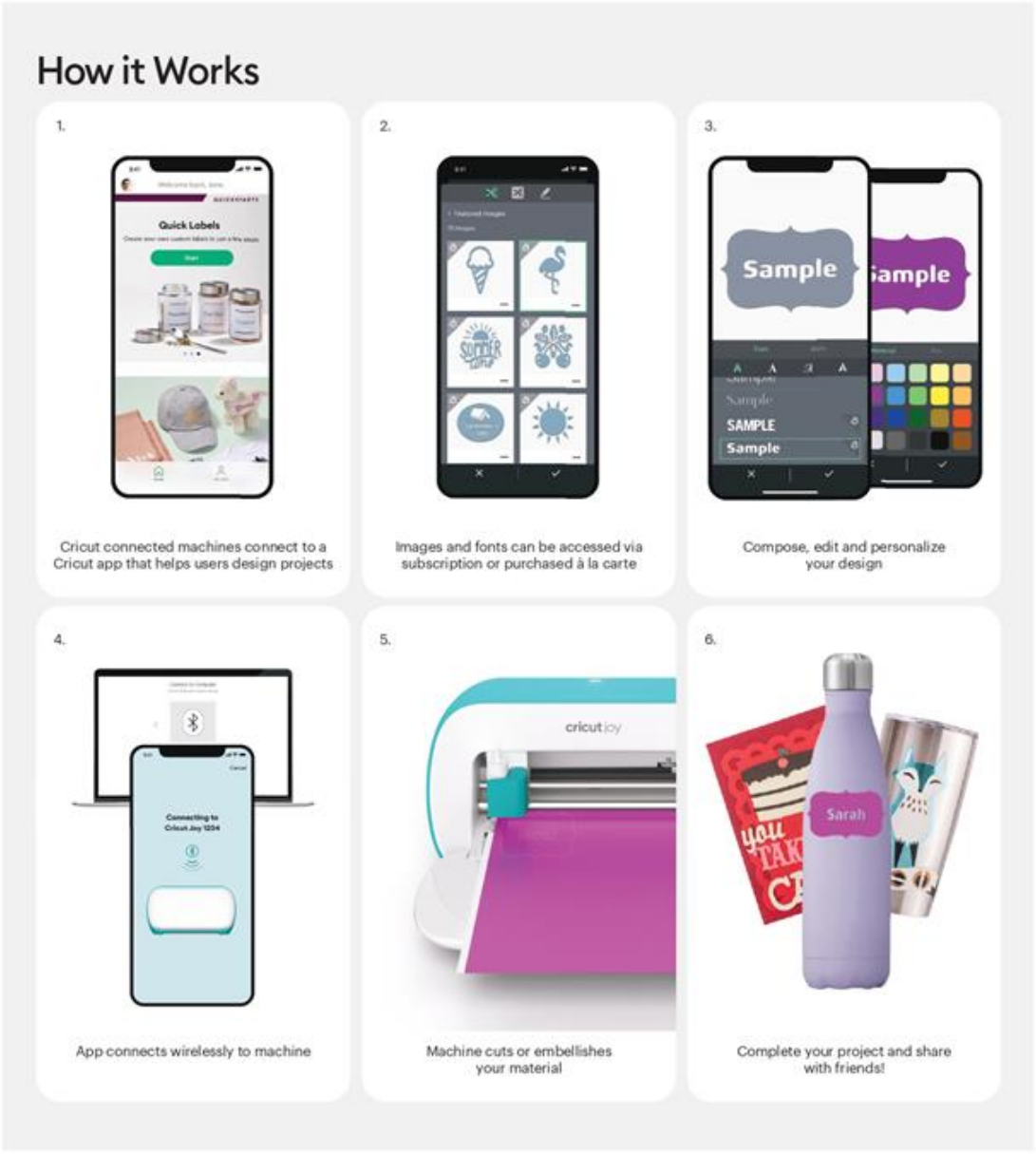
We have designed and built a creativity platform that enables our engaged and loyal community of 3.7 million users to turn ideas into professional-looking handmade goods. With our highly versatile connected machines, design apps and accessories and materials, users create everything from personalized birthday cards, mugs and T-shirts to large-scale interior decorations and more. Our cloud-based software enables us to update the functionality and features of existing physical and digital products, and to release new products that seamlessly integrate with our platform. This makes our platform broadly extensible and empowers our users to unlock ever-expanding creative potential.

Cricut often becomes a huge part of our users' creative lives, serving as the foundation for their journey of creativity. Our users' journeys typically begin with the purchase of a connected machine and expand across our family of products as users harness the power of our platform. Our users have demonstrated continued engagement with their connected machines over time, which results in purchases of subscriptions and accessories and materials long after they first purchase a connected machine. As of September 30, 2020, 63% of our users created on their connected machines in the last 90 days and 84% created on their connected machines in the last 365 days.

We enable users to be inspired, create and share projects with the Cricut community and to follow others doing the same. Our users join the Cricut community to share projects and inspire others, both on our platform and across social media. Our community of users has scaled significantly over time, and our number of users grew by 55% from September 30, 2018 to September 30, 2019 and by 66% from September 30, 2019 to September 30, 2020.

Our software integrates our connected machines and design apps, allowing our users to create and share seamlessly. Our software is cloud-based meaning that users can access and work on their projects anywhere, at any time, across any desktop or mobile device. Our software aggregates billions of data points of our users' contributions, giving us valuable insights into our users' preferences and behaviors. We use our data science capabilities to continuously improve our software and products, driving further engagement. As a result, our business model is characterized by strong user engagement and diversified sales across product categories.





Our portfolio of connected machines cut, write, score and create decorative effects using a wide variety of materials including paper, vinyl, leather and more. We strive for our users' journeys to be both inspiring and intuitive, so we take great care to design connected machines that are beautiful and easy to use. Our connected machines are designed for a wide range of uses and available at a variety of price points:

- Cricut Joy for personalization on-the-go, $179.99 MSRP
- Cricut Explore for cutting, writing and scoring, $249.99 MSRP

- Cricut Maker for cutting, writing, scoring and adding decorative effects to a wider range of materials, $399.99 MSRP

We offer free design apps, in-app purchases and subscription offerings that enable our users to create and complete projects. On our apps, users can find inspiration, purchase or upload content like fonts and images, design a project from scratch or find a vast array of ready-to-make projects on both mobile and desktop devices. All users can access a select number of free images, fonts and projects from our design apps or upload their own. In addition, we offer a wider selection of images, fonts and projects for purchase à la carte, including licensed content from partners with well-known brands and characters, like major motion picture studios. We also provide two subscription offerings, Cricut Access and Cricut Access Premium. Cricut Access provides users with a subscription to a curated and growing design library of over 125,000 images, 6,000 ready-to-make projects and hundreds of fonts, as well as other member benefits, such as discounts and priority Cricut Member Care. Cricut Access Premium includes all of the benefits of Cricut Access as well as additional discounts and preferred shipping. As of September 30, 2020, we had nearly 1.2 million Paid Subscribers to Cricut Access and Cricut Access Premium, representing approximately 32% of our total users.

We also sell a broad range of accessories and materials that help bring designs to life, from advanced tools like heat presses to Cricut-branded rulers, scoring tools, pens, paper and iron-on vinyl. These products are designed to work seamlessly and easily with our connected machines, which is why we see many of our users purchase Cricut-branded accessories and materials. Creating projects often drives repeat purchases of accessories and materials for years after a user first buys a connected machine, demonstrating ongoing engagement with our platform.

Many of our users share a love of our brand, products and mission, which fosters a loyal community of users who are deeply engaged with Cricut. Every project is an opportunity to start a conversation, both with us and with each other. We often see our users inspire, teach and create together. Users are passionate about sharing Cricut tips, tricks and personal stories and this engagement carries over into social media and into everyday life. There are over three million Cricut followers and many independently-run Cricut groups across social media. Users often self-organize, host independent events and meet up in person across the globe.

Our community creates a reinforcing network effect. As the number of our users grow, so does the number of projects made and shared physically or digitally. This generates even more shared projects and word-of-mouth that in turn helps to grow our community. This community network effect has allowed us to efficiently acquire new users and drive sales of connected machines, subscriptions and accessories and materials. To date, our success has been driven by word-of-mouth referrals as well as effective use of low-cost marketing channels like social media, which we then complement with our targeted sales and marketing efforts.

We generate revenue from the sale of our connected machines, subscriptions and accessories and materials. We sell our products through brick-and-mortar and online retail partners, including Hobby Lobby, HSN, Jo-Ann, Michaels, Target and Walmart, as well as through online channels such as Amazon and cricut.com.

We are a fast-growing, scaled and profitable business. For 2018 and 2019, we generated:

- Total revenue of $340 million and $487 million, respectively, representing 43% year-over-year growth
- Net income of $27 million and $39 million, representing 43% year-over-year growth
- EBITDA of $46 million and $63 million, respectively, representing 36% year-over-year growth

For the nine months ended September 30, 2019 and 2020, we generated:

- Total revenue of $313 million and $588 million, respectively, representing 88% year-over-year growth

- Net income of $31 million and $93 million, respectively, representing 196% year-over-year growth
- EBITDA of $48 million and $131 million, respectively, representing 171% year-over-year growth

Our Industry

We both influence and benefit from powerful secular tailwinds:

- ***Personalization is a Global Mega Trend.*** Today, more and more people want to be surrounded by personalized items. According to a study by Deloitte, one in four consumers are willing to pay more to receive a personalized product or service. Additionally, over 35% of consumers expressed interest in purchasing customized products or services in furniture, homeware and DIY goods. We empower individuals to personalize. The number one reason why people buy our connected machines is personalization.
- ***Digitization of Tools.*** Consumers have access to more tools in the digital world than ever before. They are easier to use, more powerful and available on every device. The power to create and manipulate content – text, audio or video – can now be done from anyone's smartphone or laptop. Cricut has built on this trend by offering both digital and physical tools and, more importantly, bridging these two worlds together.
- ***Technology is Enabling a New Generation of Entrepreneurs.*** The rapid growth of marketplaces and commerce enablement platforms creates economic opportunities for millions of creative entrepreneurs. Individual entrepreneurs value supplemental income, flexibility and the opportunity to do what they love for a living. According to Upwork's 2019 "Freelancing in America" report, 15 million Americans are freelancers who sell goods, and 75% of arts and design professionals are freelancers. Cricut enables the shift in production of physical goods from factory floors to kitchen tables and provides manufacturing solutions for small scale businesses. Twenty-nine percent of our users make projects to sell. Women, who represent 96% of our users as of September 2020 and are at the forefront of this trend, created businesses more than twice as fast as national average.
- ***Social Media is Enabling a New Wave of Creativity.*** The ubiquity of social media is a key driver of global consumer engagement with new creative endeavors. Billions of people globally engage on social media every month and spend an average of more than two hours per day on social networks and messaging apps. Through social media, people can be inspired by new ideas or projects anywhere and anytime. We help our users turn virtual inspiration into beautiful, physical things. We have over three million followers across social media, and our users have shared thousands of projects on our platform.

Our Opportunity

We believe that everyone is innately creative and thus anyone can be a part of the Cricut community of users. This presents us with a large untapped market opportunity in addition to our current user base.

We quantify our market opportunity in terms of SAM, which includes active creatives who we address with our current products and price points, and TAM, which includes potential creatives who we believe we can reach over the long term as we make products for new uses and products that are more accessible, even easier to use and available at a broad set of price points.

We commissioned a study from YouGov America in September 2020 across multiple countries. The sample size of those surveyed in each country included over 1,000 individuals ages 18 and older. To calculate our SAM and TAM, we extrapolate these survey results across the general population ages 18 and older in each country.

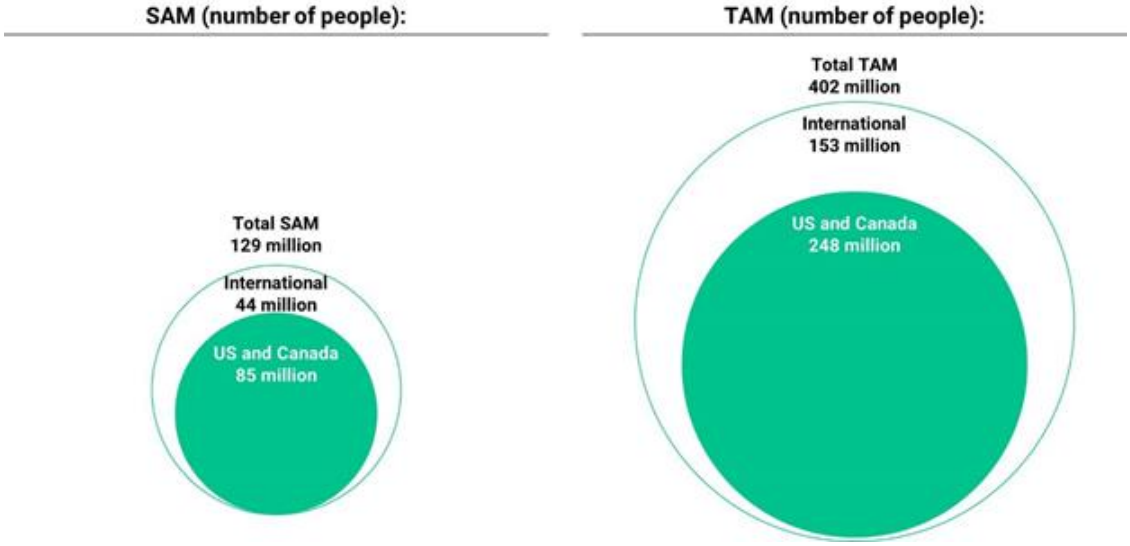
Our SAM consists of the portion of individuals surveyed who said they have made at least one creative project in categories addressed by our current products in the last 12 months, whom we call "active

creatives." Our TAM includes the individuals in our SAM as well as the portion of individuals surveyed who said they like, buy, used to make or are interested in creating personalized, handmade or custom items, whom we call "potential creatives" but who have not made at least one creative project in categories addressed by our current products in the last 12 months.

We assess our SAM and TAM in the United States and Canada and internationally. Today, a small portion of our revenue is generated from countries outside the United States and Canada. We currently classify four of these countries, Australia, France, Germany and the United Kingdom, as our primary international target markets and include them in our international SAM and TAM.

Based in part on the YouGov study, we estimate that our SAM consists of over 85 million people in the United States and Canada. As of September 30, 2020, we had 3.7 million users, the vast majority of whom are in the United States and Canada, implying less than 5% penetration of our SAM in those markets. We estimate that our SAM among our primary international target markets consists of over 44 million people. Accordingly, we estimate our total SAM is over 129 million individuals.

We estimate that there are over 163 million potential creatives in the United States and Canada and over 109 million potential creatives in our primary international target markets. We estimate that our United States and Canada TAM includes over 248 million individuals, which reflects our belief that all people, regardless of demographic, can be creative and a part of the Cricut community. Our TAM among our primary international target markets includes over 153 million individuals, for a combined TAM of approximately 402 million individuals. We believe our products could achieve broader adoption in a number of countries beyond our primary international target markets that also have large populations engaging in creative activities and represent a similar product-market fit.



Because our products make creativity accessible, we believe our opportunity is much larger than the estimates of the size of the traditional craft market. The Association for Creative Industries estimated that the traditional craft market, which is comprised of items and supplies purchased for creative activities, in the United States was $36.2 billion in the twelve months ended September 2017. We put production power into the hands of our users by allowing them to create their own professional-looking homemade goods instead of purchasing manufactured goods from a third party opening up a broad array of markets for our users that go beyond the traditional craft market. For example, the goods that users can produce or customize using our platform fall into multiple large market categories, some of which may overlap. The 2020 estimated markets for such categories were $4.1 billion for cards and calendar; $9.7 billion for stationery; $26.5 billion for seasonal décor; $55.1 billion for wedding-related services[4]; $11.3 billion for organization[5] and $21.5 billion for custom gifts[6].

The Cricut User Journey

As Brené Brown said, “We are born makers. We move what we’re learning from our heads to our hearts through our hands.”

Creative individuals come to Cricut and quickly become engaged users who can express themselves both individually and as part of a large and passionate community. As of September 30, 2020, 96% of our users are women. Many users also earn income through products they create on Cricut. According to a survey that we conducted in October 2020:

- 88% of new users want to make a broad range of products
- 29% make projects to sell
- 78% say crafting helps them with their mental well-being
- 87% say crafting inspires feelings of accomplishment

A user’s journey evolves after their first purchase. New users typically intend to create a broad range of products but may start with one or two intended uses and grow with Cricut over time. For example, a user may buy a connected machine and begin by making cards but later branch out to T-shirts, wall decals and more. As we launch new software and products, and as our community continues to grow and share on our platform and on social media, we have the opportunity to continually refresh this relationship and expand the versatility of our platform.

Our large and loyal community of users engage with Cricut and each other across our design apps and on social media. Users can share projects they created, and other users can be inspired and access and create that same project. These teaching and inspiration moments enhance our monetization opportunities, as projects often lead users to purchase images, fonts, accessories and materials. There are over three million Cricut followers and many independently-run Cricut groups across social media.

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4 The preceding statements are from IBIS World. See the section titled “Market, Industry and Other Data.”

5 The preceding statement is from The Freedonia Group, a division of MarketResearch.com. See the section titled “Market, Industry and Other Data.”

6 The preceding statement is from Technavio. See the section titled “Market, Industry and Other Data.”

Bridgette Campbell
Teacher

"Now, with all the things I've made, I wonder how I ever lived without Cricut Maker."

Bridgette is a mother, special education teacher and avid scrapbooker who makes meaningful projects to inspire others and to make the world a more inclusive place. *"Since having my daughter, I want people to be aware of her as a person, not for a disability."* She makes monogrammed gifts for teachers and crafts together with her daughter. *"At the beginning of the COVID-19 pandemic, I started crafting with my daughter. She started to talk for the first time, she said 'Mommy' for the first time. She has made incredible progress from spending quality time together using our Cricut machine."*

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Sharia Collins
Teacher

"My business turned into so much more once I bought a Cricut machine. You have to have one to be able to create the kind of products I'm creating."

Sharia is an English teacher and life-long entrepreneur who began selling invitations, learning boards and other custom creations in 2017. *"Using my Cricut Explore helped me to perfect my craft. It changed my life because there is no way I could make the things I make and generate the kind of revenue I generate without it. It makes me feel good that a lot of people are inspired by what I make."*

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Jenny Luttermoser
Emotional wellness professional

"With my Cricut Maker, I can accomplish in 2 hours what used to take me 3 days. It's made me feel like I can do anything."

Jenny is a mother of 2-year-old twin girls and a 5-year-old boy. *"The rest of my life is so constrictive, but making art with my Cricut Maker makes me feel free. When I'm crafting I can let myself go. I call it my 'accessible craft robot.' It's definitely a craft robot. There's no other way to describe it. You can literally do anything with Cricut Maker."*

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Aneta Bies
Healthcare Worker

"This is the first time in my life I feel really confident in what I'm doing. There's no end to how far I can push my creativity."

Aneta finds solace in creating for others—from teaching art classes for children, to making custom safety vests for alpaca farmers. *"Cricut Maker is like a unique pot of gold at the end of a rainbow—whether your gold is quilting, paper crafts, vinyl ... it's never-ending!"* She has her sights set on growing her business and bringing the art of making to her community. *"I'd love to open up my own space for crafting, teaching and even hosting events. It would be a community meet-up space."*

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Cory Peace
Designer

"What I thought would be a hobby turned into a passion. Orders are flowing in. I needed another machine to speed up production."

Cory is a U.S.-based graphic designer who has found his Zen by bringing the digital to life. He first learned about Cricut from a friend and purchased his first machine on July 31, 2020. By the end of September he launched a website featuring his Cricut creations, and within weeks, made $2,200 in custom orders. *"Even people in the U.K. are looking at my website, and they like what 42-year-old, introverted me makes."*

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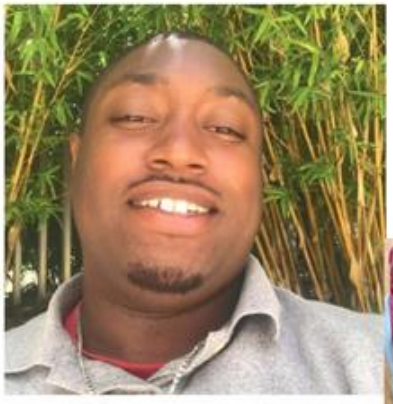
Brandon Boyd
Father and Coach

"Cricut has helped us make our uniforms and helped our players show their team spirit."



Brandon is a father of three, a baseball and football coach and the co-owner of a youth development sports business. He uses his Cricut Explore machine to make uniforms for the sports teams he works with. *"Our program has grown so much, we figured it would be easier to do it ourselves. Plus, making is joyful and fun. It's exciting to imagine a design in your head and be able to make it, and see that final project come to life."*

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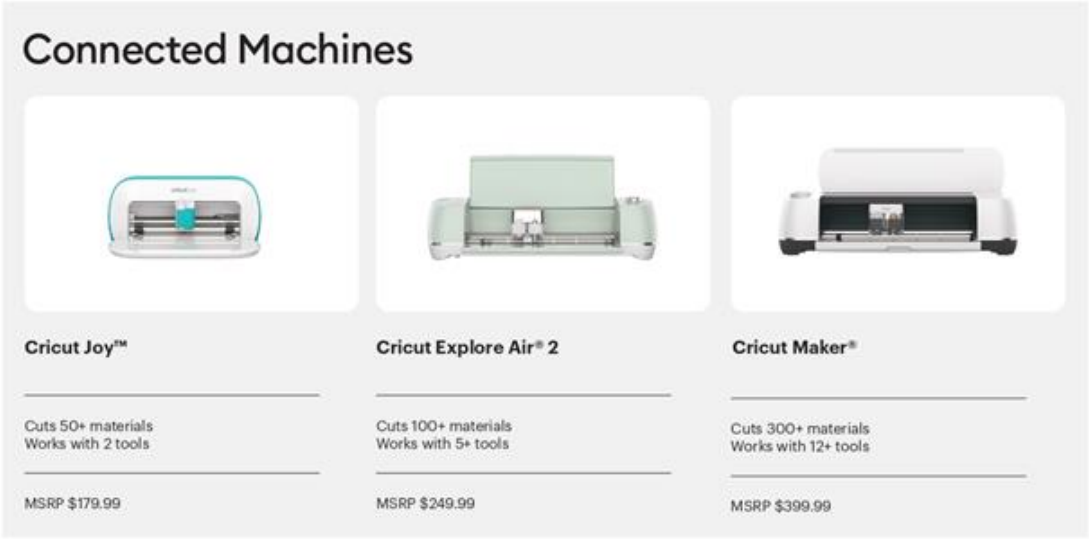
Our Software

Our software integrates our connected machines and design apps, allowing our users to create and share seamlessly. Our software is cloud-based meaning that users can access and work on their projects anywhere, at any time, across desktops or mobile devices. We enable our users to be inspired, create and share projects with the Cricut community, and follow others doing the same. Each user's credentials, profile, machine registration data, pressure settings for various materials and tools, uploaded images, designs, projects, community networks and more are stored in the cloud. Our software aggregates billions of data points of our users' contributions, giving us valuable insights into our users' preferences and behaviors. We use our data science capabilities to continuously improve our software and products, driving further engagement. For example, as we monitor how users engage with a certain feature, we can continue to improve it or choose to sunset it if it is no longer useful. We have the ability to release new connected machines with new uses that can seamlessly integrate with our software, allowing us to grow with existing users.

Connected Machines

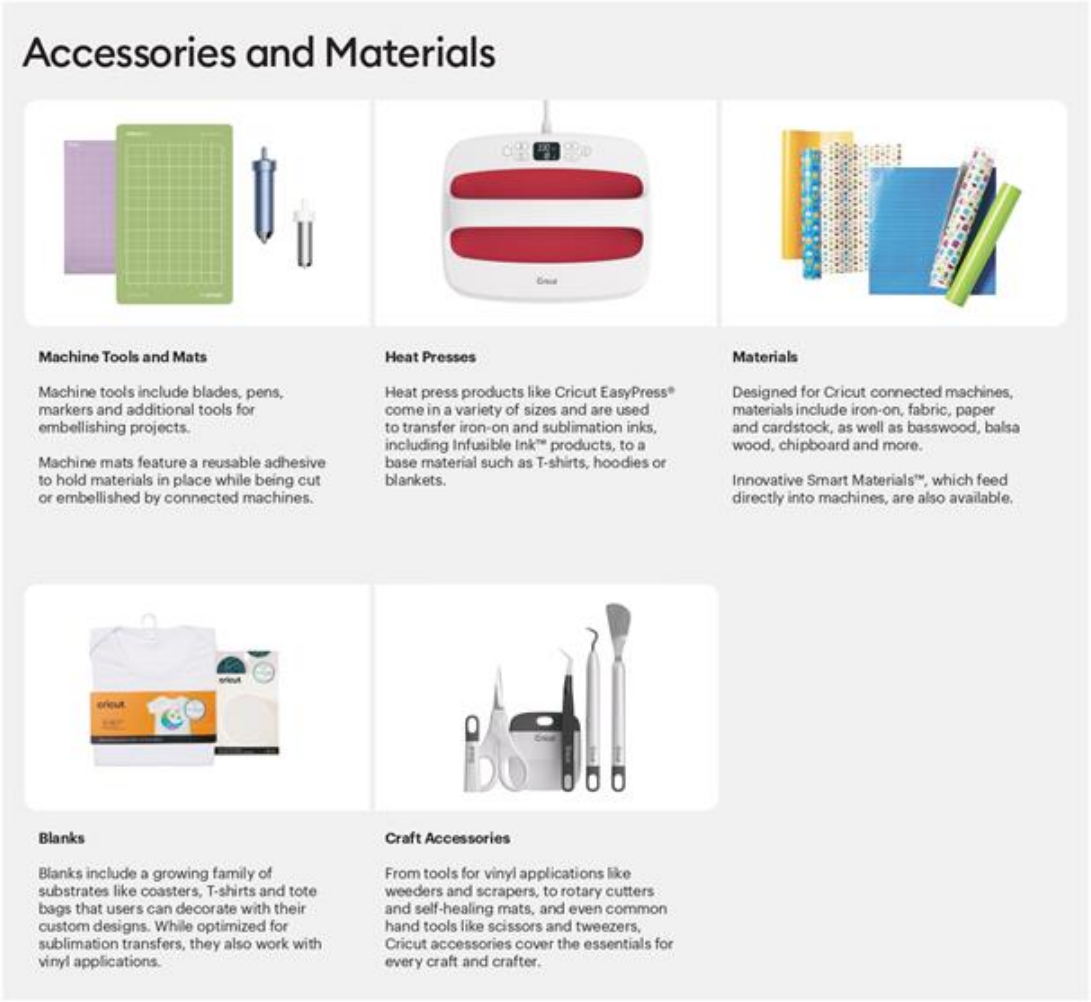
Our connected machines currently include Cricut Joy, Cricut Explore and Cricut Maker.



Our portfolio of connected machines cut, write, score and create decorative effects using a wide variety of materials including paper, vinyl, leather and more. Our connected machines are designed for various uses ranging from quick, everyday projects like handmade cards or signs to professional-level DIY projects like home décor, quilts and tables. Each of our connected machines provides users with different capabilities. For example, Cricut Joy can work with over 50 different materials – from the most popular craft materials like cardstock, vinyl and iron-on to specialty materials like glittery paper and polished foils. Cricut Maker incorporates even more material capabilities from the most delicate paper and fabric to harder materials such as matboard, leather and basswood. Our connected machines also incorporate different tools, attachments, accessories and capabilities. For example, Cricut Explore Air pioneered a calligraphy pen, while Cricut Maker cuts fabric and can also engrave metal. Machine connectivity is enabled through Bluetooth and USB. All Cricut connected machines come with Design Space, a free, easy-to-learn and easy-to-use, cloud-based design software available on Android, iOS, Mac and PC devices.

Design Apps and Subscriptions. Users can leverage the full power of our platform by using our connected machines together with our free design apps for our connected machines, including our Design Space app that works with all connected machines and our Cricut Joy-specific app. Users download our apps, create a profile and design and share their Cricut projects from both desktop and mobile devices. All users can access a select number of free images, fonts and projects from our design apps or upload their own. In addition, we offer a wider selection of images, fonts and projects for purchase à la carte, including licensed content from partners like major motion picture studios. Ready-to-make projects, from cards to holiday décor, each come with instructions and recommendations for the ideal materials to use. Users can share their designs on our apps to teach and inspire others. If one user shares a project that uses images from the Cricut library, another user can download and create that same project – as long as they are subscribed to Cricut Access or Cricut Access Premium or have purchased those images.

Cricut Access and Cricut Access Premium are our subscription offerings that include a large selection of images, fonts and projects as well as other member benefits, such as discounts, priority Cricut Member Care and, in the case of Cricut Access Premium, preferred shipping. Paid Subscribers are granted access to a curated and growing design library of over 125,000 images, 6,000 ready-to-make projects and hundreds of fonts. Cricut Access is billed monthly for $9.99 per month or annually for $95.88 per year. Cricut Access Premium, which includes all of the benefits of Cricut Access and additional discounts and preferred shipping, is billed annually for $119.88 per year. As of September 30, 2020, we reached nearly 1.2 million Cricut Access and Cricut Access Premium subscribers, representing approximately 32% of our total users.



Cricut Accessories and Materials. We sell a broad range of accessories and materials that help bring designs to life, such as Cricut EasyPress, various hand tools, machine replacement tools and blades and project materials. These products are designed to work seamlessly with our connected machines. This interconnectedness is important to our users, who choose to buy Cricut-branded accessories and materials because they find them easy to use and trust our brand. Seventy-seven percent of our users agree that our materials are designed to work seamlessly with Cricut machines. Some products, like our mats and blades, attach to a connected machine. Mats hold materials in place as they are cut by the connected machine. Our mats are sold in different grip strengths that are appropriate for the material being used. For example, a light-grip mat is perfect for paper, while a strong-grip mat is optimal for materials that need stronger adhesive to secure in place, such as matboard and leather. Blades are inserted into Cricut connected machines. For example, a Premium Fine Point Blade works well with cardstock, a Rotary Blade is perfect for fabric and a Knife Blade is optimal for leather and wood products. We have also created a portfolio of both complex and basic accessories. For instance, Cricut EasyPress is a portable heat press with a variety of heat transfer uses for oddly-shaped, non-uniform surfaces. Cricut BrightPad illuminates fine lines to ensure precision for removing the unneeded pieces of a cut image. We also sell a wide range of project materials including vinyl, iron-on vinyl, deluxe paper, Infusible Ink (sublimation), machine tools and

accessories and more. We offer nearly 3,000 total SKUs within our Cricut accessories and materials, ranging in price from a $0.99 digital image to the $239.99 EasyPress.

How We Go to Market

Many of our users hear about our products through word-of-mouth. With 91% of our users creating products for their friends and family, word-of-mouth marketing continues to be one of the most efficient and effective ways we attract new users. In 2020, 42% of new users first heard about Cricut through friends and family. We also use digital and social media marketing to attract users.

We sell our connected machines and accessories and materials through our brick-and-mortar and online retail partners, as well as through our website at cricut.com. Our partners include Amazon, Hobby Lobby, HSN, Jo-Ann, Michaels, Target, Walmart and many others. We also sell our products, including subscriptions to Cricut Access and Cricut Access Premium, on cricut.com. In 2019 and the nine months ended September 30, 2020, 52% and 51%, respectively, of our revenue was generated through brick-and-mortar sales and 48% and 49%, respectively, was generated through online channels.

Our Competitive Strengths

Our competitive strengths include:

Our Vertically Integrated Platform Encourages Continual Engagement. Our platform accompanies a user from an idea to a finished project, with Cricut providing the connected machines, design apps and accessories and materials to make this a seamless journey. All of the content our users purchase and the projects they spend hours designing are stored in the cloud. This allows our users to access their designs from their Android, iOS, Mac and PC devices seamlessly. This content can only be accessed through Cricut's design apps and is optimized to a proprietary Cricut format for a great experience. As of September 30, 2020, 63% of our users created on their connected machines in the last 90 days and 84% created on their connected machines in the last 365 days.

We Build Beautiful, Inspiring and Easy-to-Use Products. Our mission is rooted in our passion for design, and this passion comes to life in the beautiful products we build and experiences we create. We take great pride in marrying design and functionality for each SKU – from our connected machines to design apps to content to accessories and materials. Every touchpoint is an opportunity to engage the customer and exceed expectations. Our goal is to provide users with an experience that is both inspiring and intuitive, and we take great care to make our products easy to use. Our elegant products are backed by deep user experience, software, technology and engineering expertise.

We Designed our Platform to be Able to Constantly Evolve so We Can Find New Ways to Delight Users. We constantly innovate and offer new products and functionality to provide users with new capabilities for their existing connected machines. We have introduced eight additional tools for Cricut Maker since its August 2017 launch. For example, in 2020, we launched a foil transfer tool, giving users the ability to include a letter foil effect in their projects. This tool allowed us to then launch ten materials SKUs in addition to the tool. New products are integrated seamlessly into existing connected machines with updates to our software, infrastructure and content. We aim to give our users the freedom to create without limitations while improving their experience along the way.

We Have a Strong and Loyal Community of Users. Many of our users become deeply engaged in our creative community and loyal to our brand. Each project becomes an opportunity to create a conversation – our users share, inspire and teach each other. Our community of 3.7 million users as of September 30, 2020, creates a reinforcing network effect. As the number of our users grow, so does the number of projects made and shared physically or digitally. This engagement generates even more shared projects and word-of-mouth that in turn helps to grow our community.

We Have a Positive Impact on Our Users, in Good Times and in Bad. When users design with our products, they feel creative and self-accomplished. When they personalize an object or make something for someone as a gift, they feel good about themselves. Our products make people feel accomplished and

confident – powerful emotions that help create a relationship and love between our brand and our users. Crafting allows people to save money by creating their own gifts or to earn income selling handmade goods. Given the positive emotions connected with crafting, our users create to celebrate and as a respite during difficult times.

Our Growth Strategy

These are key elements of our growth strategy:

Reach More Users. As of September 30, 2020, we had 3.7 million users, representing less than 5% of the 85 million addressable active creatives in our United States and Canada SAM. We have a significant opportunity to bring more users to our platform by enhancing our brand and product awareness in both the United States and Canada and in the other geographies where we currently sell our products. We intend to pursue this opportunity in part through digital and social media marketing, retail partners and word-of-mouth referrals.

Increase Monetization from Current Users. We keep our users engaged by applying what we learn on our platform to launch new software and products. We believe that by finding new ways to inspire our users with their existing connected machines, we can sell more content and accessories and materials. By enhancing our subscription offerings, we also believe we can grow our subscription base over time.

Continuously Improve Ease of Use and User Experience. We plan to continue to broaden our demographic appeal by making our products even easier to use and educating users on our products and their capabilities. We believe that reducing the barriers to entry for active creatives and potential creatives can help us both further penetrate our SAM and continue to expand and penetrate a portion of our TAM.

Launch New Products in New Categories. New products help us extend our impact with new and existing users. Our deeply engaged base of users gives us unique insights into what new products are going to be most successful. Our strategy for keeping current users engaged is focused on launching new products and services that attach seamlessly to our existing platform, whether accessories and materials or connected machines. We plan on expanding our offerings to serve a larger portion of our SAM, including new connected machine offerings with new uses to capture additional customer segments. Our ability to launch new services and new products will allow us to diversify our channels and bring on new brick-and-mortar and online retail partners.

Expand Internationally. We believe there is a significant opportunity for Cricut to grow internationally. We began our international expansion by launching in Australia, Canada, France, Germany and the United Kingdom. We have also localized our design apps in several languages such as French, German, Portuguese and Spanish. We offer country-specific content and continue to add local content for markets where we are in various stages of launch. We will continue to pursue disciplined international expansion by targeting countries with large populations of active creatives where we believe the Cricut value proposition will resonate. We expect to leverage a combination of brick-and-mortar and online retail partners to go to market internationally.

Technology and Content

Our core technology and content that support our platform are critical competitive advantages and are purpose-built to leverage the tools and capabilities of our connected machines. These solutions utilize a myriad of factors and elements unique to Cricut and are highly differentiated.

- **Cutting-Edge Innovation, Beautiful Design and Ease of Use.** We invest substantial resources in research and development to enhance our platform, develop new products and features and improve our user experience. Our hardware innovation harnesses the power of technologies typically found only in professional robotics, computer numerical control machinery and other automated commercial devices. One example of our cutting-edge innovation is our Cricut Joy, a connected machine that is both powerful and portable. Our software integrates our connected machines with the rest of our platform and enables a seamless creative experience for our users.

Our hardware and software are beautifully designed to be easy-to-use, so that users can be their creative best.

- **Proprietary Technology.** Our platform benefits from our proprietary intellectual property. Servo motors in our connected machines operate with feedback control to ensure ultra-precise cutting and drawing paths are generated each time a user clicks “Make It.” The uniform heat plate technology in our EasyPress family of products allows our users to more evenly adhere iron-on vinyl and films onto T-shirts, totes or tags. The ability to control the amount of machine pressure used by Cricut Maker was an industry first in such a compact form factor and allows our users to not only cut thicker materials like matboard, leather and basswood but also to deboss heavy chipboard or even engrave metal. While assorted machine tools are required to create these decorative effects, our connected machines also have the capability to automatically detect whether the proper tool is installed in order to safeguard proper operation and help our users achieve their desired effect.
- **Cloud-Based Architecture Which Allows for Simplicity, Scalability and Security.** Our distributed and scalable technology architecture allows our users to access inspiration and create anytime they want from almost any computing device, maximizing utilization of our platform. Our users can get inspired on the go using Design Space on their phone, continue designing on their tablet, and then finish creating using their desktop; or stay on one device during their all-night crafting session. Design Space maintains an expanding list of materials and a corresponding database. As every creative project is unique, this database aids our users in understanding which materials are compatible with or optimized for their connected machine. Our materials database also houses, maintains and controls the precise pressure, speed and machine tools needed to ensure a unified experience when a connected machine communicates with our cloud-based, highly-scalable, microservice-designed APIs. Our software and apps are built and continually maintained using the industry’s latest technology like Swift for iOS, Kotlin for Android and Electron Framework for Mac and Windows. We benefit from and leverage the AWS security frameworks to provide our users an infrastructure that is consistent with information security best practices so that our users’ information, creative projects and account are safe and secure.
- **Cut Smart Technology, Adaptive Tool System and QuickSwap Housings.** Years ago we transformed the household electronic cutting machine market with the introduction of our Cut Smart technology on Cricut Explore. This allows our connected machines to cut and draw on materials through machine mat and carriage plot movements, while our servo motors apply a precise amount of cut force tailored to each material so there is no need for users to manually adjust blade depth, cut force or speed. Later on, with the release of Cricut Maker, we further innovated by introducing our Adaptive Tool System, which deepens and enhances our connected machine movements by adding additional control from the drive housing itself. Through the interlocking of gears with the machine carriage, our Adaptive Tool System (currently available only on Cricut Maker) can additionally lift and turn the blade during operation. This third juncture point allows Cricut Maker to intelligently control the direction of the blade and cut pressure to match the material, enabling experiences like machine cutting fabric with a rotary blade or using our knife blade to machine cut thicker materials like matboard and basswood. In addition to this multi-dimensional movement, our Adaptive Tool System also allows our users to install one machine tool housing that can be easily changed to have varying tips, something we aptly call QuickSwap. While Cricut Maker was released with only four tools initially, together with our Adaptive Tool System and QuickSwap housings, we have since empowered Cricut Maker users with the use of over 10 tools. Our connected machines are durable, built to last and designed with this level of extensibility to quickly enable new uses as they are designed and brought to market.
- **Optimized Accessories and Materials.** While our connected machines work with a wide variety of accessories and materials regardless of brand, using Cricut-branded products brings added benefits. For example, with the recent introduction of our new Smart Materials line for Cricut Joy (including Smart Vinyl, Smart Iron-On and Smart Label), our users can now load these materials into their connected machines without the need for a separate cutting mat. Our sourcing, quality

assurance and materials teams go to great lengths to ensure all Cricut-branded accessories and materials (including Smart Materials, as well as cardstock, vinyl, transfer tape, leather, hand tools and others) are calibrated and purpose-built to work hand-in-hand with Cricut connected machines, as well as interplay well with other Cricut products. Our materials database works best with these Cricut-branded accessories and materials, thereby allowing our users to create quicker with more predictable results.

- **Content Development and Production.** The breadth and depth of our growing content library comes as a direct result of the data-driven approach we use to gain insights into our users' preferences and behavior. Using real-time data points, we observe the use patterns and other aggregated data to predict future trends or gaps in our content offering. Using these key learnings, we select ideas, themes and content categories that ultimately inform and shape our product development cycle. By partnering with professional illustrators, project designers and subject matter experts, both internally and externally, we create tailor-made content offerings that beautifully complement our platform. Whether through the creation, acquisition or licensing of varied creative assets, our content teams then use a proprietary process to convert these images and projects into content specifically optimized to integrate with our connected machines and Cricut-branded accessories and materials seamlessly. The output of this content lifecycle results in authentic, on-trend and high-quality images and projects we offer our users for à la carte purchase or as a part of our Cricut Access and Cricut Access Premium subscriptions. As we diversify our content categories and further expand internationally, we will continue to develop localized and meaningful content shaped to meet the language, needs and preferences of our growing global user base.
- **Unified Integration Between Hardware, Software and Content.** Our design, engineering, product and content teams work hand-in-hand to bring our products to life, from conception and validation to implementation. We work hard to build strong synergies across teams in order to successfully launch products that address new creative categories. One such example was evident in the successful launch of Cricut Joy together with its companion Cricut Joy Insert Cards. Collaborating with our hardware engineering and machine teams, our materials team launched a colorful array of newly designed pre-scored and pre-cut cardstock greeting cards, complete with decorative inserts and envelopes. Utilizing a patent-pending card mat to hold these cards in place during operation, Cricut Joy can cut and draw professional-looking handmade cards for any occasion while easily pulling from hundreds of ready-to-make greeting card projects in Design Space. This type of unified integration by and between our hardware, software, content and accessories and materials provides an outcome to our users with a value much greater than the sum of its individual parts.

Mission, Values and Employees

Our mission is to help people lead creative lives. To help us fulfill that mission, our employees focus on the following Cricut values and mantras:

We have created our values and mantras on the foundation of the five behaviors of a cohesive team (trust, conflict, commitment, accountability and results) introduced by a pioneer of the organizational health movement, Patrick Lencioni.

As of September 30, 2020, we had over 510 employees. We also engage contractors and consultants. To our knowledge, none of our employees is represented by a labor union or covered by a collective bargaining agreement. We have not experienced any work stoppages, and we believe that our employee relations are good.

Competition

We compete in a number of market segments with our business, separately and together.

We experience competition in connected machines; for example, Brother, Graphtec and Silhouette America sell cutting machines. We expect significant competition to continue, both from current competitors as well as new entrants into the market, some of which may become significant competitors in the future.

The accessories and materials DIY market is highly competitive with few barriers to entry. We face heightened competition in providing accessories and materials that we sell for use with our connected machines. We compete against well-established, well-known companies, many of which are also our retail partners, including Hobby Lobby, HSN, Jo-Ann and Michaels. Many of these companies have substantial market share, diversified product lines, well-established supply and distribution systems, strong brand recognition and significant financial, marketing, research and development and other resources. These brick-and-mortar and online retail partners often have their own brands of products that we compete against, particularly in accessories and materials. We believe that our brand, technology and software set us apart. We provide a superior value proposition and benefit from our deeply engaged community of users.

The areas in which we compete include:

- ***Product Offering*.** We compete with producers of DIY design and crafting tools, materials and accessories and work to ensure that our connected machines maintain the most innovative technology and user-friendly features. Our products, materials and accessories allow our users to produce professional-looking projects.
- ***Engagement*.** We compete for consumers to purchase our products, and we seek to retain them through our connected machines, subscriptions and accessories and materials, as well as our engaged community.
- ***Talent*.** We compete for talent in every vertical across our company including technology, design, marketing, finance, legal and retail. As our platform is highly dependent on technology and software, we require a significant base of engineers to continue innovating.

The principal competitive factors that companies in our industry need to consider include but are not limited to total cost of product, manufacturing efficiency and supply chain management, product vision, product innovation, digital content (original and licensed), product quality and safety, pricing, user engagement, strength of sales and marketing efforts, technological advances and brand awareness and reputation. We believe we compete favorably across these factors and we have developed a business model that is difficult to replicate.

For additional information, see the section titled “Risk Factors—Risks Related to Our Industry and Business—We operate in a highly competitive market and we may be unable to compete successfully against existing and future competitors.”

Intellectual Property

We believe that our intellectual property rights are valuable and important to our business. Our practice is to seek protection for our intellectual property as appropriate, and we rely on a combination of patents, trademarks, copyrights, trade secrets, license agreements, confidentiality procedures, non-disclosure agreements, employee disclosure and invention assignment agreements, as well as other legal and contractual rights, to establish and protect our proprietary rights. Although we rely in part upon these legal and contractual protections, we believe that factors such as the skills and ingenuity of our employees and the functionality and frequent enhancements to our platform are larger contributors to our success in the market.

As of , 2020, we had issued patents in the United States, which expire at various times between and , as well as issued patents in non-U.S. jurisdictions, which expire at various times between and . As of , 2020, we also hold pending patents in the United States and pending patents in non-U.S. jurisdictions. These patents are intended to protect our proprietary inventions that are relevant to our business. We continually review our development efforts to assess the existence and patentability of new intellectual property.

We have an ongoing trademark and service mark registration program pursuant to which we register our brand names and product names, taglines and logos in the United States and other jurisdictions to the extent we determine appropriate and cost-effective. We also have common law rights in some unregistered trademarks that were established over years of use. As of , 2020, we have a total of registered trademarks in the United States and registered trademarks in non-U.S. jurisdictions. We also have registered domain names for websites that we use in our business, such as cricut.com and other variations.

We intend to pursue additional intellectual property protection to the extent we believe it would be beneficial and cost-effective. Despite our efforts to protect our intellectual property rights, they may not be respected in the future or may be invalidated, circumvented or challenged. In addition, as we continue to expand internationally, the laws of certain foreign countries may not protect our intellectual property rights to the same extent as laws in the United States. We expect that infringement of our intellectual property may increase as the number of products and competitors in our market increases, and effective protection of intellectual property rights is expensive and difficult. In addition, to the extent that we gain greater visibility and market exposure as a public company, we face a higher risk of being the subject of intellectual property infringement claims from third parties. Any third-party intellectual property claims against us could significantly increase our expenses and could have a significant and negative impact on our business, results of operations and financial condition. For additional information, see the section titled “Risk factors—Risks Related to our Intellectual Property.”

Manufacturing, Supply Chain and Fulfillment

We currently outsource the manufacturing of our products to third-party contract manufacturers located primarily in China and Malaysia. We believe outsourcing our manufacturing function promotes more flexibility and scalability in our operations.

We primarily use one contract manufacturer in China, Intretech, to produce our connected machines, which are built based on our quality and performance standards and specifications. Our agreement with Intretech is on a purchase order basis, and Intretech is not otherwise obligated to supply our connected machines in any specific quantity or at any specific price. The Intretech agreement has an initial five-year term beginning August 2018 and thereafter automatically renews for one additional year unless earlier terminated by the parties for breach or upon 60 days’ prior written notice.

Our contract manufacturers procure nearly all of the components that are used in the production of our products from approved third-party suppliers. In certain circumstances, we purchase components directly from suppliers which are then provided to our manufacturers, but we generally do not have long-term contractual agreements with those suppliers. Certain highly specialized components and raw materials, such as Bluetooth components, microchips and certain alloys that are critical to the performance of our connected machines, are sourced from very limited component suppliers. These components have unique performance profiles, and, as a result, it is not commercially practical to support multiple sources for these components for our products.

To streamline e-commerce logistics, inventory management, warehousing and fulfillment, we engage a small number of third-party logistics partners, including last mile warehousing and delivery partners, located in the United States, China and Europe to receive and distribute our products. Our third-party logistics partners complete a substantial percentage of our deliveries to brick-and-mortar and online retail partners, distributors and online sales channels. Our products generally arrive at our third-party logistics partner facilities via ocean shipping services from our contract manufacturers. Direct shipments to users are then typically ground shipped for U.S. users and air- or ocean-freighted for our international users. Most brick-and-mortar and online retail partners and distributors generally use their own freight carriers for shipments from our third-party logistics partner facilities.

As we grow and scale, we continue to evaluate and assess the need for existing and new manufacturers, suppliers and partners. To mitigate the risks of having a limited number of suppliers, we have currently-qualified alternative contract manufacturers in place; however, we do not currently have alternative suppliers for certain key components. As a result of the COVID-19 pandemic, we have

experienced certain delays in component and raw material sourcing, manufacturing and shipping. For additional information, see the section titled “Risk Factors—Risks Related to Manufacturing, Supply Chain and Fulfillment.”

Sales and Marketing

Sales Channels

We sell our products primarily through our third-party brick-and-mortar and online retail partners, as well as through our website at cricut.com. We also sell to a network of distributors in over 20 countries who resell our products primarily to international brick-and-mortar and online retail partners and on a limited basis to U.S. brick-and-mortar and online retail partners. In 2019, 48% of our revenue was generated through online channels. Our sales and channels team located in the United States support both the onboarding of new brick-and-mortar and online retail partners as well as account management of existing brick-and-mortar and online retail partners. We also have an international sales and marketing force working remotely in Australia, continental Europe and the United Kingdom to drive sales and whose reach spans into many jurisdictions across the globe.

Many of our products are sold through traditional brick-and-mortar retail partners, varying in size, including on their websites, as follows:

- ***Specialized Craft Retailers.*** We sell to specialized arts and crafts supply retailers with large regional or national presence, such as Hobby Lobby, HSN, Jo-Ann and Michaels.
- ***National Retailers.*** We sell to large, mass merchant retailers with national and international presence, such as Amazon, Target and Walmart.
- ***Independent Retailers.*** We sell to a network of smaller, independent retailers in targeted locations or in specialty markets.

Each of Amazon, Jo-Ann and Michaels represented 10% or more of our consolidated revenue in the years ended 2018 and 2019. We also currently offer our products through our website at cricut.com, which can be purchased directly by users in the United States and Canada. Users can also purchase subscriptions to Cricut Access and Cricut Access Premium through our website or through Cricut’s design apps on Android and iOS devices. Additionally, users can make in-app purchases of images, fonts and projects à la carte on our platform and through our design apps. We drive consumers to our website and platform primarily through word-of-mouth marketing channels and the use of low-cost marketing channels like social media.

We believe our omni-channel strategy enables us to target a diverse consumer base.

Marketing

We focus our marketing efforts on building brand and product awareness and community engagement to attract new users and retain existing users. We believe our platform and loyal community of 3.7 million users as of September 30, 2020, are our best and most effective marketing tools, helping to generate robust word-of-mouth referrals, which have been significant drivers of our growth. With 91% of our users creating products for their friends and family, word-of-mouth marketing continues to be paramount to our operational success. Crafting inspires feelings of accomplishment in our users, which promotes repeat use of our products and reengagement in our platform and community.

Users in our community are deeply engaged and are passionate about sharing inspiration, Cricut tips, tricks and personal stories online on social media, which promotes discovery and adoption. Users across the globe often also connect offline, self-organizing and hosting in-person meet-up events to create together, which reinforces the community network effect. As the number of users grow, the number of projects and content created and shared physically and digitally multiply.

Additionally, our users' ongoing engagement on our data-driven platform enables us to learn more about their preferences and behaviors, which we harness to continually improve our platform and to predict what new products will be successful, driving a cycle of further community engagement.

We intend to continue to invest significant resources to build our brand and community engagement, including from time to time employing traditional online advertising as well as third-party social media. We also spend significant time and resources training our Cricut Member Care team to resolve any technical and operational issues relating to our products and services so that our users' experience with our platform is not negatively impacted.

Research and Development

Our research and development efforts focus on enabling our users to express their creativity. Technical direction is derived from our data science capabilities and feedback from our deeply engaged user community. This focus enables the development of a robust platform architected to ensure a simple and intuitive user experience, centered around our connected machines, subscriptions and accessories and materials. Our design, product, engineering and customer support teams collaborate extensively with our user community. Our platform is primarily built and maintained in-house by a team of professionals across design, product management and engineering disciplines.

As of September 30, 2020, we had over 150 employees in our research and development organization. We intend to continue to invest in our research and development capabilities to further improve our software, and the ease of use and functionality of our connected machines and platform and to expand our accessories and materials offerings.

Government Regulation

We are subject to a variety of U.S. federal and state laws and foreign laws and regulations that involve matters central to our business, many of which are still evolving and could be interpreted in ways that could harm our business. These laws and regulations include laws governing, among other areas, privacy, data protection, content regulation, intellectual property, competition, consumer protection, e-commerce, product liability, marketing, advertising, trade (e.g., sanctions, export controls and tariffs) and taxation. These laws and regulations are often complex, sometimes contradict other laws, and are frequently still evolving. Laws and regulations may be interpreted, applied, created, amended and enforced in different ways in various locations around the world, posing a significant challenge to our increasingly global business.

As we grow and expand our geographical reach and our offerings, we may become subject to additional regulations, in the United States and internationally.

In the EU, the GDPR became effective on May 25, 2018. The GDPR is intended to create a single legal framework that applies across all EU member states. However, there are certain areas where EU member states can deviate from the requirements in their own legislation. It is therefore likely that we will need to comply with these local regulations in addition to the GDPR. Local supervisory authorities are able to impose fines for non-compliance and have the power to carry out audits, require companies to cease or change processing, request information and obtain access to premises. The GDPR created more stringent operational requirements for processors and controllers of personal data, including, for example, requiring enhanced disclosures to data subjects about how personal data is processed (including information about the profiling of individuals and automated individual decision-making), limiting retention periods of personal data, requiring mandatory data breach notification and requiring additional policies and procedures to comply with the accountability principle under the GDPR. In addition, data subjects have more robust rights with regard to their personal data. Similarly, other jurisdictions are instituting privacy and data security laws, rules and regulations, which could increase our risk and compliance costs.

The CCPA also affords consumers expanded privacy protections. Additionally, the California Attorney General issued CCPA regulations that may add additional requirements on businesses. The potential effects of this legislation and the related CCPA regulations are far-reaching and may require us to modify our data processing practices and policies and to incur substantial costs and expenses in an effort to comply. For example, the CCPA gives California residents (including employees, though only in limited circumstances until January 1, 2023) expanded rights to transparency access and require deletion of their personal information, opt out of certain personal information sharing and receive detailed information about how their personal information is collected and used. The CCPA also provides for civil penalties for violations, as well as a private right of action for data breaches that may increase data breach litigation. Additionally, in November 2020, California passed the CPRA, which amends and significantly modifies the CCPA, potentially resulting in further uncertainty and requiring us to incur additional costs and expenses in efforts to comply. The enactment of the CCPA is prompting similar legislative developments in other states in the United States, which could create the potential for a patchwork of overlapping but different state laws, and is inspiring federal legislation.

Further, some countries also are considering or have passed legislation requiring local storage and processing of data, or similar requirements, which could increase the cost and complexity of operating our products and services and other aspects of our business.

Additionally, we are subject to laws, rules and regulations regarding cross-border transfers of personal data, including laws relating to the transfer of personal data outside the EEA and the United Kingdom (after Brexit). We rely on transfer mechanisms permitted under these laws, including the standard contract clauses, which have been subject to regulatory and judicial scrutiny. If these existing mechanisms for transferring personal data from the EEA, the United Kingdom or other jurisdictions are unavailable, we may be unable to transfer personal data of employees or users in those regions to the United States.

See the section titled “Risk Factors” for additional information about the laws and regulations we are subject to and the risks to our business associated with such laws and regulations.

Legal Proceedings

We are not presently a party to any material pending legal proceedings. We are, from time to time, subject to legal proceedings and claims arising from the normal course of business activities, and an unfavorable resolution of any of these matters could materially affect our business, results of operations, financial condition or cash flows.

Future litigation may be necessary, among other things, to defend ourselves or our users by determining the scope, enforceability and validity of third-party proprietary rights or to establish our proprietary rights. The results of any current or future litigation cannot be predicted with certainty, and regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

In September 2020, we joined NXN LLC and dozens of other plaintiffs in a complaint against the U.S. federal government in the United States Court of International Trade alleging unlawful actions by the federal government on the imposition of the third and fourth round of tariffs on products covered in the United States Trade Representative’s *Section 301 Action Concerning China’s Act’s, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation.* The complaint seeks declaratory judgment that the United States Trade Representative’s actions were beyond its delegated authority under the Trade Act of 1974 and in violation of the Administrative Procedure Act and the United States Constitution.

Our Facilities

Our corporate headquarters occupies approximately 94,000 square feet in South Jordan, Utah under operating leases that expire at various times through 2025. We also lease offices elsewhere in Utah, China and Malaysia. All of our offices are leased and we do not own any real property.

We believe that our existing facilities are sufficient for our current needs. In the future, we may need to add new facilities and expand our existing facilities as we add employees, grow our infrastructure and evolve our business, and we believe that suitable additional or substitute space will be available on commercially reasonable terms to meet our future needs.

MANAGEMENT

Executive Officers and Directors

The following table sets forth information regarding our executive officers and directors as of .

Name	Age	Position(s)
Executive Officers		
Ashish Arora		Chief Executive Officer and Director
Martin F. Petersen		Chief Financial Officer
Donald B. Olsen		Executive Vice President, General Counsel
Gregory Rowberry		Executive Vice President, Sales
Non-Employee Directors		
Jason Makler		Director and Chair of the Board of Directors
Len Blackwell		Director
Steven Blasnik		Director
Russell Freeman		Director
Melissa Reiff		Director
Billie Williamson		Director

Executive Officers

Ashish Arora has served as our Chief Executive Officer since and as the Chief Executive Officer of Cricut Holdings since February 2012. Mr. Arora has also served as a member of our board of directors since and as a member of the board of managers of Cricut Holdings since February 2012. From July 2009 to February 2012, he served as the General Manager, Digital Home – Software Platforms and Products for Logitech International S.A., a global manufacturer of computer peripherals and other devices. Mr. Arora holds a B.S. in Electronics Engineering from Thapar Institute of Engineering and Technology and an M.B.A. from the University of Kansas Graduate School of Business.

We believe Mr. Arora is qualified to serve as a member of our board of directors because of his perspective and experience as our Chief Executive Officer and his extensive experience in business development and project management.

Martin F. Petersen has served as our Chief Financial Officer since and as the Chief Financial Officer of Cricut Holdings since April 2018 and from May 2012 to January 2017. Mr. Petersen previously served as the Chief Operating Officer of Cricut Holdings from February 2015 to May 2019. From January 2010 to May 2012, he served as the Chief Financial Officer of certain of the Morell Companies, a U.S. government contractor. Earlier, Mr. Petersen was Vice President and Treasurer of Huntsman Corporation and a Vice President in the Investment Banking Division of Merrill Lynch & Co. Mr. Petersen holds a B.A. in International Relations from Brigham Young University and an M.B.A. from the University of Chicago Booth School of Business.

Donald B. Olsen has served as our General Counsel since and as the Executive Vice President of Cricut Holdings since July 2016. Mr. Olsen previously also served as Head of Human Resources of Cricut Holdings from July 2013 to November 2020 and as Secretary of Cricut Holdings from June 2011 to the present. Mr. Olsen holds a B.A. in English from Brigham Young University and a J.D. from Brigham Young University's J. Reuben Clark Law School.

Gregory Rowberry has served as our Executive Vice President, Sales since and as the Executive Vice President, Sales of Cricut Holdings since July 2017. Mr. Rowberry joined Cricut Holdings in September 2008 and served as the Executive Vice President of Sales, Customer Service and Quality of Cricut Holdings from July 2013 to July 2017, as the Vice President of Finance, Customer Service and Quality of Cricut Holdings from July 2012 to July 2013, as the Vice President of Finance of Cricut Holdings from March 2010 to July 2012 and as the Director of Finance of Cricut Holdings from September 2008 to

March 2010. Mr. Rowberry holds a B.S. in Health Sciences from Brigham Young University and an M.B.A. from Brigham Young University.

Non-Employee Directors

Jason Makler has served as our Chair since , as a member of the board of directors since and as a member of the board of managers of Cricut Holdings since September 2011. Mr. Makler has served as a Corporate Analyst for Petrus Asset Management Co., or Petrus Asset Management or its predecessors, since March 2002. Mr. Makler holds a B.B.A. in Accounting from the University of Texas at Austin and an M.B.A. from Yale University.

We believe Mr. Makler is qualified to serve as a member of our board of directors because of his perspective as a representative of our largest stockholder and his extensive financial background and expertise.

Len Blackwell has served as a member of the board of directors since and as a member of the board of managers of Cricut Holdings since March 2013. Mr. Blackwell has served as Chairman of Paranet Solutions, a managed services and IT consulting firm, since February 2019. Mr. Blackwell previously served as Managing Director at Sorenson Capital, a private equity firm, from August 2006 to December 2019. Mr. Blackwell served as Chairman of RTC Aerospace, a manufacturer of precision flight-critical components, from August 2017 to January 2020, and remains a board member. Mr. Blackwell served as a board member and subsequently as Chairman of International Development LLC, a lighting products company, from December 2011 until its sale in June 2017. Mr. Blackwell holds a B.A. in Economics from Duke University and is a Chartered Financial Analyst (CFA) charter holder.

We believe Mr. Blackwell is qualified to serve as a member of our board of directors because of his extensive leadership experience in multiple industries and his experience in the private equity industry.

Steven Blasnik has served as a member of the board of directors since and as a member of the board of managers of Cricut Holdings since February 2018. Mr. Blasnik has served as a Director at the Petrus Trust Company since April 2008 and as Senior Advisor to Petrus Asset Management, the investment management division of Petrus Trust Company, since March 2019. Mr. Blasnik served as President of Petrus Asset Management from April 2008 to March 2019. Mr. Blasnik also served as a member of the board of directors of Perot Systems Corp. from September 1994 to November 2009. Mr. Blasnik holds a B.S.E. in Mechanical and Aerospace Engineering from Princeton University and a J.D. from Harvard Law School.

We believe Mr. Blasnik is qualified to serve as a member of our board of directors because of his perspective as a representative of our largest stockholder and his extensive financial background and expertise.

Russell Freeman has served as a member of the board of directors since and as a member of the board of managers of Cricut Holdings since September 2015. Since January 2014, Mr. Freeman has served as the Chief Executive Officer of Hillwood Energy and its subsidiary, HKN Energy, for which he also serves as a board member. Mr. Freeman has served on the board of managers of GuideIT, LLC since February 2013. Mr. Freeman has also served as Vice Chairman for the Petrus Trust Company since March 2010, and previously served as its Chief Financial Officer from April 2011 to April 2019. Mr. Freeman previously served as Chief Operating Officer of Perot Systems Corp. from August 2007 to November 2009, and Chief Financial Officer from August 2000 to August 2007. Mr. Freeman holds a B.B.A. in Accounting from Texas Tech University.

We believe Mr. Freeman is qualified to serve as a member of our board of directors because of his perspective as a representative of our largest stockholder and his extensive financial background and expertise.

Melissa Reiff has served as a member of the board of directors since and as a member of the board of managers of Cricut Holdings since February 2021. Ms. Reiff has served as Chairwoman of the board of directors of The Container Store Group, Inc. ("TCS"), the nation's originator and leader of the storage and organization category of retail, since August 2019, as Chief Executive Officer from July 2016 until her retirement in February 2021, as President and Chief Operating Officer from March 2013 to June 2016 and as President from early 2006 to February 2013. Ms. Reiff joined TCS in 1995 as Vice President of Sales and Marketing, and assumed the role of Executive Vice President of Stores and Marketing in 2003. She has served on the boards of directors of TCS since August 2007 and Etsy, Inc. since April 2015, where she is also a member of the compensation committee. She is a member of the Dallas chapter of the American Marketing Association, International Women's Foundation and C200. She also serves on the board of Southern Methodist University's Cox School of Business Executive Board and is a sustaining member of the Junior League of Dallas. Ms. Reiff holds a B.S. in Political Science and Law from Southern Methodist University.

We believe Ms. Reiff is qualified to serve as a member of our board of directors because of her particular knowledge and experience in retail, marketing, merchandising, operations, communication and leadership, as well as her experience as a CEO and director of public companies.

Billie Williamson has served as a member of the board of directors since and as a member of the board of managers of Cricut Holdings since August 2020. Ms. Williamson has over three decades of experience auditing public companies as an employee and partner of Ernst & Young LLP, a global accounting firm, where she served most recently as Senior Assurance Partner from March 1998 to December 2011. She also served as Ernst & Young's Americas Inclusiveness Officer, a member of its Americas Executive Board, which functions as the Board of Directors for Ernst & Young dealing with strategic and operational matters, and a member of the Ernst & Young U.S. Executive Board responsible for partnership matters for the firm. Ms. Williamson currently serves as a member of the board of directors of Cushman & Wakefield plc since July 2018, Kraton Corporation since September 2018 and Pentair plc since May 2014. She previously served as a member of the board of directors of numerous public companies including Exelis, Inc., Annie's Inc., Janus Capital Group Inc., from June 2015 to May 2017, CSRA, Inc. from November 2015 to May 2018, XL Group plc, and Pharos Capital BDC, Inc. from January 2018 to March 2020, as well as on the board of directors of a number of private company boards. Ms. Williamson holds a B.B.A. in Accounting from the Southern Methodist University's Cox School of Business.

We believe Ms. Williamson is qualified to serve as a member of our board of directors because of her extensive board service for both public and private companies and her financial knowledge and expertise.

Family Relationships

There are no family relationships among any of our executive officers or directors.

Board of Directors

Our business and affairs are managed under the direction of our board of directors. The number of directors will be fixed by our board of directors, subject to the terms of our amended and restated certificate of incorporation and our amended and restated bylaws that will become effective immediately prior to the completion of this offering. Following the completion of this offering, our board of directors will consist of directors, of whom qualify as "independent" under the Exchange's listing standards.

Upon completion of this offering, Petrus and affiliates will control a majority of the voting power of our outstanding capital stock. As a result, Petrus will be able to control any action requiring the general approval of our stockholders, including the election of our board of directors.

Director Independence

Our board of directors has undertaken a review of the independence of each director. Based on information provided by each director concerning his or her background, employment and affiliations, our board of directors has determined that each of , and does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is "independent" as that term is defined under the rules of the Exchange.

In making these determinations, our board of directors considered the current and prior relationships that each non-employee director has with our company and all other facts and circumstances our board of directors deemed relevant in determining their independence, including the beneficial ownership of our capital stock by each non-employee director and their affiliates, and the transactions involving them described in the section titled "Certain Relationships and Related Party Transactions."

Board Oversight of Risk

One of the key functions of our board of directors is informed oversight of our risk management process. In particular, our board of directors is responsible for monitoring and assessing strategic risk exposure. Our executive officers are responsible for the day-to-day management of the material risks we face. Our board of directors administers its oversight function directly as a whole, as well as through various standing committees of our board of directors that address risks inherent in their respective areas of oversight. For example, our Audit Committee is responsible for overseeing the management of risks associated with our financial reporting, accounting and auditing matters, and our Compensation Committee oversees the management of risks associated with our compensation policies and programs.

Controlled Company Exemption

After the completion of this offering, Petrus will continue to control a majority of the voting power of our outstanding common stock. As a result, we will be a "controlled company" within the meaning of the Exchange's corporate governance standards. Under the Exchange's rules, a company of which more than 50% of the voting power is held by an individual, group or another company is a "controlled company" and may elect not to comply with certain corporate governance standards, including requirements that:

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

Following this offering, we intend to utilize some or all of these exemptions. In addition, for so long as we are a "controlled company" we may not have a majority of independent directors on our board of directors and our compensation committee may not consist entirely of independent directors or be subject to annual performance evaluations. Accordingly, for so long as we are a "controlled company" you will not have the same protections afforded to stockholders of companies that are subject to all of the Exchange's corporate governance requirements. In the event that we cease to be a "controlled company" and our shares continue to be listed on the Exchange, we will be required to comply with these provisions within the applicable transition periods.

The “controlled company” exception does not modify the independence requirements for the audit committee, and we currently comply with the audit committee requirements of Rule 10A-3 under the Exchange Act and the Exchange rules. Pursuant to such rules, we are allowed to have a majority of independent directors on our audit committee until one year from the date of effectiveness of the registration statement for this offering. Thereafter, our Audit Committee is required to be comprised entirely of independent directors.

Board Committees

Prior to the completion of this offering, our board of directors will establish an Audit Committee and a Compensation Committee. Our board of directors may establish other committees to facilitate the management of our business. Our board of directors and its committees set schedules for meeting throughout the year and can also hold special meetings and act by written consent from time to time, as appropriate. Our board of directors will delegate various responsibilities and authority to its committees as generally described below. The committees will regularly report on their activities and actions to the full board of directors. Members serve on these committees until their resignation or until otherwise determined by our board of directors.

Audit Committee

Prior to the completion of this offering, we will create an Audit Committee that will consist of , and , with serving as Chairperson, each of whom meets the requirements for independence under the listing standards of the Exchange and SEC rules and regulations. Each member of our Audit Committee also meets the financial literacy and sophistication requirements of the listing standards of the Exchange. In addition, our board of directors has determined that is an audit committee financial expert within the meaning of Item 407(d) of Regulation S-K under the Securities Act. Following the completion of this offering, our Audit Committee will be responsible for, among other things:

- selecting a qualified firm to serve as the independent registered public accounting firm to audit our financial statements;
- helping to ensure the independence of the independent registered public accounting firm;
- overseeing and evaluating the performance of the independent registered public accounting firm;
- discussing the scope and results of the audit with the independent registered public accounting firm, and reviewing with management and the independent registered public accounting firm, our interim and year-end results of operations;
- reviewing our financial statements and our critical accounting policies and estimates;
- reviewing the adequacy and effectiveness of our internal controls;
- developing procedures for employees to submit concerns anonymously about questionable accounting, internal accounting controls or audit matters;
- reviewing our policies on risk assessment and risk management;
- reviewing and approving related party transactions; and
- approving or, as required, pre-approving, all audit and all permissible non-audit services to be performed by the independent registered public accounting firm.

Our Audit Committee will operate under a written charter, to be effective prior to the completion of this offering, which satisfies the applicable rules and regulations of the SEC and the listing standards of the Exchange.

Compensation Committee

Prior to the completion of this offering, we will create a Compensation Committee that will consist of , and serving as Chairperson. Each member of our Compensation Committee is also a non-employee director, as defined pursuant to Rule 16b-3 promulgated under the Exchange Act, or Rule 16b-3. Following the completion of this offering, our Compensation Committee will be responsible for, among other things:

- reviewing, approving and determining, or making recommendations to our board of directors, or the independent members of our board of directors, regarding the compensation of our executive officers;
- administering our equity compensation plans;
- reviewing, approving and making recommendations to our board of directors regarding incentive compensation and equity compensation plans;
- establishing and reviewing general policies relating to the compensation and benefits of our employees; and
- making recommendations regarding non-employee director compensation to our full board of directors.

Our Compensation Committee will operate under a written charter, to be effective prior to the completion of this offering, which satisfies the applicable rules and regulations of the SEC and the listing standards of the Exchange.

Code of Conduct and Ethics

Our board of directors will adopt a Code of Conduct and Ethics, or the Ethics Code. The Ethics Code will apply to all of our employees, officers, directors, contractors, consultants, suppliers and agents. Upon the completion of this offering, the full text of our code of conduct will be posted on our website at cricut.com under the Investor Relations section. We intend to disclose future amendments to, or waivers of, our Ethics Code as and to the extent required by SEC regulations, at the same location on our website identified above or in public filings. Information contained on our website is not incorporated by reference into this prospectus, and you should not consider information contained on our website to be part of this prospectus or in deciding whether to purchase shares of our Class A common stock.

Compensation Committee Interlocks and Insider Participation

None of our executive officers serves, or in the past year has served, as a member of the board of directors or compensation committee of any other entity that has or has had one or more executive officers serving as a member of our board of directors or our Compensation Committee.

Non-Employee Director Compensation

The following table sets forth information concerning the compensation of our non-employee directors for the year ended December 31, 2020. Mr. Arora did not receive any compensation for his services as a director in 2020. The compensation received by Mr. Arora as an employee is set forth in the section titled "Executive Compensation—2020 Summary Compensation Table."

Name	Fees Earned or Paid in Cash ($)	Equity Awards[1] ($)	All Other Compensation ($)	Total ($)
Len Blackwell	—	—	—	—
Steven Blasnik	—	—	—	—
Jason Makler	—	—	—	—
Russell Freeman	—	—	—	—
Billie Williamson[2]	11,111	452,000	—	463,111

(1) The amount in the "Equity Awards" column reflects the aggregate grant-date fair value of incentive units in Cricut Holdings granted to our non-employee director during 2020 computed in accordance with FASB ASC Topic 718, rather than the amounts paid or realized by our non-employee director. We provide information regarding the assumptions used to calculate the value of the incentive unit award made to non-employee director in Note 11 to our consolidated financial statements included elsewhere in this prospectus.

(2) Ms. Williamson was appointed to our board of directors in August 2020. In connection her appointment to our board of directors, we granted her 100,000 incentive units with a distribution threshold of $0.00 on November 23, 2020, all of which were outstanding as of December 31, 2020. Her award vests in equal annual installments over a period of five years from the grant date and fully vests in the event of her death or a change in control (as defined the award agreement), subject to (other than in case of her death) continued employment through each vesting date. During the term of her board service, she will be required to hold a minimum number of equity interests in Cricut Holdings. Currently this threshold is 50,000. The amount in the "Fees Earned or Paid in Cash" column reflects an annual cash retainer for Ms. Williamson's service as a member of our board of directors, pursuant to her director offer letter, prorated for the portion of 2020 in which she was a member of our board of directors.

Prior to this offering, we had not implemented a formal policy with respect to compensation payable to our non-employee directors for service as directors. We have a policy of reimbursing all of our non-employee directors for their reasonable out-of-pocket expenses in connection with attending board of directors and committee meetings. From time to time, we have granted incentive units and cash fees to certain of our non-employee directors, typically in connection with a non-employee director's initial appointment to our board of directors.

We intend to approve a non-employee director compensation program to become effective following this offering. Pursuant to this program, our non-employee directors will receive compensation for their service as directors.

EXECUTIVE COMPENSATION

This section discusses the material components of the executive compensation program for our executive officers who are named in the section titled "—2020 Summary Compensation Table" below. The table summarizes the compensation paid to our principal executive officer and each of our other named executive officers determined under 402(m)(2) of Regulation S-K during 2020. We refer to these individuals as our "named executive officers." In fiscal year 2020, our named executive officers and their positions were as follows:

- Ashish Arora, our Chief Executive Officer;
- Martin F. Petersen, our Chief Financial Officer; and
- Gregory Rowberry, our Executive Vice President, Sales.

This discussion may contain forward-looking statements that are based on our current plans, considerations, expectations and determinations regarding future compensation programs. Actual compensation programs we adopt following the completion of this offering may differ materially from the currently planned programs summarized in this discussion.

2020 Summary Compensation Table

The following table sets forth information concerning the compensation of our named executive officers for the year ended December 31, 2020:

Name and Principal Position	Year	Salary ($)	Bonus[1] ($)	Equity Awards[2] ($)	Non-Equity Incentive Plan Compensation[3] ($)	All Other Compensation[4] ($)	Total ($)
Ashish Arora	2020	452,540	—	2,106,693	1,093,200	13,886	3,666,319
Chief Executive Officer	2019	446,600	—	916,284	1,515,340	12,340	2,890,564
Martin F. Petersen	2020	295,593	—	207,870	331,653	23,683	788,437
Chief Financial Officer	2019	281,763	30,000	52,660	350,862	13,562	728,847
Gregory Rowberry	2020	224,287	—	24,446	20,000	14,610	283,343
Executive Vice President, Sales							

(1) The amounts in the "Bonus" column reflect annual cash bonuses earned by our named executive officers in each of 2020 and 2019 as determined by us based on a qualitative assessment of such named executive officer's performance in 2020 and 2019, respectively, and contribution towards achievement of key initiatives.

(2) The amounts in the "Equity Awards" column reflect the aggregate grant-date fair value of incentive units in Cricut Holdings granted to our named executive officers during each of 2020 and 2019 computed in accordance with FASB ASC Topic 718, rather than the amounts paid or realized by the named executive officer. We provide information regarding the assumptions used to calculate the value of all incentive unit awards made to our named executive officers in Note 11 to our consolidated financial statements included elsewhere in this prospectus.

(3) The amounts in the "Non-Equity Incentive Plan Compensation" column reflect (i) the annual cash bonuses earned by our named executive officers in each of 2020 and 2019 under our 2020 bonus plan and 2019 bonus plan, respectively, (ii) the portion of our named executive officers' annual cash bonuses under our 2020 bonus plan that were pre-paid in November 2020 in the form of zero strike incentive units in Cricut Holdings, which includes $1,093,200 for Mr. Arora, $331,653 for Mr. Petersen and $20,000 for Mr. Rowberry, in each case subject to vesting over two years, and (iii) for Mr. Arora also includes an additional cash bonus earned by him in each of 2020 and 2019 under our special CEO bonus plan. The 2020 target annual cash bonus for each of Mr. Arora, Mr. Petersen and Mr. Rowberry is $448,800, $221,102 and $63,172, respectively. The determination of the actual full bonus amount earned by the named executive officers in 2020 has not yet been determined, and only the amount paid in 2020 has been reflected in this column. A final bonus amount determination is expected before the end of February 2021, and any remaining balance of the full bonus amount earned will be disclosed by an amendment to this filing. For additional information on our bonus program, see section titled "—Narrative Disclosure to 2020 Summary Compensation Table—2020 Bonus Program."

(4) The amounts in the "All Other Compensation" column include (i) matching contributions made to our named executive officers' accounts under our 401(k) plan in the respective year (for Mr. Arora, $12,439 and $11,674 in 2020 and 2019, respectively; for Mr. Petersen, $13,000 in each of 2020 and 2019; and for Mr. Rowberry, $11,945 in 2020), (ii) life insurance premiums paid by us in the respective year for the benefit of the named executive officer (for Mr. Arora, $1,447 and $667 in 2020 and 2019, respectively; for Mr. Petersen, $943 and $562 in 2020 and 2019, respectively; and for Mr. Rowberry, $717 in 2020) and (iii) a cash dividend paid by us in 2020 in lieu of future dividends to our named executive officers (for Mr. Petersen, $9,740 and for Mr. Rowberry, $1,948) in connection with each named executive officer executing a waiver of catch-up and tax distributions agreement.

Narrative Disclosure to 2020 Summary Compensation Table

2020 Bonus Program

In 2020, we adopted a bonus plan, or our 2020 bonus plan, for our executive and non-executive employees. Under our 2020 bonus plan, eligible employees were able to earn cash bonuses based on our achievement of 2020 annual targets for net revenue and EBITDA, which were weighted equally. If the weighted average achievement of the performance objectives was at least 80%, the 2020 bonus plan funded at 80% of target increasing on a straight-line basis up to funding at 160% for 160% or greater achievement of the performance targets. In addition, if we achieved 120% or more of the performance targets, the 2020 bonus plan provided for funding accelerators, which increased the size of the bonus pool. The maximum accelerator was 38% for achievement of 160% or more of the performance targets.

Following the end of 2020, we determined that we achieved % of the 2020 bonus plan performance targets resulting in a payout percentage of approximately % plus a % accelerator for an overall funding percentage of approximately %. Each named executive officer's bonus payment under the 2020 bonus plan was equal to approximately % of his 2020 target bonus opportunity.

In November 2020, the Holdings' Board assessed the likely achievement under our 2020 Bonus Plan, and determined to approve the early payment to certain executives (including the named executive officers) of a portion of their 2020 annual bonuses (for each executive, the "Gross Pre-Payment Amount"), with the actual amount payable to each executive after deduction for applicable tax withholdings (the "Net Pre-Payment Amount") to be made in the form of a number of zero strike incentive units in Cricut Holdings equal to (x) the executive's Net Pre-Payment Amount divided by (y) the then-current fair market value of a common unit in Holdings of $4.52, subject to vesting over a two-year period, that would be purchased by the executive with the Net Pre-Payment Amount.

The Gross Pre-Payment Amount for our named executive officers was: $1,093,200 for Mr. Arora, $331,653 for Mr. Petersen and $20,000 for Mr. Rowberry.

The amounts in the 2020 Summary Compensation Table under the column "Non-Equity Incentive Plan Compensation" represent the pre-paid portion of the named executive officer's bonus payment under the 2020 bonus plan. The amount of the full bonus amount payable to each named executive officer and the amount for Mr. Arora's 2020 special CEO bonus plan are not calculable through the latest practicable date prior to this filing and will be provided once such amounts (if any) are calculable.

Outstanding Equity Awards at Fiscal 2020 Year-End

The following table sets forth information regarding outstanding unvested and unearned equity awards held by each of our named executive officers as of December 31, 2020:

		Equity Awards					
Name	Grant Date	Number of Units That Have Not Vested[1] (#)	Threshold Price Per Unit[2] ($)	Market Value of Units That Have Not Vested[3] ($)	Equity Incentive Plan Awards: Number of Unearned Units that Have Not Vested[1] (#)	Threshold Price Per Unit[2] ($)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Units that Have Not Vested[3] ($)
Ashish Arora	8/17/2020[4]	—	4.85		3,000,000	4.85	
Chief Executive Officer	3/1/2020[5]	3,447,124	1.70		—	—	
	3/1/2019[6]	2,610,000	0.62		—	—	
	10/1/2018[7]	3,000,000	1.85		3,000,000	1.85	
	3/1/2018[8]	1,809,626	0.20		—	—	
Martin F. Petersen	8/17/2020[9]	100,000	2.80		—	—	
Chief Financial Officer	3/1/2020[10]	225,000	1.70		—	—	
	3/1/2019[11]	150,000	0.62		—	—	
	3/1/2018[12]	124,144	0.20		—	—	
Gregory Rowberry	3/1/2020[13]	40,000	1.70		—	—	
Executive Vice President, Sales	3/1/2019[14]	75,000	0.62		—	—	
	3/1/2018[15]	85,000	0.20		—	—	

(1) These amounts reflect time- and performance-based incentive units granted pursuant to the existing limited liability company agreement of Cricut Holdings with such vesting terms as amended effective January 1, 2020.

(2) These amounts reflect a $0.15 adjustment for partial satisfaction of the threshold price as a result of the September 2020 cash dividend described elsewhere in this prospectus.

(3) Because we were not publicly traded during 2020, there is no ascertainable public market value for these incentive units. The market value reported in this table assumes that the fair value on December 31, 2020 was $, which represents the midpoint of the price range set forth on the cover page of this prospectus. Where applicable, the fair market value of an incentive unit reflects the value of a common unit less any unsatisfied return threshold reported under the heading "Threshold Price Per Unit."

(4) This amount reflects time- and performance-based incentive units of Cricut Holdings. With respect to 3,000,000 incentive units granted to Mr. Arora, the first group of 1,000,000 incentive units vest in equal annual installments over a period of four years from August 17, 2020, subject to continued employment through each applicable vesting date, and were not earned as of December 31, 2020 because the threshold price per unit exceeded the per unit market value as of December 31, 2020. The second and third groups of 1,000,000 incentive units will become eligible to vest upon achievement of the applicable vesting triggers, and any such incentive units that become eligible to vest will vest in equal annual installments over a period of four years from August 17, 2020, subject to continued employment through each applicable vesting date. These incentive units are subject to accelerated vesting upon a change in control as described below. For narrative description of the vesting terms of these incentive units, see the section titled "—CEO Performance Equity Awards."

(5) 3,447,124 incentive units granted to Mr. Arora vest in equal annual installments over a period of four years from March 1, 2020 and fully vest in the event of a change in control, in each case subject to continued employment through each vesting date.

(6) 3,480,000 incentive units granted to Mr. Arora vest in equal annual installments over a period of four years from March 1, 2019 and fully vest in the event of a change in control, in each case subject to continued employment through each vesting date.

(7) This amount reflects time- and performance-based incentive units of Cricut Holdings. With respect to 9,000,000 incentive units granted to Mr. Arora, the first group of 3,000,000 incentive units vest in equal annual installments over a period of four years from July 1, 2018, subject to continued employment through each applicable vesting date. The second and third groups of 3,000,000 incentive units will become eligible to vest upon achievement of the applicable vesting triggers, and any such incentive units that become eligible to vest will vest in equal annual installments over a period of four years from July 1, 2018, subject to continued employment through each applicable vesting date. These incentive units are subject to accelerated vesting upon a change in control as described below. For narrative description of the vesting terms of these incentive units, see the section titled "—CEO Performance Equity Awards."

(8) 3,619,251 incentive units granted to Mr. Arora vest in equal annual installments over a period of four years from March 1, 2018 and fully vest in the event of a change in control, in each case subject to continued employment through each vesting date.

(9) 100,000 incentive units granted to Mr. Petersen vest in equal annual installments over a period of four years from August 17, 2020 and fully vest in the event of a change in control, in each case subject to continued employment through each vesting date.

(10) 225,000 incentive units granted to Mr. Petersen vest in equal annual installments over a period of four years from March 1, 2020 and fully vest in the event of a change in control, in each case subject to continued employment through each vesting date.

(11) 200,000 incentive units granted to Mr. Petersen vest in equal annual installments over a period of four years from March 1, 2019 and fully vest in the event of a change in control, in each case subject to continued employment through each vesting date.

(12) 248,288 incentive units granted to Mr. Petersen vest in equal annual installments over a period of four years from March 1, 2018 and fully vest in the event of a change in control, in each case subject to continued employment through each vesting date.

(13) 40,000 incentive units granted to Mr. Rowberry vest in equal annual installments over a period of four years from March 1, 2020 and fully vest in the event of a change in control, in each case subject to continued employment through each vesting date.

(14) 100,000 incentive units granted to Mr. Rowberry vest in equal annual installments over a period of four years from March 1, 2019 and fully vest in the event of a change in control, in each case subject to continued employment through each vesting date.

(15) 170,000 incentive units granted to Mr. Rowberry vest in equal annual installments over a period of four years from March 1, 2018 and fully vest in the event of a change in control, in each case subject to continued employment through each vesting date.

CEO Performance Equity Awards

Mr. Arora was granted the following awards of incentive units in Cricut Holdings: (i) in October 2018, an award of 9,000,000 incentive units (the "2018 CEO Performance Award"), and (ii) in August 2020, an award of 3,000,000 incentive units (the "2020 CEO Performance Award"). Each award is grouped into three separate categories of incentive units (with the number of incentive units in each category equal to 1/3rd of the total number of incentive units subject to the award):

- The first category of incentive units vests in equal annual installments over a period of four years from the vesting start date (which is (i) July 1, 2018 for the 2018 CEO Performance Award and (ii) August 17, 2020 for the 2020 CEO Performance Award), subject to Mr. Arora's continued employment through each vesting date. If a change in control occurs and Mr. Arora remains continuously employed through the date of the change in control, all of the then-unvested incentive units from this first category will vest immediately before the change in control.
- The second and third categories of these incentive units will become eligible to vest upon achievement of the applicable vesting trigger, which requires the fair market value of an equity interest to exceed a specified threshold for the following number of days within 10 years from the date the incentive units were issued: (i) if the equity interests are then publicly traded, for at least 100 of the previous 120 trading days, (ii) if the equity interests are not then-publicly traded, for two consecutive meetings of our board of directors or (iii) if our board of directors has determined that the fair market value of an equity interest exceeded the specified threshold at one meeting of our board of directors and, before the following meeting of our board of directors, the equity interests begin trading publicly, for at least 50 of the 60 trading days following the date on which the equity interests begin trading publicly. The specified threshold is (i) for the 2018 CEO Performance Award, $2.85 for the second category of incentive units and $3.85 for the third category of incentive units and (ii) for the 2020 CEO Performance Award, $5.85 for the second category of incentive units and $6.85 for the third category of incentive units, in each case, reflecting a $0.15 adjustment as a result of the September 2020 cash dividend described elsewhere in this prospectus. The specified threshold for the second category of incentive units for the 2018 CEO Performance Award was achieved as of December 31, 2020. The 10-year deadline for achievement of the other vesting triggers will be subject to a one-time extension of six months if (i) the equity interests are publicly traded and the closing price of an equity interest exceeds the specified threshold for at least one day or (ii) the equity interests are not publicly traded and the fair market value of an equity interest exceeds the specified threshold in the meeting of our board directors immediately before the 10-year deadline. Any incentive units that become eligible to vest will vest in equal annual installments over a period of four years from the vesting start date, subject to Mr. Arora's continued employment through each vesting date. If a change in control occurs, Mr. Arora remains continuously employed through the date of the change in control, and the then-current fair market value of an equity interest exceeds the specified threshold for the second or third group, all of the then-unvested incentive units for such group will vest immediately before such change in control. It is not expected that this offering will constitute a change in control for purposes of this incentive unit award.

Upon termination of Mr. Arora's employment with us, his unvested incentive units will be immediately forfeited, and his vested units will be subject to our right to redeem such incentive units at their then-current fair market value if such termination occurs for any reason. With respect to the 2020 CEO Performance Award, we may not redeem vested incentive units until at least 6 months have elapsed following the last vesting date of a given incentive unit.

As described above under "Corporate Reorganization—Treatment of Outstanding Equity Awards," Mr. Arora's unvested incentive units in Cricut Holdings will be converted into shares of restricted stock of Cricut, Inc., subject to the same vesting conditions that apply to the unvested incentive units, and his vested incentive units in Cricut Holdings will be converted into shares of Class B common stock of Cricut Inc.

Executive Compensation Arrangements

Ashish Arora Employment Letter

Prior to the completion of this offering, we intend to enter into a new employment letter with Mr. Arora. The employment letter is not expected to have a specific term and will provide that Mr. Arora's employment is at-will. Mr. Arora's current base salary is $448,800 and his annual on-target bonus opportunity is 100% of his base salary.

Martin F. Petersen Employment Letter

Prior to the completion of this offering, we intend to enter into a new employment letter with Mr. Petersen. The employment letter is not expected to have a specific term and will provide that Mr. Petersen's employment is at-will. Mr. Petersen's current base salary is $294,803 and his annual on-target bonus opportunity is 75% of his base salary.

Gregory Rowberry Employment Letter

Prior to the completion of this offering, we intend to enter into a new employment letter with Mr. Rowberry. The employment letter is not expected to have a specific term and will provide that Mr. Rowberry's employment is at-will. Mr. Rowberry's current base salary is $222,433 and his annual on-target bonus opportunity is 20% of his base salary.

Potential Payments upon Termination or Change in Control

The time-based incentive unit awards held by our named executive officers will fully vest in the event of a change in control. In addition, Mr. Arora's performance incentive unit awards granted in October 2018 and August 2020 are subject to certain treatment upon a change in control as set forth in the section titled "—CEO Performance Equity Awards." It is not expected that this offering will constitute a change in control for purposes of the incentive unit awards held by our named executive officers.

Prior to the completion of this offering, we intend to enter into new arrangements with our named executive officers providing for termination and change in control benefits effective following the completion of this offering.

Equity Plans and Arrangements

The principal features of our equity plans and arrangements are summarized below. These summaries are qualified in their entirety by reference to the actual verbiage of the plans, which are filed as exhibits to the registration statement of which this prospectus forms a part.

Incentive Unit Awards

We have granted our employees and directors awards of incentive units in Cricut Holdings, which are intended to qualify as profits interests for U.S. federal tax purposes and pursuant to which the holder may receive certain distributions with respect to any such incentive units that have vested once such distributions payable to holders or common units or incentive units in Cricut Holdings exceed the specified participation threshold for the specific award of incentive units.

The incentive units vest according to the approved vesting schedule. In general, the incentive units vest in equal annual installments over a period of four years, subject to the holder's continued employment or service through each vesting date. If a change in control occurs and the holder remains continuously employed or in service through the date of the change in control, all of his or her then-unvested incentive units will vest immediately before such change in control. Any termination in connection with a change in control as a result of any action of, or direction by, the acquirer will not be taken into account for purposes of determining continuous employment through the date of the change in control.

Upon termination of the holder's employment or service, his or her unvested incentive units will be immediately forfeited, and his or her vested units will be (i) immediately forfeited if such termination is for cause or (ii) subject to our right to redeem such incentive units at their then-current fair market value if such termination occurs for any other reason.

We have granted each of our named executive officers awards of incentive units in Cricut Holdings in 2020. For additional information on these awards, see the footnotes in the section titled "—Outstanding Equity Awards at Fiscal 2020 Year-End."

As described above under "Corporate Reorganization—Treatment of Outstanding Equity Awards," unvested incentive units in Cricut Holdings will be converted into shares of restricted stock of Cricut, Inc., subject to the same vesting conditions that apply to the unvested incentive units, and vested incentive units in Cricut Holdings will be converted into shares of Class B common stock of Cricut, Inc.

Zero Strike Price Incentive Unit Awards

We have granted certain employees awards of zero strike price incentive units in Cricut Holdings, pursuant to which the employee may receive distributions with respect to any such zero strike price incentive units that have vested.

The zero strike price incentive units vest according to the approved vesting schedule. In general, the zero strike price incentive units vest in equal annual installments over a period of four years, subject to the holder's continued employment through each vesting date. If a change in control occurs and the employee remains continuously employed through the date of the change in control, all of his or her then-unvested zero strike price incentive units will vest immediately before such change in control. Any termination in connection with a change in control as a result of any action of, or direction by, the acquirer will not be taken into account for purposes of determining continuous employment through the date of the change in control.

Upon termination of the holder's employment, his or her unvested zero strike price incentive units (i) will be subject to our right to redeem such zero strike price incentive units at their then-current fair market value if such termination is due to the holder's permanent disability or death or (ii) will be immediately forfeited if such termination is for any other reason.

As described above under "Corporate Reorganization—Treatment of Outstanding Equity Awards," unvested incentive units in Cricut Holdings will be converted into restricted stock units of Cricut, Inc., subject to the same vesting conditions that apply to the unvested incentive units, and vested incentive units in Cricut Holdings will be converted into shares of Class B common stock of Cricut, Inc.

Phantom Unit Awards

We have granted our employees awards of incentive unit equivalents or zero strike incentive unit equivalents, as applicable, which are phantom units pursuant to which the employee may receive certain distributions with respect to any such incentive unit equivalents or zero strike incentive unit equivalents, as applicable, that have vested once the distributions to holders or common units, incentive units or incentive unit equivalents exceed the specified participation threshold. None of our named executive officers have been granted phantom units.

The phantom units vest according to the terms approved by the board of managers of Cricut Holdings. In general, the phantom units vest in equal annual installments over a period of four years, subject to the holder's continued employment through each vesting date. If a change in control occurs and the holder remains continuously employed through the date of the change in control, all of the then-unvested portion of his or her phantom unit will vest immediately before the change in control. Any termination in connection with a change in control as a result of any action of, or direction by, the acquirer will not be taken into account for purposes of determining continuous employment through the date of the change in control.

Upon termination of the holder's employment, all of his or her phantom units (whether vested or unvested) will be immediately forfeited.

As described above under "Corporate Reorganization—Treatment of Outstanding Equity Awards," outstanding phantom units will be converted into either shares of Class B common stock of Cricut, Inc. or paid in cash, to the extent permitted in each applicable jurisdiction.

Option Awards

We have granted awards of options to purchase zero strike incentive units. None of our named executive officers have been granted options.

The options vest according to the terms approved by the board of managers of Cricut Holdings. In general, the options vest 100% on the two-year anniversary of the grant date, subject to the holder's continued employment through the vesting date. In the event the holder terminates due to death or incapacity, 100% of the option will vest and become exercisable. The options generally have a term of five years from the grant date. If the holder terminates employment after the option is vested, but before the end of the term, the outstanding portion of the option will be exercisable for three months (or 12 months in the event of death or incapacity) following the termination date.

If there is a dividend, recapitalization, unit split, reverse unit split, reorganization, merger, consolidation, split up, spin-off, division, combination, repurchase or exchange of common units or other securities, other distribution of common units or other securities without the receipt of consideration by us, or other change in our organizational structure affecting the common units occurs, the board will adjust the number, class and price of shares covered by each outstanding award. In the event of our merger with or into another corporation or entity or a "change in control", each outstanding award will be treated as the administrator determines.

As described above under "Corporate Reorganization—Treatment of Outstanding Equity Awards," options that are outstanding immediately prior to the consummation of the Corporate Reorganization will be converted into options to purchase shares of our Class B common stock on the same vesting and exercise terms.

2021 Equity Incentive Plan

Prior to the completion of this offering, our board of directors intends to adopt, and we expect our stockholders will approve, our 2021 Plan. We expect that our 2021 Plan will be effective on the business day immediately prior to the effective date of the registration statement of which this prospectus forms a part and will not be used until after the completion of this offering. Our 2021 Plan will provide for the grant of incentive stock options, within the meaning of Section 422 of the Code, to our employees and any of our

parent and subsidiary corporations' employees, and for the grant of nonstatutory stock options, restricted stock, restricted stock units, stock appreciation rights, performance units and performance shares to our employees, directors and consultants and our parent and subsidiary corporations' employees and consultants.

Authorized Shares. A total of shares of our Class A common stock will be reserved for issuance pursuant to our 2021 Plan. In addition, the number of shares available for issuance under our 2021 Plan will also include an annual increase on the first day of each fiscal year beginning with our 2022 fiscal year, equal to the least of:

- shares;
- % of the outstanding shares of our capital stock as of the last day of the immediately preceding fiscal year; or
- such other amount as our board of directors may determine.

If an award expires or becomes unexercisable without having been exercised in full, is surrendered pursuant to an exchange program, or, with respect to restricted stock, restricted stock units, performance units or performance shares, is forfeited to or repurchased by us due to failure to vest, the unpurchased shares (or for awards other than stock options or stock appreciation rights, the forfeited or repurchased shares) will become available for future grant or sale under our 2021 Plan (unless our 2021 Plan has terminated). With respect to stock appreciation rights, only the net shares actually issued will cease to be available under our 2021 Plan and all remaining shares under stock appreciation rights will remain available for future grant or sale under our 2021 Plan (unless our 2021 Plan has terminated). Shares that have actually been issued under our 2021 Plan will not be returned to our 2021 Plan, except if shares issued pursuant to awards of restricted stock, restricted stock units, performance shares or performance units are repurchased by or forfeited to us, such shares will become available for future grant under our 2021 Plan. Shares used to pay the exercise price of an award or satisfy the tax withholding obligations related to an award will become available for future grant or sale under our 2021 Plan. To the extent an award is paid out in cash rather than shares, such cash payment will not result in a reduction in the number of shares available for issuance under our 2021 Plan.

Plan Administration. Our board of directors or one or more committees appointed by our board of directors will administer our 2021 Plan. We expect that the compensation committee of our board of directors will initially administer our 2021 Plan. In addition, if we determine it is desirable to qualify transactions under our 2021 Plan as exempt under Rule 16b-3, such transactions will be structured to satisfy the requirements for exemption under Rule 16b-3. Subject to the provisions of our 2021 Plan, the administrator will have the power to administer our 2021 Plan and make all determinations deemed necessary or advisable for administering our 2021 Plan, such as the power to determine the fair market value of our Class A common stock, select the service providers to whom awards may be granted, determine the number of shares covered by each award, approve forms of award agreements for use under our 2021 Plan, determine the terms and conditions of awards (such as the exercise price, the time or times at which awards may be exercised, any vesting acceleration or waiver or forfeiture restrictions and any restriction or limitation regarding any award or the shares relating to the award), construe and interpret the terms of our 2021 Plan and awards granted under it, prescribe, amend and rescind rules relating to our 2021 Plan (including creating sub-plans), modify or amend each award, such as the discretionary authority to extend the post-termination exercisability period of awards (except no option or stock appreciation right will be extended past its original maximum term), and allow a participant to defer the receipt of payment of cash or the delivery of shares that would otherwise be due to such participant under an award. The administrator also has the authority to institute an exchange program by which outstanding awards may be surrendered or cancelled in exchange for awards of the same type (which may have a higher or lower exercise price and/or different terms), awards of a different type and/or cash, by which participants would have the opportunity to transfer outstanding awards to a financial institution or other person or entity selected by the administrator, or by which the exercise price of an outstanding award is increased or reduced. The administrator's decisions, interpretations and other actions are final and binding on all participants.

Stock Options. We will be able to grant stock options under our 2021 Plan. The per share exercise price of options granted under our 2021 Plan must be at least equal to the fair market value of a share of our Class A common stock on the date of grant. The term of an incentive stock option may not exceed ten years. With respect to any incentive stock option granted to an employee who owns more than 10% of the voting power of all classes of our (or any parent or subsidiary of ours) outstanding stock, the term of the incentive stock option must not exceed five years and the per share exercise price of the incentive stock option must equal at least 110% of the fair market value of a share of our Class A common stock on the grant date. The administrator will determine the methods of payment of the exercise price of an option, which may include cash, shares or other property acceptable to the administrator to the extent permitted by applicable law. After the termination of service of a participant, he or she will be able to exercise the vested portion of his or her option for the period of time stated in his or her option agreement. In the absence of a specified time in an award agreement, if termination is due to death or disability, the vested portion of the option will remain exercisable for 12 months following the termination of service. In all other cases, in the absence of a specified time in an award agreement, the vested portion of the option will remain exercisable for three months following the termination of service. In addition, an option agreement may provide for an extension of the option post-termination exercise period if the participant's service is terminated for reasons other than his or her death or disability and the exercise of the option following the termination of the participant's service would result in liability under Section 16(b) of the Exchange Act or would violate the registration requirements under the Securities Act. An option, however, may not be exercised later than the expiration of its term. Subject to the provisions of our 2021 Plan, the administrator will determine the other terms of options.

Stock Appreciation Rights. We will be able to grant stock appreciation rights under our 2021 Plan. Stock appreciation rights allow the recipient to receive the appreciation in the fair market value of the underlying shares of our Class A common stock between the exercise date and the date of grant. Stock appreciation rights may not have a term exceeding ten years. After the termination of service of an employee, director or consultant, he or she will be able to exercise his or her stock appreciation right for the period of time stated in his or her stock appreciation rights agreement. In the absence of a specified time in an award agreement, if termination is due to death or disability, the stock appreciation rights will remain exercisable for 12 months following the termination of service. In all other cases, in the absence of a specified time in an award agreement, the stock appreciation rights will remain exercisable for three months following the termination of service. However, in no event may a stock appreciation right be exercised later than the expiration of its term. Subject to the provisions of our 2021 Plan, the administrator will determine the other terms of stock appreciation rights, including when such rights become exercisable and whether to pay any increased appreciation in cash or with shares of our Class A common stock, or a combination thereof, except that the per share exercise price for the shares to be issued pursuant to the exercise of a stock appreciation right will be no less than 100% of the fair market value of a share of our Class A common stock on the date of grant.

Restricted Stock. We will be able to grant restricted stock under our 2021 Plan. Restricted stock awards are grants of shares of our Class A common stock that vest in accordance with terms and conditions established by the administrator.

The administrator will determine the number of shares of restricted stock granted to any employee, director or consultant and, subject to the provisions of our 2021 Plan, will determine the terms and conditions of such awards. The administrator will be able to impose whatever vesting conditions it determines to be appropriate (for example, the administrator may set restrictions based on the achievement of specific performance goals or continued service to us), except the administrator, in its sole discretion, may accelerate the time at which any restrictions will lapse or be removed. Recipients of restricted stock awards generally will have voting and dividend rights with respect to such shares upon grant without regard to vesting, unless the administrator provides otherwise. Shares of restricted stock that do not vest are subject to our right of repurchase or forfeiture.

Restricted Stock Units. We will be able to grant restricted stock units under our 2021 Plan. Restricted stock units are bookkeeping entries representing an amount equal to the fair market value of one share of our Class A common stock. Subject to the provisions of our 2021 Plan, the administrator will determine the

terms and conditions of restricted stock units, including the vesting criteria and the form and timing of payment. The administrator may set vesting criteria based upon the achievement of company-wide, divisional, business unit or individual goals (such as continued employment or service), applicable federal or state securities laws or any other basis determined by the administrator in its discretion. The administrator, in its sole discretion, may pay earned restricted stock units in the form of cash, in shares or in some combination thereof. In addition, the administrator, in its sole discretion, may accelerate the time at which any restrictions will lapse or be removed.

Performance Units and Performance Shares. We will be able to grant performance units and performance shares under our 2021 Plan. Performance units and performance shares are awards that will result in a payment to a participant only if performance objectives established by the administrator are achieved or the awards otherwise vest. The administrator will establish performance objectives or other vesting criteria in its discretion, which, depending on the extent to which they are met, will determine the number or the value of performance units and performance shares to be paid out to participants. The administrator may set performance objectives based on the achievement of company-wide, divisional, business unit or individual goals (such as continued employment or service), applicable federal or state securities laws or any other basis determined by the administrator in its discretion. After the grant of a performance unit or performance share, the administrator, in its sole discretion, may reduce or waive any performance objectives or other vesting provisions for such performance units or performance shares. Performance units will have an initial value established by the administrator on or prior to the grant date. Performance shares will have an initial value equal to the fair market value of the underlying shares of our Class A common stock on the grant date. The administrator, in its sole discretion, may pay out earned performance units or performance shares in cash, shares or in some combination thereof.

Outside Directors. All outside (non-employee) directors will be eligible to receive all types of awards (except for incentive stock options) under our 2021 Plan. In order to provide a maximum limit on the cash compensation and equity awards that can be made to our outside directors, our 2021 Plan provides that in any given fiscal year, an outside director will not be granted cash compensation and equity awards with an aggregate value greater than $ (increased to $ in the fiscal year of his or her initial service as an outside director), with the value of each equity award based on its grant date fair value as determined according to GAAP for purposes of this limit. Any cash compensation paid or awards granted to an individual for his or her services as an employee or consultant (other than as an outside director) will not count toward this limit.

Non-Transferability of Awards. Unless the administrator provides otherwise, our 2021 Plan generally will not allow for the transfer of awards and only the recipient of an award may exercise an award during his or her lifetime. If the administrator makes an award transferrable, such award will contain such additional terms and conditions as the administrator deems appropriate.

Certain Adjustments. In the event of certain changes in our capitalization, to prevent diminution or enlargement of the benefits or potential benefits available under our 2021 Plan, the administrator will adjust the number and class of shares that may be delivered under our 2021 Plan and/or the number, class and price of shares covered by each outstanding award and the numerical share limits set forth in our 2021 Plan.

Dissolution or Liquidation. In the event of our proposed liquidation or dissolution, the administrator will notify participants as soon as practicable prior to the effective date of such proposed transaction, and to the extent not exercised, all awards will terminate immediately prior to the consummation of such proposed transaction.

Merger or Change in Control. Our 2021 Plan will provide that in the event of a merger or change in control, as defined under our 2021 Plan, each outstanding award will be treated as the administrator determines, without a participant's consent. The administrator is not required to treat all awards, all awards held by a participant or all awards of the same type similarly.

If a successor corporation does not assume or substitute for any outstanding award, then the participant will fully vest in and have the right to exercise all of his or her outstanding options and stock appreciation rights, all restrictions on restricted stock and restricted stock units will lapse, and for awards with performance-based vesting, unless specifically provided for otherwise under the applicable award agreement or other agreement or policy applicable to the participant, all performance goals or other vesting criteria will be deemed achieved at 100% of target levels and all other terms and conditions met. If an option or stock appreciation right is not assumed or substituted in the event of a change in control, the administrator will notify the participant in writing or electronically that such option or stock appreciation right will be exercisable for a period of time determined by the administrator in its sole discretion and the option or stock appreciation right will terminate upon the expiration of such period.

For awards granted to an outside director, in the event of a change in control, the outside director will fully vest in and have the right to exercise all of his or her outstanding options and stock appreciation rights, all restrictions on restricted stock and restricted stock units will lapse and, for awards with performance-based vesting, unless specifically provided for otherwise under the applicable award agreement or other agreement or policy applicable to the participant, all performance goals or other vesting criteria will be deemed achieved at 100% of target levels and all other terms and conditions met.

Clawback. Awards will be subject to any clawback policy of ours, and the administrator also may specify in an award agreement that the participant's rights, payments and/or benefits with respect to an award will be subject to reduction, cancellation, forfeiture and/or recoupment upon the occurrence of certain specified events. Our board of directors may require a participant to forfeit, return or reimburse us all or a portion of the award and/or shares issued under the award, any amounts paid under the award, and any payments or proceeds paid or provided upon disposition of the shares issued under the award in order to comply with such clawback policy or applicable laws.

Amendment; Termination. The administrator will have the authority to amend, alter, suspend or terminate our 2021 Plan, provided such action does not materially impair the rights of any participant, unless mutually agreed to in writing between the participant and the administrator. Our 2021 Plan will continue in effect until terminated by the administrator, but (i) no incentive stock options may be granted after ten years from the date our 2021 Plan was adopted by our board of directors and (ii) the annual increase to the number of shares available for issuance under our 2021 Plan will operate only until the tenth anniversary of the date our 2021 Plan was adopted by our board of directors.

2021 Employee Stock Purchase Plan

Prior to the completion of this offering, our board of directors intends to adopt, and we expect our stockholders will approve, our 2021 ESPP. We expect that our 2021 ESPP will be effective on the business day immediately prior to the effective date of the registration statement of which this prospectus forms a part. We believe that allowing our employees to participate in our 2021 ESPP will provide them with a further incentive towards promoting our success and accomplishing our corporate goals.

Authorized Shares. A total of shares of our Class A common stock will be available for sale under our 2021 ESPP. The number of shares of our Class A common stock that will be available for sale under our 2021 ESPP also includes an annual increase on the first day of each fiscal year beginning with our 2022 fiscal year, equal to the least of:

- shares;
- % of the outstanding shares of all classes of our capital stock as of the last day of the immediately preceding fiscal year; or
- such other amount as the administrator may determine.

2021 ESPP Administration. We expect that the compensation committee of our board of directors will administer our 2021 ESPP. The administrator will have full and exclusive discretionary authority to construe, interpret, and apply the terms of our 2021 ESPP, delegate ministerial duties to any of our employees,

designate separate offerings under our 2021 ESPP, designate our subsidiaries and affiliates as participating in our 2021 ESPP, determine eligibility, adjudicate all disputed claims filed under our 2021 ESPP, and establish procedures that it deems necessary for the administration of our 2021 ESPP, including, but not limited to, adopting such procedures and sub-plans as are necessary or appropriate to permit participation in our 2021 ESPP by employees who are foreign nationals or employed outside the United States. The administrator's findings, decisions and determinations will be final and binding on all participants to the full extent permitted by law.

Eligibility. Generally, all of our employees will be eligible to participate if they are customarily employed by us, or any participating subsidiary or affiliate, for at least 20 hours per week and more than five months in any calendar year. The administrator, in its discretion, may, prior to an enrollment date, for all options to be granted on such enrollment date in an offering, determine that an employee who (i) has not completed at least two years of service (or a lesser period of time determined by the administrator) since his or her last hire date, (ii) customarily works not more than 20 hours per week (or a lesser period of time determined by the administrator), (iii) customarily works not more than five months per calendar year (or a lesser period of time determined by the administrator), (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 disclosure requirements under Section 16(a) of the Exchange Act, is or is not eligible to participate in such offering period.

However, an employee may not be granted rights to purchase shares of our Class A common stock under our 2021 ESPP if such employee:

- immediately after the grant would own capital stock and/or hold outstanding options to purchase such stock possessing 5% or more of the total combined voting power or value of all classes of capital stock of ours or of any parent or subsidiary of ours; or
- holds rights to purchase shares of our Class A common stock under all employee stock purchase plans of ours or any parent or subsidiary of ours that accrue at a rate that exceeds $25,000 worth of shares of our Class A common stock for each calendar year in which such rights are outstanding at any time.

Offering Periods. Our 2021 ESPP will include a component that allows us to make offerings intended to qualify under Section 423 of the Code and a component that allows us to make offerings not intended to qualify under Section 423 of the Code to designated companies, as described in our 2021 ESPP. Our 2021 ESPP will provide for consecutive, overlapping -month offering periods. The offering periods will be scheduled to start on the first trading day on or after and of each year, except the first offering period will commence on the first trading day on or after the effective date of the registration statement of which this prospectus forms a part and will end on the last trading day on or before , and the second offering period will commence on the first trading day on or after .

Contributions. Our 2021 ESPP will permit participants to purchase shares of our Class A common stock through contributions (in the form of payroll deductions or otherwise to the extent permitted by the administrator) of up to % of their eligible compensation, which includes a participant's base straight time gross earnings but excludes payments for incentive compensation, bonuses, payments for overtime and shift premium, equity compensation income and other similar compensation. Unless otherwise determined by the administrator, a participant may make a one-time decrease (but not increase) to the rate of his or her contributions to 0% during an offering period.

Exercise of Purchase Right. Amounts contributed and accumulated by the participant will be used to purchase shares of our Class A common stock at the end of each offering period. A participant may purchase a maximum of shares of our Class A common stock during an offering period. The per share purchase price of the shares will be % of the lower of the fair market value of a share of our Class A common stock on the first trading day of the offering period or on the exercise date. If the fair market value of a share of our Class A common stock on the exercise date is less than the fair market value of a share of our Class A common stock on the first trading day of the offering period, participants will be

withdrawn from that offering period following their purchase of shares of our Class A common stock on the exercise date and will be automatically re-enrolled in a new offering period. Participants may end their participation at any time during an offering period and will be paid their accrued contributions that have not yet been used to purchase shares of our Class A common stock. Participation ends automatically upon termination of employment with us.

Non-Transferability. A participant will not be permitted to transfer contributions credited to his or her account or rights granted under our 2021 ESPP (other than by will, the laws of descent and distribution or as otherwise provided under our 2021 ESPP).

Merger or Change in Control. Our 2021 ESPP will provide that in the event of a merger or change in control, as defined under our 2021 ESPP, a successor corporation (or a parent or subsidiary of the successor corporation) may assume or substitute each outstanding purchase right. If the successor corporation refuses to assume or substitute for the outstanding purchase right, the offering period with respect to which the purchase right relates will be shortened, and a new exercise date will be set that will be before the date of the proposed merger or change in control. The administrator will notify each participant that the exercise date has been changed 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.

Amendment; Termination. The administrator will have the authority to amend, suspend or terminate our 2021 ESPP. Our 2021 ESPP automatically will terminate in 2041, unless we terminate it sooner.

Executive Incentive Compensation Plan

Prior to the effectiveness of the registration statement of which this prospectus forms a part, the board of directors intends to adopt an Executive Incentive Compensation Plan, or the Incentive Compensation Plan. Our Incentive Compensation Plan will allow us to grant incentive awards, generally payable in cash, to employees selected by the administrator of the Incentive Compensation Plan, including our named executive officers, based upon performance goals established by the administrator.

Under our Incentive Compensation Plan, the administrator will determine the performance goals applicable to any award, which goals may include, without limitation, (i) revenue, (ii) operating income, (iii) earnings (including, but not limited to, earnings before interest, taxes, depreciation and amortization), (iv) marketing efficiency, (v) segment and/or division revenue, (vi) company brand penetration, (vii) individual performance, (viii) gross margin, (ix) return on investment capital, (x) budget management, (xi) earnings per share, (xii) cash flow, (xiii) net income, (xiv) customer satisfaction metrics like NPS, (xv) management of expenses (including, but not limited to, labor or payroll expenses), (xvi) operational efficiency, (xvii) safety, (xviii) return on invested capital, (xix) inventory turn, (xx) total shareholder return, (xxi) cash flow growth and (xxii) other subjective or objective criteria. The performance goals may differ from participant to participant and from award to award.

A committee appointed by our board of directors (which, until our board of directors determines otherwise, will be our compensation committee) administers our Incentive Compensation Plan. The administrator of our Incentive Compensation Plan may, in its sole discretion and at any time, increase, reduce or eliminate a participant's actual award and/or increase, reduce or eliminate the amount allocated to the bonus pool for a particular performance period. The actual award may be below, at or above a participant's target award, in the discretion of the administrator. The administrator may determine the amount of any increase, reduction or elimination on the basis of such factors as it deems relevant, and it is not required to establish any allocation or weighting with respect to the factors it considers.

Actual awards generally will be paid in cash (or its equivalent) only after they are earned, and, unless otherwise determined by the administrator, to earn an actual award a participant must be employed by us through the date the actual award is paid. The administrator reserves the right to settle an actual award with a grant of an equity award under our then-current equity compensation plan, which equity award may have such terms and conditions, including vesting, as the administrator determines. Payment of awards occurs after they are earned, but no later than the dates set forth in our Incentive Compensation Plan.

All awards under our Incentive Compensation Plan will be subject to reduction, cancellation, forfeiture or recoupment in accordance with any clawback policy that we (or any parent or subsidiary of ours) are required to adopt pursuant to the listing standards of any national securities exchange or association on which our securities are listed or as is otherwise required by the Dodd-Frank Wall Street Reform and Consumer Protection Act or other applicable laws. In addition, our compensation committee may impose such other clawback, recovery or recoupment provisions with respect to an award under the Incentive Compensation Plan as it determines necessary or appropriate, including without limitation a reacquisition right in respect of previously acquired cash, stock or other property provided with respect to an award. Recovery of compensation under a clawback policy generally will not give the participant the right to resign for "good reason" or "constructive termination" (or similar term) under any agreement with us or any parent or subsidiary of ours. Additionally, our compensation committee may specify when providing for an award under the Incentive Compensation Plan that the participant's rights, payments and benefits with respect to the award will be subject to reduction, cancellation, forfeiture or recoupment upon the occurrence of specified events, in addition to any otherwise applicable vesting or performance conditions of the award.

Our board of directors and the administrator have the authority to amend, suspend or terminate our Incentive Compensation Plan, provided such action does not impair the existing rights of any participant with respect to any earned awards.

401(k) Plan

We maintain a 401(k) retirement savings plan for the benefit of our employees, including our named executive officers, who satisfy certain eligibility requirements. Under the 401(k) plan, eligible employees may elect to defer a portion of their compensation, within the limits prescribed by the Internal Revenue Code of 1986, as amended, or the Code, on a pre-tax or after-tax (Roth) basis, through contributions to the 401(k) plan. The 401(k) plan permits us to make discretionary matching contributions of up to 50% of the first 12% of eligible compensation. The 401(k) plan is intended to qualify under Sections 401(a) and 501(a) of the Code. As a tax-qualified retirement plan, pre-tax contributions to the 401(k) plan and earnings on those pre-tax contributions are not taxable to the employees until distributed from the 401(k) plan, and earnings on Roth contributions are not taxable when distributed from the 401(k) plan.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In addition to the compensation arrangements, including employment, termination of employment and change in control arrangements and indemnification arrangements, discussed in the sections titled "Management" and "Executive Compensation," the following is a description of each transaction since January 1, 2018 and each currently proposed transaction in which:

- we, Cricut Holdings or any subsidiaries thereof have been or will be a participant;
- the amount involved exceeded or will exceed $120,000; and
- any of our directors, executive officers or beneficial holders of more than 5% of any class of our capital stock, or their affiliates, or any immediate family member of, or person sharing the household with, any of these individuals, had or will have a direct or indirect material interest.

Corporate Reorganization

Prior to the consummation of this offering, we will consummate the Corporate Reorganization described under the section titled "Corporate Reorganization."

Registration Rights

Prior to the completion of this offering, we will enter into a Registration Rights Agreement with certain Cricut Holdings members with respect to the registration of our securities and holders of at least 75% of the outstanding common units of Cricut Holdings immediately prior to the completion of this offering; provided that such registration rights agreement shall provide for (i) long-form and short-form demand registration rights to the holders of at least a majority of the outstanding common units of Cricut Holdings immediately prior to the completion of this offering, (ii) piggyback registration rights to all holders of common units with any registration of the securities of our successor under the Securities Act and (iii) such piggyback registration rights granted to the members to be allocated on a pro rata basis subject to customary cutback provisions.

Equity Investments in Cricut Holdings

The following table sets forth the number of units and purchase price paid for all purchases of equity interests in Cricut Holdings by our directors, executive officers and beneficial owners of more than 5% of any class of our capital stock, or their respective affiliates.

Name	Date Acquired	Number of Units Purchased	Aggregate Purchase Price
Ashish Arora	March 1, 2018	4,571,429	$ 1,600,000

Repurchase of Incentive Units

In March 2020, we repurchased incentive units from each of Mr. Arora and Mr. Petersen at a purchase price of $1.85 per unit for an aggregate purchase price of $312,676 and $318,148, respectively.

Executive and Director Compensation

We have granted certain equity awards to our executive officers and certain of our directors. See the sections titled "Executive Compensation—Outstanding Equity Awards at Fiscal 2020 Year-End" and "Management—Non-Employee Director Compensation" for a description of these equity awards.

Other than as described above under this section titled “Certain Relationships and Related Party Transactions,” since January 1, 2018, we have not entered into any transactions, nor are there any currently proposed transactions, between us and a related party where the amount involved exceeds, or would exceed, $120,000, and in which any related person had or will have a direct or indirect material interest. We believe the terms of the transactions described above were comparable to terms we could have obtained in arm’s-length dealings with unrelated third parties.

From time to time, we do business with other companies affiliated with certain holders of our capital stock. We believe that all such arrangements have been entered into in the ordinary course of business and have been conducted on an arm’s-length basis.

Limitation of Liability and Indemnification of Officers and Directors

We expect to adopt an amended and restated certificate of incorporation, which will become effective immediately prior to the completion of this offering, and which will contain provisions that limit the liability of our directors for monetary damages to the fullest extent permitted by Delaware law. Consequently, our directors will not be personally liable to us or our stockholders for monetary damages for any breach of fiduciary duties as directors, except liability for the following:

- any breach of their duty of loyalty to our company or our stockholders;
- any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the DGCL; or
- any transaction from which they derived an improper personal benefit.

Any amendment to, or repeal of, these provisions will not eliminate or reduce the effect of these provisions in respect of any act, omission or claim that occurred or arose prior to that amendment or repeal. If the DGCL is amended to provide for further limitations on the personal liability of directors of corporations, then the personal liability of our directors will be further limited to the greatest extent permitted by the DGCL.

In addition, we expect to adopt amended and restated bylaws, which will become effective immediately prior to the completion of this offering, and which will provide that we will indemnify, to the fullest extent permitted by law, any person who is or was a party or is threatened to be made a party to any action, suit or proceeding by reason of the fact that he or she is or was one of our directors or officers or is or was serving at our request as a director or officer of another corporation, partnership, joint venture, trust or other enterprise. Our amended and restated bylaws are expected to provide that we may indemnify to the fullest extent permitted by law any person who is or was a party or is threatened to be made a party to any action, suit or proceeding by reason of the fact that he or she is or was one of our employees or agents or is or was serving at our request as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise. Our amended and restated bylaws will also provide that we must advance expenses incurred by or on behalf of a director or officer in advance of the final disposition of any action or proceeding, subject to limited exceptions.

Further, we have entered into or will enter into indemnification agreements with each of our directors and executive officers that may be broader than the specific indemnification provisions contained in the DGCL. These indemnification agreements require us, among other things, to indemnify our directors and executive officers against liabilities that may arise by reason of their status or service. These indemnification agreements also require us to advance all expenses incurred by the directors and executive officers in investigating or defending any such action, suit or proceeding. We believe that these agreements are necessary to attract and retain qualified individuals to serve as directors and executive officers.

The limitation of liability and indemnification provisions that are expected to be included in our amended and restated certificate of incorporation, amended and restated bylaws and in indemnification agreements that we have entered into or will enter into with our directors and executive officers may discourage stockholders from bringing a lawsuit against our directors and executive officers for breach of their fiduciary duties. They may also reduce the likelihood of derivative litigation against our directors and executive officers, even though an action, if successful, might benefit us and other stockholders. Further, a stockholder's investment may be adversely affected to the extent that we pay the costs of settlement and damage awards against directors and executive officers as required by these indemnification provisions. At present, we are not aware of any pending litigation or proceeding involving any person who is or was one of our directors, officers, employees or other agents or is or was serving at our request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, for which indemnification is sought, and we are not aware of any threatened litigation that may result in claims for indemnification.

We have obtained insurance policies under which, subject to the limitations of the policies, coverage is provided to our directors and executive officers against loss arising from claims made by reason of breach of fiduciary duty or other wrongful acts as a director or executive officer, including claims relating to public securities matters, and to us with respect to payments that may be made by us to these directors and executive officers pursuant to our indemnification obligations or otherwise as a matter of law.

Certain of our non-employee directors may, through their relationships with their employers, be insured and/or indemnified against certain liabilities incurred in their capacity as members of our board of directors.

The underwriting agreement will provide for indemnification by the underwriters of us and our officers and directors for certain liabilities arising under the Securities Act or otherwise.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling our company pursuant to the foregoing provisions, we have been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Policies and Procedures for Related Party Transactions

Following the completion of this offering, our Audit Committee will have the primary responsibility for reviewing and approving or disapproving "related party transactions," which are transactions between us and related persons in which the aggregate amount involved exceeds or may be expected to exceed $120,000 and in which a related person has or will have a direct or indirect material interest. Upon completion of this offering, our policy regarding transactions between us and related persons will provide that a related person is defined as a director, executive officer, nominee for director or beneficial owner of greater than 5% of any class of our capital stock, or their respective affiliates. Our Audit Committee charter that will be in effect upon completion of this offering will provide that our Audit Committee shall review and approve or disapprove any related party transactions.

PRINCIPAL STOCKHOLDERS

The following table sets forth certain information with respect to the beneficial ownership of our capital stock, as of , and assuming completion of the Corporate Reorganization, for:

- each of our named executive officers;
- each of our directors;
- all of our current directors and executive officers as a group; and
- each person known by us to be the beneficial owner of more than 5% of the outstanding shares of our Class A common stock or Class B common stock.

The number of shares of Class A common stock and Class B common stock beneficially owned and percentage of beneficial ownership before this offering set forth below are based on the number of shares to be issued and outstanding after giving effect to the Corporate Reorganization. See the section titled “Corporate Reorganization” for additional information. The number of shares of Class A common stock and Class B common stock beneficially owned and percentages of beneficial ownership after this offering set forth below are based on (i) the number of shares to be issued and outstanding after this offering and (ii) an assumed initial public offering price of $ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus.

We have based our calculation of the percentage of beneficial ownership after this offering on shares of our Class A common stock and shares of our Class B common stock outstanding immediately after the completion of this offering, assuming that the underwriters will not exercise their option to purchase up to an additional shares of our Class A common stock from us in full. We have deemed shares of our Class A common stock and Class B common Stock subject to incentive units, zero strike price incentive units, purchased units and phantom units that are currently exercisable or exercisable within 60 days, or the Beneficial Ownership Date, to be outstanding and to be beneficially owned by the person holding the incentive units, zero strike price incentive units, purchased units or phantom units for the purpose of computing the percentage ownership of that person. We did not deem these shares outstanding, however, for the purpose of computing the percentage ownership of any other person.

Unless otherwise indicated below, to our knowledge, the persons and entities named in the table have sole voting and sole investment power with respect to all shares that they beneficially owned, subject to community property laws where applicable. The information does not necessarily indicate beneficial ownership for any other purpose, including for purposes of Sections 13(d) and 13(g) of the Securities Act.

Unless otherwise indicated below, the address of each beneficial owner listed in the table below is c/o Cricut, Inc., 10855 South River Front Parkway, South Jordan, Utah 84095.

	Number of Shares Beneficially Owned		Percentage of Shares Beneficially Owned				Percentage of Total Voting Power After the Offering
			Before the Offering		After the Offering		
Named Executive Officers and Directors:	**Class A Common Stock**	**Class B Common Stock**	**Class A Common Stock**	**Class B Common Stock**	**Class A Common Stock**	**Class B Common Stock**	
Ashish Arora			%	%	%	%	%
Martin F. Petersen			%	%	%	%	%
Gregory Rowberry							
Jason Makler			%	%	%	%	%
Len Blackwell			%	%	%	%	%
Steven Blasnik			%	%	%	%	%
Russell Freeman			%	%	%	%	%
Melissa Reiff			%	%	%	%	%
Billie Williamson			%	%	%	%	%
All directors and executive officers as a group (10 persons)			%	%	%	%	%
5% Stockholders:							
Petrus and affiliates			%	%	%	%	%

* Represents beneficial ownership or voting power of less than 1% of the outstanding shares of our common stock.

DESCRIPTION OF CAPITAL STOCK

General

The following description summarizes certain important terms of our capital stock, as they are expected to be in effect immediately prior to the completion of this offering. We expect to adopt an amended and restated certificate of incorporation and amended and restated bylaws that will become effective immediately prior to the completion of this offering, and this description summarizes the provisions that are expected to be included in such documents. Because it is only a summary, it does not contain all the information that may be important to you. For a complete description of the matters set forth in this section titled "Description of Capital Stock," you should refer to our amended and restated certificate of incorporation and amended and restated bylaws, which are included as exhibits to the registration statement of which this prospectus forms a part, and to the applicable provisions of Delaware law.

Immediately following the completion of this offering, our authorized capital stock will consist of shares of capital stock of which:

- shares are designated as Class A common stock, par value $0.001 per share;
- shares are designated as Class B common stock, par value $0.001 per share; and
- shares are designated as preferred stock, par value $0.001 per share.

Assuming the completion of the Corporate Reorganization, which will occur prior to this offering, as of December 31, 2020, there were shares of our Class A common stock outstanding, held by stockholders of record and shares of our Class B common stock outstanding, held by stockholders of record. Pursuant to our amended and restated certificate of incorporation, our board of directors will have the authority, without stockholder approval except as required by the listing standards of the Exchange, to issue additional shares of our Class A common stock. Until the final conversion of all outstanding shares of Class B common stock pursuant to the terms of the amended and restated certificate of incorporation, or the Final Conversion Date, any issuance of additional shares of Class B common stock requires the approval of the holders of two-thirds of the outstanding shares of Class B common stock voting as a separate class.

Common Stock

We have two classes of authorized common stock, Class A common stock and Class B common stock. The rights of the holders of Class A common stock and Class B common stock are identical, except with respect to voting and conversion.

Dividend Rights

Subject to preferences that may apply to any shares of preferred stock outstanding at the time, the holders of our common stock are entitled to receive dividends out of funds legally available if our board of directors, in its discretion, determines to issue dividends and then only at the times and in the amounts that our board of directors may determine. See the section titled "Dividend Policy" for additional information.

Voting Rights

Holders of our Class A common stock are entitled to one vote for each share held on all matters submitted to a vote of stockholders and holders of our Class B common stock are entitled to five votes for each share held on all matters submitted to a vote of stockholders. The holders of our Class A common stock and Class B common stock vote together as a single class, unless otherwise required by law.

Delaware law could require either holders of our Class A common stock or our Class B common stock to vote separately, as a single class, in the following circumstances:

- if we were to seek to amend our amended and restated certificate of incorporation to increase or decrease the par value of a class of stock, then that class would be required to vote separately to approve the proposed amendment; and
- if we were to seek to amend our amended and restated certificate of incorporation in a manner that alters or changes the powers, preferences or special rights of a class of stock in a manner that affected its holders adversely, then that class would be required to vote separately to approve the proposed amendment.

Until the Final Conversion Date, approval of a majority of the outstanding shares of our Class B common stock voting as a separate class will be required to:

- reclassify any outstanding shares of Class A common stock into shares having rights as to dividends or liquidation that are senior to the Class B common stock or the right to have more than one vote for each share thereof; or
- issue any shares of preferred stock authorized pursuant to the filing of a certificate as authorized by the Company's board of directors.

We have not provided for cumulative voting for the election of directors in our amended and restated certificate of incorporation. Subject to any rights of the holders of any series of preferred stock to elect directors under circumstances specified in our amended and restated certificate of incorporation, directors will be elected by a plurality of the voting power cast in the election of directors.

No Preemptive or Similar Rights

Our common stock is not entitled to preemptive rights, and is not subject to conversion, redemption or sinking fund provisions.

Right to Receive Liquidation Distributions

If we become subject to a liquidation, dissolution or winding-up, the assets legally available for distribution to our stockholders would be distributable ratably among the holders of our common stock and any participating preferred stock outstanding at that time, subject to prior satisfaction of all outstanding debt and liabilities and the preferential rights of and the payment of liquidation preferences, if any, on any outstanding shares of preferred stock.

Conversion of Class B Common Stock

Each share of Class B common stock is convertible at any time at the option of the holder into one share of Class A common stock. Following the completion of this offering, shares of Class B common stock will automatically convert into shares of Class A common stock upon sale or transfer except for certain transfers described in our amended and restated certificate of incorporation, including estate planning or charitable transfers where sole dispositive power and exclusive voting control with respect to the shares of Class B common stock are retained by the transferring holder or such transferring holder's spouse. In addition, each outstanding share of Class B common stock held by a stockholder who is a natural person, or held by the permitted entities and permitted transferees of such natural person (as described in our amended and restated certificate of incorporation), will convert automatically into one share of Class A common stock upon the death of such natural person.

Each share of Class B common stock will convert automatically into one share of Class A common stock upon (i) the date following the completion of this offering on which the number of shares of our capital stock, including Class A common stock and Class B common stock, and any shares of capital stock underlying any securities, including restricted stock units, options or other convertible instruments, held by Petrus and its permitted entities is less than 50% of the number of shares of Class B common stock held by Petrus and its permitted entities as of immediately following the completion of this offering or (ii) the time following the completion of this offering specified by affirmative vote or written election of the holders of at least two-thirds of the outstanding shares of Class B common stock.

Fully Paid and Non-Assessable

In connection with this offering, our legal counsel will opine that the shares of our Class A common stock to be issued in this offering will be fully paid and non-assessable.

Preferred Stock

Pursuant to our amended and restated certificate of incorporation that will become effective immediately prior to the completion of this offering, our board of directors will have the authority, subject to limitations prescribed by Delaware law, to issue preferred stock in one or more series, to establish from time to time the number of shares to be included in each series, and to fix the designation, powers, preferences and rights of the shares of each series and any of its qualifications, limitations or restrictions, in each case without further vote or action by our stockholders. Our board of directors can also increase or decrease the number of shares of any series of preferred stock, but not below the number of shares of that series then outstanding, without any further vote or action by our stockholders. Our board of directors may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of our common stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring or preventing a change in control of our company and might adversely affect the market price of our Class A common stock and the voting and other rights of the holders of our common stock. We have no current plan to issue any shares of preferred stock.

Incentive Units

As of December 31, 2020, we had an aggregate of incentive units outstanding with a weighted-average exercise price of approximately $ per share.

Registration Rights

Prior to the completion of this offering, we will enter into a Registration Rights Agreement with certain Cricut Holdings members with respect to the registration of our securities and holders of at least 75% of the outstanding common units of Cricut Holdings immediately prior to the completion of this offering; provided that such registration rights agreement shall provide for (i) long-form and short-form demand registration rights to the holders of at least a majority of the outstanding common units of Cricut Holdings immediately prior to the completion of this offering, (ii) piggyback registration rights to all holders of common units with any registration of the securities of our successor under the Securities Act and (iii) such piggyback registration rights granted to the members to be allocated on a pro rata basis subject to customary cutback provisions.

Anti-Takeover Provisions

Delaware Law

We have elected not to be governed by the provisions of Section 203 of the DGCL. In general, Section 203 of the DGCL prohibits a public Delaware corporation from engaging in a “business combination” with an “interested stockholder” for a period of three years after the date of the transaction in which the person became an interested stockholder, unless:

- the transaction was approved by the board of directors prior to the time that the stockholder became an interested stockholder;
- upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding shares owned by directors who are also officers of the corporation and shares owned by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or

- at or subsequent to the time the stockholder became an interested stockholder, the business combination was approved by the board of directors and authorized at an annual or special meeting of the stockholders, and not by written consent, by the affirmative vote of at least two-thirds of the outstanding voting stock which is not owned by the interested stockholder.

In general, Section 203 defines a "business combination" to include mergers, asset sales and other transactions resulting in financial benefit to a stockholder and an "interested stockholder" as a person who, together with affiliates and associates, owns, or within three years did own, 15% or more of the corporation's outstanding voting stock. These provisions may have the effect of delaying, deferring or preventing changes in control of a company. We have opted out of these provisions. Accordingly, we will not be subject to any anti-takeover effects of Section 203.

Amended and Restated Certificate of Incorporation and Amended and Restated Bylaw Provisions

Our amended and restated certificate of incorporation and our amended and restated bylaws will include a number of provisions that could deter hostile takeovers or delay or prevent changes in control of our board of directors or management team.

Dual Class Stock

As described above in "—Common Stock—Voting Rights," our amended and restated certificate of incorporation provides for a dual class common stock structure, which will provide our pre-offering stockholders, including Petrus, with significant influence over matters requiring stockholder approval, including the election of directors and significant corporate transactions, such as a merger or other sale of our company or its assets.

Board of Directors Vacancies

Our amended and restated certificate of incorporation and amended and restated bylaws will authorize only our board of directors to fill vacant directorships, including newly created seats. In addition, the number of directors constituting our board of directors will be permitted to be set only by a resolution adopted by a majority vote of our entire board of directors. These provisions would prevent a stockholder from increasing the size of our board of directors and then gaining control of our board of directors by filling the resulting vacancies with its own nominees. This will make it more difficult to change the composition of our board of directors and will promote continuity of management.

Stockholder Action; Special Meetings of Stockholders

Our amended and restated certificate of incorporation will provide that, prior to the Final Conversion Date, our stockholders may not take action by written consent unless the action is first recommended or approved by our board of directors. Further, our amended and restated certificate of incorporation will provide that, from and after the Final Conversion Date, our stockholders may not take action by written consent, but may only take action at annual or special meetings of our stockholders. Our amended and restated bylaws will further provide that special meetings of our stockholders may be called only by a majority of our entire board of directors, the chairperson of our board of directors, our Chief Executive Officer or our President, thus prohibiting a stockholder from calling a special meeting. These provisions might delay the ability of our stockholders to force consideration of a proposal or for stockholders controlling a majority of our capital stock to take any action, including the removal of directors.

Advance Notice Requirements for Stockholders Proposals and Director Nominations

Our amended and restated bylaws will provide advance notice procedures for stockholders seeking to bring business before our annual meeting of stockholders or to nominate candidates for election as directors at our annual meeting of stockholders. Our amended and restated bylaws will also specify certain requirements regarding the form and content of a stockholder's notice. These provisions might preclude

our stockholders from bringing matters before our annual meeting of stockholders or from making nominations for directors at our annual meeting of stockholders if the proper procedures are not followed. We expect that these provisions may also discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of our company.

No Cumulative Voting

The DGCL provides that stockholders are not entitled to cumulate votes in the election of directors unless a corporation's certificate of incorporation provides otherwise. Our amended and restated certificate of incorporation does not provide for cumulative voting.

Amendment of Charter and Bylaws Provisions

Following the Final Conversion Date, certain amendments to our amended and restated certificate of incorporation will require the approval of two-thirds of the outstanding voting power of all outstanding shares of our capital stock. Our amended and restated certificate of incorporation will provide that, following the Final Conversion Date, approval of stockholders holding two-thirds of the outstanding voting power of our outstanding voting securities is required for stockholders to alter or amend or repeal or adopt certain provision of our amended and restated bylaws.

Issuance of Undesignated Preferred Stock

Our board of directors will have the authority, without further action by our stockholders, to issue up to shares of undesignated preferred stock with rights and preferences, including voting rights, designated from time to time by our board of directors. The existence of authorized but unissued shares of preferred stock would enable our board of directors to render more difficult or to discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest or other means.

Exclusive Forum

Our amended and restated bylaws, which will become effectively immediately prior to the completion of this offering, will provide that, unless we consent in writing to the selection of an alternative forum, to the fullest extent permitted by law, the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by, or other wrongdoing by, any of our directors, officers or other employees to us or our stockholders, (iii) any action asserting a claim against us or any of our directors or officers arising pursuant to any provision of the DGCL or (iv) any other action asserting a claim that is governed by the internal affairs doctrine shall be a state or federal court located within the State of Delaware, in all cases subject to the court's having jurisdiction over indispensable parties named as defendants. This provision would not apply to suits brought to enforce a duty or liability created by the Exchange Act or any other claim for which the U.S. federal courts have exclusive jurisdiction. Our amended and restated bylaws will also provide that, unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States shall be the sole and exclusive forum for any action asserting a claim arising pursuant to the Securities Act. Any person or entity purchasing or otherwise acquiring any interest in our shares of capital stock shall be deemed to have notice of and consented to these provisions. Although we believe these provisions benefit us by providing increased consistency in the application of Delaware and federal law for the specified types of actions and proceedings, the provisions may have the effect of discouraging lawsuits against us or our directors and officers.

Transfer Agent and Registrar

Upon the completion of this offering, the transfer agent and registrar for our Class A common stock and Class B common stock will be Computershare Trust Company, N.A. The transfer agent and registrar's address is 250 Royall Street, Canton Massachusetts 02021.

Limitations of Liability and Indemnification

See the section titled “Certain Relationships and Related Party Transactions—Limitation of Liability and Indemnification of Officers and Directors” for additional information.

Listing

We intend to apply to list our Class A common stock on the Exchange under the symbol “CRCT.”

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our Class A common stock, and we cannot predict the effect, if any, that market sales of shares of our Class A common stock or the availability of shares of our Class A common stock for sale will have on the market price of our Class A common stock prevailing from time to time. Future sales of our Class A common stock in the public market, or the availability of such shares for sale in the public market, could adversely affect market prices prevailing from time to time. As described below, only a limited number of shares of our Class A common stock will be available for sale shortly after this offering due to contractual and legal restrictions on resale. Nevertheless, sales of our Class A common stock in the public market after such restrictions lapse, or the perception that those sales may occur, could adversely affect the prevailing market price at such time and our ability to raise equity capital in the future.

Following the completion of this offering, we will have a total of shares of our Class A common stock outstanding (or shares of our Class A common stock if the underwriters exercise in full their option to purchase additional shares) and shares of our Class B common stock outstanding. Of these outstanding shares, all shares of our Class A common stock sold in this offering will be freely tradable, except that any shares purchased in this offering by our affiliates, as that term is defined in Rule 144 under the Securities Act, would only be able to be sold in compliance with the Rule 144 limitations described below.

The remaining outstanding shares of our Class A common stock (including shares issued upon conversion of our Class B common stock) will be deemed "restricted securities" as defined in Rule 144 under the Securities Act. Restricted securities may be sold in the public market only if they are registered under the Securities Act or if they qualify for an exemption from registration under Rule 144 or Rule 701 under the Securities Act, which rules are summarized below. As a result of the lock-up agreements and market standoff agreements described below, and subject to the provisions of Rule 144 or Rule 701, shares of our Class A common stock will be available for sale in the public market as follows:

- beginning on the date of this prospectus, the shares of our Class A common stock sold in this offering will be immediately available for sale in the public market; and
- beginning 180 days after the date of this prospectus, subject to the terms of the lock-up and market standoff agreements described below, additional shares (excluding shares of our Class A common stock assuming that all outstanding Cricut Holdings units that are exchangeable for shares of Class A common stock are so exchanged) will become eligible for sale in the public market, of which shares will be held by affiliates and subject to the volume and other restrictions of Rule 144, as described below.

Lock-Up and Market Standoff Agreements

We, our executive officers, directors and certain other holders of our capital stock and securities convertible into or exchangeable for our capital stock (including shares of Class A common stock issuable upon exchange of Cricut Holdings units) have agreed or will agree that, subject to certain exceptions, for a period of 180 days after the date of this prospectus, we and they will not, without the prior written consent of Goldman Sachs & Co. LLC, dispose of or hedge any shares or any securities convertible into or exchangeable for shares of our Class A common stock and Class B common stock. Goldman Sachs & Co. LLC may, in its discretion, release any of the securities subject to these lock-up agreements at any time. See the section titled "Underwriters" for additional information.

Rule 144

In general, Rule 144 provides that once we have been subject to the public company reporting requirements of Section 13 or Section 15(d) of the Exchange Act for at least 90 days, a person who is not deemed to have been one of our affiliates for purposes of the Securities Act at any time during the 90 days preceding a sale and who has beneficially owned the shares of our Class A common stock proposed to be

sold for at least six months is entitled to sell those shares without complying with the manner of sale, volume limitation or notice provisions of Rule 144, subject to compliance with the public information requirements of Rule 144. If such a person has beneficially owned the shares proposed to be sold for at least one year, including the holding period of any prior owner other than our affiliates, then that person would be entitled to sell those shares without complying with any of the requirements of Rule 144.

In general, Rule 144 provides that our affiliates or persons selling shares of our Class A common stock on behalf of our affiliates are entitled to sell upon expiration of the lock-up agreements described above, within any three-month period, a number of shares of our Class A common stock that does not exceed the greater of:

- 1% of the number of shares of our Class A common stock then outstanding, which will equal shares immediately after the completion of this offering; or
- the average weekly trading volume of our Class A common stock during the four calendar weeks preceding the filing of a notice on Form 144 with respect to that sale.

Sales of Class A common stock made in reliance upon Rule 144 by our affiliates or persons selling shares of our Class A common stock on behalf of our affiliates are also subject to certain manner of sale provisions and notice requirements and to the availability of current public information about us.

Rule 701

Rule 701 generally allows a stockholder who purchased shares of our capital stock pursuant to a written compensatory plan or contract and who is not deemed to have been an affiliate of our company during the immediately preceding 90 days to sell these shares in reliance upon Rule 144, but without being required to comply with the public information, holding period, volume limitation or notice provisions of Rule 144. Rule 701 also permits affiliates of our company to sell their Rule 701 shares under Rule 144 without complying with the holding period requirements of Rule 144. All holders of Rule 701 shares, however, are required to wait until 90 days after the date of this prospectus before selling those shares pursuant to Rule 701.

Registration Rights

Prior to the completion of this offering, we expect that the holders of up to shares of our Class A common stock (after giving effect to the Corporate Reorganization), or certain transferees, will be entitled to certain rights to the registration of the offer and sale of those shares under the Securities Act. See the section titled “Description of Capital Stock—Registration Rights” for a description of these registration rights. If the offer and sale of these shares is registered, the shares will be freely tradeable without restriction under the Securities Act and a large number of shares may be sold into the public market.

Registration Statement on Form S-8

We intend to file a registration statement on Form S-8 under the Securities Act promptly after the completion of the registration statement of which this prospectus forms a part to register shares of our Class A common stock subject to incentive units and other awards issuable as well as reserved for future issuance under our equity compensation plans. The registration statement on Form S-8 is expected to become effective immediately upon filing, and shares of our Class A common stock covered by the registration statement will then become eligible for sale in the public market, subject to the Rule 144 limitations applicable to affiliates, vesting restrictions and any applicable market standoff agreements and lock-up agreements. See the section titled “Executive Compensation—Equity Plans” for a description of our equity compensation plans.

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS OF OUR CLASS A COMMON STOCK

The following is a summary of the material U.S. federal income tax consequences to certain non-U.S. holders (as defined below) of the acquisition ownership and disposition of our Class A common stock but does not purport to be a complete analysis of all the potential tax considerations relating thereto. This summary is based upon the provisions of the Code, Treasury Regulations promulgated thereunder, administrative rulings and judicial decisions, all as of the date hereof. These authorities may be changed, possibly retroactively, so as to result in U.S. federal income tax consequences different from those set forth below. No ruling from the Internal Revenue Service, or IRS, has been, or will be, sought with respect to the tax consequences discussed herein, and there can be no assurance that the IRS will not take a position contrary to the tax consequences discussed below or that any position taken by the IRS would not be sustained.

This summary applies only to Class A common stock acquired in this offering. It does not address the tax considerations arising under the laws of any non-U.S., state or local jurisdiction, or under U.S. federal gift and estate tax laws. In addition, this discussion does not address the application of the Medicare contribution tax on net investment income or any tax considerations applicable to a non-U.S. holder's particular circumstances or to non-U.S. holders that may be subject to special tax rules, including, without limitation:

- banks, insurance companies or other financial institutions (except to the extent specifically set forth below), regulated investment companies or real estate investment trusts;
- persons subject to the alternative minimum tax;
- tax-exempt organizations or governmental organizations;
- controlled foreign corporations, passive foreign investment companies or corporations that accumulate earnings to avoid U.S. federal income tax;
- brokers or dealers in securities or currencies;
- traders in securities or other persons that elect to use a mark-to-market method of accounting for their holdings in our stock;
- U.S. expatriates or certain former citizens or long-term residents of the United States;
- partnerships or entities classified as partnerships for U.S. federal income tax purposes or other pass-through entities (and investors therein);
- persons who hold our Class A common stock as a position in a hedging transaction, "straddle," "conversion transaction" or other risk reduction transaction or integrated investment;
- persons who hold or receive our Class A common stock pursuant to the exercise of any employee stock option or otherwise as compensation;
- persons subject to special tax accounting rules as a result of any item of gross income with respect to our Class A common stock being taken into account in an "applicable financial statement" as defined in Section 451(b) of the Code;
- persons that own, or are deemed to own, more than five percent of our Class A common stock (except to the extent specifically set forth below);
- persons who do not hold our Class A common stock as a capital asset within the meaning of Section 1221 of the Code; or
- persons deemed to sell our Class A common stock under the constructive sale provisions of the Code.

In addition, if a partnership or entity classified as a partnership for U.S. federal income tax purposes holds our Class A common stock, the tax treatment of a partner generally will depend on the status of the partner and upon the activities of the partnership. Accordingly, partnerships that hold our Class A common stock, and partners in such partnerships, should consult their tax advisors.

You are urged to consult your tax advisor with respect to the application of the U.S. federal income tax laws to your particular situation, as well as any tax consequences of the acquisition, ownership and disposition of our Class A common stock arising under the U.S. federal estate or gift tax rules or under the laws of any state, local, non-U.S. or other taxing jurisdiction or under any applicable tax treaty.

Non-U.S. Holder Defined

For purposes of this discussion, you are a non-U.S. holder if you are a holder of our stock that is not a partnership (or entity or arrangement treated as a partnership for U.S. federal income tax purposes) and is not any of the following:

- an individual who is a citizen or resident of the United States (for U.S. federal income tax purposes);
- a corporation or other entity taxable as a corporation created or organized in the United States or under the laws of the United States or any political subdivision thereof or other entity treated as such for U.S. federal income tax purposes;
- an estate whose income is subject to U.S. federal income tax regardless of its source; or
- a trust (x) whose administration is subject to the primary supervision of a U.S. court and which has one or more "U.S. persons" (within the meaning of Section 7701(a)(30) of the Code) who have the authority to control all substantial decisions of the trust or (y) which has made a valid election to be treated as a U.S. person.

Distributions

As described in the section titled "Dividend Policy," we paid a cash dividend to Cricut Holdings in September 2020, but we do not anticipate paying any dividends on our capital stock in the foreseeable future. However, if we do make distributions on our Class A common stock in the future, those payments will constitute dividends for U.S. tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. To the extent those distributions exceed both our current and our accumulated earnings and profits, they will constitute a return of capital and will first reduce your basis in our Class A common stock, but not below zero, and then will be treated as gain from the sale of stock as described below under the section titled "—Gain on Disposition of Our Class A Common Stock."

Except as otherwise described below in the discussions of effectively connected income (in the next paragraph), backup withholding and FATCA (as defined below), any dividend paid to you generally will be subject to U.S. withholding tax either at a rate of 30% of the gross amount of the dividend or such lower rate as may be specified by an applicable income tax treaty. In order to receive a reduced treaty rate, you must provide us with an IRS Form W-8BEN, IRS Form W-8BEN-E or other appropriate version of IRS Form W-8, including any required attachments and your taxpayer identification number, if required, certifying qualification for the reduced rate; additionally, you will be required to update such forms and certifications from time to time as required by law. A non-U.S. holder eligible for a reduced rate of U.S. withholding tax pursuant to an income tax treaty may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS. If the non-U.S. holder holds the stock through a financial institution or other agent acting on the non-U.S. holder's behalf, the non-U.S. holder will be required to provide appropriate documentation to the agent, which then will be required to provide certification to us or our paying agent, either directly or through other intermediaries. Non-U.S. holders should consult their tax advisors regarding their entitlement to benefits under an applicable income tax treaty.

Dividends received by you that are effectively connected with your conduct of a U.S. trade or business (and, if required by an applicable income tax treaty, attributable to a permanent establishment maintained by you in the United States) are generally exempt from such withholding tax. In order to obtain this exemption, you must provide us with an IRS Form W-8ECI or other applicable IRS Form W-8, including any required attachments and your taxpayer identification number; additionally, you will be required to update such forms and certifications from time to time as required by law. Such effectively connected dividends, although not subject to U.S. federal withholding tax, are includable on your U.S. income tax return and generally taxed to you at the same graduated rates applicable to U.S. persons, net of certain deductions and credits. If you are a corporate non-U.S. holder, dividends you receive that are effectively connected with your conduct of a U.S. trade or business may also be subject to a branch profits tax at a rate of 30% or such lower rate as may be specified by an applicable income tax treaty. You should consult your tax advisor regarding any applicable tax treaties that may provide for different rules.

Gain on Disposition of Our Class A Common Stock

Except as otherwise described below in the discussions of backup withholding and FATCA, you generally will not be subject to U.S. federal income tax on any gain realized upon the sale or other disposition of our Class A common stock unless:

- the gain is effectively connected with your conduct of a U.S. trade or business (and, if required by an applicable income tax treaty, the gain is attributable to a permanent establishment maintained by you in the United States);
- you are a non-resident alien individual who is present in the United States for a period or periods aggregating 183 days or more during the calendar year in which the sale or disposition occurs, and other conditions are met; or
- our Class A common stock constitutes a U.S. real property interest by reason of our status as a “U.S. real property holding corporation,” or USRPHC, for U.S. federal income tax purposes at any time within the shorter of the five-year period preceding your disposition of, or your holding period for, our Class A common stock, and, in the case where shares of our Class A common stock are “regularly traded” (as defined by the applicable Treasury Regulations) on an established securities market, you own, or are treated as owning, more than 5% of our Class A common stock at any time during the foregoing period.

Generally, a corporation is a USRPHC if the fair market value of its “U.S. real property interests” equals or exceeds 50% of the sum of the fair market value of its worldwide real property interests and its other assets used or held for use in a trade or business (all as determined for U.S. federal income tax purposes). We believe that we are not currently and will not become a USRPHC for U.S. federal income tax purposes, and the remainder of this discussion assumes this is the case. However, because the determination of whether we are a USRPHC depends on the fair market value of our U.S. real property relative to the fair market value of our other business assets, there can be no assurance that we will not become a USRPHC in the future. Even if we become a USRPHC, however, as long as our Class A common stock is regularly traded on an established securities market, such common stock will be treated as U.S. real property interests only if you actually or constructively hold more than 5% of such regularly traded common stock at any time during the shorter of the five-year period preceding your disposition of, or your holding period for, our Class A common stock. If we are determined to be a USRPHC and the foregoing exception does not apply, you generally will be taxed on the net gain derived from the disposition of our Class A common stock at the graduated U.S. federal income tax rates applicable to U.S. persons and, in addition, a purchaser of our Class A common stock may be required to withhold tax with respect to that obligation. No assurance can be provided that our Class A common stock will be regularly traded on an established securities market at all times for purposes of the rules described above.

If you are a non-U.S. holder described in the first bullet above, you will generally be required to pay tax on the net gain derived from the sale under regular graduated U.S. federal income tax rates applicable to U.S. persons (and a corporate non-U.S. holder described in the first bullet above also may be subject to the branch profits tax at a 30% rate), unless otherwise provided by an applicable income tax treaty. If you are a non-U.S. holder described in the second bullet above, you will generally be required to pay a flat 30% tax (or such lower rate specified by an applicable income tax treaty) on the gain derived from the sale,

which gain may be offset by U.S. source capital losses for the year (provided you have timely filed U.S. federal income tax returns with respect to such losses). You should consult your tax advisor with respect to whether any applicable income tax or other treaties may provide for different rules.

Backup Withholding and Information Reporting

Generally, we must report annually to the IRS the amount of dividends paid to you, your name and address and the amount of tax withheld, if any. A similar report will be sent to you. Pursuant to applicable income tax treaties or other agreements, the IRS may make these reports available to tax authorities in your country of residence.

Payments of dividends or of proceeds on the disposition of stock made to you may be subject to information reporting and, depending on the circumstances, backup withholding (at a current rate of 24%) unless you establish an exemption, for example, by properly certifying your non-U.S. status on an IRS Form W-8BEN, IRS Form W-8BEN-E or another appropriate version of IRS Form W-8. Proceeds of a disposition of our Class A common stock conducted through a non-U.S. office of a non-U.S. broker that does not have certain enumerated relationships with the United States generally will not be subject to backup withholding or information reporting. Notwithstanding the foregoing, backup withholding and information reporting may apply if either we or our paying agent has actual knowledge, or reason to know, that you are a U.S. person as defined under the Code.

Backup withholding is not an additional tax; rather, the U.S. federal income tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund or credit may generally be obtained from the IRS, provided that the required information is furnished to the IRS in a timely manner.

FATCA

The Foreign Account Tax Compliance Act and the rules and regulations promulgated thereunder, collectively, FATCA, generally imposes withholding tax at a rate of 30% on and, dividends on, and, subject to the discussion of certain proposed Treasury Regulations below, gross proceeds from the sale or other disposition of our Class A common stock paid to “foreign financial institutions” (as specially defined under these rules), unless such institution enters into an agreement with the U.S. government to withhold on certain payments and to collect and provide to the U.S. tax authorities substantial information regarding the U.S. account holders of such institution (which includes certain equity and debt holders of such institution, as well as certain account holders that are foreign entities with U.S. owners) or otherwise establishes an exemption. FACTA also generally imposes a U.S. federal withholding tax of 30% on dividends on and, subject to the discussion of certain proposed Treasury Regulations below, gross proceeds from the sale or other disposition of our Class A common stock paid to a “non-financial foreign entities” (as specifically defined under these rules) unless such entity provides the withholding agent with a certification identifying a certain substantial direct and indicated U.S. owners of the entity and provides certain information with respect to such U.S. owners, certifies that there are none or otherwise establishes and certifies to an exemption. The withholding provisions under FATCA generally apply to dividends on our Class A common stock. The U.S. Secretary of the Treasury has issued proposed regulations providing that the withholding provisions under FATCA do not apply with respect to the gross proceeds from the sale or other disposition of our Class A common stock, which may be relied upon by taxpayers until final regulations are issued. There can be no assurance that final Treasury Regulations would provide an exemption from withholding taxes under FATCA for gross proceeds. An intergovernmental agreement between the United States and your country of tax residence may modify the requirements described in this paragraph. If a dividend payment is both subject to withholding under FATCA and subject to the withholding tax discussed above under the section titled “—Distributions,” the withholding under FATCA may be credited against, and therefore reduce, such other withholding tax. Non-U.S. holders should consult their own tax advisors regarding the possible implications of FATCA on their investment in our Class A common stock.

Each prospective investor should consult its own tax advisor regarding the particular U.S. federal, state and local and non-U.S. tax consequences of purchasing, holding and disposing of our Class A common stock, including the consequences of any proposed change in applicable laws.

UNDERWRITERS

We and the underwriters named below have entered into an underwriting agreement with respect to the shares being offered. Subject to certain conditions, each underwriter has severally agreed to purchase the number of shares of Class A common stock indicated in the following table. Goldman Sachs & Co. LLC and Morgan Stanley & Co. LLC are the representatives of the underwriters.

Underwriters	Number of Shares
Goldman Sachs & Co. LLC	
Morgan Stanley & Co. LLC	
Citigroup Global Markets Inc.	
Barclays Capital Inc.	
Robert W. Baird & Co. Incorporated	
Total	

The underwriters are committed to take and pay for all of the shares being offered, if any are taken, other than the shares covered by the option described below unless and until this option is exercised.

The underwriters have an option to buy up to an additional shares of Class A common stock from us to cover sales by the underwriters of a greater number of shares than the total number set forth in the table above. They may exercise that option for 30 days. If any shares are purchased pursuant to this option, the underwriters will severally purchase shares in approximately the same proportion as set forth in the table above.

The following table shows the per share and total underwriting discounts and commissions to be paid to the underwriters by us. Such amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional shares.

Paid by us	No Exercise	Full Exercise
Per Share	$ —	$ —
Total	$ —	$ —

Shares sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus. Any shares sold by the underwriters to securities dealers may be sold at a discount of up to $ per share from the initial public offering price. After the initial offering of the shares, the representatives may change the offering price and the other selling terms. The offering of the shares by the underwriters is subject to receipt and acceptance and subject to the underwriters' right to reject any order in whole or in part.

We and our officers, directors and holders of substantially all of our common stock have agreed with the underwriters, subject to certain exceptions, not to dispose of or hedge any of their Class A common stock, Class B common stock or securities convertible into or exchangeable for shares of Class A common stock or Class B common stock during the period from the date of this prospectus continuing through the date 180 days after the date of this prospectus, except with the prior written consent of the representatives. This agreement does not apply to any existing employee benefit plans. See the section titled "Shares Available for Future Sale" for a discussion of certain transfer restrictions.

Prior to the offering, there has been no public market for our Class A common stock. The initial public offering price has been negotiated among us and the representatives. Among the factors to be considered in determining the initial public offering price of our Class A common stock, in addition to prevailing market conditions, will be our historical performance, estimates of the business potential and earnings prospects, an assessment of our management and the consideration of the above factors in relation to market valuation of companies in related businesses.

We intend to apply to list the Class A common stock on the Exchange under the symbol "CRCT."

In connection with the offering, the underwriters may purchase and sell shares of Class A common stock in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering, and a short position represents the amount of such sales that have not been covered by subsequent purchases. A "covered short position" is a short position that is not greater than the amount of additional shares for which the underwriters' option described above may be exercised. The underwriters may cover any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to cover the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase additional shares pursuant to the option described above. "Naked" short sales are any short sales that create a short position greater than the amount of additional shares for which the option described above may be exercised. The underwriters must cover any such naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the Class A common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of Class A common stock made by the underwriters in the open market prior to the completion of the offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Purchases to cover a short position and stabilizing transactions, as well as other purchases by the underwriters for their own accounts, may have the effect of preventing or retarding a decline in the market price of our Class A common stock, and together with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of the Class A common stock. As a result, the price of the Class A common stock may be higher than the price that otherwise might exist in the open market. The underwriters are not required to engage in these activities and may end any of these activities at any time. These transactions may be effected on the Exchange, in the over-the-counter market or otherwise.

We estimate that the total expenses of the offering, excluding underwriting discounts and commissions, will be approximately $.

We have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act.

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the issuer and to persons and entities with relationships with the issuer, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively traded securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the issuer (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the issuer. The underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Selling Restrictions

European Economic Area and United Kingdom

In relation to each member state of the EEA and the United Kingdom, each a Relevant State, no shares of our Class A common stock have been offered or will be offered pursuant to the offering to the public in that Relevant State prior to the publication of a prospectus in relation to the shares which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, all in accordance with the Prospectus Regulation (as defined below), except that offers of the shares may be made to the public in that Relevant State at any time under the following exemptions under the Prospectus Regulation:

(a) to any legal entity which is a qualified investor as defined under the Prospectus Regulation;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined under the Prospectus Regulation), subject to obtaining the prior consent of the representatives for any such offer; or

(c) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of the shares shall require us or any representative to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an “offer to the public” in relation to any shares in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and any shares to be offered so as to enable an investor to decide to purchase or subscribe for any shares, and the expression “Prospectus Regulation” means Regulation (EU) 2017/1129.

This EEA and the United Kingdom selling restriction is in addition to any other selling restrictions set out below.

United Kingdom

Each underwriter has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, as amended, or the FSMA), received by it in connection with the issue or sale of the shares in circumstances in which Section 21(1) of the FSMA does not apply to us or the selling stockholders; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the shares in, from or otherwise involving the United Kingdom.

Canada

The securities may be sold in Canada only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the securities must be made in accordance with an exemption form, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Hong Kong

The shares may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong), or Companies (Winding Up and Miscellaneous Provisions) Ordinance, or which do not constitute an invitation to the public within the meaning of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), or Securities and Futures Ordinance, (ii) to "professional investors" as defined in the Securities and Futures Ordinance and any rules made thereunder or (iii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and no advertisement, invitation or document relating to the shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" in Hong Kong as defined in the Securities and Futures Ordinance and any rules made thereunder.

Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined under Section 4A of the Securities and Futures Act, Chapter 289 of Singapore, or the SFA) under Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to conditions set forth in the SFA.

Where the shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor, the securities (as defined in Section 239(1) of the SFA) of that corporation shall not be transferable for six months after that corporation has acquired the shares under Section 275 of the SFA except: (i) to an institutional investor under Section 274 of the SFA or to a relevant person (as defined in Section 275(2) of the SFA), (ii) where such transfer arises from an offer in that corporation's securities pursuant to Section 275(1A) of the SFA, (iii) where no consideration is or will be given for the transfer, (iv) where the transfer is by operation of law, (v) as specified in Section 276(7) of the SFA or (vi) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore, or Regulation 32.

Where the shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is a trust (where the trustee is not an accredited investor (as defined in Section 4A of the SFA)) whose sole purpose is to hold investments and each beneficiary of the trust is an accredited investor, the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable for six months after that trust has acquired the shares under Section 275 of the SFA except: (i) to an institutional investor under Section 274 of the SFA or to a relevant person (as defined in Section 275(2) of the SFA), (ii) where such transfer arises from an offer that is made on terms that such rights or interest are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction (whether such amount is to be paid for in cash or by exchange of securities or other assets), (iii) where no consideration is or will be given for the transfer, (vi) where the transfer is by operation of law, (v) as specified in Section 276(7) of the SFA or (vi) as specified in Regulation 32.

Japan

The securities have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended), or the FIEA. The securities may not be offered or sold, directly or indirectly, in Japan or to or for the benefit of any resident of Japan (including any person resident in Japan or any corporation or other entity organized under the laws of Japan) or to others for reoffering or resale, directly or indirectly, in Japan or to or for the benefit of any resident of Japan, except pursuant to an exemption from the registration requirements of the FIEA and otherwise in compliance with any relevant laws and regulations of Japan.

LEGAL MATTERS

The validity of the shares of our Class A common stock being offered by this prospectus will be passed upon for us by Wilson Sonsini Goodrich & Rosati, P.C., Palo Alto, California, which has acted as our counsel in connection with this offering. Gibson, Dunn & Crutcher LLP, Dallas, Texas, is counsel for the underwriters in connection with this offering.

EXPERTS

The consolidated financial statements as of December 31, 2018 and 2019 and for the years then ended included in this prospectus and in the registration statement have been so included in reliance on the report of BDO USA, LLP, an independent registered public accounting firm, appearing elsewhere herein and in the registration statement, given on the authority of said firm as experts in auditing and accounting.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have submitted with the SEC a registration statement on Form S-1 under the Securities Act with respect to the shares of our Class A common stock offered by this prospectus. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement, some of which is contained in exhibits to the registration statement as permitted by the rules and regulations of the SEC. For further information with respect to us and our Class A common stock, we refer you to the registration statement, including the exhibits filed as a part of the registration statement. Statements contained in this prospectus concerning the contents of any contract or any other document is not necessarily complete. If a contract or document has been filed as an exhibit to the registration statement, please see the copy of the contract document that has been filed. Each statement in this prospectus relating to a contract or document filed as an exhibit is qualified in all respects by the filed exhibit. The SEC maintains an internet website that contains reports, proxy statements and other information about issuers, like us, that file electronically with the SEC. The address of that website is www.sec.gov.

As a result of this offering, we will become subject to the information and reporting requirements of the Exchange Act and, in accordance with this law, will file periodic reports, proxy statements and other information with the SEC. These periodic reports, proxy statements and other information will be available for inspection and copying at the website for the SEC referred to above. We also maintain a website at www.cricut.com. Upon completion of this offering, you may access these materials free of charge as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. Information contained on our website is not a part of this prospectus, and the inclusion of our website address in this prospectus is an inactive textual reference only.

Cricut, Inc.
Index to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

Stockholder and Board of Directors
Cricut, Inc.
South Jordan, Utah

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Cricut, Inc. (the "Company") as of December 31, 2018 and 2019, the related consolidated statements of operations and comprehensive income, stockholders' equity, and cash flows for the years then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2018 and 2019, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

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

/s/ BDO USA, LLP

We have served as the Company's auditor since 2012.

Salt Lake City, Utah
November 10, 2020

Cricut, Inc.
Consolidated Balance Sheets
(in thousands, except share and per share amounts)

	As of December 31,		As of September 30,
	2018	2019	2020
			(unaudited)
Assets			
Current assets:			
Cash and cash equivalents	$ 6,016	$ 6,653	$ 67,507
Accounts receivable, net	61,255	65,435	106,341
Inventories	145,149	213,190	206,856
Prepaid expenses and other current assets	6,458	1,909	2,945
Total current assets	218,878	287,187	383,649
Property and equipment, net	16,026	25,311	29,389
Intangible assets	4,547	3,040	2,470
Deferred tax assets	1,645	1,418	1,418
Other assets	522	689	2,622
Total assets	$ 241,618	$ 317,645	$ 419,548
Liabilities and Stockholders' Equity			
Current liabilities:			
Accounts payable	$ 82,273	$ 95,829	$ 189,137
Accrued expenses and other current liabilities	21,258	29,068	42,935
Deferred revenue, current portion	9,425	13,114	17,876
Revolving loan	29,135	32,593	—
Term loan, current portion	4,000	4,979	—
Total current liabilities	146,091	175,583	249,948
Term loan, net of current portion	11,667	17,843	—
Deferred revenue, net of current portion	1,069	1,452	2,014
Other non-current liabilities	779	863	2,494
Deferred tax liabilities	2,246	762	762
Total liabilities	161,852	196,503	255,218
Commitments and contingencies (Note 12)			
Stockholders' equity:			
Common Stock, par value $0.001 per share, 4,000,000 shares authorized, 3,238,427 shares issued and outstanding	3	3	3
Additional paid-in capital	457,585	459,778	409,883
Accumulated deficit	(377,822)	(338,611)	(245,481)
Accumulated other comprehensive loss	—	(28)	(75)
Total stockholders' equity	79,766	121,142	164,330
Total liabilities and stockholders' equity	$ 241,618	$ 317,645	$ 419,548

See accompanying notes to these consolidated financial statements.

Cricut, Inc.
Consolidated Statements of Operations and Comprehensive Income
(in thousands, except share and per share amounts)

	Year Ended December 31,		Nine Months Ended September 30	
	2018	2019	2019	2020
			(unaudited)	
Revenue:				
Connected machines	$ 147,081	$ 198,144	$ 118,183	$ 245,799
Subscriptions	31,300	53,829	38,218	74,414
Accessories and materials	161,407	234,581	156,522	267,851
Total revenue	339,788	486,554	312,923	588,064
Cost of revenue:				
Connected machines	127,546	176,894	100,658	205,645
Subscriptions	5,027	8,827	6,079	8,961
Accessories and materials	96,119	158,483	103,954	165,833
Total cost of revenue	228,692	344,204	210,691	380,439
Gross profit	111,096	142,350	102,232	207,625
Operating expenses:				
Research and development	24,056	26,674	19,037	27,784
Sales and marketing	30,698	40,110	27,927	39,544
General and administrative	18,363	22,005	13,228	19,368
Total operating expenses	73,117	88,789	60,192	86,696
Income from operations	37,979	53,561	42,040	120,929
Other income (expense):				
Interest income (expense), net	(1,934)	(3,291)	(2,062)	(1,081)
Other income (expense), net	108	(2)	(1)	(163)
Total other income (expense), net	(1,826)	(3,293)	(2,063)	(1,244)
Income before provision for income taxes	36,153	50,268	39,977	119,685
Provision for income taxes	8,721	11,057	8,555	26,555
Net income	$ 27,432	$ 39,211	$ 31,422	$ 93,130
Other comprehensive loss:				
Foreign currency translation adjustment	—	(28)	1	(47)
Comprehensive income	$ 27,432	$ 39,183	$ 31,423	$ 93,083
Net income attributable to common stockholders	49,337	39,211	31,422	93,130
Earnings per share attributable to common stockholders, basic and diluted	$ 15.23	$ 12.11	$ 9.70	$ 28.76
Weighted-average common shares outstanding used to compute earnings per share attributable to common stockholders, basic and diluted	3,238,427	3,238,427	3,238,427	3,238,427

See accompanying notes to these consolidated financial statements.

Cricut, Inc.
Consolidated Statements of Stockholders' Equity
(in thousands, except share amounts)

	Common Stock				Additional		Accumulated Other	Total
	Common stock		Class L		Paid-In	Accumulated	Comprehensive	Stockholders'
	Shares	Amount	Shares	Amount	Capital	Deficit	Loss	Equity
Balance as of January 1, 2018	3,238,427	$ 3	333,639	$ 3	$ 444,438	$ (405,254)	$ —	$ 39,190
Net income	—	—	—	—	—	27,432	—	27,432
Capital contributions	—	—	—	—	2,675	—	—	2,675
Stock-based compensation	—	—	—	—	10,766	—	—	10,766
Compensatory units repurchased	—	—	—	—	(297)	—	—	(297)
Cancellation of Class L Common Stock	—	—	(333,639)	(3)	3	—	—	—
Balance as of December 31, 2018	3,238,427	$ 3	—	$ —	$ 457,585	$ (377,822)	$ —	$ 79,766
Net income	—	—	—	—	—	39,211	—	39,211
Capital contributions	—	—	—	—	1,296	—	—	1,296
Stock-based compensation	—	—	—	—	1,625	—	—	1,625
Compensatory units repurchased	—	—	—	—	(728)	—	—	(728)
Other comprehensive loss	—	—	—	—	—	—	(28)	(28)
Balance as of December 31, 2019	3,238,427	$ 3	—	$ —	$ 459,778	$ (338,611)	$ (28)	$ 121,142
Net income (unaudited)	—	—	—	—	—	93,130	—	93,130
Capital contributions (unaudited)	—	—	—	—	1,087	—	—	1,087
Stock-based compensation (unaudited)	—	—	—	—	3,258	—	—	3,258
Compensatory units repurchased (unaudited)	—	—	—	—	(3,038)	—	—	(3,038)
Cash dividends (unaudited)	—	—	—	—	(51,202)	—	—	(51,202)
Other comprehensive loss (unaudited)	—	—	—	—	—	—	(47)	(47)
Balance as of September 30, 2020 (unaudited)	3,238,427	$ 3	—	$ —	$ 409,883	$ (245,481)	$ (75)	$ 164,330
Balance as of December 31, 2018	3,238,427	$ 3	—	$ —	$ 457,585	$ (377,822)	$ —	$ 79,766
Net income (unaudited)	—	—	—	—	—	31,422	—	31,422
Capital contributions (unaudited)	—	—	—	—	845	—	—	845
Stock-based compensation (unaudited)	—	—	—	—	1,199	—	—	1,199
Compensatory units repurchased (unaudited)	—	—	—	—	(690)	—	—	(690)
Other comprehensive income (unaudited)	—	—	—	—	—	—	1	1
Balance as of September 30, 2019 (unaudited)	3,238,427	$ 3	—	$ —	$ 458,939	$ (346,400)	$ 1	112,543

See accompanying notes to these consolidated financial statements.

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

	Year Ended December 31,		Nine Months Ended September 30	
	2018	2019	2019	2020
			(unaudited)	
Cash flows from operating activities:				
Net income	$ 27,432	$ 39,211	$ 31,422	$ 93,130
Adjustments to reconcile net income to net cash and cash equivalents provided by (used in) operating activities:				
Depreciation and amortization (including amortization of debt issuance costs)	8,055	9,178	6,351	10,136
Impairment of trade name	1,453	747	747	—
Stock-based compensation	10,378	1,845	1,197	4,961
Deferred income tax	2,708	(1,257)	—	—
Loss on disposal of property and equipment	5	16	16	—
Provision for inventory obsolescence	1,405	5,193	2,348	2,186
Provision for doubtful accounts	6	699	27	469
Loss on extinguishment of debt	—	—	—	162
Changes in operating assets and liabilities:				
Accounts receivable	(15,023)	(4,876)	2,295	(41,374)
Inventories	(85,148)	(73,233)	(101,883)	4,404
Prepaid expenses and other current assets	(3,484)	4,550	4,202	(1,036)
Other assets	185	(79)	(13)	(637)
Accounts payable	30,059	10,340	29,506	96,434
Accrued expenses and other current liabilities and other non-current liabilities	9,849	7,454	6,887	13,244
Deferred revenue	3,816	4,073	1,553	5,324
Net cash and cash equivalents (used in) provided by operating activities	(8,304)	3,861	(15,345)	187,403
Cash flows from investing activities:				
Acquisitions of property and equipment, including costs capitalized for development of internal use software	(8,114)	(14,095)	(10,545)	(16,883)
Net cash and cash equivalents used in investing activities	(8,114)	(14,095)	(10,545)	(16,883)
Cash flows from financing activities:				
Proceeds from capital contributions	2,675	1,296	846	1,087
Repurchase of compensatory units	(297)	(728)	(690)	(3,038)
Payments on term loan	(4,000)	(4,417)	(3,167)	(22,917)
Drawdowns on revolving loan	356,826	502,730	348,130	228,269
Payments on revolving loan	(337,582)	(487,755)	(321,715)	(260,862)
Payments on capital leases	(180)	(127)	(99)	(63)
Payments for debt issuance costs	—	(103)	(103)	(795)
Payments for deferred offering costs	—	—	—	(106)
Cash dividend	—	—	—	(51,202)
Net cash provided by (used in) financing activities	17,442	10,896	23,202	(109,627)
Effect of exchange rate on changes on cash and cash equivalents	—	(25)	1	(39)
Net increase in cash and cash equivalents	1,024	637	(2,687)	60,854
Cash and cash equivalents at beginning of year	4,992	6,016	6,016	6,653
Cash and cash equivalents at end of year	$ 6,016	$ 6,653	$ 3,329	$ 67,507
Supplemental disclosures of cash flow information:				
Cash paid during the year for interest	$ 1,945	$ 3,301	$ 2,063	$ 1,305
Cash paid during the year for taxes	$ 5,800	$ 6,652	$ 4,526	$ 25,091
Supplemental disclosures of non-cash investing and financing activities:				
Property and equipment included in accounts payable	$ 776	$ 4,245	$ 499	$ 788
Refinance of credit facility	$ —	$ 11,667	$ 11,667	$ —
Stock-based compensation capitalized for software development costs	$ 413	$ 85	$ 65	$ 181
Deferred offering costs in accounts payable and accrued expenses and other current liabilities	$ —	$ —	$ —	$ 500

See accompanying notes to these consolidated financial statements.

1. Description of Business and Basis of Presentation

Nature of Business

Cricut, Inc. ("Cricut" or the "Company") is a designer and marketer of a creativity platform that enables users to turn ideas into professional-looking handmade goods. Using the Company's versatile connected machines, design apps and accessories and materials, users create everything from personalized birthday cards, mugs and T-shirts to large-scale interior decorations. The Company's connected machines and related accessories and materials and subscription services are primarily marketed under the Cricut brand in the United States, as well as Europe and other countries of the world. Headquartered in South Jordan, Utah, the Company is an innovator in its industry, focused on bringing innovative technology (automation and consumerization of industrial tools) to the craft, DIY and home décor categories. The Company's consolidated financial statements include the operations of its wholly owned subsidiaries, Cricut, UK Limited and Cricut ANZ Pty Ltd, both formed during the year ended December 31, 2019.

The Company designs, markets and distributes the Cricut family of products, including connected machines, design apps and accessories and materials. In addition, Cricut sells a broad line of images, fonts and projects for purchase à la carte.

On September 2, 2020, Cricut converted from a Utah corporation to a Delaware corporation. In connection with such conversion, each share of Class A common stock, par value $0.01, of the Utah corporation was exchanged for one share of common stock of the Delaware corporation, par value $0.001. All common stock and additional paid-in capital amounts have been adjusted to reflect this change in par value on a retroactive basis for all periods presented.

Cricut is wholly owned by Cricut Holdings, LLC ("Cricut Holdings").

The Company organizes its business into the following three reportable segments: Connected Machines, Subscriptions and Accessories and Materials. See Note 16, Segment Information, for further discussion of the Company's segment reporting structure.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States ("GAAP"). Certain prior year reported amounts have been reclassified to conform with the current period presentation.

Principles of Consolidation

The consolidated financial statements include the accounts of Cricut, Inc. and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Unaudited Interim Consolidated Financial Statements

The accompanying interim consolidated balance sheet as of September 30, 2020 and the interim consolidated statements of operations and comprehensive income, changes in stockholders' equity, and cash flows, for the nine months ended September 30, 2019 and 2020 and the related notes to such interim consolidated financial statements are unaudited. These unaudited interim consolidated financial statements are presented in accordance with the rules and regulations of the U.S. Securities and Exchange Commission and do not include all disclosures normally required in annual consolidated financial statements prepared in accordance with U.S. GAAP. In management's opinion, the unaudited interim consolidated financial statements have been prepared on the same basis as the annual financial statements and reflect all adjustments, which include only normal recurring adjustments necessary for the fair

statement of the Company's financial position as of September 30, 2020 and the Company's consolidated results of operations and cash flows for the nine months ended September 30, 2019 and 2020. The results of operations for the nine months ended September 30, 2020 are not necessarily indicative of the results to be expected for the full year or any other future interim or annual period.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. For revenue recognition, examples of estimates and judgments include: determining the nature and timing of satisfaction of performance obligations, determining the standalone selling price ("SSP") of performance obligations, estimating variable consideration such as sales incentives and product returns. Other estimates include the warranty reserve, allowance for doubtful accounts, inventory reserve, intangible assets and other long-lived assets valuation, legal contingencies, stock-based compensation, income taxes, deferred tax assets valuation and internally developed software, among others. These estimates and assumptions are based on the Company's best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the economic environment, which management believes to be reasonable under the circumstances. Management adjusts such estimates and assumptions when facts and circumstances dictate. Actual results could differ from these estimates.

Comprehensive Income

Comprehensive income consists of two components: net income and other comprehensive loss. Other comprehensive loss refers to net gains and losses that are recorded as an element of stockholders' equity but are excluded from net income. The Company's other comprehensive loss consists of foreign currency translation adjustments from those subsidiaries not using the U.S. dollar as their functional currency.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents include money market funds and are stated at fair value.

Accounts Receivable

Accounts receivable are recorded at original invoice amounts less estimates for doubtful accounts. Management determines the allowance for doubtful accounts by specifically identifying troubled accounts and by using historical write off experience applied to an aging of all other accounts. Accounts receivable are written off when deemed uncollectible. Provisions for uncollectable accounts are recorded based upon historical data and estimates. Recoveries of accounts receivable previously written off are recorded when received. Accounts receivable consist of the following:

	December 31,		September 30,
	2018	2019	2020
(in thousands)			(unaudited)
Trade accounts receivable	$ 60,849	$ 65,197	$ 104,314
Other receivables	431	490	2,649
Less: Allowance for doubtful accounts	(25)	(252)	(622)
Total accounts receivable, net	$ 61,255	$ 65,435	$ 106,341

The movements in the allowance for doubtful accounts were not material for any of the periods presented.

Concentration of Credit Risk

The Company maintains cash and cash equivalents in deposit accounts at financial institutions that, at times, may significantly exceed federally insured limits. Historically, the Company has not experienced any losses related to such accounts. The Company's non-interest bearing cash balances at December 31, 2018 and 2019 and September 30, 2020 (unaudited) were fully insured up to $250,000 per depositor at each financial institution, and the Company's non-interest bearing cash balances may significantly exceed federally insured limits.

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist primarily of trade receivables. In the normal course of business, the Company provides credit terms to its customers. Accordingly, the Company performs ongoing credit evaluations of its customers, generally does not require collateral and considers the credit risk profile of the customer from which the receivable is due in further evaluating collection risk. The Company maintains allowances for possible losses which, when realized, have been within the range of management's expectations. If one or more of the Company's significant customers were to become insolvent or were otherwise unable to pay for product purchased, it would have a material adverse effect on the Company's financial condition and results of consolidated operations. Customers that accounted for 10% or greater of accounts receivable, net as at December 31, 2018 and 2019 and September 30, 2020 (unaudited) were as follows:

	December 31,		September 30,
	2018	2019	2020 (unaudited)
Customer A	24%	27%	*
Customer B	20%	19%	30%
Customer C	17%	17%	17%
Customer D	26%	14%	17%

* Accounts receivable balance was less than 10%.

Customers with revenue equal to or greater than 10% of total revenue for the periods indicated were as follows:

	Year Ended December 31,		Nine Months Ended September 30	
	2018	2019	2019	2020
			(unaudited)	
Customer A	11%	12%	11%	*
Customer B	14%	11%	12%	13%
Customer C	*	*	*	13%
Customer D	22%	21%	22%	16%

* Revenue was less than 10%.

The revenue from these customers is associated with the Connected Machines and Accessories and Materials segments.

Supplier Concentration

The Company relies on third parties for the supply and manufacture of its products, as well as third-party logistics providers. In instances where these parties fail to perform their obligations, the Company may be unable to find alternative suppliers or satisfactorily deliver its products to its customers on time, if at all.

We rely on single source, or a small number of suppliers. For the fiscal year ended December 31, 2018, the Company's top three vendors accounted for approximately 82% of total finished goods purchases. For the fiscal year ended December 31, 2019, the Company's top two vendors accounted for approximately 84% of total finished goods purchases. For the nine months ended September 30, 2020 (unaudited), the Company's top two vendors accounted for approximately 77% of total finished goods purchases.

Inventories

Inventories, which primarily consist of finished goods, are valued at the lower of average cost or net realizable value. Net realizable value is defined as estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. Assessments to value the inventory at the lower of the average cost to purchase the inventory, or the net realizable value of the inventory, are based upon assumptions about future demand, physical deterioration, changes in price levels and market conditions. As a result of the Company's assessments, when the net realizable value of inventory is less than the carrying value, the inventory cost is written down to the net realizable value and the write down is recorded as a charge to cost of revenue. Inventories include indirect acquisition and production costs that are incurred to bring the inventories to their present condition and location. Inventories are recorded net of reserves for obsolescence. Once established, the original cost of the inventory less the related inventory reserve represents the new cost basis of such products.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization. Major additions and improvements are capitalized, while minor repairs and maintenance costs are expensed when incurred. Manufacturing tools include tools and molds used in the production process. Expenditures for tools and molds are capitalized and depreciated over the estimated useful lives of the assets. The Company capitalizes eligible costs to develop or acquire internal-use software and those capitalized costs are depreciated on a straight-line basis over the estimated useful lives of the assets. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in the consolidated statements of operations. Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the related assets.

The Company uses the following estimated useful lives:

Computer software, internal-use software and equipment	3-5 years
Furniture and fixtures	5-7 years
Manufacturing tools and equipment	3-5 years
Vehicles	5 years
Leasehold improvements	Shorter of lease term or remaining life of the asset

Legal Contingencies

Liabilities for legal contingencies arising from claims, assessments, litigation, fines and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment can be reasonably estimated. If a loss is reasonably possible and the loss or range of loss can be reasonably estimated, the Company discloses the possible loss or states that such an estimate cannot be made. See Note 12.

Debt Issuance Costs

Third-party costs incurred to obtain debt financing are capitalized and amortized using the effective interest method over the life of the debt instruments.

Costs incurred by the lender and paid by the Company for term debt are recorded as a reduction of the debt proceeds (debt discount) and are amortized to interest expense (see Note 8). Costs incurred by the lender and paid by the Company for the revolver debt are recorded as other assets and amortized over the term of the revolver.

Deferred Offering Costs

The Company recorded deferred offering costs of $0.6 million as other assets on the consolidated balance sheet as of September 30, 2020 (unaudited) and consist of costs incurred in connection with the Company's planned IPO, including legal, accounting, printing and other IPO-related costs. Upon completion of the IPO, these deferred offering costs will be reclassified to stockholders' equity and recorded against the proceeds from the offering. If the Company terminates its planned IPO or if there is a significant delay, all deferred offering costs will be immediately charged to operating expenses in the consolidated statements of operations. As of December 31, 2018 and 2019, the Company had not incurred such costs.

Impairment of Long-lived Assets

The Company assesses potential impairments to its long-lived assets, including intangible assets subject to amortization, on an annual basis or when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset may not be recovered. The Company regularly evaluates whether events or circumstances have occurred that indicate possible impairment and relies on a number of factors, including results of operations, business plans, economic projections and anticipated future cash flows. An impairment loss is recognized when the carrying amount of the long-lived asset is not recoverable and exceeds its fair value. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. Any required impairment loss is measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value and is recorded as a reduction in the carrying value of the related asset and a charge to the consolidated statement of operations. During the years ended December 31, 2018 and 2019 and the nine months ended September 30, 2019 (unaudited), the Company recorded $1.5 million, $0.7 million and $0.7 million in impairment relating to its amortized intangible assets, respectively (see Note 6). During the nine months ended September 30, 2020 (unaudited), the Company recorded no impairments relating to amortized intangible assets. During the years ended December 31, 2018 and 2019 and the nine months ended September 30, 2019 and 2020 (unaudited), the Company recorded no impairments for certain long-lived property and equipment (see Note 5).

Fair Value of Financial Instruments

The Company's financial instruments include cash, accounts receivable, accounts payable and loans. At December 31, 2018 and 2019 and September 30, 2020 (unaudited), the carrying amounts of cash, accounts receivable, accounts payable and loans approximate fair values because of the short-term nature of these instruments or based on the contractual terms of the long-term debt instruments and market-based expectations.

Fair Value Measurement

The Company measures at fair value certain of its financial and non-financial assets and liabilities by using a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, essentially an exit price, based on the highest and best use of the asset or liability. Fair value is affected by a number of factors, including the type of asset or liability, the characteristics specific to the asset or liability and the state of the marketplace

including the existence and transparency of transactions between market participants. The Company estimates fair value for the assets and liabilities measured and reported at fair value on a recurring or non-recurring basis by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement.

- Level I – Quoted prices are available in active markets for identical assets and liabilities as of the reporting date.
- Level II – Significant other observable inputs (e.g. quoted prices for similar items in active markets, quoted prices for identical or similar items in markets that are not active, inputs other than quoted prices that are observable, such as interest rate and yield curves and market-corroborated inputs). Pricing inputs are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.
- Level III – Pricing inputs are unobservable for the assets and liabilities and includes situations where there is little, if any, market activity for the assets and liabilities. The inputs into the determination of fair value require significant management judgment or estimation.

The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

The Company's non-financial assets and liabilities, which include intangible assets and property and equipment, are not required to be carried at fair value on a recurring basis. However, if certain triggering events occur such that a non-financial instrument is required to be evaluated for impairment, based upon a comparison of the non-financial instrument's fair value to its carrying value, an impairment is recorded to reduce the carrying value to the fair value, if the carrying value exceeds the fair value. The inputs for fair value calculations of intangible assets and property and equipment, would be based on Level 3 inputs as data used for such fair value calculations would be based on discounted cash flows that are not observable from the market, directly or indirectly. The key variables that drive the discounted cash flow analysis are estimated revenue growth rates, levels of profitability, the terminal value growth rate assumptions and the weighted average cost of capital rate applied, among others.

No long-lived assets were measured at fair value on a recurring basis, and financial instruments measured at fair value on a recurring basis were not material at each of December 31, 2018 and 2019 and September 30, 2020 (unaudited).

Money market funds are highly liquid investments and are actively traded. The pricing information for the Company's money market funds are readily available and can be independently validated as of the measurement date. This approach results in the classification of these securities as Level 1 of the fair value hierarchy. There were no transfers between Levels 1, 2 or 3 for any of the periods presented. As of December 31, 2018 and December 31, 2019, the Company did not hold money market funds. As of September 30, 2020 (unaudited), the Company held $54.7 million in money market funds with no unrealized gains or losses.

Earnings Per Share

For 2018, the Company computed net income per share using the two-class method required for participating securities as its outstanding stock was comprised of both Class A common stock and Class L common stock prior to the cancellation of Class L common stock during the year ended December 31, 2018. The two-class method requires income available to common stockholders for the period to be allocated between common stock and participating securities based upon their respective rights to receive dividends as if all income for the period had been distributed. In calculating earnings per share, the Company's Class L common stock was considered preferred stock due to its cumulative dividend, liquidation preference and no voting rights. Shares of Class L common stock were participating securities as Class L common stockholders would have participated ratably in dividends paid to Class A common stockholders.

Basic earnings per share is computed using the weighted-average number of outstanding shares of common stock during the period. Diluted earnings per share is computed using the weighted-average number of outstanding shares of common stock and, when dilutive, potential shares of common stock outstanding during the period. Undistributed earnings allocated to participating securities, including undeclared current period cumulative dividends are subtracted from net income in determining net income attributable to common stockholders. During the fiscal year ended December 31, 2018, the Class L common stock was extinguished and the difference between the carrying value of Class L common stock at the time of cancellation and the consideration received by Class L common stockholders was treated as a deemed contribution and has been added to net income to arrive at net income attributable to Class A common stockholders.

Revenue Recognition

The Company derives the majority of its revenue from the sale of connected machines, digital content subscriptions and accessories and materials. The Company markets and sells its products to customers, which include brick-and-mortar and online retail partners as well as users that purchase from the Company's website at cricut.com.

The Company determines revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when, or as, the Company satisfies a performance obligation.

Revenue is recognized when control of the promised goods or services is transferred to the Company's customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. Revenue is recorded at the net sales price, which includes estimates of variable consideration such as product returns, volume rebates and other incentive adjustments or discounts. The estimates of variable consideration are based on historical return experience, historical and projected sales data and current contract terms.

Taxes collected from customers relating to product sales and remitted to governmental authorities are excluded from revenue. The Company accounts for shipping and handling activities performed after a customer obtains control of the goods as activities to fulfill the promise to transfer the good. The Company does not incur significant costs to obtain contracts with customers.

The following describes the nature of the Company's primary types of revenue and the revenue recognition policies and significant payment terms as they pertain to the types of transactions with its customers.

Connected Machines

Connected machines include Cricut Joy, Cricut Explore and Cricut Maker. Payment for sale of products online through the online channel at cricut.com is collected at point of sale in advance of shipping the products. Payment by traditional brick-and-mortar retail partners, including their online channels, is due under customary fixed payment terms. The Company's contracts with customers for a connected machine contain multiple promises that include hardware, software, unspecified future upgrades and enhancements related to the software and access to the Company's cloud-based services. Determining whether products and services are considered distinct performance obligations that should be accounted for separately requires significant judgment. The Company's software used to design, cut and complete projects can be accessed offline or with the cloud-based services at no charge. When accessed with the cloud-based services, users are also able to sync projects across various devices. The connected machines are not

able to function without the software, inclusive of firmware and the downloadable software. Together the hardware and software are inputs into providing the essential functionality of the connected machines and are accounted for as a single performance obligation. Revenue is recognized for the single performance obligation of hardware with essential software at a point-in-time when control is transferred, which is either upon shipment or delivery of goods, in accordance with the terms of each contract with the customer.

The promise to provide the customer with unspecified future upgrades and enhancements related to the essential software and the promise to provide access to the Company's cloud-based services are both distinct performance obligations that provide incremental benefits to the connected machines and are recognized using a time-based output measure over the service period as the customer consumes the benefit of the service each day. The Company estimates the service period since it is not contractually stated. In developing the estimated period of providing future services, the Company considers past history, plans to continue to provide services, expected technological developments, obsolescence, competition and other factors. The estimated service period may change in the future in response to competition, technology developments and the Company's business strategy.

Judgment is required to determine the SSP for each distinct performance obligation. The Company allocates revenue to each performance obligation based on their relative SSP. The Company estimates SSP for items that are not sold separately, which include the connected machines and related software, unspecified software upgrades and cloud-based services using information that may include the range of prices for the bundle of products and services and the cost of providing the products or services plus a reasonable margin. In developing SSP estimates, the Company also considers the nature of the products and services and the expected level of future services. SSP of the hardware and essential software reflects the Company's best estimate of the selling price if it was sold regularly on a standalone basis and comprises the majority of the contract value.

Subscriptions

The Company's paid subscription services relate to Cricut Access and Cricut Access Premium which provide users access to images, fonts and projects, which is in addition to the free service of unspecified future upgrades and enhancements related to the essential software and access to the Company's cloud-based services noted above. The paid subscription services are offered on a month-to-month or annual basis. Payments for subscription services are due month-to-month or annually in advance. Cricut Access and Cricut Access Premium are generally sold in standalone contracts and reallocations are not required. Revenue related to subscriptions is recognized ratably over the length of the subscription using a time-based output measure as the customer consumes the benefit of the service each day.

Accessories and Materials

The Company also sells accessories and materials (both physical and digital) which generally consist of a single performance obligation and reallocations are not required. Revenue from accessories and materials is recognized at a point-in-time when control is transferred, either upon shipment or delivery of goods, in accordance with the terms of each contract with the customer, or in the case of digital goods, at a point-in-time when the goods are made available to the customer. Payment for sale of accessories and materials through the online channel at cricut.com is collected at point of sale in advance of shipping the products. Payment by traditional brick-and-mortar retail partners, including their online channels, is due under customary fixed payment terms.

Cost of Revenue

Connected Machines

Cost of revenue related to Connected Machines consists of product costs, including costs of contract manufacturers for production, inspecting and packaging, shipping, receiving, handling, warehousing and fulfillment, duties and other applicable importing costs, warranty replacement, excess and obsolete inventory write-downs, tooling and equipment depreciation and royalties.

Subscriptions

Cost of revenue related to Subscriptions consists primarily of hosting fees, digital content costs, amortization of capitalized software development costs and software maintenance costs.

Accessories and Materials

Costs of revenue related to Accessories and Materials consists of product costs, including costs of components, costs of contract manufacturers for production, inspecting and packaging, shipping, receiving, handling, warehousing and fulfillment, duties and other applicable importing costs, warranty replacement, excess and obsolete inventory write-downs, tooling and equipment depreciation and royalties.

Customer Rebates

The Company participates in promotional and rebate programs with our key brick-and-mortar and online retail partners to enhance the sale of its products. These promotional programs consist of incentives to the Company's customers, such as advertising allowances, volume and growth incentives, business development, product damage allowances and point-of-sale support. Sales incentives are considered to be variable consideration, which the Company estimates using the expected value method or most likely amount, based upon the nature of the incentive. Sales are reduced by the cost of these promotional and rebate programs and the Company records a related customer rebate liability in its consolidated balance sheets at the date of the transaction.

In limited cases where the customer rebate is specifically for co-operative marketing or advertising campaigns, the Company classifies these expenditures as selling and marketing expenses only if they meet the criteria of being a distinct good or service, are distinct within the context of the contract and the fair value is readily estimable.

Sales Refund Liability

The Company provides its customers a limited right of return with the sale of its products. The Company estimates sales returns and records reserves at the time the related sales are recorded based on historical data and current economic trends. Actual sales returns could differ from these estimates. The Company regularly assesses and adjusts the estimate of accrued sales returns by updating the return rates for actual trends and projected costs. The Company classifies the estimated sales returns as a current liability as they are expected to be paid out in less than one year using the expected-value method. The estimated sales returns are recorded as a reduction of revenue at the time of sale and recorded as a liability on the consolidated balance sheets. At the same time this is recorded, a right of recovery asset is also recorded within inventory. The movements in the sales refund liability were not material for any of the periods presented.

Warranty Reserves

The Company provides an assurance-type limited warranty on most of the products sold. The estimated warranty costs, which are expensed at the time of sale and included in cost of revenue, are based on the results of product testing, industry and historical trends and warranty claim rates incurred and are adjusted for any current or expected trends as appropriate. Actual warranty claim costs could differ from these estimates. The Company regularly assesses and adjusts the estimate of accrued warranty claims by updating claims rates for actual trends and projected claim costs.

Changes in the reserve for product warranties were as follows:

	December 31,		September 30,	
	2018	2019	2019	2020
(in thousands)			(unaudited)	
Warranty reserve, beginning of period	$ 399	$ 510	$ 510	$ 633
Additions charged to cost of revenue	827	1,014	492	1,362
Repairs and replacements	(716)	(891)	(559)	(1,144)
Warranty reserve, end of period	$ 510	$ 633	$ 443	$ 851

Income Taxes

The Company uses the asset and liability method of accounting for income taxes. The Company recognizes deferred tax liabilities and assets for the expected future income tax consequences of events that have been recognized in the Company's consolidated financial statements. As such, deferred tax assets and liabilities are determined based on temporary differences between the financial carrying amounts and the tax basis of assets and liabilities using enacted tax rates in effect in the years in which the temporary differences are expected to reverse. On a periodic basis, the Company assesses the probability that its deferred tax assets, if any, will be recovered. If after evaluating all of the positive and negative evidence, a conclusion is made that it is more likely than not that some portion or all of the deferred tax assets will not be recovered, a valuation allowance is provided by a charge to tax expense to reserve the portion of the deferred tax assets which are not expected to be realized.

Under literature related to uncertain tax provisions, the Company reviews its filing positions for all open tax years in all U.S. federal and state jurisdictions where the Company is required to file. The Company recognizes a liability for each uncertain tax position at the amount estimated to be required to settle the issues.

The Company's practice is to recognize interest and/or penalties related to income tax matters in income tax expense. For the years ended December 31, 2018 and 2019 and nine months ended September 30, 2019 and 2020 (unaudited), interest or penalties related to income tax matters included in the provision for income taxes have not been material.

Sales Taxes

South Dakota v. Wayfair is a U.S. Supreme Court case that was decided on June 21, 2018 that nullified the physical presence precedent established by *Quill Corp. v North Dakota* in 1992. The overarching effect of the Wayfair case was that state governments were given the power to impose sales tax on the shipment of goods to customers located within their state boundary even if the seller did not have a physical presence within the state. As such, the Company is required by certain governmental authorities to collect sales taxes on certain transactions. The Company currently collects and reports on sales tax in all states in which it does business. However, the application of existing, new or revised taxes on our business, in particular, sales taxes, VAT and similar taxes would likely increase the cost of doing business online and decrease the attractiveness of selling products over the Internet. The application of these taxes on our business could also create significant increases in internal costs necessary to capture data and collect and remit taxes. There have been, and will continue to be, substantial ongoing costs associated with complying with the various indirect tax requirements in the numerous markets in which we conduct or will conduct business. The Company conducts ongoing analysis on state sales tax nexus regulations to determine where collection is necessary. The Company accounts for sales taxes as part of accrued expenses and excludes them from revenue.

Stock-Based and Stock-Equivalent Compensation

Cricut Holdings has granted to certain of the Company's employees common incentive units, which include incentive units with a participation threshold and zero strike price incentive units ("CIUs"). CIUs entitle recipients certain interests in Cricut Holdings upon satisfaction of service, performance or market conditions. The awards are equity classified awards. As of December 31, 2019 and September 30, 2020 (unaudited), all outstanding equity-based awards are in the parent company, Cricut Holdings. As the awards are issued by Cricut Holdings, the Company records a capital contribution from Cricut Holdings commensurate with the amount of compensation expense recorded by the Company. The Company records compensation expense for all stock-based awards granted based on the fair value of the award at the time of the grant. Stock-based compensation costs are recognized as expense over the requisite service period, which is generally the vesting period, on a straight-line basis for awards with only a service condition. The graded vesting method is used for awards that have service and other conditions. Forfeitures are accounted for as they occur.

Cricut Holdings has granted to certain of the Company's employees incentive unit equivalents (phantom units) which entitle the recipient to receive future compensation based upon satisfaction of service conditions. The amount of compensation is determined by the change in the underlying value of Cricut Holdings common units. The awards are liability classified awards. Since the awards also have a market condition, the Company records stock-based compensation expense over the requisite service period using the graded vesting method. The stock-based equivalent awards are recorded at fair value and are required to be re-measured at fair value at each reporting period during the period from the date of grant through the settlement date. Fair value re-measurement increases and decreases will be recognized as compensation cost over the requisite service period.

The Company estimates the fair value of awards with time-based or performance-based vesting provisions using the Black-Scholes method. The fair value of awards subject to market conditions is estimated using a Geometric Brownian Motion Stock Path Monte Carlo Simulation ("Monte Carlo Simulation"). The determination of the grant date fair value of the awards issued is affected by a number of variables, including the fair value of Cricut Holdings' units, the expected unit price volatility over the expected life of the awards, the expected term of the award, risk-free interest rates, the expected dividend yield of Cricut Holdings' units and the likelihood of termination. The Company derives its volatility from the average historical stock volatilities of peer public companies over a period equivalent to the expected term of the awards. The Company estimates the expected term based on the expected time to a liquidation event or other transaction that would result in settlement of the award. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant. Expected dividend yield is 0.0% as Cricut Holdings has not paid and does not anticipate paying dividends on its common units other than a one-time dividend paid in 2020. Likelihood of termination for the Monte Carlo Simulation is estimated based upon both historical turnover and anticipated turnover based upon Company or market pressures.

Common Unit Valuations

Fair value of the underlying common units of Cricut Holdings has historically been determined by Cricut Holdings' Board of Managers ("Board of Managers") on the date of grant for all awards granted. In the absence of a public trading market, the Board of Managers, with input from management, exercises significant judgment and consider numerous objective and subjective factors to determine the fair value of Cricut Holdings' common units as of the date of each award grant, including:

- relevant precedent transactions involving Cricut Holdings' capital units;
- Cricut Holdings' actual consolidated operating and financial performance;
- current business conditions and projections;
- Cricut Holdings' stage of development;
- the likelihood and timing of achieving a liquidity event, such as an initial public offering, given prevailing market conditions;

- any adjustment necessary to recognize a lack of marketability of the common units;
- the market performance of comparable publicly traded companies; and
- U.S. and global capital market conditions.

In addition, Cricut Holdings' Board of Managers considers the independent valuations completed by a third-party valuation consultant. The valuations of Cricut Holdings' common units are determined in accordance with the guidelines outlined in the American Institute of Certified Public Accountants Practice Aid, Valuation of Privately-Held-Company Equity Securities Issued as Compensation.

Shipping and Handling Revenue and Expenses

Shipping and handling revenue for orders placed by customers is recognized at the time of the sale. Shipping and handling expenses incurred by the Company related to these sales are considered fulfilment costs and reported as costs of revenue at the time of the sale.

Advertising Costs

The Company incurs advertising costs associated with print, digital and other related broadcast advertisements. Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2018 and 2019 was $2.7 million and $4.2 million, respectively, and was $2.3 million and $9.0 million for the nine months ended September 30, 2019 and 2020 (unaudited), respectively. Advertising costs include expenditures for shared advertising costs that the Company incurs under its co-operative advertising programs to the extent the fair value of the distinct good or service can reasonably be estimated.

Research and Development ("R&D")

R&D expense consists of costs associated primarily with engineering, product development, quality assurance, service fees incurred by contracting with vendors and allocated overhead costs. R&D costs are expensed as incurred.

Recently Issued Accounting Standards

Recent accounting standards not yet adopted

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, "Leases" (Topic 842). The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases, including operating leases. Under the new requirements, a lessee will recognize in the statement of financial position a liability to make lease payments (the lease liability) and the right-of-use asset representing the right to the underlying asset for the lease term. For leases with a term of 12 months or less, the lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from previous GAAP. The standard is effective for fiscal years beginning after December 15, 2021, and to interim periods within fiscal years beginning after December 15, 2022. The Company is currently evaluating the standard and the impact on its consolidated financial statements and footnote disclosures.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments – Credit Losses" (Topic 326). ASU 2016-13 modifies the measurement of expected credit losses of certain financial instruments, requiring entities to estimate an expected lifetime credit loss on financial assets. This update is effective for fiscal years and interim periods within those years beginning after December 15, 2022, with early adoption permitted. The Company is currently evaluating the impact this update will have on the Company's consolidated financial statements and footnote disclosures.

In December 2019, the FASB issued ASU No. 2019-12, “Income Taxes” (Topic 740). ASU 2019-12 removes certain exceptions for investments, intraperiod allocations and interim calculations and adds guidance to reduce complexity in accounting for income taxes. ASU 2019-12 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2021, with early adoption is permitted. The Company is currently evaluating the impact this update will have on the Company’s consolidated financial statements and footnote disclosures.

In March 2020, the FASB issued ASU No. 2020-04, “Reference Rate Reform” (Topic 848). This guidance provides temporary optional expedients and exceptions to accounting guidance on contract modifications and hedge accounting to ease entities’ financial reporting burdens as the market transitions from the London Interbank Offered Rate (“LIBOR”) and other interbank offered rates to alternative reference rates. The guidance was effective upon issuance and generally can be applied through December 31, 2022. The Company is currently evaluating the potential impact of adopting this new accounting guidance but does not expect the adoption of the standard to have a material impact on its consolidated financial statements.

Recent accounting standards which have been adopted

In May 2014, in addition to several amendments issued during 2016, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). Topic 606 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The Company adopted this ASU effective January 1, 2018 on a full retrospective basis. Adoption of this standard did not result in significant changes to the Company’s accounting policies, business processes, systems or controls, or have a material impact on the Company’s financial position, results of operations or cash flows. Additional disclosures have been included in accordance with the requirement of Topic 606.

3. Revenue and Deferred Revenue

Deferred revenue relates to performance obligations for which payments have been received by the customer prior to revenue recognition. Deferred revenue primarily consists of deferred subscription-based services. Deferred revenue also includes amounts allocated to the unspecified upgrades and enhancements and the Company’s cloud-based services. The Company had no material contract assets.

The following table summarizes the changes in the deferred revenue balance (in thousands):

	Year Ended December 31,		Nine Months Ended September 30,
	2018	2019	2020
(in thousands)			(unaudited)
Deferred revenue, beginning of period	$ 6,068	$ 10,494	$ 14,566
Recognition of revenue included in beginning of period deferred revenue	(5,408)	(9,424)	(12,227)
Revenue deferred, net of revenue recognized on contracts in the respective period	9,834	13,496	17,551
Deferred revenue, end of period	$ 10,494	$ 14,566	$ 19,890

As of December 31, 2019 and September 30, 2020 (unaudited), the aggregate amount of the transaction price allocated to remaining performance obligations was equal to the deferred revenue balance.

The Company expected the following recognition of deferred revenue as of December 31, 2019:

	Year Ending December 31,			
	2020	2021	2022	Total
	(in thousands)			
Revenue expected to be recognized	$ 13,114	$ 1,057	$ 395	$ 14,566

The Company expected the following recognition of deferred revenue as of September 30, 2020 (unaudited):

	Year Ending December 31,				
	2020	2021	2022	2023	Total
	(in thousands)				
Revenue expected to be recognized	$ 10,470	$ 7,830	$ 1,271	$ 319	$ 19,890

The Company's revenue from contracts with customers disaggregated by major product lines, excluding sales-based taxes, are included in Note 16 under the heading "Segment Information."

Revenue recognized during the nine months ended September 30, 2020 (unaudited) related to performance obligations satisfied or partially satisfied in prior periods was $1.2 million. Revenue recognized during the years ended December 31, 2018 and 2019 related to performance obligations satisfied or partially satisfied in prior periods were not material.

The following table presents the total revenue by geography based on the ship-to address for the periods indicated:

	Year Ended December 31,		Nine Months Ended September 30,	
	2018	2019	2019	2020
(in thousands)			(unaudited)	
North America*	$ 330,050	$ 469,110	$ 302,787	$ 553,556
International	9,738	17,444	10,136	34,508
Total revenue	$ 339,788	$ 486,554	$ 312,923	$ 588,064

*Consists of United States and Canada

4. Inventories

Inventories of finished goods are comprised of the following:

	Year Ended December 31,		September 30,
	2018	2019	2020
(in thousands)			(unaudited)
Inventories held by the Company	$ 143,835	$ 212,911	$ 206,445
Inventories on consignment held at third party locations	1,314	279	411
Total inventories	$ 145,149	$ 213,190	$ 206,856

5. Property and Equipment

The composition of property and equipment is as follows:

(in thousands)	Year Ended December 31, 2018	Year Ended December 31, 2019	September 30, 2020 (unaudited)
Computer software, internal-use software and equipment	$ 29,712	$ 39,436	$ 46,750
Furniture and fixtures	4,170	4,825	5,152
Leasehold improvements	1,046	1,932	2,650
Manufacturing tools and equipment	6,564	11,486	13,112
Vehicles	22	22	22
Assets under construction	1,922	3,366	6,981
Total cost of property and equipment	43,436	61,067	74,667
Less: accumulated depreciation	(27,410)	(35,756)	(45,278)
Property and equipment, net	$ 16,026	$ 25,311	$ 29,389

Depreciation expense for the years ended December 31, 2018 and 2019 was $5.0 million and $8.3 million, respectively, and was $5.8 million and $9.5 million for the nine months ended September 30, 2019 and 2020 (unaudited), respectively. The cost of assets held under capital leases was $1.8 million at December 31, 2018, December 31, 2019 and September 30, 2020 (unaudited), and the related accumulated depreciation for capital lease assets at December 31, 2018, December 31, 2019 and September 30, 2020 (unaudited) was $1.5 million, $1.6 million and $1.7 million, respectively. Property and equipment, along with all other Company assets, including inventory, are pledged as collateral on the term and revolving loan (see Note 8).

6. Intangible Assets

The following is a summary of the Company's intangible assets:

	December 31, 2018		
	Gross Carrying Amount	Accumulated Amortization and Impairment	Net
	(in thousands)		
Trade names and trademarks	$ 43,768	$ (39,221)	$ 4,547
Total intangible assets	$ 43,768	$ (39,221)	$ 4,547

	December 31, 2019		
	Gross Carrying Amount	Accumulated Amortization and Impairment	Net
	(in thousands)		
Trade names and trademarks	$ 42,301	$ (39,261)	$ 3,040
Total intangible assets	$ 42,301	$ (39,261)	$ 3,040

	September 30, 2020		
	Gross Carrying Amount	Accumulated Amortization and Impairment	Net
	(in thousands) (unaudited)		
Trade names and trademarks	$ 42,301	$ (39,831)	$ 2,470
Total intangible assets	$ 42,301	$ (39,831)	$ 2,470

The Company's trade names and trademarks have useful lives ranging from 11 to 15 years. Amortization is expensed on a straight-line basis for all intangible assets, as this is the Company's best estimate of the period of economic benefit to be received.

The Company performed an evaluation of its intangible assets and determined there was an impairment of $1.5 million and $0.7 million during the years ended December 31, 2018 and 2019, respectively, associated with the Company's former trade name and a product trade name which are no longer in use. The 2019 impairment of $0.7 million was recognized during the nine months ended September 30, 2019 (unaudited). These impairment charges were recognized within sales and marketing expense on the Company's consolidated statements of operations. Amortization expense of intangible assets totaled $3.0 million and $0.8 million for the years ended December 31, 2018 and 2019, respectively, and totaled $0.6 million for each of the nine months ended September 30, 2019 and 2020 (unaudited).

As of December 31, 2019, estimated future amortization of intangible assets is as follows:

Year Ending December 31,	Amount (in thousands)
2020	$ 760
2021	760
2022	760
2023	760
Total	$ 3,040

As of September 30, 2020 (unaudited), estimated future amortization of intangible assets is as follows:

Year Ending December 31,	Amount (in thousands) (unaudited)
2020 (excluding the nine months ended September 30, 2020)	$ 190
2021	760
2022	760
2023	760
Total	$ 2,470

7. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following:

	Year Ended December 31,		September 30,
	2018	2019	2020
(in thousands)			(unaudited)
Customer rebates	$ 16,562	$ 16,512	$ 16,915
Other accrued liabilities and other current liabilities	4,696	12,556	26,020
Total accrued expenses	$ 21,258	$ 29,068	$ 42,935

8. Term and Revolving Loan

Historical Term and Revolving Loan

During October 2017, the Company entered into a syndicated Credit Agreement with Origin Bank to provide a Revolving Credit Loan and Term Loan. The amount that could be borrowed under the Revolving Credit Loan was $30.0 million and the amount that could be borrowed under the Term Loan was $20.0 million for a total credit facility of $50.0 million. The Company borrowed $20.0 million under the Term Loan in order to repay and cancel loans to a related party, as well as to its previous lender, Sterling National Bank.

The Term Loan with Origin Bank bore interest at an annual rate equal to the lesser of LIBOR plus 3.0%, or the maximum rate of interest permitted from day-to-day by any applicable state or federal law, with required monthly principal amortization payments of $0.3 million, commencing on December 1, 2017, maturing on October 26, 2022.

On September 7, 2018, the Company amended the Revolving Credit Loan and Term Loan with Origin Bank to increase the amount that could be borrowed under the Revolving Credit Loan from $30.0 million to $50.0 million.

On April 17, 2019, the Company further amended the Credit Agreement with Origin Bank to remove the seasonality restriction on the amount that could be borrowed under the Revolving Credit Loan.

On July 12, 2019, the Company further amended the Credit Agreement with Origin Bank (the “Third Amendment”) to increase the amount that could be borrowed under the Revolving Credit Loan to $80.0 million and the Term Loan commitment to $25.0 million and to amend the interest rates on the Revolving Credit Loan and Term Loan to be LIBOR plus 2.0% to 2.4% and LIBOR plus 2.25%, respectively. The Term Loan has required monthly principal amortization payments of $0.4 million and matures on July 12, 2024. During the years ended December 31, 2018 and 2019, the effective interest rate approximated the stated interest rate. The stated interest rate as of December 31, 2019 on the Term Loan was 4.28%.

Additionally, as part of the Third Amendment, the Company wrote off to interest expense $32,000 in debt issuance costs related to a single lender no longer part of the syndicated loan and third-party fees paid to modify the Term Loan on July 12, 2019. On this date, $0.1 million in new debt issuance costs were also added to the balance. Following the Third Amendment, total debt issuance costs were $0.2 million, of which $0.1 million related to the term loan and $0.1 million related to the Revolving Credit Loan.

The Company’s borrowing capacity on the Revolving Credit Loan is limited to the sum of (a) 85% of eligible accounts receivable as defined by the agreement, (b) 60% of eligible inventory as defined by the agreement and (c) a $7.5 million credit for property and equipment which decreases by $1.0 million annually. The Revolving Credit Loan is subject to availability limitations based on outstanding accounts receivable and inventory balances as reported to Origin Bank and is due on July 12, 2022. The Revolving Credit Loan bears interest at an annual rate equal to the lesser of LIBOR plus a range of 2.0% to 2.4%, or the maximum rate of interest permitted from day-to-day by any applicable state or federal law, and is subject to certain fees including an unused commitment fee of 0.25% which is assessed quarterly. There is no minimum LIBOR rate that may be used for interest calculation purposes. As of December 31, 2018 and 2019, the Company had drawn down $29.3 million and $32.6 million, respectively, on the Revolving Credit Loan. As of December 31, 2019, the Company had $47.4 million available for borrowing under the Revolving Credit Loan.

The Credit Agreement includes several financial and non-financial debt covenants. Management has determined that the Company was in compliance with all financial and non-financial debt covenants as of December 31, 2018 and 2019.

The Term Loan balance consists of the following:

	Year Ended December 31,		September 30,
	2018	2019	2020
(in thousands)			(unaudited)
Term loan	$ 15,667	$ 22,916	$ —
Unamortized debt issuance costs	—	(94)	—
Total Term Loan	$ 15,667	$ 22,822	$ —

Future maturities of the Term Loan as of December 31, 2019 are as follows:

Year Ending December 31,	Amount (in thousands)
2020	$ 5,000
2021	5,000
2022	5,000
2023	5,000
2024	2,916
Total future maturities	$ 22,916

In September 30, 2020 (unaudited), the Term Loan and Revolving Credit Loan were paid in full and had no outstanding balance as of September 30, 2020.

2020 Credit Agreement

In September 2020, the Company entered into the New Credit Agreement with JPMorgan Chase Bank, N.A., Citibank, N.A. and Origin Bank. The New Credit Agreement replaces the prior amended Credit Agreement with Origin Bank. The New Credit Agreement provides for a three-year asset-based senior secured revolving credit facility of up to $150.0 million, maturing on September 4, 2023. During the term of the New Credit Agreement, the Company may increase the aggregate amount of the New Credit Facility by up to an additional $200.0 million, (for maximum aggregate lender commitments of up to $350.0 million), subject to the satisfaction of certain conditions under the New Credit Agreement, including obtaining the consent of the administrative agent and an increased commitment from existing or new lenders. The New Credit Facility may be used to issue letters of credit, and for other business purposes, including working capital needs.

The amount that can be borrowed under the New Credit Facility is limited to the lesser of (a) the borrowing base minus the aggregate revolving exposure or (b) aggregate lender commitments at any given time. The borrowing base is determined according to certain percentages of eligible accounts receivable and eligible inventory (which may be valued at average cost, market value or net orderly liquidation value), subject to reserves determined by the administrative agent. At any time that the Company's borrowing base is less than the aggregate lender commitments, the Company can only borrow revolving loans up to the amount of the Company's borrowing base and not in the full amount of the aggregate lender commitments. As of September 30, 2020 (unaudited), no amount was outstanding under the New Credit Agreement and available borrowings were $81.5 million.

Generally, borrowings under the New Credit Agreement bear interest at a rate based on LIBOR ("Adjusted LIBO rate") or an alternative base rate ("ABR"), plus, in each case, an applicable margin. The applicable margin will range from (a) with respect to borrowings bearing interest at the ABR, 1.50% to 2.00%, and (b) with respect to borrowings bearing interest at the ABR (i) if the "REVLIBOR30 Screen Rate" (as defined in the New Credit Agreement) is available for such period, 1.50% to 2.00%, or (ii) otherwise, 0.0% to 0.50%, in each case for the previous clauses (a) and (b), based on our "Fixed Charge Coverage Ratio" as defined in the New Credit Agreement.

The New Credit Agreement contains financial covenants during the initial year of the agreement, requiring the Company to maintain a fixed charge coverage ratio of at least 1.0 to 1.0, measured monthly on a trailing 12-month basis. The Company is also subject to this covenant in future periods if the available commitments is less than the greater of $15.0 million and 10% of total commitment made by all lenders. Management has determined that the Company was in compliance with all financial and non-financial debt covenants as September 30, 2020 (unaudited).

During the years ended December 31, 2018 and 2019, $39,000 and $70,000 of debt issuance costs, respectfully, were amortized and included in interest expense in the consolidated statement of operations. As of December 31, 2018 and 2019, unamortized debt issuance costs netted against the Revolving Credit Loan were $0.1 million and $0.2 million, respectively.

9. Income Taxes

Differences between the Company's effective tax rate and the statutory tax rate relate primarily to state income taxes, non-deductible expenses, tax credits, changes in unrecognized tax benefits and changes in tax estimates recorded during the period. A reconciliation from the U.S. statutory federal income tax rate to the effective income tax rate is as follows for the periods indicated:

	Year Ended December 31,	
(in thousands)	2018	2019
Income tax provision at statutory rate	21.0%	21.0%
State taxes, net	3.2	2.4
Stock-based compensation	6.0	0.7
Tax credits	(2.5)	(2.8)
Rate impact from tax reform	(2.2)	-
Return to provision adjustments	(2.4)	0.3
Other	1.0	0.4
Total provision for income taxes	24.1%	22.0%

For the nine months ended September 30, 2019 and 2020 (unaudited), the provision for income taxes, as a percentage of income before income taxes was 21.4 percent and 22.2 percent, respectively, compared with a U.S. federal statutory rate of 21.0 percent. The provision for income taxes varied from the tax computed at the U.S. federal statutory income tax rate for the periods presented primarily due to state taxes, the U.S. research and development tax credit, the tax effects of stock-based compensation, and the Foreign Derived Intangible Income deduction.

Deferred taxes reflect the net tax effects of the temporary differences between the carrying amount of assets and liabilities for financial reporting and the amount used for income tax purposes. Significant components of the Company's net deferred tax assets are comprised of the following:

	December 31,	
(in thousands)	2018	2019
Noncurrent deferred tax assets:		
Inventories	$ 834	$ 2,903
Deferred rent	179	207
Accounts receivable	6	59
Sales refund liability	135	219
Net operating loss carryforwards	1,382	442
Tax credits	759	1,162
Other	359	433
Gross noncurrent deferred tax assets	3,654	5,425
Valuation allowance	—	—
Total noncurrent deferred tax assets	3,654	5,425
Noncurrent deferred tax liabilities:		
Depreciation and amortization	(4,255)	(4,769)
Total noncurrent deferred tax liabilities	(4,255)	(4,769)
Net noncurrent deferred tax assets (liabilities)	$ (601)	$ 656

The provision for income tax consists of the following:

	December 31,	
	2018	2019
(in thousands)		
Current:		
Federal	$ 5,282	$ 11,070
State	730	1,244
Total current	6,012	12,314
Deferred:		
Federal	2,129	(1,535)
State	580	278
Total deferred	2,709	(1,257)
Income tax provision	$ 8,721	$ 11,057

Federal and state net operating loss carryforwards of $0.3 million and $9.6 million expire through 2036. The Company reviews its deferred tax assets for realization based upon historical taxable income, prudent and feasible tax planning strategies, the expected timing of the reversals of existing temporary differences and expected future taxable income. The Company has concluded that it is more likely than not that the net operating loss deferred tax asset and other net deferred tax assets will be realized. Accordingly, the Company has not recorded a valuation allowance against net deferred tax assets for the years ended December 31, 2018 and 2019.

The total balance of unrecognized gross tax benefits for the years ended December 31, 2018 and 2019 resulting primarily from fixed asset and inventory basis differences were as follows:

	Year Ended December 31,	
	2018	2019
(in thousands)		
Unrecognized tax benefits at beginning of year	$ 133	$ 881
Additions based on prior year tax provisions	538	2,780
Additions based on current year tax provisions	210	328
Unrecognized tax benefits at end of year	$ 881	$ 3,989

As of December 31, 2018 and 2019, $0.9 million and $1.8 million, respectively, of unrecognized tax benefits would affect our effective tax rate if recognized.

The Company's practice is to recognize interest and/or penalties related to income tax matters in income tax expense. For the years ended December 31, 2018 and 2019, interest or penalties related to income tax matters included in the provision for income taxes have not been material.

The Company is currently under examination by the IRS for the 2017 tax year. The Company does not anticipate material adjustments will result from this examination. The Company is subject to U.S. federal and state income tax examination for tax years 2016 and forward.

Impact of Federal Tax Changes

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act, which is generally effective for tax years beginning on January 1, 2018, makes broad and complex changes to the U.S. tax code, including, but not limited to, (i) reducing the U.S. federal corporate tax rate from 35 percent to 21 percent, (ii) eliminating the corporate alternative minimum tax ("AMT"), (iii) bonus depreciation that will allow for full expensing of qualified property, (iv) creating a new limitation on deductible interest expense and (v) changing rules related to uses and limitation of net operating loss carryforwards created in tax years beginning after December 31, 2017, including limiting utilization of net operating loss carryforwards to 80% of taxable income.

Pursuant to the relief provided by accounting standards, given the amount and complexity of the changes in the tax law resulting from the Tax Act, the Company had not finalized the accounting for the income tax effects of the Tax Act as of December 31, 2017.

In 2018, the Company completed its accounting for the impacts of the Tax Act and as a result the Company recorded an additional $0.7 million tax benefit to correct the provisional amounts recorded in 2017.

10. Capital Structure

As of each of December 31, 2018 and 2019, the Company had 4,000,000 shares of Class A common stock authorized and 3,238,427 shares of Class A common stock outstanding. The holders of shares of Class A common stock have one vote on all matters submitted to the stockholders for each share held. Prior to its cancellation in 2018, the Company also had an additional class of common stock, Class L. Class L common stock included cumulative dividends (if declared and authorized), and a return of invested capital prior to distributions to Class A stockholders. Additionally, Class L stockholders participated equally with Class A stockholders in any remaining distributions and had no voting rights. In 2018, the Company and the Class L stockholders reached an agreement in which the Class L stock was cancelled for no consideration as Cricut Holdings was the sole holder of the Company's Class A shares and Class L shares. At the time of cancelation, there were no deemed or declared distributions authorized or announced.

On September 2, 2020, each share of Class A common stock of the Utah corporation was exchanged for one share of common stock of the Delaware corporation. As of September 30, 2020 (unaudited), the Company had 4,000,000 shares of common stock authorized and 3,238,427 shares of common stock outstanding.

In September 2020 (unaudited), the Company declared and paid a cash dividend of $51.2 million or $15.81 per share.

11. Stock-Based Compensation

On February 2, 2016, the Company's parent, Cricut Holdings, authorized an Incentive Unit Compensation Plan (the "IU Plan") that allows for issuances of CIUs. The IU Plan was authorized to award 84,734,482 and 104,003,706 CIUs at December 31, 2018 and 2019, respectively. The IU Plan was authorized to award 123,770,127 CIUs at September 30, 2020 (unaudited). The participation threshold of the awards granted under the IU Plan is typically equal to the fair market value of Cricut Holdings' membership units at the date of the grant, except zero strike price incentive unit awards which have no participation threshold. Each grant made prior to June 22, 2018 contained a performance condition for a portion of the award and a service condition for the remaining portion of the award that impacted vesting.

On June 22, 2018, the Board of Managers approved an amendment to the IU Plan amending the vesting conditions for all awards previously issued under the IU Plan. The amendment resulted in changing the performance condition to a service-based condition. The change in vesting conditions under the June 22, 2018 amendment was accounted for as a Type III modification under ASC 718 wherein, for accounting purposes, the portion of the award previously subject to the performance condition was effectively cancelled and a new award was granted subject to service-based conditions. The fair value of the new awards issued as a result of the modification was determined on the modification date. The stock-based compensation cost from these new awards was $10.6 million for the year ended December 31, 2018. All awards issued after the amendment to the IU Plan only have service-based conditions.

On January 25, 2020, the Board of Managers approved an amendment to the IU Plan amending the vesting conditions for all awards granted under the IU Plan prior to May 6, 2019 which previously vested over a period of five years. The amendment resulted in a change in the vesting schedule of the awards such that the awards vest in equal annual installments of 25% over a period of four years. The change in vesting conditions under the January 25, 2020 amendment was accounted for as a Type I modification under ASC 718. This modification did not result in incremental fair value as the terms effecting the estimated fair value were not modified.

Stock-based Compensation Cost

The following table shows the stock-based compensation cost related to the equity incentive plans by award type for the year ended December 31, 2018 and 2019 and nine months ended September 30, 2019 and 2020:

	Year Ended December 31,		Nine Months Ended September 30,	
	2018	2019	2019	2020
(in thousands)			(unaudited)	
Equity classified incentive units	$ 10,766	$ 1,625	$ 1,199	$ 3,258
Liability classified incentive unit equivalents	25	305	63	2,141
Total stock-based compensation	$ 10,791	$ 1,930	$ 1,262	$ 5,399

The following table sets forth the total stock-based compensation expense included in the Company's consolidated statements of operations and comprehensive income for the periods indicated:

	Year Ended December 31,		Nine Months Ended September 30,	
	2018	2019	2019	2020
(in thousands)			(unaudited)	
Cost of revenue				
Connected machines	$ 11	$ 2	2	5
Subscriptions	51	11	8	22
Accessories and materials	—	—	—	—
Total cost of revenue	62	13	10	27
Research and development	5,467	881	675	1,984
Sales and marketing	2,843	623	307	2,278
General and administrative	2,006	328	205	672
Total stock-based compensation expense	$ 10,378	$ 1,845	1,197	4,961

For the years ended December 31, 2018 and 2019 and nine months ended September 30, 2019 (unaudited) stock-based compensation capitalized to inventories was not material. During the nine months ended September 30, 2020 (unaudited), the Company capitalized $0.3 million of stock-based compensation to inventories.

As of December 31, 2019 and September 30, 2020 (unaudited), there was $5.2 million and $12.8 million, respectively, of unrecognized stock-based compensation cost related to equity classified incentive units which is expected to be recognized over a weighted-average period of 3.4 years.

As of December 31, 2019 and September 30, 2020 (unaudited), there was $0.6 million and $3.2 million, respectively, of unrecognized stock-based compensation cost related to liability classified incentive unit equivalents which is expected to be recognized over a weighted-average period of 2.9 years and 2.1 years, respectively.

Equity Classified Units

The Company's parent, Cricut Holdings, has granted CIUs to employees of the Company. During the years ended, December 31, 2018 and 2019, these awards generally vested 12.5% annually for each of the first four years of service and 50% after the fifth year of service. Following the amendment of these awards in January 2020 (unaudited), these awards vest 25% annually over four years of service. The Company has also granted a performance-based incentive unit, which is discussed later. These awards are collectively referred to as equity classified incentive units. All equity classified incentive units have indefinite contract terms and, once vested, will remain outstanding until liquidation of Cricut Holdings or until repurchased by Cricut Holdings.

A summary of the equity classified incentive units activity for the year ended December 31, 2019 and the nine months ended September 30, 2020 (unaudited) is as follows:

	Equity Incentive Units	Weighted-Average Participation Threshold	Aggregate Intrinsic Value
			(in thousands)
Outstanding at December 31, 2018	68,278,186	$ 0.52	$ 36,986
Granted	11,475,000	$ 0.78	
Exercised	(412,500)	$ 0.19	
Forfeited / Cancelled	(2,194,375)	$ 0.36	
Outstanding at December 31, 2019	77,146,311	$ 0.57	$ 109,281
Granted (unaudited)	16,299,124	2.71	
Exercised (unaudited)	(1,543,861)	0.18	
Forfeited / Cancelled (unaudited)	(918,750)	0.72	
Outstanding at September 30, 2020 (unaudited)	90,982,824	$ 0.96	$ 328,596
Vested at December 31, 2019	42,779,991	$ 0.10	$ 74,724
Vested at September 30, 2020 (unaudited)	52,909,049	$ 0.20	$ 228,691

The following table summarizes the unvested equity classified incentive units activity for the year ended December 31, 2019 and nine months ended September 30, 2020 (unaudited):

	Number of Awards	Weighted-Average Grant Date Fair Value Per Unit
Unvested at December 31, 2018	28,231,583	$ 0.17
Granted	11,475,000	$ 0.28
Vested	(3,145,888)	$ 0.22
Forfeited	(2,194,375)	$ 0.26
Unvested at December 31, 2019	34,366,320	$ 0.20
Granted (unaudited)	16,299,124	$ 0.69
Vested (unaudited)	(11,738,544)	$ 0.23
Forfeited (unaudited)	(853,125)	$ 0.33
Unvested at September 30, 2020 (unaudited)	38,073,775	$ 0.40

The weighted-average grant date fair value of equity classified incentive units granted during 2018, 2019 and the nine months ended September 30, 2020 (unaudited) was $0.13, $0.28 and $0.69, respectively. The total intrinsic value of equity classified incentive units exercised during 2018, 2019 and the nine months ended September 30, 2020 (unaudited) was $0.2 million, $0.3 million and $2.8 million, respectively. The total fair value of equity classified incentive units vested during 2018, 2019 and the nine months ended September 30, 2020 (unaudited) was $3.0 million, $0.4 million and $3.0 million, respectively.

The fair value of CIUs was estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions for the periods indicated:

	Year Ended December 31,		Nine Months Ended September 30,	
	2018	2019	2019	2020
			(unaudited)	
Fair value of unit	$ 0.48	$ 0.80	$ 0.80	$ 2.21
Expected life (in years)	3.7	3.5	3.5	3.5
Expected volatility	38.1%	42.9%	42.9%	48.3%
Risk-free rate	2.5%	2.3%	2.3	0.7%
Expected dividend yield	0.0%	0.0%	0.0	0.0%

During the year ended December 31, 2018, the Company issued service and market-based incentive units to an employee under the Plan. The recipient was awarded nine million incentive equity units comprised of three distinct tranches each containing three million units. The first tranche is subject to service conditions only. During the years ended, December 31, 2018 and 2019, the first tranche vested 12.5% annually for each of the first four years of service and 50% after the fifth year of service. Following the amendment of these awards in January 2020 (unaudited), these awards vest 25% annually over four years of service. The second and third tranches are subject to the same service vesting conditions as tranche one; however, they are also subject to a market vesting condition wherein the fair value of the Cricut Holdings common units must exceed a determined price threshold. In the absence of a public trading market, the fair value of a common unit is derived through a valuation technique allowed under ASC 718. The fair value of the common unit must exceed the determined price threshold for two consecutive board meetings. If the Company becomes publicly traded, the fair market value of the common unit (or stock equivalent) must exceed the fair value threshold for 100 out of 120 consecutive trading days. The determined price thresholds are $3.00 and $4.00 for the second and third tranches. In the event of a change in control, all unvested units would immediately vest subject to the recipient being employed through the date of the event and any applicable price thresholds being met at the time of the change in control. In the event the recipient was terminated for cause, all incentive units, whether unvested or vested are immediately forfeited.

The incentive units represent a net profits interest and only pay out upon the occurrence of a liquidation event such as a change in control transaction. In addition, the units do not participate until the sum of distributions and capital appreciation of the common units from the date of grant of the incentive units equals $2.00 per unit.

On the date of grant, the Company determined the fair value of this award to be $0.3 million based upon a Monte Carlo Simulation. The significant assumptions used in the Monte Carlo Simulation were as follows:

Fair value of unit	$ 0.58
Participation threshold	$ 2.00
Risk-free rate	2.96%
Volatility	46.3%
Fair value thresholds	$ 3.00 - 4.00
Timing of liquidity event	3-5 years
Likelihood of termination	10.0%

During the nine months ended September 30, 2020, the Company issued service and market-based incentive units to an employee under the Plan. The recipient was awarded three million incentive equity units comprised of three distinct tranches each containing one million units. The first tranche is subject to service conditions wherein vesting of the award is ratable over four years. The second and third tranches are subject to the same service vesting conditions as tranche one; however, they are also subject to a market vesting condition wherein the fair value of the Cricut Holdings common units must exceed a

determined price threshold. In the absence of a public trading market, the fair value of a common unit is derived through a valuation technique allowed under ASC 718. The fair value of the common unit must exceed the determined price threshold for two consecutive board meetings. If the Company becomes publicly traded, the fair market value of the common unit (or stock equivalent) must exceed the fair value threshold for 100 out of 120 consecutive trading days. The determined price thresholds are $6.00 and $7.00 for the second and third tranches, respectively. In the event of a change in control, all unvested units would immediately vest subject to the recipient being employed through the date of the event and any applicable price thresholds being met at the time of the change in control. In the event the recipient was terminated for cause, all incentive units, whether unvested or vested are immediately forfeited.

The incentive units represent a net profits interest and only pay out upon the occurrence of a liquidation event such as a change in control transaction. In addition, the units do not participate until the sum of distributions and capital appreciation of the common units from the date of grant of the incentive units equals $5.00 per unit.

On the date of grant, the Company determined the fair value of this award to be $2.3 million based upon a Monte Carlo Simulation. The significant assumptions used in the Monte Carlo Simulation were as follows:

Fair value of unit	$	2.95
Participation threshold	$	5.00
Risk-free rate		0.24%
Volatility		51.12%
Fair value thresholds	$	6.00 - 7.00
Timing of liquidity event		2 - 6 years
Likelihood of termination		10.0%

Liability Classified Incentive Unit Equivalents

The Company has issued incentive unit equivalents (phantom units) to various employees under the Plan. The incentive unit equivalents pay out upon the occurrence of a liquidation event such as a change in control transaction. In addition, the units do not participate until the sum of distributions and capital appreciation of the common units from the date of grant of the incentive units equals a specified participation threshold per unit. The incentive unit equivalents do not represent any kind of legal equity interest in the Company or the parent Company and require cash settlement. Accordingly, the incentive unit equivalent awards are accounted for as liability classified awards and require initial and subsequent measurement at fair value.

During the years ended, December 31, 2018 and 2019, these awards generally vested 12.5% annually for each of the first four years of service and 50% after the fifth year of service. Following the amendment of these awards in January 2020 (unaudited), these awards vest 25% annually over four years of service. All liability classified incentive units have indefinite contract terms and, once vested, will remain outstanding until liquidation of Cricut Holdings or until repurchased by Cricut Holdings.

A summary of the liability classified incentive unit equivalents activity for the year ended December 31, 2019 and the nine months ended September 30, 2020 (unaudited) is as follows:

	Liability Incentive Equivalents	Weighted-Average Participation Threshold	Aggregate Intrinsic Value
			(in thousands)
Outstanding at December 31, 2018	550,000	$ 0.60	$ 96
Granted	308,961	$ 0.83	$ -
Outstanding at December 31, 2019	858,961	$ 0.68	$ 1,006
Granted (unaudited)	1,121,205	2.20	
Forfeited	(10,000)	$ 0.77	
Outstanding at September 30, 2020 (unaudited)	1,970,166	1.53	5,886
Exercisable at December 31, 2019	—	$ -	$ -
Exercisable at September 30, 2020 (unaudited)	—	$ -	$ -
Vested and expected to vest at December 31, 2019	858,961	$ 0.68	$ 1,006
Vested and expected to vest at September 30, 2020 (unaudited)	1,970,166	$ 1.53	$ 5,886

The following table summarizes the unvested liability classified incentive unit equivalents activity for the year ended December 31, 2019 and the nine months ended September 30, 2020 (unaudited):

	Number of Awards	Weighted-Average Grant Date Fair Value Per Unit
Unvested at December 31, 2018	550,000	$ 1.17
Granted	308,961	$ 1.01
Vested	—	—
Forfeited	—	—
Unvested at December 31, 2019	858,961	$ 1.11
Granted (unaudited)	1,121,205	$ 1.69
Forfeited (unaudited)	(10,000)	$ 1.17
Unvested at September 30, 2020 (unaudited)	1,970,166	$ 1.44

The weighted-average fair value of liability classified incentive unit equivalents granted during 2018, 2019 and the nine months ended September 30, 2020 (unaudited) was $1.17, $1.01 and $1.69, respectively.

The Company estimates the fair value of liability classified incentive unit equivalents at each reporting date using the Monte Carlo Simulation. The significant assumptions used in the Monte Carlo Simulation for the periods indicated were as follows:

	Year Ended December 31,		Nine Months Ended September 30,	
	2018	2019	2019	2020
			(unaudited)	
Fair value of unit	$ 0.77	$ 1.85	$ 0.86	$ 4.52
Expected life (in years)	3 - 5	3 - 5	3 - 7	0.5 - 5
Expected volatility	46.8%	40.2%	39.5%	50.9%
Risk-free rate	2.5%	1.6%	1.6%	0.2%
Expected dividend yield	0.0%	0.0%	0.0%	0.0%
Likelihood of termination	10.0%	10.0%	10.0%	10.0%

Liability classified incentive unit equivalents are included in accrued expenses per the Company's consolidated balance sheets and the rollforward of this liability is as follows (in thousands):

Balance at December 31, 2017	$ —
Stock-based compensation during year	25
Balance at December 31, 2018	25
Stock-based compensation during year	305
Purchased unit equivalents during year	30
Balance at December 31, 2019	$ 360
Stock-based compensation during year (unaudited)	2,141
Purchased unit equivalents during year (unaudited)	171
Balance at September 30, 2020 (unaudited)	$ 2,672

12. Commitments and Contingencies

Lease commitments

The Company leases certain equipment and furniture under capital leases. These capital leases generally contain a discounted buyout option at the end of the initial lease terms, which range between 36 and 60 months.

Operating lease payments primarily relate to the Company's lease of office and warehousing space and leases of computer equipment under operating leases. The leases provide for monthly payments with expirations through July 31, 2025. Certain of these arrangements include free rent, landlord incentives, escalating lease payments, renewal provisions and other provisions which require the Company to pay taxes, insurance, maintenance costs or defined rent increases.

The Company's operating lease for its corporate headquarters in South Jordan, Utah originally commenced in 2015 and extends through July 2025 and may be renewed for an additional five-year period. As of December 31, 2019, future minimum lease payments under this lease were $15.4 million.

In October 2019, the Company entered into an operating lease for Cricut Member Care facilities in Provo, Utah which commenced in January 2020 and extends through July 2025 with a renewal option for an additional five years. The lease contains a tenant improvement allowance amounting to $0.7 million and a rent abatement period through September 2020. This allowance will be reflected as a reduction in rent expense over the life of the lease on a straight-line basis in the consolidated statements of operations and as a leasehold improvement within property and equipment, net in the consolidated balance sheets. Deferred rent associated with the rent abatement is included in accrued expenses and other current liabilities and other non-current liabilities in the consolidated balance sheets. As of December 31, 2019, future minimum lease payments under this lease were $3.9 million.

Amortization expense for the assets under capital lease is computed using the straight-line method over the shorter of the estimated useful life or term of each lease and is included in depreciation expense. Accumulated amortization is included in property and equipment, net, on the consolidated balance sheets.

The future minimum lease payments under non-cancellable capital and operating leases and future minimum payments to be received under non-cancellable subleases at December 31, 2019 were as follows:

Year Ending December 31,	Capital Leases	Operating Leases
	(in thousands)	
2020	$ 87	$ 3,442
2021	43	3,576
2022	—	3,538
2023	—	3,630
2024	—	3,724
Thereafter	—	2,140
Less: minimum payments to be received from non-cancellable subleases	—	(188)
Total minimum lease payments, net	130	19,862
Less: amount representing interest (at 15%)	(11)	
Present value of future minimum lease payments	119	
Less: current portion	(81)	
Non-current portion	$ 38	

The future lease payments under non-cancellable operating leases include the expense for one location that is subleased. Rent expense totaled $3.3 million and $4.2 million for the years ended December 31, 2018 and 2019, respectively. Rent expense totaled $2.5 million and $3.2 million for the nine months September 30, 2019 and 2020 (unaudited), respectively. Sublease rental income was $0.8 million and $0.9 million for the years ended December 31, 2018 and 2019, respectively. Sublease rental income was $0.6 million and $0.3 million for the nine months ended September 30, 2019 and 2020 (unaudited), respectively.

Royalties

As of December 31, 2019, the Company has minimum royalty commitments with three companies for a total of $0.3 million that will expire at various dates during 2020 and 2021.

Litigation

The Company is subject to certain outside claims and litigation arising in the ordinary course of business. Management is not aware of any contingencies which it believes will have a material effect on its financial position, results of operations or liquidity.

13. Related Party Transactions

During 2018 and 2019 and the nine months ended September 30, 2019 and 2020 (unaudited), the Company received $2.7 million, $1.3 million, $0.8 million and $1.1 million, respectively, of capital contributions from its parent company, Cricut Holdings, as a result of additional common units issued by Cricut Holdings at the estimated fair value of the underlying units. The equity offering was purchased by a subset of current common unitholders of Cricut Holdings and new common unitholders employed by the Company.

14. Employee Benefit Plan

The Company sponsors a 401(k) plan for the benefit of its employees who have attained at least 18 years of age. The Company matches 50% of the first 12% of an employee's salary contributed to the plan on the first day of the month following their hire date. The Company contributed $0.7 million and $1.0 million for the years ended December 31, 2018 and 2019, respectively. The Company contributed $0.7 million and $0.9 million for the nine months ended September 30, 2019 and 2020 (unaudited), respectively.

15. Net Income Per Share

The computation of net income per share is as follows:

	Year Ended December 31,		Nine Months Ended September 30,	
	2018	2019	2019	2020
(in thousands except share and per share amounts)			(unaudited)	
Basic and diluted earnings per share				
Net income	$ 27,432	$ 39,211	$ 31,422	$ 93,130
Less: Earnings allocated to participating securities	(5,120)	—	—	—
Plus: Deemed contribution on cancellation of Class L shares	27,025	—	—	—
Net income attributable to common stockholders, basic and diluted	$ 49,337	$ 39,211	$ 31,422	$ 93,130
Weighted-average common shares outstanding used to compute earnings per share attributable to common stockholders, basic and diluted	3,238,427	3,238,427	3,238,427	3,238,427
Earnings per share attributable to common stockholders, basic and diluted	$ 15.23	$ 12.11	$ 9.70	$ 28.76

During the year ended December 31, 2018, the Company cancelled all outstanding shares of Class L common stock. In calculating earnings per share, Class L common stock is considered preferred stock due its cumulative dividend, liquidation preference and no voting rights. Therefore, the carrying value of Class L common stock was considered a deemed contribution and added to net income in arriving at earnings available to Class A common stockholders, since Class L common stockholders received no consideration in exchange for the shares.

16. Segment Information

The Company applies ASC Topic 280, Segment Reporting, in determining reportable segments for its financial statement disclosure. The Company's operating segments are generally organized by the type of product or service offered. Similar operating segments have been aggregated into three reportable segments: Connected Machines, Subscriptions and Accessories and Materials. Segment information is presented in the same manner that the Company's Chief Operating Decision Maker ("CODM") reviews the results of operations in assessing performance and allocating resources. The CODM reviews revenue and gross profit for each of the reportable segments. Gross profit is defined as revenue less cost of revenue incurred by the segment. The Company does not allocate assets at the reportable segment level as these are managed on an entity wide group basis. As of December 31, 2018 and 2019 and September 30, 2020 (unaudited), long-lived assets located outside the United States, primarily located in China, were $2.1 million, $6.9 million and $9.1 million, respectively.

The Connected Machines segment derives revenue from the sale of its connected machine hardware and related essential software. The Subscriptions segment derives revenue primarily from monthly and annual subscription fees and a minimal amount of revenue allocated to the unspecified future upgrades and enhancements related to the essential software and access to the Company's cloud-based services. The Accessories and Materials segment primarily consists of craft, DIY and home décor products. There are no internal revenue transactions between the Company's segments.

Key financial performance measures of the segments including revenue, cost of revenue and gross profit are as follows:

	Year Ended December 31,		Nine Months Ended September 30,	
	2018	2019	2019	2020
(in thousands)			(unaudited)	
Connected Machines:				
Revenue	$ 147,081	$ 198,144	$ 118,183	$ 245,799
Cost of revenue	127,546	176,894	100,658	205,645
Gross profit	$ 19,535	$ 21,250	$ 17,525	$ 40,154
Subscriptions:				
Revenue	$ 31,300	$ 53,829	$ 38,218	$ 74,414
Cost of revenue	5,027	8,827	6,079	8,961
Gross profit	$ 26,273	$ 45,002	$ 32,139	$ 65,453
Accessories and Materials:				
Revenue	$ 161,407	$ 234,581	$ 156,522	$ 267,851
Cost of revenue	96,119	158,483	103,954	165,833
Gross profit	$ 65,288	$ 76,098	$ 52,568	$ 102,018
Consolidated:				
Revenue	$ 339,788	$ 486,554	$ 312,923	$ 588,064
Cost of revenue	228,692	344,204	210,691	380,439
Gross profit	$ 111,096	$ 142,350	$ 102,232	$ 207,625

17. Subsequent Events

Management has evaluated subsequent events through November 10, 2020 for the annual consolidated financial statements, which is the date they were available to be issued.

During February, March and August of 2020, the Company issued 663,886 common units in the Company's parent entity, Cricut Holdings, to certain employees in exchange for total cash proceeds of $1.2 million.

Since January 1, 2020, the Company has repurchased 1,662,169 common units in the Company's parent entity, Cricut Holdings, from current and former employees for total cash payout of $3.0 million.

In January 2020, the Board of Managers amended the vesting schedule for all stock-based awards issued prior to May 6, 2019 from 12.5% of the awards vesting after year one, two, three and four, with the remaining 50% vesting after year five to 25% of the awards vesting after year one, two, three and four.

COVID-19

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

In response to the pandemic, the Company reduced its operating expenses through targeted reductions in force, reductions in executive compensation and eliminating discretionary spending during the pandemic. Many of these reductions were later reversed. The Company does not have any brick-and-

mortar locations but sells to multiple resellers and distributors who operate physical locations. The majority of these customers are still open but have seen varying levels of business interruption due to hour restrictions, government directives and other various factors. The Company's online, direct-to-consumer business remains active to serve its customers. Additionally, the Company contracts with third parties in the United States, Europe and China to warehouse and ship goods and in China and Malaysia to produce goods. While there has not been significant, complete and prolonged closures of the warehouses and production facilities, the Company cannot rule out the possibility of this occurring.

Although it is not possible to reliably estimate the length or severity of this outbreak and hence its financial impact, any prolonged closing of the stores operated by resellers and distributors and/or its warehouse and production facilities may adversely affect the Company's sales levels, results of operations, financial condition and liquidity for fiscal year 2020 and beyond.

On March 27, 2020, President Trump signed into law the "Coronavirus Aid, Relief and Economic Security (CARES) Act." The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions and technical corrections to tax depreciation methods for qualified improvement property.

Debt Transactions

On September 4, 2020, the Company entered into a credit agreement (the "New Credit Agreement") with JP Morgan Bank. The New Credit Agreement replaces the Company's prior amended Revolving Credit Loan and Term Loan with Origin Bank. The New Credit Agreement provides for a three-year asset-based senior secured revolving credit facility ("Credit Facility") of up to $150 million, maturing on September 4, 2023. In addition, during the term of the New Credit Agreement, the Company may increase the aggregate amount of the Credit Facility by up to an additional $200 million, subject to customary conditions, including obtaining a commitment from participating lenders (or another lender, if applicable) to such increase. Costs related to the New Credit Agreement and may be used to issue letters of credit, and for other business purposes, including working capital needs.

The New Credit Agreement contains financial covenants during the initial year of the agreement, requiring the Company to maintain a fixed charge coverage ratio of at least 1.0 to 1.0, measured monthly on a trailing 12-month basis. The Company is also subject to this covenant in future periods if the available commitments, less overdue payables, is less than $15 million.

Dividend

In September 2020, the Company declared and paid a dividend to Class A common stockholders totaling $51.2 million.

18. Subsequent Events (unaudited)

Management has evaluated subsequent events through February 16, 2021 for the unaudited interim consolidated financial statements which is the date they were available to be issued.

Since November 10, 2020, the Company issued 301,541 common units in the Company's parent entity, Cricut Holdings, to certain employees in exchange for total cash proceeds of $1.4 million.

Since November 10, 2020, the Company repurchased 33,186 common units in the Company's parent entity, Cricut Holdings, from current and former employees for $0.15 million.

Shares

Cricut, Inc.

Class A Common Stock

Goldman Sachs & Co. LLC

Morgan Stanley

Citigroup

Barclays

Baird

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

The following table sets forth all expenses to be paid by us, other than underwriting discounts and commissions, upon completion of this offering. All amounts shown are estimates except for the SEC registration fee, the Financial Industry Regulatory Authority, Inc., or FINRA, filing fee and the Exchange listing fee.

	Amount to be Paid
SEC registration fee	$ 10,910
FINRA filing fee	16,150
Exchange listing fee	25,000
Printing and engraving expenses	*
Legal fees and expenses	*
Accounting fees and expenses	*
Transfer agent and registrar fees	*
Miscellaneous	*
Total	$ *

* To be filed by amendment.

Item 14. Indemnification of Directors and Officers.

Section 145 of the DGCL authorizes a corporation's board of directors to grant, and authorizes a court to award, indemnity to officers, directors and other corporate agents.

We expect to adopt an amended and restated certificate of incorporation, which will become effective immediately prior to the completion of this offering, and which will contain provisions that limit the liability of our directors for monetary damages to the fullest extent permitted by Delaware law. Consequently, our directors will not be personally liable to us or our stockholders for monetary damages for any breach of fiduciary duties as directors, except liability for the following:

- any breach of their duty of loyalty to our company or our stockholders;
- any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the DGCL; or
- any transaction from which they derived an improper personal benefit.

Any amendment to, or repeal of, these provisions will not eliminate or reduce the effect of these provisions in respect of any act, omission or claim that occurred or arose prior to that amendment or repeal. If the DGCL is amended to provide for further limitations on the personal liability of directors of corporations, then the personal liability of our directors will be further limited to the greatest extent permitted by the DGCL.

In addition, we expect to adopt amended and restated bylaws, which will become effective immediately prior to the completion of this offering, and which will provide that we will indemnify, to the fullest extent permitted by law, any person who is or was a party or is threatened to be made a party to any action, suit or proceeding by reason of the fact that he or she is or was one of our directors or officers or is or was serving at our request as a director or officer of another corporation, partnership, joint venture, trust or other enterprise. Our amended and restated bylaws are expected to provide that we may indemnify to the fullest extent permitted by law any person who is or was a party or is threatened to be made a party to

any action, suit or proceeding by reason of the fact that he or she is or was one of our employees or agents or is or was serving at our request as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise. Our amended and restated bylaws will also provide that we must advance expenses incurred by or on behalf of a director or officer in advance of the final disposition of any action or proceeding, subject to limited exceptions.

Further, we have entered into or will enter into indemnification agreements with each of our directors and executive officers that may be broader than the specific indemnification provisions contained in the DGCL. These indemnification agreements require us, among other things, to indemnify our directors and executive officers against liabilities that may arise by reason of their status or service. These indemnification agreements also require us to advance all expenses incurred by the directors and executive officers in investigating or defending any such action, suit or proceeding. We believe that these agreements are necessary to attract and retain qualified individuals to serve as directors and executive officers.

The limitation of liability and indemnification provisions that are expected to be included in our amended and restated certificate of incorporation, amended and restated bylaws, and the indemnification agreements that we have entered into or will enter into with our directors and executive officers may discourage stockholders from bringing a lawsuit against our directors and executive officers for breach of their fiduciary duties. They may also reduce the likelihood of derivative litigation against our directors and executive officers, even though an action, if successful, might benefit us and other stockholders. Further, a stockholder's investment may be adversely affected to the extent that we pay the costs of settlement and damage awards against directors and executive officers as required by these indemnification provisions. At present, we are not aware of any pending litigation or proceeding involving any person who is or was one of our directors, officers, employees or other agents or is or was serving at our request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, for which indemnification is sought, and we are not aware of any threatened litigation that may result in claims for indemnification.

We have obtained insurance policies under which, subject to the limitations of the policies, coverage is provided to our directors and executive officers against loss arising from claims made by reason of breach of fiduciary duty or other wrongful acts as a director or executive officer, including claims relating to public securities matters, and to us with respect to payments that may be made by us to these directors and executive officers pursuant to our indemnification obligations or otherwise as a matter of law.

Certain of our non-employee directors may, through their relationships with their employers, be insured and/or indemnified against certain liabilities incurred in their capacity as members of our board of directors.

The underwriting agreement that will be filed as Exhibit 1.1 to this registration statement will provide for indemnification by the underwriters of us and our officers and directors for certain liabilities arising under the Securities Act or otherwise.

Item 15. Recent Sales of Unregistered Securities.

Since January 1, 2018, we have issued the following unregistered securities:

Incentive Unit Issuances

From January 1, 2018 through February 16, 2021, we issued to our officers, directors, employees, consultants and other service providers an aggregate of 51,048,163 incentive units of Cricut Holdings with participation thresholds ranging from $0.00 to $7.00 per unit, for a weighted-average participation threshold of $1.73 per unit.

Purchased Unit Issuances

From January 1, 2018 through February 16, 2021, we issued and sold to our officers, directors, employees, consultants and other service providers an aggregate of 10,140,781 purchased units of Cricut Holdings with participation thresholds ranging from $0.35 to $4.52 per unit, for a weighted-average purchase price of $0.63 per unit.

Option Issuances

In the fourth quarter of 2020, we issued to our employees, consultants and other service providers an aggregate of $1,172,000 options to purchase zero strike price incentive units of Cricut Holdings at an exercise price of $4.52 per unit.

None of the foregoing transactions involved any underwriters, underwriting discounts or commissions or any public offering. We believe the offers, sales and issuances of the above securities were exempt from registration under the Securities Act including by virtue of Section 4(a)(2) of the Securities Act (or Regulation D or Regulation S promulgated thereunder) because the issuance of securities to the recipients did not involve a public offering, or in reliance on Rule 701 because the transactions were pursuant to compensatory benefit plans or contracts relating to compensation as provided under such rule. The recipients of the securities in each of these transactions represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof, and appropriate legends were placed upon the share certificates issued in these transactions. All recipients had adequate access, through their relationships with us, to information about us. The sales of these securities were made without any general solicitation or advertising.

Item 16. Exhibits and Financial Statement Schedules.

(a) Exhibits.

See the Exhibit Index immediately before the signature page hereto for a list of exhibits filed as part of this registration statement on Form S-1, which Exhibit Index is incorporated herein by reference.

(b) Financial Statement Schedules.

All financial statement schedules are omitted because the information called for is not required or is shown either in the consolidated financial statements or in the notes thereto.

Item 17. Undertakings.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(i) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(ii) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

EXHIBIT INDEX

Exhibit Number	Description
1.1*	Form of Underwriting Agreement.
3.1*	Amended and Restated Certificate of Incorporation of the registrant, as currently in effect.
3.2*	Form of Amended and Restated Certificate of Incorporation of the registrant, to be in effect immediately prior to the completion of this offering.
3.3*	Bylaws of the registrant, as currently in effect.
3.4*	Form of Amended and Restated Bylaws of the registrant, to be in effect immediately prior to this offering.
4.1*	Form of Class A common stock certificate of the registrant.
5.1*	Opinion of Wilson Sonsini Goodrich & Rosati, P.C.
10.1+*	Form of Indemnification Agreement between the registrant and each of its directors and executive officers.
10.2+*	Outside Director Compensation Policy.
10.3+*	Form of Incentive Unit Award Agreement.
10.4+*	Form of Incentive Unit Purchase Agreement.
10.5+*	Form of Incentive Unit Subscription Agreement.
10.6+*	Form of Zero Strike Incentive Unit Subscription Agreement.
10.7+*	Form of Announcement of Bonus Award and Bonus Award Agreement.
10.8+*	Form of Announcement of Bonus Purchase and Bonus Purchase Agreement.
10.9+*	Cricut, Inc. 2021 Equity Incentive Plan and related form agreements.
10.10+*	Confirmatory Employment Letter between the registrant and Ashish Arora, dated as of , 2021.
10.11+*	Confirmatory Employment Letter between the registrant and Martin F. Petersen, dated as of , 2021.
10.12+*	Confirmatory Employment Letter between the registrant and Donald B. Olsen, dated as of , 2021.
10.13+*	Confirmatory Employment Letter between the registrant and Gregory Rowberry, dated as of , 2021.
10.14	Office Lease, dated as of November 20, 2014, between the registrant and Riverpark Five, LLC.
10.15	First Amendment to Office Lease, dated as of January 6, 2017, between the registrant and Riverpark Five, LLC.
10.16	Second Amendment to Office Lease, dated as of January 18, 2018, between the registrant and Riverpark Five, LLC.
10.17	Amended and Restated Third Amendment to Office Lease, dated as of March 16, 2018, between the registrant and Riverpark Five, LLC.
10.18	Credit Agreement dated as of September 4, 2020, among the registrant, the other loan parties party thereto, the lenders party thereto and JPMorgan Chase Bank, N.A., Citibank, N.A. and Origin Bank.

Exhibit Number	Description
10.19	Supply Agreement between the registrant and Xiamen Intretech, Inc., dated August 19, 2018.
10.20*	Cricut, Inc. 2021 Employee Stock Purchase Plan and related form agreements.
21.1*	List of subsidiaries of the registrant.
23.1	Consent of BDO USA, LLP, Independent Registered Public Accounting Firm, as to the registrant.
23.2*	Consent of Wilson Sonsini Goodrich & Rosati, P.C. (included in Exhibit 5.1).
24.1*	Power of Attorney (included on signature page to this registration statement on Form S-1).
99.1	Consent of YouGov America.

* To be filed by amendment.
\+ Indicates management contract or compensatory plan.

SIGNATURES

Pursuant to the requirements of the Securities Act, the registrant has duly caused this registration statement on Form S-1 to be signed on its behalf by the undersigned, thereunto duly authorized, in South Jordan, Utah, on the 16th day of February, 2021.

CRICUT, INC.
By: /s/ Ashish Arora
Ashish Arora
Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Ashish Arora, Martin F. Petersen and Donald B. Olsen, and each of them, as his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in their name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement, and to sign any registration statement for the same offering covered by this registration statement that is to be effective on filing pursuant to Rule 462(b) under the Securities Act, and all post-effective amendments thereto, and to file the same, with all exhibits thereto and other documents in connection therewith, with the SEC, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act, this registration statement on Form S-1 has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Ashish Arora Ashish Arora	Chief Executive Officer and Director *(Principal Executive Officer)*	February 16, 2021
/s/ Martin F. Petersen Martin F. Petersen	Chief Financial Officer *(Principal Financial Officer)*	February 16, 2021
/s/ Ryan Harmer Ryan Harmer	Controller *(Principal Accounting Officer)*	February 16, 2021
/s/ Len Blackwell Len Blackwell	Director	February 16, 2021
/s/ Steven Blasnik Steven Blasnik	Director	February 16, 2021
/s/ Russell Freeman Russell Freeman	Director	February 16, 2021
/s/ Jason Makler Jason Makler	Director and Chair of Board of Directors	February 16, 2021
/s/ Melissa Reiff Melissa Reiff	Director	February 16, 2021
/s/ Billie Williamson Billie Williamson	Director	February 16, 2021

Exhibit 10.14

OFFICE LEASE
[RiverPark Corporate Center—Building Five]

between

RIVERPARK FIVE, LLC,
a Utah limited liability company,
as landlord,

and

PROVO CRAFT AND NOVELTY, INC.,
a Utah corporation,
as tenant

Dated November 20, 2014

TABLE OF CONTENTS

OFFICE LEASE
[RiverPark Corporate Center—Building Five]

THIS OFFICE LEASE (this "Lease") is entered into as of the 20th day of November, 2014, between RIVERPARK FIVE, LLC, a Utah limited liability company ("Landlord"), whose address is 10701 South River Front Parkway, Suite 135, South Jordan, Utah 84095, and PROVO CRAFT AND NOVELTY, INC., a Utah corporation ("Tenant"), whose address is 10876 South River Front Parkway, Suite 500, South Jordan, Utah 84095.

FOR THE SUM OF TEN DOLLARS ($10.00) and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, Landlord and Tenant agree as follows:

1. Definitions. As used in this Lease, each of the following terms shall have the meaning indicated:

1.1. "Base Year Operating Expenses" means the Operating Expenses (as defined in Paragraph 5.1.2) that are actually incurred in calendar year 2015.

1.2. "Basic Monthly Rent" means the following amounts per calendar month for the periods indicated; provided, however, that if the Commencement Date occurs on a date other than August 1, 2015, the periods set forth below shall begin on such other date (as memorialized in the Commencement Date Certificate attached as Exhibit D) and shall shift accordingly:

Periods	Basic Monthly Rent	Annual Cost Per Rentable Square Foot
August 1, 2015 through December 31, 2015, inclusive	$18,328.75 per month	$7.52
January 1, 2016 through July 31, 2016, inclusive	$57,277.33 per month	$23.50
August 1, 2016 through July 31, 2017, inclusive	$58,715.36 per month	$24.09
August 1, 2017 through July 31, 2018, inclusive	$60,177.76 per month	$24.69
August 1, 2018 through July 31, 2019, inclusive	$61,688.91 per month	$25.31
August 1, 2019 through July 31, 2020, inclusive	$63,224.43 per month	$25.94
August 1, 2020 through July 31, 2021, inclusive	$64,808.69 per month	$26.59
August 1, 2021 through July 31, 2022, inclusive	$66,417.33 per month	$27.25
August 1, 2022 through July 31, 2023, inclusive	$68,074.72 per month	$27.93
August 1, 2023 through July 31, 2024, inclusive	$69,780.85 per month	$28.63
August 1, 2024 through July 31, 2025, inclusive	$71,535.73 per month	$29.35

1.3. "Building" means the building with the street address of 10855 South River Front Parkway, in South Jordan, Utah.

1.4. "Commencement Date" means the earlier of (a) the date on which Landlord's construction obligations with respect to the Premises have been fulfilled, subject only to the completion by Landlord of any "punch list" items that do not materially interfere with Tenant's use and enjoyment of the Premises, or (b) the date on which such obligations would have been fulfilled, but for Tenant Delay (as defined on the attached Exhibit C). The projected Commencement Date is August 1, 2015; provided, however, that if for any reason Landlord cannot deliver possession of the Premises to Tenant on or before such date, this Lease shall not be void or voidable, and Landlord shall not be liable to Tenant for any resultant loss or damage. Notwithstanding the foregoing, but subject to force majeure (as described in Paragraph 22.2) and excluding Tenant Delay, if Landlord's construction obligations with respect to the Premises have not been substantially fulfilled on or before November 15, 2015 (subject to postponement in accordance with the immediately following sentence, the "Outside Date"), then Tenant may terminate this Lease on written notice given to Landlord on or before (but not after) the date that is ten (10) days after the Outside Date. As indicated by the immediately preceding sentence, the Outside Date shall be postponed one day for each day of force majeure delay or Tenant Delay. Such termination shall be effective as of the date of receipt by Landlord of such notice, Landlord and Tenant shall thereafter be released and discharged from all further obligations under this Lease (except as provided in the remainder of this sentence) and Tenant shall receive a refund of any prepaid Basic Monthly Rent actually received by Landlord, but not the Security Deposit, which shall continue to be held by Landlord under the RiverPark Twelve Lease (as defined below). Notwithstanding the foregoing to the contrary, Landlord may at any time give Tenant written notice that Landlord will not complete its construction obligations with respect to the Premises by the Outside Date, which notice shall also set forth Landlord's then-current estimate of when such obligations will be completed, and Tenant shall have five (5) business days after receipt of such notice to exercise the foregoing termination right, or such right will be deemed to have been waived.

1.5. "Expiration Date" means the date that is ten (10) years after the Commencement Date if the Commencement Date occurs on the first day of a calendar month, or if the Commencement Date does not occur on the first day of a calendar month, the date that is ten (10) years after the first day of the first full calendar month following the Commencement Date.

1.6. "Improvements" means the Building and all other improvements related to the Building.

1.7. "Permitted Use" means the following only, and no other purpose: general office purposes (including, without limitation, general office purposes for customer support service and product development). In no event may the Premises be used as a call center or for telemarketing purposes; provided, however, that the foregoing portion of this sentence shall not prohibit any typical business telephone communication as normally made in connection with routine customer service operations of the type currently conducted by Provo Craft and Novelty, Inc.

1.8. "Premises" means Suite 400 on the fourth floor, consisting of approximately 25,566 usable square feet and approximately 29,248 rentable square feet, shown on the attached Exhibit B and located in the Building, which contains approximately 121,425 usable square feet and approximately 138,893 rentable square feet. The Premises do not include, and Landlord reserves, the exterior walls and roof of the Premises, the land and other area beneath the floor of the Premises, the pipes, ducts, conduits, wires, fixtures and equipment above the suspended ceiling of the Premises and the structural elements that serve the Premises or comprise the Building. Landlord's reservation includes the right to install, inspect, maintain, use, repair, alter and replace those areas and items and to enter the Premises in order to do so in accordance with Paragraph 9.3. For all purposes of this Lease, the calculation of "usable square feet" and

"rentable square feet" contained within the Premises and the Building shall be subject to final measurement and verification by Landlord's architect according to ANSI/BOMA Standard Z65.1-1996 (or any successor standard) and, in the event of a variation, Landlord and Tenant shall amend this Lease accordingly, amending each provision that is based on usable or rentable square feet, including, without limitation, Basic Monthly Rent, Security Deposit, Tenant's Parking Stall Allocation and Tenant's Percentage of Operating Expenses.

1.9. "Property" means the Improvements and the land owned by Landlord and serving the Improvements.

1.10. "Security Deposit" means $137,889.31 (which is currently held by Landlord in connection with the existing lease (as amended, the "RiverPark Twelve Lease")) entered into between Tenant and RiverPark Twelve, LLC, a Utah limited liability company, as amended.

1.11. "Tenant" means each person executing this Lease as a Tenant under this Lease. If more than one person is set forth on the signature line as Tenant, their liability under this Lease shall be joint and several. If more than one Tenant exists, any notice required or permitted by the terms of this Lease may be given by or to any one Tenant, and shall have the same force and effect as if given by or to all persons comprising Tenant.

1.12. "Tenant's Occupants" means any assignee, subtenant, employee, agent, licensee or invitee of Tenant.

1.13. "Tenant's Parking Stall Allocation" means 4.25 parking stalls per 1,000 usable square feet of the Premises.

1.14. "Tenant's Percentage of Operating Expenses" means the percentage determined by dividing the rentable square feet of the Premises by the rentable square feet of the Building, multiplying the quotient by 100 and rounding to the third (3rd) decimal place.

1.15. "Term" means the period commencing at 12:01 a.m. of the Commencement Date and expiring at midnight of the Expiration Date.

2. Agreement of Lease; Work of Improvement.

2.1. Agreement of Lease. Landlord leases the Premises to Tenant and Tenant leases the Premises from Landlord for the Term, together with, in accordance with the provisions set forth in this Lease, (a) such rights of ingress and egress over and across the Property that are reasonably necessary for the use of the Premises, and (b) the right to use in common with all other tenants and occupants of the Property, all interior and exterior common and public areas and facilities, including, without limitation, all parking areas, driveways, walkways, sidewalks, elevators, stairwells, public restrooms and comfort areas, lobbies, entrances, hallways, corridors and loading and delivery areas.

2.2. Work of Improvement. The respective obligations (if any) of Landlord and Tenant to prepare the Premises for occupancy are described on the attached Exhibit C. Landlord and Tenant shall perform or have such work performed promptly, diligently and in a first-class and workmanlike manner. On occupancy of the Premises by Tenant, all of the obligations of Landlord set forth on the attached Exhibit C shall be deemed to be completed satisfactorily, except for any items set forth in a "punch list" prepared by Landlord and Tenant pursuant to a walk-through of the Premises within ten (10) days after the Commencement Date. Any improvements made to the Premises pursuant to Exhibit C whether made by Landlord or Tenant, shall, on installation, be and remain the property of Landlord. Except as set forth on

the attached Exhibit C (including completion of the items set forth in such punch list), the Premises shall be delivered by Landlord and accepted by Tenant in their "as-is" condition, and, except as expressly set forth in any other provision of this Lease, Landlord shall not be obligated to make any improvements or repairs to the Premises.

3. Term; Commencement Date. Tenant's obligation to pay rent under this Lease shall commence on the Commencement Date (unless otherwise set forth in Paragraph 1.2), and shall be for the Term. On Landlord's request, Landlord and Tenant shall execute a written acknowledgement of the Commencement Date in the form of the attached Exhibit D, which acknowledgement shall be deemed to be a part of this Lease and, if requested by Landlord, shall be consented to by any guarantor of this Lease on Landlord's standard form. If a dispute exists over when the Premises are ready for occupancy, the decision of Landlord's architect or contractor shall be final, unless Tenant objects to the decision of Landlord's architect or contractor by giving written notice to Landlord within five (5) business days after receipt of such decision. If Landlord's architect and Tenant's architect are unable to agree within a second five (5) business day period after such notice, the dispute shall be resolved by an independent architect mutually selected by Landlord and Tenant, acting reasonably and in good faith, the cost of which architect shall be shared equally by Landlord and Tenant.

4. Basic Monthly Rent. Tenant covenants to pay to Landlord without abatement (except as expressly provided in this Lease), deduction, offset, prior notice or demand the Basic Monthly Rent in lawful money of the United States at such place as Landlord may designate, in advance on or before the first day of each calendar month during the Term, commencing on the Commencement Date (unless otherwise set forth in Paragraph 1.2). If the first day on which Basic Monthly Rent is due under this Lease is not the first day of a calendar month, on or before such due date the Basic Monthly Rent shall be paid for the initial fractional calendar month prorated on a per diem basis and for the first full calendar month following such due date. If this Lease expires or terminates on a day other than the last day of a calendar month, the Basic Monthly Rent for such fractional month shall be prorated on a per diem basis. Notwithstanding the foregoing, concurrently with its execution of this Lease, Tenant shall pay to Landlord in advance the Basic Monthly Rent for the first full calendar month following the Commencement Date in which full Basic Monthly Rent is payable.

5. Operating Expenses.

5.1. Definitions. As used in this Lease, each of the following terms shall have the meaning indicated:

5.1.1. "Estimated Operating Expenses" means the projected amount of Operating Expenses for any given Operating Year as estimated by Landlord, in Landlord's reasonable discretion.

5.1.2. "Operating Expenses" means all reasonable costs, expenses and fees incurred or payable by Landlord in connection with this Lease and the ownership, operation, management, maintenance and repair of the Property, determined in accordance with the reasonable accounting procedures and business practices customarily employed by Landlord, including, without limitation, the costs, expenses and fees of the following: real and, if applicable (e.g., a movable generator or other personal property serving the Building), personal property taxes and assessments (and any tax levied in whole or in part in lieu of or in addition to such taxes and assessments); provided, that after the retirement of any special assessments, the Base Year Operating Expenses shall be reduced to eliminate such special assessments; rent and gross receipts taxes; assessments for the RiverPark Corporate Center levied under a common maintenance regime; removal of snow, ice, trash and other refuse; landscaping, cleaning, janitorial, parking and security services; fire protection; utilities; supplies and materials; insurance; licenses, permits and

inspections; accounting services; labor and personnel (but excluding costs, expenses and fees for employees of Landlord above the Building manager level); reasonable reserves for Operating Expenses payable during the year in which such reserves are collected; rental or a reasonable allowance for depreciation of personal property used for normal maintenance, repair and janitorial services in connection with the Property; improvements to and maintenance and repair of the Building and all equipment used in the Building; management services; provided, that the management fee shall not exceed management fees generally charged by property management companies for other comparable Class "A" suburban office buildings in the Salt Lake City metropolitan area; and that part of office rent or the rental value of space in the Building or another building used by Landlord to operate the Property; provided, however, that the office rent or the rental value of such space and the amount of such space shall be commercially reasonable under the circumstances, and shall be equitably allocated among the buildings concerned if buildings in addition to the Building are operated from such space. All Operating Expenses shall be computed on an annual basis. Tenant shall have sole responsibility for and shall pay when due all taxes, assessments, charges and fees levied by any governmental or quasi-governmental authority on Tenant's use of the Premises or any personal property or fixtures kept or installed in the Premises by Tenant. Notwithstanding the foregoing, Operating Expenses shall not include those items set forth in Paragraph 5.1 of the attached Rider to Office Lease (the "Rider").

5.1.3. "Operating Year" means each calendar year, all or a portion of which falls within the Term.

5.1.4. "Tenant's Estimated Share of Operating Expenses" means the result obtained by subtracting the Base Year Operating Expenses from the Estimated Operating Expenses, and then multiplying the difference by Tenant's Percentage of Operating Expenses. Tenant's Estimated Share of Operating Expenses for any fractional Operating Year shall be calculated by determining Tenant's Estimated Share of Operating Expenses for the relevant Operating Year and then prorating such amount over such fractional Operating Year.

5.1.5. "Tenant's Share of Operating Expenses" means the result obtained by subtracting the Base Year Operating Expenses from the Operating Expenses actually incurred in any given Operating Year, and then multiplying the difference by Tenant's Percentage of Operating Expenses. Tenant's Share of Operating Expenses for any fractional Operating Year shall be calculated by determining Tenant's Share of Operating Expenses for the relevant Operating Year and then prorating such amount over such fractional Operating Year.

5.2. Payment of Operating Expenses. In addition to the Basic Monthly Rent, Tenant covenants to pay to Landlord without abatement, deduction, offset, prior notice (except as provided in this Paragraph 5) or demand Tenant's Share of Operating Expenses in lawful money of the United States at such place as Landlord may designate, in advance, commencing on January 1, 2016, and continuing on or before the first day of each calendar month thereafter during the Term in accordance with the provisions of this Paragraph 5. On or prior to January 1, 2016 and prior to each Operating Year after January 1, 2016, if reasonably practicable, Landlord shall furnish Tenant with a written statement (the "Estimated Operating Expenses Statement") showing in reasonable detail the computation of Tenant's Estimated Share of Operating Expenses. On or prior to January 1, 2016, and on the first day of each month following January 1, 2016, Tenant shall pay to Landlord one-twelfth (1/12th) of Tenant's Estimated Share of Operating Expenses as specified in the Estimated Operating Expenses Statement for such Operating Year. If Landlord fails to give Tenant an Estimated Operating Expenses Statement prior to any Operating Year, Tenant shall continue to pay on the basis of the Estimated Operating Expenses Statement for the prior Operating Year until the Estimated Operating Expenses Statement for the current Operating Year is received. If at any time it appears to Landlord that the Operating Expenses will vary from Landlord's original estimate, Landlord may deliver to Tenant a revised Estimated Operating Expenses Statement for such Operating Year, and

subsequent payments by Tenant for such Operating Year shall be based on such revised Estimated Operating Expenses Statement. Within a reasonable time after the expiration of any Operating Year (but Landlord shall exert its best, commercially reasonable, good faith efforts to do so on or before April 1st of the following Operating Year), Landlord shall furnish Tenant with a written statement (the "Actual Operating Expenses Statement") showing in reasonable detail the computation of Tenant's Share of Operating Expenses for such Operating Year and the amount by which Tenant's Share of Operating Expenses exceeds or is less than the amounts paid by Tenant during such Operating Year. If the Actual Operating Expenses Statement indicates that the amount actually paid by Tenant for the relevant Operating Year is less than Tenant's Share of Operating Expenses for such Operating Year, Tenant shall pay to Landlord such deficit within thirty (30) days after delivery of the Actual Operating Expenses Statement. Such payments by Tenant shall be made notwithstanding that the Actual Operating Expenses Statement is furnished to Tenant after the expiration of the Term or sooner termination of this Lease. If the Actual Operating Expenses Statement indicates that the amount actually paid by Tenant for the relevant Operating Year exceeds Tenant's Share of Operating Expenses for such Operating Year, such excess shall, at Landlord's option, either be applied against any amount then payable or to become payable by Tenant under this Lease, or promptly refunded to Tenant. No failure by Landlord to require the payment of Tenant's Share of Operating Expenses for any period shall constitute a waiver of Landlord's right to collect Tenant's Share of Operating Expenses for such period or for any subsequent period; provided, however, that Landlord shall not be entitled to collect from Tenant any Operating Expenses that are billed to Tenant for the first time more than twenty-four (24) months after the calendar year in which such Operating Expenses arise. If the Base Year Operating Expenses exceed the Operating Expenses for any full or partial Operating Year, Tenant shall not be entitled to any refund, credit or adjustment of Basic Monthly Rent. Notwithstanding the foregoing to the contrary, (a) the Operating Expenses that vary with occupancy and are attributable to any part of the Term in which less than ninety-five percent (95%) of the rentable area of the Building is occupied by tenants paying full rent (in contrast to free rent, half rent or similar reduction) will be adjusted by Landlord to the amount that the Operating Expenses would have been if ninety-five percent (95%) of the rentable area of the Building had been occupied by tenants paying full rent, and (b) if Landlord furnishes a service to tenants in the Building, the cost of which constitutes an Operating Expense, and a tenant other than Tenant has undertaken to perform such service itself, Operating Expenses shall be increased by the amount that Landlord would have incurred if Landlord had furnished such service to such tenant.

5.3. Resolution of Disagreement. Every statement given to Tenant by Landlord under this Lease, including, without limitation, any statement given to Tenant pursuant to Paragraph 5.2, shall be conclusive and binding on Tenant unless within ninety (90) days after the receipt of such statement Tenant notifies Landlord that Tenant disputes the correctness of such statement, specifying the particular respects in which the statement is claimed to be incorrect. Pending the determination of such dispute by agreement between Landlord and Tenant, Tenant shall, within thirty (30) days after receipt of such statement, pay the amounts set forth in such statement in accordance with such statement, and such payment shall be without prejudice to Tenant's position. If such dispute exists and it is subsequently determined (whether with or without a review of Landlord's books and records) that Tenant has paid amounts in excess of those then due and payable under this Lease, Landlord, at Landlord's option, shall either apply such excess to an amount then payable or to become payable under this Lease or return such excess to Tenant. Landlord shall grant to an independent certified public accountant retained by Tenant reasonable access to Landlord's books and records for the purpose of verifying Operating Expenses incurred by Landlord, at Tenant's sole cost, provided that (a) Tenant is not in default under this Lease beyond the expiration of any applicable notice and cure period given to Tenant in this Lease, (b) neither Tenant nor Tenant's employees or agents may divulge the contents of such books and records or the results of such examination to any third party, (c) Tenant provides to Landlord, at no cost, copies of any draft and final reports of such examination within five (5) business days after receipt by Tenant, and (d) Tenant has not examined such books and records within the immediately preceding twelve (12) month period; provided, however, that if such verification

reveals that Tenant's Share of Operating Expenses set forth in any Actual Operating Expenses Statement exceeded by more than five percent (5%) the amount that actually was due, Landlord shall reimburse Tenant for the reasonable charges of such accountant based on a commercially reasonable hourly charge (even if such accountant is actually paid on some other basis). Tenant may not hire such accountant on a contingency, percentage, bonus or similar basis, unless such accountant is nationally recognized, reputable and commercially reasonable in its approach. If as the result of such verification it is determined that Landlord has overcharged Tenant for Tenant's Share of Operating Expenses, then the amount of the overcharge shall be credited against any amount payable or to become payable under this Lease.

6. Security Deposit. On the date of this Lease, Tenant shall deposit with Landlord the Security Deposit as security for the faithful performance by Tenant under this Lease. The Security Deposit shall be returned (without interest) to Tenant (or, at Landlord's option, to the last assignee of Tenant's interest under this Lease) after the expiration of the Term or sooner termination of this Lease and delivery of possession of the Premises to Landlord in accordance with Paragraph 17 if, at such time, Tenant is not in default under this Lease. If Landlord's interest in this Lease is conveyed, transferred or assigned and the transferee assumes in writing Landlord's obligations under this Lease, Landlord shall transfer or credit the Security Deposit to Landlord's successor in interest, and Landlord shall be released from any liability for the return of the Security Deposit. Landlord may intermingle the Security Deposit with Landlord's own funds, and shall not be deemed to be a trustee of the Security Deposit. If Tenant fails to pay or perform in a timely manner any obligation under this Lease, then following the expiration of any applicable notice and cure period given to Tenant in this Lease, Landlord may, prior to, concurrently with or subsequent to, exercising any other right or remedy, use, apply or retain all or any part of the Security Deposit for the payment of any monetary obligation due under this Lease, or to compensate Landlord for any other expense, loss or damage that Landlord may incur by reason of Tenant's failure, including any damage or deficiency in the reletting of the Premises. If all or any portion of the Security Deposit is so used, applied or retained, Tenant shall immediately deposit with Landlord cash in an amount sufficient to restore the Security Deposit to the original amount. Landlord may withhold the Security Deposit after the expiration of the Term or sooner termination of this Lease until Tenant has paid in full Tenant's Share of Operating Expenses for the Operating Year in which such expiration or sooner termination occurs and all other amounts payable under this Lease. The Security Deposit is not a limitation on Landlord's damages or other rights under this Lease, a payment of liquidated damages or prepaid rent and shall not be applied by Tenant to the rent for the last (or any) month of the Term, or to any other amount due under this Lease. If this Lease is terminated due to any default of Tenant, any portion of the Security Deposit remaining at the time of such termination shall immediately inure to the benefit of Landlord as partial compensation for the costs and expenses incurred by Landlord in connection with this Lease, and shall be in addition to any other damages to which Landlord is otherwise entitled.

7. Use. The Premises shall not be used or occupied for any purpose other than for the Permitted Use, and neither Tenant nor Tenant's Occupants shall do anything that may (a) increase the existing rate or violate the provisions of any insurance carried with respect to the Property, (b) create a public or private nuisance, commit waste or unreasonably interfere with, annoy or disturb any other tenant or occupant of the Building or Landlord in the operation of the Building, (c) overload the floors or otherwise damage the structure of the Building, (d) constitute an illegal or reasonably objectionable purpose, (e) increase the cost of any utility service beyond the level permitted by Paragraph 8, (f) violate any present or future laws, ordinances, regulations or requirements or any covenants, conditions and restrictions existing with respect to the Property, (g) subject Landlord or any other tenant to any liability to any third party, or (h) lower the first-class character of the Building. Tenant shall, at Tenant's sole cost, (v) use the Premises in a careful and safe manner, (w) comply with all present and future laws, ordinances, regulations and requirements and any covenants, conditions and restrictions existing with respect to the Property, including, without limitation, those relating to hazardous substances, hazardous wastes, pollutants or contaminants and those relating to access by disabled persons, (x) comply with the requirements of any board of fire

underwriters or other similar body relating to the Premises, (y) keep the Premises free of reasonably objectionable noises and odors, including, without limitation, cigar, pipe and similar smoke odors, and (z) not store, *use* or dispose of any hazardous substances, hazardous wastes, pollutants or contaminants on the Property, except for *de minimis* quantities of typical cleaning and office supplies that are stored, used and disposed of in accordance with all applicable laws, ordinances, regulations and requirements.

8. Utilities and Services.

8.1. Landlord's Obligations. Landlord shall cause to be furnished to the Premises electricity for normal lighting and office computers and equipment, heat and air conditioning, water, at least those janitorial services set forth on the attached Schedule 1, snow removal, landscaping, grounds keeping and elevator service in a manner consistent with other comparable Class "A" suburban office buildings in the Salt Lake metropolitan area. If Landlord provides electric current to the Premises in excess of normal office usage levels to enable Tenant to operate any data processing or other equipment requiring extra electric current, or if Landlord provides any other utility or service that is in excess of that typically required for routine office purposes, including additional cooling necessitated by Tenant's equipment, Landlord shall reasonably determine or calculate the cost of such additional electric current, utility or service, and Tenant shall pay such cost on a monthly basis to Landlord. Landlord may cause an electric or water meter to be installed in the Premises in order to measure the amount of electricity or water consumed for any such use, and the cost of such meter and any related wiring or plumbing shall be paid promptly by Tenant. Tenant, at Tenant's sole cost, shall provide telephone service to the Premises. Tenant may be separately billed for, and, if billed, shall pay the cost of, any lighting, heating, ventilating and air conditioning used during any period other than Monday through Friday from 7:00 a.m. to 6:00 p.m., and Saturday from 8:00 a.m. to 1:00 p.m. Tenant shall have the right to require after-hours service on demand, provided that Tenant pays Landlord's approximate costs for providing such service.

8.2. Landlord's Liability. Landlord shall not be liable for and Tenant shall not be entitled to terminate this Lease, to effectuate any abatement or reduction of rent or to collect any damages by reason of Landlord's failure to provide or furnish any of the utilities or services set forth in Paragraph 8.1 if such failure was occasioned by any strike or labor controversy, any act or default of Tenant, the inability of Landlord to obtain services from the company supplying the same or any other cause beyond the reasonable control of Landlord or by the making of necessary repairs or improvements to the Property. Landlord shall exert commercially reasonable, good faith and diligent efforts to remedy such failure. In no event shall Landlord be liable for loss or injury to persons or property, however arising, occurring in connection with or attributable to any failure to furnish such utilities or services even if within the control of Landlord, excepting only Landlord's willful misconduct or gross negligence.

9. Maintenance and Repairs; Alterations; Access to Premises.

9.1. Maintenance and Repairs. Landlord agrees to keep in good order, condition and repair, and in a clean and sanitary condition, the HVAC, mechanical, plumbing and electrical equipment servicing the Building, the mechanical, plumbing and electrical equipment and fixtures located within the Premises, the Building roof, exterior and foundations and structural (load bearing) portions of the Premises (except doors, hardware, closers, hinges and locks), the Building, and the Property (including gutters, downspouts, all service pipes, lines and mains leading to and from the Premises, and all common areas located on the Property), except for any damage thereof caused by any act or negligence of Tenant, its employees, agents, licensees or contractors, and except for portions of the Premises that are to be maintained by Tenant, as set forth in the immediately following sentence, and portions of the Building leased by persons not affiliated with Landlord. Tenant, at Tenant's sole cost, shall maintain the interior of the Premises (including, without limitation, all floors, walls and ceilings and their coverings, doors and locks, and Tenant's furnishings, trade fixtures, signage, leasehold improvements, equipment and other personal

property from time to time situated in or on the Premises) in good order, condition and repair and in a clean and sanitary condition (except to the extent of the janitorial services described in Paragraph 8.1). The presence of mold may have adverse health effects for Tenant and Tenant's Occupants and may impact building materials. To reduce the likelihood and impact of mold growth within the Premises and the Building, Tenant shall notify Landlord or its designated property manager immediately in the event of any observed water intrusion/loss (e.g., plumbing leaks, roof leaks, large volume liquid spills, etc.) either within the Premises or within the interior or exterior common areas of the Building.

9.2. Alterations. Tenant shall not make any change, addition, improvement or repair to the Premises (including, without limitation, the attachment of any fixture or equipment, or the addition of any pipe, line, wire, conduit or related facility for water, electricity, natural gas, telephone, sewer or other utility), unless such change, addition, improvement or repair (a) equals or exceeds the then-current standard for the Building and utilizes only new and first-grade materials, (b) is in conformity with all applicable laws, ordinances, regulations and requirements, and is made after obtaining any required permits and licenses, (c) is made with the prior written consent of Landlord, (d) is made pursuant to plans and specifications approved in writing in advance by Landlord, (e) is made after Tenant has provided to Landlord such indemnification or bonds, including, without limitation, a performance and completion bond, in such form and amount as may be satisfactory to Landlord, to protect against claims and liens for labor performed and materials furnished, and to insure the completion of any change, addition, improvement or repair, (f) is carried out by persons approved in writing by Landlord, who, if required by Landlord, deliver to Landlord before commencement of their work proof of such insurance coverage as Landlord may require, with Landlord named as an additional insured, and (g) is done only at such time and in such manner as Landlord may reasonably specify. Any such change, addition, improvement or repair shall immediately become the property of Landlord. Tenant shall promptly pay the entire cost of any such change, addition, improvement or repair. Tenant shall indemnify, defend and hold harmless Landlord from and against all liens, claims, damages, losses, liabilities and expenses, including attorneys' fees, that may arise out of, or be connected in any way with, any such change, addition, improvement or repair. Within ten (10) days following the imposition of any lien resulting from any such change, addition, improvement or repair, Tenant shall cause such lien to be released of record by payment of money or posting of a proper bond.

9.3. Access to Premises. Landlord and Landlord's employees, agents and contractors may enter the Premises at reasonable times (including during normal business hours) on reasonable notice to Tenant for the purpose of cleaning, inspecting, altering, improving and repairing the Premises or other parts of the Building and ascertaining compliance with the provisions of this Lease by Tenant. Landlord shall have free access to the Premises in an emergency. Landlord may also show the Premises to prospective purchasers, tenants or mortgagees during normal business hours on at least twenty-four (24) hours' notice to Tenant. Tenant waives any claim for any damage, injury or inconvenience to, or interference with, Tenant's business, occupancy or quiet enjoyment of the Premises and other loss occasioned by such entry, unless caused by Landlord's willful misconduct or gross negligence. Landlord shall at all times have a key with which to unlock all of the doors in the Premises (excluding Tenant's vaults, safes and similar areas designated in writing by Tenant in advance). Notwithstanding anything contained in this Paragraph to the contrary, in any entry of the Premises, Landlord and Landlord's employees shall exercise good faith, commercially reasonable efforts to minimize any interference with, and disturbance to, Tenant and the operation of Tenant's business in the Premises.

10. Assignment.

10.1. Prohibition. Tenant shall not, either voluntarily or by operation of law, assign, transfer, mortgage, encumber, pledge or hypothecate this Lease or Tenant's interest in this Lease, in whole or in part, permit the use of the Premises or any part of the Premises by any persons other than Tenant or Tenant's employees, or sublease the Premises or any part of the Premises, without the prior written consent of Landlord, which consent shall not be unreasonably withheld, conditioned or delayed to the extent

provided in, and subject to, the provisions set forth in Paragraph 2 of the Rider. Any transfer of this Lease from Tenant by merger, consolidation, liquidation or transfer of assets shall constitute an assignment for the purposes of this Lease. Consent to any assignment or subleasing shall not operate as a waiver of the necessity for consent to any subsequent assignment or subleasing and the terms of such consent shall be binding on any person holding by, through or under Tenant. At Landlord's option, any assignment or sublease without Landlord's prior written consent shall be void ab initio (from the beginning).

10.2. Termination. If Tenant requests Landlord's consent to an assignment of this Lease or to a subleasing of the whole or any part of the Premises, Tenant shall submit to Landlord the terms of such assignment or subleasing, the name and address of the proposed assignee or subtenant, such information relating to the nature of such assignee's or subtenant's business and finances as Landlord may reasonably require and the proposed effective date (the "Effective Date") of the proposed assignment or subleasing (which Effective Date shall be neither less than thirty (30) nor more than ninety (90) days following the date of Tenant's submission of such information). On receipt of such request and all such information from Tenant, Landlord may, by notice within thirty (30) days after such receipt, terminate this Lease if the request is to assign this Lease or to sublease all of the Premises or, if the request is to sublease a portion of the Premises only, terminate this Lease with respect to such portion, in each case as of the Effective Date, unless within five (5) business days after notice from Landlord to Tenant of such termination, Tenant withdraws such request. Such right to terminate shall be for any reason, including, without limitation, the right to retain all profits of such assignment or sublease. If Landlord exercises such termination right, Tenant shall surrender possession of the entire Premises or the portion that is the subject of the right, as the case may be, on the Effective Date in accordance with the provisions of Paragraph 17. If this Lease is terminated as to a portion of the Premises only, the rent payable by Tenant under this Lease shall be reduced proportionately commencing as of the Effective Date, based on the percentage of the Premises as to which this Lease has been terminated.

10.3. Landlord's Rights. If this Lease is assigned or if all or any portion of the Premises is subleased or occupied by any person other than Tenant without obtaining Landlord's consent, Landlord may collect rent and other charges from such assignee or other party, and apply the amount collected to the rent and other charges payable under this Lease, but such collection shall not constitute consent or waiver of the necessity of consent to such assignment or subleasing, nor shall such collection constitute the recognition of such assignee or subtenant as Tenant under this Lease or a release of Tenant from the further performance of all of the covenants and obligations of Tenant contained in this Lease. No consent by Landlord to any assignment or subleasing by Tenant shall relieve Tenant of any obligation to be paid or performed by Tenant under this Lease, whether occurring before or after such consent, assignment or subleasing, but rather Tenant and Tenant's assignee or subtenant, as the case may be, shall be jointly and severally primarily liable for such payment and performance, which shall be confirmed to Landlord in writing on Landlord's standard form, and any guarantor shall remain fully liable under such guarantor's guaranty, which also shall be confirmed to Landlord in writing on Landlord's standard form. Tenant shall reimburse Landlord for Landlord's reasonable attorneys' and other fees and costs, not to exceed $1,500 per occurrence (assuming that Landlord is not asked to prepare the assignment or sublease agreement, or to negotiate or revise substantially (meaning spending more than one hour in attorney time) the Sublease Consent Agreement attached as Exhibit E), incurred in connection with both determining whether to give consent and giving consent. No assignment under this Lease shall be effective unless and until Tenant provides to Landlord an executed counterpart of the assignment agreement in form and substance reasonably satisfactory to Landlord, and Landlord has executed and delivered a written consent thereto in Landlord's standard form. No subleasing under this Lease shall be effective unless and until Tenant provides to Landlord fully executed counterparts of the sublease agreement and the Sublease Consent Agreement substantially in the form attached as Exhibit E (which shall be negotiated by Landlord in good faith), and Landlord has executed and delivered the Sublease Consent Agreement. Without affecting any of its other obligations under this Lease, if this Lease is assigned or all or any portion of the Premises is

subleased and the rent, additional rent, compensation or other economic consideration received or to be received by Tenant in connection with such assignment or sublease (including, without limitation, any payment in excess of fair market value for services rendered by Tenant to the assignee or subtenant or for assets, fixtures, inventory, equipment or furniture transferred by Tenant to the assignee or subtenant) exceeds the Basic Monthly Rent and Tenant's Share of Operating Expenses payable by Tenant under this Lease for the period concerned (calculated on a per rentable square foot basis if less than all of the Premises is subleased) after deducting reasonable advertising expenses, brokerage commissions, tenant improvement costs and attorneys' fees actually incurred by Tenant and payable to non-affiliated third parties in connection with such assignment or subleasing, all of which must be amortized over the applicable lease term, then Tenant shall pay fifty percent (50%) of such excess to Landlord when received. Prior to Landlord consenting to any such assignment or sublease, Tenant shall provide to Landlord a detailed written schedule of all rent, additional rent, compensation or other economic consideration received or to be received by Tenant in connection with such assignment or sublease, which schedule shall be certified by Tenant to Landlord as true, correct and complete in all respects, with such certification executed by Tenant. As used in the immediately preceding two sentences, the term "Tenant" refers to the assignor in the event of an assignment, and to the sublandlord in the event of a sublease.

11. Indemnity; Waiver and Release.

11.1. Indemnity. Tenant shall indemnify, defend and hold harmless Landlord and Landlord's employees and agents from and against all demands, claims, causes of action, judgments, losses, damages, liabilities, fines, penalties, costs and expenses, including attorneys' fees, arising from the occupancy or use of the Property by Tenant or Tenant's Occupants, any hazardous substances, hazardous wastes, pollutants or contaminants deposited, released or stored by Tenant or Tenant's Occupants on the Property, the conduct of Tenant's business on the Property, any act or omission done, permitted or suffered by Tenant or any of Tenant's Occupants, any injury or damage to the person, property or business of Tenant or Tenant's Occupants without willful misconduct or gross negligence on the part of Landlord or any litigation commenced by Tenant to which Landlord is made a party without willful misconduct or gross negligence on the part of Landlord. If any action or proceeding is brought against Landlord or Landlord's employees or agents by reason of any of the matters set forth in the preceding sentence, Tenant, on notice from Landlord, shall defend Landlord at Tenant's expense with counsel reasonably satisfactory to Landlord. The provisions of this Paragraph 11.1 shall survive the expiration of the Term or sooner termination of this Lease.

11.2. Waiver and Release. Tenant waives and releases all claims against Landlord and Landlord's employees and agents with respect to all matters for which Landlord has disclaimed liability or responsibility pursuant to the provisions of this Lease. In addition, Landlord and Landlord's employees and agents shall not be liable for any loss, injury, death or damage to persons, property or Tenant's business resulting from any theft, act of God, public enemy, injunction, riot, strike, insurrection, terrorism, war, court order, requisition, order of governmental body or authority, fire, explosion, falling object, steam, water, rain, snow, ice, wind and other weather-related occurrences, breakage, leakage, obstruction or other defects of pipes, sprinklers, wires, appliances, plumbing, air conditioning or lighting fixtures, construction, repair or alteration of the Premises, unless caused by the willful misconduct or gross negligence of Landlord or Landlord's employees or agents, or other cause beyond Landlord's reasonable control.

12. Insurance. On or before the date of this Lease, Tenant shall, at Tenant's sole cost, procure and continue in force the following insurance coverage: (a) commercial general liability insurance with a combined single limit for bodily injury and property damage of not less than $1,000,000 per occurrence, including, without limitation, contractual liability coverage for the performance by Tenant of the indemnity agreement set forth in Paragraph 11.1; (b) property insurance with special causes of loss including theft coverage, insuring against fire, extended coverage risks, vandalism and malicious mischief, and including

boiler and sprinkler leakage coverage, in an amount equal to the full replacement cost (without deduction for depreciation) of all furnishings, trade fixtures, equipment and other personal property from time to time situated in or on the Premises; and (c) workers' compensation insurance satisfying Tenant's obligations under the workers' compensation laws of the state of Utah. Such minimum limits shall in no event limit the liability of Tenant under this Lease. Such liability insurance shall name Landlord and any other person specified from time to time by Landlord as an additional insured, and both such liability and property insurance shall be with companies reasonably acceptable to Landlord having a rating of not less than A:XII in the most recent issue of Best's Key Rating Guide, Property-Casualty. All liability policies maintained by Tenant shall contain a provision that Landlord and any other additional insured, although named as an insured, shall nevertheless be entitled to recover under such policies for any loss sustained by Landlord and Landlord's employees and agents as a result of the acts or omissions of Tenant. Tenant shall furnish Landlord with certificates of coverage. No such policy shall be cancelable or subject to reduction of coverage or other modification except after thirty (30) days' prior written notice to Landlord by the insurer. All such policies shall be written as primary policies, not contributing with and not in excess of the coverage that Landlord may carry, and shall only be subject to such deductibles as may be commercially reasonable. Tenant shall, at least ten (10) days prior to the expiration of such policies, furnish Landlord with renewals of, or binders for, such policies. Landlord and Tenant waive all rights to recover against each other, against any other tenant or occupant of the Building and against the officers, directors, shareholders, members, managers, partners, joint venturers, employees, agents, customers, invitees or business visitors of each other or of any other tenant or occupant of the Building, for any loss or damage arising from any cause covered by any property insurance carried by the waiving party, but only to the extent that such loss or damage is actually covered. Landlord and Tenant shall cause their respective insurance carriers to issue appropriate waivers of subrogation rights endorsements to all policies of insurance carried in connection with the Premises or the contents of the Premises. Tenant shall cause all other occupants of the Premises claiming by, through or under Tenant to execute and deliver to Landlord a waiver of claims similar to the waiver contained in this Paragraph and to obtain such waiver of subrogation rights endorsements. Any mortgage lender holding an interest in any part of the Property may, at Landlord's option, be afforded coverage under any commercial general liability insurance policy required to be secured by Tenant under this Lease by use of a mortgagee's endorsement to the policy concerned. Landlord shall, as part of the Operating Expenses, procure and continue in force (x) property insurance covering the Building with a replacement cost endorsement, subject to such commercially reasonable deductibles as Landlord may select, together with rental income insurance in a commercially reasonable amount, (y) commercial general liability insurance with a combined single limit for bodily injury and property damage of not less than 51,000,000 per occurrence, and (z) any insurance required by law for the protection of employees of Landlord working on or around the Property (including, without limitation, worker's compensation insurance) with no less than the limits required by law. All such insurance shall be provided by financially capable, licensed, third-party insurers.

13. Damage or Destruction. If the Premises are partially damaged or destroyed by any casualty insured against under any insurance policy maintained by Landlord, Landlord shall, on receipt of the insurance proceeds, repair the Premises to substantially the condition in which the Premises were immediately prior to such damage or destruction. Landlord's obligation under the preceding sentence shall not exceed the lesser of the cost of the standard improvements installed by Landlord in the Premises in accordance with the attached Exhibit C, or the proceeds received by Landlord from any insurance policy maintained by Landlord. Until such repair is complete, the Basic Monthly Rent and Tenant's Share of Operating Expenses shall be abated proportionately commencing on the date of such damage or destruction as to that portion of the Premises rendered untenantable, if any. If (a) by reason of such occurrence the Premises are rendered wholly untenantable, (b) the Premises are damaged as a result of a risk not covered by insurance, (c) the Premises are damaged in whole or in part during the last twelve (12) months of the Term existing as of the date immediately prior to such damage or destruction, (d) the Premises or the Building (whether or not the Premises are damaged) is damaged to the extent of twenty-five percent (25%)

or more of the then-replacement value of either or to the extent that it would take, in Landlord's opinion, in excess of ninety (90) days to complete the requisite repairs, or (e) insurance proceeds adequate to repair the Property are not available to Landlord for any reason, Landlord may either elect to repair the damage or cancel this Lease by written notice of cancellation within thirty (30) days after such event, so long at Landlord terminates leases in the Building covering an aggregate of at least seventy-five percent (75%) of the leased area of the Building, and on such notice, Tenant shall vacate and surrender the Premises to Landlord as soon as reasonably practicable, but in no event later than thirty (30) calendar days after Tenant receives such notice from Landlord. If Landlord elects to repair any such damage, any abatement of Basic Monthly Rent and Tenant's Share of Operating Expenses shall end on a factually correct notice given by Landlord to Tenant that the Premises have been repaired. If the damage is caused by the negligence of Tenant or Tenant's Occupants, Basic Monthly Rent shall not abate, except to the extent of rental income insurance proceeds relating to this Lease actually received by Landlord, or which would have been received by Landlord, had Landlord carried the rental income insurance required to be carried by Landlord pursuant to Paragraph 12. Landlord shall exercise good faith, commercially reasonable efforts to collect such insurance proceeds. Except for abatement of Basic Monthly Rent and Tenant's Share of Operating Expenses, if any, Tenant shall have no claim against Landlord for any loss suffered by reason of any such damage, destruction, repair or restoration unless such loss is caused by the willful misconduct or gross negligence of Landlord or Landlord's employees (but subject to the waiver of subrogation provisions set forth in Paragraph 12), nor may Tenant terminate this Lease as the result of any statutory provision in effect on or after the date of this Lease pertaining to the damage and destruction of the Premises or the Building. The proceeds of all insurance carried by Tenant on Tenant's furnishings, trade fixtures, equipment and other personal property shall be held in trust by Tenant for the purpose of the repair and replacement of the same. Landlord shall not be required to repair any damage to, or to make any restoration or replacement of, any furnishings, trade fixtures, equipment and other personal property installed in the Premises by Tenant. Unless this Lease is terminated by Landlord pursuant to this Paragraph, Tenant shall be required to restore or replace such furnishings, trade fixtures, equipment and other personal property on damage or destruction in at least a condition equal to that existing prior to such event. If the Premises are damaged to the extent that it would take, according to Landlord's reasonable estimate, in excess of six (6) months (or three (3) months if such damage occurs within the last twelve (12) months of the Term) to complete the requisite repairs, and at least fifty percent (50%) of the Premises would be untenantable for such six (6) month (or three (3) month) period, Tenant may elect to cancel this Lease by written notice of cancellation given by Tenant to Landlord within ten (10) business days after Landlord provides to Tenant a written estimate of the time required to complete the requisite repairs (which notice shall be given by Landlord to Tenant as soon as reasonably possible, but in no event later than thirty (30) calendar days after the occurrence of such damage), and on such notice, Tenant shall vacate and surrender the Premises to Landlord in accordance with the applicable provisions of this Lease. Unless this Lease is cancelled in accordance with this Paragraph 13, Landlord shall commence such repairs within a commercially reasonable period of time after the occurrence of such damage, and shall thereafter diligently prosecute such repairs to completion in a commercially reasonable, good and workmanlike manner, notwithstanding the fact that Landlord's receipt of insurance proceeds may be delayed (as opposed to being unavailable).

14. Condemnation. As used in this Paragraph, the term "Condemnation Proceedings" means any actions or proceedings in which any interest in the Property is taken for any public or quasi-public purpose by any lawful authority through exercise of the power of eminent domain or by purchase or other means in lieu of such exercise. If the whole of the Premises is taken through Condemnation Proceedings, this Lease shall automatically terminate as of the date of the taking. The phrase "as of the date of the taking" means the date of taking actual physical possession by the condemning authority or such earlier date as the condemning authority gives notice that it is deemed to have taken possession. If part, but not all, of the Premises is taken, either Landlord or Tenant may terminate this Lease. Landlord may terminate this Lease if any portion of the Property (whether or not including the Premises) is taken that, in Landlord's reasonable judgment, substantially interferes with Landlord's ability to operate or use the Property for the

purposes for which the Property was intended, so long at Landlord terminates leases in the Building covering an aggregate of at least seventy-five percent (75%) of the leased area of the Building. Tenant may terminate this Lease if any portion of the Property (not including the Premises) is taken, which taking prevents reasonable access to and from the Premises and the public roadways abutting the Property (and Landlord fails to provide reasonably acceptable substitute access), or, unless Landlord provides to Tenant replacement parking within reasonable proximity to the Premises, reduces the parking available to Tenant and Tenant's Occupants on the Property below Tenant's Parking Stall Allocation. Any such termination must be accomplished through written notice given no later than thirty (30) days after, and shall be effective as of, the date of such taking. In all other cases, or if neither Landlord nor Tenant exercises its right to terminate, this Lease shall remain in effect. If a portion of the Premises is taken and this Lease is not terminated, the Basic Monthly Rent and Tenant's Share of Operating Expenses shall be reduced in the proportion that the floor area taken bears to the total floor area of the Premises immediately prior to the taking. Whether or not this Lease is terminated as a consequence of Condemnation Proceedings, all damages or compensation awarded for a partial or total taking, including any award for severance damage and any sums compensating for diminution in the value of or deprivation of the leasehold estate under this Lease, shall be the sole and exclusive property of Landlord, provided that Tenant shall be entitled to any award for the loss of, or damage to, Tenant's trade fixtures or loss of business and moving expenses, if a separate award is actually made to Tenant and if the same will not reduce Landlord's award. Tenant shall have no claim against Landlord for the occurrence of any Condemnation Proceedings, or for the termination of this Lease or a reduction in the Premises as a result of any Condemnation Proceedings.

15. Landlord's Financing. This Lease shall be subordinate to any existing first mortgage, first deed of trust, ground lease, declaration of covenants, conditions, easements and restrictions (whether recorded on or after the date of this Lease) and all renewals, modifications, amendments, consolidations, replacements and extensions of any such instruments. No documentation other than this Lease shall be required to evidence such subordination. If the holder of any mortgage or deed of trust elects to have this Lease superior to the lien of its mortgage or deed of trust and gives written notice of such election to Tenant, this Lease shall be deemed prior to such mortgage or deed of trust. Tenant shall execute such documents as may be required by Landlord to confirm such subordination or priority, or a subordination to any future first mortgage or first deed of trust and all renewals, modifications, amendments, consolidations, replacements and extensions of any such instruments, within fifteen (15) days after written request, provided that the lender concerned concurrently provides to Tenant a non-disturbance agreement. Any sale, assignment or transfer of Landlord's interest under this Lease or in the Premises, including any such disposition resulting from Landlord's default under a debt obligation, shall be subject to this Lease and Tenant shall attorn to Landlord's successors and assigns and shall recognize such successors or assigns as Landlord under this Lease, regardless of any rule of law to the contrary or absence of privity of contract. Landlord shall, at Landlord's sole cost and expense, exercise commercially reasonable, good faith efforts to obtain a non-disturbance agreement in favor of Tenant (which will likely contain a subordination and attornment agreement) from any lender holding a mortgage lien on the Premises that is prior in time to this Lease.

16. Default.

16.1. Default by Tenant. The occurrence of any of the following events shall constitute a default by Tenant under this Lease: (a) Tenant fails to pay any installment of Basic Monthly Rent, Tenant's Share of Operating Expenses or any other sum due under this Lease within five (5) business days after written notice is given to Tenant that the same is past due; (b) Tenant fails to observe or perform any other term, covenant or condition to be observed or performed by Tenant under this Lease within ten (10) calendar days after written notice is given to Tenant of such failure; provided, however, that if more than ten (10) calendar days is reasonably required to cure such failure, Tenant shall not be in default if Tenant commences such cure within such ten (10) day period and diligently prosecutes such cure to completion;

(c) Tenant or any guarantor of this Lease dies (if an individual), files a petition in bankruptcy, becomes insolvent, has taken against such party in any court, pursuant to state or federal statute, a petition in bankruptcy or insolvency or for reorganization or appointment of a receiver or trustee, petitions for or enters into an arrangement for the benefit of creditors or suffers this Lease to become subject to a writ of execution; (d) Tenant vacates or abandons the Premises; or (e) any guarantor of this Lease attempts to rescind or terminate its guaranty.

16.2. Remedies. On any default by Tenant under this Lease, Landlord may at any time, without waiving or limiting any other right or remedy available to Landlord, (a) perform in Tenant's stead any obligation that Tenant has failed to perform, and Landlord shall be reimbursed promptly for any cost reasonably incurred by Landlord with interest from the date of such expenditure until paid in full at the greater of (i) the prime rate then charged by Zions First National Bank, Salt Lake City (or any other bank designated by Landlord), plus four percent (4%), or (ii) twelve percent (12%) per annum (the "Interest Rate"), (b) terminate Tenant's rights under this Lease by written notice, (c) reenter and take possession of the Premises by any lawful means (with or without terminating this Lease), or (d) pursue any other remedy allowed by law. Tenant shall pay to Landlord the cost of recovering possession of the Premises, all costs of reletting, including reasonable renovation, remodeling and alteration of the Premises for office purposes, the amount of any commercially reasonable commissions paid by Landlord in connection with such reletting, and all other costs and damages arising out of Tenant's default, including reasonable attorneys' fees and costs, and shall repay to Landlord all reduced rent and any other similar concession given to Tenant; provided, however, that for purposes of Tenant's liability under the foregoing portion of this sentence, such costs of reletting and commissions shall be amortized on a straight-line basis over the initial term of the new lease, and Tenant shall be liable only for that portion so amortized falling within the remaining portion of the Term; provided further, however, that the reduced rent shall be prorated over the Term, commencing after the reduced rent period has expired. Notwithstanding any termination or reentry, the liability of Tenant for the rent payable under this Lease shall not be extinguished for the balance of the Term, and Tenant agrees to compensate Landlord on demand for any deficiency, whether arising from (v) reletting the Premises at a lesser rent than applies under this Lease, (w) reletting the Premises for a term shorter than the remaining Term, (x) reletting less than all of the Premises, (y) any default in the payment of rent by any person to whom Landlord relets the Premises, or (z) any other cause whatsoever. No reentry to or taking possession of the Premises or other action by Landlord or its agents on or following the occurrence of any default by Tenant shall be construed as an election by Landlord to terminate this Lease or as an acceptance of any surrender of the Premises, unless Landlord provides Tenant written notice of such termination or acceptance. In the event of a Tenant default, Landlord shall mitigate its damages in accordance with applicable Utah law, as set forth in *Reid v. Mutual of Omaha Ins. Co.,* 776 P.2d 896 (Utah 1989); provided, however, that Landlord shall not be obligated to: accept less than the then-current market rent for the Premises; lease (or accept an assignment or sublease) to a then-existing tenant of the Building if Landlord is then offering space in the Building for lease; deviate from its then-established guidelines for tenants including, without limitation, use, experience, reputation and creditworthiness; expand or contract the Premises; extend the term of this Lease; or expend any money on behalf of a new tenant. Tenant shall not have any claim against Landlord as a result of Landlord's failure to mitigate its damages; however, as a result of such failure, Tenant will have a defense to a claim by Landlord to the extent allowed by applicable Utah law.

16.3. Past Due Amounts. If Tenant fails to pay when due any amount required to be paid by Tenant under this Lease, such unpaid amount shall bear interest at the Interest Rate from the due date of such amount to the date of payment in full, with interest. In addition, Landlord may also charge a sum of five percent (5%) of such unpaid amount as a service fee. This late payment charge is intended to compensate Landlord for Landlord's additional administrative costs resulting from Tenant's failure to perform in a timely manner Tenant's obligations under this Lease, and has been agreed on by Landlord and Tenant after negotiation as a reasonable estimate of the additional administrative costs that will be incurred

by Landlord as a result of such failure. The actual cost in each instance is extremely difficult, if not impossible, to determine. This late payment charge shall constitute liquidated damages and shall be paid to Landlord together with such unpaid amount. The payment of this late payment charge shall not constitute a waiver by Landlord of any default by Tenant under this Lease. Notwithstanding the foregoing to the contrary, such interest and late payment charge shall not apply if the failure by Tenant to pay when due any amount required to be paid by Tenant under this Lease is cured within three (3) business days after Landlord gives Tenant written or verbal notice of such failure; provided, that such three (3) day notice and cure period shall not be applicable more than once in any twelve (12) month period. Therefore, on the second time in any twelve (12) month period that Tenant fails to pay when due any amount required to be paid by Tenant under this Lease, such interest and late payment charge will be due and payable by Tenant and such notice and cure period will be inapplicable. (Such notice and cure period applies only to such interest and late payment charge.) All amounts due under this Lease are and shall be deemed to be rent or additional rent, and shall be paid without abatement, deduction, offset, prior notice or demand (unless expressly provided by the terms of this Lease). Landlord shall have the same remedies for a default in the payment of any amount due under this Lease as Landlord has for a default in the payment of Basic Monthly Rent.

16.4. Default by Landlord. Landlord shall not be in default under this Lease unless Landlord fails to perform an obligation required of Landlord under this Lease within thirty (30) days after written notice by Tenant to Landlord and the holder of any mortgage or deed of trust covering the Property whose name and address have been furnished to Tenant in writing, specifying the respects in which Landlord has failed to perform such obligation, and such holder fails to perform such obligation within a second thirty (30) day period commencing on the expiration of such first thirty (30) day period. If the nature of such obligation is such that more than thirty (30) days are reasonably required for performance or cure, Landlord shall not be in default if Landlord or such holder commences performance within their respective thirty (30) day periods and after such commencement diligently prosecutes the same to completion. In no event may Tenant terminate this Lease or withhold the payment of rent or other charges provided for in this Lease as a result of Landlord's default.

16.5. Self-Help. If after all of the required notices have been given and all of the time periods for cure have expired under Paragraph 16.4, neither Landlord nor the holder of any mortgage or deed of trust covering the Property whose name and address have been furnished to Tenant in writing has performed the obligation concerned, and if, but only if, the obligation concerned is one that is to be performed wholly within the Premises and does not affect the Building structure or systems (including, without limitation, life and safety, electrical, plumbing, gas, mechanical or HVAC), then after at least three (3) business days' prior written notice to Landlord, Tenant may, in compliance with the provisions of Paragraphs 9.2(a) and (b) and subject to all other applicable provisions of this Lease (other than Paragraphs 9.2(c), (d), (e), (f) and (g)), and provided that the persons performing such work are properly insured in a commercially reasonable manner, perform such obligation in a first-class and workmanlike manner. Landlord shall reimburse Tenant for the reasonable cost of performing such obligation within ten (10) business days after receipt of a written invoice from Tenant, accompanied by evidence of payment in full by Tenant and any appropriate executed lien waivers.

17. Expiration or Termination.

17.1. Surrender of Premises. Prior to the expiration of the Term or sooner termination of this Lease, Tenant shall, at Tenant's sole cost, (a) promptly and peaceably surrender the Premises to Landlord "broom clean," in good order and condition, subject to normal and reasonable wear and tear, (b) repair any damage to the Property caused by or in connection with the removal of any property from the Premises by or at the direction of Tenant, (c) repair, patch and paint in a good and workmanlike manner all holes and other marks in the floors, walls and ceilings of the Premises to Landlord's reasonable satisfaction, and (d) deliver all keys and access cards to the Premises to Landlord. Before surrendering the Premises,

Tenant shall, at Tenant's sole cost, remove Tenant's movable personal property and trade fixtures (including signage) only, and all other property shall, unless otherwise directed by Landlord in accordance with this Paragraph 17.1, remain in the Premises as the property of Landlord without compensation; however, Tenant shall not remove any personal property or trade fixtures from the Premises (other than Tenant's business records and files (including electronic files and data), prototypes, trade secrets, signage, trademarks, merchandise or inventory or the personal effects of Tenant's employees) without Landlord's prior written consent if such removal will impair the structure of the Building or Tenant is in default under this Lease beyond the expiration of any applicable notice and cure period given to Tenant in this Lease. If Tenant is in default under this Lease beyond the expiration of any applicable notice and cure period given to Tenant in this Lease, the fair market value of such personal property and trade fixtures left in the Premises and actually used by Landlord shall be credited to the delinquent amounts due under this Lease after all other amounts have been paid by Tenant to Landlord. Landlord may require Tenant to remove any personal property, trade fixtures, other property, alterations, additions and improvements made to the Premises by Tenant or by Landlord for Tenant, including, without limitation, any computer lines, wiring, cabling and facilities and other similar improvements, and to restore the Premises to their condition as of the Commencement Date, subject to normal and reasonable wear and tear; provided, however, that notwithstanding the foregoing to the contrary, Tenant shall have no obligation to remove the improvements made by Landlord pursuant to the attached Exhibit C, and except as otherwise expressly required by this Lease, Tenant shall have no obligation to remove any other improvements made by Tenant with Landlord's prior written consent unless Landlord's consent to make such alterations was expressly conditioned on Tenant's removing such alterations at the expiration of the Term or sooner termination of this Lease, except that, in all events, unless Landlord otherwise consents in writing, Tenant must remove all alterations, additions and improvements made to the Premises by Tenant or by Landlord for Tenant that are located above the ceiling tile in the Premises, including, without limitation, any computer lines, wiring, cabling and facilities and other similar improvements, to the extent required by the National Electric Code, as amended. All personal property, trade fixtures and other property of Tenant not removed from the Premises on the abandonment of the Premises or on the expiration of the Term or sooner termination of this Lease for any cause shall conclusively be deemed to have been abandoned and may be appropriated, sold, stored, destroyed or otherwise disposed of by Landlord without notice to, and without any obligation to account to, Tenant or any other person. Tenant shall pay to Landlord all expenses incurred in connection with the disposition of such property in excess of any amount received by Landlord from such disposition. No surrender of the Premises shall be effected by Landlord's acceptance of the keys or of the rent or by any other means without Landlord's written acknowledgement of such acceptance as a surrender. Tenant shall not be released from Tenant's obligations under this Lease in connection with surrender of the Premises until Landlord has inspected the Premises and delivered to Tenant a written release.

17.2. Holding Over. Tenant shall indemnify, defend and hold harmless Landlord from and against all claims, liabilities and expenses (other than punitive damages), including attorneys' fees, resulting from delay in excess of thirty (30) days by Tenant in surrendering the Premises in accordance with the provisions of this Lease. Tenant must obtain the prior written consent of Landlord in order to remain in possession of the Premises after the expiration of the Term or sooner termination of this Lease. If Tenant remains in possession of the Premises after the expiration of the Term or sooner termination of this Lease without obtaining the prior written consent of Landlord, such occupancy shall constitute an unlawful detainer of the Premises, for which period of occupancy Tenant shall pay to Landlord a rental (and not as a penalty) in the amount of one hundred fifty percent (150%) of the last monthly rental paid by Tenant to Landlord, plus all other charges payable under this Lease. If Tenant remains in possession of the Premises after the expiration of the Term or sooner termination of this Lease with the prior written consent of Landlord, such occupancy shall be a tenancy from month-to-month at a rental (and not as a penalty) in the amount of one hundred twenty-five percent (125%) for the first month, and one hundred fifty percent (150%) for each month thereafter, of the last monthly rental, plus all other charges payable under this Lease, and on all of the terms of this Lease applicable to a month-to-month tenancy.

17.3. Survival. The provisions of this Paragraph 17 shall survive the expiration of the Term or sooner termination of this Lease.

18. Estoppel Certificate: Financial Statements.

18.1. Estoppel Certificate. Tenant shall, within fifteen (15) days after Landlord's written request, execute and deliver to Landlord an estoppel certificate in favor of Landlord and such other persons as Landlord shall request setting forth the following: (a) a ratification of this Lease; (b) the Commencement Date and Expiration Date; (c) that this Lease is in full force and effect and has not been assigned, modified, supplemented or amended (except by such writing as shall be stated); (d) that all conditions under this Lease to be performed by Landlord have been satisfied or, in the alternative, those claimed by Tenant to be unsatisfied; (e) that no defenses or offsets exist against the enforcement of this Lease by Landlord or, in the alternative, those claimed by Tenant to exist; (f) the amount of advance rent, if any (or none if such is the case), paid by Tenant; (g) the date to which rent has been paid; (h) the amount of the Security Deposit; and (i) such other information as Landlord may request. Landlord's mortgage lenders and purchasers shall be entitled to rely on any estoppel certificate executed by Tenant.

18.2. Financial Statements. Tenant shall, within fifteen (15) days after Landlord's written request, furnish to Landlord current financial statements for Tenant and any guarantor of this Lease, prepared in accordance with generally accepted accounting principles consistently applied and certified by Tenant to be true and correct. After the date of this Lease, Landlord shall only request Tenant's financial statements if required or requested to do so by a current or prospective lender or purchaser. Any financial statements received by Landlord shall be used only for the express purpose requested. Landlord and its property manager and their respective employees shall keep any financial statements delivered by Tenant to Landlord confidential and not disclose them to any third party other than any current or prospective lender or purchaser, unless required to do so by law or court order. Tenant shall not have any obligation to produce financial statements in addition to those, if any, then existing, and shall not have any obligation to produce financial statements more often than twice in any twelve (12) month period.

19. Parking; Signage.

19.1. Parking. Tenant shall have the non-exclusive right to use a number of parking stalls located on the Property equal to Tenant's Parking Stall Allocation, together with the non-exclusive right to use such additional parking stalls on the Property as may be needed by Tenant for the Permitted Use, up to a maximum of sixty (60) additional parking stalls, to the extent that such additional parking stalls are available. If Tenant uses a number of parking stalls greater than Tenant's Parking Stall Allocation and Landlord reasonably determines that such excess use creates a parking problem for any other tenant of the Building, then on at least thirty (30) days' prior written notice, (a) Tenant shall thereafter only use a number of parking stalls located on the Property equal to Tenant's Parking Stall Allocation, and (b) Landlord shall provide to Tenant on a non-exclusive basis such additional parking stalls as may be needed by Tenant for the Permitted Use, up to a maximum of fifty (50) additional parking stalls, in a designated area within the RiverPark Corporate Center that is within a reasonable walking distance from the Building. Automobiles of Tenant and Tenant's Occupants shall be parked only within parking areas not otherwise reserved by Landlord or specifically designated for use by any other tenant or occupants associated with any other tenant. Landlord may from time to time make such reasonable, nondiscriminatory rules and regulations regarding parking as Landlord reasonably determines to be necessary or appropriate; provided, however, that such rules and regulations shall not materially and adversely affect Tenant's parking rights under this Lease. Landlord and Landlord's employees may, without any liability to Tenant or Tenant's Occupants, cause to be removed any automobile of Tenant or Tenant's Occupants that may be parked wrongfully in a prohibited or reserved parking area, and Tenant agrees to indemnify, defend and hold harmless Landlord from and against all claims, liabilities and expenses, including attorneys' fees, arising in connection with

such removal. If Landlord provides reserved parking stalls for the exclusive use of any other tenant in the Building, Landlord shall also offer the same number of reserved parking stalls to Tenant on a proportionate basis as any other such tenant. As used in the immediately preceding sentence, "on a proportionate basis" refers to the number of reserved parking stalls proportionate to the total number of parking stalls allocated to such other tenant. For example purposes only, if another tenant received four (4) reserved parking stalls out of a total of one hundred sixteen (116) parking stalls allocated to such other tenant, and Tenant's Parking Stall Allocation was equal to fifty-eight (58) parking stalls, Tenant would be entitled to two (2) reserved parking stalls and fifty-six (56) unreserved parking stalls.

19.2. Signage. Tenant shall be entitled to Building standard signage on the Building interior directory, the entrance to the Premises and the exterior multi-tenant monument sign for the Building, as well as the Building crown signage described in Paragraph 4 of the Rider. Tenant shall not place or suffer to be placed on any exterior door, wall or window of the Premises, on any part of the inside of the Premises that is visible from outside of the Premises or elsewhere on the Property, any sign, decoration, lettering, attachment, advertising matter or other thing of any kind, without first obtaining Landlord's written approval. Landlord may establish rules and regulations governing the size, type and design of all such items and Tenant shall abide by such rules and regulations in effect at the time any sign is erected. All approved signs or letterings on doors shall be printed, painted and affixed at the sole cost of Tenant by a person approved by Landlord, and shall comply with the requirements of the governmental authorities having jurisdiction over the Property. At Tenant's sole cost, Tenant shall maintain all permitted signs and shall, on the expiration of the Term or sooner termination of this Lease, remove all such permitted signs and repair any damage caused by such removal.

20. [Intentionally omitted.]

21. Rules. Tenant and Tenant's Occupants shall faithfully observe and comply with all of the rules set forth on the attached Exhibit A, and Landlord may from time to time amend, modify or make additions to or deletions from such rules in a commercially reasonable and nondiscriminatory manner. Such amendments, modifications, additions and deletions shall be effective on written notice to Tenant. On any breach of any of such rules, Landlord may exercise any or all of the remedies provided in this Lease on a default by Tenant under this Lease and may, in addition, exercise any remedies available at law or in equity including the right to enjoin any breach of such rules. Landlord shall not be responsible to Tenant for the failure of any other tenant or person to observe any such rules.

22. General Provisions.

22.1. No Partnership. Landlord does not by this Lease, in any way or for any purpose, become a partner or joint venturer of Tenant in the conduct of Tenant's business or otherwise.

22.2. Force Majeure. If either Landlord or Tenant is delayed or hindered in or prevented from the performance of any act required under this Lease by reason of acts of God, strikes, lockouts, other labor troubles, inability to procure labor or materials, fire, accident, failure of power, restrictive governmental laws, ordinances, regulations or requirements of general applicability, riots, civil commotion, insurrection, terrorism, war or other reason not the fault of the party delayed, hindered or prevented and beyond the control of such party (financial inability excepted), performance of the action in question shall be excused for the period of delay and the period for the performance of such act shall be extended for a period equivalent to the period of such delay. The provisions of this Paragraph shall not, however, operate to excuse Tenant from the prompt payment of rent or any other amounts required to be paid under this Lease.

22.3. Notices. Any notice or demand to be given by Landlord or Tenant to the other shall be given in writing by personal service, express mail, Federal Express, DHL or any other similar form of courier or delivery service, or mailing in the United States mail, postage prepaid, certified, return receipt requested and addressed to such party as follows:

If to Landlord:

RiverPark Five, LLC
10701 South River Front Parkway, Suite 135
South Jordan, Utah 84095

with a required copy via email to:

If to Tenant:

Prior to the Commencement Date:

Provo Craft and Novelty, Inc.
10876 South River Front Parkway, Suite 600
South Jordan, Utah 84095
Attention: President

On and after the Commencement Date:

Provo Craft and Novelty, Inc.
10855 South River Front Parkway, Suite 400
South Jordan, Utah 84095
Attention: President

Either Landlord or Tenant may change the address at which such party desires to receive notice on written notice of such change to the other party. Any such notice shall be deemed to have been given, and shall be effective, on delivery to the notice address then applicable for the party to which the notice is directed; provided, however, that refusal to accept delivery of a notice or the inability to deliver a notice because of an address change that was not properly communicated shall not defeat or delay the giving of a notice.

22.4. Severability. If any provision of this Lease or the application of any provision of this Lease to any person or circumstance shall to any extent be invalid, the remainder of this Lease or the application of such provision to persons or circumstances other than those as to which such provision is held invalid shall not be affected by such invalidity. Each provision of this Lease shall be valid and enforceable to the fullest extent permitted by law.

22.5. Brokerage Commissions. Except as agreed in writing by Landlord, Landlord represents and warrants that no claim exists for a brokerage commission, finder's fee or similar fee in connection with this Lease based on any agreement made by Landlord. Landlord shall indemnify, defend and hold harmless Tenant from and against any claim for a brokerage commission, finder's fee or similar fee in connection with this Lease based on an actual or alleged agreement made by Landlord. Tenant represents and warrants that no claim exists for a brokerage commission, finder's fee or similar fee in connection with this Lease based on any agreement made by Tenant. Tenant shall indemnify, defend and

hold harmless Landlord from and against any claim for a brokerage commission, finder's fee or similar fee in connection with this Lease based on an actual or alleged agreement made by Tenant.

22.6. Use of Pronouns. The use of the neuter singular pronoun to refer to Landlord or Tenant shall be deemed a proper reference even though Landlord or Tenant may be an individual, partnership, association, limited liability company, corporation or a group of two or more individuals, partnerships, associations, limited liability companies or corporations. The necessary grammatical changes required to make the provisions of this Lease apply in the plural sense where more than one Landlord or Tenant exists and to individuals, partnerships, associations, limited liability companies, corporations, males or females, shall in all instances be assumed as though in each case fully expressed.

22.7. Successors. Except as otherwise provided in this Lease, all provisions contained in this Lease shall be binding on and shall inure to the benefit of Landlord and Tenant and their respective heirs, personal representatives, successors and assigns. On any sale or assignment (except for purposes of security or collateral) by Landlord of the Premises or this Lease, Landlord shall, on and after such sale or assignment and assumption in writing of this Lease by the transferee, be relieved entirely of all of Landlord's obligations thereafter accruing under this Lease and such obligations shall, as of the time of such sale or assignment and such assumption, automatically pass to Landlord's successor in interest.

22.8. Recourse by Tenant. Anything in this Lease to the contrary notwithstanding, Tenant shall look solely to the equity of Landlord in the Premises, subject to the prior rights of the holder of any mortgage or deed of trust, for the collection of any judgment (or other judicial process) requiring the payment of money by Landlord on any default or breach by Landlord with respect to any of the terms, covenants and conditions of this Lease to be observed or performed by Landlord, and no other asset of Landlord or any other person shall be subject to levy, execution or other procedure for the satisfaction of Tenant's remedies.

22.9. Quiet Enjoyment. On Tenant paying the rent payable under this Lease and observing and performing all of the terms, covenants and conditions on Tenant's part to be observed and performed under this Lease, Tenant shall have quiet enjoyment of the Premises for the Term without interference from Landlord, or anyone claiming by, through or under Landlord, subject to all of the provisions of this Lease.

22.10. Waiver. No failure by any party to insist on the strict performance of any covenant, duty or condition of this Lease or to exercise any right or remedy consequent on a breach of this Lease shall constitute a waiver of any such breach or of such or any other covenant, duty or condition. Any party may, by notice delivered in the manner provided in this Lease, but shall be under no obligation to, waive any of its rights or any conditions to its obligations under this Lease, or any covenant or duty of any other party. No waiver shall affect or alter the remainder of this Lease but each other covenant, duty and condition of this Lease shall continue in full force and effect with respect to any other then existing or subsequently occurring breach.

22.11. Rights and Remedies. The rights and remedies of Landlord and Tenant shall not be mutually exclusive and the exercise of one or more of the provisions of this Lease shall not preclude the exercise of any other provisions. The parties confirm that damages at law may be an inadequate remedy for a breach or threatened breach by any party of any of the provisions of this Lease. The parties' respective rights and obligations under this Lease shall be enforceable by specific performance, injunction or any other equitable remedy.

22.12. Authorization. Each individual executing this Lease does represent and warrant to each other so signing (and each other entity for which another person may be signing) that such individual has been duly authorized to deliver this Lease in the capacity and for the entity set forth where such individual signs.

22.13. Attorneys' Fees. If any action is brought to recover any rent or other amount under this Lease because of any default under this Lease, to enforce or interpret any of the provisions of this Lease, or for recovery of possession of the Premises, the party prevailing in such action shall be entitled to recover from the other party reasonable attorneys' fees (including those incurred in connection with any appeal), the amount of which shall be fixed by the court and made a part of any judgment rendered. Tenant shall be responsible for all expenses, including, without limitation, reasonable attorneys' fees, incurred by Landlord in any case or proceeding involving Tenant or any assignee or subtenant of Tenant under or related to any bankruptcy or insolvency law. The foregoing provisions of this Paragraph 22.13 shall survive the expiration of the Term or sooner termination of this Lease.

22.14. Merger. The surrender of this Lease by Tenant, the cancellation of this Lease by agreement of Landlord and Tenant or the termination of this Lease on account of Tenant's default shall not work a merger, and shall, at Landlord's option, either terminate any subleases of part or all of the Premises or operate as an assignment to Landlord of any of those subleases. Landlord's option under this Paragraph 22.14 may be exercised by notice to Tenant and all known subtenants in the Premises.

22.15. Miscellaneous. The captions to the Paragraphs of this Lease are for convenience of reference only and shall not be deemed relevant in resolving questions of construction or interpretation under this Lease. Exhibits referred to in this Lease and any addendums, riders and schedules attached to this Lease shall be deemed to be incorporated in this Lease as though a part of this Lease. Tenant shall not record this Lease or a memorandum or notice of this Lease. This Lease and the exhibits, riders and addenda, if any, attached, constitute the entire agreement between the parties. Any guaranty delivered in connection with this Lease is an integral part of this Lease and constitutes consideration given to Landlord to enter into this Lease. No amendment to this Lease shall be binding on Landlord or Tenant unless reduced to writing and signed by both parties. Unless otherwise set forth in this Lease, all references to Paragraphs are to Paragraphs in this Lease. This Lease shall be governed by and construed and interpreted in accordance with the laws of the state of Utah. Venue on any action arising out of this Lease shall be proper only in the District Court of Salt Lake County, state of Utah. **LANDLORD AND TENANT WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER OF THEM AGAINST THE OTHER ON ALL MATTERS ARISING OUT OF THIS LEASE OR THE USE AND OCCUPANCY OF THE PREMISES.** Time is of the essence of each provision of this Lease. The submission of this Lease to Tenant is not an offer to lease the Premises or an agreement by Landlord to reserve the Premises for Tenant. Landlord shall not be bound to Tenant until Tenant has duly executed and delivered duplicate original copies of this Lease to Landlord, and Landlord has duly executed and delivered one of those duplicate original copies to Tenant.

LANDLORD AND TENANT have executed this Lease on the respective dates set forth below, to be effective as of the date first set forth above.

LANDLORD:

RIVERPARK FIVE, LLC,
by its Manager:

RIVERPARK HOLDINGS, LLC,
a Utah limited liability company

By /s/ David S. Layton
David S. Layton
Manager

Date 11/26/2014

TENANT:

PROVO CRAFT AND NOVELTY, INC.

By /s/ Martin Petersen

Print or Type Name of Signatory:

Martin Petersen

Its CFO

Date 11/21/2014

FIRST AMENDMENT TO OFFICE LEASE

RiverPark Five, LLC/Provo Craft & Novelty, Inc.

THIS AMENDMENT (this "***Amendment***") is entered into as of the 6th day of January, 2017, between **RIVERPARK FIVE, LLC**, a Utah limited liability company ("***Landlord***"), and **PROVO CRAFT & NOVELTY, INC., d/b/a CRICUT®** a Utah corporation ("***Tenant***"). (Landlord and Tenant are referred to in this Amendment collectively as the "***Parties***" and individually as a "***Party***.")

FOR GOOD AND VALUABLE CONSIDERATION, the receipt and sufficiency of which are acknowledged, the Parties agree as follows:

1. Definitions. As used in this Amendment, each of the following terms shall have the indicated meaning, and any term used in this Amendment that is capitalized but not defined shall have the same meaning as set forth in the Lease (defined below in this Paragraph 1), as amended by this Amendment:

"***Additional Space***" means the additional space being added to the Lease by this Amendment, described as Suite 300 on the third floor of the Building, consisting of approximately 11,988 usable square feet and approximately 13,966 rentable square feet.

"***Existing Space***" means the space covered by the Lease prior to this Amendment, described as Suite 400 on the fourth floor of the Building, consisting of approximately 25,566 usable square feet and approximately 29,248 rentable square feet.

"***Expansion Date***" means the earlier of (i) the date on which Landlord's construction obligations with respect to the Additional Space have been fulfilled in accordance with the attached Exhibit A, subject only to the completion by Landlord of any "punch list" items that do not materially interfere with Tenant's use and enjoyment of the Additional Space, or (ii) the date on which such obligations would have been fulfilled, but for Tenant Delay (as defined on the attached Exhibit A). The projected Expansion Date is August 1, 2017.

"***Lease***" means the Office Lease, dated November 20, 2014, entered into between Landlord, as landlord, and Tenant, as tenant, and, where applicable, as amended by this Amendment.

2. Purpose. The Lease currently covers the Existing Space. The Parties desire to add the Additional Space to the Lease as of the Expansion Date in accordance with the terms and conditions set forth in this Amendment.

3. Lease Definitions. Effective as of, and for the period on and after, the Expansion Date, the following definitions in Paragraph 1 (Definitions) of the Lease are revised to read as follows (and any term used in the following definitions that is not defined in the Lease shall have the same meaning as set forth in this Amendment):

3.1 "Base Year Operating Expenses" means (a) for the Existing Space, the Operating Expenses (as defined in Paragraph 5.1.2) that are actually incurred in calendar year 2015, and (b) for the Additional Space, the Operating Expenses that are actually incurred in calendar year 2017.

3.2 "Basic Monthly Rent" means the following amounts per calendar month for the periods indicated, which amounts are subject to adjustment as set forth in the definition of "Premises"; provided, however, that if the Expansion Date occurs on a date other than August 1, 2017, the periods set forth below for the Additional Space only (and not the periods set forth below for the Existing Space, which shall remain in effect as set forth below) shall begin on such other date (as memorialized in an

instrument entered into between Landlord and Tenant), but (a) the Basic Monthly Rent for the Additional Space for the first four (4) months on and after the Expansion Date shall be $8.00 per rentable square foot on an annual basis, (b) the increases in the Basic Monthly Rent shall still occur on each August 1st during the Term, and (c) the Expiration Date for both the Additional Space and the Existing Space shall remain as July 31, 2025:

Additional Space—13,966 rentable square feet

Periods	Basic Monthly Rent	Annual Cost Per Rentable Square Foot
August 1, 2017 through November 30, 2017, inclusive	$9,310.67 per month	$8.00
December 1, 2017 through July 31, 2018, inclusive	$29,095.83 per month	$25.00
August 1, 2018 through July 31, 2019, inclusive	$29,456.62 per month	$25.31
August 1, 2019 through July 31, 2020, inclusive	$30,189.84 per month	$25.94
August 1, 2020 through July 31, 2021, inclusive	$30,946.33 per month	$26.59
August 1, 2021 through July 31, 2022, inclusive	$31,714.45 per month	$27.25
August 1, 2022 through July 31, 2023, inclusive	$32,505.87 per month	$27.93
August 1, 2023 through July 31, 2024, inclusive	$33,320.55 per month	$28.63
August 1, 2024 through July 31, 2025, inclusive	$34,158.51 per month	$29.35

Existing Space--29,248 rentable square feet

Periods	Basic Monthly Rent	Annual Cost Per Rentable Square Foot
August 1, 2017 through July 31, 2018, inclusive	$60,177.76 per month	$24.69
August 1, 2018 through July 31, 2019, inclusive	$61,688.91 per month	$25.31
August 1, 2019 through July 31, 2020, inclusive	$63,224.43 per month	$25.94
August 1, 2020 through July 31, 2021, inclusive	$64,808.69 per month	$26.59
August 1, 2021 through July 31, 2022, inclusive	$66,417.33 per month	$27.25
August 1, 2022 through July 31, 2023, inclusive	$68,074.72 per month	$27.93
August 1, 2023 through July 31, 2024, inclusive	$69,780.85 per month	$28.63
August 1, 2024 through July 31, 2025, inclusive	$71,535.73 per month	$29.35

* * * * *

3.3 "Premises" means (a) Suite 300 on the third floor, consisting of approximately 11,988 usable square feet and approximately 13,966 rentable square feet, and (b) Suite 400 on the fourth floor, consisting of approximately 25,566 usable square feet and approximately 29,248 rentable square feet, comprising in the aggregate a total of approximately 37,554 usable square feet and approximately 43,214 rentable square feet, shown on the attached Exhibit B and located in the Building, which contains approximately 121,425 usable square feet and approximately 138,893 rentable square feet. The Premises do not include, and Landlord reserves, the exterior walls and roof of the Premises, the land and other area beneath the floor of the Premises, the pipes, ducts, conduits, wires, fixtures and equipment above the suspended ceiling of the Premises and the structural elements that serve the Premises or comprise the Building. Landlord's reservation includes the right to install, inspect, maintain, use, repair, alter and replace those areas and items and to enter the Premises in order to do so in accordance with Paragraph 9.3. For all purposes of this Lease, the calculation of "usable square feet" and "rentable square feet" contained within the Premises and the Building shall be subject to final measurement and verification by Landlord's architect according to ANSI/BOMA Standard Z65.1-2010 (or any successor standard) and, in the event of a variation, Landlord and Tenant shall amend this Lease accordingly, amending each provision that is based on usable or rentable square feet, including, without limitation, Basic Monthly Rent, Security Deposit, Tenant's Parking Stall Allocation, Tenant's Percentage of Operating Expenses and TI Allowance.

* * * * *

4. Right of First Offer. The right of first offer set forth in Paragraph 3 (Right of First Offer) of the Rider (the "***Rider***") attached to the Lease is revised to apply to Suite 200 and the third and fourth floors of the Building.

5. Option to Terminate. In addition to the timely payment by Tenant of the unamortized costs and amounts for the Existing Space listed in Paragraph 9(d) of the Rider, another condition to the exercise of the option to terminate set forth in Paragraph 9 of the Rider is that within ten (10) business days after receipt by Tenant of an invoice therefor, accompanied by reasonable supporting documentation, Tenant shall have paid to Landlord a sum comprised of the unamortized cost or amount as of the Termination Date of the following:

(a) all tenant improvements made to the Additional Space at Landlord's expense, including, without limitation, any additional advance requested by Tenant in accordance with Paragraph 3(b) of the attached Exhibit A that is being repaid as a portion of the Basic Monthly Rent;

(b) all reasonable and customary leasing commissions paid or incurred by Landlord in connection with this Amendment; and

(c) all Basic Monthly Rent abated during the Term in any "base-free rent" period in connection with the Additional Space (that is, $17.00 per rentable square foot of the Premises on an annual basis for the first four (4) months on and after the Expansion Date), with all such amortization commencing on the first day of the first full calendar month during the Term in which full Basic Monthly Rent for the Additional Space is payable under this Amendment (that is, $25.00 per rentable square foot of the Premises on an annual basis), and expiring on July 31, 2025 (which, for example purposes only, will be a seven (7)-year, eight (8)-month amortization schedule if the Expansion Date occurs on August 1, 2017), with interest thereon at the rate of eight percent (8%) per annum.

6. Limit on Occupants. Neither Tenant nor Tenant's Occupants shall do anything that will increase the number of occupants in the Premises beyond the number of parking stalls allocated to Tenant in Tenant's Parking Stall Allocation. If the number of occupants in the Premises exceeds the number of parking stalls allocated to Tenant in Tenant's Parking Stall Allocation, then the automobiles of such excess occupants must be parked outside of the Property. On Landlord's request, made not more often than quarterly, Tenant shall provide to Landlord statistics and reports regarding shift times and employee counts, and shall otherwise demonstrate to Landlord that Tenant is complying with the foregoing portion of this Paragraph.

7. Improvement of Additional Space. Prior to the Expansion Date, Landlord shall improve the Additional Space in accordance with the attached Exhibit A.

8. Description of Premises. Effective as of the Expansion Date, Exhibit B attached to the Lease is deleted in its entirety and is replaced with the new Exhibit B attached to this Amendment.

9. Enforceability. Each Party represents and warrants that:

(a) such Party was duly formed and is validly existing and in good standing under the laws of the state of its formation;

(b) such Party has the requisite power and authority under all applicable laws and its governing documents to execute, deliver and perform its obligations under this Amendment;

(c) the individual executing this Amendment on behalf of such Party has full power and authority under such Party's governing documents to execute and deliver this Amendment in the name of, and on behalf of, such Party and to cause such Party to perform its obligations under this Amendment;

(d) this Amendment has been duly authorized, executed and delivered by such Party; and

(e) this Amendment is the legal, valid and binding obligation of such Party, and is enforceable against such Party in accordance with its terms.

10. Brokerage Commissions. Except as may be set forth in one or more separate agreements between (i) Landlord and Landlord's broker, or (ii) Landlord or Landlord's broker and Tenant's broker:

(a) Landlord represents and warrants to Tenant that no claim exists for a brokerage commission, finder's fee or similar fee in connection with this Amendment based on any agreement made by Landlord; and

(b) Tenant represents and warrants to Landlord that no claim exists for a brokerage commission, finder's fee or similar fee in connection with this Amendment based on any agreement made by Tenant.

Landlord shall indemnify, defend and hold harmless Tenant from and against any claim for a brokerage commission, finder's fee or similar fee in connection with this Amendment based on an actual or alleged agreement made by Landlord. Tenant shall indemnify, defend and hold harmless Landlord from and against any claim for a brokerage commission, finder's fee or similar fee in connection with this Amendment based on an actual or alleged agreement made by Tenant.

11. Entire Agreement. The Lease, as amended by this Amendment, exclusively encompasses the entire agreement of the Parties, and supersedes all previous negotiations, understandings and agreements between the Parties, whether oral or written, including, without limitation, any oral discussions, letters of intent and email correspondence. The Parties acknowledge and represent, by their signatures below, that the Parties have not relied on any representation, understanding, information, discussion, assertion, guarantee, warranty, collateral contract or other assurance, except those expressly set forth in the Lease and this Amendment, made by or on behalf of any other Party or any other person whatsoever, prior to the execution of this Amendment. The Parties waive all rights and remedies, at law or in equity, arising or which may arise as the result of a Party's reliance on such representation, understanding, information, discussion, assertion, guarantee, warranty, collateral contract or other assurance.

12. General Provisions. In the event of any conflict between the provisions of the Lease and the provisions of this Amendment, the provisions of this Amendment shall control. Except as set forth in this Amendment, the Lease is ratified and affirmed in its entirety. This Amendment shall inure to the benefit of, and be binding on, the Parties and their respective successors and assigns. This Amendment shall be governed by, and construed and interpreted in accordance with, the laws (excluding the choice of laws rules) of the state of Utah. This Amendment may be executed in any number of duplicate originals or counterparts, each of which when so executed shall constitute in the aggregate but one and the same document. Each exhibit referred to in, and attached to, this Amendment is an integral part of this Amendment and is incorporated in this Amendment by this reference.

THE PARTIES have executed this Amendment on the respective dates set forth below, to be effective as of the date first set forth above.

LANDLORD:

RIVERPARK FIVE, LLC,
a Utah limited liability company,
by its Manager:

RIVERPARK HOLDINGS, LLC,
a Utah limited liability company

By /s/ David S. Layton
David S. Layton
Manager

Date 01/09/2017

TENANT:

PROVO CRAFT & NOVELTY, INC., **d/b/a**
CRICUT a Utah corporation

By /s/ Martin Petersen
Martin Petersen

Its CFO & COO

Date 01/06/2017

SECOND AMENDMENT TO OFFICE LEASE
RiverPark Five, LLC/Provo Craft & Novelty, Inc.

THIS AMENDMENT (this "***Amendment***") is entered into as of the 18th day of January, 2018, between **RIVERPARK FIVE, LLC**, a Utah limited liability company ("***Landlord***"), and **PROVO CRAFT & NOVELTY, INC**., a Utah corporation, doing business as CRICUT® ("***Tenant***"). (Landlord and Tenant are referred to in this Amendment collectively as the "***Parties***" and individually as a "***Party***.")

FOR GOOD AND VALUABLE CONSIDERATION, the receipt and sufficiency of which are acknowledged, the Parties agree as follows:

1. Definitions. As used in this Amendment, each of the following terms shall have the indicated meaning, and any term used in this Amendment that is capitalized but not defined shall have the same meaning as set forth in the Lease (defined below in this Paragraph 1), as amended by this Amendment:

"***Additional Space***" means the additional space being added to the Lease by this Amendment, described as Suite 350 on the third floor of the Building, consisting of approximately 10,215 usable square feet and approximately 11,900 rentable square feet.

"***Existing Space***" means the space covered by the Lease prior to this Amendment, described as follows:

(i) Suite 300 ("***Suite 300***") on the third floor of the Building, consisting of approximately 11,988 usable square feet and approximately 13,966 rentable square feet; and

(ii) Suite 400 ("***Suite 400***") on the fourth floor of the Building, consisting of approximately 25,566 usable square feet and approximately 29,248 rentable square feet,

comprising in the aggregate a total of approximately 37,554 usable square feet and approximately 43,214 rentable square feet.

"***Expansion Date***" means the earlier of:

(i) the date on which Landlord's construction obligations with respect to the Additional Space have been fulfilled in accordance with the attached Exhibit A, subject only to the completion by Landlord of any "punch list" items that do not materially interfere with Tenant's use and enjoyment of the Additional Space; or

(ii) the date on which such obligations would have been fulfilled, but for Tenant Delay (as defined on the attached Exhibit A). The projected Expansion Date is September 1, 2018.

"***Lease***" means the Office Lease, dated November 20, 2014, as amended by the First Amendment to Office Lease, dated January 6, 2017 (the "***First Amendment***"), and the Expansion Date Certificate, dated September 20, 2017, all entered into between Landlord, as landlord, and Tenant, as tenant, and, where applicable, as amended by this Amendment.

2. Purpose. The Lease currently covers the Existing Space. The Parties desire to add the Additional Space to the Lease as of the Expansion Date in accordance with the terms and conditions set forth in this Amendment.

3. Lease Definitions. Effective as of, and for the period on and after, the Expansion Date, the following definitions in Paragraph 1 (Definitions) of the Lease are revised to read as follows (and any term used in the following definitions that is not defined in the Lease shall have the same meaning as set forth in this Amendment):

1.1 "Base Year Operating Expenses" means (a) for Suite 400, the Operating Expenses (as defined in Paragraph 5.1.2) that are actually incurred in calendar year 2015, and (b) for Suite 300 and the Additional Space, the Operating Expenses that are actually incurred in calendar year 2017.

1.2 "Basic Monthly Rent" means the following amounts per calendar month for the periods indicated, which amounts are subject to adjustment as set forth in the definition of "Premises"; provided, however, that if the Expansion Date occurs on a date other than September 1, 2018, the periods set forth below for the Additional Space only (and not the periods set forth below for the Existing Space, which shall remain in effect as set forth below) shall begin on such other date (as memorialized in an instrument entered into between Landlord and Tenant), but (a) the Basic Monthly Rent for the Additional Space for the first four (4) months on and after the Expansion Date shall be $8.00 per rentable square foot on an annual basis, (b) the increases in the Basic Monthly Rent shall still occur on each August 1St during the Term, and (c) the Expiration Date for both the Additional Space and the Existing Space shall remain as July 31, 2025, subject to extension to July 31, 2026 in accordance with Paragraph 3(b) of Exhibit A attached to this Amendment:

Suite 300 - 13,966 rentable square feet

Periods	Basic Monthly Rent	Annual Cost Per Rentable Square Foot
September 1, 2018 through July 31, 2019, inclusive	$29,829.05 per month,	$25.63
August 1, 2019 through July 31, 2020, inclusive	$30,573.90 per month	$26.27
August 1, 2020 through July 31, 2021, inclusive	$31,330.39 per month	$26.92
August 1, 2021 through July 31, 2022, inclusive	$32,121.80 per month	$27.60
August 1, 2022 through July 31, 2023, inclusive	$32,924.85 per month	$28.29
August 1, 2023 through July 31, 2024, inclusive	$33,739.53 per month	$28.99
August 1, 2024 through July 31, 2025, inclusive	$34,589.13 per month	$29.72

(If the Term is extended pursuant to Paragraph 3(b) of Exhibit A attached to this Amendment)

August 1, 2025 through July 31, 2026, inclusive	$35,450.36 per month	$30.46

Additional Space (Suite 350)-11,900 rentable square feet

Periods	Basic Monthly Rent	Annual Cost Per Rentable Square Foot
September 1, 2018 through December 31, 2018, inclusive	$7,933.33 per month	$8.00
January 1, 2019 through July 31, 2019, inclusive	$25,416.42 per month	$25.63
August 1, 2019 through July 31, 2020, inclusive	$26,051.08 per month	$26.27
August 1, 2020 through July 31, 2021, inclusive	$26,695.67 per month	$26.92
August 1, 2021 through July 31, 2022, inclusive	$27,370.00 per month	$27.60
August 1, 2022 through July 31, 2023, inclusive	$28,054.25 per month	$28.29
August 1, 2023 through July 31, 2024, inclusive	$28,748.42 per month	$28.99
August 1, 2024 through July 31, 2025, inclusive	$29,472.33 per month	$29.72

(If the Term is extended pursuant to Paragraph 3(b) of Exhibit A attached to this Amendment)

August 1, 2025 through July 31, 2026, inclusive	$30,206.17 per month	$30.46

Suite 400-29,248 rentable square feet

Periods	Basic Monthly Rent	Annual Cost Per Rentable Square Foot
September 1, 2018 through December 31, 2019, inclusive	$61,688.91 per month	$25.31
August 1, 2019 through July 31, 2020, inclusive	$63,224.43 per month	$25.94
August 1, 2020 through July 31, 2021, inclusive	$64,808.69 per month	$26.59
August 1, 2021 through July 31, 2022, inclusive	$66,417.33 per month	$27.25
August 1, 2022 through July 31, 2023, inclusive	$68,074.72 per month	$27.93
August 1, 2023 through July 31, 2024, inclusive	$69,780.85 per month	$28.63
August 1, 2024 through July 31, 2025, inclusive	$71,535.73 per month	$29.35

(If the Term is extended pursuant to Paragraph 3(b) of Exhibit A attached to this Amendment)

August 1, 2025 through July 31, 2026, inclusive	$73,314.99 per month	$30.08

* * * * *

1.8 "Premises" means the following:

(a) Suite 300 on the third floor, consisting of approximately 11,988 usable square feet and approximately 13,966 rentable square feet;

(b) Suite 350 on the third floor, consisting of approximately 10,215 usable square feet and approximately 11,900 rentable square feet; and

(c) Suite 400 on the fourth floor, consisting of approximately 25,566 usable square feet and approximately 29,248 rentable square feet,

comprising in the aggregate a total of approximately 47,769 usable square feet and approximately 55,114 rentable square feet, shown on the attached Exhibit B and located in the Building, which contains approximately 121,425 usable square feet and approximately 138,893 rentable square feet. The Premises do not include, and Landlord reserves, the exterior walls and roof of the Premises, the land and other area beneath the floor of the Premises, the pipes, ducts, conduits, wires, fixtures and equipment above the suspended ceiling of the Premises and the structural elements that serve the Premises or comprise the Building. Landlord's reservation includes the right to install, inspect, maintain, use, repair, alter and replace those areas and items and to enter the Premises in order to do so in accordance with Paragraph 9.3. For all purposes of this Lease, the calculation of "usable square feet" and "rentable square feet" contained within the Premises and the Building shall be subject to final measurement and verification by Landlord's architect according to ANSI/BOMA Standard Z65.1-2010 (or any successor standard) and, in the event of a variation, Landlord and Tenant shall amend this Lease accordingly, amending each provision that is based on usable or rentable square feet, including, without limitation, Basic Monthly Rent, Security Deposit, Tenant's Parking Stall Allocation, Tenant's Percentage of Operating Expenses and TI Allowance set forth in Exhibit A attached to this Amendment.

* * * * *

4. Option to Terminate. In addition to the timely payment by Tenant of the unamortized costs and amounts for Suite 400 listed in Paragraph 9(d) of the Rider, as previously modified by Paragraph 5 of the First Amendment with respect to Suite 300, another condition to the exercise of the option to terminate set forth in Paragraph 9 of the Rider is that within ten (10) business days after receipt by Tenant of an invoice therefor, accompanied by reasonable supporting documentation, Tenant shall have paid to Landlord a sum comprised of the unamortized cost or amount as of the Termination Date of the following:

(a) all tenant improvements made to the Additional Space at Landlord's expense, including, without limitation, any additional advance requested by Tenant in accordance with Paragraph 3(b) of the attached Exhibit A that is being repaid as a portion of the Basic Monthly Rent;

(b) all reasonable and customary leasing commissions paid or incurred by Landlord in connection with this Amendment; and

(c) all Basic Monthly Rent abated during the Term in any "base-free rent" period in connection with the Additional Space (that is, $17.63 per rentable square foot of the Premises on an annual basis for the first four (4) months on and after the Expansion Date),

with all such amortization commencing on the first day of the first full calendar month during the Term in which full Basic Monthly Rent for the Additional Space is payable under this Amendment (that is, $25.63 per rentable square foot of the Premises on an annual basis), and expiring on July 31, 2025 (which, for example purposes only, will be a six (6) year, seven (7)-month amortization schedule if the Expansion Date occurs on September 1, 2018), subject to extension to July 31, 2026 in accordance with Paragraph 3(b) of Exhibit A attached to this Amendment, together with interest thereon at the rate of eight percent (8%) per annum.

5. Right of First Refusal.

(a) During the Term, and provided that (i) the Lease is in full force and effect, (ii) Tenant is not in default under the Lease beyond the expiration of any applicable notice and cure period given to Tenant

in the Lease, (iii) Tenant has not assigned the Lease or subleased all or any portion of the Premises under any then-existing sublease, and (iv) the right of first refusal described in this Paragraph 5 is not being exercised in connection with or for the purpose of facilitating any such assignment or sublease, if the space (the "***ROFR Space***") on the third floor of the Building, adjacent to the Premises and consisting of approximately 2,724 rentable square feet, is or becomes available for lease, and Landlord receives a request for proposal from a tenant that Landlord desires to accept to lease the ROFR Space, or sends out (or has decided to send out) a bona fide proposal to a specific, bona fide prospective tenant to lease the ROFR Space, then Landlord shall give to Tenant written notice (the "***ROFR Notice***") that Landlord is willing to enter into a lease with Tenant of the ROFR Space. (For purposes of this Paragraph, any space covered by a renewal, extension or expansion option existing in any tenant's lease as of the date of the Lease, any renewal or extension option given by Landlord to any then-existing tenant for its then-existing space, or any right of first offer or right of first refusal existing as of the date of the Lease, shall not be "available for lease" until after each such option or right has expired.)

(b) If Tenant gives Landlord notice of Tenant's interest in leasing the ROFR Space within three (3) business days after receipt of the ROFR Notice, the Parties shall enter into another amendment to the Lease covering the ROFR Space, which, unless otherwise agreed by the Parties, shall:

(i) have a term that is coterminous with the Lease;

(ii) provide for Basic Monthly Rent for the ROFR Space at the same rate, on a per rentable square foot basis, as is payable for the Additional Space during the period concerned; provided, however, that the rentable square footage added to the Lease for the ROFR Space shall also include the rentable square footage of all corridors and hallways located on the third floor, which corridors and hallways shall be deemed usable square footage for the purposes of calculating such rentable square feet; and

(iii) provide for a tenant improvement allowance for the ROFR Space on a per usable square foot basis, determined by multiplying the TI Allowance per usable square foot by a fraction, the numerator of which is the number of full calendar months left in the remaining Term as of the commencement date for the ROFR Space, and the denominator of which is the number of full calendar months in the original Term for the Additional Space commencing on January 1, 2019.

(c) If either of the following occurs: (i) within such three (3)-day period, Tenant either delivers notice to Landlord that Tenant elects not to lease the ROFR Space, or fails to deliver any written response to Landlord; or (ii) Tenant fails to enter into an amendment to the Lease within ten (10) business days after Tenant delivers notice to Landlord that Tenant elects to lease the ROFR Space, adding the ROFR Space to the Lease in a manner consistent with this Paragraph 5, then such right of first refusal with respect to the ROFR Space shall terminate and be of no further force or effect.

6. Improvement of Additional Space. Prior to the Expansion Date, Landlord shall improve the Additional Space in accordance with the attached Exhibit A.

7. Description of Premises. Effective as of the Expansion Date, Exhibit B attached to the Lease is deleted in its entirety and is replaced with the new Exhibit B attached to this Amendment.

8. Enforceability. Each Party represents and warrants that:

(a) such Party was duly formed and is validly existing and in good standing under the laws of the state of its formation;

(b) such Party has the requisite power and authority under all applicable laws and its governing documents to execute, deliver and perform its obligations under this Amendment;

(c) the individual executing this Amendment on behalf of such Party has full power and authority under such Party's governing documents to execute and deliver this Amendment in the name of, and on behalf of, such Party and to cause such Party to perform its obligations under this Amendment;

(d) this Amendment has been duly authorized, executed and delivered by such Party; and

(e) this Amendment is the legal, valid and binding obligation of such Party, and is enforceable against such Party in accordance with its terms.

9. Brokerage Commissions. Except as may be set forth in one or more separate agreements between (i) Landlord and Landlord's broker, or (ii) Landlord or Landlord's broker and Tenant's broker:

(a) Landlord represents and warrants to Tenant that no claim exists for a brokerage commission, finder's fee or similar fee in connection with this Amendment based on any agreement made by Landlord; and

(b) Tenant represents and warrants to Landlord that no claim exists for a brokerage commission, finder's fee or similar fee in connection with this Amendment based on any agreement made by Tenant.

Landlord shall indemnify, defend and hold harmless Tenant from and against any claim for a brokerage commission, finder's fee or similar fee in connection with this Amendment based on an actual or alleged agreement made by Landlord. Tenant shall indemnify, defend and hold harmless Landlord from and against any claim for a brokerage commission, finder's fee or similar fee in connection with this Amendment based on an actual or alleged agreement made by Tenant.

10. Entire Agreement. The Lease, as amended by this Amendment, exclusively encompasses the entire agreement of the Parties, and supersedes all previous negotiations, understandings and agreements between the Parties, whether oral or written, including, without limitation, any oral discussions, letters of intent and email correspondence. The Parties acknowledge and represent, by their signatures below, that the Parties have not relied on any representation, understanding, information, discussion, assertion, guarantee, warranty, collateral contract or other assurance, except those expressly set forth in the Lease and this Amendment, made by or on behalf of any other Party or any other person whatsoever, prior to the execution of this Amendment. The Parties waive all rights and remedies, at law or in equity, arising or which may arise as the result of a Party's reliance on such representation, understanding, information, discussion, assertion, guarantee, warranty, collateral contract or other assurance.

11. General Provisions. In the event of any conflict between the provisions of the Lease and the provisions of this Amendment, the provisions of this Amendment shall control. Except as set forth in this Amendment, the Lease is ratified and affirmed in its entirety. This Amendment shall inure to the benefit of, and be binding on, the Parties and their respective successors and assigns. This Amendment shall be governed by, and construed and interpreted in accordance with, the laws (excluding the choice of laws rules) of the state of Utah. This Amendment may be executed in any number of duplicate originals or counterparts, each of which when so executed shall constitute in the aggregate but one and the same document. Each exhibit referred to in,

and attached to, this Amendment is an integral part of this Amendment and is incorporated in this Amendment by this reference.

[Remainder of page intentionally left blank; signatures on following page]

THE PARTIES have executed this Amendment on the respective dates set forth below, to be effective as of the date first set forth above.

LANDLORD

RIVERPARK FIVE, LLC,
A Utah limited liability company
by its Manager:

RIVERPARK HOLDINGS, LLC,
a Utah limited liability company

By /s/ David S. Layton
David S. Layton
Manager

Date 02/12/2018

TENANT

PROVO CRAFT & NOVELTY, INC.,
a Utah corporation

By /s/ Lance Evenson

Print or Type Name of Signatory:

Lance Evenson

AMENDED AND RESTATED
THIRD AMENDMENT TO OFFICE LEASE
RiverPark Five, LLC/Provo Craft & Novelty, Inc.

THIS AMENDMENT (this "***Amendment***") is entered into as of the 16th day of March, 2018, between **RIVERPARK FIVE, LLC**, a Utah limited liability company ("***Landlord***"), and **Cricut, Inc**., (f/k/a Provo Craft & Novelty, Inc.) a Utah corporation, doing business as CRICUT® ("***Tenant***"). (Landlord and Tenant are referred to in this Amendment collectively as the "***Parties***" and individually as a "***Party***.") This Amendment amends, restates, supersedes and replaces in its entirety the Third Amendment to Office Lease, executed on or about March 16, 2018, entered into between Landlord, as landlord, and Tenant, as tenant.

FOR GOOD AND VALUABLE CONSIDERATION, the receipt and sufficiency of which are acknowledged, the Parties agree as follows:

1. Definition—Lease. As used in this Amendment, "***Lease***" means the Office Lease, dated November 20, 2014, as amended by (a) the First Amendment to Office Lease (the "***First Amendment***"), dated January 6, 2017, (b) the Expansion Date Certificate, dated September 20, 2017, and (c) the Second Amendment to Office Lease (the "***Second Amendment***"), dated January 18, 2018, all entered into between Landlord, as landlord, and Tenant, as tenant, and, where applicable, as amended by this Amendment. Any term used in this Amendment that is not defined shall have the same meaning as set forth in the Lease.

2. Purpose. The Parties desire to add additional space in the Building to the Premises, in accordance with the terms and conditions set forth in this Amendment.

3. Additional Space.

(a) Each additional space ("***Additional Space***") in the Building described below and shown on the attached Exhibit B shall be added to the Premises covered by the Lease as of the date of delivery (the "***Delivery Date***") by Landlord to Tenant of possession of such Additional Space, each of which dates is projected to be as indicated:

Suites	Usable Square Feet	Rentable Square Feet	Projected Delivery Dates
250	12,617 usf	14,699 rsf	May 1, 2018
100	5,450 usf	6,349 rsf	December 1, 2018
375	2,724 usf	3,173 rsf	January 1, 2019
175	4,312 usf	5,024 rsf	April 1, 2019
150	8,661 usf	10,090 rsf	July 1, 2019
275	3,714 usf	4,327 rsf	November 1, 2019

(b) For Suite 250, the Base Year Operating Expenses shall be those Operating Expenses that are actually incurred in calendar year 2018, and for each other Additional Space, the Base Year Operating Expenses shall be those Operating Expenses that are actually incurred in calendar year 2019.

(c) The projected schedule of Basic Monthly Rent for each Additional Space is set forth on the attached Exhibit A; *provided, however*, that if the Delivery Date for any Additional Space occurs on a date other than the projected Delivery Date set forth above:

(i) the commencement date for such Additional Space shall be on such other date (as memorialized in an instrument entered into between the Parties);

(ii) for the first four (4) months on and after such commencement date, the Basic Monthly Rent for such Additional Space shall be at an annual cost of $8.00 per rentable square foot;

(iii) following such first four (4)-month period, the annual cost per rentable square foot for such Additional Space shall at the same rate, on a per rentable square foot basis, as is payable for the third-floor premises (Suites 300 and 350) during the period concerned; and

(iv) the Expiration Date for such Additional Space shall remain as July 31, 2025, subject to extension of the Term to July 31, 2026 if the Term for Suite 350 is extended to July 31, 2026 pursuant to Paragraph 3(b) of Exhibit A attached to the Second Amendment.

4. Basic Monthly Rent Schedule—Suite 350. Suite 350 ("***Suite 350***") on the third floor of the Building, consisting of approximately 10,215 usable square feet and approximately 11,900 rentable square feet, was added by the Second Amendment to the Premises then covered by the Lease. The Basic Monthly Rent schedule for Suite 350, set forth in Paragraph 3 of the Second Amendment, contemplated four (4) months of Basic Monthly Rent at $8.00 per rentable square foot on an annual basis. The Parties now have agreed that the first *five (5)* months of Basic Monthly Rent for Suite 350 shall be at $8.00 per rentable square foot on an annual basis, with the result that such schedule is revised to be as follows (subject to a change in the projected

commencement date for Suite 350, as set forth in the definition of "Expansion Date" in Paragraph 1 of the Second Amendment):

Suite 350—11,900 rentable square feet

Periods	Basic Monthly Rent	Annual Cost Per Rentable Square Foot
September 1, 2018 through January 31, 2019, inclusive	$7,933.33 per month	$8.00
February 1, 2019 through July 31, 2019, inclusive	$25,416.42 per month	$25.63
August 1, 2019 through July 31, 2020, inclusive	$26,051.08 per month	$26.27
August 1, 2020 through July 31, 2021, inclusive	$26, 695.67 per month	$26.92
August 1, 2021 through July 31, 2022, inclusive	$27,370.00 per month	$27.60
August 1, 2022 through July 31, 2023, inclusive	$28,054.25 per month	$28.29
August 1, 2023 through July 31, 2024, inclusive	$28,748.42 per month	$28.99
August 1, 2024 through July 31, 2025, inclusive	$29,472.33 per month	$29.72

(***if the Term for Suite 350 is extended to July 31, 2026 pursuant to Paragraph 3(b) of Exhibit A attached to the Second Amendment***)

August 1, 2025 through July 31, 2019, inclusive	$30,206.17 per month	$30.46

5. Deletion of Option to Terminate. Paragraph 9 (Option to Terminate) of the Rider to Office Lease attached to the Lease, as previously amended by Paragraph 5 of the First Amendment and Paragraph 4 of the Second Amendment, is deleted in its entirety and shall have no further force or effect.

6. Right of First Refusal. The right of first refusal set forth in Paragraph 5 of the Second Amendment is deleted in its entirety. The provisions below in this Paragraph 6 replace said Paragraph 5 (with all changes to said Paragraph 5 being underlined or marked).

(a) During the Term, and provided that (i) the Lease is in full force and effect, (ii) Tenant is not in default under the Lease beyond the expiration of any applicable notice and cure period given to Tenant in the Lease, (iii) Tenant has not assigned the Lease or subleased all or any portion of the Premises under any then-existing sublease, and (iv) the right of first refusal described in this Paragraph 6 is not being exercised in connection with or for the purpose of facilitating any such assignment or sublease, if additional space (the "***ROFR Space***") on (1) the first or second floors of the Building, or (2) after it is leased once following the full execution and delivery of this Amendment, on the fifth floor of the Building, is or becomes available for lease, and Landlord receives a request for proposal from a tenant that Landlord desires to accept to lease the ROFR Space, or sends out (or has decided to send out) a bona fide proposal to a specific, bona fide prospective tenant to lease the ROFR Space, then Landlord shall give to Tenant written notice (the "***ROFR Notice***") that Landlord is willing to enter into a lease with Tenant of the ROFR Space. (For purposes of this Paragraph 6, any space covered by a renewal, extension or expansion option existing in any tenant's lease as of the date of the Lease, any renewal or extension option given by Landlord to any then-existing tenant for its then-existing space, or any right of first offer or right of first refusal existing as of the date of the Lease, shall not be "available for lease" until after each such option or right has expired.)

(b) If Tenant gives Landlord written notice of Tenant's interest in leasing the ROFR Space within three (3) business days after receipt of the ROFR Notice, the Parties shall enter into another amendment to the Lease covering the ROFR Space, which, unless otherwise agreed by the Parties, shall:

(i) have a term that is coterminous with the Lease;

(ii) provide for Basic Monthly Rent for the ROFR Space at the same rate, on a per rentable square foot basis, as is payable for Suite 350 during the period concerned; *provided, however*, that if the effect of leasing such ROFR Space is for Tenant to occupy an entire floor, the rentable square footage added to the Lease for the ROFR Space shall also include the rentable square footage of all corridors and hallways located on such floor, which corridors and hallways shall be deemed usable square footage for the purposes of calculating such rentable square feet; *provided further, however*, that if the commencement date for such ROFR Space is prior to September 1, 2018, such amendment shall provide for Basic Monthly Rent at the rate of $25.63 per rentable square foot on an annual basis for such prior period; and

(iii) provide for a tenant improvement allowance for the ROFR Space on a per usable square foot basis, determined by multiplying $10.00 per usable square foot by a fraction, the numerator of which is the number of full calendar months left in the remaining Term as of the commencement date for the ROFR Space (but not more than seventy-eight (78) months), and the denominator of which is seventy-eight (78) months.

(c) If either of the following occurs:

(i) within such three (3)-day period, Tenant either delivers written notice to Landlord that Tenant elects not to lease the ROFR Space, or fails to deliver any written response to Landlord; or

(ii) Tenant fails to enter into an amendment to the Lease within ten (10) business days after Tenant delivers notice to Landlord that Tenant elects to lease the ROFR Space, adding the ROFR Space to the Lease in a manner consistent with this Paragraph 6, then such right of first refusal with respect to the ROFR Space shall terminate and be of no further force or effect.

7. Tenant Improvements. Each Additional Space shall initially be delivered by Landlord and accepted by Tenant in its "as-is" condition. Following the Delivery Date for each Additional Space, Landlord shall provide Tenant with a tenant improvement allowance (the "***TI Allowance***") of $15.00 per usable square foot for tenant improvements (the "***Tenant Improvements***") to be made by Landlord to (but only to) such Additional Space. The TI Allowance for one Additional Space shall not be used for another Additional Space, and the installation of the Tenant Improvements shall not delay the Delivery Date or the commencement of Basic Monthly Rent for such Additional Space, which Basic Monthly Rent shall, in all events, commence on the Delivery Date. The Parties shall exert good faith, commercially reasonable efforts to agree as soon as reasonably practicable on the Tenant Improvements for each Additional Space and a budget therefor. Such agreed on Tenant Improvements shall then be made by Landlord in accordance with such budget as soon as reasonably practicable after such agreement. The construction reasonably required to complete the Tenant Improvements shall not lessen or otherwise affect Tenant's rent obligations under the Lease, as amended by this Amendment, and such construction is intended to occur within the first four (4) months after the Delivery Date of the Additional Space concerned. Tenant shall pay to Landlord all costs and expenses incurred by Landlord in connection with the Tenant Improvements, together with a project management fee of five percent (5%) of such costs and expenses, less the TI Allowance for the Additional Space concerned, within ten (10) days after the date of an invoice therefor, which invoice may be delivered prior to the commencement of construction of the Tenant Improvements concerned; *provided, however*, that space planning will be provided by Landlord at no cost to Tenant. If all or any portion of the TI Allowance for any particular Additional Space is not used on or before the date that is one (1) year after the Delivery Date for such Additional Space, such TI Allowance or such portion that is not used shall be lost and shall no longer be available to Tenant.

8. Window Logo.

(a) Subject to the conditions set forth below in this Paragraph 8, if and so long as Tenant leases (or subleases as the subtenant) and occupies at least fifty percent (50%) of the total rentable square feet in the Building, Tenant may, at its sole cost and expense, but under Landlord's supervision, install, maintain, repair and from time to time replace, Tenant's logo (the "***Logo***") for CRICUT® on the center window of the Northwest side of the Building facing River Front Parkway, in the location indicated on the attached Exhibit C.

(b) As set forth in subparagraph (a) above, as a condition to having the Logo, Tenant must lease (or sublease as the subtenant) and physically occupy at least fifty percent (50%) of the total rentable square feet in the Building. In addition, if Tenant is in default under the Lease beyond the expiration of any applicable notice and cure period given to Tenant in the Lease (a "***Tenant Default***"), including, without limitation, Tenant's failure to maintain the Logo properly in accordance with subparagraph (e) below, and, as a result of such Tenant Default, Landlord retakes possession of the Premises (with or without terminating the Lease), Landlord may (in addition to any other rights or remedies of Landlord under the Lease), on at least ten (10) business days' prior notice, terminate Tenant's rights to the Logo under this Paragraph 8. Tenant's rights to the Logo under this Paragraph 8 shall automatically terminate ten (10) business days after the assignment of the Lease by Tenant and shall have no further force or effect. Tenant's rights to the Logo under this Paragraph 8 shall be personal to Tenant, and no other assignee or subtenant shall have any rights to the Logo.

(c) Tenant shall submit to Landlord for approval in advance of any work being done the name, address, proof of insurance, references and evidence of ability to perform of Tenant's proposed signage and installation companies for the Logo. Landlord reserves the right to reject any signage or installation company that is not approved by Landlord.

(d) In connection with the Logo, Tenant shall, at Tenant's sole cost and expense, comply with all applicable laws, ordinances, regulations and requirements, the conditions of any warranty or insurance maintained by Landlord on the Building and any applicable requirements of any covenants, conditions and restrictions affecting the Property. The size, location, design, color and all other aspects and specifications of the Logo must be submitted to, and approved in advance by, Landlord and the applicable municipality prior to the manufacture and installation of the Logo. All designs and specifications for the Logo must be in full compliance with the signage ordinance of the applicable municipality. Tenant shall be solely responsible for any cleanup, damage or other mishaps that may occur during the installation or removal of the Logo by Tenant, and shall fully indemnify Landlord for all injuries to persons or damage to property related thereto. Final, executed releases of lien by all signage and installation companies must be provided by Tenant to Landlord prior to Tenant making final payment to the signage and installation companies.

(e) Tenant shall maintain the Logo at all times in a good, safe and clean condition. Tenant shall repair any damage to the Building caused by Tenant's installation, maintenance, repair, replacement, use or removal of the Logo. The Logo shall remain the property of Tenant, and Tenant may, at Tenant's sole cost and expense, remove the Logo at any time during the Term. Tenant shall, at Tenant's sole cost and expense, remove the Logo prior to the expiration of the Term or sooner termination of the Lease or the sooner termination of Tenant's rights to the Logo under this Paragraph 8, including, without limitation, if Tenant ceases to lease (or sublease as the subtenant) and occupy at least fifty percent (50%) of the total rentable square feet in the Building. On removal of the Logo, Tenant shall repair and restore all areas of the Building concerned to their condition prior to the installation of the Logo.

(f) If a Tenant Default occurs and, as a result of such Tenant Default, Landlord retakes possession of the Premises (with or without terminating the Lease), or if Tenant fails to remove the Logo prior to the expiration of the Term or sooner termination of the Lease or the sooner termination of Tenant's rights to the Logo under this Paragraph 8, Landlord may, at Tenant's sole cost and expense, remove the Logo and repair and restore all areas of the Building concerned to their condition prior to the installation of the Logo, and Tenant shall promptly reimburse Landlord for all costs and expenses incurred by Landlord in connection with such removal, repair and restoration and any storage of the Logo.

9. Enforceability. Each Party represents and warrants that:

(a) such Party was duly formed and is validly existing and in good standing under the laws of the state of its formation;

(b) such Party has the requisite power and authority under all applicable laws and its governing documents to execute, deliver and perform its obligations under this Amendment;

(c) the individual executing this Amendment on behalf of such Party has full power and authority under such Party's governing documents to execute and deliver this Amendment in the name of, and on behalf of, such Party and to cause such Party to perform its obligations under this Amendment;

(d) this Amendment has been duly authorized, executed and delivered by such Party; and

(e) this Amendment is the legal, valid and binding obligation of such Party, and is enforceable against such Party in accordance with its terms.

10. Brokerage Commissions. Except as may be set forth in one or more separate agreements between (i) Landlord and Landlord's broker, or (ii) Landlord or Landlord's broker and Tenant's broker:

(a) Landlord represents and warrants to Tenant that no claim exists for a brokerage commission, finder's fee or similar fee in connection with this Amendment based on any agreement made by Landlord; and

(b) Tenant represents and warrants to Landlord that no claim exists for a brokerage commission, finder's fee or similar fee in connection with this Amendment based on any agreement made by Tenant.

Landlord shall indemnify, defend and hold harmless Tenant from and against any claim for a brokerage commission, finder's fee or similar fee in connection with this Amendment based on an actual or alleged agreement made by Landlord. Tenant shall indemnify, defend and hold harmless Landlord from and against any claim for a brokerage commission, finder's fee or similar fee in connection with this Amendment based on an actual or alleged agreement made by Tenant.

11. Entire Agreement. The Lease, as amended by this Amendment, exclusively encompasses the entire agreement of the Parties, and supersedes all previous negotiations, understandings and agreements between the Parties, whether oral or written, including, without limitation, any oral discussions, letters of intent and email correspondence. The Parties acknowledge and represent, by their signatures below, that the Parties have not relied on any representation, understanding, information, discussion, assertion, guarantee, warranty, collateral contract or other assurance, except those expressly set forth in the Lease and this Amendment, made by or on behalf of any other Party or any other person whatsoever, prior to the execution of this Amendment. The Parties waive all rights and remedies, at law or in equity, arising or which may arise as the result of a Party's reliance on such representation, understanding, information, discussion, assertion, guarantee, warranty, collateral contract or other assurance.

12. General Provisions. In the event of any conflict between the provisions of the Lease and the provisions of this Amendment, the provisions of this Amendment shall control. Except as set forth in this Amendment, the Lease (which, by definition, includes all previous amendments) is ratified and affirmed in its entirety. This Amendment shall inure to the benefit of, and be binding on, the Parties and their respective successors and assigns. This Amendment shall be governed by, and construed and interpreted in accordance with, the laws (excluding the choice of laws rules) of the state of Utah. This Amendment may be executed in any number of duplicate originals or counterparts, each of which when so executed shall constitute in the aggregate but one and the same document. Each exhibit referred to in, and attached to, this Amendment is an integral part of this Amendment and is incorporated in this Amendment by this reference.

[*Remainder of page intentionally left blank; signatures on following page*]

THE PARTIES have executed this Amendment on the respective dates set forth below, to be effective as of the date first set forth above.

***LANDLORD*:**

RIVERPARK FIVE, LLC,
a Utah limited liability company,
by its Manager:

RIVERPARK HOLDINGS, LLC,
a Utah limited liability company

By /s/ David S. Layton
David S. Layton
Manager

Date 07/09/2018

***TENANT*:**

CRICUT, INC.,
a Utah corporation

By /s/ Don Olsen

Print or Type Name of Signatory:

Don Olsen
Its: EVP, General Counsel

Date June 29, 2018

J.P.Morgan

CREDIT AGREEMENT

dated as of

September 4, 2020

among

CRICUT, INC.

The Other Loan Parties Party Hereto

The Lenders Party Hereto

and

JPMORGAN CHASE BANK, N.A.,
as Administrative Agent

and

JPMORGAN CHASE BANK, N.A. and CITIBANK, N.A.,
as Joint Lead Arrangers, Co-Bookrunners and Co-Syndication Agents

and

ORIGIN BANK, a Documentation Agent

ASSET BASED LENDING

TABLE OF CONTENTS

SCHEDULES:

EXHIBITS:

CREDIT AGREEMENT dated as of September 4, 2020 (as it may be amended or modified from time to time, this "Agreement") among CRICUT, INC., a Delaware corporation ("Company") and together with any other Person that joins this Agreement as a Borrower in accordance with the terms hereof, are referred to hereinafter each individually as a "Borrower", and individually and collectively, jointly and severally, as the "Borrowers"), the other Loan Parties party hereto from time to time, the Lenders party hereto, JPMORGAN CHASE BANK, N.A., as Administrative Agent, JPMORGAN CHASE BANK, N.A. and CITIBANK, N.A., each as Joint Lead Arrangers, Co-Bookrunners and Co-Syndication Agents, and ORIGIN BANK, as Documentation Agent.

The parties hereto agree as follows:

ARTICLE I

Definitions

SECTION 1.01. Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

"ABR", when used in reference to: (a) a rate of interest, refers to the REVLIBOR30 Rate, and (b) any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, bear interest at a rate determined by reference to the REVLIBOR30 Rate.

"Account" has the meaning assigned to such term in the Security Agreement.

"Account Debtor" means any Person obligated on an Account.

"Acquisition" means any transaction, or any series of related transactions, consummated on or after the Effective Date, by which any Loan Party (a) acquires any going business or all or substantially all of the assets of any Person, whether through purchase of assets, merger or otherwise or (b) directly or indirectly acquires (in one transaction or as the most recent transaction in a series of transactions) at least a majority (in number of votes) of the Equity Interests of a Person which has ordinary voting power for the election of directors or other similar management personnel of a Person (other than Equity Interests having such power only by reason of the happening of a contingency) or a majority of the outstanding Equity Interests of a Person.

"Adjusted LIBO Rate" means, with respect to any Eurodollar Borrowing for any Interest Period or for any ABR Borrowing, an interest rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to (a) the LIBO Rate for such Interest Period multiplied by (b) the Statutory Reserve Rate.

"Administrative Agent" means JPMorgan Chase Bank, N.A., in its capacity as administrative agent for the Lenders hereunder.

"Administrative Questionnaire" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"Affiliate" means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the specified Person.

"Agent Indemnitee" has the meaning assigned to it in Section 9.03(c).

"Aggregate Credit Exposure" means, at any time, the aggregate Revolving Exposure of all the Lenders at such time.

"Aggregate Revolving Commitment" means, at any time, the aggregate of the Revolving Commitments of all of the Lenders, as increased or reduced from time to time pursuant to the terms and conditions hereof. As of the Effective Date, the Aggregate Revolving Commitment is $150,000,000.

"Aggregate Revolving Exposure" means, at any time, the aggregate Revolving Exposure of all the Lenders at such time.

"Alternate Base Rate" means, for any day, a rate per annum equal to the greatest of (a) the Prime Rate in effect on such day, (b) the NYFRB Rate in effect on such day plus ½ of 1% and (c) the Adjusted LIBO Rate for a one month Interest Period on such day (or if such day is not a Business Day, the immediately preceding Business Day) plus 1%, provided that, for the purpose of this definition, the Adjusted LIBO Rate for any day shall be based on the LIBO Screen Rate (or if the LIBO Screen Rate is not available for such one month Interest Period, the Interpolated Rate) at approximately 11:00 a.m. London time on such day. Any change in the Alternate Base Rate due to a change in the Prime Rate, the NYFRB Rate or the Adjusted LIBO Rate shall be effective from and including the effective date of such change in the Prime Rate, the NYFRB Rate or the Adjusted LIBO Rate, respectively. If the Alternate Base Rate is being used as an alternate rate of interest pursuant to Section 2.14 (for the avoidance of doubt, only until any amendment has become effective pursuant to Section 2.14(c)), then the Alternate Base Rate shall be the greater of clause (a) and (b) above and shall be determined without reference to clause (c) above. For the avoidance of doubt, if the Alternate Base Rate as determined pursuant to the foregoing would be less than 1.50%, such rate shall be deemed to be 1.50% for purposes of this Agreement.

"Alternative Currencies" means each of, and collectively, Pounds Sterling, Euros, Canadian Dollars, New Zealand Dollars, Australian Dollars, and any other currency approved by the Administrative Agent after the Effective Date from time to time; provided that each such currency is a lawful currency that is readily available, freely transferable and not restricted, able to be converted into dollars and available in the London interbank deposit market.

"Anti-Corruption Laws" means all laws, rules, and regulations of any jurisdiction applicable to any Borrower or any of its Affiliates from time to time concerning or relating to bribery or corruption.

"Applicable Parties" has the meaning assigned to it in Section 8.03(c).

"Applicable Percentage" means, with respect to any Lender, (a) with respect to Revolving Loans, LC Exposure, Overadvances, Protective Advances or Swingline Loans, a percentage equal to a fraction the numerator of which is such Lender's Revolving Commitment and the denominator of which is the Aggregate Revolving Commitment (provided that, if the Revolving Commitments have terminated or expired, the Applicable Percentages shall be determined based upon such Lender's share of the Aggregate Revolving Exposure at that time), and (b) with respect to Protective Advances or with respect to the Aggregate Credit Exposure, a percentage based upon its share of the Aggregate Credit Exposure and the unused Commitments; provided that, in accordance with Section 2.20, so long as any Lender shall be a Defaulting Lender, such Defaulting Lender's Commitment shall be disregarded in the calculations under clauses (a) and (b) above.

"Applicable Rate" means, for any day, with respect to any Loan, or with respect to the commitment fees payable hereunder, as the case may be, the applicable rate per annum set forth below under the caption "Revolver ABR Spread (if clause (y) of the definition of "REVLIBOR30 Rate" is not applicable)", "Revolver ABR Spread (if clause (y) of the definition of "REVLIBOR30 Rate" is applicable)", or

"Revolver Eurodollar Spread" as the case may be, based upon the Fixed Charge Coverage Ratio as of the most recent determination date, provided that the "Applicable Rate" shall be the applicable rates per annum set forth below in Category 1 during the period from the Effective Date to, and including, the last day of the fiscal quarter of the Company ending on or about September 30, 2020:

Fixed Charge Coverage Ratio	Revolver ABR Spread (if clause (y) of the definition of "REVLIBOR30 Rate" is not applicable)	Revolver ABR Spread (if clause (y) of the definition of "REVLIBOR30 Rate" is applicable)	Revolver Eurodollar Spread
Category 1 ≥ 1.25 to 1.0	1.50%	0.0%	1.50%
Category 2 < 1.25 to 1.0 but ≥ 1.10 to 1.0	1.75%	0.25%	1.75%
Category 3 < 1.10 to 1.0	2.00%	0.50%	2.00%

For purposes of the foregoing, (a) the Applicable Rate shall be determined as of the end of each fiscal quarter of the Company based upon the Company's annual or quarterly consolidated financial statements delivered pursuant to Section 5.01 and (b) each change in the Applicable Rate resulting from a change in the Fixed Charge Coverage Ratio shall be effective during the period commencing on and including the date of delivery to the Administrative Agent of such consolidated financial statements indicating such change and ending on the date immediately preceding the effective date of the next such change, provided that the Fixed Charge Coverage Ratio shall be deemed to be in Category 3 at the option of the Administrative Agent or at the request of the Required Lenders if the Borrowers fail to deliver the annual or quarterly consolidated financial statements required to be delivered by it pursuant to Section 5.01, during the period from the expiration of the time for delivery thereof until such consolidated financial statements are delivered.

"Approved Electronic Platform" has the meaning assigned to it in Section 8.03(a).

"Approved Fund" has the meaning assigned to such term in Section 9.04.

"Arrangers" means each of, and collectively, JPMorgan Chase Bank, N.A. and Citibank, N.A., in their respective capacities as joint lead arrangers and co-bookrunners hereunder.

"Assignment and Assumption" means an assignment and assumption agreement entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 9.04), and accepted by the Administrative Agent, in the form of Exhibit A or any other form (including electronic records generated by the use of an electronic platform) approved by the Administrative Agent.

"Availability" means, at any time, an amount equal to (a) the lesser of (i) the Aggregate Revolving Commitment and (ii) the Borrowing Base *minus* (b) the Aggregate Revolving Exposure (calculated, with respect to any Defaulting Lender, as if such Defaulting Lender had funded its Applicable Percentage of all outstanding Borrowings).

"Availability Period" means the period from and including the Effective Date to but excluding the earlier of the Maturity Date and the date of termination of the Commitments.

"Available Revolving Commitment" means, at any time, the Aggregate Revolving Commitment *minus* the Aggregate Revolving Exposure (calculated, with respect to any Defaulting Lender, as if such Defaulting Lender had funded its Applicable Percentage of all outstanding Borrowings).

"Australian Dollars" means dollars in the lawful currency of the country of Australia.

"Bail-In Action" means the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

"Bail-In Legislation" means, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

"Banking Services" means each and any of the following bank services provided to any Loan Party or its Subsidiaries by any Lender or any of its Affiliates: (a) credit cards for commercial customers (including, without limitation, "commercial credit cards" and purchasing cards), (b) stored value cards, (c) merchant processing services, and (d) treasury management services (including, without limitation, controlled disbursement, automated clearinghouse transactions, return items, any direct debit scheme or arrangement, overdrafts, cash pooling services, and interstate depository network services), and (e) Lease Financing.

"Banking Services Obligations" means any and all obligations of the Loan Parties and their Subsidiaries, whether absolute or contingent and howsoever and whensoever created, arising, evidenced or acquired (including all renewals, extensions and modifications thereof and substitutions therefor) in connection with Banking Services, provided, however, Banking Services Obligations in respect of Lease Financing shall be limited to Lease Deficiency Obligations.

"Banking Services Reserves" means all Reserves which the Administrative Agent from time to time establishes in its Permitted Discretion for Banking Services then provided or outstanding.

"Bankruptcy Code" means Title 11 of the United States Code entitled "Bankruptcy", as now and hereafter in effect, or any successor statute.

"Bankruptcy Event" means, with respect to any Person, when such Person becomes the subject of a voluntary or involuntary bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee, administrator, custodian, assignee for the benefit of creditors or similar Person charged with the reorganization or liquidation of its business, appointed for it, or, in the good faith determination of the Administrative Agent, has taken any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any such proceeding or appointment or has had any order for relief in such proceeding entered in respect thereof, provided that a Bankruptcy Event shall not result solely by virtue of any ownership interest, or the acquisition of any ownership interest, in such Person by a Governmental Authority or instrumentality thereof, unless such ownership interest results in or provides such Person with immunity from the jurisdiction of courts within the U.S. or from the enforcement of judgments or writs of attachment on its assets or permits such Person (or such Governmental Authority or instrumentality), to reject, repudiate, disavow or disaffirm any contracts or agreements made by such Person.

"Benchmark Replacement" means the sum of: (a) the alternate benchmark rate (which may be a SOFR-Based Rate) that has been selected by the Administrative Agent and the Borrower giving due consideration to (i) any selection or recommendation of a replacement rate or the mechanism for determining such a rate by the Relevant Governmental Body and/or (ii) any evolving or then-prevailing market convention for determining a rate of interest as a replacement to the LIBO Rate for U.S. dollar-denominated syndicated credit facilities and (b) the Benchmark Replacement Adjustment; provided that, if the Benchmark Replacement as so determined would be less than 0.50%, the Benchmark Replacement will be deemed to be 0.50% for the purposes of this Agreement; provided further that any such Benchmark Replacement shall be administratively feasible as determined by the Administrative Agent in its sole discretion.

"Benchmark Replacement Adjustment" means the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected by the Administrative Agent and the Borrower giving due consideration to (i) any selection or recommendation of a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the LIBO Rate with the applicable Unadjusted Benchmark Replacement by the Relevant Governmental Body and/or (ii) any evolving or then-prevailing market convention for determining a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the LIBO Rate with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated syndicated credit facilities at such time (for the avoidance of doubt, such Benchmark Replacement Adjustment shall not be in the form of a reduction to the Applicable Rate).

"Benchmark Replacement Conforming Changes" means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the definition of "Alternate Base Rate," the definition of "Interest Period," timing and frequency of determining rates and making payments of interest and other administrative matters) that the Administrative Agent decides in its reasonable discretion may be appropriate to reflect the adoption and implementation of such Benchmark Replacement and to permit the administration thereof by the Administrative Agent in a manner substantially consistent with market practice (or, if the Administrative Agent decides that adoption of any portion of such market practice is not administratively feasible or if the Administrative Agent determines that no market practice for the administration of the Benchmark Replacement exists, in such other manner of administration as the Administrative Agent decides is reasonably necessary in connection with the administration of this Agreement).

"Benchmark Replacement Date" means the earlier to occur of the following events with respect to the LIBO Rate:

(1) in the case of clause (1) or (2) of the definition of "Benchmark Transition Event," the later of (a) the date of the public statement or publication of information referenced therein and (b) the date on which the administrator of the LIBO Screen Rate permanently or indefinitely ceases to provide the LIBO Screen Rate; or

(2) in the case of clause (3) of the definition of "Benchmark Transition Event," the date of the public statement or publication of information referenced therein.

"Benchmark Transition Event" means the occurrence of one or more of the following events with respect to the LIBO Rate:

(1) a public statement or publication of information by or on behalf of the administrator of the LIBO Screen Rate announcing that such administrator has ceased or will cease to provide the LIBO Screen Rate,

permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the LIBO Screen Rate;

(2) a public statement or publication of information by the regulatory supervisor for the administrator of the LIBO Screen Rate, the U.S. Federal Reserve System, an insolvency official with jurisdiction over the administrator for the LIBO Screen Rate, a resolution authority with jurisdiction over the administrator for the LIBO Screen Rate or a court or an entity with similar insolvency or resolution authority over the administrator for the LIBO Screen Rate, in each case which states that the administrator of the LIBO Screen Rate has ceased or will cease to provide the LIBO Screen Rate permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the LIBO Screen Rate; and/or

(3) a public statement or publication of information by the regulatory supervisor for the administrator of the LIBO Screen Rate announcing that the LIBO Screen Rate is no longer representative.

"Benchmark Transition Start Date" means (a) in the case of a Benchmark Transition Event, the earlier of (i) the applicable Benchmark Replacement Date and (ii) if such Benchmark Transition Event is a public statement or publication of information of a prospective event, the 90th day prior to the expected date of such event as of such public statement or publication of information (or if the expected date of such prospective event is fewer than 90 days after such statement or publication, the date of such statement or publication) and (b) in the case of an Early Opt-in Election, the date specified by the Administrative Agent or the Required Lenders, as applicable, by notice to the Borrower, the Administrative Agent (in the case of such notice by the Required Lenders) and the Lenders.

"Benchmark Unavailability Period" means, if a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to the LIBO Rate and solely to the extent that the LIBO Rate has not been replaced with a Benchmark Replacement, the period (x) beginning at the time that such Benchmark Replacement Date has occurred if, at such time, no Benchmark Replacement has replaced the LIBO Rate for all purposes hereunder in accordance with Section 2.14 and (y) ending at the time that a Benchmark Replacement has replaced the LIBO Rate for all purposes hereunder pursuant to Section 2.14.

"Beneficial Ownership Certification" means a certification regarding beneficial ownership or control as required by the Beneficial Ownership Regulation.

"Beneficial Ownership Regulation" means 31 C.F.R. § 1010.230.

"Benefit Plan" means any of (a) an "employee benefit plan" (as defined in Section 3(3) of ERISA) that is subject to Title I of ERISA, (b) a "plan" as defined in Section 4975 of the Code to which Section 4975 of the Code applies, and (c) any Person whose assets include (for purposes of the Plan Asset Regulations or otherwise for purposes of Title I of ERISA or Section 4975 of the Code) the assets of any such "employee benefit plan" or "plan".

"BHC Act Affiliate" of a party means an "affiliate" (as such term is defined under, and interpreted in accordance with, 12 U.S.C. 1841(k)) of such party.

"Borrower Representative" has the meaning assigned to such term in Section 11.01.

"Borrowing" means (a) Revolving Loans of the same Type, made, converted or continued on the same date and, in the case of Eurodollar Loans, as to which a single Interest Period is in effect, (b) a Swingline Loan, (c) a Protective Advance, and (d) an Overadvance.

"Borrowing Base" means, at any time, the Dollar Equivalent of the sum of (a) 90% of the Borrowers' Eligible Credit Card Accounts Receivable, plus (b) 85% of the Borrowers' Eligible Accounts at such time, *plus* (c) the lesser of (i) 65% of the Borrowers' Eligible Inventory, at such time, valued at the lower of cost (average cost) or market value, determined on a first-in-first-out basis, and (ii) the product of 85% (or 90% solely during any SOFA Period) *multiplied by* the Net Orderly Liquidation Value percentage identified in the most recent inventory appraisal ordered by the Administrative Agent *multiplied by* the Borrowers' Eligible Inventory, valued at the lower of cost (average cost) or market value, determined on a first-in-first-out basis, *minus* (c) Reserves. The maximum amount of Inventory which may be included as part of the Borrowing Base shall not exceed 85% of an amount equal to the Borrowing Base less Reserves. The Administrative Agent may, in its Permitted Discretion, reduce the advance rates set forth above, adjust Reserves or reduce one or more of the other elements used in computing the Borrowing Base.

"Borrowing Base Certificate" means a certificate, signed and certified as accurate and complete by a Financial Officer of the Borrower Representative, in substantially the form of Exhibit B or another form which is acceptable to the Administrative Agent in its sole discretion.

"Borrowing Request" means a request by the Borrower Representative for a Borrowing in accordance with Section 2.03.

"Burdensome Restrictions" means any consensual encumbrance or restriction of the type described in clause (a) or (b) of Section 6.10.

"Business Day" means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed; provided that, when used in connection with a Eurodollar Loan or a Loan accruing interest at REVLIBOR30 Rate without giving effect to the proviso contained in the definition for "REVLIBOR30 Rate", the term "Business Day" shall also exclude any day on which banks are not open for general business in London.

"Canadian Dollars" means dollars in the lawful currency of the country of Canada.

"Capital Expenditures" means, without duplication, any expenditure or commitment to expend money for any purchase or other acquisition of any asset which would be classified as a fixed or capital asset on a consolidated balance sheet of the Company and its Subsidiaries prepared in accordance with GAAP.

"Capital Lease Obligations" of any Person means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

"Change in Control" means (a) Holdings (or, after a Qualifying IPO Restructuring, the Company) shall cease to own, free and clear of all Liens or other encumbrances, at least 100% of the outstanding voting Equity Interests of all other Loan Parties; (b) occupation at any time of a majority of the seats (other than vacant seats) on the board of directors of the Company by Persons who were not (i) directors of the Company on the date of this Agreement, nominated, appointed or approved for consideration by shareholders for election by the board of directors of the Company, (ii) approved by the board of directors of the Company as director candidates prior to their election, nor (iii) appointed by directors so nominated, appointed or approved; (c) prior to a Qualifying IPO Restructuring, occupation at any time of a majority of the seats (other than vacant seats) on the board of directors of Holdings by Persons who were not (i) directors of Holdings on the date of this Agreement, nominated, appointed or approved for consideration

by shareholders for election by the board of directors of Holdings, (ii) approved by the board of directors of Holdings as director candidates prior to their election, nor (iii) appointed by directors so nominated, appointed or approved; (d)(i) the acquisition of ownership, directly or indirectly, beneficially or of record of Holdings (or, after a Qualifying IPO Restructuring, the Company) by any Person or group (within the meaning of the Securities Exchange Act of 1934 and the rules of the SEC thereunder as in effect on the date hereof), other than the Permitted Holders of Equity Interests in Holdings (or, after a Qualifying IPO restructuring, the Company) representing more than 20% of the aggregate ordinary voting power represented by the issued and outstanding Equity Interests in Holdings (or, after a Qualifying IPO Restructuring, the Company), or (ii) the Permitted Holders shall cease to own, free and clear of all Liens or other encumbrances, at least 51% of the aggregate outstanding voting Equity Interests of Holdings (or, after a Qualifying IPO Restructuring, the Company) on a fully diluted basis.

"Change in Law" means the occurrence after the date of this Agreement (or, with respect to any Lender, such later date on which such Lender becomes a party to this Agreement) of any of the following: (a) the adoption of or taking effect of any law, rule, regulation or treaty; (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority; or (c) compliance by any Lender or the Issuing Bank (or, for purposes of Section 2.15(b), by any lending office of such Lender or by such Lender's or the Issuing Bank's holding company, if any) with any request, guideline, requirement or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement; provided that notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines, requirements or directives thereunder or issued in connection therewith or in the implementation thereof, and (y) all requests, rules, guidelines, requirements or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "Change in Law", regardless of the date enacted, adopted, issued or implemented.

"Charges" has the meaning assigned to such term in Section 9.17.

"Class", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are Revolving Loans, Swingline Loans or Protective Advances or Overadvances.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Collateral" means any and all property owned, leased or operated by a Person covered by the Collateral Documents and any and all other property of any Loan Party, now existing or hereafter acquired, that may at any time be, become or be intended to be, subject to a security interest or Lien in favor of the Administrative Agent, on behalf of itself and the Lenders and other Secured Parties, to secure the Secured Obligations.

"Collateral Access Agreement" has the meaning assigned to such term in the Security Agreement.

"Collateral Documents" means, collectively, the Security Agreement and any other agreements, instruments and documents executed by any Loan Party in connection with this Agreement that are intended to create, perfect or evidence Liens to secure the Secured Obligations, including, without limitation, all other security agreements, pledge agreements, mortgages, deeds of trust, loan agreements, notes, guarantees, subordination agreements, pledges, powers of attorney, consents, assignments, contracts, fee letters, notices, leases, financing statements and all other written matter whether theretofore, now or hereafter executed by any Loan Party and delivered to the Administrative Agent.

"Collection Account" has the meaning assigned to such term in the Security Agreement.

"Commercial LC Exposure" means, at any time, the sum of (a) the aggregate undrawn amount of all outstanding commercial Letters of Credit *plus* (b) the aggregate amount of all LC Disbursements relating to commercial Letters of Credit that have not yet been reimbursed by or on behalf of the Borrowers. The Commercial LC Exposure of any Revolving Lender at any time shall be its Applicable Percentage of the aggregate Commercial LC Exposure at such time.

"Commitment" means, with respect to each Lender, the sum of such Lender's Revolving Commitment, together with the commitment of such Lender to acquire participations in Protective Advances hereunder. The initial amount of each Lender's Commitment is set forth on the Commitment Schedule, or in the Assignment and Assumption or other documentation or record (as such term is defined in Section 9-102(a)(70) of the New York Uniform Commercial Code) as provided in Section 9.04(b)(ii)(C), pursuant to which such Lender shall have assumed its Commitment, as applicable.

"Commitment Schedule" means the Schedule attached hereto identified as such.

"Commodity Exchange Act" means the Commodity Exchange Act (7 U.S.C. § 1 et seq.), as amended from time to time, and any successor statute.

"Communications" has the meaning assigned to such term in Section 8.03(c).

"Company" has the meaning assigned to such term in the preamble to this Agreement.

"Compliance Certificate" means a certificate of a Financial Officer of the Borrower Representative in substantially the form of Exhibit C.

"Compounded SOFR" means the compounded average of SOFRs for the applicable Corresponding Tenor, with the rate, or methodology for this rate, and conventions for this rate (which may include compounding in arrears with a lookback and/or suspension period as a mechanism to determine the interest amount payable prior to the end of each Interest Period) being established by the Administrative Agent in accordance with:

(1) the rate, or methodology for this rate, and conventions for this rate selected or recommended by the Relevant Governmental Body for determining compounded SOFR; provided that:

(2) if, and to the extent that, the Administrative Agent determines that Compounded SOFR cannot be determined in accordance with clause (1) above, then the rate, or methodology for this rate, and conventions for this rate that the Administrative Agent determines in its reasonable discretion are substantially consistent with any evolving or then-prevailing market convention for determining compounded SOFR for U.S. dollar-denominated syndicated credit facilities at such time;

provided, further, that if the Administrative Agent decides that any such rate, methodology or convention determined in accordance with clause (1) or clause (2) is not administratively feasible for the Administrative Agent, then Compounded SOFR will be deemed unable to be determined for purposes of the definition of "Benchmark Replacement."

"Connection Income Taxes" means Other Connection Taxes that are imposed on or measured by net income or Other Connection Taxes imposed on or measured by gross income or gross receipts, in lieu of net income (however denominated) or that are franchise Taxes or branch profits Taxes.

"Consolidated Cash Balance" means, at any time, the aggregate amount of cash and cash equivalents, marketable securities, treasury bonds and bills, certificates of deposit, investments in money market funds, and commercial paper, in each case, held or owned by (either directly or indirectly), credited to the account of or would otherwise be required to be reflected as an asset on the balance sheet of the Company and its Subsidiaries.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "Controlling" and "Controlled" have meanings correlative thereto.

"Controlled Disbursement Account" means any accounts of the Borrowers maintained with the Administrative Agent as a zero balance, cash management account pursuant to and under any agreement between a Borrower and the Administrative Agent, as modified and amended from time to time, and through which all disbursements of a Borrower, any other Loan Party and any designated Subsidiary of a Borrower are made and settled on a daily basis with no uninvested balance remaining overnight.

"Corresponding Tenor" with respect to a Benchmark Replacement means a tenor (including overnight) having approximately the same length (disregarding business day adjustment) as the applicable tenor for the applicable Interest Period with respect to the LIBO Rate.

"Co-Syndication Agents" means each of, and collectively, JPMorgan Chase Bank, N.A. and Citibank, N.A., in their respective capacities as co-syndication agents.

"Covenant Testing Trigger Period" means (a) the period (i) commencing on the Effective Date and (ii) continuing until the first anniversary of the Effective Date and (b) at all times after the initial Covenant Testing Trigger Period pursuant to clause (a) above, each period (i) commencing on any day that (A) Excess Availability is less than the greater of (1) $15,000,000 and (2) 10% of the Aggregate Revolving Commitment, or (B) an Event of Default has occurred, and (ii) continuing until no Event of Default has existed and Excess Availability has been greater than or equal to the greater of (A) $15,000,000 and (B) 10% of the Aggregate Revolving Commitment at all times for thirty (30) consecutive days.

"Covered Entity" means any of the following:

(i) a "covered entity" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 252.82(b);

(ii) a "covered bank" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 47.3(b); or

(iii) a "covered FSI" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b).

"Covered Party" has the meaning assigned to it in Section 9.21.

"Credit Card Accounts Receivable" means each Account or "payment intangible" (as defined in the UCC) together with all income, payments and proceeds thereof, owed by a Major Card Processor to a Borrower resulting from charges by a customer of a Borrower on credit or debit cards issued by such issuer in connection with the sale of goods by a Borrower, or services performed by a Borrower, in each case in the ordinary course of its business, in each case above calculated net of prevailing interchange charges.

"Credit Card Acknowledgement" means each Credit Card Acknowledgement, in form and substance satisfactory to the Administrative Agent, executed by the applicable Borrower and as may be acknowledged by such Borrower's credit card issuers and/or credit card processors who are party to Credit Card Agreements, as the same may be amended, restated or otherwise modified from time to time.

"Credit Card Agreement" means each credit card agreement entered into by any Borrower with a credit card issuer and/or credit card processor governing the credit card processing arrangements with such Borrower, as the same may be amended, restated or otherwise modified from time to time.

"Credit Party" means the Administrative Agent, the Issuing Bank, the Swingline Lender or any other Lender.

"DDA Access Product" means the bank service provided to any Loan Party by JPMCB in its sole discretion consisting of direct access to schedule payments from the Funding Account by electronic, internet or other access mechanisms that may be agreed upon from time to time by JPMCB and the funding of such payments under the Loan Borrowing Option in the DDA Access Product Agreement.

"DDA Access Product Agreement" means JPMCB's Treasury Services End of Day Investment & Loan Sweep Service Terms, as in effect on the date of this Agreement, as the same may be amended from time to time.

"Default" means any event or condition which constitutes an Event of Default or which upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

"Default Right" has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable.

"Defaulting Lender" means any Lender that (a) has failed, within two Business Days of the date required to be funded or paid, to (i) fund any portion of its Loans, (ii) fund any portion of its participations in Letters of Credit or Swingline Loans or (iii) pay over to any Credit Party any other amount required to be paid by it hereunder, unless, in the case of clause (i) above, such Lender notifies the Administrative Agent in writing that a condition precedent to funding (specifically identified and including the particular Default, if any) has not been satisfied, and such condition has not in fact been satisfied; (b) has notified any Borrower or any Credit Party in writing, or has made a public statement, to the effect that it does not intend or expect to comply with any of its funding obligations under this Agreement (unless such writing or public statement indicates that such position is based on such Lender's good faith determination that a condition precedent (specifically identified and including the particular Default, if any) to funding a Loan under this Agreement cannot be satisfied) or generally under other agreements in which it commits to extend credit, (c) has failed, within three Business Days after request by a Credit Party, acting in good faith, to provide a certification in writing from an authorized officer of such Lender that it will comply with its obligations (and is financially able to meet such obligations as of the date of certification) to fund prospective Loans and participations in then outstanding Letters of Credit and Swingline Loans under this Agreement, provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon such Credit

Party's receipt of such certification in form and substance satisfactory to it and the Administrative Agent, or (d) has become the subject of (i) a Bankruptcy Event or (ii) a Bail-In Action.

"Disclosed Matters" means the actions, suits, proceedings and environmental matters disclosed in Schedule 3.06.

"Disposition" or "Dispose" means the sale, transfer, license, lease or other disposition (in one transaction or in a series of transactions and whether effected pursuant to a Division or otherwise) of any property by any Person (including any sale and leaseback transaction and any issuance of Equity Interests by a Subsidiary of such Person to any Person that is not a Loan Party), including any sale, assignment, transfer or other disposal, with or without recourse, of any notes or accounts receivable or any rights and claims associated therewith.

"Dividing Person" has the meaning assigned to it in the definition of "Division."

"Division" means the division of the assets, liabilities and/or obligations of a Person (the "Dividing Person") among two or more Persons (whether pursuant to a "plan of division" or similar arrangement), which may or may not include the Dividing Person and pursuant to which the Dividing Person may or may not survive.

"Division Successor" means any Person that, upon the consummation of a Division of a Dividing Person, holds all or any portion of the assets, liabilities and/or obligations previously held by such Dividing Person immediately prior to the consummation of such Division. A Dividing Person which retains any of its assets, liabilities and/or obligations after a Division shall be deemed a Division Successor upon the occurrence of such Division.

"Document" has the meaning assigned to such term in the Security Agreement.

"Documentation Agent" means Origin Bank, in its capacity as documentation agent.

"Dollar Equivalent" means, for any amount, at the time of determination thereof, (a) if such amount is expressed in dollars, such amount, (b) if such amount is expressed in an Alternative Currency, the equivalent of such amount in dollars determined by using the rate of exchange for the purchase of dollars with the Alternative Currency last provided (either by publication or otherwise provided to the Administrative Agent by the applicable Thompson Reuters Corp., Refinitiv, or any successor thereto ("Reuters") source on the Business Day (New York City time), immediately preceding the date of determination or if such service ceases to be available or ceases to provide a rate of exchange for the purchase of dollars with the Alternative Currency, as provided by such other publicly available information service which provides that rate of exchange at such time in place of Reuters chosen by the Administrative Agent in its sole discretion (or if such service ceases to be available or ceases to provide such rate of exchange, the equivalent of such amount in dollars as determined by the Administrative Agent using any method of determination it deems appropriate in its sole discretion) and (c) if such amount is denominated in any other currency, the equivalent of such amount in dollars as determined by the Administrative Agent using any method of determination it deems appropriate in its sole discretion.

"dollars" or "$" refers to lawful money of the U.S.

"Domestic Subsidiary" means a Subsidiary organized under the laws of a jurisdiction located in the U.S.

"Early Opt-in Election" means the occurrence of:

(1) (i) a determination by the Administrative Agent or (ii) a notification by the Required Lenders to the Administrative Agent (with a copy to the Borrower) that the Required Lenders have determined that U.S. dollar-denominated syndicated credit facilities being executed at such time, or that include language similar to that contained in Section 2.14 are being executed or amended, as applicable, to incorporate or adopt a new benchmark interest rate to replace the LIBO Rate, and

(2) (i) the election by the Administrative Agent or (ii) the election by the Required Lenders to declare that an Early Opt-in Election has occurred and the provision, as applicable, by the Administrative Agent of written notice of such election to the Borrower and the Lenders or by the Required Lenders of written notice of such election to the Administrative Agent.

"EBITDA" means, for any period, Net Income for such period *plus* (a) without duplication and to the extent deducted in determining Net Income for such period, the sum of (i) Interest Expense for such period, (ii) tax expense based on income, profits or capital, including federal, foreign, state, franchise and similar taxes (and for the avoidance of doubt, specifically excluding any sales taxes or any other taxes held in trust for a Governmental Authority) for such period net of tax refunds for such taxes for such period, (iii) all amounts attributable to depreciation and amortization expense for such period, (iv) (A) any extraordinary, unusual or non-recurring non-cash charges, expenses or losses for such period, and (B) any extraordinary, unusual or non-recurring cash charges for such period, in each case of this clause (iv), excluding write-downs of Inventory, (v) documented expenses, charges and fees related to a Qualifying IPO Restructuring or a Qualifying IPO (whether or not consummated, and including any non-consummated sale of Equity Interests to the extent the proceeds thereof were intended to be contributed to the equity of the Company), (vi) documented expenses, charges and fees relating to Permitted Acquisitions (or any failed Acquisitions) to the extent incurred within 90 days of the consummation of such Acquisition, and (vii) documented expenses, charges and fees relating to the incurrence, refinancing, amendment or modification of any Indebtedness (including the Secured Obligations); *provided,* that the total add-backs pursuant to clauses (iv)(B), (vi) and (vii) for any period may not exceed 15% of EBITDA for such period in the aggregate; *minus* (b) without duplication and to the extent included in Net Income, any extraordinary, unusual or non-recurring non-cash gains for such period, all calculated for the Company and its Subsidiaries on a consolidated basis in accordance with GAAP.

"ECP" means an "eligible contract participant" as defined in Section 1(a)(18) of the Commodity Exchange Act or any regulations promulgated thereunder and the applicable rules issued by the Commodity Futures Trading Commission and/or the SEC.

"EEA Financial Institution" means (a) any institution established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

"EEA Member Country" means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

"EEA Resolution Authority" means any public administrative authority or any Person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

"Effective Date" means the date on which the conditions specified in Section 4.01 are satisfied (or waived in accordance with Section 9.02).

"Electronic Signature" means an electronic sound, symbol, or process attached to, or associated with, a contract or other record and adopted by a Person with the intent to sign, authenticate or accept such contract or record.

"Electronic System" means any electronic system, including e-mail, e-fax, web portal access for such Borrower and any other Internet or extranet-based site, whether such electronic system is owned, operated or hosted by the Administrative Agent or any Issuing Bank and any of its respective Related Parties or any other Person, providing for access to data protected by passcodes or other security system.

"Eligible Accounts" means, at any time, the Accounts of a Borrower which the Administrative Agent determines in its Permitted Discretion are eligible as the basis for the extension of Revolving Loans and Swingline Loans and the issuance of Letters of Credit. Without limiting the Administrative Agent's discretion provided herein, Eligible Accounts shall not include any Account of a Borrower:

(a) which is not subject to a first priority perfected security interest in favor of the Administrative Agent, subject to any exceptions as are agreed by Administrative Agent in its Permitted Discretion or as otherwise expressly agreed to herein;

(b) which is subject to any Lien other than (i) a Lien in favor of the Administrative Agent and (ii) a Permitted Encumbrance which does not have priority over the Lien in favor of the Administrative Agent;

(c) (i) which is unpaid more than 120 days after the date of the original invoice therefor or more than 60 days after the original due date therefor, or (ii) which has been written off the books of such Borrower or otherwise designated as uncollectible;

(d) which is owing by an Account Debtor for which more than 50% of the dollar amount of all Accounts owing from such Account Debtor and its Affiliates are ineligible pursuant to clause (c) above;

(e) which is owing by an Account Debtor to the extent the aggregate amount of Accounts owing from such Account Debtor and its Affiliates to all Borrowers exceeds 25% of the aggregate amount of Eligible Accounts of all Borrowers (or 40% solely with respect to Accounts for which a Specified Account Debtor is the Account Debtor; *provided,* that Accounts owing by Specified Account Debtors shall be ineligible to the extent the aggregate amount of Accounts owing from all Specified Account Debtors to all Borrowers exceeds 90% of the aggregate amount of Eligible Accounts of all Borrowers);

(f) with respect to which any covenant is breached or any representation or warranty is not true in all material respects (or not true in all respects for any representation or warranty which is subject to any materiality qualifier), in each case as contained in this Agreement or in the Security Agreement;

(g) which (i) does not arise from the sale of goods or performance of services in the ordinary course of business, (ii) is not evidenced by an invoice or other documentation satisfactory to the Administrative Agent which has been sent to the Account Debtor, (iii) represents a progress billing, (iv) is contingent upon such Borrower's completion of any further performance, (v) represents a sale on a bill-and-hold, guaranteed sale, sale-and-return, sale on approval,

consignment, cash-on-delivery or any other repurchase or return basis or (vi) relates to payments of interest;

(h) for which the goods giving rise to such Account have not been shipped to the Account Debtor or for which the services giving rise to such Account have not been performed by such Borrower or if such Account was invoiced more than once;

(i) with respect to which any check or other instrument of payment has been returned uncollected for any reason;

(j) which is owed by an Account Debtor which has (i) applied for, suffered, or consented to the appointment of any receiver, custodian, trustee, or liquidator of its assets, (ii) had possession of all or a material part of its property taken by any receiver, custodian, trustee or liquidator, (iii) filed, or had filed against it, any request or petition for liquidation, reorganization, arrangement, adjustment of debts, adjudication as bankrupt, winding-up, or voluntary or involuntary case under any state or federal bankruptcy laws (other than post-petition accounts payable of an Account Debtor that is a debtor-in-possession under the Bankruptcy Code and reasonably acceptable to the Administrative Agent), (iv) admitted in writing its inability, or is generally unable to, pay its debts as they become due, (v) become insolvent, or (vi) ceased operation of its business;

(k) which is owed by any Account Debtor which has sold all or substantially all of its assets;

(l) which is owed by an Account Debtor which (i) does not maintain its chief executive office in the U.S. or Canada or (ii) is not organized under applicable law of the U.S., any state of the U.S., or the District of Columbia, Canada, or any province of Canada unless, in any such case, such Account is backed by a letter of credit acceptable to the Administrative Agent which is in the possession of, and is directly drawable by, the Administrative Agent; *provided,* that letters of credit shall not be required for such Accounts that are owing by Account Debtors that are acceptable to Administrative Agent that are outside of the U.S. or Canada but in any other countries acceptable to Administrative Agent and which are subject to a perfected security interest in favor of the Administrative Agent to Administrative Agent's satisfaction, in each case, in an aggregate amount not to exceed 7.5% of the aggregate amount of all Eligible Accounts that are owed (A) by Account Debtors which maintain their chief executive office in the U.S. or Canada, and (B) in U.S. dollars;

(m) which is owed in any currency other than U.S. dollars (except for such Accounts that are payable in any combination of Alternative Currencies, in each case, subject to Administrative Agent having, except to the extent otherwise agreed by Administrative Agent, a first priority perfected security interest over such Accounts and over any Deposit Accounts into which such Accounts are collected, in each case, in an aggregate amount not to exceed 7.5% of the aggregate amount of all Eligible Accounts that are owed (A) by Account Debtors which maintain their chief executive office in the U.S. or Canada, and (B) in U.S. dollars);

(n) which is owed by (i) any government (or any department, agency, public corporation, or instrumentality thereof) of any country other than the U.S. unless such Account is backed by a letter of credit acceptable to the Administrative Agent which is in the possession of, and is directly drawable by, the Administrative Agent, or (ii) any government of the U.S., or any department, agency, public corporation, or instrumentality thereof, unless the Federal Assignment of Claims Act of 1940, as amended (31 U.S.C. § 3727 et seq. and 41 U.S.C. § 15 et seq.), and any

other steps necessary to perfect the Lien of the Administrative Agent in such Account have been complied with to the Administrative Agent's satisfaction;

(o) which is owed by any Affiliate of any Loan Party or any employee, officer, director or agent of any Loan Party or any of its Affiliates;

(p) which, for any Account Debtor, exceeds a credit limit determined by the Administrative Agent, to the extent of such excess;

(q) which is owed by an Account Debtor or any Affiliate of such Account Debtor to which any Loan Party is indebted, but only to the extent of such indebtedness, or is subject to any security, deposit, progress payment, retainage or other similar advance made by or for the benefit of an Account Debtor, in each case to the extent thereof;

(r) which is subject to any counterclaim, deduction, defense, setoff or dispute but only to the extent of any such counterclaim, deduction, defense, setoff or dispute;

(s) which is evidenced by any promissory note, chattel paper or instrument;

(t) which is owed by an Account Debtor (i) located in any jurisdiction which requires filing of a "Notice of Business Activities Report" or other similar report in order to permit such Borrower to seek judicial enforcement in such jurisdiction of payment of such Account, unless such Borrower has filed such report or qualified to do business in such jurisdiction or (ii) which is a Sanctioned Person;

(u) with respect to which such Borrower has made any agreement with the Account Debtor for any reduction thereof, other than discounts and adjustments given in the ordinary course of business, or any Account which was partially paid and such Borrower created a new receivable for the unpaid portion of such Account;

(v) which does not comply in all material respects with the requirements of all applicable laws and regulations, whether Federal, state or local, including without limitation the Federal Consumer Credit Protection Act, the Federal Truth in Lending Act and Regulation Z of the Board;

(w) which is for goods that have been sold under a purchase order or pursuant to the terms of a contract or other agreement or understanding (written or oral) that indicates or purports that any Person other than such Borrower has or has had an ownership interest in such goods, or which indicates any party other than such Borrower as payee or remittance party;

(x) which was created on cash on delivery terms;

(y) unless otherwise agreed by the Administrative Agent in its sole discretion, Accounts owned or generated by a target or business acquired in connection with a Permitted Acquisition until the completion of an appraisal and field examination with respect to such target or business, in each case, reasonably satisfactory to the Administrative Agent; or

(y) which the Administrative Agent determines may not be paid by reason of the Account Debtor's inability to pay or which the Administrative Agent in its Permitted Discretion otherwise determines is unacceptable for any reason whatsoever.

In the event that an Account of a Borrower which was previously an Eligible Account ceases to be an Eligible Account hereunder, such Borrower or the Borrower Representative shall notify the Administrative Agent thereof on and at the time of submission to the Administrative Agent of the next Borrowing Base Certificate. In determining the amount of an Eligible Account of a Borrower, the face amount of an Account may, in the Administrative Agent's Permitted Discretion, be reduced by, without duplication, to the extent not reflected in such face amount, (i) the amount of all accrued and actual discounts, claims, credits or credits pending, promotional program allowances, price adjustments, finance charges or other allowances (including any amount that such Borrower may be obligated to rebate to an Account Debtor pursuant to the terms of any agreement or understanding (written or oral)) and (ii) the aggregate amount of all cash received in respect of such Account but not yet applied by such Borrower to reduce the amount of such Account.

"Eligible Credit Card Accounts Receivable" means, at any time, the Credit Card Accounts Receivable of a Borrower which the Administrative Agent determines in its Permitted Discretion are eligible as the basis for the extension of Revolving Loans, Swingline Loans and the issuance of Letters of Credit hereunder. Without limiting the Administrative Agent's discretion provided herein, Eligible Credit Card Accounts Receivable shall not include any Credit Card Accounts Receivable of a Borrower:

(a) which is not earned or does not represent the bona fide amount due to a Borrower from a credit card processor and/or credit card issuer that originated in the ordinary course of business of such Borrower;

(b) which is not owned by a Borrower or is the subject of a factoring or other similar agreement with a third party;

(c) in which the payee of such Credit Card Accounts Receivable is a Person other than a Borrower;

(d) which does not constitute an Account;

(e) which has been outstanding more than 5 Business Days from the date of sale;

(f) with respect to which the applicable credit card issuer or credit card processor has (i) applied for, suffered, or consented to the appointment of any receiver, interim receiver, monitor, custodian, trustee, administrator, administrative receiver, compulsory manager or liquidator of its assets, (ii) had possession of all or a material part of its property taken by any receiver, interim receiver, monitor, custodian, trustee administrator, administrative receiver, compulsory manager or liquidator, (iii) filed, or had filed against it, any request or petition for liquidation, administration, reorganization, arrangement, adjustment of debts, adjudication as bankrupt, winding-up, or voluntary or involuntary case under any state or federal bankruptcy laws or insolvency laws, (iv) admitted in writing its inability, or is generally unable to, pay its debts as they become due, (v) become insolvent, or (vi) ceased operation of its business;

(g) which is not a valid, legally enforceable obligation of the applicable credit card issuer or credit card processor with respect thereto;

(h) which is not subject to a first priority perfected security interest in favor of the Administrative Agent, subject to any exceptions as are agreed by Administrative Agent in its Permitted Discretion or as otherwise expressly agreed to herein;

(i) which is subject to any Lien other than (i) a Lien in favor of the Administrative Agent and (ii) a Permitted Encumbrance which does not have priority over the Lien in favor of the Administrative Agent;

(j) with respect to which any covenant is breached or any representation or warranty is not true in all material respects (or in all respects for any representation or warranty which is subject to any materiality qualifier), in each case contained in this Agreement, in the Security Agreement or in the Credit Card Agreements relating to such Credit Card Accounts Receivable;

(k) which is subject to risk of set-off, recoupment, non-collection or not being processed due to unpaid and/or accrued credit card processor fee balances;

(l) which is disputed, is with recourse, or with respect to which a claim, counterclaim, offset or chargeback has been asserted (to the extent of such claim, counterclaim, offset or chargeback);

(m) which is evidenced by "chattel paper" or an "instrument" of any kind unless such "chattel paper" or "instrument" is in the possession of the Administrative Agent, and to the extent necessary or appropriate, endorsed to the Administrative Agent;

(n) which the Administrative Agent in its Permitted Discretion determines may not be paid by reason of the applicable credit card processor's or credit card issuer's inability to pay or which the Administrative Agent in its Permitted Discretion otherwise determines is unacceptable for any reason whatsoever;

(o) which represents a deposit or partial payment in connection with the purchase of Inventory of a Borrower;

(p) for which the Administrative Agent has not received, on or after the date that is 30 days after the Effective Date, a Credit Card Acknowledgement, except as otherwise agreed by Administrative Agent in its Permitted Discretion;

(q) which is owed by a credit card issuer or processed by a credit card processor which (i) does not maintain its chief executive office in the U.S. or Canada or (ii) is not organized under the applicable law of the U.S., any state of the U.S., or the District of Columbia, Canada, or any province or territory of Canada unless, in any such case, such Credit Card Accounts Receivable is backed by a letter of credit acceptable to the Administrative Agent which is in the possession of, and is directly drawable by, the Administrative Agent;

(r) which is owed in any currency other than U.S. dollars (except for such Accounts that are payable in any combination of Alternative Currencies, in each case, subject to Administrative Agent having, except to the extent otherwise agreed by Administrative Agent, a first priority perfected security interest over such Credit Card Accounts Receivable and over any Deposit Accounts into which such Credit Card Accounts Receivable are collected, in each case, in an aggregate amount not to exceed $2,000,000);

(s) where all material procedures required by the credit card issuer or the credit card processor of the credit card or debit card used in the purchase which gave rise to such Credit Card Accounts Receivable have not been followed by such Borrower and all documents required for the authorization and approval by such credit card issuer or credit card processor have not been

obtained or submitted in connection with the sale giving rise to such Credit Card Accounts Receivable;

(t) where the required authorization and approval by the applicable credit card issuer or credit card processor has not been obtained for the sale giving rise to such Credit Card Accounts Receivable;

(u) as to which the credit card issuer or credit card processor has the right to require such Borrower to repurchase the Credit Card Accounts Receivable from such credit card issuer or credit card processor;

(v) where an event of default has occurred and is continuing under the Credit Card Agreement of such Borrower with the credit card issuer or credit card processor who has issued the credit card or debit card or handles payments under the credit card or debit card used in the sale which gave rise to such Credit Card Accounts Receivable which event of default gives such credit card issuer or credit card processor the right to cease or suspend payments to such Borrower, or the right to establish reserves or establish or demand collateral (other than customary escrow amounts and reserves normally established by such credit card issuer or credit card processor for its customers generally), or the credit card issuer or credit card processor has sent a written notice of default and/or notice of its intention to cease or suspend payments to such Borrower in respect of such Credit Card Accounts Receivable or to establish reserves or cash collateral for obligations of such Borrower to such credit card issuer or credit card processor (other than customary escrow amounts and reserves normally established by such credit card issuer or credit card processor for its customers generally), or such Credit Card Agreements are otherwise not in full force and effect or do not constitute the legal, valid, binding and enforceable obligations of the parties thereto;

(w) with respect to which any of a Borrowers' credit card processors or credit card issuers: (i) sends notice to such Borrower that it is ceasing to make or suspending payments to such Borrower of amounts due or to become due to such Borrower or shall cease or suspend such payments, (ii) sends notice to such Borrower that it is terminating its arrangements with such Borrower or such arrangements shall terminate as a result of any event of default under such arrangements, or (iii) debits or deducts any amounts from any deposit account of such Borrower;

(x) unless otherwise waived by the Administrative Agent in its sole discretion, Credit Card Accounts Receivable owned or generated by a target or business acquired in connection with an Acquisition until the completion of an appraisal and field examination with respect to such target or business, in each case, reasonably satisfactory to the Administrative Agent; or

(y) Credit Card Accounts Receivable which the Administrative Agent determines in its Permitted Discretion to be uncertain of collection.

In the event that any Credit Card Accounts Receivable of a Borrower which was previously an Eligible Credit Card Accounts Receivable ceases to be an Eligible Credit Card Accounts Receivable hereunder, such Borrower or the applicable Borrower Representative shall notify the Administrative Agent thereof on and at the time of submission to the Administrative Agent of the next Borrowing Base Certificate. In determining the amount of an Eligible Credit Card Accounts Receivable, the face amount of a Credit Card Accounts Receivable may, in the Administrative Agent's Permitted Discretion, be reduced by, without duplication, to the extent not reflected in such face amount, (i) the amount of all customary fees and expenses in connection with any credit card arrangements and (ii) the aggregate amount of all cash received in respect of such Credit Card Accounts Receivable but not yet applied by the Borrowers to reduce the amount of such Credit Card Accounts Receivable.

"Eligible Inventory" means, at any time, the Inventory of a Borrower which the Administrative Agent determines in its Permitted Discretion is eligible as the basis for the extension of Revolving Loans and Swingline Loans and the issuance of Letters of Credit. Without limiting the Administrative Agent's discretion provided herein, Eligible Inventory of a Borrower shall not include any Inventory:

(a) which is not subject to a first priority perfected Lien in favor of the Administrative Agent, subject to any exceptions as are agreed by Administrative Agent in its Permitted Discretion or as are otherwise expressly set forth herein;

(b) which is subject to any Lien other than (i) a Lien in favor of the Administrative Agent and (ii) a Permitted Encumbrance which does not have priority over the Lien in favor of the Administrative Agent;

(c) which is, in the Administrative Agent's opinion, slow moving, obsolete, unmerchantable, defective, used, unfit for sale, not salable at prices approximating at least the cost of such Inventory in the ordinary course of business or unacceptable due to age, type, category and/or quantity;

(d) with respect to which any covenant, representation or warranty contained in this Agreement or in the Security Agreement has been breached or is not true and which does not conform to all standards imposed by any Governmental Authority;

(e) in which any Person other than such Borrower shall (i) have any direct or indirect ownership, interest or title or (ii) be indicated on any purchase order or invoice with respect to such Inventory as having or purporting to have an interest therein;

(f) which is not finished goods or which constitutes work-in-process, raw materials, spare or replacement parts, subassemblies, packaging and shipping material, manufacturing supplies, samples, prototypes, displays or display items, bill-and-hold or ship-in-place goods, goods that are returned or marked for return, repossessed goods, defective or damaged goods, goods held on consignment, or goods which are not of a type held for sale in the ordinary course of business;

(g) which is not located in the U.S. or is in transit with a common carrier from vendors and suppliers, provided that, (i) Inventory located in Canada, Australia, the Netherlands and such other countries acceptable to Administrative Agent in its sole discretion may be considered eligible (subject to all other eligibility criteria) so long as Administrative Agent has (A) a perfected first priority lien on such Inventory, subject to any exceptions as are agreed by Administrative Agent, (B) a satisfactory Collateral Access Agreement (or other arrangements satisfactory to the Administrative Agent) with respect to any such locations, and (C) collateral documentation required by and satisfactory to Administrative Agent), and (ii) up to an amount equal to 20% of the Aggregate Revolving Commitment of Inventory in transit from vendors and suppliers may be included as Eligible Inventory despite the foregoing provision of this clause (g) so long as:

(A) the Administrative Agent shall have received (1) a true and correct copy of the bill of lading and other shipping documents for such Inventory and (2) evidence of satisfactory casualty insurance naming the Administrative Agent as lender loss payee and otherwise covering such risks as the Administrative Agent may reasonably request,

(B) if the bill of lading is non-negotiable, the Inventory must be in transit within the U.S., and the Administrative Agent shall have received, if requested, a duly executed Collateral Access Agreement, in form and substance satisfactory to the

Administrative Agent, from the applicable customs broker, freight forwarder or carrier for such Inventory,

(C) if the bill of lading is negotiable, the Inventory must be in transit from outside the U.S., and the Administrative Agent shall have received (1) confirmation that the bill is issued in the name of such Borrower and consigned to the order of the Administrative Agent, and an acceptable agreement has been executed with such Borrower's customs broker, in which the customs broker agrees that it holds the negotiable bill as agent for the Administrative Agent and has granted the Administrative Agent access to the Inventory, and (2) an estimate from such Borrower of the customs duties and customs fees associated with the Inventory in order to establish an appropriate Reserve,

(D) the common carrier is not an Affiliate of the applicable vendor or supplier, and

(E) the customs broker is not an Affiliate of any Borrower;

(h) which is located in any location leased by such Borrower unless (A)(1) the lessor has delivered to the Administrative Agent a Collateral Access Agreement, or (2) a Reserve for rent, charges and other amounts due or to become due with respect to such facility has been established by the Administrative Agent in its Permitted Discretion, and (B) at least $100,000 of Inventory of the Borrowers is located at such location;

(i) which is located in any third party warehouse or is in the possession of a bailee (other than a third party processor) and is not evidenced by a Document (other than bills of lading to the extent permitted pursuant to clause (g) above), unless (A)(1) such warehouseman or bailee has delivered to the Administrative Agent a Collateral Access Agreement and such other documentation as the Administrative Agent may require or (2) an appropriate Reserve has been established by the Administrative Agent in its Permitted Discretion and (B) at least $100,000 of Inventory of the Borrowers is located at such third party warehouse or in possession of such bailee;

(j) which is being processed offsite at a third party location or outside processor;

(k) which is a discontinued product or component thereof;

(l) which is the subject of a consignment by such Borrower as consignor;

(m) which is perishable;

(n) which contains or bears any intellectual property rights licensed to such Borrower unless the Administrative Agent is satisfied that it may sell or otherwise dispose of such Inventory without (i) infringing the rights of such licensor, (ii) violating any contract with such licensor, or (iii) incurring any liability with respect to payment of royalties other than royalties incurred pursuant to sale of such Inventory under the current licensing agreement;

(o) which is not reflected in a current perpetual inventory report of such Borrower (unless such Inventory is reflected in a report to the Administrative Agent as "in transit" Inventory);

(p) for which reclamation rights have been asserted by the seller;

(q) which has been acquired from a Sanctioned Person;

(r) unless otherwise agreed by the Administrative Agent in its sole discretion, Inventory owned or generated by a target or business acquired in connection with a Permitted Acquisition until the completion of an appraisal and field examination with respect to such target or business, in each case, reasonably satisfactory to the Administrative Agent; or

(r) which the Administrative Agent in its Permitted Discretion otherwise determines is unacceptable for any reason whatsoever.

In the event that Inventory of a Borrower which was previously Eligible Inventory ceases to be Eligible Inventory hereunder, such Borrower or the Borrower Representative shall notify the Administrative Agent thereof on and at the time of submission to the Administrative Agent of the next Borrowing Base Certificate.

"Environmental Laws" means all laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions, notices or binding agreements issued, promulgated or entered into by any Governmental Authority, relating in any way to (a) the environment, (b) preservation or reclamation of natural resources, (c) the management, Release or threatened Release of any Hazardous Material or (d) health and safety matters.

"Environmental Liability" means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of any Borrower or Subsidiary directly or indirectly resulting from or based upon (a) any violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) any exposure to any Hazardous Materials, (d) the Release or threatened Release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"Equipment" has the meaning assigned to such term in the Security Agreement.

"Equity Interests" means shares of capital stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust or other equity ownership interests in a Person, and any warrants, options or other rights entitling the holder thereof to purchase or acquire any of the foregoing, but excluding any debt securities convertible into any of the foregoing.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations promulgated thereunder.

"ERISA Affiliate" means any trade or business (whether or not incorporated) that, together with a Borrower, is treated as a single employer under Section 414(b) or (c) of the Code or Section 4001(14) of ERISA or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

"ERISA Event" means (a) any "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder, with respect to a Plan (other than an event for which the 30-day notice period is waived); (b) the failure to satisfy the "minimum funding standard" (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (c) the filing pursuant to Section 412(c) of the Code or Section 302(c) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (d) the incurrence by any Borrower or any ERISA Affiliate of any liability under Title IV of ERISA with respect to the termination of any Plan; (e) the receipt by any Borrower or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to an intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (f) the incurrence by any Borrower or any ERISA Affiliate of any liability with respect to the withdrawal or partial withdrawal of any Borrower or any ERISA Affiliate

from any Plan or Multiemployer Plan; or (g) the receipt by any Borrower or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Plan from any Borrower or any ERISA Affiliate of any notice, concerning the imposition upon any Borrower or any ERISA Affiliate of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent, in critical status or in reorganization, within the meaning of Title IV of ERISA.

"EU Bail-In Legislation Schedule" means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor Person), as in effect from time to time.

"Euro" means the single currency of the Participating Member States.

"Eurodollar", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, bears interest at a rate determined by reference to the Adjusted LIBO Rate.

"Event of Default" has the meaning assigned to such term in Article VII.

"Excess Availability" means, at any time, an amount equal to (a) Availability ***minus*** (b) the aggregate amount of all outstanding trade payables of Borrowers which have been unpaid for more than 30 days after the due date therefor (other than trade payables being contested or disputed by any Borrower in good faith), all as determined by the Administrative Agent in its Permitted Discretion.

"Excluded Swap Obligation" means, with respect to any Loan Guarantor, any Swap Obligation if, and to the extent that, all or a portion of the Guarantee of such Loan Guarantor of, or the grant by such Loan Guarantor of a security interest to secure, such Swap Obligation (or any Guarantee thereof) is or becomes illegal under the Commodity Exchange Act or any rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof) by virtue of such Loan Guarantor's failure for any reason to constitute an ECP at the time the Guarantee of such Loan Guarantor or the grant of such security interest becomes or would become effective with respect to such Swap Obligation. If a Swap Obligation arises under a master agreement governing more than one swap, such exclusion shall apply only to the portion of such Swap Obligation that is attributable to swaps for which such Guarantee or security interest is or becomes illegal.

"Excluded Taxes" means any of the following Taxes imposed on or with respect to a Recipient or required to be withheld or deducted from a payment to a Recipient: (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of such Recipient being organized under the laws of, or having its principal office or, in the case of any Lender, its applicable lending office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes; (b) in the case of a Lender, U.S. Federal withholding Taxes imposed on amounts payable to or for the account of such Lender with respect to an applicable interest in a Loan, Letter of Credit or Commitment pursuant to a law in effect on the date on which (i) such Lender acquires such interest in the Loan, Letter of Credit or Commitment (other than pursuant to an assignment request by the Borrowers under Section 2.19(b)) or (ii) such Lender changes its lending office, except in each case to the extent that, pursuant to Section 2.17, amounts with respect to such Taxes were payable either to such Lender's assignor immediately before such Lender acquired the applicable interest in a Loan, Letter of Credit or Commitment or to such Lender immediately before it changed its lending office; (c) Taxes attributable to such Recipient's failure to comply with Section 2.17(f); and (d) any withholding Taxes imposed under FATCA.

"Extenuating Circumstance" means any period during which the Administrative Agent has determined in its sole discretion (a) that due to unforeseen and/or nonrecurring circumstances, it is impractical and/or not feasible to submit or receive a Borrowing Request or Interest Election Request by

email or fax or through Electronic System, and (b) to accept a Borrowing Request or Interest Election Request telephonically.

"FATCA" means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof and any agreement entered into pursuant to Section 1471(b)(1) of the Code and any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement, treaty or convention among Governmental Authorities and implementing such Sections of the Code.

"Federal Funds Effective Rate" means, for any day, the rate calculated by the NYFRB based on such day's federal funds transactions by depositary institutions, as determined in such manner as the NYFRB shall be set forth on the Federal Reserve Bank of New York's Website from time to time, and published on the next succeeding Business Day by the NYFRB as the effective federal funds rate, provided that, if the Federal Funds Effective Rate as so determined would be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement.

"Federal Reserve Bank of New York's Website" means the website of the NYFRB at http://www.newyorkfed.org, or any successor source.

"Federal Reserve Board" means the Board of Governors of the Federal Reserve System of the United States of America.

"Financial Officer" means the chief financial officer, principal accounting officer, treasurer or controller of a Borrower.

"Fixed Charge Coverage Ratio" means, at any date, the ratio of (a) EBITDA *minus* Unfinanced Capital Expenditures to (b) Fixed Charges, all calculated (i) for the period of twelve consecutive calendar months ended on such date (or, if such date is not the last day of a calendar month, ended on the last day of the calendar month most recently ended prior to such date), and (ii) for the Company and its Subsidiaries on a consolidated basis in accordance with GAAP.

"Fixed Charges" means, for any period, without duplication, cash Interest Expense, *plus* scheduled principal payments on Indebtedness, *plus* expenses for taxes paid in cash, *plus* Restricted Payments paid in cash (but excluding any dividends to the extent paid by any Subsidiary to the Company or any other wholly owned subsidiary of the Company (other than dividends paid by any Loan Party to a non-Loan Party)), *plus* Capital Lease Obligation payments, all calculated for the Company and its Subsidiaries on a consolidated basis in accordance with GAAP; *provided, however,* that the Specified Distribution shall not constitute a Fixed Charge hereunder solely for purposes of calculation of the Applicable Rate hereunder.

"Fixtures" has the meaning assigned to such term in the Security Agreement.

"Flood Laws" has the meaning assigned to such term in Section 8.10.

"Foreign Lender" means (a) if a Borrower is a U.S. Person, a Lender, with respect to such Borrower, that is not a U.S. Person, and (b) if a Borrower is not a U.S. Person, a Lender, with respect to such Borrower, that is resident or organized under the laws of a jurisdiction other than that in which such Borrower is resident for tax purposes.

"Foreign Subsidiary" means any Subsidiary which is not a Domestic Subsidiary.

"Funding Account" has the meaning assigned to such term in Section 4.01(h).

"GAAP" means generally accepted accounting principles in the U.S.

"Governmental Authority" means the government of the U.S., any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"Guarantee" of or by any Person (the "guarantor") means any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation of any other Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation or (d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness or obligation; provided, that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business.

"Guaranteed Obligations" has the meaning assigned to such term in Section 10.01.

"Hazardous Materials" means: (a) any substance, material, or waste that is included within the definitions of "hazardous substances," "hazardous materials," "hazardous waste," "toxic substances," "toxic materials," "toxic waste," or words of similar import in any Environmental Law; (b) those substances listed as hazardous substances by the United States Department of Transportation (or any successor agency) (49 C.F.R. 172.101 and amendments thereto) or by the Environmental Protection Agency (or any successor agency) (40 C.F.R. Part 302 and amendments thereto); and (c) any substance, material, or waste that is petroleum, petroleum-related, or a petroleum by-product, asbestos or asbestos-containing material, polychlorinated biphenyls, flammable, explosive, radioactive, freon gas, radon, or a pesticide, herbicide, or any other agricultural chemical.

"Holdings" means Cricut Holdings, LLC, a Delaware limited liability company.

"IBA" has the meaning assigned to such term in Section 1.05.

"Immaterial Subsidiary" means pcCrafter, Inc., a Utah corporation.

"Impacted Interest Period" has the meaning assigned to such term in the definition of "LIBO Rate".

"Indebtedness" of any Person means, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) [reserved], (d) all obligations of such Person under conditional sale or other title retention agreements relating to property acquired by such Person, (e) all obligations of such Person in respect of the deferred purchase price of property or services (excluding current accounts payable incurred in the ordinary course of business), (f) all Indebtedness of others secured by any Lien on property owned or acquired by such Person, whether or not the Indebtedness secured thereby has been assumed (which for all purposes of this Agreement shall be valued at the lesser of (x) the principal amount of the obligations secured and (y) the fair market value of the encumbered property), (g) all Guarantees by such Person of Indebtedness of

others, (h) all Capital Lease Obligations of such Person, (i) all obligations, contingent or otherwise, of such Person as an account party in respect of letters of credit and letters of guaranty, (j) all obligations, contingent or otherwise, of such Person in respect of bankers' acceptances, (k) obligations under any earn-out (which for all purposes of this Agreement shall be valued at the maximum potential amount payable with respect to such earn-out), (l) any other Off-Balance Sheet Liability, and (m) obligations, whether absolute or contingent and howsoever and whensoever created, arising, evidenced or acquired (including all renewals, extensions and modifications thereof and substitutions therefor), under (i) any and all Swap Agreements, and (ii) any and all cancellations, buy backs, reversals, terminations or assignments of any Swap Agreement transaction (which for all purposes of this Agreement shall be valued at their Swap Termination Value). The Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness provide that such Person is not liable therefor.

"Indemnified Taxes" means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by, or on account of any obligation of any Loan Party under any Loan Document and (b) to the extent not otherwise described in the foregoing clause (a) hereof, Other Taxes.

"Indemnitee" has the meaning assigned to such term in Section 9.03(b).

"Ineligible Institution" has the meaning assigned to such term in Section 9.04(b).

"Information" has the meaning assigned to such term in Section 9.12.

"Intercompany Subordination Agreement" means that certain Intercompany Subordination Agreement dated as of the date hereof, entered into among the Loan Parties and Subsidiaries listed on the signature pages thereof or that execute joinders thereto after the Effective Date, in favor of the Administrative Agent.

"Interest Election Request" means a request by the Borrower Representative to convert or continue a Borrowing in accordance with Section 2.08.

"Interest Expense" means, for any period, total interest expense (including that attributable to Capital Lease Obligations) of the Company and its Subsidiaries for such period with respect to all outstanding Indebtedness of the Company and its Subsidiaries (including all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptances and net costs under Swap Agreements in respect of interest rates to the extent such net costs are allocable to such period in accordance with GAAP), calculated on a consolidated basis for the Company and its Subsidiaries for such period in accordance with GAAP.

"Interest Payment Date" means (a) with respect to any ABR Loan (other than a Swingline Loan), the first Business Day of each calendar month and the Maturity Date, and (b) with respect to any Eurodollar Loan, the last day of each Interest Period applicable to the Borrowing of which such Loan is a part (and, in the case of a Eurodollar Borrowing with an Interest Period of more than three months' duration, each day prior to the last day of such Interest Period that occurs at intervals of three months' duration after the first day of such Interest Period) and the Maturity Date.

"Interest Period" means, with respect to any Eurodollar Borrowing, the period commencing on the date of such Eurodollar Borrowing and ending on the numerically corresponding day in the calendar month that is one, two, three or six months thereafter, as the Borrower Representative may elect; provided, that (a) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended

to the next succeeding Business Day unless, such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day and (b) any Interest Period that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

"Interpolated Rate" means, at any time, for any Interest Period, the rate per annum (rounded to the same number of decimal places as the LIBO Screen Rate) determined by the Administrative Agent (which determination shall be conclusive and binding absent manifest error) to be equal to the rate that results from interpolating on a linear basis between: (a) the LIBO Screen Rate for the longest period (for which the LIBO Screen Rate is available) that is shorter than the Impacted Interest Period and (b) the LIBO Screen Rate for the shortest period (for which the LIBO Screen Rate is available) that exceeds the Impacted Interest Period, in each case, at such time; provided, that if any Interpolated Rate shall be less than 0.50%, such rate shall be deemed to be 0.50% for purposes of this Agreement.

"Inventory" has the meaning assigned to such term in the Security Agreement.

"Investment Condition" shall be deemed to be satisfied in connection with an investment, loan, advance or Guarantee if:

(a) the Borrowers shall have (i) Excess Availability calculated on a pro forma basis immediately after giving effect to such investment, loan, advance or Guarantee of not less than 15% of the Aggregate Revolving Commitment, or (ii) a Fixed Charge Coverage Ratio for the trailing twelve months (to be tested (x) if clause (b)(i) below is applicable, as of the last day of the fiscal month immediately preceding the making of such investment, loan, advance or Guarantee, and (y) if clause (b)(ii) below is applicable, as of the last day of the fiscal month most recently ended for which financial statements have been delivered pursuant to Section 5.01(c)) in each, case, calculated on a pro forma basis after giving effect to such investment, loan, advance or Guarantee of not less than 1.10 to 1.00; and

(b) (i) with respect to any investments, loans, advances and Guarantees in an aggregate amount of less than $1,250,000 in any calendar month (or $1,500,000 in any calendar month commencing after the first anniversary of the Effective Date), the Borrower Representative shall notify Administrative Agent of such investments, loans, advances and Guarantees in the Compliance Certificate delivered at the end of such month pursuant to Section 5.01(d), attaching calculations with respect to the items described in (a) above), and (ii) with respect to any investments, Loans, advances and Guarantees in an aggregate amount in excess of $1,250,000 in any calendar month (or $1,500,000 in any calendar month commencing after the first anniversary of the Effective Date), the Borrower Representative shall have delivered to the Administrative Agent a certificate in form and substance reasonably satisfactory to the Administrative Agent certifying and attaching calculations with respect to the items described in (a) above.

"IRS" means the United States Internal Revenue Service.

"Issuing Bank" means, individually and collectively, each of JPMCB, in its capacity as the issuer of Letters of Credit hereunder, and any other Revolving Lender from time to time designated by the Borrower Representative as an Issuing Bank, with the consent of such Revolving Lender and the Administrative Agent, and their respective successors in such capacity as provided in Section 2.06(i). Any

Issuing Bank may, in its discretion, arrange for one or more Letters of Credit to be issued by its Affiliates, in which case the term "Issuing Bank" shall include any such Affiliate with respect to Letters of Credit issued by such Affiliate (it being agreed that such Issuing Bank shall, or shall cause such Affiliate to, comply with the requirements of Section 2.06 with respect to such Letters of Credit). At any time there is more than one Issuing Bank, all singular references to the Issuing Bank shall mean any Issuing Bank, either Issuing Bank, each Issuing Bank, the Issuing Bank that has issued the applicable Letter of Credit, or both (or all) Issuing Banks, as the context may require.

"Issuing Bank Sublimit" means, as of the Effective Date, (a) $20,000,000 (or up to $35,000,000 in JPMCB's Permitted Discretion upon the Borrower Representative's request), in the case of JPMCB, and (b) such amount as shall be designated to the Administrative Agent and the Borrower Representative in writing by an Issuing Bank; provided that any Issuing Bank (other than JPMCB) shall be permitted at any time to increase or reduce its Issuing Bank Sublimit upon providing five (5) days' prior written notice thereof to the Administrative Agent and the Borrower Representative; provided, further, that no reduction shall affect an outstanding Letter of Credit issued by such Issuing Bank.

"Joinder Agreement" means a Joinder Agreement in substantially the form of Exhibit D.

"JPMCB" means JPMorgan Chase Bank, N.A., a national banking association, in its individual capacity, and its successors.

"LC Collateral Account" has the meaning assigned to such term in Section 2.06(j).

"LC Disbursement" means any payment made by an Issuing Bank pursuant to a Letter of Credit.

"LC Exposure" means, at any time, the sum of the Commercial LC Exposure and the Standby LC Exposure at such time. The LC Exposure of any Revolving Lender at any time shall be its Applicable Percentage of the aggregate LC Exposure at such time.

"Lease Financing" means (a) a lease of specific Equipment as defined in Article 2-A of the UCC, and (b) a secured financing transaction secured by specific Equipment, whether that transaction is called a lease or a loan, entered into by any Loan Party or its Subsidiaries with any Lender or any of its Affiliates (in this context, the "Lessor").

"Lease Deficiency Obligation" means after default, repossession and disposition of the Equipment which is the subject of or which secures a Lease Financing, the amount, if any, by which (a) any and all obligations of the Loan Parties or their Subsidiaries to a Lessor, arising, evidenced or acquired (including all renewals, extensions and modifications thereof and substitutions therefor) in connection with a specific Lease Financing, exceeds (b) the Net Proceeds realized by the Lessor upon the disposition of the Equipment which is the subject of or which secures the specific Lease Financing.

"Lenders" means the Persons listed on the Commitment Schedule and any other Person that shall have become a Lender hereunder pursuant to Section 2.09 or an Assignment and Assumption or otherwise, other than any such Person that ceases to be a Lender hereunder pursuant to an Assignment and Assumption or otherwise. Unless the context otherwise requires, the term "Lenders" includes the Swingline Lender and the Issuing Bank.

"Letters of Credit" means the letters of credit issued pursuant to this Agreement, and the term "Letter of Credit" means any one of them or each of them singularly, as the context may require.

"Letter of Credit Agreement" has the meaning assigned to it in Section 2.06(b).

"LIBO Rate" means, with respect to any Eurodollar Borrowing for any applicable Interest Period or for any ABR Borrowing, LIBO Screen Rate at approximately 11:00 a.m., London time, two (2) Business Days prior to the commencement of such Interest Period; provided that, if the LIBO Screen Rate shall not be available at such time for such Interest Period (an "Impacted Interest Period"), then the LIBO Rate shall be the Interpolated Rate, subject to Section 2.14 in the event that the Administrative Agent shall conclude that it shall not be possible to determine such Interpolated Rate (which conclusion shall be conclusive and binding absent manifest error). Notwithstanding the above, to the extent that "LIBO Rate" or "Adjusted LIBO Rate" is used in connection with an ABR Borrowing, such rate shall be determined as modified by the definition of Alternate Base Rate.

"LIBO Screen Rate" means, for any day and time, with respect to any Eurodollar Borrowing for any Interest Period or for any ABR Borrowing, the London interbank offered rate as administered by ICE Benchmark Administration (or any other Person that takes over the administration of such rate for Dollars) for a period equal in length to such Interest Period as displayed on such day and time on pages LIBOR01 or LIBOR02 of the Reuters screen that displays such rate (or, in the event such rate does not appear on a Reuters page or screen, on any successor or substitute page on such screen that displays such rate, or on the appropriate page of such other information service that publishes such rate from time to time as selected by the Administrative Agent in its reasonable discretion); provided that if the LIBO Screen Rate as so determined would be less than 0.50%, such rate shall be deemed to be 0.50% for the purposes of this Agreement.

"Lien" means, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

"Loan Borrowing Option" has the meaning assigned to such term in the DDA Access Product Agreement.

"Loan Documents" means, collectively, this Agreement, any promissory notes issued pursuant to this Agreement, any Letter of Credit Agreement, each Credit Card Acknowledgment, the Collateral Documents, each Compliance Certificate, the Loan Guaranty, the Intercompany Subordination Agreement and all other agreements, instruments, documents and certificates executed by any Loan Party and delivered to, or in favor of, the Administrative Agent or any Lender and including all other pledges, powers of attorney, consents, assignments, contracts, notices, letter of credit agreements, letter of credit applications and any agreements between the Borrower Representative and the Issuing Bank regarding the Issuing Bank's Issuing Bank Sublimit or the respective rights and obligations between the applicable Borrower and the Issuing Bank in connection with the issuance by the Issuing Bank of Letters of Credit, and all other written matter whether heretofore, now or hereafter executed by or on behalf of any Loan Party, and delivered to the Administrative Agent or any Lender in connection with this Agreement or the transactions contemplated hereby. Any reference in this Agreement or any other Loan Document to a Loan Document shall include all appendices, exhibits or schedules thereto, and all amendments, restatements, supplements or other modifications thereto, and shall refer to this Agreement or such Loan Document as the same may be in effect at any and all times such reference becomes operative.

"Loan Guarantor" means each Loan Party.

"Loan Guaranty" means Article X of this Agreement.

"Loan Parties" means, collectively, Holdings, the Borrowers, the Borrowers' Domestic Subsidiaries and any other Person who becomes a party to this Agreement pursuant to a Joinder Agreement and their respective successors and assigns, and the term "Loan Party" shall mean any one of them or all of them individually, as the context may require.

"Loans" means the loans and advances made by the Lenders pursuant to this Agreement, including Swingline Loans, Overadvances and Protective Advances.

"Major Card Processor" means Visa, MasterCard, Discover and American Express and such other issuers approved by the Administrative Agent.

"Margin Stock" means margin stock within the meaning of Regulations T, U and X, as applicable.

"Material Adverse Effect" means a material adverse effect on (a) the business, assets, operations or condition, financial or otherwise, of the Loan Parties and their Subsidiaries taken as a whole, (b) the ability of any Loan Party to perform any of its Obligations, (c) the Collateral, or the Administrative Agent's Liens (on behalf of itself and other Secured Parties) on the Collateral or the priority of such Liens, or (d) the rights of or benefits available to the Administrative Agent, the Issuing Bank or the Lenders under any of the Loan Documents.

"Material Indebtedness" means Indebtedness (other than the Loans and Letters of Credit), or obligations in respect of one or more Swap Agreements, of any one or more of the Loan Parties and their respective Subsidiaries in an aggregate principal amount exceeding $5,000,000. For purposes of determining Material Indebtedness, the "principal amount" of the obligations of the Loan Parties or any Subsidiary in respect of any Swap Agreement at any time shall be the maximum aggregate amount (giving effect to any netting agreements) that such Loan Party or such Subsidiary would be required to pay if such Swap Agreement were terminated at such time.

"Maturity Date" means September 4, 2023 or any earlier date on which the Commitments are reduced to zero or otherwise terminated pursuant to the terms hereof.

"Maximum Rate" has the meaning assigned to such term in Section 9.17.

"Moody's" means Moody's Investors Service, Inc.

"Multiemployer Plan" means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Net Income" means, for any period, the consolidated net income (or loss) of the Company and its Subsidiaries, determined on a consolidated basis in accordance with GAAP; provided that there shall be excluded (a) the income (or deficit) of any Person accrued prior to the date it becomes a Subsidiary or is merged into or consolidated with the Company or any of its Subsidiaries, (b) the income (or deficit) of any Person (other than a Subsidiary) in which the Company or any of its Subsidiaries has an ownership interest, except to the extent that any such income is actually received by the Company or such Subsidiary in the form of dividends or similar distributions and (c) the undistributed earnings of any Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Subsidiary is not at the time permitted by the terms of any contractual obligation (other than under any Loan Document) or Requirement of Law applicable to such Subsidiary.

"Net Orderly Liquidation Value" means, with respect to Inventory of any Person, the orderly liquidation value thereof as determined in a manner acceptable to the Administrative Agent by an appraiser acceptable to the Administrative Agent, net of all costs of liquidation thereof.

"Net Proceeds" means, with respect to any event, (a) the cash proceeds received in respect of such event including (i) any cash received in respect of any non-cash proceeds (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or purchase price adjustment receivable or otherwise, but excluding any interest payments), but only as and when received, (ii) in the case of a casualty, insurance proceeds and (iii) in the case of a condemnation or similar event, condemnation awards and similar payments, minus (b) the sum of (i) all reasonable fees and out-of-pocket expenses paid to third parties (other than Affiliates) in connection with such event, (ii) in the case of a Disposition of an asset (including pursuant to a sale and leaseback transaction or a casualty or a condemnation or similar proceeding), the amount of all payments required to be made as a result of such event to repay Indebtedness (other than Loans) secured by such asset or otherwise subject to mandatory prepayment as a result of such event and (iii) the amount of all taxes paid (or reasonably estimated to be payable) and the amount of any reserves established to fund contingent liabilities reasonably estimated to be payable, in each case during the year that such event occurred or the next succeeding year and that are directly attributable to such event (as determined reasonably and in good faith by a Financial Officer of the Borrower Representative).

"New Zealand Dollars" means the lawful currency of New Zealand.

"Non-Consenting Lender" has the meaning assigned to such term in Section 9.02(d).

"NYFRB" means the Federal Reserve Bank of New York.

"NYFRB Rate" means, for any day, the greater of (a) the Federal Funds Effective Rate in effect on such day and (b) the Overnight Bank Funding Rate in effect on such day(or for any day that is not a Business Day, for the immediately preceding Business Day); provided that if none of such rates are published for any day that is a Business Day, the term "NYFRB Rate" means the rate for a federal funds transaction quoted at 11:00 a.m. on such day received by the Administrative Agent from a federal funds broker of recognized standing selected by it; provided, further, that if any of the aforesaid rates as so determined would be less than zero, such rate shall be deemed to be zero for purposes of this Agreement.

"Obligated Party" has the meaning assigned to such term in Section 10.02.

"Obligations" means all unpaid principal of and accrued and unpaid interest on the Loans, all LC Exposure, all accrued and unpaid fees and all expenses, reimbursements, indemnities, liabilities and other obligations and indebtedness (including interest and fees accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding) of any of the Loan Parties to any of the Lenders, the Administrative Agent, the Issuing Bank or any indemnified party, individually or collectively, existing on the Effective Date or arising thereafter, direct or indirect, joint or several, absolute or contingent, matured or unmatured, liquidated or unliquidated, secured or unsecured, arising by contract, operation of law or otherwise, arising or incurred under this Agreement or any of the other Loan Documents or in respect of any of the Loans made or reimbursement or other obligations incurred or any of the Letters of Credit or other instruments at any time evidencing any thereof.

"OFAC" means the Office of Foreign Assets Control of the United States Department of the Treasury.

"Off-Balance Sheet Liability" of a Person means (a) any repurchase obligation or liability of such Person with respect to accounts or notes receivable sold by such Person, (b) any indebtedness, liability or obligation under any so-called "synthetic lease" transaction entered into by such Person, or (c) any indebtedness, liability or obligation arising with respect to any other transaction which is the functional equivalent of or takes the place of borrowing but which does not constitute a liability on the balance sheet of such Person (other than operating leases).

"Other Connection Taxes" means, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Taxes (other than a connection arising from such Recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to, or enforced, any Loan Document, or sold or assigned an interest in any Loan, Letter of Credit or any Loan Document).

"Other Taxes" means all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment (other than an assignment made pursuant to Section 2.19).

"Overadvance" has the meaning assigned to such term in Section 2.05(b).

"Overnight Bank Funding Rate" means, for any day, the rate comprised of both overnight federal funds and overnight Eurodollar borrowings by U.S.-managed banking offices of depository institutions (as such composite rate shall be determined by the NYFRB as set forth on the Federal Reserve Bank of New York's Website from time to time) and published on the next succeeding Business Day by the NYFRB as an overnight bank funding rate.

"Paid in Full" or "Payment in Full" means, (a) the payment in full in cash of all outstanding Loans and LC Disbursements, together with accrued and unpaid interest thereon, (b) the termination, expiration, or cancellation and return of all outstanding Letters of Credit (or alternatively, with respect to each such Letter of Credit, the furnishing to the Administrative Agent of a cash deposit, or at the discretion of the Administrative Agent a backup standby letter of credit satisfactory to the Administrative Agent and the Issuing Bank, in an amount equal to 103% of the LC Exposure as of the date of such payment), (c) the payment in full in cash of the accrued and unpaid fees, (d) the payment in full in cash of all reimbursable expenses and other Secured Obligations (other than Unliquidated Obligations for which no claim has been made and other obligations expressly stated to survive such payment and termination of this Agreement), together with accrued and unpaid interest thereon, (e) the termination of all Commitments, and (f) the termination of the Swap Agreement Obligations and the Banking Services Obligations or entering into other arrangements satisfactory to the Secured Parties counterparties thereto.

"Parent" means, with respect to any Lender, any Person as to which such Lender is, directly or indirectly, a subsidiary.

"Participant" has the meaning assigned to such term in Section 9.04(c).

"Participant Register" has the meaning assigned to such term in Section 9.04(c).

"Participating Member States" means, at any time, any member state of the European Union which has the Euro as its lawful currency in accordance with legislation of the European Union relating to Economic and Monetary Union.

"Payment Condition" shall be deemed to be satisfied in connection with the making of a Restricted Payment, investment or payment of Indebtedness if:

(a) no Default has occurred and is continuing or would result immediately after giving effect to such Restricted Payment;

(b) the Borrowers shall have (i)(A) Excess Availability calculated on a pro forma basis immediately after giving effect to such Restricted Payment, investment or payment of Indebtedness of not less than 15% of the Aggregate Revolving Commitment, and (B) a Fixed Charge Coverage Ratio for the trailing twelve months (as of the last day of the fiscal month most recently ended for which financial statements have been delivered pursuant to Section 5.01(c)) calculated on a pro forma basis after giving effect to such Restricted Payment investment or payment of Indebtedness of not less than 1.10 to 1.00 or (ii) Excess Availability calculated on a pro forma basis immediately after giving effect to such Restricted Payment investment or payment of Indebtedness of not less than the greater of (A) $30,000,000, and (B) 20% of the Aggregate Revolving Commitment; and

(c) the Borrower Representative shall have delivered to the Administrative Agent a certificate in form and substance reasonably satisfactory to the Administrative Agent certifying as to the items described in (a) and (b) above and attaching calculations for item (b).

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

"Permitted Acquisition" means any Acquisition by any Loan Party in a transaction that satisfies each of the following requirements:

(a) such Acquisition is not a hostile or contested acquisition;

(b) the business acquired in connection with such Acquisition is (i) located in the U.S., (ii) organized under applicable U.S. and state laws, and (iii) not engaged, directly or indirectly, in any line of business other than the businesses in which the Loan Parties are engaged on the Effective Date and any business activities that are substantially similar, related, or incidental thereto;

(c) both before and after giving effect to such Acquisition and the Loans (if any) requested to be made in connection therewith, each of the representations and warranties in the Loan Documents is true and correct in all material respects (except any such representation or warranty which relates to a specified prior date, and any such representation or warranty which is subject to any materiality qualifier, which shall be required to be true and correct in all respects) and no Default exists, will exist, or would result therefrom;

(d) as soon as available, but not less than thirty (30) days prior to such Acquisition, the Borrower Representative has provided the Administrative Agent (i) notice of such Acquisition and (ii) a copy of all business and financial information reasonably requested by the Administrative Agent including pro forma financial statements, statements of cash flow, and Availability projections;

(e) if the Accounts, Credit Card Accounts Receivable and Inventory acquired in connection with such Acquisition are proposed to be included in the determination of the Borrowing Base, the Administrative Agent shall have conducted an audit and field examination of such Accounts, Credit Card Accounts Receivable and Inventory, the results of which shall be satisfactory to the Administrative Agent;

(f) the total consideration (including the maximum potential total amount of all deferred payment obligations (including earn-outs) and Indebtedness assumed or incurred) (i) in connection with any single Acquisition shall not exceed $25,000,000, and (ii) for all Acquisitions made during the term of this Agreement shall not exceed $75,000,000;

(g) if such Acquisition is an acquisition of the Equity Interests of a Person, such Acquisition is structured so that the acquired Person shall become a wholly owned Subsidiary of a Loan Party pursuant to the terms of this Agreement;

(h) if such Acquisition is an acquisition of assets, such Acquisition is structured so that a Loan Party shall acquire such assets;

(i) if such Acquisition is an acquisition of Equity Interests, such Acquisition will not result in any violation of Regulation U;

(j) if such Acquisition involves a merger or a consolidation involving a Borrower or any other Loan Party, such Borrower or such Loan Party, as applicable, shall be the surviving entity;

(k) no Loan Party shall, as a result of or in connection with any such Acquisition, assume or incur any direct or contingent liabilities (whether relating to environmental, tax, litigation, or other matters) that could have a Material Adverse Effect;

(l) in connection with an Acquisition of the Equity Interests of any Person, all Liens on property of such Person shall be terminated unless the Administrative Agent and the Lenders in their sole discretion consent otherwise, and in connection with an Acquisition of the assets of any Person, all Liens on such assets shall be terminated (except for, in each case, Liens permitted under Section 6.02);

(m) the Borrowers shall have, and the Borrower Representative shall certify to the Administrative Agent and the Lenders (and provide the Administrative Agent and the Lenders with a pro forma calculation in form and substance reasonably satisfactory to the Administrative Agent and the Lenders) that the Borrowers have, (i)(A) Excess Availability calculated on a pro forma basis immediately after giving effect to the consummation of such Acquisition of not less than the greater of (1) $18,750,000 and (2) 12.5% of the Aggregate Revolving Commitment, which includes all consideration given in connection with such Acquisition, other than Equity Interests of the applicable Borrower delivered to the seller(s) in such Acquisition and (B) a Fixed Charge Coverage Ratio for the trailing twelve months (as of the last day of the fiscal month most recently ended for which financial statements have been delivered pursuant to Section 5.01(c)) calculated on a pro forma basis after giving effect to the consummation of such Acquisition of not less than 1.05 to 1.00 or (ii) Excess Availability calculated on a pro forma basis immediately after giving effect to the consummation of such Acquisition of not less than the greater of (A) $26,250,000 and (B) 17.5% of the Aggregate Revolving Commitment, which includes all consideration given in connection with such Acquisition, other than Equity Interests of the applicable Borrower delivered to the seller(s) in such Acquisition;

(n) all actions required to be taken with respect to any newly acquired or formed wholly owned Subsidiary of a Borrower or a Loan Party, as applicable, required under Section 5.14 shall have been taken; and

(o) the Borrower Representative shall have delivered to the Administrative Agent (i) the substantially final form material documentation relating to such Acquisition within 5 days prior to the consummation thereof, and (ii) the final executed material documentation relating to such Acquisition within 3 Business Days following the consummation thereof.

"Permitted Discretion" means a determination made in good faith and in the exercise of reasonable (from the perspective of a secured asset-based lender) business judgment.

"Permitted Encumbrances" means:

(a) Liens imposed by law for Taxes that are not yet due or are being contested in compliance with Section 5.04;

(b) carriers', landlords', warehousemen's, mechanics', materialmen's, repairmen's, customs and revenue authorities, and other like Liens imposed by law, arising in the ordinary course of business and securing obligations that are not overdue by more than thirty (30) days or are being contested in compliance with Section 5.04;

(c) pledges and deposits made in the ordinary course of business in compliance with workers' compensation, unemployment insurance and other social security laws or regulations;

(d) deposits to secure the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, in each case in the ordinary course of business;

(e) judgment Liens in respect of judgments that do not constitute an Event of Default under clause (k) of Article VII; and

(f) easements, zoning restrictions, rights-of-way and similar encumbrances on real property imposed by law or arising in the ordinary course of business that do not secure any monetary obligations and do not materially detract from the value of the affected property or interfere with the ordinary conduct of business of any Borrower or any Subsidiary;

provided that the term "Permitted Encumbrances" shall not include any Lien securing Indebtedness, except with respect to clause (e) above.

"Permitted Holders" means (a) Perot Holdings, LLC and Petrus P.C. LLC, and any of their respective Affiliates (subject to satisfactory "know your customer" diligence, as applicable), and (b) Ashish Arora and any trust controlled by Ashish Arora.

"Permitted Investments" means:

(a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the U.S. (or by any agency thereof to the extent such obligations are backed by the full faith and credit of the U.S.), in each case maturing within one year from the date of acquisition thereof;

(b) investments in commercial paper maturing within 270 days from the date of acquisition thereof and having, at such date of acquisition, the highest credit rating obtainable from S&P or from Moody's;

(c) investments in certificates of deposit, bankers' acceptances and time deposits maturing within 180 days from the date of acquisition thereof issued or guaranteed by or placed with, and money market deposit accounts issued or offered by, any domestic office of any commercial bank organized under the laws of the U.S. or any State thereof which has a combined capital and surplus and undivided profits of not less than $500,000,000;

(d) fully collateralized repurchase agreements with a term of not more than 30 days for securities described in clause (a) above and entered into with a financial institution satisfying the criteria described in clause (c) above; and

(e) money market funds that (i) comply with the criteria set forth in Securities and Exchange Commission Rule 2a-7 under the Investment Company Act of 1940, (ii) are rated AAA by S&P and Aaa by Moody's and (iii) have portfolio assets of at least $5,000,000,000.

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"Pound Sterling" means the lawful currency of the United Kingdom of Great Britain and Northern Ireland.

"Plan" means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which any Borrower or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Plan Asset Regulations" means 29 CFR § 2510.3-101 et seq., as modified by Section 3(42) of ERISA, as amended from time to time.

"Prepayment Event" means:

(a) any Disposition (including pursuant to a sale and leaseback transaction) of any property or asset of any Loan Party or any Subsidiary, other than Dispositions described in Section 6.05(a), (b) (solely to the extent such Dispositions are not solely among (i) Borrowers, (ii) Loan Parties (other than Borrowers), or (iii) Subsidiaries that are not Loan Parties), (f), (h), (i) or (j); or

(b) any casualty or other insured damage to, or any taking under power of eminent domain or by condemnation or similar proceeding of, any property or asset of any Loan Party or any Subsidiary; or

(c) the issuance by Holdings or the Company of any Equity Interests, or the receipt by Holdings or the Company of any capital contribution, other than (i) any issuance by the Company of common Equity Interests to, or receipt of any such capital contribution from, Holdings, (ii) in connection with a Qualifying IPO Restructuring and (iii) in connection with a Qualifying IPO; or

(d) the incurrence by any Loan Party or any Subsidiary of any Indebtedness, other than Indebtedness permitted under Section 6.01; provided, that the following shall not be Prepayment Events: (i) any Disposition of any property or asset of any Loan Party or any Subsidiary that, together with all related Dispositions, does not, and (ii) any event described in clause (b) of this definition that, together with all related events of the type described in clause (b), does not, in each case, result in the receipt by any Loan Party or Subsidiary of Net Proceeds exceeding $250,000.

"Prime Rate" means the rate of interest last quoted by The Wall Street Journal as the "Prime Rate" in the U.S. or, if The Wall Street Journal ceases to quote such rate, the highest per annum interest rate published by the Federal Reserve Board in Federal Reserve Statistical Release H.15 (519) (Selected Interest Rates) as the "bank prime loan" rate or, if such rate is no longer quoted therein, any similar rate quoted therein (as determined by the Administrative Agent) or any similar release by the Federal Reserve Board (as determined by the Administrative Agent). Each change in the Prime Rate shall be effective from and including the date such change is publicly announced or quoted as being effective.

"Projections" has the meaning assigned to such term in Section 5.01(f).

"Protective Advance" has the meaning assigned to such term in Section 2.04.

"PTE" means a prohibited transaction class exemption issued by the U.S. Department of Labor, as any such exemption may be amended from time to time.

"Public-Sider" means a Lender whose representatives may trade in securities of any Loan Party or its Controlling Person or any of its Subsidiaries while in possession of the financial statements provided by the Company under the terms of this Agreement.

"QFC" has the meaning assigned to the term "qualified financial contract" in, and shall be interpreted in accordance with, 12 U.S.C. 5390(c)(8)(D).

"QFC Credit Support" has the meaning assigned to it in Section 9.21.

"Qualified ECP Guarantor" means, in respect of any Swap Obligation, each Loan Party that has total assets exceeding $10,000,000 at the time the relevant Loan Guaranty or grant of the relevant security interest becomes or would become effective with respect to such Swap Obligation or such other person as constitutes an "eligible contract participant" under the Commodity Exchange Act or any regulations promulgated thereunder and can cause another person to qualify as an "eligible contract participant" at such time by entering into a keepwell under Section 1a(18)(A)(v)(II) of the Commodity Exchange Act.

"Qualifying IPO" means a (a) bona bide underwritten sale to the public of common stock (or similar Equity Interests) of the Company or Holdings (or their respective successors and assigns) pursuant to a registration statement (other than a public offering pursuant to a registration statement on Form S-8) that is declared effective by the SEC, (b) a direct listing of common stock (or similar Equity Interests) of the Company or Holdings (or their respective successors and assigns) on a national securities exchange by means of an effective registration statement, or (c) SPAC Transaction.

"Qualifying IPO Restructuring" means each or any of (a) the issuance by the Company of additional Equity Interests in the Company to Holdings, (b) the distribution by Holdings of all of the Equity Interests in the Company to the members of Holdings (whether in connection with the distribution, liquidating and/or winding-up of Holdings or otherwise), (c) the dissolution, liquidation and/or winding-up of Holdings and/or (d) subject to the written consent of the Administrative Agent (not to be unreasonably withheld, conditioned or delayed), any other corporate or limited liability company actions undertaken by the Company or Holdings to prepare for, facilitate or effectuate a Qualifying IPO.

"Recipient" means, as applicable, (a) the Administrative Agent, (b) any Lender and (c) any Issuing Bank, or any combination thereof (as the context requires).

"Refinance Indebtedness" has the meaning assigned to such term in Section 6.01(f).

"Register" has the meaning assigned to such term in Section 9.04(b).

"Regulation D" means Regulation D of the Federal Reserve Board, as in effect from time to time and all official rulings and interpretations thereunder or thereof.

"Regulation T" means Regulation T of the Federal Reserve Board, as in effect from time to time and all official rulings and interpretations thereunder or thereof.

"Regulation U" means Regulation U of the Federal Reserve Board, as in effect from time to time and all official rulings and interpretations thereunder or thereof.

"Regulation X" means Regulation X of the Federal Reserve Board, as in effect from time to time and all official rulings and interpretations thereunder or thereof.

"Related Parties" means, with respect to any specified Person, such Person's Affiliates and the respective directors, officers, partners, members, trustees, employees, agents, administrators, managers, representatives and advisors of such Person and such Person's Affiliates.

"Release" means any releasing, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, migrating, disposing or dumping of any substance into the environment.

"Relevant Governmental Body" means the Federal Reserve Board and/or the NYFRB, or a committee officially endorsed or convened by the Federal Reserve Board and/or the NYFRB or, in each case, any successor thereto.

"Report" means reports prepared by the Administrative Agent or another Person showing the results of appraisals, field examinations or audits pertaining to the assets of the Loan Parties from information furnished by or on behalf of the Borrowers, after the Administrative Agent has exercised its rights of inspection pursuant to this Agreement, which Reports may be distributed to the Lenders by the Administrative Agent.

"Reporting Trigger Period" means the period (a) commencing on any day that (i) Availability is less than the greater of (A) $15,000,000 and (B) 10% of the Aggregate Revolving Commitment, or (ii) an Event of Default has occurred, and (b) continuing until no Event of Default has existed and Availability has been greater than or equal to the greater of (i) $15,000,000 and (ii) 10% of the Aggregate Revolving Commitment, in each case, at all times for 30 consecutive calendar days.

"Required Lenders" means, subject to Section 2.20, Lenders having Revolving Exposures and Unfunded Commitments representing at least 51% of the sum of the Aggregate Credit Exposure and aggregate Unfunded Commitments at such time; provided that, as long as there are three or more Lenders, Required Lenders shall mean at least two Lenders.

"Requirement of Law" means, with respect to any Person, (a) the charter, articles or certificate of organization or incorporation and bylaws or operating, management or partnership agreement, or other organizational or governing documents of such Person and (b) any statute, law (including common law), treaty, rule, regulation, code, ordinance, order, decree, writ, judgment, injunction or determination of any arbitrator or court or other Governmental Authority (including Environmental Laws), in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"Reserves" means any and all reserves which the Administrative Agent deems necessary, in its Permitted Discretion, to maintain (including, without limitation, an availability reserve, reserves for accrued and unpaid interest on the Secured Obligations, Banking Services Reserves, volatility reserves, reserves for rent at locations leased by any Loan Party and for consignee's, warehousemen's and bailee's charges, reserves for dilution of Accounts, reserves for Inventory shrinkage, reserves for customs charges and shipping charges related to any Inventory in transit, reserves for Swap Agreement Obligations, reserves for contingent liabilities of any Loan Party, reserves for uninsured losses of any Loan Party, reserves for uninsured, underinsured, un-indemnified or under-indemnified liabilities or potential liabilities with respect to any litigation and reserves for taxes, fees, assessments, and other governmental charges) with respect to the Collateral or any Loan Party.

"Responsible Officer" means the president, Financial Officer or other executive officer of a Borrower.

"Restricted Payment" means any dividend or other distribution (whether in cash, securities or other property) with respect to any Equity Interests in the Company or any Subsidiary, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such Equity Interests or any option, warrant or other right to acquire any such Equity Interests.

"REVLIBOR30 Rate" means the London interbank offered rate administered by ICE Benchmark Administration (or any other Person that takes over the administration of such rate for Dollars) for a one (1) month period as displayed on pages LIBOR01 or LIBOR02 of the Reuters screen that displays such rate (or, in the event such rate does not appear on a Reuters page or screen, on any successor or substitute page on such screen that displays such rate, or on the appropriate page of such other information service that publishes such rate from time to time as shall be selected by the Administrative Agent in its reasonable discretion; in each case the "REVLIBOR30 Screen Rate") at approximately 11:00 a.m., London time, two (2) Business Days prior to the first (1st) Business Day of each month, adjusted monthly on the first (1st) Business Day of each month; provided that, (x) if the REVLIBOR30 Screen Rate shall be less than 0.50%, such rate shall be deemed to be 0.50% for purposes of this Agreement and (y) if the REVLIBOR30 Screen Rate shall not be available at such time for such a period, then the REVLIBOR30 Rate shall be equal to the Alternate Base Rate.

"Revolving Commitment" means, with respect to each Lender, the amount set forth on the Commitment Schedule opposite such Lender's name, or in the Assignment and Assumption or other documentation or record (as such term is defined in Section 9-102(a)(70) of the New York Uniform Commercial Code) as provided in Section 9.04(b)(ii)(C) pursuant to which such Lender shall have assumed its Revolving Commitment, as applicable, as such Revolving Commitment may be reduced or increased from time to time pursuant to (a) Section 2.09 and (b) assignments by or to such Lender pursuant to Section 9.04; provided, that at no time shall the Revolving Exposure of any Lender exceed its Revolving Commitment.

"Revolving Exposure" means, with respect to any Lender at any time, the sum of (a) the outstanding principal amount of such Lender's Revolving Loans, its LC Exposure and its Swingline Exposure at such time, *plus* (b) an amount equal to its Applicable Percentage of the aggregate principal amount of Protective Advances outstanding at such time, *plus* (c) an amount equal to its Applicable Percentage of the aggregate principal amount of Overadvances outstanding at such time.

"Revolving Lender" means, as of any date of determination, a Lender with a Revolving Commitment or, if the Revolving Commitments have terminated or expired, a Lender with Revolving Exposure.

"Revolving Loan" means a Loan made pursuant to Section 2.01(a).

"S&P" means Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business.

"Sale and Leaseback Transaction" has the meaning assigned to such term in Section 6.06.

"Sanctioned Country" means, at any time, a country, region or territory which is itself the subject or target of any Sanctions (at the time of this Agreement, Crimea, Cuba, Iran, North Korea and Syria).

"Sanctioned Person" means, at any time, (a) any Person listed in any Sanctions-related list of designated Persons maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury, the U.S. Department of State, the United Nations Security Council, the European Union or any European Union member state, Her Majesty's Treasury of the United Kingdom or other relevant sanctions authority, (b) any Person operating, organized or resident in a Sanctioned Country, (c) any Person owned or controlled by any such Person or Persons described in the foregoing clauses (a) or (b), or (d) any Person otherwise the subject of any Sanctions.

"Sanctions" means all economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by (a) the U.S. government, including those administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State, or (b) the United Nations Security Council, the European Union, any European Union member state, Her Majesty's Treasury of the United Kingdom or other relevant sanctions authority.

"SEC" means the Securities and Exchange Commission of the U.S.

"Secured Obligations" means all Obligations, together with all (a) Banking Services Obligations and (b) Swap Agreement Obligations owing to one or more Lenders or their respective Affiliates; provided, however, that the definition of "Secured Obligations" shall not create any guarantee by any Loan Guarantor of (or grant of security interest by any Loan Guarantor to support, as applicable) any Excluded Swap Obligations of such Loan Guarantor for purposes of determining any obligations of any Loan Guarantor.

"Secured Parties" means (a) the Administrative Agent, (b) the Lenders, (c) each Issuing Bank, (d) each provider of Banking Services, to the extent the Banking Services Obligations in respect thereof constitute Secured Obligations, (e) each counterparty to any Swap Agreement, to the extent the obligations thereunder constitute Secured Obligations, (f) the beneficiaries of each indemnification obligation undertaken by any Loan Party under any Loan Document, and (g) the successors and assigns of each of the foregoing.

"Securities Act" means the Securities Act of 1933, as amended from time to time, and any successor statute.

"Security Agreement" means that certain Pledge and Security Agreement (including any and all supplements thereto), dated as of the date hereof, among the Loan Parties and the Administrative Agent, for the benefit of the Administrative Agent and the other Secured Parties, and any other pledge or security agreement entered into after the date of this Agreement by any other Loan Party (as required by this Agreement or any other Loan Document) or any other Person for the benefit of the Administrative Agent and the other Secured Parties, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"Settlement" has the meaning assigned to such term in Section 2.05(d).

"Settlement Date" has the meaning assigned to such term in Section 2.05(d).

"SOFA Period" means each period of one hundred twenty (120) consecutive days which is elected in writing by the Borrower Representative to the Administrative Agent; provided that, (a) there shall be no more than one SOFA Period commenced in any calendar year, and (b) there must be at least 60 days between end of each SOFA Period and the beginning of the succeeding SOFA Period.

"SOFR" with respect to any day means the secured overnight financing rate published for such day by the NYFRB, as the administrator of the benchmark (or a successor administrator), on the Federal Reserve Bank of New York's Website.

"SOFR-Based Rate" means SOFR, Compounded SOFR or Term SOFR.

"SPAC Transaction" means an acquisition, merger or other business combination or transfer or issuance of Equity Interests or otherwise between Holdings or the Company and a special purpose acquisition company where such acquisition, merger or other business combination or transfer or issuance results in the surviving entity (or its parent entity) being listed on a United States national securities exchange, and any sale or issuance of Equity Interests (including by means of a private placement) by such surviving entity (or its parent entity) consummated substantially concurrently with such acquisition, merger or other business combination or transfer or issuance, in each case, subject to satisfactory "know your customer" diligence, if applicable, and the Company surviving such transaction as the operating company of the Company's business and the level at which financial statements are reported.

"Specified Account Debtor" means any of Walmart, Target, Amazon, Michaels, JoAnn or any other Account Debtor satisfactory to Administrative Agent, in each case, and any of their respective Affiliates.

"Specified Distribution" means that certain distribution to be made by Company to Holdings and from Holdings to its members on the Effective Date in an amount not to exceed $54,000,000.

"Standby LC Exposure" means, at any time, the sum of (a) the aggregate undrawn amount of all standby Letters of Credit outstanding at such time *plus* (b) the aggregate amount of all LC Disbursements relating to standby Letters of Credit that have not yet been reimbursed by or on behalf of the Borrowers at such time. The Standby LC Exposure of any Revolving Lender at any time shall be its Applicable Percentage of the aggregate Standby LC Exposure at such time.

"Statements" has the meaning assigned to such term in Section 2.18(f).

"Statutory Reserve Rate" means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentage (including any marginal, special, emergency or supplemental reserves) established by the Federal Reserve Board to which the Administrative Agent is subject with respect to the Adjusted LIBO Rate, for eurocurrency funding (currently referred to as "Eurocurrency liabilities" in Regulation D). Such reserve percentages shall include those imposed pursuant to Regulation D of the Board. Eurodollar Loans shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under Regulation D of the Board or any comparable regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"subsidiary" means, with respect to any Person (the "parent") at any date, any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of the parent in the parent's consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other entity (a) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, controlled or held, or (b) that is, as of such date, otherwise Controlled, by the parent and/or one or more subsidiaries of the parent.

"Subsidiary" means any direct or indirect subsidiary of the Company or a Loan Party, as applicable.

"Supported QFC" has the meaning assigned to it in Section 9.21.

"Swap Agreement" means any agreement with respect to any swap, forward, spot, future, credit default or derivative transaction or option or similar agreement involving, or settled by reference to, one or more rates, currencies, commodities, equity or debt instruments or securities, or economic, financial or pricing indices or measures of economic, financial or pricing risk or value or any similar transaction or any combination of these transactions; provided that no phantom stock or similar plan providing for payments only on account of services provided by current or former directors, officers, employees or consultants of the Borrowers or the Subsidiaries shall be a Swap Agreement.

"Swap Agreement Obligations" means any and all obligations of the Loan Parties and their Subsidiaries, whether absolute or contingent and howsoever and whensoever created, arising, evidenced or acquired (including all renewals, extensions and modifications thereof and substitutions therefor), under (a) any and all Swap Agreements permitted hereunder with a Lender or an Affiliate of a Lender, and (b) any and all cancellations, buy backs, reversals, terminations or assignments of any Swap Agreement transaction permitted hereunder with a Lender or an Affiliate of a Lender.

"Swap Obligation" means, with respect to any Loan Guarantor, any obligation to pay or perform under any agreement, contract or transaction that constitutes a "swap" within the meaning of section 1a(47) of the Commodity Exchange Act or any rules or regulations promulgated thereunder.

"Swap Termination Value" means the maximum aggregate amount (giving effect to any netting agreements) that such Loan Party or such Subsidiary would be required to pay if such Swap Agreement were terminated at such time.

"Swingline Exposure" means, at any time, the aggregate principal amount of all Swingline Loans outstanding at such time. The Swingline Exposure of any Revolving Lender at any time shall be its Applicable Percentage of the total Swingline Exposure at such time.

"Swingline Lender" means JPMCB, in its capacity as lender of Swingline Loans hereunder. Any consent given by JPMCB in its capacity as Administrative Agent or Issuing Bank shall be deemed given by JPMCB in its capacity as Swingline Lender.

"Swingline Loan" has the meaning assigned to such term in Section 2.05(a).

"Target Balance" has the meaning assigned to such term in the DDA Access Product Agreement.

"Taxes" means any and all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), value added taxes, or any other goods and services, use or sales taxes, assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

"Term SOFR" means the forward-looking term rate based on SOFR that has been selected or recommended by the Relevant Governmental Body.

"Transactions" means the execution, delivery and performance by the Borrowers of this Agreement and the other Loan Documents, the borrowing of Loans and other credit extensions, the use of the proceeds thereof and the issuance of Letters of Credit hereunder.

"Type", when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the Adjusted LIBO Rate or the ABR.

"UCC" means the Uniform Commercial Code as in effect from time to time in the State of New York or in any other state the laws of which are required to be applied in connection with the issue of perfection of security interests.

"Unadjusted Benchmark Replacement" means the Benchmark Replacement excluding the Benchmark Replacement Adjustment; provided that, if the Unadjusted Benchmark Replacement as so determined would be less than 0.50%, the Unadjusted Benchmark Replacement will be deemed to be 0.50% for the purposes of this Agreement.

"Unfinanced Capital Expenditures" means, for any period, Capital Expenditures made during such period which are not financed from the proceeds of any Indebtedness (other than the Revolving Loans; it being understood and agreed that, to the extent any Capital Expenditures are financed with Revolving Loans, such Capital Expenditures shall be deemed Unfinanced Capital Expenditures).

"Unfunded Commitment" means, with respect to each Lender, the Revolving Commitment of such Lender *less* its Revolving Exposure.

"Unliquidated Obligations" means, at any time, any Secured Obligations (or portion thereof) that are contingent in nature or unliquidated at such time, including any Secured Obligation that is: (a) an obligation to reimburse a bank for drawings not yet made under a letter of credit issued by it; (b) any other obligation (including any guarantee) that is contingent in nature at such time; or (c) an obligation to provide collateral to secure any of the foregoing types of obligations.

"U.S." means the United States of America.

"U.S. Person" means a "United States person" within the meaning of Section 7701(a)(30) of the Code.

"U.S. Special Resolution Regime" has the meaning assigned to it in Section 9.21.

"U.S. Tax Compliance Certificate" has the meaning assigned to such term in Section 2.17(f)(ii)(B)(3).

"USA PATRIOT Act" means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001.

"Withdrawal Liability" means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

"Write-Down and Conversion Powers" means, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

SECTION 1.02. Classification of Loans and Borrowings. For purposes of this Agreement, Loans may be classified and referred to by Class (e.g., a "Revolving Loan") or by Type (e.g., a "Eurodollar Loan")

or by Class and Type (e.g., a "Eurodollar Revolving Loan"). Borrowings also may be classified and referred to by Class (e.g., a "Revolving Borrowing") or by Type (e.g., a "Eurodollar Borrowing") or by Class and Type (e.g., a "Eurodollar Revolving Borrowing").

SECTION 1.03. Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "law" shall be construed as referring to all statutes, rules, regulations, codes and other laws (including official rulings and interpretations thereunder having the force of law or with which affected Persons customarily comply) and all judgments, orders and decrees of all Governmental Authorities. The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, restated, supplemented or otherwise modified (subject to any restrictions on such amendments, restatements, supplements or modifications set forth herein), (b) any definition of or reference to any statute, rule or regulation shall be construed as referring thereto as from time to time amended, supplemented or otherwise modified (including by succession of comparable successor laws), (c) any reference herein to any Person shall be construed to include such Person's successors and assigns (subject to any restrictions on assignments set forth herein) and, in the case of any Governmental Authority, any other Governmental Authority that shall have succeeded to any or all functions thereof, (d) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (e) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement, (f) any reference in any definition to the phrase "at any time" or "for any period" shall refer to the same time or period for all calculations or determinations within such definition, and (g) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

SECTION 1.04. Accounting Terms; GAAP. (a) Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided that, if after the date hereof there occurs any change in GAAP or in the application thereof on the operation of any provision hereof and the Borrower Representative notifies the Administrative Agent that the Borrowers request an amendment to any provision hereof to eliminate the effect of such change in GAAP or in the application thereof (or if the Administrative Agent notifies the Borrower Representative that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

(b) Notwithstanding anything to the contrary contained in Section 1.04(a) or in the definition of "Capital Lease Obligations," any change in accounting for leases pursuant to GAAP resulting from the adoption of Financial Accounting Standards Board Accounting Standards Update No. 2016-02, Leases (Topic 842) ("FAS 842"), to the extent such adoption would require treating any lease (or similar arrangement conveying the right to use) as a capital lease where such lease (or similar arrangement) would not have been required to be so treated under GAAP as in effect on December 31, 2015, such lease shall not be considered a capital lease, and all calculations and deliverables under this Agreement or any other Loan Document shall be made or delivered, as applicable, in accordance therewith.

SECTION 1.05. Interest Rates; LIBOR Notifications. The interest rate on a Loan denominated in dollars may be derived from an interest rate benchmark that is, or may in the future become, the subject of regulatory reform. Regulators have signaled the need to use alternative benchmark reference rates for some of these interest rate benchmarks and, as a result, such interest rate benchmarks may cease to comply with applicable laws and regulations, may be permanently discontinued, and/or the basis on which they are calculated may change. The interest rate on Eurodollar Loans is determined by reference to the LIBO Rate, which is derived from the London interbank offered rate. The London interbank offered rate is intended to represent the rate at which contributing banks may obtain short-term borrowings from each other in the London interbank market. In July 2017, the U.K. Financial Conduct Authority announced that, after the end of 2021, it would no longer persuade or compel contributing banks to make rate submissions to the ICE Benchmark Administration (together with any successor to the ICE Benchmark Administrator, the "IBA") for purposes of the IBA setting the London interbank offered rate. As a result, it is possible that commencing in 2022, the London interbank offered rate may no longer be available or may no longer be deemed an appropriate reference rate upon which to determine the interest rate on Eurodollar Loans. In light of this eventuality, public and private sector industry initiatives are currently underway to identify new or alternative reference rates to be used in place of the London interbank offered rate. Upon the occurrence of a Benchmark Transition Event or an Early Opt-In Election, Section 2.14(c) provides a mechanism for determining an alternative rate of interest. The Administrative Agent will promptly notify the Borrower Representative, pursuant to Section 2.14(e), of any change to the reference rate upon which the interest rate on Eurodollar Loans is based. However, the Administrative Agent does not warrant or accept any responsibility for, and shall not have any liability with respect to, the administration, submission or any other matter related to the London interbank offered rate or other rates in the definition of "LIBO Rate" or with respect to any alternative or successor rate thereto, or replacement rate thereof (including, without limitation, (i) any such alternative, successor or replacement rate implemented pursuant to Section 2.14(c), whether upon the occurrence of a Benchmark Transition Event or an Early Opt-in Election, and (ii) the implementation of any Benchmark Replacement Conforming Changes pursuant to Section 2.14(d)), including without limitation, whether the composition or characteristics of any such alternative, successor or replacement reference rate will be similar to, or produce the same value or economic equivalence of, the LIBO Rate or have the same volume or liquidity as did the London interbank offered rate prior to its discontinuance or unavailability.

SECTION 1.06 Currency Translations; Currency Matters.

(a) For purposes of this Agreement and the other Loan Documents, where the permissibility of a transaction or determinations of required actions or circumstances depend upon compliance with, or are determined by reference to, amounts stated in dollars, such amounts shall be deemed to refer to dollars or Dollar Equivalents. In particular, without limitation, for purposes of computations hereunder, unless expressly provided otherwise, where a reference is made to a dollar amount, the amount is to be considered as the amount in dollars and, therefore, each other currency shall be converted into the Dollar Equivalent thereof in dollars, as applicable.

(b) For purposes of all calculations and determinations under this Agreement, any amount in any currency other than dollars shall be deemed to refer to dollars or Dollar Equivalents, and all certificates delivered under this Agreement, shall express such calculations or determinations in dollars or Dollar Equivalents.

(c) The Administrative Agent shall determine the Dollar Equivalent of any amount to be converted into Dollars in accordance with the provisions hereof (i) at the time of such conversion and (ii) on any other date, in its reasonable discretion.

(d) Each payment owing by any Loan Party hereunder shall be made in dollars (the "Currency of Payment") at the place specified herein (such requirements are of the essence to this Agreement). If, for the purpose of obtaining judgment in any court, it is necessary to convert a sum due hereunder in a Currency of Payment into another currency, the parties hereto agree that the rate of exchange used shall be that at which in accordance with normal banking procedures the Administrative Agent could purchase such Currency of Payment with such other currency on the Business Day preceding that on which final judgment is given. The obligations in respect of any sum due hereunder to any Secured Party shall, notwithstanding any adjudication expressed in a currency other than the Currency of Payment, be discharged only to the extent that, on the Business Day following receipt by such Secured Party of any sum adjudged to be so due in such other currency, such Secured Party may, in accordance with normal banking procedures, purchase the Currency of Payment with such other currency. Each Loan Party agrees that (i) if the amount of the Currency of Payment so purchased is less than the sum originally due to such Secured Party in the Currency of Payment, as a separate obligation and notwithstanding the result of any such adjudication, such Loan Party shall immediately pay the shortfall (in the Currency of Payment) to such Secured Party and (ii) if the amount of the Currency of Payment so purchased exceeds the sum originally due to such Secured Party, such Secured Party shall promptly pay the excess over to such Loan Party in the currency and to the extent actually received.

ARTICLE II

The Credits

SECTION 2.01. Commitments. Subject to the terms and conditions set forth herein, each Lender severally (and not jointly) agrees to make Revolving Loans in dollars to the Borrowers from time to time during the Availability Period in an aggregate principal amount that will not result in (a) such Lender's Revolving Exposure exceeding such Lender's Revolving Commitment or (b) the Aggregate Revolving Exposure exceeding the lesser of (x) the Aggregate Revolving Commitment and (y) the Borrowing Base, subject to the Administrative Agent's authority, in its sole discretion, to make Protective Advances and Overadvances pursuant to the terms of Sections 2.04 and 2.05. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrowers may borrow, prepay and reborrow Revolving Loans.

SECTION 2.02. Loans and Borrowings. (a) Each Loan (other than a Swingline Loan) shall be made as part of a Borrowing consisting of Loans of the same Class and Type made by the Lenders ratably in accordance with their respective Commitments of the applicable Class. The failure of any Lender to make any Loan required to be made by it shall not relieve any other Lender of its obligations hereunder; provided that the Commitments of the Lenders are several and no Lender shall be responsible for any other Lender's failure to make Loans as required. Any Protective Advance, any Overadvance and any Swingline Loan shall be made in accordance with the procedures set forth in Sections 2.04 and 2.05.

(b) Subject to Section 2.14, each Revolving Borrowing shall be comprised entirely of ABR Loans or Eurodollar Loans as the Borrower Representative may request in accordance herewith, provided that all Borrowings made on the Effective Date must be made as ABR Borrowings but may be converted into Eurodollar Borrowings in accordance with Section 2.08. Each Swingline Loan shall be an ABR Loan. Each Lender at its option may make any Eurodollar Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan (and in the case of an Affiliate, the provisions of Sections 2.14, 2.15, 2.16 and 2.17 shall apply to such Affiliate to the same extent as to such Lender); provided that any exercise of such option shall not affect the obligation of the Borrowers to repay such Loan in accordance with the terms of this Agreement.

(c) At the commencement of each Interest Period for any Eurodollar Borrowing, such Borrowing shall be in an aggregate amount that is an integral multiple of $1,000,000 and not less than $5,000,000. ABR Borrowings may be in any amount. Borrowings of more than one Type and Class may be outstanding at the same time; provided that there shall not at any time be more than a total of 6 Eurodollar Borrowings outstanding.

(d) Notwithstanding any other provision of this Agreement, the Borrower Representative shall not be entitled to request, or to elect to convert or continue, any Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date.

SECTION 2.03. Requests for Borrowings. To request a Borrowing, the Borrower Representative shall notify the Administrative Agent of such request either in writing (delivered by hand or fax) by delivering a Borrowing Request signed by a Responsible Officer of the Borrower Representative or through Electronic System if arrangements for doing so have been approved by the Administrative Agent (or if an Extenuating Circumstance shall exist, by telephone) not later than (a) in the case of a Eurodollar Borrowing, noon, Pacific time, three (3) Business Days before the date of the proposed Borrowing or (b) in the case of an ABR Borrowing, noon, Pacific time, on the date of the proposed Borrowing; provided that any such notice of an ABR Revolving Borrowing to finance the reimbursement of an LC Disbursement as contemplated by Section 2.06(e) may be given not later than 9:00 a.m., Pacific time, on the date of such proposed Borrowing. Each such Borrowing Request shall be irrevocable and each such telephonic Borrowing Request, if permitted, shall be confirmed immediately upon the cessation of the Extenuating Circumstance by hand delivery, facsimile or a communication through Electronic System to the Administrative Agent of a written Borrowing Request in a form approved by the Administrative Agent and signed by a Responsible Officer of the Borrower Representative. Each such written (or if permitted, telephonic) Borrowing Request shall specify the following information in compliance with Section 2.02:

(i) the name of the applicable Borrower(s);

(ii) the aggregate amount of the requested Borrowing and a breakdown of the separate wires comprising such Borrowing;

(iii) the date of such Borrowing, which shall be a Business Day;

(iv) whether such Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing; and

(v) in the case of a Eurodollar Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term “Interest Period.”

If no election as to the Type of Borrowing is specified, then the requested Borrowing shall be an ABR Borrowing. If no Interest Period is specified with respect to any requested Eurodollar Borrowing, then the applicable Borrower(s) shall be deemed to have selected an Interest Period of one month's duration. Promptly following receipt of a Borrowing Request in accordance with this Section, the Administrative Agent shall advise each Lender of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing.

SECTION 2.04. Protective Advances. (a) Subject to the limitations set forth below, the Administrative Agent is authorized by the Borrowers and the Lenders, from time to time in the Administrative Agent’s sole discretion (but shall have absolutely no obligation to), to make Loans to the Borrowers, on behalf of all Lenders, which the Administrative Agent, in its Permitted Discretion, deems

necessary or desirable (i) to preserve or protect the Collateral, or any portion thereof, (ii) to enhance the likelihood of, or maximize the amount of, repayment of the Loans and other Obligations, or (iii) to pay any other amount chargeable to or required to be paid by the Borrowers pursuant to the terms of this Agreement, including payments of reimbursable expenses (including costs, fees, and expenses as described in Section 9.03) and other sums payable under the Loan Documents (any of such Loans are herein referred to as "Protective Advances"); provided that, the aggregate amount of Protective Advances outstanding at any time shall not at any time exceed 10% of the Aggregate Revolving Commitment when combined with the aggregate amount of Overadvances outstanding at such time; provided further that, the Aggregate Revolving Exposure after giving effect to the Protective Advances being made shall not exceed the Aggregate Revolving Commitment. Protective Advances may be made even if the conditions precedent set forth in Section 4.02 have not been satisfied. The Protective Advances shall be secured by the Liens in favor of the Administrative Agent in and to the Collateral and shall constitute Obligations hereunder. All Protective Advances shall be ABR Borrowings. The making of a Protective Advance on any one occasion shall not obligate the Administrative Agent to make any Protective Advance on any other occasion. The Administrative Agent's authorization to make Protective Advances may be revoked at any time by the Required Lenders. Any such revocation must be in writing and shall become effective prospectively upon the Administrative Agent's receipt thereof. At any time that there is sufficient Availability and the conditions precedent set forth in Section 4.02 have been satisfied, the Administrative Agent may request the Revolving Lenders to make a Revolving Loan to repay a Protective Advance. At any other time the Administrative Agent may require the Lenders to fund their risk participations described in Section 2.04(b).

(b) Upon the making of a Protective Advance by the Administrative Agent (whether before or after the occurrence of a Default), each Lender shall be deemed, without further action by any party hereto, to have unconditionally and irrevocably purchased from the Administrative Agent, without recourse or warranty, an undivided interest and participation in such Protective Advance in proportion to its Applicable Percentage. From and after the date, if any, on which any Lender is required to fund its participation in any Protective Advance purchased hereunder, the Administrative Agent shall promptly distribute to such Lender, such Lender's Applicable Percentage of all payments of principal and interest and all proceeds of Collateral received by the Administrative Agent in respect of such Protective Advance.

SECTION 2.05. Swingline Loans and Overadvances.

(a) The Administrative Agent, the Swingline Lender and the Revolving Lenders agree that in order to facilitate the administration of this Agreement and the other Loan Documents, promptly after the Borrower Representative requests an ABR Borrowing, the Swingline Lender may elect to have the terms of this Section 2.05(a) apply to such Borrowing Request by advancing, on behalf of the Revolving Lenders and in the amount requested, same day funds to the Borrowers, on the date of the applicable Borrowing to the Funding Account(s) (each such Loan made solely by the Swingline Lender pursuant to this Section 2.05(a) is referred to in this Agreement as a "Swingline Loan"), with settlement among them as to the Swingline Loans to take place on a periodic basis as set forth in Section 2.05(d). Each Swingline Loan shall be subject to all the terms and conditions applicable to other ABR Loans funded by the Revolving Lenders, except that all payments thereon shall be payable to the Swingline Lender solely for its own account. In addition, the Borrowers hereby authorize the Swingline Lender to, and the Swingline Lender may, subject to the terms and conditions set forth herein (but without any further written notice required), not later than 2:00 p.m., Pacific time, on each Business Day, make available to the Borrowers by means of a credit to the Funding Account(s), the proceeds of a Swingline Loan to the extent necessary to pay items to be drawn on any Controlled Disbursement Account that Business Day; provided that, if on any Business Day there is insufficient borrowing capacity to permit the Swingline Lender to make available to the Borrowers a Swingline Loan in the amount necessary to pay all items to be so drawn on any such Controlled Disbursement Account on such Business Day, then the Borrowers shall be deemed to have requested an ABR Borrowing pursuant to Section 2.03 in the amount of such deficiency to be made on such Business

Day. In addition, the Borrowers hereby authorize the Swingline Lender to, and the Swingline Lender shall, subject to the terms and conditions set forth herein (but without any further written notice required), to the extent that from time to time on any Business Day funds are required under the DDA Access Product to reach the Target Balance (a "Deficiency Funding Date"), make available to the applicable Borrower the proceeds of a Swingline Loan in the amount of such deficiency up to the Target Balance, by means of a credit to the applicable Funding Account on or before the start of business on the next succeeding Business Day, and such Swingline Loan shall be deemed made on such Deficiency Funding Date. The aggregate amount of Swingline Loans outstanding at any time shall not exceed 15% of the Aggregate Revolving Commitment. The Swingline Lender shall not make any Swingline Loan if the requested Swingline Loan exceeds Availability (before or after giving effect to such Swingline Loan). All Swingline Loans shall be ABR Borrowings.

(b) Any provision of this Agreement to the contrary notwithstanding, at the request of the Borrower Representative, the Administrative Agent may in its sole discretion (but with absolutely no obligation), on behalf of the Revolving Lenders, (x) make Revolving Loans to the Borrowers in amounts that exceed Availability (any such excess Revolving Loans are herein referred to collectively as "Overadvances") or (y) deem the amount of Revolving Loans outstanding to the Borrowers that are in excess of Availability to be Overadvances; provided that, no Overadvance shall result in a Default due to Borrowers' failure to comply with Section 2.01 for so long as such Overadvance remains outstanding in accordance with the terms of this paragraph, but solely with respect to the amount of such Overadvance. In addition, Overadvances may be made even if the condition precedent set forth in Section 4.02(c) has not been satisfied. All Overadvances shall constitute ABR Borrowings. The making of an Overadvance on any one occasion shall not obligate the Administrative Agent to make any Overadvance on any other occasion. The authority of the Administrative Agent to make Overadvances is limited to an aggregate amount not to exceed 10% of the Aggregate Revolving Commitment at any time when combined with the aggregate amount of Protective Advances outstanding at such time, and no Overadvance shall cause any Revolving Lender's Revolving Exposure to exceed its Revolving Commitment; provided that, the Required Lenders may at any time revoke the Administrative Agent's authorization to make Overadvances. Any such revocation must be in writing and shall become effective prospectively upon the Administrative Agent's receipt thereof.

(c) Upon the making of a Swingline Loan or an Overadvance (whether before or after the occurrence of a Default and regardless of whether a Settlement has been requested with respect to such Swingline Loan or Overadvance), each Revolving Lender shall be deemed, without further action by any party hereto, to have unconditionally and irrevocably purchased from the Swingline Lender or the Administrative Agent, as the case may be, without recourse or warranty, an undivided interest and participation in such Swingline Loan or Overadvance in proportion to its Applicable Percentage of the Revolving Commitment. The Swingline Lender or the Administrative Agent may, at any time, require the Revolving Lenders to fund their participations. From and after the date, if any, on which any Revolving Lender is required to fund its participation in any Swingline Loan or Overadvance purchased hereunder, the Administrative Agent shall promptly distribute to such Lender, such Lender's Applicable Percentage of all payments of principal and interest and all proceeds of Collateral received by the Administrative Agent in respect of such Swingline Loan or Overadvance.

(d) The Administrative Agent, on behalf of the Swingline Lender, shall request settlement (a "Settlement") with the Revolving Lenders on at least a weekly basis or on any date that the Administrative Agent elects, by notifying the Revolving Lenders of such requested Settlement by facsimile, telephone, or e-mail no later than 11:00 a.m. Pacific time on the date of such requested Settlement (the "Settlement Date"). Each Revolving Lender (other than the Swingline Lender, in the case of the Swingline Loans) shall transfer the amount of such Revolving Lender's Applicable Percentage of the outstanding principal amount of the applicable Loan with respect to which Settlement is requested to the Administrative Agent, to such

account of the Administrative Agent as the Administrative Agent may designate, not later than 1:00 p.m., Pacific time, on such Settlement Date. Settlements may occur during the existence of a Default and whether or not the applicable conditions precedent set forth in Section 4.02 have then been satisfied. Such amounts transferred to the Administrative Agent shall be applied against the amounts of the Swingline Lender's Swingline Loans and, together with Swingline Lender's Applicable Percentage of such Swingline Loan, shall constitute Revolving Loans of such Revolving Lenders, respectively. If any such amount is not transferred to the Administrative Agent by any Revolving Lender on such Settlement Date, the Swingline Lender shall be entitled to recover from such Lender on demand such amount, together with interest thereon, as specified in Section 2.07.

SECTION 2.06. Letters of Credit. (a) General. Subject to the terms and conditions set forth herein, the Borrower Representative may request the issuance of Letters of Credit for its own account or for the account of another Borrower denominated in dollars as the applicant thereof for the support of its or its Subsidiaries' obligations, in a form reasonably acceptable to the Administrative Agent and the Issuing Bank, at any time and from time to time during the Availability Period. In the event of any inconsistency between the terms and conditions of this Agreement and the terms and conditions of any Letter of Credit Agreement, the terms and conditions of this Agreement shall control. Notwithstanding anything herein to the contrary, the Issuing Bank shall have no obligation hereunder to issue, and shall not issue, any Letter of Credit (i) the proceeds of which would be made available to any Person (A) to fund any activity or business of or with any Sanctioned Person, or in any country or territory that, at the time of such funding, is the subject of any Sanctions or (B) in any manner that would result in a violation of any Sanctions by any party to this Agreement, (ii) if any order, judgment or decree of any Governmental Authority or arbitrator shall by its terms purport to enjoin or restrain the Issuing Bank from issuing such Letter of Credit, or any Requirement of Law relating to the Issuing Bank or any request or directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over the Issuing Bank shall prohibit, or request that the Issuing Bank refrain from, the issuance of letters of credit generally or such Letter of Credit in particular or shall impose upon the Issuing Bank with respect to such Letter of Credit any restriction, reserve or capital requirement (for which the Issuing Bank is not otherwise compensated hereunder) not in effect on the Effective Date, or shall impose upon the Issuing Bank any unreimbursed loss, cost or expense which was not applicable on the Effective Date and which the Issuing Bank in good faith deems material to it, or (iii) if the issuance of such Letter of Credit would violate one or more policies of the Issuing Bank applicable to letters of credit generally; provided that, notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines, requirements or directives thereunder or issued in connection therewith or in the implementation thereof, and (y) all requests, rules, guidelines, requirements or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed not to be in effect on the Effective Date for purposes of clause (ii) above, regardless of the date enacted, adopted, issued or implemented.

(b) Notice of Issuance, Amendment, Renewal, Extension; Certain Conditions. To request the issuance of a Letter of Credit (or the amendment, renewal or extension of an outstanding Letter of Credit), the Borrower Representative shall deliver by hand or facsimile (or transmit through Electronic System, if arrangements for doing so have been approved by the Issuing Bank) to the Issuing Bank and the Administrative Agent (reasonably in advance of, but in any event no less than three (3) Business Days prior to the requested date of issuance, amendment, renewal or extension) a notice requesting the issuance of a Letter of Credit, or identifying the Letter of Credit to be amended, renewed or extended, and specifying the date of issuance, amendment, renewal or extension (which shall be a Business Day), the date on which such Letter of Credit is to expire (which shall comply with paragraph (c) of this Section), the amount of such Letter of Credit, the name and address of the beneficiary thereof and such other information as shall be necessary to prepare, amend, renew or extend such Letter of Credit. In addition, as a condition to any such

Letter of Credit issuance, the applicable Borrower shall have entered into a continuing agreement (or other letter of credit agreement) for the issuance of letters of credit and/or shall submit a letter of credit application in each case, as required by the Issuing Bank and using such Issuing Bank's standard form (each, a "Letter of Credit Agreement"). A Letter of Credit shall be issued, amended, renewed or extended only if (and upon issuance, amendment, renewal or extension of each Letter of Credit the Borrowers shall be deemed to represent and warrant that), after giving effect to such issuance, amendment, renewal or extension (i) the aggregate LC Exposure shall not exceed $20,000,000 (or up to $35,000,000 in Administrative Agent's Permitted Discretion upon the Borrower Representative's request), (ii) no Revolving Lender's Revolving Exposure shall exceed its Revolving Commitment and (iii) the Aggregate Revolving Exposure shall not exceed the lesser of the Aggregate Revolving Commitment and the Borrowing Base. Notwithstanding the foregoing or anything to the contrary contained herein, no Issuing Bank shall be obligated to issue or modify any Letter of Credit if, immediately after giving effect thereto, the outstanding LC Exposure in respect of all Letters of Credit issued by such Person and its Affiliates would exceed such Issuing Bank's Issuing Bank Sublimit. Without limiting the foregoing and without affecting the limitations contained herein, it is understood and agreed that the Borrower Representative may from time to time request that an Issuing Bank issue Letters of Credit in excess of its individual Issuing Bank Sublimit in effect at the time of such request, and each Issuing Bank agrees to consider any such request in good faith. Any Letter of Credit so issued by an Issuing Bank in excess of its individual Issuing Bank Sublimit then in effect shall nonetheless constitute a Letter of Credit for all purposes of this Agreement, and shall not affect the Issuing Bank Sublimit of any other Issuing Bank, subject to the limitations on the aggregate LC Exposure set forth in clause (i) of this Section 2.06(b).

(c) Expiration Date. Each Letter of Credit shall expire (or be subject to termination or non-renewal by notice from the Issuing Bank to the beneficiary thereof) at or prior to the close of business on the earlier of (i) the date one year after the date of the issuance of such Letter of Credit (or, in the case of any renewal or extension thereof, including, without limitation, any automatic renewal provision, one year after such renewal or extension) and (ii) the date that is five Business Days prior to the Maturity Date.

(d) Participations. By the issuance of a Letter of Credit (or an amendment to a Letter of Credit increasing the amount thereof) and without any further action on the part of the Issuing Bank or the Revolving Lenders, the Issuing Bank hereby grants to each Revolving Lender, and each Revolving Lender hereby acquires from the Issuing Bank, a participation in such Letter of Credit equal to such Lender's Applicable Percentage of the aggregate amount available to be drawn under such Letter of Credit. In consideration and in furtherance of the foregoing, each Revolving Lender hereby absolutely and unconditionally agrees to pay to the Administrative Agent, for the account of the Issuing Bank, such Lender's Applicable Percentage of each LC Disbursement made by the Issuing Bank and not reimbursed by the Borrowers on the date due as provided in paragraph (e) of this Section, or of any reimbursement payment required to be refunded to the Borrowers for any reason. Each Revolving Lender acknowledges and agrees that its obligation to acquire participations pursuant to this paragraph in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Letter of Credit or the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

(e) Reimbursement. If the Issuing Bank shall make any LC Disbursement in respect of a Letter of Credit, the Borrowers shall reimburse such LC Disbursement by paying to the Administrative Agent an amount equal to such LC Disbursement not later than 11:00 a.m., Pacific time, on (a) (i) the Business Day that the Borrower Representative receives notice of such LC Disbursement, if such notice is received prior to 9:00 a.m., Pacific time, on the day of receipt, or (ii) the Business Day immediately following the day that the Borrower Representative receives such notice, if such notice is received after 9:00 a.m. Pacific time on the day of receipt; provided that the Borrowers may, subject to the conditions to borrowing set forth herein,

request in accordance with Section 2.03 or 2.05 that such payment be financed with an ABR Revolving Borrowing or Swingline Loan in an equivalent amount and, to the extent so financed, the Borrowers' obligation to make such payment shall be discharged and replaced by the resulting ABR Revolving Borrowing or Swingline Loan. If the Borrowers fail to make such payment when due, the Administrative Agent shall notify each Revolving Lender of the applicable LC Disbursement, the payment then due from the Borrowers in respect thereof and such Lender's Applicable Percentage thereof. Promptly following receipt of such notice, each Revolving Lender shall pay to the Administrative Agent its Applicable Percentage of the payment then due from the Borrowers, in the same manner as provided in Section 2.07 with respect to Loans made by such Lender (and Section 2.07 shall apply, mutatis mutandis, to the payment obligations of the Revolving Lenders), and the Administrative Agent shall promptly pay to the Issuing Bank the amounts so received by it from the Revolving Lenders. Promptly following receipt by the Administrative Agent of any payment from the Borrowers pursuant to this paragraph, the Administrative Agent shall distribute such payment to the Issuing Bank or, to the extent that Revolving Lenders have made payments pursuant to this paragraph to reimburse the Issuing Bank, then to such Lenders and the Issuing Bank as their interests may appear. Any payment made by a Revolving Lender pursuant to this paragraph to reimburse the Issuing Bank for any LC Disbursement (other than the funding of ABR Revolving Loans or a Swingline Loan as contemplated above) shall not constitute a Loan and shall not relieve the Borrowers of their obligation to reimburse such LC Disbursement.

(f) Obligations Absolute. The Borrowers' joint and several obligation to reimburse LC Disbursements as provided in paragraph (e) of this Section shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever and irrespective of (i) any lack of validity or enforceability of any Letter of Credit, any Letter of Credit Agreement or this Agreement, or any term or provision therein or herein, (ii) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect, (iii) any payment by the Issuing Bank under a Letter of Credit against presentation of a draft or other document that does not comply with the terms of such Letter of Credit, or (iv) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of, or provide a right of setoff against, the Borrowers' obligations hereunder. None of the Administrative Agent, the Revolving Lenders, the Issuing Bank or any of their respective Related Parties, shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of the Issuing Bank; provided that the foregoing shall not be construed to excuse the Issuing Bank from liability to the Borrowers to the extent of any direct damages (as opposed to special, indirect, consequential or punitive damages, claims in respect of which are hereby waived by the Borrowers to the extent permitted by applicable law) suffered by any Borrower that are caused by the Issuing Bank's failure to exercise care when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof. The parties hereto expressly agree that, in the absence of gross negligence or willful misconduct on the part of the Issuing Bank (as finally determined by a court of competent jurisdiction), the Issuing Bank shall be deemed to have exercised care in each such determination. In furtherance of the foregoing and without limiting the generality thereof, the parties agree that, with respect to documents presented which appear on their face to be in substantial compliance with the terms of a Letter of Credit, the Issuing Bank may, in its sole discretion, either accept and make payment upon such documents without responsibility for further investigation, regardless of any notice or information to the contrary, or refuse to accept and make payment upon such documents if such documents are not in strict compliance with the terms of such Letter of Credit.

(g) Disbursement Procedures. The Issuing Bank shall, promptly following its receipt thereof, examine all documents purporting to represent a demand for payment under a Letter of Credit. The Issuing Bank shall promptly notify the Administrative Agent and the applicable Borrower by telephone (confirmed by fax or through Electronic Systems) of such demand for payment and whether the Issuing Bank has made or will make an LC Disbursement thereunder; provided that any failure to give or delay in giving such notice shall not relieve the Borrowers of their obligation to reimburse the Issuing Bank and the Revolving Lenders with respect to any such LC Disbursement.

(h) Interim Interest. If the Issuing Bank shall make any LC Disbursement, then, unless the Borrowers shall reimburse such LC Disbursement in full on the date such LC Disbursement is made, the unpaid amount thereof shall bear interest, for each day from and including the date such LC Disbursement is made to but excluding the date that the Borrowers reimburse such LC Disbursement, at the rate per annum then applicable to ABR Revolving Loans and such interest shall be payable on the date when such reimbursement is due; provided that, if the Borrowers fail to reimburse such LC Disbursement when due pursuant to paragraph (e) of this Section, then Section 2.13(d) shall apply. Interest accrued pursuant to this paragraph shall be for the account of the Issuing Bank, except that interest accrued on and after the date of payment by any Revolving Lender pursuant to paragraph (e) of this Section to reimburse the Issuing Bank shall be for the account of such Lender to the extent of such payment.

(i) Replacement and Resignation of an Issuing Bank. (i) The Issuing Bank may be replaced at any time by written agreement among the Borrower Representative, the Administrative Agent, the replaced Issuing Bank and the successor Issuing Bank. The Administrative Agent shall notify the Revolving Lenders of any such replacement of the Issuing Bank. At the time any such replacement shall become effective, the Borrowers shall pay all unpaid fees accrued for the account of the replaced Issuing Bank pursuant to Section 2.12(b). From and after the effective date of any such replacement, (A) the successor Issuing Bank shall have all the rights and obligations of the Issuing Bank under this Agreement with respect to Letters of Credit to be issued thereafter and (B) references herein to the term "Issuing Bank" shall be deemed to refer to such successor or to any previous Issuing Bank, or to such successor and all previous Issuing Banks, as the context shall require. After the replacement of an Issuing Bank hereunder, the replaced Issuing Bank shall remain a party hereto and shall continue to have all the rights and obligations of an Issuing Bank under this Agreement with respect to Letters of Credit then outstanding and issued by it prior to such replacement, but shall not be required to issue additional Letters of Credit.

(ii) Subject to the appointment and acceptance of a successor Issuing Bank, the Issuing Bank may resign as an Issuing Bank at any time upon thirty days' prior written notice to the Administrative Agent, the Borrower Representative and the Lenders, in which case, such resigning Issuing Bank shall be replaced in accordance with subclause (i) of this Section 2.06(i).

(j) Cash Collateralization. If any Event of Default shall occur and be continuing, on the Business Day that the Borrower Representative receives notice from the Administrative Agent or the Required Lenders demanding the deposit of cash collateral pursuant to this paragraph, the Borrowers shall deposit in an account with the Administrative Agent, in the name of the Administrative Agent and for the benefit of the Revolving Lenders (the "LC Collateral Account"), an amount in cash equal to 103% of the amount of the LC Exposure as of such date plus accrued and unpaid interest thereon; provided that the obligation to deposit such cash collateral shall become effective immediately, and such deposit shall become immediately due and payable, without demand or other notice of any kind, upon the occurrence of any Event of Default with respect to any Borrower described in clause (h) or (i) of Article VII. Such Borrower also shall deposit cash collateral in accordance with this paragraph as and to the extent required by Sections 2.10(b), 2.11(b) or 2.20. Each such deposit shall be held by the Administrative Agent as collateral for the payment and performance of the Secured Obligations. The Administrative Agent shall have exclusive dominion and control, including the exclusive right of withdrawal, over the LC Collateral

Account and the Borrowers hereby grant the Administrative Agent a security interest in the LC Collateral Account and all money or other assets on deposit therein or credited thereto. Other than any interest earned on the investment of such deposits, which investments shall be made at the option and sole discretion of the Administrative Agent and at the Borrowers' risk and expense, such deposits shall not bear interest. Interest or profits, if any, on such investments shall accumulate in the LC Collateral Account. Moneys in the LC Collateral Account shall be applied by the Administrative Agent to reimburse the Issuing Bank for LC Disbursements for which it has not been reimbursed and, to the extent not so applied, shall be held for the satisfaction of the reimbursement obligations of the Borrowers for the LC Exposure at such time or, if the maturity of the Loans has been accelerated, be applied to satisfy other Secured Obligations. If the Borrowers are required to provide an amount of cash collateral hereunder as a result of the occurrence of an Event of Default, such amount (to the extent not applied as aforesaid) shall be returned to the Borrowers within three (3) Business Days after all such Events of Default have been cured or waived as confirmed in writing by the Administrative Agent.

(k) Issuing Bank Reports to the Administrative Agent. Unless otherwise agreed by the Administrative Agent, each Issuing Bank shall, in addition to its notification obligations set forth elsewhere in this Section, report in writing to the Administrative Agent (i) periodic activity (for such period or recurrent periods as shall be requested by the Administrative Agent) in respect of Letters of Credit issued by such Issuing Bank, including all issuances, extensions, amendments and renewals, all expirations and cancelations and all disbursements and reimbursements, (ii) reasonably prior to the time that such Issuing Bank issues, amends, renews or extends any Letter of Credit, the date of such issuance, amendment, renewal or extension, and the stated amount of the Letters of Credit issued, amended, renewed or extended by it and outstanding after giving effect to such issuance, amendment, renewal or extension (and whether the amounts thereof shall have changed), (iii) on each Business Day on which such Issuing Bank makes any LC Disbursement, the date and amount of such LC Disbursement, (iv) on any Business Day on which any Borrower fails to reimburse an LC Disbursement required to be reimbursed to such Issuing Bank on such day, the date of such failure and the amount of such LC Disbursement, and (v) on any other Business Day, such other information as the Administrative Agent shall reasonably request as to the Letters of Credit issued by such Issuing Bank.

(l) LC Exposure Determination. For all purposes of this Agreement, the amount of a Letter of Credit that, by its terms or the terms of any document related thereto, provides for one or more automatic increases in the stated amount thereof shall be deemed to be the maximum stated amount of such Letter of Credit after giving effect to all such increases, whether or not such maximum stated amount is in effect at the time of determination.

(m) Letters of Credit Issued for Account of Subsidiaries. Notwithstanding that a Letter of Credit issued or outstanding hereunder supports any obligations of, or is for the account of, a Subsidiary, or states that a Subsidiary is the "account party," "applicant," "customer," "instructing party," or the like of or for such Letter of Credit, and without derogating from any rights of the Issuing Bank (whether arising by contract, at law, in equity or otherwise) against such Subsidiary in respect of such Letter of Credit, the Borrowers (i) shall reimburse, indemnify and compensate the Issuing Bank hereunder for such Letter of Credit (including to reimburse any and all drawings thereunder) as if such Letter of Credit had been issued solely for the account of a Borrower and (ii) irrevocably waives any and all defenses that might otherwise be available to it as a guarantor or surety of any or all of the obligations of such Subsidiary in respect of such Letter of Credit. Each Borrower hereby acknowledges that the issuance of such Letters of Credit for its Subsidiaries inures to the benefit of the Borrowers, and that each Borrower's business derives substantial benefits from the businesses of such Subsidiaries.

SECTION 2.07. Funding of Borrowings. (a) Each Lender shall make each Loan to be made by such Lender hereunder on the proposed date thereof solely by wire transfer of immediately available funds

by (i) 1:00 p.m., Pacific time, in the case of Eurodollar Loans and (ii) 3:00 p.m. Pacific time, in the case of ABR Loans, to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders in an amount equal to such Lender's Applicable Percentage; provided that, Swingline Loans shall be made as provided in Section 2.05. The Administrative Agent will make such Loans available to the Borrower Representative by promptly crediting the funds so received in the aforesaid account of the Administrative Agent to the Funding Account; provided that ABR Revolving Loans made to finance the reimbursement of (i) an LC Disbursement as provided in Section 2.06(e) shall be remitted by the Administrative Agent to the Issuing Bank and (ii) a Protective Advance or an Overadvance shall be applied by the Administrative Agent to the Secured Obligations in accordance with the terms hereof.

(b) Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with paragraph (a) of this Section and may, in reliance upon such assumption, make available to the applicable Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the Borrowers each severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the applicable Borrower to but excluding the date of payment to the Administrative Agent, at (i) in the case of such Lender, the greater of the NYFRB Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation and (ii) in the case of the Borrowers, the interest rate applicable to ABR Loans. If the Borrowers and such Lender shall pay such interest to the Administrative Agent for the same or an overlapping period, the Administrative Agent shall promptly remit to the Borrower the amount of such interest paid by the Borrower for such period. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Loan included in such Borrowing, provided, that any interest received from a Borrower by the Administrative Agent during the period beginning when Administrative Agent funded the Borrowing until such Lender pays such amount shall be solely for the account of the Administrative Agent. Any payment by the Borrowers shall be without prejudice to any claim the Borrowers may have against a Lender that failed to make such payment to the Administrative Agent.

SECTION 2.08. Interest Elections. (a) Each Borrowing initially shall be of the Type specified in the applicable Borrowing Request and, in the case of a Eurodollar Borrowing, shall have an initial Interest Period as specified in such Borrowing Request. Thereafter, the Borrower Representative may elect to convert such Borrowing to a different Type or to continue such Borrowing and, in the case of a Eurodollar Borrowing, may elect Interest Periods therefor, all as provided in this Section. The Borrower Representative may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing. This Section shall not apply to Swingline Borrowings, Overadvances or Protective Advances, which may not be converted or continued.

(b) To make an election pursuant to this Section, the Borrower Representative shall notify the Administrative Agent of such election either in writing (delivered by hand or fax) by delivering an Interest Election Request signed by a Responsible Officer of the Borrower Representative or through Electronic System if arrangements for doing so have been approved by the Administrative Agent (or if an Extenuating Circumstance shall exist, by telephone) by the time that a Borrowing Request would be required under Section 2.03 if the Borrowers were requesting a Borrowing of the Type resulting from such election to be made on the effective date of such election. Each such Interest Election Request shall be irrevocable and each such telephonic Interest Election Request, if permitted, shall be confirmed immediately upon the cessation of the Extenuating Circumstance by hand delivery, Electronic System or facsimile to the

Administrative Agent of a written Interest Election Request in a form approved by the Administrative Agent and signed by a Responsible Officer of the Borrower Representative.

(c) Each written (or if permitted, telephonic) Interest Election Request (including requests submitted through Electronic System) shall specify the following information in compliance with Section 2.02:

(i) the name of the applicable Borrower and the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) below shall be specified for each resulting Borrowing);

(ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;

(iii) whether the resulting Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing; and

(iv) if the resulting Borrowing is a Eurodollar Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term "Interest Period".

If any such Interest Election Request requests a Eurodollar Borrowing but does not specify an Interest Period, then the Borrowers shall be deemed to have selected an Interest Period of one month's duration.

(d) Promptly following receipt of an Interest Election Request, the Administrative Agent shall advise each Lender of the details thereof and of such Lender's portion of each resulting Borrowing.

(e) If the Borrower Representative fails to deliver a timely Interest Election Request with respect to a Eurodollar Borrowing prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period such Borrowing shall be converted to an ABR Borrowing. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing and the Administrative Agent, at the request of the Required Lenders, so notifies the Borrower Representative, then, so long as such Event of Default is continuing (i) no outstanding Borrowing may be converted to or continued as a Eurodollar Borrowing and (ii) unless repaid, each Eurodollar Borrowing shall be converted to an ABR Borrowing at the end of the Interest Period applicable thereto.

SECTION 2.09. Termination and Reduction of Commitments; Increase in Revolving Commitments. (a) Unless previously terminated, the Revolving Commitments shall terminate on the Maturity Date.

(b) The Borrowers may at any time terminate the Revolving Commitments upon the Payment in Full of the Secured Obligations.

(c) The Borrowers may from time to time reduce the Revolving Commitments; provided that (i) each reduction of the Revolving Commitments shall be in an amount that is an integral multiple of $5,000,000 and not less than $10,000,000 and (ii) the Borrowers shall not terminate or reduce the Revolving Commitments if, after giving effect to any concurrent prepayment of the Revolving Loans in accordance

with Section 2.11, the Aggregate Revolving Exposure would exceed the lesser of the Aggregate Revolving Commitment and the Borrowing Base.

(d) The Borrower Representative shall notify the Administrative Agent of any election to terminate or reduce the Commitments under paragraph (b) or (c) of this Section at least three (3) Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each notice delivered by the Borrower Representative pursuant to this Section shall be irrevocable; provided that a notice of termination of the Commitments delivered by the Borrower Representative may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by the Borrower Representative (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied. Any termination or reduction of the Commitments shall be permanent. Each reduction of the Commitments shall be made ratably among the Lenders in accordance with their respective Commitments.

(e) The Borrowers shall have the right to increase the Revolving Commitments by obtaining additional Revolving Commitments, either from one or more of the Lenders or another lending institution provided that (i) any such request for an increase shall be in an amount that is an integral multiple of $5,000,000 and not less than $10,000,000, (ii) the Borrower Representative, on behalf of the Borrowers, may make a maximum of 5 such requests, (iii) after giving effect thereto, the sum of the total of the additional Commitments does not exceed $200,000,000, (iv) the Administrative Agent and the Issuing Bank have approved the identity of any such new Lender, such approvals not to be unreasonably withheld, delayed or conditioned, (v) any such new Lender assumes all of the rights and obligations of a "Lender" hereunder, (vi) each Lender shall be provided an opportunity to participate in the requested increase on a pro rata basis before any other lending institutions are offered to participate in the requested increase, (vii) the Liens securing any such increase to the Revolving Commitments shall not be superior in priority to the Liens securing the Revolving Commitments in effect immediately prior to any such increase, and (viii) the procedure described in Section 2.09(f) have been satisfied. Nothing contained in this Section 2.09 shall constitute, or otherwise be deemed to be, a commitment on the part of any Lender to increase its Commitment hereunder at any time. Anything to the contrary contained herein notwithstanding, if the terms (but excluding any arrangement, underwriting, or similar fees payable in connection therewith) that are to be applicable to the requested increase are better (from the perspective of the new or increasing Lenders) than the terms applicable to the Revolving Commitments in effect immediately prior to any such increase (but in each case excluding any arrangement, underwriting, or similar fees payable in connection therewith), then such improved terms shall be applicable to the Revolving Commitments in effect immediately prior to any such increase, effective on the date of the applicable increase, and without the necessity of any action by any party hereto.

(f) Any amendment hereto for such an increase or addition shall be in form and substance satisfactory to the Administrative Agent and shall only require the written signatures of the Administrative Agent, the Borrowers and each Lender being added or increasing its Commitment, subject only to the approval of all Lenders if any such increase or addition would cause the Revolving Commitments to exceed $350,000,000. As a condition precedent to such an increase or addition, the Borrowers shall deliver to the Administrative Agent (i) a certificate of each Loan Party signed by an authorized officer of such Loan Party (A) certifying and attaching the resolutions adopted by such Loan Party approving or consenting to such increase, and (B) in the case of the Borrowers, certifying that, before and after giving effect to such increase or addition, (1) the representations and warranties contained in Article III and the other Loan Documents are true and correct in all material respects, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct in all material respects as of such earlier date (except, in each case, that such materiality qualifier shall not be applicable to any representations or warranties that are already qualified or modified by materiality in the text thereof), (2) no Default exists,

and (3) the Borrowers are in compliance (on a pro forma basis) with the covenants contained in Section 6.13 and (ii) legal opinions and documents consistent with those delivered on the Effective Date, to the extent requested by the Administrative Agent.

(g) On the effective date of any such increase or addition, (i) any Lender increasing (or, in the case of any newly added Lender, extending) its Revolving Commitment shall make available to the Administrative Agent such amounts in immediately available funds as the Administrative Agent shall determine, for the benefit of the other Lenders, as being required in order to cause, after giving effect to such increase or addition and the use of such amounts to make payments to such other Lenders, each Lender's portion of the outstanding Revolving Loans of all the Lenders to equal its revised Applicable Percentage of such outstanding Revolving Loans, and the Administrative Agent shall make such other adjustments among the Lenders with respect to the Revolving Loans then outstanding and amounts of principal, interest, commitment fees and other amounts paid or payable with respect thereto as shall be necessary, in the opinion of the Administrative Agent, in order to effect such reallocation and (ii) the Borrowers shall be deemed to have repaid and reborrowed all outstanding Revolving Loans as of the date of any increase (or addition) in the Revolving Commitments (with such reborrowing to consist of the Types of Revolving Loans, with related Interest Periods if applicable, specified in a notice delivered by the Borrower Representative, in accordance with the requirements of Section 2.03). The deemed payments made pursuant to clause (ii) of the immediately preceding sentence shall be accompanied by payment of all accrued interest on the amount prepaid and, in respect of each Eurodollar Loan, shall be subject to indemnification by the Borrowers pursuant to the provisions of Section 2.16 if the deemed payment occurs other than on the last day of the related Interest Periods. Within a reasonable time after the effective date of any increase or addition, the Administrative Agent shall, and is hereby authorized and directed to, revise the Commitment Schedule to reflect such increase or addition and shall distribute such revised Commitment Schedule to each of the Lenders and the Borrower Representative, whereupon such revised Commitment Schedule shall replace the old Commitment Schedule and become part of this Agreement.

SECTION 2.10. Repayment and Amortization of Loans; Evidence of Debt. (a) The Borrowers hereby unconditionally promise to pay (i) to the Administrative Agent for the account of each Revolving Lender the then unpaid principal amount of each Revolving Loan on the Maturity Date, (ii) to the Administrative Agent the then unpaid amount of each Protective Advance on the earlier of the Maturity Date and demand by the Administrative Agent, and (iii) to the Administrative Agent the then unpaid principal amount of each Overadvance on the earlier of the Maturity Date and demand by the Administrative Agent.

(b) At all times that full cash dominion is in effect pursuant to Section 7.3 of the Security Agreement, on each Business Day, the Administrative Agent shall apply all funds credited to the Collection Account on such Business Day or the immediately preceding Business Day (at the discretion of the Administrative Agent, whether or not immediately available) first to prepay any Protective Advances and Overadvances that may be outstanding, pro rata, and second to prepay the Revolving Loans (including Swingline Loans) and to cash collateralize outstanding LC Exposure. Notwithstanding the foregoing, to the extent any funds credited to the Collection Account constitute Net Proceeds, the application of such Net Proceeds shall be subject to Section 2.11(c).

(c) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the Indebtedness of the Borrowers to such Lender resulting from each Loan made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(d) The Administrative Agent shall maintain accounts in which it shall record (i) the amount of each Loan made hereunder, the Class and Type thereof and the Interest Period applicable thereto, (ii) the

amount of any principal or interest due and payable or to become due and payable from the Borrowers to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof.

(e) The entries made in the accounts maintained pursuant to paragraph (c) or (d) of this Section shall be prima facie evidence of the existence and amounts of the obligations recorded therein; provided that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrowers to repay the Loans in accordance with the terms of this Agreement.

(f) Any Lender may request that Loans made by it be evidenced by a promissory note. In such event, the Borrowers shall prepare, execute and deliver to such Lender a promissory note payable to such Lender (or, if requested by such Lender, to such Lender and its registered assigns) and in a form approved by the Administrative Agent. Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 9.04) be represented by one or more promissory notes in such form.

SECTION 2.11. Prepayment of Loans. (a) The Borrowers shall have the right at any time and from time to time to prepay any Borrowing in whole or in part without premium or penalty, subject to prior notice in accordance with paragraph (e) of this Section and, if applicable, payment of any break funding expenses under Section 2.16.

(b) Except for Overadvances permitted under Section 2.05, in the event and on such occasion that the Aggregate Revolving Exposure exceeds the lesser of (i) the Aggregate Revolving Commitment and (ii) the Borrowing Base, the Borrowers shall prepay the Revolving Loans, LC Disbursements and/or Swingline Loans or cash collateralize LC Exposure in an account with the Administrative Agent pursuant to Section 2.06(j), as applicable, in an aggregate amount equal to such excess.

(c) In the event and on each occasion that any Net Proceeds are received by or on behalf of Holdings or any other Loan Party or any Subsidiary in respect of any Prepayment Event, the Borrowers shall, within three Business Days after such Net Proceeds are received by Holdings or any other Loan Party or any Subsidiary, prepay the Obligations and cash collateralize the LC Exposure as set forth in Section 2.11(d) below in an aggregate amount equal to 100% of such Net Proceeds, provided that, in the case of any event described in clause (a) or (b) of the definition of the term "Prepayment Event", if the Borrower Representative shall deliver to the Administrative Agent a certificate of a Financial Officer to the effect that the recipient intends apply the Net Proceeds from such event (or a portion thereof specified in such certificate), within 360 days after receipt of such Net Proceeds, to acquire (or replace or rebuild) real property, equipment or other tangible assets (excluding inventory) to be used in the business of the Loan Parties (or the Subsidiaries if the recipient is one or more Subsidiaries), and certifying that no Default has occurred and is continuing, then either (i) so long as full cash dominion is not in effect, no prepayment shall be required pursuant to this paragraph in respect of the Net Proceeds specified in such certificate or (ii) if full cash dominion is in effect, then, if the Net Proceeds specified in such certificate are to be applied to acquire, replace or rebuild such assets by (A) the Borrowers, such Net Proceeds shall be applied by the Administrative Agent to reduce the outstanding principal balance of the Revolving Loans (without a permanent reduction of the Revolving Commitment) and upon such application, the Administrative Agent shall establish a Reserve against the Borrowing Base in an amount equal to the amount of such proceeds so applied and (B) any Loan Party that is not a Borrower, such Net Proceeds shall be deposited in a cash collateral account, and in the case of either (A) or (B), thereafter, such funds shall be made available to the applicable Loan Party as follows:

(1) the Borrower Representative shall request a Revolving Borrowing (specifying that the request is to use Net Proceeds pursuant to this Section) or the applicable Loan Party shall request a release from the cash collateral account be made in the amount needed;

(2) so long as the conditions set forth in Section 4.02 have been met, the Revolving Lenders shall make such Revolving Borrowing or the Administrative Agent shall release funds from the cash collateral account; and

(3) in the case of Net Proceeds applied against the Revolving Borrowing, the Reserve established with respect to such insurance proceeds shall be reduced by the amount of such Revolving Borrowing;

provided that to the extent of any such Net Proceeds therefrom that have not been so applied by the end of such 360-day period, a prepayment shall be required at such time in an amount equal to such Net Proceeds that have not been so applied.

(d) All such amounts pursuant to Section 2.11(c) shall be applied, first to prepay any Protective Advances and Overadvances that may be outstanding, pro rata, and second to prepay the Revolving Loans (including Swingline Loans) without a corresponding reduction in the Revolving Commitments and to cash collateralize outstanding LC Exposure. Notwithstanding the foregoing, all prepayments required to be made pursuant to Section 2.11(c) with respect to the Net Proceeds of any insurance or condemnation proceeds, arising from casualties or losses to cash or Inventory shall be applied, first to prepay any Protective Advances and Overadvances that may be outstanding, pro rata, and second to prepay the Revolving Loans (including Swingline Loans) without a corresponding reduction in the Revolving Commitments and to cash collateralize outstanding LC Exposure. If the precise amount of insurance or condemnation proceeds allocable to Inventory as compared to Equipment, Fixtures and real property is not otherwise determined, the allocation and application of those proceeds shall be determined by the Administrative Agent, in its Permitted Discretion.

(e) The Borrower Representative shall notify the Administrative Agent (and, in the case of prepayment of a Swingline Loan, the Swingline Lender) by telephone (confirmed by fax) or through Electronic System, if arrangements for doing so have been approved by the Administrative Agent, of any prepayment hereunder not later than noon Pacific time, (A) in the case of prepayment of a Eurodollar Revolving Borrowing, three (3) Business Days before the date of prepayment, or (B) in the case of prepayment of an ABR Revolving Borrowing, one (1) Business Day before the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Borrowing or portion thereof to be prepaid and the Class of such Borrowing to be prepaid; provided that, if a notice of prepayment is given in connection with a conditional notice of termination of the Revolving Commitments as contemplated by Section 2.09, then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.09. Promptly following receipt of any such notice relating to a Revolving Borrowing, the Administrative Agent shall advise the Lenders of the contents thereof. Each partial prepayment of any Revolving Borrowing shall be in an amount that would be permitted in the case of an advance of a Revolving Borrowing of the same Type as provided in Section 2.02. Each prepayment of a Revolving Borrowing shall be applied ratably to the Revolving Loans included in the prepaid Borrowing. Prepayments shall be accompanied by (i) accrued interest to the extent required by Section 2.13 and (ii) break funding payments pursuant to Section 2.16.

SECTION 2.12. Fees. (a) The Borrowers agree to pay to the Administrative Agent for the account of each Lender a commitment fee, which shall accrue at a rate equal to 0.25% per annum on the average daily amount of the Available Revolving Commitment of such Lender during the period from and including the Effective Date to but excluding the date on which the Revolving Commitments terminate. Accrued commitment fees shall be payable in arrears on the first Business Day of each calendar month and on the date on which the Revolving Commitments terminate, commencing on the first such date to occur after the date hereof. All commitment fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(b) The Borrowers agree to pay (i) to the Administrative Agent for the account of each Revolving Lender a participation fee with respect to its participations in Letters of Credit, which shall accrue at the same Applicable Rate used to determine the interest rate applicable to Eurodollar Revolving Loans on the average daily amount of such Lender's LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Effective Date to but excluding the later of the date on which such Lender's Revolving Commitment terminates and the date on which such Lender ceases to have any LC Exposure, and (ii) to the Issuing Bank a fronting fee, which shall accrue at the rate or rates per annum separately agreed upon between the Borrowers and the Issuing Bank on the average daily amount of the LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) attributable to Letters of Credit issued by the Issuing Bank during the period from and including the Effective Date to but excluding the later of the date of termination of the Revolving Commitments and the date on which there ceases to be any LC Exposure, as well as the Issuing Bank's standard fees and commissions with respect to the issuance, amendment, cancellation, negotiation, transfer, presentment, renewal or extension of any Letter of Credit or processing of drawings thereunder. Participation fees and fronting fees accrued through and including the last day of each calendar month shall be payable on the first Business Day of each calendar month following such last day, commencing on the first such date to occur after the Effective Date; provided that all such fees shall be payable on the date on which the Revolving Commitments terminate and any such fees accruing after the date on which the Revolving Commitments terminate shall be payable on demand. Any other fees payable to the Issuing Bank pursuant to this paragraph shall be payable within ten (10) days after demand. All participation fees and fronting fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(c) The Borrowers agree to pay to the Administrative Agent, for its own account, fees payable in the amounts and at the times separately agreed upon between the Borrowers and the Administrative Agent.

(d) All fees payable hereunder shall be paid on the dates due, in dollars in immediately available funds, to the Administrative Agent (or to the Issuing Bank, in the case of fees payable to it) for distribution, in the case of commitment fees and participation fees, to the Lenders. Fees paid shall not be refundable under any circumstances.

SECTION 2.13. Interest. (a) The Loans comprising ABR Borrowings (including Swingline Loans) shall bear interest at the ABR plus the Applicable Rate.

(b) The Loans comprising each Eurodollar Borrowing shall bear interest at the Adjusted LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Rate.

(c) Each Protective Advance and each Overadvance shall bear interest at the ABR plus the Applicable Rate for Revolving Loans plus 2%.

(d) Notwithstanding the foregoing, if any principal of or interest on any Loan or any fee or other amount payable by the Borrowers hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to (i) in the case of overdue principal of any Loan, 2% plus the rate otherwise applicable to such Loan as provided in the preceding paragraphs of this Section or (ii) in the case of any other amount, 2% plus the rate applicable to ABR Loans as provided in paragraph (a) of this Section.

(e) Accrued interest on each Loan (for ABR Loans, accrued through the last day of the prior calendar month) shall be payable in arrears on each Interest Payment Date for such Loan and upon termination of the Commitments; provided that (i) interest accrued pursuant to paragraph (d) of this Section shall be payable on demand, (ii) in the event of any repayment or prepayment of any Loan (other than a prepayment of an ABR Revolving Loan prior to the end of the Availability Period), accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment and (iii) in the event of any conversion of any Eurodollar Loan prior to the end of the current Interest Period therefor, accrued interest on such Loan shall be payable on the effective date of such conversion.

(f) All interest hereunder shall be computed on the basis of a year of 360 days, except that interest computed by reference to the Alternate Base Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Alternate Base Rate, Adjusted LIBO Rate, REVLIBOR30 Rate or LIBO Rate shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

SECTION 2.14. Alternate Rate of Interest; Illegality.

(a) If prior to the commencement of any Interest Period for a Eurodollar Borrowing:

(i) the Administrative Agent determines (which determination shall be conclusive and binding absent manifest error) that adequate and reasonable means do not exist for ascertaining the Adjusted LIBO Rate or the LIBO Rate, as applicable (including, without limitation, by means of an Interpolated Rate or because the LIBO Screen Rate is not available or published on a current basis) for such Interest Period; provided that no Benchmark Transition Event shall have occurred at such time; or

(ii) the Administrative Agent is advised by the Required Lenders that the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period will not adequately and fairly reflect the cost to such Lenders (or Lender) of making or maintaining their Loans (or Loan) included in such Borrowing for such Interest Period; then the Administrative Agent shall give notice thereof to the Borrower Representative and the Lenders through Electronic System as provided in Section 9.01 as promptly as practicable thereafter and, until the Administrative Agent notifies the Borrower Representative and the Lenders that the circumstances giving rise to such notice no longer exist, (A) any Interest Election Request that requests the conversion of any Borrowing to, or continuation of any Borrowing as, a Eurodollar Borrowing shall be ineffective and any such Eurodollar Borrowing shall be repaid or converted into an ABR Borrowing on the last day of the then current Interest Period applicable thereto, and (B) if any Borrowing Request requests a Eurodollar Borrowing, such Borrowing shall be made as an ABR Borrowing.

(b) If any Lender determines that any Requirement of Law has made it unlawful, or if any Governmental Authority has asserted that it is unlawful, for any Lender or its applicable lending office to make, maintain, fund or continue any Eurodollar Borrowing, or any Governmental Authority has imposed material restrictions on the authority of such Lender to purchase or sell, or to take deposits of, dollars in the

London interbank market, then, on notice thereof by such Lender to the Borrower Representative through the Administrative Agent, any obligations of such Lender to make, maintain, fund or continue Eurodollar Loans or to convert ABR Borrowings to Eurodollar Borrowings will be suspended until such Lender notifies the Administrative Agent and the Borrower Representative that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, the Borrowers will upon demand from such Lender (with a copy to the Administrative Agent), either prepay or convert all Eurodollar Borrowings of such Lender to ABR Borrowings, either on the last day of the Interest Period therefor, if such Lender may lawfully continue to maintain such Eurodollar Borrowings to such day, or immediately, if such Lender may not lawfully continue to maintain such Loans. Upon any such prepayment or conversion, the Borrowers will also pay accrued interest on the amount so prepaid or converted.

(c) Notwithstanding anything to the contrary herein or in any other Loan Document, upon the occurrence of a Benchmark Transition Event or an Early Opt-in Election, as applicable, the Administrative Agent and the Borrowers may amend this Agreement to replace the LIBO Rate with a Benchmark Replacement. Any such amendment with respect to a Benchmark Transition Event will become effective at 5:00 p.m. on the fifth (5th) Business Day after the Administrative Agent has posted such proposed amendment to all Lenders and the Borrowers, so long as the Administrative Agent has not received, by such time, written notice of objection to such proposed amendment from Lenders comprising the Required Lenders of each Class; provided that, with respect to any proposed amendment containing any SOFR-Based Rate, the Lenders shall be entitled to object only to the Benchmark Replacement Adjustment contained therein. Any such amendment with respect to an Early Opt-in Election will become effective on the date that Lenders comprising the Required Lenders of each Class have delivered to the Administrative Agent written notice that such Required Lenders accept such amendment. No replacement of LIBO Rate with a Benchmark Replacement will occur prior to the applicable Benchmark Transition Start Date.

(d) In connection with the implementation of a Benchmark Replacement, the Administrative Agent will have the right to make Benchmark Replacement Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Loan Document, any amendments implementing such Benchmark Replacement Conforming Changes will become effective without any further action or consent of any other party to this Agreement.

(e) The Administrative Agent will promptly notify the Borrower Representative and the Lenders of (i) any occurrence of a Benchmark Transition Event or an Early Opt-in Election, as applicable, (ii) the implementation of any Benchmark Replacement, (iii) the effectiveness of any Benchmark Replacement Conforming Changes and (iv) the commencement or conclusion of any Benchmark Unavailability Period. Any determination, decision or election that may be made by the Administrative Agent or Lenders pursuant to this Section 2.14, including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action, will be conclusive and binding absent manifest error and may be made in its or their sole discretion and without consent from any other party hereto, except, in each case, as expressly required pursuant to this Section 2.14.

(f) Upon the Borrower Representative's receipt of notice of the commencement of a Benchmark Unavailability Period, (i) any Interest Election Request that requests the conversion of any Borrowing to, or continuation of any Borrowing as, a Eurodollar Borrowing shall be ineffective and any such Eurodollar Borrowing shall be repaid or converted into an ABR Borrowing on the last day of the then current Interest Period applicable thereto, and (ii) if any Borrowing Request requests a Eurodollar Borrowing, such Borrowing shall be made as an ABR Borrowing.

SECTION 2.15. Increased Costs. (a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, liquidity or similar requirement (including any compulsory loan requirement, insurance charge or other assessment) against assets of, deposits with or for the account of, or credit extended by, any Lender (except any such reserve requirement reflected in the Adjusted LIBO Rate) or the Issuing Bank;

(ii) impose on any Lender or the Issuing Bank or the London interbank market any other condition, cost or expense (other than Taxes) affecting this Agreement or Loans made by such Lender or any Letter of Credit or participation therein; or

(iii) subject any Recipient to any Taxes (other than (A) Indemnified Taxes, (B) Excluded Taxes, and (C) Connection Income Taxes) on its loans, loan principal, letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto; and the result of any of the foregoing shall be to increase the cost to such Lender or such other Recipient of making, continuing, converting into or maintaining any Loan (or of maintaining its obligation to make any such Loan) or to increase the cost to such Lender, the Issuing Bank or such other Recipient of participating in, issuing or maintaining any Letter of Credit or to reduce the amount of any sum received or receivable by such Lender, the Issuing Bank or such other Recipient hereunder (whether of principal, interest or otherwise), then the Borrowers will pay to such Lender, the Issuing Bank or such other Recipient, as the case may be, such additional amount or amounts as will compensate such Lender, the Issuing Bank or such other Recipient, as the case may be, for such additional costs incurred or reduction suffered.

(b) If any Lender or the Issuing Bank determines that any Change in Law regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on such Lender's or the Issuing Bank's capital or on the capital of such Lender's or the Issuing Bank's holding company, if any, as a consequence of this Agreement, the Commitments of, or the Loans made by, or participations in Letters of Credit or Swingline Loans held by, such Lender, or the Letters of Credit issued by the Issuing Bank, to a level below that which such Lender or the Issuing Bank or such Lender's or the Issuing Bank's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or the Issuing Bank's policies and the policies of such Lender's or the Issuing Bank's holding company with respect to capital adequacy and liquidity), then from time to time the Borrowers will pay to such Lender or the Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or the Issuing Bank or such Lender's or the Issuing Bank's holding company for any such reduction suffered.

(c) A certificate of a Lender or the Issuing Bank setting forth the amount or amounts necessary to compensate such Lender or the Issuing Bank or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section shall be delivered to the Borrower Representative and shall be conclusive absent manifest error. The Borrowers shall pay such Lender or the Issuing Bank, as the case may be, the amount shown as due on any such certificate within ten (10) days after receipt thereof.

(d) Failure or delay on the part of any Lender or the Issuing Bank to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's or the Issuing Bank's right to demand such compensation; provided that the Borrowers shall not be required to compensate a Lender or the Issuing Bank pursuant to this Section for any increased costs or reductions incurred more than 270 days prior to the date that such Lender or the Issuing Bank, as the case may be, notifies the Borrower Representative of the Change in Law giving rise to such increased costs or reductions and of such Lender's or the Issuing Bank's intention to claim compensation therefor; provided further that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 270-day period referred to above shall be extended to include the period of retroactive effect thereof.

SECTION 2.16. Break Funding Payments. In the event of (a) the payment of any principal of any Eurodollar Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default or as a result of any prepayment pursuant to Section 2.11), (b) the conversion of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto, (c) the failure to borrow, convert, continue or prepay any Eurodollar Loan on the date specified in any notice delivered pursuant hereto (regardless of whether such notice may be revoked under Section 2.09(d) and is revoked in accordance therewith), or (d) the assignment of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Borrower Representative pursuant to Section 2.19 or 9.02(d), then, in any such event, the Borrowers shall compensate each Lender for the loss, cost and expense attributable to such event. In the case of a Eurodollar Loan, such loss, cost or expense to any Lender shall be deemed to include an amount determined by such Lender to be the excess, if any, of (i) the amount of interest which would have accrued on the principal amount of such Eurodollar Loan had such event not occurred, at the Adjusted LIBO Rate that would have been applicable to such Eurodollar Loan, for the period from the date of such event to the last day of the then current Interest Period therefor (or, in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period for such Eurodollar Loan), over (ii) the amount of interest which would accrue on such principal amount for such period at the interest rate which such Lender would bid were it to bid, at the commencement of such period, for dollar deposits of a comparable amount and period from other banks in the eurodollar market. A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section shall be delivered to the Borrower Representative and shall be conclusive absent manifest error. The Borrowers shall pay such Lender the amount shown as due on any such certificate within ten (10) days after receipt thereof.

SECTION 2.17. Withholding of Taxes; Gross-Up. (a) Payments Free of Taxes. Any and all payments by or on account of any obligation of any Loan Party under any Loan Document shall be made without deduction or withholding for any Taxes, except as required by applicable law. If any applicable law (as determined in the good faith discretion of an applicable withholding agent) requires the deduction or withholding of any Tax from any such payment by a withholding agent, then the applicable withholding agent shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with applicable law and, if such Tax is an Indemnified Tax, then the sum payable by the applicable Loan Party shall be increased as necessary so that after such deduction or withholding has been made (including such deductions and withholdings applicable to additional sums payable under this Section 2.17) the applicable Recipient receives an amount equal to the sum it would have received had no such deduction or withholding been made.

(b) Payment of Other Taxes by the Loan Parties. The Loan Parties shall timely pay to the relevant Governmental Authority in accordance with applicable law, or at the option of the Administrative Agent timely reimburse it for, Other Taxes.

(c) Evidence of Payment. As soon as practicable after any payment of Taxes by any Loan Party to a Governmental Authority pursuant to this Section 2.17, such Loan Party shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(d) Indemnification by the Loan Parties. The Loan Parties shall jointly and severally indemnify each Recipient, within ten (10) days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section) payable or paid by such Recipient or required to be withheld or deducted from a payment to such Recipient and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Loan Party by a Lender (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(e) Indemnification by the Lenders. Each Lender shall severally indemnify the Administrative Agent, within ten (10) days after demand therefor, for (i) any Indemnified Taxes attributable to such Lender (but only to the extent that any Loan Party has not already indemnified the Administrative Agent for such Indemnified Taxes and without limiting the obligation of the Loan Parties to do so), (ii) any Taxes attributable to such Lender's failure to comply with the provisions of Section 9.04(c) relating to the maintenance of a Participant Register and (iii) any Excluded Taxes attributable to such Lender, in each case, that are payable or paid by the Administrative Agent in connection with any Loan Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent to setoff and apply any and all amounts at any time owing to such Lender under any Loan Document or otherwise payable by the Administrative Agent to such Lender from any other source against any amount due to the Administrative Agent under this paragraph (e).

(f) Status of Lenders. (i) Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Loan Document shall deliver to the Borrower Representative and the Administrative Agent, at the time or times reasonably requested by the Borrower Representative or the Administrative Agent, such properly completed and executed documentation reasonably requested by the Borrower Representative or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by the Borrower Representative or the Administrative Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Borrower Representative or the Administrative Agent as will enable the Borrowers or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Section 2.17(f)(ii)(A), (ii)(B) and (ii)(D) below) shall not be required if in the Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(ii) Without limiting the generality of the foregoing, in the event that any Borrower is a U.S. Person,

(A) any Lender that is a U.S. Person shall deliver to the Borrower Representative and the Administrative Agent on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower Representative or the Administrative Agent), an executed copy of IRS Form W-9 certifying that such Lender is exempt from U.S. federal backup withholding tax;

(B) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower Representative and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower Representative or the Administrative Agent), whichever of the following is applicable:

(1) in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of interest under any Loan Document, an executed copy of IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable, establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "interest" article of such tax treaty and (y) with respect to any other applicable payments under any Loan Document, IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable, establishing an exemption from, or reduction of, U.S. Federal withholding Tax pursuant to the "business profits" or "other income" article of such tax treaty;

(2) in the case of a Foreign Lender claiming that its extension of credit will generate U.S. effectively connected income, an executed copy of IRS Form W-8ECI;

(3) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, (x) a certificate in form and substance satisfactory to the Administrative Agent to the effect that such Foreign Lender is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code, a "10 percent shareholder" of a Borrower within the meaning of Section 881(c)(3)(B) of the Code, or a "controlled foreign corporation" described in Section 881(c)(3)(C) of the Code (a "U.S. Tax Compliance Certificate") and (y) an executed copy of IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable; or

(4) to the extent a Foreign Lender is not the beneficial owner, an executed copy of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable, a U.S. Tax Compliance Certificate in form and substance satisfactory to the Administrative Agent, IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable; provided that if the Foreign Lender is a partnership and one or more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate in form and substance satisfactory to the Administrative Agent on behalf of each such direct and indirect partner;

(C) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower Representative and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower Representative or the Administrative Agent), executed copies of any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in U.S. federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by applicable law to permit the Borrowers or the Administrative Agent to determine the withholding or deduction required to be made; and

(D) if a payment made to a Lender under any Loan Document would be subject to U.S. Federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower Representative and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower Representative or the Administrative Agent such documentation prescribed by applicable law (including as

prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower Representative or the Administrative Agent as may be necessary for the Borrowers and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (D), "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

Each Lender agrees that if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Borrower Representative and the Administrative Agent in writing of its legal inability to do so.

(g) Treatment of Certain Refunds. If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section (including by the payment of additional amounts pursuant to this Section), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this paragraph (g) (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that such indemnified party is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this paragraph (g), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this paragraph (g) the payment of which would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts giving rise to such refund had never been paid. This paragraph (g) shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to the indemnifying party or any other Person.

(h) Survival. Each party's obligations under this Section shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender, the termination of the Commitments and the repayment, satisfaction or discharge of all obligations under any Loan Document (including the Payment in Full of the Secured Obligations).

(i) Defined Terms. For purposes of this Section 2.17, the term "Lender" includes any Issuing Bank and the term "applicable law" includes FATCA.

SECTION 2.18. Payments Generally; Allocation of Proceeds; Sharing of Setoffs. (a) The Borrowers shall make each payment or prepayment required to be made by them hereunder (whether of principal, interest, fees or reimbursement of LC Disbursements, or of amounts payable under Section 2.15, 2.16 or 2.17, or otherwise) prior to 2:00 p.m., Pacific time, on the date when due or the date fixed for any prepayment hereunder, in immediately available funds, without setoff, recoupment or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at its offices at 10 South Dearborn Street, Floor L2, Chicago, Illinois, except payments to be made directly to the Issuing Bank or Swingline Lender as expressly provided herein and except that payments pursuant to Sections 2.15, 2.16, 2.17 and 9.03 shall be made directly to the Persons entitled thereto. The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. Unless otherwise provided for herein, if any payment hereunder shall be due on a day that

is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder shall be made in dollars.

(b) All payments and any proceeds of Collateral received by the Administrative Agent (i) not constituting either (A) a specific payment of principal, interest, fees or other sum payable under the Loan Documents (which shall be applied as specified by the Borrowers), (B) a mandatory prepayment (which shall be applied in accordance with Section 2.11) or (C) amounts to be applied from the Collection Account when full cash dominion is in effect (which shall be applied in accordance with Section 2.10(b)) or (ii) after an Event of Default has occurred and is continuing and the Administrative Agent so elects or the Required Lenders so direct, shall be applied ratably first, to pay any fees, indemnities, or expense reimbursements then due to the Administrative Agent and the Issuing Bank from the Borrowers (other than in connection with Banking Services Obligations or Swap Agreement Obligations), second, to pay any fees, indemnities, or expense reimbursements then due to the Lenders from the Borrowers (other than in connection with Banking Services Obligations or Swap Agreement Obligations), third, to pay interest due in respect of the Overadvances and Protective Advances, fourth, to pay the principal of the Overadvances and Protective Advances, fifth, to pay interest then due and payable on the Loans (other than the Overadvances and Protective Advances) ratably, sixth, to prepay principal on the Loans (other than the Overadvances and Protective Advances) and unreimbursed LC Disbursements and to pay any amounts owing in respect of Swap Agreement Obligations up to and including the amount most recently provided to the Administrative Agent pursuant to Section 2.22, for which Reserves have been established, ratably, seventh, to pay an amount to the Administrative Agent equal to one hundred three percent (103%) of the aggregate LC Exposure, to be held as cash collateral for such Obligations, eighth, to payment of any amounts owing in respect of Banking Services Obligations and Swap Agreement Obligations up to and including the amount most recently provided to the Administrative Agent pursuant to Section 2.22 and to the extent not paid pursuant to clause sixth above, and ninth, to the payment of any other Secured Obligation due to the Administrative Agent or any Lender by the Borrowers. Notwithstanding the foregoing amounts received from any Loan Party shall not be applied to any Excluded Swap Obligation of such Loan Party. Notwithstanding anything to the contrary contained in this Agreement, unless so directed by the Borrower Representative, or unless a Default is in existence, neither the Administrative Agent nor any Lender shall apply any payment which it receives to any Eurodollar Loan of a Class, except (a) on the expiration date of the Interest Period applicable thereto or (b) in the event, and only to the extent, that there are no outstanding ABR Loans of the same Class and, in any such event, the Borrowers shall pay the break funding payment required in accordance with Section 2.16. The Administrative Agent and the Lenders shall have the continuing and exclusive right to apply and reverse and reapply any and all such proceeds and payments to any portion of the Secured Obligations.

(c) At the election of the Administrative Agent, all payments of principal, interest, LC Disbursements, fees, premiums, reimbursable expenses (including, without limitation, all reimbursement for fees, costs and expenses pursuant to Section 9.03), and other sums payable under the Loan Documents, may be paid from the proceeds of Borrowings made hereunder whether made following a request by the Borrower Representative pursuant to Section 2.03 or a deemed request as provided in this Section or may be deducted from any deposit account of any Borrower maintained with the Administrative Agent. The Borrowers hereby irrevocably authorize (i) the Administrative Agent to make a Borrowing for the purpose of paying each payment of principal, interest and fees as it becomes due hereunder or any other amount due under the Loan Documents and agrees that all such amounts charged shall constitute Loans (including Swingline Loans and Overadvances, but such a Borrowing may only constitute a Protective Advance if it is to reimburse costs, fees and expenses as described in Section 9.03) and that all such Borrowings shall be deemed to have been requested pursuant to Section 2.03, 2.04 or 2.05, as applicable, and (ii) the Administrative Agent to charge any deposit account of any Borrower maintained with the Administrative Agent for each payment of principal, interest and fees as it becomes due hereunder or any other amount due under the Loan Documents.

(d) If, except as otherwise expressly provided herein, any Lender shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Loans or participations in LC Disbursements resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Loans and participations in LC Disbursements and Swingline Loans and accrued interest thereon than the proportion received by any other similarly situated Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Loans and participations in LC Disbursements and Swingline Loans of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by all such Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Loans and participations in LC Disbursements and Swingline Loans; provided that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by the Borrowers pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or participations in LC Disbursements or Swingline Loans to any assignee or participant, other than to the Borrowers or any Subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply). Each Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against such Borrower rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of such Borrower in the amount of such participation.

(e) Unless the Administrative Agent shall have received, prior to any date on which any payment is due to the Administrative Agent for the account of the Lenders or the Issuing Bank pursuant to the terms hereof or any other Loan Document (including any date that is fixed for prepayment by notice from the Borrower Representative to the Administrative Agent pursuant to Section 2.11(e)), notice from the Borrower Representative that the Borrowers will not make such payment or prepayment, the Administrative Agent may assume that the Borrowers have made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders or the Issuing Bank, as the case may be, the amount due. In such event, if the Borrowers have not in fact made such payment, then each of the Lenders or the Issuing Bank, as the case may be, severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender or Issuing Bank with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the NYFRB Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

(f) The Administrative Agent may from time to time provide the Borrowers with account statements or invoices with respect to any of the Secured Obligations (the "Statements"). The Administrative Agent is under no duty or obligation to provide Statements, which, if provided, will be solely for the Borrowers' convenience. Statements may contain estimates of the amounts owed during the relevant billing period, whether of principal, interest, fees or other Secured Obligations. If the Borrowers pay the full amount indicated on a Statement on or before the due date indicated on such Statement, the Borrowers shall not be in default of payment with respect to the billing period indicated on such Statement; provided, that acceptance by the Administrative Agent, on behalf of the Lenders, of any payment that is less than the total amount actually due at that time (including but not limited to any past due amounts) shall not constitute a waiver of the Administrative Agent's or the Lenders' right to receive payment in full at another time.

SECTION 2.19. Mitigation Obligations; Replacement of Lenders.

(a) If any Lender requests compensation under Section 2.15, or if the Borrowers are required to pay any Indemnified Taxes or additional amounts to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.15 or 2.17, as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrowers hereby agree to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) If any Lender requests compensation under Section 2.15, or if the Borrowers are required to pay any Indemnified Taxes or additional amounts to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17, or if any Lender becomes a Defaulting Lender, then the Borrowers may, at their sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 9.04), all its interests, rights (other than its existing rights to payments pursuant to Section 2.15 or 2.17) and obligations under this Agreement and other Loan Documents to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (i) the Borrowers shall have received the prior written consent of the Administrative Agent (and in circumstances where its consent would be required under Section 9.04, the Issuing Bank and the Swingline Lender), which consent shall not unreasonably be withheld, (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans and funded participations in LC Disbursements and Swingline Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrowers (in the case of all other amounts) and (iii) in the case of any such assignment resulting from a claim for compensation under Section 2.15 or payments required to be made pursuant to Section 2.17, such assignment will result in a reduction in such compensation or payments. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrowers to require such assignment and delegation cease to apply. Each party hereto agrees that (x) an assignment required pursuant to this paragraph may be effected pursuant to an Assignment and Assumption executed by the Borrower Representative, the Administrative Agent and the assignee (or, to the extent applicable, an agreement incorporating an Assignment and Assumption by reference pursuant to an Approved Electronic Platform as to which the Administrative Agent and such parties are participants), and (y) the Lender required to make such assignment need not be a party thereto in order for such assignment to be effective and shall be deemed to have consented to an be bound by the terms thereof; provided that, following the effectiveness of any such assignment, the other parties to such assignment agree to execute and deliver such documents necessary to evidence such assignment as reasonably requested by the applicable Lender, provided that any such documents shall be without recourse to or warranty by the parties thereto.

SECTION 2.20. Defaulting Lenders. Notwithstanding any provision of this Agreement to the contrary, if any Lender becomes a Defaulting Lender, then the following provisions shall apply for so long as such Lender is a Defaulting Lender:

(a) any payment of principal, interest, fees or other amounts received by the Administrative Agent for the account of such Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to Section 2.18(b) or otherwise) or received by the Administrative Agent from a Defaulting Lender pursuant to Section 9.08 shall be applied at such time or times as may be determined by the Administrative Agent as

follows: first, to the payment of any amounts owing by such Defaulting Lender to the Administrative Agent hereunder; second, to the payment on a pro rata basis of any amounts owing by such Defaulting Lender to any Issuing Bank or Swingline Lender hereunder; third, to cash collateralize the Issuing Bank's LC Exposure with respect to such Defaulting Lender in accordance with this Section; fourth, as the Borrower Representative may request (so long as no Default or Event of Default exists), to the funding of any Loan in respect of which such Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determined by the Administrative Agent; fifth, if so determined by the Administrative Agent and the Borrower Representative, to be held in a deposit account and released pro rata in order to (x) satisfy such Defaulting Lender's potential future funding obligations with respect to Loans under this Agreement and (y) cash collateralize the Issuing Bank's future LC Exposure with respect to such Defaulting Lender with respect to future Letters of Credit issued under this Agreement, in accordance with this Section; sixth, to the payment of any amounts owing to the Lenders, the Issuing Bank or Swingline Lender as a result of any judgment of a court of competent jurisdiction obtained by any Lender, the Issuing Bank or Swingline Lender against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement or under any other Loan Document; seventh, so long as no Default or Event of Default exists, to the payment of any amounts owing to the Borrowers as a result of any judgment of a court of competent jurisdiction obtained by any Borrower against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement or under any other Loan Document; and eighth, to such Defaulting Lender or as otherwise directed by a court of competent jurisdiction; provided that if (x) such payment is a payment of the principal amount of any Loans or LC Disbursements in respect of which such Defaulting Lender has not fully funded its appropriate share, and (y) such Loans were made or the related Letters of Credit were issued at a time when the conditions set forth in Section 4.02 were satisfied or waived, such payment shall be applied solely to pay the Loans of, and LC Disbursements owed to, all non-Defaulting Lenders on a pro rata basis prior to being applied to the payment of any Loans of, or LC Disbursements owed to, such Defaulting Lender until such time as all Loans and funded and unfunded participations in the Borrowers' obligations corresponding to such Defaulting Lender's LC Exposure and Swingline Loans are held by the Lenders pro rata in accordance with the Commitments without giving effect to clause (d) below. Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender or to post cash collateral pursuant to this Section shall be deemed paid to and redirected by such Defaulting Lender, and each Lender irrevocably consents hereto;

(b) such Defaulting Lender shall not have the right to vote on any issue on which voting is required (other than to the extent expressly provided in Section 9.02(b)) and the Commitment and Revolving Exposure of such Defaulting Lender shall not be included in determining whether the Required Lenders have taken or may take any action hereunder (including any consent to any amendment, waiver or other modification pursuant to Section 9.02) or under any other Loan Document; provided, that, except as otherwise provided in Section 9.02, this clause (b) shall not apply to the vote of a Defaulting Lender in the case of an amendment, waiver or other modification requiring the consent of such Lender or each Lender directly affected thereby;

(c) if any Swingline Exposure or LC Exposure exists at the time a Lender becomes a Defaulting Lender then:

(i) all or any part of the Swingline Exposure and LC Exposure of such Defaulting Lender shall be reallocated among the non-Defaulting Lenders in accordance with their respective Applicable Percentages but only to the extent that such reallocation does not, as to any non-Defaulting Lender, cause such non-Defaulting Lender's Revolving Exposure to exceed its Revolving Commitment;

(ii) if the reallocation described in clause (i) above cannot, or can only partially, be effected, the Borrowers shall within one (1) Business Day following notice by the Administrative Agent (x) first, prepay such Swingline Exposure and (y) second, cash collateralize, for the benefit of the Issuing Bank, the Borrowers' obligations corresponding to such Defaulting Lender's LC Exposure (after giving effect to any partial reallocation pursuant to clause (i) above) in accordance with the procedures set forth in Section 2.06(j) for so long as such LC Exposure is outstanding;

(iii) if the Borrowers cash collateralize any portion of such Defaulting Lender's LC Exposure pursuant to clause (ii) above, the Borrowers shall not be required to pay any fees to such Defaulting Lender pursuant to Section 2.12(b) with respect to such Defaulting Lender's LC Exposure during the period such Defaulting Lender's LC Exposure is cash collateralized;

(iv) if the LC Exposure of the non-Defaulting Lenders is reallocated pursuant to clause (i) above, then the fees payable to the Lenders pursuant to Sections 2.12(a) and 2.12(b) shall be adjusted in accordance with such non-Defaulting Lenders' Applicable Percentages; and

(v) if all or any portion of such Defaulting Lender's LC Exposure is neither reallocated nor cash collateralized pursuant to clause (i) or (ii) above, then, without prejudice to any rights or remedies of the Issuing Bank or any other Lender hereunder, all letter of credit fees payable under Section 2.12(b) with respect to such Defaulting Lender's LC Exposure shall be payable to the Issuing Bank until and to the extent that such LC Exposure is reallocated and/or cash collateralized; and

(d) so long as such Lender is a Defaulting Lender, the Issuing Bank shall not be required to issue, amend, renew, extend or increase any Letter of Credit, unless it is satisfied that such Defaulting Lender's then outstanding LC Exposure will be 100% covered by the Commitments of the non-Defaulting Lenders and/or cash collateral will be provided by the Borrowers in accordance with Section 2.20(c), and LC Exposure related to any newly issued or increased Letter of Credit shall be allocated among non-Defaulting Lenders in a manner consistent with Section 2.20(c)(i) (and such Defaulting Lender shall not participate therein).

If (i) a Bankruptcy Event or a Bail-In Action with respect to the Parent of any Lender shall occur following the date hereof and for so long as such event shall continue or (ii) the Issuing Bank has a good faith belief that any Lender has defaulted in fulfilling its obligations under one or more other agreements in which such Lender commits to extend credit, the Issuing Bank shall not be required to issue, amend or increase any Letter of Credit, unless the Issuing Bank shall have entered into arrangements with the Borrowers or such Lender, satisfactory to the Issuing Bank to defease any risk to it in respect of such Lender hereunder.

In the event that each of the Administrative Agent, the Borrowers and the Issuing Bank agrees that a Defaulting Lender has adequately remedied all matters that caused such Lender to be a Defaulting Lender, then the LC Exposure of the Lenders shall be readjusted to reflect the inclusion of such Lender's Revolving Commitment and on the date of such readjustment such Lender shall purchase at par such of the Loans of the other Lenders (other than Swingline Loans) as the Administrative Agent shall determine may be necessary in order for such Lender to hold such Loans in accordance with its Applicable Percentage.

SECTION 2.21. Returned Payments. If after receipt of any payment which is applied to the payment of all or any part of the Obligations (including a payment effected through exercise of a right of setoff), the Administrative Agent or any Lender is for any reason compelled to surrender such payment or proceeds to any Person because such payment or application of proceeds is invalidated, declared fraudulent, set aside, determined to be void or voidable as a preference, impermissible setoff, or a diversion of trust

funds, or for any other reason (including pursuant to any settlement entered into by the Administrative Agent or such Lender in its discretion), then the Obligations or part thereof intended to be satisfied shall be revived and continued and this Agreement shall continue in full force as if such payment or proceeds had not been received by the Administrative Agent or such Lender. The provisions of this Section 2.21 shall be and remain effective notwithstanding any contrary action which may have been taken by the Administrative Agent or any Lender in reliance upon such payment or application of proceeds. The provisions of this Section 2.21 shall survive the termination of this Agreement.

SECTION 2.22. Banking Services and Swap Agreements. Each Lender or Affiliate thereof providing Banking Services (excluding Lease Financing) for, or having Swap Agreements with, any Loan Party or any Subsidiary of a Loan Party shall deliver to the Administrative Agent, promptly after entering into such Banking Services or Swap Agreements, written notice setting forth the aggregate amount of all Banking Services Obligations and Swap Agreement Obligations of such Loan Party or Subsidiary thereof to such Lender or Affiliate (whether matured or unmatured, absolute or contingent). In addition, each such Lender or Affiliate thereof shall deliver to the Administrative Agent, from time to time after a significant change therein or upon a request therefor, a summary of the amounts due or to become due in respect of such Banking Services Obligations and Swap Agreement Obligations. The most recent information provided to the Administrative Agent shall be used in determining the amounts to be applied in respect of such Banking Services Obligations and/or Swap Agreement Obligations pursuant to Section 2.18(b) and which tier of the waterfall, contained in Section 2.18(b), such Banking Services Obligations and/or Swap Agreement Obligations will be placed.

ARTICLE III

Representations and Warranties.

Each Loan Party represents and warrants to the Lenders that:

SECTION 3.01. Organization; Powers. Each Loan Party and each Subsidiary is duly organized or formed, validly existing and in good standing under the laws of the jurisdiction of its organization, has all requisite power and authority to carry on its business as now conducted and, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, is qualified to do business, and is in good standing, in every jurisdiction where such qualification is required.

SECTION 3.02. Authorization; Enforceability. The Transactions are within each Loan Party's corporate or other organizational powers and have been duly authorized by all necessary corporate or other organizational actions on the part of such Loan Party and, if required, actions by such Loan Party’s equity holders. Each Loan Document to which each Loan Party is a party has been duly executed and delivered by such Loan Party and constitutes a legal, valid and binding obligation of such Loan Party, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

SECTION 3.03. Governmental Approvals; No Conflicts. The Transactions (a) do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except such as have been obtained or made and are in full force and effect and except for filings necessary to perfect Liens created pursuant to the Loan Documents, (b) will not violate any Requirement of Law applicable to any Loan Party or any Subsidiary, (c) will not violate or result in a default under any indenture, agreement or other instrument binding upon any Loan Party or any Subsidiary or the assets of any Loan Party or any Subsidiary, or give rise to a right thereunder to require any payment to be made by any Loan Party or any Subsidiary, and (d) will not result in the creation or imposition of, or the requirement to create, any Lien on any asset of any Loan Party or any Subsidiary, except Liens created pursuant to the Loan Documents.

SECTION 3.04. Financial Condition; No Material Adverse Change. (a) The Company has heretofore furnished to the Lenders its consolidated balance sheet and statements of income, stockholders equity and cash flows (i) as of and for the fiscal year ended December 31, 2019, reported on by BDO USA, LLC, independent public accountants, and (ii) as of and for the fiscal month and the portion of the fiscal year ended July 31, 2020, certified by its Financial Officer. Such financial statements present fairly, in all material respects, the financial position and results of operations and cash flows of the Company and its consolidated Subsidiaries as of such dates and for such periods in accordance with GAAP, subject to normal year-end audit adjustments and the absence of footnotes in the case of the statements referred to in clause (ii) above.

(b) No event, change or condition has occurred that has had, or could reasonably be expected to have, a Material Adverse Effect, since December 31, 2019.

SECTION 3.05. Properties. (a) As of the date of this Agreement, Schedule 3.05 sets forth the address of each parcel of real property that is owned or leased by any Loan Party. Each of such leases and subleases is valid and enforceable in accordance with its terms and is in full force and effect, and no default by any Loan Party or Subsidiary party or, to the extent such default could not reasonably be expected to result in a Material Adverse Effect, any other party to any such lease or sublease exists. Each of the Loan Parties and each of its Subsidiaries has good title to, or valid leasehold interests in, all of its real and personal property, free of all Liens other than those permitted by Section 6.02.

(b) Each Loan Party and each Subsidiary owns, or is licensed to use, all trademarks, tradenames, copyrights, patents and other intellectual property material and necessary to its business as currently conducted, a correct and complete list of which, as of the date of this Agreement and to the extent the same is registered or subject to application for registration, is set forth on Schedule 3.05, and the use thereof by each Loan Party and each Subsidiary does not infringe upon the rights of any other Person except as could not reasonably be expected to result in a Material Adverse Effect, and each Loan Party's and each Subsidiary's rights thereto are not subject to any licensing agreement or similar arrangement.

SECTION 3.06. Litigation and Environmental Matters. (a) There are no actions, suits or proceedings by or before any arbitrator or Governmental Authority pending against or, to the knowledge of any Loan Party, threatened against or affecting any Loan Party or any Subsidiary (i) as to which there is a reasonable possibility of an adverse determination and that, if adversely determined, could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect (other than the Disclosed Matters) or (ii) that involve any Loan Document or the Transactions.

(b) Except for the Disclosed Matters (i) no Loan Party or any Subsidiary has received notice of any claim with respect to any Environmental Liability or knows of any basis for any Environmental Liability, in each case, that could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect, and (ii) except with respect to any other matters that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, no Loan Party or any Subsidiary (A) has failed to comply with any Environmental Law or to obtain, maintain or comply with any permit, license or other approval required under any Environmental Law, (B) has become subject to any Environmental Liability, (C) has received notice of any claim with respect to any Environmental Liability or (D) knows of any basis for any Environmental Liability.

(c) Since the date of this Agreement, there has been no change in the status of the Disclosed Matters that, individually or in the aggregate, has resulted in, or materially increased the likelihood of, a Material Adverse Effect.

SECTION 3.07. Compliance with Laws and Agreements; No Default. Except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, each Loan Party and each Subsidiary is in compliance with (a) all Requirement of Law applicable to it or its property and (b) all indentures, agreements and other instruments binding upon it or its property. No Default has occurred and is continuing.

SECTION 3.08. Investment Company Status. No Loan Party or any Subsidiary is an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940.

SECTION 3.09. Taxes. Each Loan Party and each Subsidiary has timely filed or caused to be filed all Tax returns and reports required to have been filed and has paid or caused to be paid all Taxes required to have been paid by it, except Taxes that are being contested in accordance with Section 5.04. No tax liens (other than Permitted Encumbrances) have been filed and no claims are being asserted with respect to any such taxes.

SECTION 3.10. ERISA. No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events for which liability is reasonably expected to occur, could reasonably be expected to result in a Material Adverse Effect. The present value of all accumulated benefit obligations under each Plan (based on the assumptions used for purposes of Statement of Financial Accounting Standards No. 87) did not, as of the date of the most recent financial statements reflecting such amounts, exceed the fair market value of the assets of such Plan.

SECTION 3.11. Disclosure. (a) The Loan Parties have disclosed to the Lenders all agreements, instruments and corporate or other restrictions to which any Loan Party or any Subsidiary is subject, and all other matters known to it, that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect. None of the reports, financial statements, certificates or other information furnished by or on behalf of any Loan Party or any Subsidiary to the Administrative Agent or any Lender in connection with the negotiation of this Agreement or any other Loan Document (as modified or supplemented by other information so furnished) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that, with respect to projected financial information, the Loan Parties represent only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time delivered and, if such projected financial information was delivered prior to the Effective Date, as of the Effective Date.

(b) As of the Effective Date, to the best knowledge of any Borrower, the information included in the Beneficial Ownership Certification provided on or prior to the Effective Date to any Lender in connection with this Agreement is true and correct in all respects.

SECTION 3.12. Material Agreements. All agreements and contracts to which any Loan Party or any Subsidiary is a party or is bound as of the date of this Agreement that, if defaulted on by the applicable Loan Party or Subsidiary or terminated, could reasonably be expected to result in a Material Adverse Effect, are listed on Schedule 3.12. No Loan Party or any Subsidiary is in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in (a) any material agreement to which it is a party or (b) any agreement or instrument evidencing or governing Indebtedness, except in each case as could not reasonably be expected to have a Material Adverse Effect.

SECTION 3.13. Solvency. (a) Immediately after the consummation of the Transactions to occur on the Effective Date, (i) the fair value of the assets of each Loan Party, at a fair valuation, will exceed its debts and liabilities, subordinated, contingent or otherwise; (ii) the present fair saleable value of the property of each Loan Party will be greater than the amount that will be required to pay the probable liability of its

debts and other liabilities, subordinated, contingent or otherwise, as such debts and other liabilities become absolute and matured; (iii) each Loan Party will be able to pay its debts and liabilities, subordinated, contingent or otherwise, as such debts and liabilities become absolute and matured; and (iv) no Loan Party will have unreasonably small capital with which to conduct the business in which it is engaged as such business is now conducted and is proposed to be conducted after the Effective Date.

(b) No Loan Party intends to, nor will permit any Subsidiary to, and no Loan Party believes that it or any Subsidiary will, incur debts beyond its ability to pay such debts as they mature, taking into account the timing of and amounts of cash to be received by it or any such Subsidiary and the timing of the amounts of cash to be payable on or in respect of its Indebtedness or the Indebtedness of any such Subsidiary.

SECTION 3.14. Insurance. Schedule 3.14 sets forth a description of all insurance maintained by or on behalf of the Loan Parties and their Subsidiaries as of the Effective Date. As of the Effective Date, all premiums in respect of such insurance have been paid. Each Borrower maintains, and has caused each Subsidiary to maintain, with financially sound and reputable insurance companies, insurance on all their real and personal property in such amounts, subject to such deductibles and self-insurance retentions and covering such properties and risks as are adequate and customarily maintained by companies engaged in the same or similar businesses operating in the same or similar locations.

SECTION 3.15. Capitalization and Subsidiaries. Schedule 3.15 sets forth, as of the Effective Date: (a) a correct and complete list of the name and relationship to the Company of each and all of the Company's Subsidiaries, (b) a true and complete listing of each class of each Borrower's authorized Equity Interests, all of which issued Equity Interests are validly issued, outstanding, fully paid and non-assessable, and owned of record by the Persons identified on Schedule 3.15, and (c) the type of entity of the Company and each of its Subsidiaries. All of the issued and outstanding Equity Interests owned by any Loan Party have been (to the extent such concepts are relevant with respect to such ownership interests) duly authorized and issued and are fully paid and non-assessable. There are no outstanding commitments or other obligations of any Loan Party to issue, and no options, warrants or other rights of any Person to acquire, any shares of any class of capital stock or other equity interests of any Loan Party that, if consummated or exercised, would violate the terms hereof.

SECTION 3.16. Security Interest in Collateral. The provisions of this Agreement and the other Loan Documents create legal and valid Liens on all of the Collateral in favor of the Administrative Agent, for the benefit of the Secured Parties, and such Liens constitute perfected and continuing Liens on the Collateral, securing the Secured Obligations, enforceable against the applicable Loan Party and all third parties, and having priority over all other Liens on the Collateral except in the case of (a) Liens permitted by Section 6.02, to the extent any such Liens would have priority over the Liens in favor of the Administrative Agent pursuant to any applicable law or agreement permitted hereunder, and (b) Liens perfected only by possession (including possession of any certificate of title) to the extent the Administrative Agent has not obtained or does not maintain possession of such Collateral.

SECTION 3.17. Employment Matters. As of the Effective Date, there are no strikes, lockouts or slowdowns against any Loan Party or any Subsidiary pending or, to the knowledge of any Loan Party, threatened. The hours worked by and payments made to employees of the Loan Parties and their Subsidiaries have not been in violation of the Fair Labor Standards Act or any other applicable Federal, state, local or foreign law dealing with such matters. All payments due from any Loan Party or any Subsidiary, or for which any claim may be made against any Loan Party or any Subsidiary, on account of wages and employee health and welfare insurance and other benefits, have been paid or accrued as a liability on the books of such Loan Party or such Subsidiary.

SECTION 3.18. Margin Regulations. No Loan Party is engaged and will not engage, principally or as one of its important activities, in the business of purchasing or carrying Margin Stock, or extending

credit for the purpose of purchasing or carrying Margin Stock, and no part of the proceeds of any Borrowing or Letter of Credit hereunder will be used to buy or carry any Margin Stock. Following the application of the proceeds of each Borrowing or drawing under each Letter of Credit, not more than 25% of the value of the assets (either of any Loan Party only or of the Loan Parties and their Subsidiaries on a consolidated basis) will be Margin Stock.

SECTION 3.19. Use of Proceeds. The proceeds of the Loans have been used and will be used, whether directly or indirectly as set forth in Section 5.08.

SECTION 3.20. No Burdensome Restrictions. No Loan Party is subject to any Burdensome Restrictions except Burdensome Restrictions permitted under Section 6.10.

SECTION 3.21. Anti-Corruption Laws and Sanctions. Each Loan Party has implemented and maintains in effect policies and procedures designed to ensure compliance by such Loan Party, its Subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions, and such Loan Party, its Subsidiaries and their respective officers and directors and, to the knowledge of such Loan Party, its employees and agents, are in compliance with Anti-Corruption Laws and applicable Sanctions in all material respects. None of (a) any Loan Party, any Subsidiary or any of their respective directors, officers or, to the knowledge of any such Loan Party or Subsidiary, employees, or (b) to the knowledge of any such Loan Party or Subsidiary, any agent of such Loan Party or any Subsidiary that will act in any capacity in connection with or benefit from the credit facility established hereby, is a Sanctioned Person. No Borrowing or Letter of Credit, use of proceeds, Transaction or other transaction contemplated by this Agreement or the other Loan Documents will violate Anti-Corruption Laws or applicable Sanctions.

SECTION 3.22. Affiliate Transactions. Except as set forth on Schedule 3.22, as of the date of this Agreement, there are no existing or proposed agreements, arrangements, understandings or transactions between any Loan Party and any Affiliates of any Loan Party (other than the ownership of the other Loan Parties and/or wholly owned Subsidiaries).

SECTION 3.23. Common Enterprise. The successful operation and condition of each of the Loan Parties is dependent on the continued successful performance of the functions of the group of the Loan Parties as a whole and the successful operation of each of the Loan Parties is dependent on the successful performance and operation of each other Loan Party. Each Loan Party expects to derive benefit (and its board of directors or other governing body has determined that it may reasonably be expected to derive benefit), directly and indirectly, from (a) successful operations of each of the other Loan Parties and (b) the credit extended by the Lenders to the Borrowers hereunder, both in their separate capacities and as members of the group of companies. Each Loan Party has determined that execution, delivery, and performance of this Agreement and any other Loan Documents to be executed by such Loan Party is within its purpose, in furtherance of its direct and/or indirect business interests, will be of direct and/or indirect benefit to such Loan Party, and is in its best interest.

SECTION 3.24. EEA Financial Institutions. No Loan Party is an EEA Financial Institution.

SECTION 3.25. Plan Assets; Prohibited Transactions. Subject to the accuracy of the Lenders' representations in Section 8.09(a), no Loan Party or any of its Subsidiaries is an entity deemed to hold "plan assets" (within the meaning of the Plan Asset Regulations), and neither the execution, delivery nor performance of the transactions contemplated under this Agreement, including the making of any Loan and the issuance of any Letter of Credit hereunder, will give rise to a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code.

SECTION 3.26 Credit Card Agreements. Schedule 3.26 (as updated from time to time as permitted by Section 5.15) sets forth a list of all credit card processing arrangements and all Credit Card Agreements to which any Borrower is a party with respect to the payment to any Borrower of the proceeds of all credit card charges for sales by such Borrower. The Credit Card Agreements listed on Schedule 3.26 constitute all of such agreements necessary for Borrowers to operate its business as presently conducted with respect to credit cards and debit cards and each of the Credit Card Agreements constitutes the legal, valid and binding obligations of the Borrowers and to the best of each Borrowers' knowledge, the other parties thereto, enforceable in accordance with their respective terms and is in full force and effect. Except as could not reasonably (i) be expected to have a Material Adverse Effect or (ii) result in the cessation of the transfer of payments under any Credit Card Agreement to a Collection Account as required under the Loan Documents, no default or event of default, or act, condition or event which after notice or passage of time or both, would constitute a default or an event of default under any of the Credit Card Agreements exists or has occurred. The Borrowers and the other parties thereto have complied with all of the terms and conditions of the Credit Card Agreements to the extent necessary for such Borrowers to be entitled to receive all payments thereunder which constitute proceeds of Eligible Credit Card Accounts Receivable. Borrowers have delivered, or caused to be delivered to Administrative Agent, true, correct and complete copies of all of the Credit Card Agreements.

SECTION 3.27 Holdings as a Holding Company. Holdings is a holding company and does not have any material liabilities (other than liabilities arising under the Loan Documents), own any material assets (other than the Equity Interests of other Loan Parties) or engage in any operations or business (other than the ownership of other Loan Parties).

SECTION 3.28 Immaterial Subsidiary. The Immaterial Subsidiary does not (a) own any assets (other than assets of a *de minimis* nature), (b) have any liabilities (other than liabilities of a *de minimis* nature), or (c) engage in any business activity.

ARTICLE IV

Conditions.

SECTION 4.01. Effective Date. The obligations of the Lenders to make Loans and of the Issuing Bank to issue Letters of Credit hereunder shall not become effective until the date on which each of the following conditions is satisfied (or waived in accordance with Section 9.02):

(a) Credit Agreement and Other Loan Documents. The Administrative Agent (or its counsel) shall have received (i) from each party hereto either (A) a counterpart of this Agreement signed on behalf of such party or (B) written evidence satisfactory to the Administrative Agent (which may include facsimile or other electronic transmission of a signed signature page of this Agreement) that such party has signed a counterpart of this Agreement, (ii) either (A) a counterpart of each other Loan Document signed on behalf of each party thereto or (B) written evidence satisfactory to the Administrative Agent (which may include facsimile or other electronic transmission of a signed signature page thereof) that each such party has signed a counterpart of such Loan Document and (iii) such other certificates, documents, instruments and agreements as the Administrative Agent shall reasonably request in connection with the transactions contemplated by this Agreement and the other Loan Documents, including any promissory notes requested by a Lender pursuant to Section 2.10 payable to the order of each such requesting Lender and a written opinion of the Loan Parties' counsel, addressed to the Administrative Agent, the Issuing Bank and the Lenders, all in form and substance satisfactory to the Administrative Agent and its counsel.

(b) Financial Statements and Projections. The Lenders shall have received (i) audited consolidated financial statements of the Company for its 2018 and 2019 fiscal years, (ii) unaudited interim

consolidated financial statements of the Company for each fiscal month and quarter ended after the date of the latest applicable financial statements delivered pursuant to clause (i) of this paragraph as to which such financial statements are available, and such financial statements shall not, in the reasonable judgment of the Administrative Agent, reflect any material adverse change in the consolidated financial condition of the Company, as reflected in the audited, consolidated financial statements described in clause (i) of this paragraph, and (iii) satisfactory projections of the Company's income statement, balance sheet and cash flows (A) on a monthly basis through December 31, 2021, and (B) on an annual basis through December 31, 2023.

(c) Closing Certificates; Certified Certificate of Incorporation; Good Standing Certificates. The Administrative Agent shall have received (i) a certificate of each Loan Party, dated the Effective Date and executed by its Secretary or Assistant Secretary, which shall (A) certify the resolutions of its Board of Directors, members or other body authorizing the execution, delivery and performance of the Loan Documents to which it is a party, (B) identify by name and title and bear the signatures of the officers of such Loan Party authorized to sign the Loan Documents to which it is a party and, in the case of each Borrower, its Financial Officers, and (C) contain appropriate attachments, including the certificate or articles of incorporation or organization of each Loan Party certified by the relevant authority of the jurisdiction of organization of such Loan Party and a true and correct copy of its by-laws or operating, management or partnership agreement, or other organizational or governing documents, and (ii) a good standing certificate for each Loan Party from its jurisdiction of organization or the substantive equivalent available in the jurisdiction of organization for each Loan Party from the appropriate governmental officer in such jurisdiction.

(d) No Default Certificate. The Administrative Agent shall have received a certificate, signed by each Loan Party and a Financial Officer of each Borrower, dated as of the Effective Date (i) stating that no Default has occurred and is continuing, (ii) stating that the representations and warranties contained in the Loan Documents are true and correct as of such date, and (iii) certifying as to any other factual matters as may be reasonably requested by the Administrative Agent.

(e) Fees. The Lenders and the Administrative Agent shall have received all fees required to be paid, and all expenses for which invoices have been presented (including the reasonable fees and expenses of legal counsel), at least one Business Day before the Effective Date. All such amounts will be paid with proceeds of Loans made on the Effective Date and will be reflected in the funding instructions given by the Borrower Representative to the Administrative Agent on or before the Effective Date.

(f) Lien Searches. The Administrative Agent shall have received the results of a recent lien search in each jurisdiction where the Loan Parties are organized and where the assets of the Loan Parties are located, and such search shall reveal no Liens on any of the assets of the Loan Parties except for Liens permitted by Section 6.02 or discharged on or prior to the Effective Date pursuant to a pay-off letter or other documentation satisfactory to the Administrative Agent.

(g) Pay-Off Letter. The Administrative Agent shall have received satisfactory pay-off letters for all existing Indebtedness to be repaid from the proceeds of the initial Borrowing, confirming that all Liens upon any of the property of the Loan Parties constituting Collateral will be terminated concurrently with such payment and all letters of credit issued or guaranteed as part of such Indebtedness shall have been cash collateralized or supported by a Letter of Credit.

(h) Funding Account. The Administrative Agent shall have received a notice setting forth the deposit account(s) of the Borrowers (the "Funding Account") to which the Administrative Agent is

authorized by the Borrowers to transfer the proceeds of any Borrowings requested or authorized pursuant to this Agreement.

(i) Customer List. The Administrative Agent shall have received a true and complete customer list for each Borrower and its Subsidiaries, which list shall state the customer's name, mailing address and phone number and shall be certified as true and correct by a Financial Officer of the Borrower Representative.

(j) Collateral Access and Control Agreements. The Administrative Agent shall have received (i) each Collateral Access Agreement required to be provided pursuant to Section 4.13 of the Security Agreement and (ii) each Deposit Account Control Agreement required to be provided pursuant to Section 4.14 of the Security Agreement.

(k) Solvency. The Administrative Agent shall have received a solvency certificate signed by a Financial Officer of the Company dated the Effective Date.

(l) Borrowing Base Certificate. The Administrative Agent shall have received a Borrowing Base Certificate which calculates the Borrowing Base as of a date specified by the Administrative Agent.

(m) Closing Excess Availability. After giving effect to all Borrowings to be made on the Effective Date, the issuance of any Letters of Credit on the Effective Date and the payment of all fees and expenses due hereunder, and with all of the Loan Parties' indebtedness, liabilities, and obligations current, Excess Availability shall not be less than $60,000,000.

(n) Pledged Notes. The Administrative Agent shall have received each promissory note (if any) pledged to the Administrative Agent pursuant to the Security Agreement endorsed (without recourse) in blank (or accompanied by an executed transfer form in blank) by the pledgor thereof.

(o) Filings, Registrations and Recordings. Each document (including any Uniform Commercial Code financing statement) required by the Collateral Documents or under law or reasonably requested by the Administrative Agent to be filed, registered or recorded in order to create in favor of the Administrative Agent, for the benefit of itself, the Lenders and the other Secured Parties, a perfected Lien on the Collateral described therein, prior and superior in right to any other Person (other than with respect to Liens expressly permitted by Section 6.02), shall be in proper form for filing, registration or recordation.

(p) Insurance. The Administrative Agent shall have received evidence of insurance coverage in form, scope, and substance reasonably satisfactory to the Administrative Agent and otherwise in compliance with the terms of Section 5.10 hereof and Section 4.12 of the Security Agreement.

(q) Letter of Credit Application. If a Letter of Credit is requested to be issued on the Effective Date, the Administrative Agent shall have received a properly completed letter of credit application (whether standalone or pursuant to a master agreement, as applicable).

(r) Tax Withholding. The Administrative Agent shall have received a properly completed and signed IRS Form W-8 or W-9, as applicable, for each Loan Party.

(s) Approvals. All governmental and third party approvals necessary in connection with the financing contemplated hereby and the continuing operations of the Borrowers and their Subsidiaries (including shareholder approvals, if any) shall have been obtained on terms satisfactory to Administrative Agent and shall be in full force and effect.

(t) Corporate Structure. The corporate structure, capital structure and other material debt instruments, material accounts and governing documents of the Borrowers and their Affiliates shall be acceptable to the Administrative Agent in its sole discretion.

(u) Field Examination. The Administrative Agent or its designee shall have conducted a field examination of the Loan Parties', Accounts, Credit Card Accounts Receivable, Inventory and related working capital matters and of the Borrowers' related data processing and other systems, the results of which shall be satisfactory to the Administrative Agent in its sole discretion.

(v) Legal Due Diligence. The Administrative Agent and its counsel shall have completed all legal due diligence, the results of which shall be satisfactory to Administrative Agent in its sole discretion.

(w) Appraisal(s). The Administrative Agent shall have received an appraisal of the Borrowers' Inventory from one or more firms satisfactory to the Administrative Agent, which appraisal shall be satisfactory to the Administrative Agent in its sole discretion.

(x) USA PATRIOT Act, Etc. (i) The Administrative Agent shall have received, at least fifteen (15) Business Days prior to the Effective Date, all documentation and other information regarding the Borrowers requested in connection with applicable "know your customer" and anti-money laundering rules and regulations, including the USA PATRIOT Act, to the extent requested in writing of the Borrowers at least twenty (20) Business Days prior to the Effective Date, and (ii) to the extent any Borrower qualifies as a "legal entity customer" under the Beneficial Ownership Regulation, at least ten (10) Business Days prior to the Effective Date, any Lender that has requested, in a written notice to the Borrowers at least fifteen (15) Business Days prior to the Effective Date, a Beneficial Ownership Certification in relation to each Borrower shall have received such Beneficial Ownership Certification (provided that, upon the execution and delivery by such Lender of its signature page to this Agreement, the condition set forth in this clause (ii) shall be deemed to be satisfied).

(y) Specified Distribution. The Loan Parties shall have made the Specified Distribution on the Effective Date.

(z) Other Documents. The Administrative Agent shall have received such other documents as the Administrative Agent, the Issuing Bank, any Lender or their respective counsel may have reasonably requested.

The Administrative Agent shall notify the Borrowers, the Lenders and the Issuing Bank of the Effective Date, and such notice shall be conclusive and binding.

SECTION 4.02. Each Credit Event. The obligation of each Lender to make a Loan on the occasion of any Borrowing, and of the Issuing Bank to issue, amend, renew or extend any Letter of Credit, is subject to the satisfaction of the following conditions:

(a) The representations and warranties of the Loan Parties set forth in the Loan Documents shall be true and correct in all material respects with the same effect as though made on and as of the date of such Borrowing or the date of issuance, amendment, renewal or extension of such Letter of Credit, as applicable (it being understood and agreed that any representation or warranty which by its terms is made as of a specified date shall be required to be true and correct in all material respects only as of such specified

date, and that any representation or warranty which is subject to any materiality qualifier shall be required to be true and correct in all respects).

(b) At the time of and immediately after giving effect to such Borrowing or the issuance, amendment, renewal or extension of such Letter of Credit, as applicable, (i) no Default shall have occurred and be continuing and (ii) no Protective Advance shall be outstanding.

(c) After giving effect to any Borrowing or the issuance, amendment, renewal or extension of any Letter of Credit, Availability shall not be less than zero.

(d) The Consolidated Cash Balance on and as of the date of such Borrowing, Swingline Borrowing or the date of the issuance, amendment, renewal or extension of such Letter of Credit does not exceed 35% of the Aggregate Revolving Commitment, before and after giving effect to such Borrowing, Swingline Borrowing or to the issuance, amendment, renewal or extension of such Letter of Credit and to the application of the proceeds therefrom on or around such date, but in any event, not to exceed two Business Days after such date.

Each Borrowing and each issuance, amendment, renewal or extension of a Letter of Credit shall be deemed to constitute a representation and warranty by the Borrowers on the date thereof as to the matters specified in paragraphs (a), (b), (c) and (d) of this Section.

ARTICLE V

Affirmative Covenants.

Until all of the Secured Obligations have been Paid in Full, each Loan Party executing this Agreement covenants and agrees, jointly and severally with all of the other Loan Parties, with the Lenders that:

SECTION 5.01. Financial Statements; Borrowing Base and Other Information. The Borrowers will furnish to the Administrative Agent and each Lender:

(a) within one hundred twenty (120) days after the end of each fiscal year of the Company, its audited consolidated and, if applicable, consolidating (or as otherwise agreed by Administrative Agent in its Permitted Discretion) balance sheet and related statements of operations, stockholders' equity and cash flows as of the end of and for such year, setting forth in each case in comparative form the figures for the previous fiscal year, all reported on by independent public accountants acceptable to the Administrative Agent (without a "going concern" or like qualification, commentary or exception, and without any qualification or exception as to the scope of such audit) to the effect that such consolidated financial statements present fairly in all material respects the financial condition and results of operations of the Company and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, accompanied by any management letter prepared by said accountants;

(b) at all times on or after a Qualifying IPO, within forty-five (45) days after the end of each of the fiscal quarters of each fiscal year of the Company, its consolidated and, if applicable, consolidating (or as otherwise agreed by Administrative Agent in its Permitted Discretion) balance sheet and related statements of operations, stockholders' equity and cash flows as of the end of and for such fiscal quarter and the then elapsed portion of such fiscal year, setting forth in each case in comparative form the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of) the previous fiscal year, all certified by a Financial Officer of the Borrower Representative as presenting fairly in all material respects the financial condition and results of operations of the Company and its consolidated

Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments and the absence of footnotes;

(c) within thirty (30) days after the end of each fiscal month of the Company, its consolidated and, if applicable, consolidating (or as otherwise agreed by Administrative Agent in its Permitted Discretion) balance sheet and related statements of operations, stockholders' equity and cash flows as of the end of and for such fiscal month and the then elapsed portion of the fiscal year, setting forth in each case in comparative form the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of) the previous fiscal year, all certified by a Financial Officer of the Borrower Representative as presenting fairly in all material respects the financial condition and results of operations of the Company and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments and the absence of footnotes;

(d) concurrently with any delivery of financial statements under clause (a), (b) or (c) above, a Compliance Certificate (i) certifying, in the case of the financial statements delivered under clause (b) or (c), as presenting fairly in all material respects the financial condition and results of operations of the Company and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments and the absence of footnotes, (ii) certifying as to whether a Default has occurred and, if a Default has occurred, specifying the details thereof and any action taken or proposed to be taken with respect thereto, (iii) setting forth reasonably detailed calculations of the Fixed Charge Coverage Ratio (whether or not a Covenant Testing Trigger Period exists) and, if a Covenant Testing Trigger Period exists, demonstrating whether the Loan Parties are in compliance with 6.13 and (iv) stating whether any change in GAAP or in the application thereof has occurred since the date of the audited financial statements referred to in Section 3.04 and, if any such change has occurred, specifying the effect of such change on the financial statements accompanying such certificate;

(e) concurrently with any delivery of financial statements under clause (a) above, a certificate of the accounting firm that reported on such financial statements stating whether they obtained knowledge during the course of their examination of such financial statements of any Default (which certificate may be limited to the extent required by accounting rules or guidelines);

(f) as soon as available but in any event no later than 60 days after the end of, and no earlier than 30 days prior to the end of, each fiscal year of the Company, a copy of the plan and forecast (including a projected consolidated and consolidating balance sheet, income statement and cash flow statement) of the Company for each month of the upcoming fiscal year (the "Projections") in form reasonably satisfactory to the Administrative Agent;

(g) (x) as soon as available but in any event within 30 days of the end of each calendar month (and within 3 Business Days of the end of each calendar week which ends during a Reporting Trigger Period), and (y) at such other times as may be reasonably requested by the Administrative Agent in its Permitted Discretion (provided, that Administrative Agent will not request such reporting pursuant to this clause (y) more than 2 times in any 30 consecutive day period so long as no Event of Default has occurred and is continuing), as of the period then ended, a Borrowing Base Certificate and supporting information in connection therewith, together with any additional reports with respect to the Borrowing Base as the Administrative Agent may reasonably request;

(h) (x) as soon as available but in any event within 30 days of the end of each calendar month, and (y) at such other times as may be reasonably requested by the Administrative Agent in its Permitted Discretion (provided, that Administrative Agent will not request such reporting pursuant to this clause (y) more than 2 times in any 30 consecutive day period so long as no Event of Default has occurred and is continuing), as of the period then ended, all delivered electronically in a text formatted file acceptable to the Administrative Agent;

(i) a detailed aging of the Borrowers' Accounts, including all invoices aged by invoice date and due date (with an explanation of the terms offered), prepared in a manner reasonably acceptable to the Administrative Agent, together with a summary specifying the name, address, and balance due for each Account Debtor;

(ii) a schedule detailing the Borrowers' Inventory, in form satisfactory to the Administrative Agent, (1) by location (showing Inventory in transit, any Inventory located with a third party under any consignment, bailee arrangement, or warehouse agreement), by class (raw material, work-in-process and finished goods), by product type, and by volume on hand, which Inventory shall be valued at the lower of cost (average cost) or market, determined on a first-in, first-out basis, and adjusted for Reserves as the Administrative Agent has previously indicated to the Borrower Representative are deemed by the Administrative Agent to be appropriate, and (2) including a report of any variances or other results of Inventory counts performed by the Borrowers since the last Inventory schedule (including information regarding sales or other reductions, additions, returns, credits issued by Borrowers and complaints and claims made against the Borrowers);

(iii) a worksheet of calculations prepared by the Borrowers to determine Eligible Accounts, Eligible Credit Card Accounts Receivable and Eligible Inventory, such worksheets detailing the Accounts, Credit Card Accounts Receivable and Inventory excluded from Eligible Accounts, Eligible Credit Card Accounts Receivable and Eligible Inventory and the reason for such exclusion;

(iv) a reconciliation of the Borrowers' Accounts, Credit Card Accounts Receivable and Inventory between (A) the amounts shown in the Borrowers' general ledger and financial statements and the reports delivered pursuant to clauses (i) and (ii) above and (B) the amounts and dates shown in the reports delivered pursuant to clauses (i) and (ii) above and the Borrowing Base Certificate delivered pursuant to clause (g) above as of such date; and

(v) a reconciliation of the loan balance per the Borrowers' general ledger to the loan balance under this Agreement;

(i) as soon as available but in any event within 30 days of the end of each calendar month and at such other times as may be requested by the Administrative Agent, as of the month then ended, a schedule and aging of the Borrowers' accounts payable, delivered electronically in a text formatted file acceptable to the Administrative Agent;

(j) [reserved];

(k) promptly after the Administrative Agent's reasonable request therefor, in its Permitted Discretion (provided, that, so long as no Event of Default has occurred and is continuing, Administrative Agent will not request such reporting pursuant to this clause (k) more than once during any 12-month period (or twice during any 12-month period at any time after Availability falls below the greater of (x) $15,000,000 and (y) 10% of the Aggregate Revolving Commitment):

(i) copies of invoices issued by the Borrowers in connection with any Accounts, credit memos, shipping and delivery documents, and other information related thereto;

(ii) copies of purchase orders, invoices, and shipping and delivery documents in connection with any Inventory or Equipment purchased by any Loan Party;

(iii) a schedule detailing the balance of all intercompany accounts of the Loan Parties;

(iv) an updated customer list for each Borrower and its Subsidiaries, which list shall state the customer's name, mailing address and phone number, delivered electronically in a text formatted file acceptable to the Administrative Agent and certified as true and correct by a Financial Officer of the Borrower Representative;

(v) as of the period then ended, the Borrowers' sales journal, cash receipts journal (identifying trade and non-trade cash receipts) and debit memo/credit memo journal; and

(vi) a detailed listing of all advances of proceeds of Loans requested by the Borrower Representative for each Borrower during the immediately preceding calendar month and a detailed listing of all intercompany loans made by the Borrowers during such calendar month;

(l) promptly after the same become publicly available, copies of all periodic and other reports, proxy statements and other materials filed by any Loan Party or any Subsidiary with the SEC, or any Governmental Authority succeeding to any or all of the functions of the SEC, or with any national securities exchange, or distributed by any Borrower to its shareholders generally, as the case may be;

(m) promptly after any request therefor by the Administrative Agent or any Lender, copies of (i) any documents described in Section 101(k)(1) of ERISA that any Borrower or any ERISA Affiliate may request with respect to any Multiemployer Plan and (ii) any notices described in Section 101(l)(1) of ERISA that any Borrower or any ERISA Affiliate may request with respect to any Multiemployer Plan; provided that if a Borrower or any ERISA Affiliate has not requested such documents or notices from the administrator or sponsor of the applicable Multiemployer Plan, the applicable Borrower or the applicable ERISA Affiliate shall promptly make a request for such documents and notices from such administrator or sponsor and shall provide copies of such documents and notices promptly after receipt thereof;

(n) promptly following any request therefor, (i) such other information regarding the operations, changes in ownership of Equity Interests, business affairs and financial condition of any Loan Party or any Subsidiary, or compliance with the terms of this Agreement, as the Administrative Agent or any Lender may reasonably request, and (ii) information and documentation reasonably requested by the Administrative Agent or any Lender for purposes of compliance with applicable "know your customer" and anti-money laundering rules and regulations, including the USA PATRIOT Act and the Beneficial Ownership Regulation; and

(o) promptly following any request therefor, copies of any detailed audit reports, management letters or recommendations submitted to the board of directors (or the audit committee of the board of directors) of any Borrower by independent accountants in connection with the accounts or books of such Borrower or any Subsidiary, or any audit of any of them as the Administrative Agent or any Lender (through the Administrative Agent) may reasonably request.

The Company and Holdings each represents and warrants that each of it, and its respective Subsidiaries, in each case, if any (collectively with the Borrowers, the "Relevant Entities"), either (i) has no SEC registered or unregistered, publicly traded securities outstanding, or (ii) files its financial statements

with the SEC and/or makes its financial statements available to potential holders of its securities, and, accordingly, the Company hereby (A) authorizes the Administrative Agent to make the financial statements to be provided under Section 5.01(a), (b) and (c) above (collectively or individually, as the context requires, the "Financial Statements"), along with the Loan Documents, available to Public-Siders and (B) agree that at the time such Financial Statements are provided hereunder, they shall already have been made available to holders of any such securities. The Company will not request that any other material be posted to Public-Siders without expressly representing and warranting to the Administrative Agent in writing that such materials do not constitute material non-public information within the meaning of the federal securities laws or that the Relevant Entities have no outstanding SEC registered or unregistered, publicly traded securities. Notwithstanding anything herein to the contrary, in no event shall the Company request that the Administrative Agent make available to Public-Siders budgets or any certificates, reports or calculations with respect to the Borrowers' compliance with the covenants contained herein or with respect to the Borrowing Base.

SECTION 5.02. Notices of Material Events. The Borrowers will furnish to the Administrative Agent and each Lender prompt (but in any event within any time period that may be specified below) written notice of the following:

(a) the occurrence of any Default;

(b) receipt of any written notice of any investigation by a Governmental Authority or any litigation or proceeding commenced or threatened against any Loan Party or any Subsidiary that (i) seeks damages in excess of $2,500,000, (ii) seeks injunctive relief that could reasonably be expected to be granted and, if granted, could reasonably be expected to result in a Material Adverse Effect, (iii) is asserted or instituted against any Plan, its fiduciaries or its assets, (iv) alleges criminal misconduct by any Loan Party or any Subsidiary, (v) alleges any material violation of, or seeks to impose remedies under, any Environmental Law or related Requirement of Law, or seeks to impose any material Environmental Liability, (vi) asserts liability on the part of any Loan Party or any Subsidiary in excess of $1,000,000 in respect of any tax (other than taxes that are not past due and are payable in the ordinary course of business), fee, assessment, or other governmental charge, or (vii) involves any material product recall;

(c) any Lien (other than Permitted Encumbrances) or claim made or asserted against Collateral in the amount of $1,000,000 or more;

(d) any loss, damage, or destruction to the Collateral in the amount of $1,000,000 or more, whether or not covered by insurance;

(e) within two (2) Business Days of receipt thereof, any and all default notices received under or with respect to any leased location or public warehouse where Collateral is located;

(f) all material amendments to any agreement relating to Material Indebtedness of the Loan Parties, Credit Card Agreements or material vendor contracts, together with a copy of each such amendment;

(g) within two (2) Business Days after the occurrence thereof, any Loan Party entering into a Swap Agreement or an amendment thereto, together with copies of all agreements evidencing such Swap Agreement or amendment;

(h) the occurrence of any ERISA Event that, alone or together with any other ERISA Events that have occurred, could reasonably be expected to result in liability of the Loan Parties and their Subsidiaries in an aggregate amount exceeding $1,000,000;

(i) any material change in accounting or financial reporting practices by any Borrower or any Subsidiary;

(j) any change from Borrower's practice as of the Effective Date of reporting revenues of the Company and its Subsidiaries solely at the Company level;

(k) any other development that results, or could reasonably be expected to result in, a Material Adverse Effect; and

(l) any change in the information provided in the Beneficial Ownership Certification delivered to such Lender that would result in a change to the list of beneficial owners identified in such certification.

Each notice delivered under this Section shall be accompanied by a statement of a Financial Officer or other executive officer of the Borrower Representative setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

SECTION 5.03. Existence; Conduct of Business. Each Loan Party will, and will cause each Subsidiary to, (a) do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence and the rights, qualifications, licenses, permits, franchises, governmental authorizations, intellectual property rights, licenses and permits material to the conduct of its business, and maintain all requisite authority to conduct its business in each jurisdiction in which its business is conducted, provided that the foregoing shall not prohibit any merger, consolidation, liquidation or dissolution permitted under Section 6.03, and (b) carry on and conduct its business in substantially the same manner and in substantially the same fields of enterprise as it is presently conducted.

SECTION 5.04. Payment of Obligations. Each Loan Party will, and will cause each Subsidiary to, pay or discharge all Material Indebtedness and all other material liabilities and obligations, including Taxes, before the same shall become delinquent or in default, except where (a) the validity or amount thereof is being contested in good faith by appropriate proceedings, (b) such Loan Party or Subsidiary has set aside on its books adequate reserves with respect thereto in accordance with GAAP and (c) the failure to make payment pending such contest could not reasonably be expected to result in a Material Adverse Effect; provided, however, that each Loan Party will, and will cause each Subsidiary to, remit withholding taxes and other payroll taxes to appropriate Governmental Authorities as and when claimed to be due, notwithstanding the foregoing exceptions.

SECTION 5.05. Maintenance of Properties. Each Loan Party will, and will cause each Subsidiary to, keep and maintain all property material to the conduct of its business in good working order and condition, ordinary wear and tear excepted.

SECTION 5.06. Books and Records; Inspection Rights. Each Loan Party will, and will cause each Subsidiary to, (a) keep proper books of record and account in which full, true and correct entries are made of all dealings and transactions in relation to its business and activities and (b) permit any representatives designated by the Administrative Agent or any Lender (including employees of the Administrative Agent, any Lender or any consultants, accountants, lawyers, agents and appraisers retained by the Administrative Agent), upon reasonable prior notice during normal business hours (or at any time if an Event of Default has occurred and is continuing), to visit and inspect its properties, to conduct at such Loan Party's premises field examinations of such Loan Party's assets, liabilities, books and records, including examining and making extracts from its books and records, environmental assessment reports and Phase I or Phase II studies, and to discuss its affairs, finances and condition with its officers and independent accountants, all at such reasonable times and as often as reasonably requested. Each Loan Party acknowledges that the Administrative Agent, after exercising its rights of inspection, may prepare and distribute to the Lenders

certain Reports pertaining to each Loan Party's assets for internal use by the Administrative Agent and the Lenders. The Loan Parties shall be responsible for the costs of expenses of one (1) field examination during any 12-month period and one (1) additional field examination (for the total of two (2) such field examinations during any 12-month period) conducted at any time after Availability falls below the greater of (i) $15,000,000 and (ii) 10% of the Aggregate Revolving Commitment; provided, that the Loan Parties shall be responsible for the costs and expenses of all field examinations conducted while an Event of Default has occurred and is continuing.

SECTION 5.07. Compliance with Laws and Material Contractual Obligations. Each Loan Party will, and will cause each Subsidiary to, (a) comply with each Requirement of Law applicable to it or its property (including without limitation Environmental Laws), except, in each case, where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, and (b) perform in all material respects its obligations under material agreements to which it is a party. Each Loan Party will maintain in effect and enforce policies and procedures designed to ensure compliance by such Loan Party, its Subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions.

SECTION 5.08. Use of Proceeds.

(a) The proceeds of the Loans and the Letters of Credit will be used only for repaying in full certain existing Indebtedness of the Borrowers on the Effective Date, financing the working capital needs of the Borrowers, and other general corporate purposes of the Borrowers permitted hereunder. No part of the proceeds of any Loan and no Letter of Credit will be used, whether directly or indirectly, for any purpose that entails a violation of any of the regulations of the Federal Reserve Board, including Regulations T, U and X.

(b) No Borrower will request any Borrowing or Letter of Credit, and no Borrower shall use, and each Borrower shall procure that its Subsidiaries and its and their respective directors, officers, employees and agents shall not use, the proceeds of any Borrowing or Letter of Credit (i) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws, (ii) for the purpose of funding, financing or facilitating any activities, business or transaction of or with any Sanctioned Person, or in any Sanctioned Country, except to the extent permitted for a Person required to comply with Sanctions, or (iii) in any manner that would result in the violation of any Sanctions applicable to any party hereto.

SECTION 5.09. Accuracy of Information. The Loan Parties will ensure that any information, including financial statements or other documents, furnished to the Administrative Agent or the Lenders by or on behalf of any Loan Party or any Subsidiary in connection with this Agreement or any other Loan Document or any amendment or modification hereof or thereof or waiver hereunder or thereunder contains no material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and the furnishing of such information shall be deemed to be a representation and warranty by the Borrowers on the date thereof as to the matters specified in this Section; provided that, with respect to projected financial information, the Loan Parties will only ensure that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

SECTION 5.10. Insurance. Each Loan Party will, and will cause each Subsidiary to, maintain with financially sound and reputable carriers having a financial strength rating of at least A- by A.M. Best Company (a) insurance in such amounts (with no greater risk retention) and against such risks (including, without limitation: loss or damage by fire and loss in transit; theft, burglary, pilferage, larceny, embezzlement, and other criminal activities; business interruption; and general liability) and such other

hazards, as is customarily maintained by companies of established repute engaged in the same or similar businesses operating in the same or similar locations and (b) all insurance required pursuant to the Collateral Documents. The Borrowers will furnish to the Lenders, upon request of the Administrative Agent, but no less frequently than annually, information in reasonable detail as to the insurance so maintained.

SECTION 5.11. Casualty and Condemnation. The Borrowers will (a) furnish to the Administrative Agent and the Lenders prompt written notice of any casualty or other insured damage to any material portion of the Collateral or the commencement of any action or proceeding for the taking of any material portion of the Collateral or interest therein under power of eminent domain or by condemnation or similar proceeding and (b) ensure that the Net Proceeds of any such event (whether in the form of insurance proceeds, condemnation awards or otherwise) are collected and applied in accordance with the applicable provisions of this Agreement and the Collateral Documents.

SECTION 5.12. Appraisals. At any time that the Administrative Agent requests, each Loan Party will provide the Administrative Agent with appraisals or updates thereof of its Inventory from an appraiser selected and engaged by the Administrative Agent, and prepared on a basis satisfactory to the Administrative Agent, such appraisals and updates to include, without limitation, information required by any applicable Requirement of Law. The Loan Parties shall be responsible for the costs of expenses of one (1) Inventory appraisals during any 12-month period (and one (1) additional Inventory appraisal (for the total of two (2) such Inventory appraisals during any 12-month period) conducted at any time after Availability falls below the greater of (a) $15,000,000 and (b) 10% of the Aggregate Revolving Commitment. Additionally, there shall be no limitation on the number or frequency of Inventory appraisals if an Event of Default has occurred and is continuing, and the Loan Parties shall be responsible for the costs and expenses of any such appraisals conducted while an Event of Default has occurred and is continuing.

SECTION 5.13. Depository Banks. Each Borrower and each Subsidiary will maintain the Administrative Agent as its principal depository bank, including for the maintenance of operating, administrative, cash management, collection activity and other deposit accounts for the conduct of its business. Additionally, the Administrative Agent shall be the principal provider of other Banking Services to the Borrowers and their Subsidiaries.

SECTION 5.14. Additional Collateral; Further Assurances. (a) Subject to applicable Requirement of Law, each Loan Party will cause each Subsidiary formed or acquired after the date of this Agreement to become a Loan Party by executing a Joinder Agreement; *provided, however,* that no Foreign Subsidiary (or any Subsidiary thereof) shall be required to become a Loan Party hereunder to the extent doing so could reasonably be expected to result in material adverse tax consequences to the Loan Parties. In connection therewith, the Administrative Agent shall have received all documentation and other information regarding such newly formed or acquired Subsidiaries as may be required to comply with the applicable "know your customer" rules and regulations, including the USA Patriot Act. Upon execution and delivery thereof, each such Person (i) shall automatically become a Loan Guarantor hereunder and thereupon shall have all of the rights, benefits, duties and obligations in such capacity under the Loan Documents and (ii) will grant Liens to the Administrative Agent, for the benefit of the Administrative Agent and the other Secured Parties, in any property of such Loan Party which constitutes Collateral.

(b) [reserved].

(c) Without limiting the foregoing, each Loan Party will, and will cause each Subsidiary to, execute and deliver, or cause to be executed and delivered, to the Administrative Agent such documents, agreements and instruments, and will take or cause to be taken such further actions (including the filing and recording of financing statements, fixture filings and other documents and such other actions or deliveries of the type required by Section 4.01, as applicable), which may be required by any Requirement of Law or

which the Administrative Agent may, from time to time, reasonably request to carry out the terms and conditions of this Agreement and the other Loan Documents and to ensure perfection and priority of the Liens created or intended to be created by the Collateral Documents, all in form and substance reasonably satisfactory to the Administrative Agent and all at the expense of the Loan Parties.

(d) If any assets are acquired by any Loan Party after the Effective Date (other than assets that are excluded from the Collateral under the terms of the Loan Documents or assets constituting Collateral under the Security Agreement that become subject to the Lien under the Security Agreement upon acquisition thereof), the Borrower Representative will (i) notify the Administrative Agent and the Lenders thereof and, if requested by the Administrative Agent or the Required Lenders, cause such assets to be subjected to a Lien securing the Secured Obligations and (ii) take, and cause each applicable Loan Party to take, such actions as shall be necessary or reasonably requested by the Administrative Agent to grant and perfect such Liens, including actions described in paragraph (c) of this Section, all at the expense of the Loan Parties.

SECTION 5.15 Credit Card Acknowledgements. The Borrowers will maintain credit card processing arrangements and Credit Card Agreements with the credit card issuers and processors identified on Schedule 3.26; provided, however, that, subject to the requirements set forth in Section 6.12, the Borrowers may amend Schedule 3.26 to remove any credit card issuer or processor or Credit Card Agreement identified therein or to add additional credit card issuers and processors or Credit Card Agreements that are satisfactory to the Administrative Agent, in its Permitted Discretion, and subject to the requirements set forth in Section 6.12, the Borrowers shall provide to the Administrative Agent a Credit Card Acknowledgement with respect thereto and a copy of the Credit Card Agreement governing with such new credit card issuer or processor.

SECTION 5.16 Post-Closing Matters. Each Loan Party, as applicable, shall execute and deliver and complete the tasks set forth on Schedule 5.16 attached hereto, in each case within the time limit specified on such Schedule (or such later times as the Administrative Agent may agree to in its sole discretion).

ARTICLE VI

Negative Covenants.

Until all of the Secured Obligations have been Paid in Full, each Loan Party executing this Agreement covenants and agrees, jointly and severally with all of the other Loan Parties, with the Lenders that:

SECTION 6.01. Indebtedness. No Loan Party will, nor will it permit any Subsidiary to, create, incur, assume or suffer to exist any Indebtedness, except:

(a) the Secured Obligations;

(b) Indebtedness existing on the date hereof and set forth in Schedule 6.01 and any extensions, renewals, refinancings and replacements of any such Indebtedness in accordance with clause (f) hereof;

(c) Indebtedness of any Loan Party or any Subsidiary to any Loan Party or any Subsidiary; *provided,* that (i) Indebtedness of any Subsidiary that is not a Loan Party to any Loan Party shall be subject to Section 6.04, and (ii) Indebtedness of any Loan Party to any Subsidiary that is not a Loan Party shall be subordinated to the Secured Obligations on terms reasonably satisfactory to the Administrative Agent;

(d) Guarantees by any Loan Party or any Subsidiary of the Indebtedness of any Loan Party or any Subsidiary; *provided,* that (i) the Indebtedness so Guaranteed is permitted by this Section 6.01, (ii) Guarantees by any Loan Party of Indebtedness of any non-Loan Party shall, in each case, be subject to Section 6.04, and (iii) Guarantees permitted under this clause (d) shall be subordinated to the Secured Obligations of the applicable Subsidiary on the same terms as the Indebtedness so Guaranteed is subordinated to the Secured Obligations;

(e) Indebtedness of any Loan Party or any Subsidiary incurred to finance the acquisition, construction or improvement of any fixed or capital assets (whether or not constituting purchase money Indebtedness), including Capital Lease Obligations and any Indebtedness assumed in connection with the acquisition of any such assets or secured by a Lien on any such assets prior to the acquisition thereof, and extensions, renewals and replacements of any such Indebtedness in accordance with clause (f) below; provided that (i) such Indebtedness is incurred prior to or within 90 days after such acquisition or the completion of such construction or improvement and (ii) the aggregate principal amount of Indebtedness permitted by this clause (e) shall not exceed $5,000,000 at any time outstanding;

(f) Indebtedness which represents extensions, renewals, refinancing or replacements (such Indebtedness being so extended, renewed, refinanced or replaced being referred to herein as the "Refinance Indebtedness") of any of the Indebtedness described in clauses (b), (e) and (i) hereof (such Indebtedness being referred to herein as the "Original Indebtedness"); provided that (i) such Refinance Indebtedness does not increase the principal amount of the Original Indebtedness (plus unpaid accrued interest and premiums thereon and underwriting discounts, defeasance costs, fees, commissions and expenses) or increase the interest rate above the customarily available rates in the market, (ii) any Liens securing such Refinance Indebtedness are not extended to any additional property of any Loan Party or any Subsidiary, (iii) no Loan Party or any Subsidiary that is not originally obligated with respect to repayment of such Original Indebtedness is required to become obligated with respect to such Refinance Indebtedness, (iv) such Refinance Indebtedness does not result in a shortening of the average weighted maturity of such Original Indebtedness, (v) the terms of such Refinance Indebtedness other than fees and interest are not less favorable to the obligor thereunder than the original terms of such Original Indebtedness and (vi) if such Original Indebtedness was subordinated in right of payment to the Secured Obligations, then the terms and conditions of such Refinance Indebtedness must include subordination terms and conditions that are at least as favorable to the Administrative Agent and the Lenders as those that were applicable to such Original Indebtedness;

(g) Indebtedness owed to any Person providing workers' compensation, health, disability or other employee benefits or property, casualty or liability insurance, pursuant to reimbursement or indemnification obligations to such Person, in each case incurred in the ordinary course of business;

(h) Indebtedness of any Loan Party or any Subsidiary in respect of performance bonds, bid bonds, appeal bonds, surety bonds and similar obligations, in each case provided in the ordinary course of business;

(i) Indebtedness of any Person that becomes a Subsidiary after the date hereof; provided that (i) such Indebtedness exists at the time such Person becomes a Subsidiary and is not created in contemplation of or in connection with such Person becoming a Subsidiary and (ii) the aggregate principal amount of Indebtedness permitted by this clause (i), together with any Refinance Indebtedness in respect thereof permitted by clause (f) above, shall not exceed $2,500,000 at any time outstanding;

(j) Indebtedness secured solely by real estate in an aggregate principal amount not to exceed $25,000,000 at any time outstanding;

(k) Indebtedness in respect of credit cards not constituting Banking Services in an aggregate principal amount not exceeding $5,000,000 at any time outstanding; and

(l) other unsecured Indebtedness in an aggregate principal amount not exceeding $10,000,000 at any time outstanding.

SECTION 6.02. Liens. No Loan Party will, nor will it permit any Subsidiary to, create, incur, assume or permit to exist any Lien on any property or asset now owned or hereafter acquired by it, or assign or sell any income or revenues (including Accounts) or rights in respect of any thereof, except:

(a) Liens created pursuant to any Loan Document;

(b) Permitted Encumbrances;

(c) any Lien on any property or asset of any Borrower or any Subsidiary existing on the date hereof and set forth in Schedule 6.02; provided that (i) such Lien shall not apply to any other property or asset of such Borrower or Subsidiary or any other Borrower or Subsidiary and (ii) such Lien shall secure only those obligations which it secures on the date hereof, and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof;

(d) Liens on fixed or capital assets acquired, constructed or improved by any Borrower or any Subsidiary; provided that (i) such Liens secure Indebtedness permitted by clause (e) of Section 6.01, (ii) such Liens and the Indebtedness secured thereby are incurred prior to or within 90 days after such acquisition or the completion of such construction or improvement, (iii) the Indebtedness secured thereby does not exceed 100% of the cost of acquiring, constructing or improving such fixed or capital assets and (iv) such Liens shall not apply to any other property or assets of such Borrower or Subsidiary or any other Borrower or Subsidiary other than proceeds of the encumbered fixed or capital assets;

(e) any Lien existing on any property or asset (other than Accounts, Credit Card Accounts Receivable and Inventory) prior to the acquisition thereof by any Borrower or any Subsidiary or existing on any property or asset (other than Accounts, Credit Card Accounts Receivable and Inventory) of any Person that becomes a Loan Party after the date hereof prior to the time such Person becomes a Loan Party; provided that (i) such Lien is not created in contemplation of or in connection with such acquisition or such Person becoming a Loan Party, as the case may be, (ii) such Lien shall not apply to any other property or assets of the Loan Party and (iii) such Lien shall secure only those obligations which it secures on the date of such acquisition or the date such Person becomes a Loan Party, as the case may be, and extensions, renewals and replacements thereof in accordance with Section 6.01(f) in the case of obligations constituting Indebtedness;

(f) Liens of a collecting bank arising in the ordinary course of business under Section 4-210 of the UCC in effect in the relevant jurisdiction covering only the items being collected upon;

(g) Liens arising out of Sale and Leaseback Transactions permitted by Section 6.06;

(h) Liens granted by a Subsidiary that is not a Loan Party in favor of any Borrower or another Loan Party in respect of Indebtedness owed by such Subsidiary;

(i) Liens on real estate securing Indebtedness permitted under Section 6.01(k);

(j) assignments or sales of any income or revenues (including Accounts) constituting Dispositions permitted by Section 6.05(c); and

(k) other Liens on any property or asset (other than Accounts, Credit Card Accounts Receivable and Inventory) securing obligations not in excess of $2,500,000 at any time outstanding.

Notwithstanding the foregoing, none of the Liens permitted pursuant to this Section 6.02 may at any time attach to any Loan Party's (1) Accounts and Credit Card Accounts Receivable, other than those permitted under clause (a) of the definition of Permitted Encumbrances and clause (a) above and (2) Inventory, other than those permitted under clauses (a) and (b) of the definition of Permitted Encumbrances and clause (a) above.

SECTION 6.03. Fundamental Changes. (a) No Loan Party will, nor will it permit any Subsidiary to, merge into or consolidate with any other Person, or permit any other Person to merge into or consolidate with it, or otherwise Dispose of all or substantially all of its assets, or all or substantially all of the stock of any of its Subsidiaries (in each case, whether now owned or hereafter acquired), or liquidate or dissolve, except that, if at the time thereof and immediately after giving effect thereto no Event of Default shall have occurred and be continuing (i) any Subsidiary of any Borrower may merge into a Borrower in a transaction in which such Borrower (or the Company if it is involved) is the surviving entity, (ii) any Loan Party (other than a Borrower) may merge into any other Loan Party (other than a Borrower) in a transaction in which the surviving entity is a Loan Party, (iii) any Subsidiary that is not a Loan Party may liquidate or dissolve if the Loan Party which owns such Subsidiary determines in good faith that such liquidation or dissolution is in the best interests of such Loan Party and is not materially disadvantageous to the Lenders, (iv) Holdings and the Company may consummate the Qualifying IPO Restructuring, and (v) any Permitted Acquisition may be structured as a merger or consolidation otherwise in compliance with this Section 6.03; provided that any such merger involving a Person that is not a wholly owned Subsidiary immediately prior to such merger shall not be permitted unless also permitted by Section 6.04.

(b) No Loan Party will, nor will it permit any Subsidiary to, consummate a Division as the Dividing Person, without the prior written consent of Administrative Agent. Without limiting the foregoing, if any Loan Party that is a limited liability company consummates a Division (with or without the prior consent of Administrative Agent as required above), each Division Successor shall be required to comply with the obligations set forth in Section 5.14 and the other further assurances obligations set forth in the Loan Documents and become a Loan Party under this Agreement and the other Loan Documents.

(c) No Loan Party will, nor will it permit any Subsidiary to, engage to any material extent in any business other than businesses of the type conducted by the Borrowers and their Subsidiaries on the date hereof and businesses reasonably related thereto.

(d) Holdings will not engage in any business or activity other than the ownership of all the outstanding Equity Interests of the Company, activities incidental thereto and a Qualifying IPO Restructuring. Holdings will not own or acquire any assets (other than Equity Interests of the Company and the cash proceeds of any Restricted Payments permitted by Section 6.08) or incur any liabilities (other than liabilities incurred in connection with a Qualifying IPO or a Qualifying IPO Restructuring, liabilities under the Loan Documents and liabilities reasonably incurred in connection with its maintenance of its existence).

(e) No Loan Party will, nor will it permit any Subsidiary to, change its fiscal year from the basis in effect on the Effective Date.

SECTION 6.04. Investments, Loans, Advances, Guarantees and Acquisitions. No Loan Party will, nor will it permit any Subsidiary to, form any subsidiary after the Effective Date, or purchase, hold or acquire (including pursuant to any merger with any Person that was not a Loan Party and a wholly owned Subsidiary prior to such merger) any evidences of Indebtedness or Equity Interests or other securities (including any option, warrant or other right to acquire any of the foregoing) of, make or permit to exist any loans or advances to, Guarantee any Indebtedness of, or make or permit to exist any investment or any

other interest in, any other Person, or purchase or otherwise acquire (in one transaction or a series of transactions) any assets of any other Person constituting a business unit (whether through purchase of assets, merger or otherwise), except:

(a) Permitted Investments, subject to control agreements in favor of the Administrative Agent for the benefit of the Secured Parties or otherwise subject to a perfected security interest in favor of the Administrative Agent for the benefit of the Secured Parties;

(b) investments in existence on the date hereof and described in Schedule 6.04;

(c) investments by the Loan Parties and their Subsidiaries in Equity Interests in their respective Subsidiaries, provided that, in each case, (i) the aggregate amount of investments by Loan Parties in Subsidiaries that are not Loan Parties, except investments in existence on the Effective Date, shall not exceed $5,000,000 at any time outstanding (in each case determined without regard to any write-downs or write-offs), (ii) no such investments into a non-Loan Party may be made while an Event of Default is continuing or would result therefrom, and (iii) if there are any Loans outstanding, the Investment Condition must be satisfied with respect to any such investment at the time any such investment is made;

(d) loans or advances made by (i) any Loan Party or any Subsidiary to (ii) any Loan Party or any Subsidiary, provided that (A) the amount of such loans and advances made by Loan Parties to non-Loan Parties (together, in each case, with outstanding Guarantees permitted under the proviso to Section 6.04(e)) shall not exceed $15,000,000 at any time outstanding (in each case determined without regard to any write-downs or write-offs), (B) no such loans or advances may be made to a non-Loan Party while any Event of Default is continuing or would result therefrom, and (C) if there are any Loans outstanding, the Investment Condition must be satisfied with respect to any such loans or advances at the time any such loans or advances are made;

(e) Guarantees constituting Indebtedness permitted by Section 6.01, provided that (i) the aggregate principal amount of Indebtedness of Subsidiaries that are not Loan Parties that is Guaranteed by any Loan Party (together, in each case, with outstanding intercompany loans permitted under clause (A) to the proviso to Section 6.04(d)) shall not exceed $15,000,000 at any time outstanding (in each case determined without regard to any write-downs or write-offs), and (ii) if there are any Loans outstanding, the Investment Condition must be satisfied with respect to any such Guarantees by a Loan Party of Indebtedness of Subsidiaries that are not Loan Parties at the time any such Guarantees are made;

(f) loans or advances made by a Loan Party or Subsidiary to its employees on an arms-length basis in the ordinary course of business consistent with past practices for travel and entertainment expenses, relocation costs and similar purposes up to a maximum of $1,000,000 in the aggregate at any one time outstanding;

(g) notes payable, or stock or other securities issued by Account Debtors to a Loan Party with respect to settlement of such Account Debtor's Accounts in the ordinary course of business, consistent with past practices;

(h) investments in the form of Swap Agreements permitted by Section 6.07;

(i) investments of any Person existing at the time such Person becomes a Subsidiary of a Borrower or consolidates or merges with a Borrower or any of the Subsidiaries (including in connection with a Permitted Acquisition) so long as such investments were not made in contemplation of such Person becoming a Subsidiary or of such merger;

(j) investments received in connection with Dispositions permitted by Section 6.05;

(k) investments constituting deposits described in clauses (c) and (d) of the definition of the term "Permitted Encumbrances";

(l) Permitted Acquisitions;

(m) any Loan Party or Subsidiary may form or create a new Subsidiary provided that all actions required under Section 5.14 with respect to such formation or creation shall have been taken;

(n) extensions of trade credit in the ordinary course of business; and

(o) other Investments (other than Acquisitions) subject to the satisfaction of the Payment Condition.

SECTION 6.05. Asset Sales. No Loan Party will, nor will it permit any Subsidiary to, Dispose of any asset, including any Equity Interest owned by it, nor will any Borrower permit any Subsidiary to issue any additional Equity Interest in such Subsidiary (other than to another Borrower or another Subsidiary in compliance with Section 6.04), except:

(a) Dispositions of (i) Inventory in the ordinary course of business and (ii) used, obsolete, worn out or surplus equipment or property in the ordinary course of business;

(b) Dispositions of assets to any Loan Party or any Subsidiary, provided that any such Dispositions which are not solely among: (i) Borrowers, (ii) Loan Parties (other than Borrowers), or (iii) Subsidiaries that are not Loan Parties, shall, in each case, be made in compliance with Section 6.09;

(c) Dispositions of Accounts in connection with the compromise, settlement or collection thereof;

(d) Dispositions of Permitted Investments and other investments permitted by clauses (g), (i), (j), (k) and clause (o) of Section 6.04;

(e) Sale and Leaseback Transactions permitted by Section 6.06;

(f) Dispositions resulting from any casualty or other insured damage to, or any taking under power of eminent domain or by condemnation or similar proceeding of, any property or asset of any Borrower or any Subsidiary;

(g) Dispositions of assets (other than Equity Interests in a Subsidiary, Accounts, Inventory or Credit Card Accounts Receivable) that are not permitted by any other clause of this Section, provided that the aggregate fair market value of all assets Disposed of in reliance upon this paragraph (g) shall not exceed $5,000,000 during any fiscal year of the Company;

(h) Restricted Payments not prohibited under Section 6.08;

(i) the use of cash in a manner not otherwise prohibited by any Loan Document;

(j) a Qualifying IPO Restructuring and a Qualifying IPO;

(k) Dispositions of equipment or real property if exchanged for credit against the proceeds of replacement property or the proceeds of the Disposition are so applied reasonably promptly; and

(l) leases, subleases, licenses or sublicenses of property in the ordinary course of business and not interfering with the business of any Loan Party; provided that all Dispositions permitted hereby (other than those permitted by paragraphs (b), (f), (h), (i), (j), (k) and (l) above) shall be made for fair value and for at least 75% cash consideration.

SECTION 6.06. Sale and Leaseback Transactions. No Loan Party will, nor will it permit any Subsidiary to, enter into any arrangement, directly or indirectly, whereby it shall sell or transfer any property, real or personal, used or useful in its business, whether now owned or hereafter acquired, and thereafter rent or lease such property or other property that it intends to use for substantially the same purpose or purposes as the property sold or transferred (a "Sale and Leaseback Transaction"), except for any such sale of any fixed or capital assets by any Borrower or any Subsidiary that is made for cash consideration in an amount not less than the fair value of such fixed or capital asset and is consummated within 90 days after such Borrower or such Subsidiary acquires or completes the construction of such fixed or capital asset.

SECTION 6.07. Swap Agreements. No Loan Party will, nor will it permit any Subsidiary to, enter into any Swap Agreement, except (a) Swap Agreements entered into to hedge or mitigate risks to which any Borrower or any Subsidiary has actual exposure (other than those in respect of Equity Interests of any Borrower or any of its Subsidiaries), and (b) Swap Agreements entered into in order to effectively cap, collar or exchange interest rates (from floating to fixed rates, from one floating rate to another floating rate or otherwise) with respect to any interest-bearing liability or investment of any Borrower or any Subsidiary or to hedge against fluctuations in currency exchange rates.

SECTION 6.08. Restricted Payments; Certain Payments of Indebtedness. (a) No Loan Party will, nor will it permit any Subsidiary to, declare or make, or agree to declare or make, directly or indirectly, any Restricted Payment, or incur any obligation (contingent or otherwise) to do so, except (i) any Loan Party or any of its Subsidiaries may declare and pay dividends with respect to its common stock payable solely in additional shares of its common stock, and, with respect to its preferred stock, payable solely in additional shares of such preferred stock or in shares of its common stock; (ii) any Subsidiary may make a Restricted Payment to a Borrower and any Subsidiary which is not a Loan Party may make a Restricted Payment to another Subsidiary; (iii) the Loan Parties and their Subsidiaries may (A) so long as no Event of Default has occurred and is continuing, repurchase Equity Interests from employees, officers or directors upon death, disability, retirement or termination of employment, where such repurchases are made pursuant to and in accordance with stock option plans or other benefit plans for management or employees of the Loan Parties, and (B) repurchase Equity Interests from employees, officers or directors (in circumstances other than contemplated in the immediately preceding subclause (A)), where such repurchases are made pursuant to and in accordance with stock option plans or other benefit plans for management or employees of the Loan Parties; provided that the net cash outlay of the Loan Parties and their Subsidiaries in connection with repurchase events under this subclause (B) shall not exceed (x) $5,000,000 for any such individual repurchase event, and (y) $10,000,000 during any fiscal year of the Company; (iv) so long as there exists no Event of Default, Holdings may pay dividends or make distributions to its members in an aggregate amount not greater than the amount necessary for such members to pay their actual state and United States federal income tax liabilities in respect of income of Holdings after deducting any unused prior losses; (v) the Company and Holdings may make the Specified Distribution on the Effective Date, subject to the conditions set forth herein; (vi) the Loan Parties may make other Restricted Payments subject to the satisfaction of the Payment Condition, and (vii) Holdings and the Company may consummate a Qualifying IPO Restructuring and a Qualifying IPO.

(b) No Loan Party will, nor will it permit any Subsidiary to, make or agree to pay or make, directly or indirectly, any payment or other distribution (whether in cash, securities or other property) of or in respect of principal of or interest on any Indebtedness, or any payment or other distribution (whether in

cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any Indebtedness, except:

(i) payment of Indebtedness created under the Loan Documents;

(ii) payment of regularly scheduled interest and principal payments as and when due in respect of any Indebtedness permitted under Section 6.01 (except with respect to the Indebtedness subject to the Intercompany Subordination Agreement);

(iii) refinancings of Indebtedness to the extent permitted by Section 6.01;

(iv) payment of secured Indebtedness that becomes due as a result of the voluntary sale or transfer of the property or assets securing such Indebtedness to the extent such sale or transfer is permitted by the terms of Section 6.05 solely using proceeds of such sale or transfer;

(v) payment of any Indebtedness owing to a Loan Party; and

(vi) other payments of Indebtedness subject to the satisfaction of the Payment Condition.

SECTION 6.09. Transactions with Affiliates. No Loan Party will, nor will it permit any Subsidiary to, sell, lease or otherwise transfer any property or assets to, or purchase, lease or otherwise acquire any property or assets from, or otherwise engage in any other transactions with, any of its Affiliates, except (a) transactions that (i) are in the ordinary course of business and (ii) are at prices and on terms and conditions not less favorable such Loan Party or such Subsidiary than could be obtained on an arm's-length basis from unrelated third parties, (b) transactions between or among (i) Borrowers not involving any other Affiliate, or (ii) Loan Parties (other than any Borrower) not involving any other Affiliate, (c) any investment permitted by Sections 6.04(c), 6.04(d) or 6.04(e), (d) any Indebtedness permitted under Section 6.01(c), (e) any Restricted Payment permitted by Section 6.08, (f) loans or advances to employees permitted under Section 6.04, (g) the payment of reasonable fees to directors of any Loan Party or any Subsidiary who are not employees of such Loan Party or Subsidiary, and compensation and employee benefit arrangements paid to, and indemnities provided for the benefit of, directors, officers or employees of the Loan Parties or their Subsidiaries in the ordinary course of business, and (h) any issuances of securities or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, employment agreements, stock options and stock ownership plans approved by a Loan Party's or Subsidiary's board of directors.

SECTION 6.10. Restrictive Agreements. No Loan Party will, nor will it permit any Subsidiary to, directly or indirectly, enter into, incur or permit to exist any agreement or other arrangement that prohibits, restricts or imposes any condition upon (a) the ability of such Loan Party or any Subsidiary to create, incur or permit to exist any Lien upon any of its property or assets that secures the Secured Obligations, or (b) the ability of any Subsidiary to pay dividends or other distributions with respect to any of its Equity Interests or to make or repay loans or advances to any Loan Party or to Guarantee Indebtedness of any Loan Party; provided that (i) the foregoing shall not apply to restrictions and conditions imposed by any Requirement of Law or by any Loan Document, (ii) the foregoing shall not apply to restrictions and conditions existing on the date hereof identified on Schedule 6.10 (but shall apply to any extension or renewal of, or any amendment or modification expanding the scope of, any such restriction or condition), (iii) the foregoing shall not apply to customary restrictions and conditions contained in agreements relating to the sale of a Subsidiary pending such sale, provided that such restrictions and conditions apply only to the Subsidiary that is to be sold and such sale is permitted hereunder, (iv) clause (a) of the foregoing shall not apply to restrictions or conditions imposed by any agreement relating to secured Indebtedness permitted by this Agreement if such restrictions or conditions apply only to the property or assets securing such Indebtedness, (v) clause (a) of the foregoing shall not apply to customary provisions in leases and other contracts

restricting the assignment thereof, and (vi) clause (b) of the foregoing shall not apply to customary restrictions or conditions agreed to or imposed in connection with any Qualifying IPO Restructuring or Qualifying IPO.

SECTION 6.11. Amendment of Material Documents. No Loan Party will, nor will it permit any Subsidiary to, amend, modify or waive any of its rights under its charter, articles or certificate of incorporation or organization, by-laws, operating, management or partnership agreement or other organizational or governing documents, to the extent any such amendment, modification or waiver would be adverse to the Lenders.

SECTION 6.12 Credit Card Agreements. Each Borrower shall (a) observe and perform all material terms, covenants, conditions and provisions of the Credit Card Agreements to which it is a party to be observed and performed by it at the times set forth therein; and (b) at all times maintain in full force and effect the Credit Card Agreements to which it is a party and not terminate, cancel, surrender, modify, amend, waive or release any of the Credit Card Agreements to which it is a party, or consent to or permit to occur any of the foregoing; except, that, such Borrower may terminate, cancel, modify or amend (in a manner not materially adverse to the Lenders) any of the Credit Card Agreements to which it is a party in the ordinary course of the business of such Borrower; provided, that such Borrower shall give Administrative Agent not less than ten (10) Business Days prior written notice of its intention to so terminate, cancel, modify or amend any of the Credit Card Agreements; (c) not enter into any new Credit Card Agreements with any new credit card issuer unless Administrative Agent shall have received not less than ten (10) Business Days prior written notice of the intention of such Borrower to enter into such agreement (together with such other information with respect thereto as Administrative Agent may request) and such Borrower delivers, or causes to be delivered to Administrative Agent, a Credit Card Acknowledgment in favor of Administrative Agent; (d) give Administrative Agent immediate written notice of any Credit Card Agreement entered into by such Borrower after the Effective Date, together with a true, correct and complete copy thereof and such other information with respect thereto as Administrative Agent may reasonably request; (e) furnish to Administrative Agent, promptly upon the request of Administrative Agent, such information and evidence (in such Borrower's possession) as Administrative Agent may require from time to time concerning the observance, performance and compliance by such Borrower or the other party or parties thereto with the terms, covenants or provisions of the Credit Card Agreements; and (f) not modify any instructions given by Administrative Agent to any of Borrowers' credit card processors and/or credit card issuers provided for in any Credit Card Acknowledgement or otherwise direct the remittance of payments under any Credit Card Agreement to any account other than a Collection Account.

SECTION 6.13. Financial Covenants.

(a) Fixed Charge Coverage Ratio. During any Covenant Testing Trigger Period, the Borrowers will not permit the Fixed Charge Coverage Ratio to be less than 1.0 to 1.0 when measured, on a trailing twelve month basis, as of the last day of: (i) the last fiscal month immediately preceding the occurrence of such Covenant Testing Trigger Period for which financial statements have been (or should have been) delivered to the Administrative Agent pursuant to clause (a), (b) or (c) of Section 5.01, and (ii) each fiscal month for which financial statements have been (or should have been) delivered to the Administrative Agent pursuant to clause (a), (b) or (c) of Section 5.01 during such Covenant Testing Trigger Period.

ARTICLE VII

Events of Default.

If any of the following events ("Events of Default") shall occur:

(a) the Borrowers shall fail to pay any principal of any Loan or any reimbursement obligation in respect of any LC Disbursement when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise;

(b) the Borrowers shall fail to pay any interest on any Loan or any fee or any other amount (other than an amount referred to in clause (a) of this Article) payable under this Agreement or any other Loan Document, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of three (3) Business Days;

(c) any representation or warranty made or deemed made by or on behalf of any Loan Party or any Subsidiary in this Agreement or any other Loan Document or any amendment or modification hereof or thereof or waiver hereunder or thereunder, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with this Agreement or any other Loan Document or any amendment or modification hereof or thereof or waiver hereunder or thereunder, shall prove to have been materially incorrect when made or deemed made;

(d) any Loan Party shall fail to observe or perform any covenant, condition or agreement contained in (i) Section 5.02(a), 5.03 (with respect to a Loan Party's existence), 5.08 or 5.16 or in Article VI (except Sections 6.10 or 6.12 (other than clause (f) thereof)) or (ii) Section 7.1 of the Security Agreement;

(e) any Loan Party shall fail to observe or perform any covenant, condition or agreement contained in this Agreement (other than those which constitute a default under another Section of this Article), and such failure shall continue unremedied for a period of (i) 5 Business Days after the earlier of any Loan Party's knowledge of such breach or notice thereof from the Administrative Agent (which notice will be given at the request of any Lender) if such breach relates to terms or provisions of Section 5.01, 5.02 (other than Section 5.02(a)), 5.03 through 5.07, 5.10, 5.11, 5.13, 6.10 or 6.12 (other than clause (f) thereof) of this Agreement or (ii) 20 days after the earlier of any Loan Party's knowledge of such breach or notice thereof from the Administrative Agent (which notice will be given at the request of any Lender) if such breach relates to terms or provisions of any other Section of this Agreement;

(f) any Loan Party or Subsidiary shall fail to make any payment (whether of principal or interest and regardless of amount) in respect of any Material Indebtedness, when and as the same shall become due and payable and not cured within any grace period therefor;

(g) any event or condition occurs that results in any Material Indebtedness of any Loan Party or Subsidiary becoming due prior to its scheduled maturity or that enables or permits (with or without the giving of notice, the lapse of time or both) the holder or holders of any Material Indebtedness or any trustee or agent on its or their behalf to cause any Material Indebtedness to become due, or to require the prepayment, repurchase, redemption or defeasance thereof, prior to its scheduled maturity; provided that this clause (g) shall not apply to secured Indebtedness that becomes due as a result of the voluntary sale or transfer of the property or assets securing such Indebtedness to the extent such sale or transfer is permitted by Section 6.05;

(h) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of a Loan Party or Subsidiary or its debts, or of a substantial part of its assets, under any federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for any Loan Party or Subsidiary or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for sixty (60) days or an order or decree approving or ordering any of the foregoing shall be entered;

(i) any Loan Party or Subsidiary shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in clause (h) of this Article, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for such Loan Party or Subsidiary or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) take any action for the purpose of effecting any of the foregoing;

(j) any Loan Party shall become unable, admit in writing its inability, or publicly declare its intention not to, or fail generally to pay its debts as they become due;

(k) (i) one or more judgments for the payment of money in an aggregate amount in excess of $2,500,000 (to the extent not paid, full bonded or covered by a solvent and unaffiliated insurer that has not denied coverage) shall be rendered against any Loan Party, any Subsidiary or any combination thereof and the same shall remain undischarged for a period of sixty (60) consecutive days during which execution shall not be effectively stayed (by reason of pending appeal or otherwise), or any action shall be legally taken by a judgment creditor to attach, levy or place a Lien upon any assets of any Loan Party or Subsidiary to enforce any such judgment and such action shall not have been stayed; or (ii) any Loan Party or Subsidiary shall fail within thirty (30) days to discharge one or more non-monetary judgments or orders which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect, which judgments or orders, in any such case, are not stayed on appeal or otherwise being appropriately contested in good faith by proper proceedings diligently pursued;

(l) an ERISA Event shall have occurred that, when taken together with all other ERISA Events that have occurred, could reasonably be expected to result in liability of the Borrowers and their Subsidiaries in an aggregate amount exceeding (i) $2,500,000 in any year or (ii) $2,500,000 for all periods;

(m) a Change in Control shall occur;

(n) the occurrence of any "default", as defined in any Loan Document (other than this Agreement) or the breach by any Loan Party of any of the terms or provisions of any Loan Document (other than this Agreement), which default or breach continues beyond the later of (i) any period of grace therein provided or (ii) if there is no period of grace therein provided, 15 days after the earlier of any Loan Party's knowledge of such breach or notice thereof from the Administrative Agent;

(o) the Loan Guaranty shall fail to remain in full force or effect or any action shall be taken to discontinue or to assert the invalidity or unenforceability of the Loan Guaranty, or any Loan Guarantor shall fail to comply with any of the terms or provisions of the Loan Guaranty to which it is a party, or any Loan Guarantor shall deny that it has any further liability under the Loan Guaranty to which it is a party, or shall give notice to such effect, including, but not limited to notice of termination delivered pursuant to Section 10.08;

(p) except as permitted by the terms of any Loan Document, (i) any Collateral Document shall for any reason fail to create a valid security interest in any Collateral purported to be covered thereby, or (ii) any Lien securing any Secured Obligation shall cease to be a perfected first priority Lien;

(q) any Collateral Document shall fail to remain in full force or effect or any action shall be taken by or on behalf of any Loan Party or its Subsidiaries to discontinue or to assert the invalidity or unenforceability of any Collateral Document;

(r) any material provision of any Loan Document for any reason ceases to be valid, binding and enforceable in accordance with its terms (or any Loan Party shall challenge the enforceability of any Loan Document or shall assert in writing, or engage in any action or inaction that evidences its assertion, that any provision of any of the Loan Documents has ceased to be or otherwise is not valid, binding and enforceable in accordance with its terms); or

(s) any Loan Party is criminally indicted or convicted under any law that may reasonably be expected to lead to a forfeiture of any property of such Loan Party having a fair market value in excess of $2,500,000; then, and in every such event (other than an event with respect to the Borrowers described in clause (h) or (i) of this Article), and at any time thereafter during the continuance of such event, the Administrative Agent may, and at the request of the Required Lenders shall, by notice to the Borrower Representative, take any or all of the following actions, at the same or different times: (i) terminate the Commitments, whereupon the Commitments shall terminate immediately, (ii) declare the Loans then outstanding to be due and payable in whole (or in part, but ratably as among the Classes of Loans and the Loans of each Class at the time outstanding, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), whereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees (including, for the avoidance of doubt, any break funding payments) and other obligations of the Borrowers accrued hereunder and under any other Loan Document, shall become due and payable immediately, in each case without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrowers, and (iii) require cash collateral for the LC Exposure in accordance with Section 2.06(j) hereof; and in the case of any event with respect to the Borrowers described in clause (h) or (i) of this Article, the Commitments shall automatically terminate and the principal of the Loans then outstanding and the cash collateral for the LC Exposure, together with accrued interest thereon and all fees (including, for the avoidance of doubt, any break funding payments) and other obligations of the Borrowers accrued hereunder and under any other Loan Documents, shall automatically become due and payable, in each case without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrowers. Upon the occurrence and during the continuance of an Event of Default, the Administrative Agent may, and at the request of the Required Lenders shall, increase the rate of interest applicable to the Loans and other Obligations as set forth in this Agreement and exercise any rights and remedies provided to the Administrative Agent under the Loan Documents or at law or equity, including all remedies provided under the UCC.

ARTICLE VIII

The Administrative Agent.

SECTION 8.01. Authorization and Action.

(a) Each Lender, on behalf of itself and any of its Affiliates that are Secured Parties and the Issuing Bank hereby irrevocably appoints the entity named as Administrative Agent in the heading of this Agreement and its successors and assigns to serve as the administrative agent and collateral agent under the Loan Documents and each Lender and the Issuing Bank authorizes the Administrative Agent to take such actions as agent on its behalf and to exercise such powers under this Agreement and the other Loan Documents as are delegated to the Administrative Agent under such agreements and to exercise such powers as are reasonably incidental thereto. In addition, to the extent required under the laws of any jurisdiction other than within the United States, each Lender and the Issuing Bank hereby grants to the Administrative Agent any required powers of attorney to execute and enforce any Collateral Document governed by the laws of such jurisdiction on such Lender's or such Issuing Bank's behalf. Without limiting the foregoing, each Lender and the Issuing Bank hereby authorizes the Administrative Agent to execute and deliver, and to perform its obligations under, each of the Loan Documents to which the Administrative

Agent is a party, and to exercise all rights, powers and remedies that the Administrative Agent may have under such Loan Documents.

(b) As to any matters not expressly provided for herein and in the other Loan Documents (including enforcement or collection), the Administrative Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the written instructions of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, pursuant to the terms in the Loan Documents), and, unless and until revoked in writing, such instructions shall be binding upon each Lender and the Issuing Bank; provided, however, that the Administrative Agent shall not be required to take any action that (i) the Administrative Agent in good faith believes exposes it to liability unless the Administrative Agent receives an indemnification and is exculpated in a manner satisfactory to it from the Lenders and the Issuing Bank with respect to such action or (ii) is contrary to this Agreement or any other Loan Document or applicable law, including any action that may be in violation of the automatic stay under any requirement of law relating to bankruptcy, insolvency or reorganization or relief of debtors or that may effect a forfeiture, modification or termination of property of a Defaulting Lender in violation of any requirement of law relating to bankruptcy, insolvency or reorganization or relief of debtors; provided, further, that the Administrative Agent may seek clarification or direction from the Required Lenders prior to the exercise of any such instructed action and may refrain from acting until such clarification or direction has been provided. Except as expressly set forth in the Loan Documents, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to any Borrower, any other Loan Party, any Subsidiary or any Affiliate of any of the foregoing that is communicated to or obtained by the Person serving as Administrative Agent or any of its Affiliates in any capacity. Nothing in this Agreement shall require the Administrative Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(c) In performing its functions and duties hereunder and under the other Loan Documents, the Administrative Agent is acting solely on behalf of the Lenders and the Issuing Bank (except in limited circumstances expressly provided for herein relating to the maintenance of the Register), and its duties are entirely mechanical and administrative in nature. Without limiting the generality of the foregoing:

(i) the Administrative Agent does not assume and shall not be deemed to have assumed any obligation or duty or any other relationship as the agent, fiduciary or trustee of or for any Lender, Issuing Bank or Secured Party or holder of any other obligation other than as expressly set forth herein and in the other Loan Documents, regardless of whether a Default or an Event of Default has occurred and is continuing (and it is understood and agreed that the use of the term "agent" (or any similar term) herein or in any other Loan Document with reference to the Administrative Agent is not intended to connote any fiduciary duty or other implied (or express) obligations arising under agency doctrine of any applicable law, and that such term is used as a matter of market custom and is intended to create or reflect only an administrative relationship between contracting parties); additionally, each Lender agrees that it will not assert any claim against the Administrative Agent based on an alleged breach of fiduciary duty by the Administrative Agent in connection with this Agreement and/or the transactions contemplated hereby; and

(ii) nothing in this Agreement or any Loan Document shall require the Administrative Agent to account to any Lender for any sum or the profit element of any sum received by the Administrative Agent for its own account.

(d) The Administrative Agent may perform any of its duties and exercise its rights and powers hereunder or under any other Loan Document by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any of their respective duties and exercise their respective rights and powers through their respective Related Parties. The exculpatory provisions of this Article shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities pursuant to this Agreement. The Administrative Agent shall not be responsible for the negligence or misconduct of any sub agent except to the extent that a court of competent jurisdiction determines in a final and non-appealable judgment that the Administrative Agent acted with gross negligence or willful misconduct in the selection of such sub-agent.

(e) None of any Co-Syndication Agent, Documentation Agent or any Arranger shall have obligations or duties whatsoever in such capacity under this Agreement or any other Loan Document and shall incur no liability hereunder or thereunder in such capacity, but all such persons shall have the benefit of the indemnities provided for hereunder.

(f) In case of the pendency of any proceeding with respect to any Loan Party under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, the Administrative Agent (irrespective of whether the principal of any Loan or any reimbursement obligation in respect of any LC Disbursement shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on any Borrower) shall be entitled and empowered (but not obligated) by intervention in such proceeding or otherwise:

(i) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans, LC Disbursements and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders, the Issuing Bank and the Administrative Agent (including any claim under Sections 2.12, 2.13, 2.15, 2.17 and 9.03) allowed in such judicial proceeding; and

(ii) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same; and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such proceeding is hereby authorized by each Lender, the Issuing Bank and each other Secured Party to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders, the Issuing Bank or the other Secured Parties, to pay to the Administrative Agent any amount due to it, in its capacity as the Administrative Agent, under the Loan Documents (including under Section 9.03). Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender or Issuing Bank any plan of reorganization, arrangement, adjustment or composition affecting the Obligations or the rights of any Lender or Issuing Bank or to authorize the Administrative Agent to vote in respect of the claim of any Lender or Issuing Bank in any such proceeding.

(g) The provisions of this Article are solely for the benefit of the Administrative Agent, the Lenders and the Issuing Bank, and, except solely to the extent of the Borrowers' right to consent pursuant to and subject to the conditions set forth in this Article, no Borrower nor any Subsidiary, or any of their respective Affiliates, shall have any rights as a third party beneficiary under any such provisions. Each Secured Party, whether or not a party hereto, will be deemed, by its acceptance of the benefits of the Collateral and of the Guarantees of the Secured Obligations provided under the Loan Documents, to have agreed to the provisions of this Article.

SECTION 8.02. Administrative Agent's Reliance, Indemnification, Etc.

(a) Neither the Administrative Agent nor any of its Related Parties shall be (i) liable for any action taken or omitted to be taken by such party, the Administrative Agent or any of its Related Parties under or in connection with this Agreement or the other Loan Documents (x) with the consent of or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Administrative Agent shall believe in good faith to be necessary, under the circumstances as provided in the Loan Documents) or (y) in the absence of its own gross negligence or willful misconduct (such absence to be presumed unless otherwise determined by a court of competent jurisdiction by a final and non-appealable judgment) or (ii) responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made by any Loan Party or any officer thereof contained in this Agreement or any other Loan Document or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent under or in connection with, this Agreement or any other Loan Document or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document or for any failure of any Loan Party to perform its obligations hereunder or thereunder.

(b) The Administrative Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof (stating that it is a "notice of default") is given to the Administrative Agent by the Borrower Representative, a Lender or the Issuing Bank, and the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with any Loan Document, (ii) the contents of any certificate, report or other document delivered thereunder or in connection therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth in any Loan Document or the occurrence of any Default, (iv) the sufficiency, validity, enforceability, effectiveness or genuineness of any Loan Document or any other agreement, instrument or document, (v) the satisfaction of any condition set forth in Article IV or elsewhere in any Loan Document, other than to confirm receipt of items (which on their face purport to be such items) expressly required to be delivered to the Administrative Agent or satisfaction of any condition that expressly refers to the matters described therein being acceptable or satisfactory to the Administrative Agent, or (vi) the creation, perfection or priority of Liens on the Collateral. Notwithstanding anything herein to the contrary, the Administrative Agent shall not be liable for, or be responsible for any claim, liability, loss, cost or expense suffered by any Borrower, any other Loan Party, any Subsidiary, any Lender or any Issuing Bank as a result of any determination of any exchange rate or Dollar Equivalent.

(c) Without limiting the foregoing, the Administrative Agent (i) may treat the payee of any promissory note as its holder until such promissory note has been assigned in accordance with Section 9.04, (ii) may rely on the Register to the extent set forth in Section 9.04(b), (iii) may consult with legal counsel (including counsel to the Borrowers), independent public accountants and other experts selected by it, and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts, (iv) makes no warranty or representation to any Lender or Issuing Bank and shall not be responsible to any Lender or Issuing Bank for any statements, warranties or representations made by or on behalf of any Loan Party in connection with this Agreement or any other Loan Document, (v) in determining compliance with any condition hereunder to the making of a Loan, or the issuance of a Letter of Credit, that by its terms must be fulfilled to the satisfaction of a Lender or an Issuing Bank, may presume that such condition is satisfactory to such Lender or Issuing Bank unless the Administrative Agent shall have received notice to the contrary from such Lender or Issuing Bank sufficiently in advance of the making of such Loan or the issuance of such Letter of Credit and (vi) shall be entitled to rely on, and shall incur no liability under or in respect of this Agreement or any other Loan Document by acting upon, any notice, consent, certificate or other instrument or writing (which writing may be a fax, any electronic message, Internet or intranet website posting or other distribution) or any statement made to it orally or by telephone and believed by it to be genuine and signed or sent or otherwise

authenticated by the proper party or parties (whether or not such Person in fact meets the requirements set forth in the Loan Documents for being the maker thereof).

SECTION 8.03. Posting of Communications.

(a) The Borrowers agree that the Administrative Agent may, but shall not be obligated to, make any Communications available to the Lenders and the Issuing Bank by posting the Communications on IntraLinks™, DebtDomain, SyndTrak, ClearPar or any other electronic system chosen by the Administrative Agent to be its electronic transmission system (the "Approved Electronic Platform").

(b) Although the Approved Electronic Platform and its primary web portal are secured with generally-applicable security procedures and policies implemented or modified by the Administrative Agent from time to time (including, as of the Effective Date, a user ID/password authorization system) and the Approved Electronic Platform is secured through a per-deal authorization method whereby each user may access the Approved Electronic Platform only on a deal-by-deal basis, each of the Lenders, the Issuing Bank and each Borrower acknowledges and agrees that the distribution of material through an electronic medium is not necessarily secure, that the Administrative Agent is not responsible for approving or vetting the representatives or contacts of any Lender that are added to the Approved Electronic Platform, and that there may be confidentiality and other risks associated with such distribution. Each of the Lenders, the Issuing Bank and each Borrower hereby approves distribution of the Communications through the Approved Electronic Platform and understands and assumes the risks of such distribution.

(c) THE APPROVED ELECTRONIC PLATFORM AND THE COMMUNICATIONS ARE PROVIDED "AS IS" AND "AS AVAILABLE". THE APPLICABLE PARTIES (AS DEFINED BELOW) DO NOT WARRANT THE ACCURACY OR COMPLETENESS OF THE COMMUNICATIONS, OR THE ADEQUACY OF THE APPROVED ELECTRONIC PLATFORM AND EXPRESSLY DISCLAIM LIABILITY FOR ERRORS OR OMISSIONS IN THE APPROVED ELECTRONIC PLATFORM AND THE COMMUNICATIONS. NO WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR STATUTORY, INCLUDING ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THIRD PARTY RIGHTS OR FREEDOM FROM VIRUSES OR OTHER CODE DEFECTS, IS MADE BY THE APPLICABLE PARTIES IN CONNECTION WITH THE COMMUNICATIONS OR THE APPROVED ELECTRONIC PLATFORM. IN NO EVENT SHALL THE ADMINISTRATIVE AGENT, ANY ARRANGER, THE DOCUMENTATION AGENT, ANY CO-SYNDICATION AGENT OR ANY OF THEIR RESPECTIVE RELATED PARTIES (COLLECTIVELY, "APPLICABLE PARTIES") HAVE ANY LIABILITY TO ANY LOAN PARTY, ANY LENDER, ANY ISSUING BANK OR ANY OTHER PERSON OR ENTITY FOR DAMAGES OF ANY KIND, INCLUDING DIRECT OR INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES, LOSSES OR EXPENSES (WHETHER IN TORT, CONTRACT OR OTHERWISE) ARISING OUT OF ANY LOAN PARTY'S OR THE ADMINISTRATIVE AGENT'S TRANSMISSION OF COMMUNICATIONS THROUGH THE INTERNET OR THE APPROVED ELECTRONIC PLATFORM.

"Communications" means, collectively, any notice, demand, communication, information, document or other material provided by or on behalf of any Loan Party pursuant to any Loan Document or the transactions contemplated therein which is distributed by the Administrative Agent, any Lender or Issuing Bank by means of electronic communications pursuant to this Section, including through an Approved Electronic Platform.

(d) Each Lender and Issuing Bank agrees that notice to it (as provided in the next sentence) specifying that Communications have been posted to the Approved Electronic Platform shall constitute effective delivery of the Communications to such Lender for purposes of the Loan Documents. Each Lender

and Issuing Bank agrees (i) to notify the Administrative Agent in writing (which could be in the form of electronic communication) from time to time of such Lender's or Issuing Bank's (as applicable) email address to which the foregoing notice may be sent by electronic transmission and (ii) that the foregoing notice may be sent to such email address.

(e) Each of the Lenders, Issuing Bank and each Borrower agrees that the Administrative Agent may, but (except as may be required by applicable law) shall not be obligated to, store the Communications on the Approved Electronic Platform in accordance with the Administrative Agent's generally applicable document retention procedures and policies.

(f) Nothing herein shall prejudice the right of the Administrative Agent, any Lender or Issuing Bank to give any notice or other communication pursuant to any Loan Document in any other manner specified in such Loan Document.

SECTION 8.04. The Administrative Agent Individually. With respect to its Commitment, Loans (including Swingline Loans) and Letters of Credit, the Person serving as the Administrative Agent shall have and may exercise the same rights and powers hereunder and is subject to the same obligations and liabilities as and to the extent set forth herein for any other Lender or Issuing Bank, as the case may be. The terms "Issuing Bank", "Lenders", "Required Lenders" and any similar terms shall, unless the context clearly otherwise indicates, include the Administrative Agent in its individual capacity as a Lender, Issuing Bank or as one of the Required Lenders, as applicable. The Person serving as the Administrative Agent and its Affiliates may accept deposits from, lend money to, own securities of, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of banking, trust or other business with, any Loan Party, any Subsidiary or any Affiliate of any of the foregoing as if such Person was not acting as the Administrative Agent and without any duty to account therefor to the Lenders or the Issuing Bank.

SECTION 8.05. Successor Administrative Agent.

(a) The Administrative Agent may resign at any time by giving 30 days' prior written notice thereof to the Lenders, the Issuing Bank and the Borrower Representative, whether or not a successor Administrative Agent has been appointed. Upon any such resignation, the Required Lenders shall have the right, to appoint a successor Administrative Agent. If no successor Administrative Agent shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent's giving of notice of resignation, then the retiring Administrative Agent may, on behalf of the Lenders and the Issuing Bank, appoint a successor Administrative Agent which shall be a bank with an office in New York, New York or an Affiliate of any such bank. If Administrative Agent has become the subject of a Bankruptcy Event, the Required Lenders may agree in writing to remove and replace Administrative Agent with a successor Administrative Agent. In any case, such appointment shall be subject to the prior written approval of the Borrower Representative (which approval may not be unreasonably withheld and shall not be required while an Event of Default has occurred and is continuing). Upon the acceptance of any appointment as Administrative Agent by a successor Administrative Agent, such successor Administrative Agent shall succeed to and become vested with, all the rights, powers, privileges and duties of the retiring Administrative Agent. Upon the acceptance of appointment as Administrative Agent by a successor Administrative Agent, the retiring Administrative Agent shall be discharged from its duties and obligations under this Agreement and the other Loan Documents. Prior to any retiring Administrative Agent's resignation hereunder as Administrative Agent, the retiring Administrative Agent shall take such action as may be reasonably necessary to assign to the successor Administrative Agent its rights as Administrative Agent under the Loan Documents.

(b) Notwithstanding paragraph (a) of this Section, in the event no successor Administrative Agent shall have been so appointed and shall have accepted such appointment within 30 days after the

retiring Administrative Agent gives notice of its intent to resign, the retiring Administrative Agent may give notice of the effectiveness of its resignation to the Lenders, the Issuing Bank and the Borrowers, whereupon, on the date of effectiveness of such resignation stated in such notice, (i) the retiring Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents; provided that, solely for purposes of maintaining any security interest granted to the Administrative Agent under any Collateral Document for the benefit of the Secured Parties, the retiring Administrative Agent shall continue to be vested with such security interest as collateral agent for the benefit of the Secured Parties and continue to be entitled to the rights set forth in such Collateral Document and Loan Document, and, in the case of any Collateral in the possession of the Administrative Agent, shall continue to hold such Collateral, in each case until such time as a successor Administrative Agent is appointed and accepts such appointment in accordance with this Section (it being understood and agreed that the retiring Administrative Agent shall have no duty or obligation to take any further action under any Collateral Document, including any action required to maintain the perfection of any such security interest), and (ii) the Required Lenders shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent; provided that (A) all payments required to be made hereunder or under any other Loan Document to the Administrative Agent for the account of any Person other than the Administrative Agent shall be made directly to such Person and (B) all notices and other communications required or contemplated to be given or made to the Administrative Agent shall directly be given or made to each Lender and Issuing Bank. Following the effectiveness of the Administrative Agent's resignation from its capacity as such, the provisions of this Article, Section 2.17(d) and Section 9.03, as well as any exculpatory, reimbursement and indemnification provisions set forth in any other Loan Document, shall continue in effect for the benefit of such retiring Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring Administrative Agent was acting as Administrative Agent and in respect of the matters referred to in the proviso under clause (a) above.

SECTION 8.06. Acknowledgements of Lenders and Issuing Bank.

(a) Each Lender represents that it is engaged in making, acquiring or holding commercial loans in the ordinary course of its business and that it has, independently and without reliance upon the Administrative Agent, any Arranger, any Co-Syndication Agent, the Documentation Agent, or any other Lender, or any of the Related Parties of any of the foregoing, and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement as a Lender, and to make, acquire or hold Loans hereunder. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent, any Arranger, any Co-Syndication Agent, the Documentation Agent, or any other Lender, or any of the Related Parties of any of the foregoing, and based on such documents and information (which may contain material, non-public information within the meaning of the United States securities laws concerning the Borrowers and their Affiliates) as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder.

(b) Each Lender, by delivering its signature page to this Agreement on the Effective Date, or delivering its signature page to an Assignment and Assumption or any other Loan Document pursuant to which it shall become a Lender hereunder, shall be deemed to have acknowledged receipt of, and consented to and approved, each Loan Document and each other document required to be delivered to, or be approved by or satisfactory to, the Administrative Agent or the Lenders on the Effective Date or the effective date of any such Assignment and Assumption or any other Loan Document pursuant to which it shall have become a Lender hereunder.

(c) Each Lender hereby agrees that (i) it has requested a copy of each Report prepared by or on behalf of the Administrative Agent; (ii) the Administrative Agent (A) makes no representation or warranty, express or implied, as to the completeness or accuracy of any Report or any of the information contained therein or any inaccuracy or omission contained in or relating to a Report and (B) shall not be liable for any information contained in any Report; (iii) the Reports are not comprehensive audits or examinations, and that any Person performing any field examination will inspect only specific information regarding the Loan Parties and will rely significantly upon the Loan Parties' books and records, as well as on representations of the Loan Parties' personnel and that the Administrative Agent undertakes no obligation to update, correct or supplement the Reports; (iv) it will keep all Reports confidential and strictly for its internal use, not share the Report with any Loan Party or any other Person except as otherwise permitted pursuant to this Agreement; and (v) without limiting the generality of any other indemnification provision contained in this Agreement, (A) it will hold the Administrative Agent and any such other Person preparing a Report harmless from any action the indemnifying Lender may take or conclusion the indemnifying Lender may reach or draw from any Report in connection with any extension of credit that the indemnifying Lender has made or may make to a Borrower, or the indemnifying Lender's participation in, or the indemnifying Lender's purchase of, a Loan or Loans; and (B) it will pay and protect, and indemnify, defend, and hold the Administrative Agent and any such other Person preparing a Report harmless from and against, the claims, actions, proceedings, damages, costs, expenses, and other amounts (including reasonable attorneys' fees) incurred by the Administrative Agent or any such other Person as the direct or indirect result of any third parties who might obtain all or part of any Report through the indemnifying Lender.

SECTION 8.07. Collateral Matters.

(a) Except with respect to the exercise of setoff rights in accordance with Section 9.08 or with respect to a Secured Party's right to file a proof of claim in an insolvency proceeding, no Secured Party shall have any right individually to realize upon any of the Collateral or to enforce any Guarantee of the Secured Obligations, it being understood and agreed that all powers, rights and remedies under the Loan Documents may be exercised solely by the Administrative Agent on behalf of the Secured Parties in accordance with the terms thereof. In its capacity, the Administrative Agent is a "representative" of the Secured Parties within the meaning of the term "secured party" as defined in the UCC. In the event that any Collateral is hereafter pledged by any Person as collateral security for the Secured Obligations, the Administrative Agent is hereby authorized, and hereby granted a power of attorney, to execute and deliver on behalf of the Secured Parties any Loan Documents necessary or appropriate to grant and perfect a Lien on such Collateral in favor of the Administrative Agent on behalf of the Secured Parties.

(b) In furtherance of the foregoing and not in limitation thereof, no arrangements in respect of Banking Services the obligations under which constitute Secured Obligations and no Swap Agreement the obligations under which constitute Secured Obligations, will create (or be deemed to create) in favor of any Secured Party that is a party thereto any rights in connection with the management or release of any Collateral or of the obligations of any Loan Party under any Loan Document. By accepting the benefits of the Collateral, each Secured Party that is a party to any such arrangement in respect of Banking Services or Swap Agreement, as applicable, shall be deemed to have appointed the Administrative Agent to serve as administrative agent and collateral agent under the Loan Documents and agreed to be bound by the Loan Documents as a Secured Party thereunder, subject to the limitations set forth in this paragraph.

(c) The Secured Parties irrevocably authorize the Administrative Agent, at its option and in its discretion, to subordinate any Lien on any property granted to or held by the Administrative Agent under any Loan Document to the holder of any Lien on such property that is permitted by Section 6.02(b). The Administrative Agent shall not be responsible for or have a duty to ascertain or inquire into any representation or warranty regarding the existence, value or collectability of the Collateral, the existence,

priority or perfection of the Administrative Agent's Lien thereon or any certificate prepared by any Loan Party in connection therewith, nor shall the Administrative Agent be responsible or liable to the Lenders or any other Secured Party for any failure to monitor or maintain any portion of the Collateral.

SECTION 8.08. Credit Bidding. The Secured Parties hereby irrevocably authorize the Administrative Agent, at the direction of the Required Lenders, to credit bid all or any portion of the Obligations (including by accepting some or all of the Collateral in satisfaction of some or all of the Obligations pursuant to a deed in lieu of foreclosure or otherwise) and in such manner purchase (either directly or through one or more acquisition vehicles) all or any portion of the Collateral (a) at any sale thereof conducted under the provisions of the Bankruptcy Code, including under Sections 363, 1123 or 1129 of the Bankruptcy Code, or any similar laws in any other jurisdictions to which a Loan Party is subject, or (b) at any other sale, foreclosure or acceptance of collateral in lieu of debt conducted by (or with the consent or at the direction of) the Administrative Agent (whether by judicial action or otherwise) in accordance with any applicable law. In connection with any such credit bid and purchase, the Obligations owed to the Secured Parties shall be entitled to be, and shall be, credit bid by the Administrative Agent at the direction of the Required Lenders on a ratable basis (with Obligations with respect to contingent or unliquidated claims receiving contingent interests in the acquired assets on a ratable basis that shall vest upon the liquidation of such claims in an amount proportional to the liquidated portion of the contingent claim amount used in allocating the contingent interests) for the asset or assets so purchased (or for the equity interests or debt instruments of the acquisition vehicle or vehicles that are issued in connection with such purchase). In connection with any such bid (i) the Administrative Agent shall be authorized to form one or more acquisition vehicles and to assign any successful credit bid to such acquisition vehicle or vehicles, (ii) each of the Secured Parties' ratable interests in the Obligations which were credit bid shall be deemed without any further action under this Agreement to be assigned to such vehicle or vehicles for the purpose of closing such sale, (iii) the Administrative Agent shall be authorized to adopt documents providing for the governance of the acquisition vehicle or vehicles (provided that any actions by the Administrative Agent with respect to such acquisition vehicle or vehicles, including any disposition of the assets or equity interests thereof, shall be governed, directly or indirectly, by, and the governing documents shall provide for, control by the vote of the Required Lenders or their permitted assignees under the terms of this Agreement or the governing documents of the applicable acquisition vehicle or vehicles, as the case may be, irrespective of the termination of this Agreement and without giving effect to the limitations on actions by the Required Lenders contained in Section 9.02 of this Agreement), (iv) the Administrative Agent on behalf of such acquisition vehicle or vehicles shall be authorized to issue to each of the Secured Parties, ratably on account of the relevant Obligations which were credit bid, interests, whether as equity, partnership interests, limited partnership interests or membership interests, in any such acquisition vehicle and/or debt instruments issued by such acquisition vehicle, all without the need for any Secured Party or acquisition vehicle to take any further action, and (v) to the extent that Obligations that are assigned to an acquisition vehicle are not used to acquire Collateral for any reason (as a result of another bid being higher or better, because the amount of Obligations assigned to the acquisition vehicle exceeds the amount of Obligations credit bid by the acquisition vehicle or otherwise), such Obligations shall automatically be reassigned to the Secured Parties pro rata with their original interest in such Obligations and the equity interests and/or debt instruments issued by any acquisition vehicle on account of such Obligations shall automatically be cancelled, without the need for any Secured Party or any acquisition vehicle to take any further action. Notwithstanding that the ratable portion of the Obligations of each Secured Party are deemed assigned to the acquisition vehicle or vehicles as set forth in clause (ii) above, each Secured Party shall execute such documents and provide such information regarding the Secured Party (and/or any designee of the Secured Party which will receive interests in or debt instruments issued by such acquisition vehicle) as the Administrative Agent may reasonably request in connection with the formation of any acquisition vehicle, the formulation or submission of any credit bid or the consummation of the transactions contemplated by such credit bid.

SECTION 8.09. Certain ERISA Matters.

(a) Each Lender (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent, and each Arranger and their respective Affiliates, and not, for the avoidance of doubt, to or for the benefit of any Borrower or any other Loan Party, that at least one of the following is and will be true:

(i) such Lender is not using "plan assets" (within the meaning of the Plan Asset Regulations) of one or more Benefit Plans in connection with the Loans, the Letters of Credit or the Commitments,

(ii) the transaction exemption set forth in one or more PTEs, such as PTE 84-14 (a class exemption for certain transactions determined by independent qualified professional asset managers), PTE 95-60 (a class exemption for certain transactions involving insurance company general accounts), PTE 90-1 (a class exemption for certain transactions involving insurance company pooled separate accounts), PTE 91-38 (a class exemption for certain transactions involving bank collective investment funds) or PTE 96-23 (a class exemption for certain transactions determined by in-house asset managers), is applicable with respect to such Lender's entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement,

(iii) (A) such Lender is an investment fund managed by a "Qualified Professional Asset Manager" (within the meaning of Part VI of PTE 84-14), (B) such Qualified Professional Asset Manager made the investment decision on behalf of such Lender to enter into, participate in, administer and perform the Loans, the Letters of Credit, the Commitments and this Agreement, (C) the entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement satisfies the requirements of sub-sections (b) through (g) of Part I of PTE 84-14 and (D) to the best knowledge of such Lender, the requirements of subsection (a) of Part I of PTE 84-14 are satisfied with respect to such Lender's entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement, or

(iv) such other representation, warranty and covenant as may be agreed in writing between the Administrative Agent, in its sole discretion, and such Lender.

(b) In addition, unless sub-clause (i) in the immediately preceding clause (a) is true with respect to a Lender or such Lender has not provided another representation, warranty and covenant as provided in sub-clause (iv) in the immediately preceding clause (a), such Lender further (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent, each Arranger and their respective Affiliates, and not, for the avoidance of doubt, to or for the benefit of any Borrower or any other Loan Party, that none of the Administrative Agent, any Arranger, any Co-Syndication Agent, the Documentation Agent, or any of their respective Affiliates is a fiduciary with respect to the Collateral or the assets of such Lender (including in connection with the reservation or exercise of any rights by the Administrative Agent under this Agreement, any Loan Document or any documents related to hereto or thereto).

(c) The Administrative Agent, each Arranger, and each Co-Syndication Agent, and the Documentation Agent hereby inform the Lenders that each such Person is not undertaking to provide investment advice or to give advice in a fiduciary capacity, in connection with the transactions contemplated

hereby, and that such Person has a financial interest in the transactions contemplated hereby in that such Person or an Affiliate thereof (i) may receive interest or other payments with respect to the Loans, the Letters of Credit, the Commitments, this Agreement and any other Loan Documents, (ii) may recognize a gain if it extended the Loans, the Letters of Credit or the Commitments for an amount less than the amount being paid for an interest in the Loans, the Letters of Credit or the Commitments by such Lender or (iii) may receive fees or other payments in connection with the transactions contemplated hereby, the Loan Documents or otherwise, including structuring fees, commitment fees, arrangement fees, facility fees, upfront fees, underwriting fees, ticking fees, agency fees, administrative agent or collateral agent fees, utilization fees, minimum usage fees, letter of credit fees, fronting fees, deal-away or alternate transaction fees, amendment fees, processing fees, term out premiums, banker's acceptance fees, breakage or other early termination fees or fees similar to the foregoing.

SECTION 8.10. Flood Laws. JPMCB has adopted internal policies and procedures that address requirements placed on federally regulated lenders under the National Flood Insurance Reform Act of 1994 and related legislation (the "Flood Laws"). JPMCB, as administrative agent or collateral agent on a syndicated facility, will post on the applicable electronic platform (or otherwise distribute to each Lender in the syndicate) documents that it receives in connection with the Flood Laws. However, JPMCB reminds each Lender and Participant in the facility that, pursuant to the Flood Laws, each federally regulated Lender (whether acting as a Lender or Participant in the facility) is responsible for assuring its own compliance with the flood insurance requirements.

ARTICLE IX

Miscellaneous.

SECTION 9.01. Notices. (a) Except in the case of notices and other communications expressly permitted to be given by telephone or Electronic Systems (and subject in each case to paragraph (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by facsimile, as follows:

(i) if to any Loan Party, to the Borrower Representative at:

Cricut, Inc.
10855 S River Front Parkway
South Jordan, UT 84095
Attention: Marty Petersen
Facsimile No: (801) 794-2077

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

Stoel Rives LLP
760 SW Ninth Avenue, Suite 3000
Portland, Oregon 97205
Attention: Brant J. Norquist
Facsimile No: (503) 220-2480

(ii) if to the Administrative Agent, JPMCB in its capacity as an Issuing Bank or the Swingline Lender, to JPMorgan Chase Bank, N.A. at:

3 Park Plaza, Suite 900
Irvine, California 92614
Attention: Account Executive
Facsimile No: (949) 471-9872

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

Morgan, Lewis & Bockius LLP
300 South Grand Avenue, 22nd Floor
Los Angeles, California 90071-3132
Attention: Marshall Stoddard, Jr., Esq.
Facsimile No: (212) 309-6001

(iii) if to any other Lender or Issuing Bank, to it at its address or facsimile number set forth in its Administrative Questionnaire.

All such notices and other communications (A) sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received, (B) sent by facsimile shall be deemed to have been given when sent, provided that if not given during normal business hours of the recipient, such notice or communication shall be deemed to have been given at the opening of business on the next Business Day of the recipient, or (C) delivered through Electronic Systems or Approved Electronic Platforms, as applicable, to the extent provided in paragraph (b) below shall be effective as provided in such paragraph.

(b) Notices and other communications to the Lenders hereunder may be delivered or furnished by using Electronic Systems or Approved Electronic Platforms, as applicable, or pursuant to procedures approved by the Administrative Agent; provided that the foregoing shall not apply to notices pursuant to Article II or to Compliance Certificates delivered pursuant to Section 5.01(d) unless otherwise agreed by the Administrative Agent and the applicable Lender. Each of the Administrative Agent and the Borrower Representative (on behalf of the Loan Parties) may, in its discretion, agree to accept notices and other communications to it hereunder by Electronic Systems or Approved Electronic Platforms, as applicable, pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications. Unless the Administrative Agent otherwise proscribes, all such notices and other communications (i) sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), provided that if not given during the normal business hours of the recipient, such notice or communication shall be deemed to have been given at the opening of business on the next Business Day for the recipient, and (ii) posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient, at its e-mail address as described in the foregoing clause (i), of notification that such notice or communication is available and identifying the website address therefor; provided that, for both clauses (i) and (ii) above, if such notice, e-mail or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next Business Day of the recipient.

(c) Any party hereto may change its address, facsimile number or e-mail address for notices and other communications hereunder by notice to the other parties hereto.

SECTION 9.02. Waivers; Amendments. (a) No failure or delay by the Administrative Agent, the Issuing Bank or any Lender in exercising any right or power hereunder or under any other Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent, the Issuing Bank and the Lenders hereunder and under any other Loan Document are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of any Loan Document or consent to any departure by any Loan Party therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan or issuance of a Letter of Credit shall not be construed as a waiver of any Default, regardless of whether the Administrative Agent, any Lender or the Issuing Bank may have had notice or knowledge of such Default at the time.

(b) Except as provided in the first sentence of Section 2.09(f) (with respect to any commitment increase) and subject to Section 2.14(c) and Section 9.02(e) below, neither this Agreement nor any other Loan Document nor any provision hereof or thereof may be waived, amended or modified except (x) in the case of this Agreement, pursuant to an agreement or agreements in writing entered into by the Borrowers and the Required Lenders or (y) in the case of any other Loan Document, pursuant to an agreement or agreements in writing entered into by the Administrative Agent and the Loan Party or Loan Parties that are parties thereto, with the consent of the Required Lenders; provided that no such agreement shall (i) increase the Commitment of any Lender without the written consent of such Lender (including any such Lender that is a Defaulting Lender), (ii) reduce or forgive the principal amount of any Loan or LC Disbursement or reduce the rate of interest thereon, or reduce or forgive any interest or fees payable hereunder, without the written consent of each Lender (including any such Lender that is a Defaulting Lender) directly affected thereby (provided that any amendment or modification of the financial covenants in this Agreement (or any defined term used therein) shall not constitute a reduction in the rate of interest or fees for purposes of this

clause (ii)), (iii) postpone any scheduled date of payment of the principal amount of any Loan or LC Disbursement, or any date for the payment of any interest, fees or other Obligations payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Lender (including any such Lender that is a Defaulting Lender) directly affected thereby, (iv) change Section 2.09(d) or Section 2.18(b) or (d) in a manner that would alter the ratable reduction of Commitments or the manner in which payments are shared, without the written consent of each Lender (other than any Defaulting Lender), (v) increase the advance rates set forth in the definition of Borrowing Base or add new categories of eligible assets, without the written consent of each Revolving Lender (other than any Defaulting Lender), (vi) change any of the provisions of this Section or the definition of "Required Lenders" or any other provision of any Loan Document specifying the number or percentage of Lenders (or Lenders of any Class) required to waive, amend or modify any rights thereunder or make any determination or grant any consent thereunder, without the written consent of each Lender (other than any Defaulting Lender) directly affected thereby, (vii) change Section 2.20 without the consent of each Lender (other than any Defaulting Lender), (viii) release any Loan Guarantor from its obligation under its Loan Guaranty (except as otherwise permitted herein or in the other Loan Documents), without the written consent of each Lender (other than any Defaulting Lender), or (ix) except as provided in clause (c) of this Section or in any Collateral Document, release or subordinate Administrative Agent's Lien with respect to all or substantially all of the Collateral, without the written consent of each Lender (other than any Defaulting Lender); provided, further, that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent, the Issuing Bank or the Swingline Lender hereunder without the prior written consent of the Administrative Agent, the Issuing Bank or the Swingline Lender, as the case may be (it being understood that any amendment to Section 2.20 shall require the consent of the Administrative Agent, the Issuing Bank and the Swingline Lender); provided further that no such agreement shall amend or modify the provisions of Section 2.07 or any letter of credit application and any bilateral agreement between the Borrower Representative and the Issuing Bank regarding the Issuing Bank's Issuing Bank Sublimit or the respective rights and obligations between any Borrower and the Issuing Bank in connection with the issuance of Letters of Credit without the prior written consent of the Administrative Agent and the Issuing Bank, respectively. The Administrative Agent may also amend the Commitment Schedule to reflect assignments entered into pursuant to Section 9.04. Any amendment, waiver or other modification of this Agreement or any other Loan Document that by its terms affects the rights or duties under this Agreement of the Lenders of one or more Classes (but not the Lenders of any other Class), may be effected by an agreement or agreements in writing entered into by the Borrowers and the requisite number or percentage in interest of each affected Class of Lenders that would be required to consent thereto under this Section if such Class of Lenders were the only Class of Lenders hereunder at the time.

(c) The Lenders and the Issuing Bank hereby irrevocably authorize the Administrative Agent, at its option and in its sole discretion, to release any Liens granted to the Administrative Agent by the Loan Parties on any Collateral (i) upon the Payment in Full of all Secured Obligations, and the cash collateralization of all Unliquidated Obligations in a manner satisfactory to each affected Lender, (ii) constituting property being sold or disposed of if the Loan Party disposing of such property certifies to the Administrative Agent that the sale or disposition is made in compliance with the terms of this Agreement (and the Administrative Agent may rely conclusively on any such certificate, without further inquiry), (iii) constituting property leased to a Loan Party under a lease which has expired or been terminated in a transaction permitted under this Agreement, or (iv) as required to effect any sale or other disposition of such Collateral in connection with any exercise of remedies of the Administrative Agent and the Lenders pursuant to Article VII. Except as provided in the preceding sentence, the Administrative Agent will not release any Liens on Collateral without the prior written authorization of the Required Lenders; provided that, the Administrative Agent may in its discretion, release its Liens on Collateral valued in the aggregate not in excess of $5,000,000 during any calendar year without the prior written authorization of the Required Lenders (it being agreed that the Administrative Agent may rely conclusively on one or more certificates

of the Borrowers as to the value of any Collateral to be so released, without further inquiry). Any such release shall not in any manner discharge, affect, or impair the Obligations or any Liens (other than those expressly being released) upon (or obligations of the Loan Parties in respect of) all interests retained by the Loan Parties, including the proceeds of any sale, all of which shall continue to constitute part of the Collateral. Any execution and delivery by the Administrative Agent of documents in connection with any such release shall be without recourse to or warranty by the Administrative Agent.

(d) If, in connection with any proposed amendment, waiver or consent requiring the consent of "each Lender" or "each Lender affected thereby," the consent of the Required Lenders is obtained, but the consent of other necessary Lenders is not obtained (any such Lender whose consent is necessary but has not been obtained being referred to herein as a "Non-Consenting Lender"), then the Borrowers may elect to replace a Non-Consenting Lender as a Lender party to this Agreement, provided that, concurrently with such replacement, (i) another bank or other entity which is reasonably satisfactory to the Borrowers, the Administrative Agent and the Issuing Bank shall agree, as of such date, to purchase for cash the Loans and other Obligations due to the Non-Consenting Lender pursuant to an Assignment and Assumption and to become a Lender for all purposes under this Agreement and to assume all obligations of the Non-Consenting Lender to be terminated as of such date and to comply with the requirements of clause (b) of Section 9.04, and (ii) the Borrowers shall pay to such Non-Consenting Lender in same day funds on the day of such replacement (1) all interest, fees and other amounts then accrued but unpaid to such Non-Consenting Lender by the Borrowers hereunder to and including the date of termination, including without limitation payments due to such Non-Consenting Lender under Sections 2.15 and 2.17, and (2) an amount, if any, equal to the payment which would have been due to such Lender on the day of such replacement under Section 2.16 had the Loans of such Non-Consenting Lender been prepaid on such date rather than sold to the replacement Lender. Each party hereto agrees that an assignment required pursuant to this paragraph may be effected pursuant to an Assignment and Assumption executed by the Borrower Representative, the Administrative Agent and the assignee (or, to the extent applicable, an agreement incorporating an Assignment and Assumption by reference pursuant to an Approved Electronic Platform as to which the Administrative Agent and such parties are participants), and the Lender required to make such assignment need not be a party thereto in order for such assignment to be effective and shall be deemed to have consented to an be bound by the terms thereof; provided that, following the effectiveness of any such assignment, the other parties to such assignment agree to execute and deliver such documents necessary to evidence such assignment as reasonably requested by the applicable Lender, provided that any such documents shall be without recourse to or warranty by the parties thereto.

(e) Notwithstanding anything to the contrary herein the Administrative Agent may, with the consent of the Borrower Representative only, amend, modify or supplement this Agreement or any of the other Loan Documents to cure any ambiguity, omission, mistake, defect or inconsistency.

SECTION 9.03. Expenses; Indemnity; Damage Waiver. (a) The Loan Parties shall, jointly and severally, pay all (i) reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates, including the reasonable fees, charges and disbursements of counsel for the Administrative Agent, in connection with the syndication and distribution (including, without limitation, via the internet or through any Electronic System or Approved Electronic Platform) of the credit facilities provided for herein, the preparation and administration of the Loan Documents and any amendments, modifications or waivers of the provisions of the Loan Documents (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) reasonable out-of-pocket expenses incurred by the Issuing Bank in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder and (iii) out-of-pocket expenses incurred by the Administrative Agent, the Issuing Bank or any Lender, including the fees, charges and disbursements of any counsel for the Administrative Agent, the Issuing Bank or any Lender, in connection with the enforcement, collection or protection of its rights in connection with the Loan Documents, including its rights under this Section, or in connection with the

Loans made or Letters of Credit issued hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit. Expenses being reimbursed by the Loan Parties under this Section include, without limiting the generality of the foregoing, fees, costs and expenses incurred in connection with:

(A) appraisals (subject to the limitations in Section 5.12) and insurance reviews;

(B) field examinations and the preparation of Reports based on the fees charged by a third party retained by the Administrative Agent or the internally allocated fees for each Person employed by the Administrative Agent with respect to each field examination (subject to the limitations set forth in Section 5.06);

(C) background checks regarding senior management and/or key investors, as deemed necessary or appropriate in the sole discretion of the Administrative Agent;

(D) Taxes, fees and other charges for (1) lien and title searches and title insurance and (2) filing financing statements and continuations, and other actions to perfect, protect, and continue the Administrative Agent's Liens;

(E) sums paid or incurred to take any action required of any Loan Party under the Loan Documents that such Loan Party fails to pay or take; and

(F) forwarding loan proceeds, collecting checks and other items of payment, and establishing and maintaining the accounts and lock boxes, and costs and expenses of preserving and protecting the Collateral.

All of the foregoing fees, costs and expenses may be charged to the Borrowers as Revolving Loans or to another deposit account, all as described in Section 2.18(c).

(b) The Loan Parties shall, jointly and severally, indemnify the Administrative Agent, each Arranger, each Co-Syndication Agent, the Documentation Agent, the Issuing Bank and each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, penalties, incremental taxes, liabilities and related expenses, including the fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of the Loan Documents or any agreement or instrument contemplated thereby, the performance by the parties hereto of their respective obligations thereunder or the consummation of the Transactions or any other transactions contemplated hereby, (ii) any Loan or Letter of Credit or the use of the proceeds therefrom (including any refusal by the Issuing Bank to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any actual or alleged presence or Release of Hazardous Materials on or from any property owned or operated by a Loan Party or a Subsidiary, or any Environmental Liability related in any way to a Loan Party or a Subsidiary, (iv) the failure of a Loan Party to deliver to the Administrative Agent the required receipts or other required documentary evidence with respect to a payment made by a Loan Party for Taxes pursuant to Section 2.17, or (v) any actual or prospective claim, litigation, investigation, arbitration or proceeding relating to any of the foregoing, whether or not such claim, litigation, investigation, arbitration or proceeding is brought by any Loan Party or their respective equity holders, Affiliates, creditors or any other third Person and whether based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, penalties, liabilities or related expenses (x) are determined by a court of competent jurisdiction by final and

non-appealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee, (y) arise from the breach by an Indemnitee of its obligations under the Loan Documents, or (z) arise from a dispute solely among the Indemnitees (other than any claims against an Indemnitee in its capacity as an Arranger, a Co-Syndication Agent, Documentation Agent, Administrative Agent, Swingline Lender or Issuing Bank) that does not involve an act or omission by any Loan Party or any of its Subsidiaries. This Section 9.03(b) shall not apply with respect to Taxes other than any Taxes that represent losses or damages arising from any non-Tax claim.

(c) Each Lender severally agrees to pay any amount required to be paid by any Loan Party under paragraph (a) or (b) of this Section 9.03 to the Administrative Agent, each Issuing Bank and the Swingline Lender, and each Related Party of any of the foregoing Persons (each, an "Agent Indemnitee") (to the extent not reimbursed by a Loan Party and without limiting the obligation of any Loan Party to do so), ratably according to their respective Applicable Percentage in effect on the date on which indemnification is sought under this Section (or, if indemnification is sought after the date upon which the Commitments shall have terminated and the Loans shall have been paid in full, ratably in accordance with such Applicable Percentage immediately prior to such date), from and against any and all losses, claims, damages, liabilities and related expenses, including the fees, charges and disbursements of any kind whatsoever that may at any time (whether before or after the payment of the Loans) be imposed on, incurred by or asserted against such Agent Indemnitee in any way relating to or arising out of the Commitments, this Agreement, any of the other Loan Documents or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by such Agent Indemnitee under or in connection with any of the foregoing; provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against such Agent Indemnitee in its capacity as such; provided, further, that no Lender shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements that are found by a final and non-appealable decision of a court of competent jurisdiction to have resulted from such Agent Indemnitee's gross negligence or willful misconduct. The agreements in this Section shall survive the termination of this Agreement and the Payment in Full of the Secured Obligations.

(d) To the extent permitted by applicable law, no Loan Party shall assert, and each Loan Party hereby waives, any claim against any Indemnitee (i) for any damages arising from the use by others of information or other materials obtained through telecommunications, electronic or other information transmission systems (including the Internet) or (ii) on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the Transactions, any Loan or Letter of Credit or the use of the proceeds thereof; provided that, nothing in this paragraph (d) shall relieve any Loan Party of any obligation it may have to indemnify an Indemnitee against special, indirect, consequential or punitive damages asserted against such Indemnitee by a third party.

(e) All amounts due under this Section shall be payable promptly after written demand therefor.

SECTION 9.04. Successors and Assigns. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby (including any Affiliate of the Issuing Bank that issues any Letter of Credit), except that (i) no Borrower may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by any Borrower without such consent shall be null and void) and (ii) no Lender may assign or otherwise transfer its rights or obligations hereunder except in accordance with this Section. Nothing in this Agreement, expressed or implied, shall

be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby (including any Affiliate of the Issuing Bank that issues any Letter of Credit), Participants (to the extent provided in paragraph (c) of this Section) and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent, the Issuing Bank and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b)(i) Subject to the conditions set forth in paragraph (b)(ii) below, any Lender may assign to one or more Persons (other than an Ineligible Institution) all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment, participations in Letters of Credit and the Loans at the time owing to it) with the prior written consent (such consent not to be unreasonably withheld) of:

(A) the Borrower Representative, provided that the Borrower Representative shall be deemed to have consented to any such assignment of all or a portion of the Revolving Loans and Commitments unless it shall object thereto by written notice to the Administrative Agent within ten (10) Business Days after having received notice thereof, and provided further that no consent of the Borrower Representative shall be required for an assignment to a Lender, an Affiliate of a Lender, an Approved Fund or, if an Event of Default has occurred and is continuing, any other assignee;

(B) the Administrative Agent;

(C) the Issuing Bank; and

(D) the Swingline Lender.

(ii) Assignments shall be subject to the following additional conditions:

(A) except in the case of an assignment to a Lender or an Affiliate of a Lender or an Approved Fund or an assignment of the entire remaining amount of the assigning Lender's Commitment or Loans of any Class, the amount of the Commitment or Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent) shall not be less than $5,000,000 unless each of the Borrower Representative and the Administrative Agent otherwise consent, provided that no such consent of the Borrower Representative shall be required if an Event of Default has occurred and is continuing;

(B) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement;

(C) the parties to each assignment shall execute and deliver to the Administrative Agent (x) an Assignment and Assumption or (y) to the extent applicable, an agreement incorporating an Assignment and Assumption by reference pursuant to an Approved Electronic Platform as to which the Administrative Agent and the parties to the Assignment and Assumption are participants, together with a processing and recordation fee of $3,500; and

(D) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire in which the assignee designates one or more credit contacts to whom all syndicate-level information (which may contain material non-public information about the Company, the other Loan Parties and their Related Parties or their respective securities) will be made available and who may receive such information in accordance with the assignee's compliance procedures and applicable laws, including Federal and state securities laws.

For the purposes of this Section 9.04(b), the terms "Approved Fund" and "Ineligible Institution" have the following meanings:

"Approved Fund" means any Person (other than a natural person) that is engaged in making, purchasing, holding or investing in bank loans and similar extensions of credit in the ordinary course of its business and that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

"Ineligible Institution" means (a) a natural person, (b) a Defaulting Lender or its Parent, (c) a company, investment vehicle or trust for, or owned and operated for the primary benefit of, a natural person or relative(s) thereof; provided that, with respect to clause (c), such company, investment vehicle or trust shall not constitute an Ineligible Institution if it (x) has not been established for the primary purpose of acquiring any Loans or Commitments, (y) is managed by a professional advisor, who is not such natural person or a relative thereof, having significant experience in the business of making or purchasing commercial loans, and (z) has assets greater than $25,000,000 and a significant part of its activities consist of making or purchasing commercial loans and similar extensions of credit in the ordinary course of its business, or (d) a Loan Party or a Subsidiary or other Affiliate of a Loan Party.

(iii) Subject to acceptance and recording thereof pursuant to paragraph (b)(iv) of this Section, from and after the effective date specified in each Assignment and Assumption, the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.15, 2.16, 2.17 and 9.03). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this Section shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (c) of this Section.

(iv) The Administrative Agent, acting for this purpose as a non-fiduciary agent of the Borrowers, shall maintain at one of its offices a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount of the Loans and LC Disbursements owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Borrowers, the Administrative Agent, the Issuing Bank and the Lenders shall treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrowers, the Issuing Bank and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(v) Upon its receipt of (x) a duly completed Assignment and Assumption executed by an assigning Lender and an assignee, or (y) to the extent applicable, an agreement incorporating an Assignment and Assumption by reference pursuant to an Approved Electronic Platform as to which the Administrative Agent and the parties to the Assignment and Assumption are participants, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section and any written consent to such assignment required by paragraph (b) of this Section, the Administrative Agent shall accept such Assignment and Assumption and record the information contained therein in the Register; provided that if either the assigning Lender or the assignee shall have failed to make any payment required to be made by it pursuant to Section 2.05, 2.06(d) or (e), 2.07(b), 2.18(d) or 9.03(c), the Administrative Agent shall have no obligation to accept such Assignment and Assumption and record the information therein in the Register unless and

until such payment shall have been made in full, together with all accrued interest thereon. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(c) Any Lender may, without the consent of, or notice to, the Borrowers, the Administrative Agent, the Issuing Bank or the Swingline Lender, sell participations to one or more banks or other entities (a "Participant") other than an Ineligible Institution in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Commitment and/or the Loans owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged; (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations; and (iii) the Borrowers, the Administrative Agent, the Issuing Bank and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in clause (ii), (iii) or (iv) of the first proviso to Section 9.02(b) that affects such Participant. The Borrowers agree that each Participant shall be entitled to the benefits of Sections 2.15, 2.16 and 2.17 (subject to the requirements and limitations therein, including the requirements under Section 2.17(f) and (g) (it being understood that the documentation required under Section 2.17(f) shall be delivered to the participating Lender and the information and documentation required under Section 2.17(g) will be delivered to the Borrowers and the Administrative Agent)) to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section; provided that such Participant (A) agrees to be subject to the provisions of Sections 2.18 and 2.19 as if it were an assignee under paragraph (b) of this Section; and (B) shall not be entitled to receive any greater payment under Section 2.15 or 2.17, with respect to any participation, than its participating Lender would have been entitled to receive, except to the extent such entitlement to receive a greater payment results from a Change in Law that occurs after the Participant acquired the applicable participation.

Each Lender that sells a participation agrees, at the Borrowers' request and expense, to use reasonable efforts to cooperate with the Borrowers to effectuate the provisions of Section 2.19(b) with respect to any Participant. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 9.08 as though it were a Lender, provided such Participant agrees to be subject to Section 2.18(c) as though it were a Lender. Each Lender that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of the Borrowers, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loans or other obligations under this Agreement or any other Loan Document (the "Participant Register"); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant's interest in any Commitments, Loans, Letters of Credit or its other obligations under any Loan Document) to any Person except to the extent that such disclosure is necessary to establish that such Commitment, Loan, Letter of Credit or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

(d) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including without limitation any pledge or assignment to secure obligations to a Federal Reserve Bank, and this Section shall not apply to any such

pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

SECTION 9.05. Survival. All covenants, agreements, representations and warranties made by the Loan Parties in the Loan Documents and in the certificates or other instruments delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of the Loan Documents and the making of any Loans and issuance of any Letters of Credit, regardless of any investigation made by any such other party or on its behalf and notwithstanding that the Administrative Agent, the Issuing Bank or any Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement is outstanding and unpaid or any Letter of Credit is outstanding and so long as the Commitments have not expired or terminated. The provisions of Sections 2.15, 2.16, 2.17 and 9.03 and Article VIII shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration or termination of the Letters of Credit and the Commitments or the termination of this Agreement or any other Loan Document or any provision hereof or thereof.

SECTION 9.06. Counterparts; Integration; Effectiveness; Electronic Execution. (a) This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement, the other Loan Documents and any separate letter agreements with respect to (i) fees payable to the Administrative Agent and (ii) increases or reductions of the Issuing Bank Sublimit of the Issuing Bank constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

(b) Delivery of an executed counterpart of a signature page of this Agreement by telecopy, emailed pdf. or any other electronic means that reproduces an image of the actual executed signature page shall be effective as delivery of a manually executed counterpart of this Agreement. The words "execution," "signed," "signature," "delivery," and words of like import in or relating to any document to be signed in connection with this Agreement and the transactions contemplated hereby or thereby shall be deemed to include Electronic Signatures, deliveries or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act; provided that nothing herein shall require the Administrative Agent to accept electronic signatures in any form or format without its prior written consent.

SECTION 9.07. Severability. Any provision of any Loan Document held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions thereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 9.08. Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender, the Issuing Bank and each of their respective Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held, and other obligations at any time owing, by such Lender, the Issuing Bank or any such Affiliate, to or for the credit or the account of any Loan Party against any and all of the Secured Obligations held by such Lender, the Issuing Bank or their respective Affiliates, irrespective of whether or not such Lender, the Issuing Bank or their respective Affiliates shall have made any demand under the Loan Documents and although such obligations may be contingent or unmatured or are owed to a branch office or Affiliate of such Lender or the Issuing Bank different from the branch office or Affiliate holding such deposit or obligated on such indebtedness; provided that in the event that any Defaulting Lender shall exercise any such right of setoff, (x) all amounts so set off shall be paid over immediately to the Administrative Agent for further application in accordance with the provisions of Section 2.20 and, pending such payment, shall be segregated by such Defaulting Lender from its other funds and deemed held in trust for the benefit of the Administrative Agent, the Issuing Bank, and the Lenders, and (y) the Defaulting Lender shall provide promptly to the Administrative Agent a statement describing in reasonable detail the Secured Obligations owing to such Defaulting Lender as to which it exercised such right of setoff. The applicable Lender, the Issuing Bank or such Affiliate shall notify the Borrower Representative and the Administrative Agent of such setoff or application, provided that any failure to give or any delay in giving such notice shall not affect the validity of any such setoff or application under this Section. The rights of each Lender, the Issuing Bank and their respective Affiliates under this Section are in addition to other rights and remedies (including other rights of setoff) that such Lender, the Issuing Bank or their respective Affiliates may have.

SECTION 9.09. Governing Law; Jurisdiction; Consent to Service of Process. (a) The Loan Documents (other than those containing a contrary express choice of law provision) shall be governed by and construed in accordance with the internal laws of the State of New York, but giving effect to federal laws applicable to national banks.

(b) Each of the Lenders and the Administrative Agent hereby irrevocably and unconditionally agrees that, notwithstanding the governing law provisions of any applicable Loan Document, any claims brought against the Administrative Agent by any Secured Party relating to this Agreement, any other Loan Document, the Collateral or the consummation or administration of the transactions contemplated hereby or thereby shall be construed in accordance with and governed by the law of the State of New York.

(c) Each of the parties hereto hereby irrevocably and unconditionally submits, for itself and its property, to the exclusive jurisdiction of any U.S. federal or New York state court sitting in New York, New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to any Loan Documents, the transactions relating hereto or thereto, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may (and any such claims, cross-claims or third party claims brought against the Administrative Agent or any of its Related Parties may only) be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement or any other Loan Document shall affect any right that the Administrative Agent, the Issuing Bank or any Lender may otherwise have to bring any action or proceeding relating to this Agreement or any other Loan Document against any Loan Party or its properties in the courts of any jurisdiction.

(d) Each Loan Party hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or any other Loan Document in

any court referred to in paragraph (c) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(e) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 9.01. Nothing in this Agreement or any other Loan Document will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 9.10. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE OR OTHER AGENT (INCLUDING ANY ATTORNEY) OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 9.11. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

SECTION 9.12. Confidentiality. Each of the Administrative Agent, the Issuing Bank and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any Governmental Authority (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (c) to the extent required by any Requirement of Law or by any subpoena or similar legal process, (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies under this Agreement or any other Loan Document or any suit, action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to the Loan Parties and their obligations, (g) with the consent of the Borrower Representative, (h) to holders of Equity Interests in any Borrower, (i) to any Person providing a Guarantee of all or any portion of the Secured Obligations, or (j) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to the Administrative Agent, the Issuing Bank or any Lender on a non-confidential basis from a source other than the Borrowers.

For the purposes of this Section, "Information" means all information received from the Borrowers relating to the Borrowers or their business, other than any such information that is available to the Administrative Agent, the Issuing Bank or any Lender on a non-confidential basis prior to disclosure by the Borrowers and other than information pertaining to this Agreement provided by arrangers to data service providers, including league table providers, that serve the lending industry; provided that, in the case of information received from the Borrowers after the date hereof, such information is clearly identified at the

time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

SECTION 9.13. Several Obligations; Nonreliance; Violation of Law. The respective obligations of the Lenders hereunder are several and not joint and the failure of any Lender to make any Loan or perform any of its obligations hereunder shall not relieve any other Lender from any of its obligations hereunder. Each Lender hereby represents that it is not relying on or looking to any margin stock (as defined in Regulation U of the Board) for the repayment of the Borrowings provided for herein. Anything contained in this Agreement to the contrary notwithstanding, neither the Issuing Bank nor any Lender shall be obligated to extend credit to the Borrowers in violation of any Requirement of Law.

SECTION 9.14. USA PATRIOT Act. Each Lender that is subject to the requirements of the USA PATRIOT Act hereby notifies each Loan Party that pursuant to the requirements of the USA PATRIOT Act, it is required to obtain, verify and record information that identifies such Loan Party, which information includes the name and address of such Loan Party and other information that will allow such Lender to identify such Loan Party in accordance with the USA PATRIOT Act.

SECTION 9.15. Disclosure. Each Loan Party, each Lender and the Issuing Bank hereby acknowledges and agrees that the Administrative Agent and/or its Affiliates from time to time may hold investments in, make other loans to or have other relationships with any of the Loan Parties and their respective Affiliates.

SECTION 9.16. Appointment for Perfection. Each Lender hereby appoints each other Lender as its agent for the purpose of perfecting Liens, for the benefit of the Administrative Agent and the other Secured Parties, in assets which, in accordance with Article 9 of the UCC or any other applicable law can be perfected only by possession or control. Should any Lender (other than the Administrative Agent) obtain possession or control of any such Collateral, such Lender shall notify the Administrative Agent thereof, and, promptly upon the Administrative Agent's request therefor shall deliver such Collateral to the Administrative Agent or otherwise deal with such Collateral in accordance with the Administrative Agent's instructions.

SECTION 9.17. Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts which are treated as interest on such Loan under applicable law (collectively the "Charges"), shall exceed the maximum lawful rate (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by the Lender holding such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to such Lender in respect of other Loans or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the NYFRB Rate to the date of repayment, shall have been received by such Lender.

SECTION 9.18. Marketing Consent.

The Borrowers hereby authorize JPMCB and its affiliates (collectively, the "JPMCB Parties") and the other Lenders and their respective affiliates, at their respective sole expense, but without any prior approval by the Borrowers, to publish such tombstones and give such other publicity to this Agreement as each may from time to time determine in its sole discretion. The foregoing authorization shall remain in effect unless and until the Borrower Representative notifies JPMCB and the Lenders in writing that such authorization is revoked.

SECTION 9.19. Acknowledgement and Consent to Bail-In of EEA Financial Institutions. Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any EEA Financial Institution arising under any Loan Document may be subject to the Write-Down and Conversion Powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA Financial Institution; and

(b) the effects of any Bail-In Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent entity, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the Write-Down and Conversion Powers of any EEA Resolution Authority.

SECTION 9.20. No Fiduciary Duty, etc. (a) Each Borrower acknowledges and agrees, and acknowledges its Subsidiaries' understanding, that no Credit Party will have any obligations except those obligations expressly set forth herein and in the other Loan Documents and each Credit Party is acting solely in the capacity of an arm's length contractual counterparty to each Borrower with respect to the Loan Documents and the transactions contemplated herein and therein and not as a financial advisor or a fiduciary to, or an agent of, any Borrower or any other person. Each Borrower agrees that it will not assert any claim against any Credit Party based on an alleged breach of fiduciary duty by such Credit Party in connection with this Agreement and the transactions contemplated hereby. Additionally, each Borrower acknowledges and agrees that no Credit Party is advising any Borrower as to any legal, tax, investment, accounting, regulatory or any other matters in any jurisdiction. Each Borrower shall consult with its own advisors concerning such matters and shall be responsible for making its own independent investigation and appraisal of the transactions contemplated herein or in the other Loan Documents, and the Credit Parties shall have no responsibility or liability to any Borrower with respect thereto.

(b) Each Borrower further acknowledges and agrees, and acknowledges its Subsidiaries' understanding, that each Credit Party, together with its Affiliates, is a full service securities or banking firm engaged in securities trading and brokerage activities as well as providing investment banking and other financial services. In the ordinary course of business, any Credit Party may provide investment banking and other financial services to, and/or acquire, hold or sell, for its own accounts and the accounts of customers, equity, debt and other securities and financial instruments (including bank loans and other obligations) of, any Borrower and other companies with which any Borrower may have commercial or other relationships. With respect to any securities and/or financial instruments so held by any Credit Party or any of its customers, all rights in respect of such securities and financial instruments, including any voting rights, will be exercised by the holder of the rights, in its sole discretion.

(c) In addition, each Borrower acknowledges and agrees, and acknowledges its Subsidiaries' understanding, that each Credit Party and its affiliates may be providing debt financing, equity capital or

other services (including financial advisory services) to other companies in respect of which a Borrower may have conflicting interests regarding the transactions described herein and otherwise. No Credit Party will use confidential information obtained from any Borrower by virtue of the transactions contemplated by the Loan Documents or its other relationships with such Borrower in connection with the performance by such Credit Party of services for other companies, and no Credit Party will furnish any such information to other companies. Each Borrower also acknowledges that no Credit Party has any obligation to use in connection with the transactions contemplated by the Loan Documents, or to furnish to any Borrower, confidential information obtained from other companies.

SECTION 9.21. Acknowledgement Regarding Any Supported QFCs. To the extent that the Loan Documents provide support, through a guarantee or otherwise, for Swap Agreements or any other agreement or instrument that is a QFC (such support "QFC Credit Support" and each such QFC a "Supported QFC"), the parties acknowledge and agree as follows with respect to the resolution power of the Federal Deposit Insurance Corporation under the Federal Deposit Insurance Act and Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (together with the regulations promulgated thereunder, the "U.S. Special Resolution Regimes") in respect of such Supported QFC and QFC Credit Support (with the provisions below applicable notwithstanding that the Loan Documents and any Supported QFC may in fact be stated to be governed by the laws of the State of New York and/or of the United States or any other state of the United States):

In the event a Covered Entity that is party to a Supported QFC (each, a "Covered Party") becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer of such Supported QFC and the benefit of such QFC Credit Support (and any interest and obligation in or under such Supported QFC and such QFC Credit Support, and any rights in property securing such Supported QFC or such QFC Credit Support) from such Covered Party will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if the Supported QFC and such QFC Credit Support (and any such interest, obligation and rights in property) were governed by the laws of the United States or a state of the United States. In the event a Covered Party or a BHC Act Affiliate of a Covered Party becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights under the Loan Documents that might otherwise apply to such Supported QFC or any QFC Credit Support that may be exercised against such Covered Party are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if the Supported QFC and the Loan Documents were governed by the laws of the United States or a state of the United States. Without limitation of the foregoing, it is understood and agreed that rights and remedies of the parties with respect to a Defaulting Lender shall in no event affect the rights of any Covered Party with respect to a Supported QFC or any QFC Credit Support.

ARTICLE X

Loan Guaranty.

SECTION 10.01. Guaranty. Each Loan Guarantor (other than those that have delivered a separate Guaranty) hereby agrees that it is jointly and severally liable for, and, as a primary obligor and not merely as surety, absolutely, unconditionally and irrevocably guarantees to the Secured Parties, the prompt payment when due, whether at stated maturity, upon acceleration or otherwise, and at all times thereafter, of the Secured Obligations and all costs and expenses, including, without limitation, all court costs and attorneys' and paralegals' fees (including allocated costs of in-house counsel and paralegals) and expenses paid or incurred by the Administrative Agent, the Issuing Bank and the Lenders in endeavoring to collect all or any part of the Secured Obligations from, or in prosecuting any action against, any Borrower, any Loan Guarantor or any other guarantor of all or any part of the Secured Obligations (such costs and expenses, together with the Secured Obligations, collectively the "Guaranteed Obligations"; provided,

however, that the definition of "Guaranteed Obligations" shall not create any guarantee by any Loan Guarantor of (or grant of security interest by any Loan Guarantor to support, as applicable) any Excluded Swap Obligations of such Loan Guarantor for purposes of determining any obligations of any Loan Guarantor). Each Loan Guarantor further agrees that the Guaranteed Obligations may be extended or renewed in whole or in part without notice to or further assent from it, and that it remains bound upon its guarantee notwithstanding any such extension or renewal. All terms of this Loan Guaranty apply to and may be enforced by or on behalf of any domestic or foreign branch or Affiliate of any Lender that extended any portion of the Guaranteed Obligations.

SECTION 10.02. Guaranty of Payment. This Loan Guaranty is a guaranty of payment and not of collection. Each Loan Guarantor waives any right to require the Administrative Agent, the Issuing Bank or any Lender to sue any Borrower, any Loan Guarantor, any other guarantor of, or any other Person obligated for, all or any part of the Guaranteed Obligations (each, an "Obligated Party"), or otherwise to enforce its payment against any collateral securing all or any part of the Guaranteed Obligations.

SECTION 10.03. No Discharge or Diminishment of Loan Guaranty. (a) Except as otherwise provided for herein, the obligations of each Loan Guarantor hereunder are unconditional and absolute and not subject to any reduction, limitation, impairment or termination for any reason (other than Payment in Full of the Guaranteed Obligations), including: (i) any claim of waiver, release, extension, renewal, settlement, surrender, alteration or compromise of any of the Guaranteed Obligations, by operation of law or otherwise; (ii) any change in the corporate existence, structure or ownership of any Borrower or any other Obligated Party liable for any of the Guaranteed Obligations; (iii) any insolvency, bankruptcy, reorganization or other similar proceeding affecting any Obligated Party or their assets or any resulting release or discharge of any obligation of any Obligated Party; or (iv) the existence of any claim, setoff or other rights which any Loan Guarantor may have at any time against any Obligated Party, the Administrative Agent, the Issuing Bank, any Lender or any other Person, whether in connection herewith or in any unrelated transactions.

(b) The obligations of each Loan Guarantor hereunder are not subject to any defense or setoff, counterclaim, recoupment or termination whatsoever by reason of the invalidity, illegality or unenforceability of any of the Guaranteed Obligations or otherwise, or any provision of applicable law or regulation purporting to prohibit payment by any Obligated Party, of the Guaranteed Obligations or any part thereof.

(c) Further, the obligations of any Loan Guarantor hereunder are not discharged or impaired or otherwise affected by: (i) the failure of the Administrative Agent, the Issuing Bank or any Lender to assert any claim or demand or to enforce any remedy with respect to all or any part of the Guaranteed Obligations; (ii) any waiver or modification of or supplement to any provision of any agreement relating to the Guaranteed Obligations; (iii) any release, non-perfection or invalidity of any indirect or direct security for the obligations of any Borrower for all or any part of the Guaranteed Obligations or any obligations of any other Obligated Party liable for any of the Guaranteed Obligations; (iv) any action or failure to act by the Administrative Agent, the Issuing Bank or any Lender with respect to any collateral securing any part of the Guaranteed Obligations; or (v) any default, failure or delay, willful or otherwise, in the payment or performance of any of the Guaranteed Obligations, or any other circumstance, act, omission or delay that might in any manner or to any extent vary the risk of such Loan Guarantor or that would otherwise operate as a discharge of any Loan Guarantor as a matter of law or equity (other than Payment in Full of the Guaranteed Obligations).

SECTION 10.04. Defenses Waived. To the fullest extent permitted by applicable law, each Loan Guarantor hereby waives any defense based on or arising out of any defense of any Borrower or any Loan Guarantor or the unenforceability of all or any part of the Guaranteed Obligations from any cause, or the

cessation from any cause of the liability of any Borrower, any Loan Guarantor or any other Obligated Party, other than Payment in Full of the Guaranteed Obligations. Without limiting the generality of the foregoing, each Loan Guarantor irrevocably waives acceptance hereof, presentment, demand, protest and, to the fullest extent permitted by law, any notice not provided for herein, as well as any requirement that at any time any action be taken by any Person against any Obligated Party or any other Person. Each Loan Guarantor confirms that it is not a surety under any state law and shall not raise any such law as a defense to its obligations hereunder. The Administrative Agent may, at its election, foreclose on any Collateral held by it by one or more judicial or nonjudicial sales, accept an assignment of any such Collateral in lieu of foreclosure or otherwise act or fail to act with respect to any collateral securing all or a part of the Guaranteed Obligations, compromise or adjust any part of the Guaranteed Obligations, make any other accommodation with any Obligated Party or exercise any other right or remedy available to it against any Obligated Party, without affecting or impairing in any way the liability of such Loan Guarantor under this Loan Guaranty except to the extent the Guaranteed Obligations have been Paid in Full. To the fullest extent permitted by applicable law, each Loan Guarantor waives any defense arising out of any such election even though that election may operate, pursuant to applicable law, to impair or extinguish any right of reimbursement or subrogation or other right or remedy of any Loan Guarantor against any Obligated Party or any security.

SECTION 10.05. Rights of Subrogation. No Loan Guarantor will assert any right, claim or cause of action, including, without limitation, a claim of subrogation, contribution or indemnification, that it has against any Obligated Party or any collateral, until the Loan Parties and the Loan Guarantors have fully performed all their obligations to the Administrative Agent, the Issuing Bank and the Lenders.

SECTION 10.06. Reinstatement; Stay of Acceleration. If at any time any payment of any portion of the Guaranteed Obligations (including a payment effected through exercise of a right of setoff) is rescinded, or must otherwise be restored or returned upon the insolvency, bankruptcy or reorganization of any Borrower or otherwise (including pursuant to any settlement entered into by a Secured Party in its discretion), each Loan Guarantor's obligations under this Loan Guaranty with respect to that payment shall be reinstated at such time as though the payment had not been made and whether or not the Administrative Agent, the Issuing Bank and the Lenders are in possession of this Loan Guaranty. If acceleration of the time for payment of any of the Guaranteed Obligations is stayed upon the insolvency, bankruptcy or reorganization of any Borrower, all such amounts otherwise subject to acceleration under the terms of any agreement relating to the Guaranteed Obligations shall nonetheless be payable by the Loan Guarantors forthwith on demand by the Administrative Agent.

SECTION 10.07. Information. Each Loan Guarantor assumes all responsibility for being and keeping itself informed of the Borrowers' financial condition and assets, and of all other circumstances bearing upon the risk of nonpayment of the Guaranteed Obligations and the nature, scope and extent of the risks that each Loan Guarantor assumes and incurs under this Loan Guaranty, and agrees that none of the Administrative Agent, the Issuing Bank or any Lender shall have any duty to advise any Loan Guarantor of information known to it regarding those circumstances or risks.

SECTION 10.08. Termination. Each of the Lenders and the Issuing Bank may continue to make loans or extend credit to the Borrowers based on this Loan Guaranty until five (5) days after it receives written notice of termination from any Loan Guarantor. Notwithstanding receipt of any such notice, each Loan Guarantor will continue to be liable to the Lenders for any Guaranteed Obligations created, assumed or committed to prior to the fifth day after receipt of the notice, and all subsequent renewals, extensions, modifications and amendments with respect to, or substitutions for, all or any part of such Guaranteed Obligations. Nothing in this Section 10.08 shall be deemed to constitute a waiver of, or eliminate, limit, reduce or otherwise impair any rights or remedies the Administrative Agent or any Lender may have in respect of, any Default or Event of Default that shall exist under Article VII hereof as a result of any such notice of termination.

SECTION 10.09. Taxes. Each payment of the Guaranteed Obligations will be made by each Loan Guarantor without withholding for any Taxes, unless such withholding is required by law. If any Loan Guarantor determines, in its sole discretion exercised in good faith, that it is so required to withhold Taxes, then such Loan Guarantor may so withhold and shall timely pay the full amount of withheld Taxes to the relevant Governmental Authority in accordance with applicable law. If such Taxes are Indemnified Taxes, then the amount payable by such Loan Guarantor shall be increased as necessary so that, net of such withholding (including such withholding applicable to additional amounts payable under this Section), the Administrative Agent, Lender or Issuing Bank (as the case may be) receives the amount it would have received had no such withholding been made.

SECTION 10.10. Maximum Liability. Notwithstanding any other provision of this Loan Guaranty, the amount guaranteed by each Loan Guarantor hereunder shall be limited to the extent, if any, required so that its obligations hereunder shall not be subject to avoidance under Section 548 of the Bankruptcy Code or under any applicable state Uniform Fraudulent Transfer Act, Uniform Fraudulent Conveyance Act, Uniform Voidable Transactions Act or similar statute or common law. In determining the limitations, if any, on the amount of any Loan Guarantor's obligations hereunder pursuant to the preceding sentence, it is the intention of the parties hereto that any rights of subrogation, indemnification or contribution which such Loan Guarantor may have under this Loan Guaranty, any other agreement or applicable law shall be taken into account.

SECTION 10.11. Contribution.

(a) To the extent that any Loan Guarantor shall make a payment under this Loan Guaranty (a "Guarantor Payment") which, taking into account all other Guarantor Payments then previously or concurrently made by any other Loan Guarantor, exceeds the amount which otherwise would have been paid by or attributable to such Loan Guarantor if each Loan Guarantor had paid the aggregate Guaranteed Obligations satisfied by such Guarantor Payment in the same proportion as such Loan Guarantor's "Allocable Amount" (as defined below) (as determined immediately prior to such Guarantor Payment) bore to the aggregate Allocable Amounts of each of the Loan Guarantors as determined immediately prior to the making of such Guarantor Payment, then, following indefeasible payment in full in cash of the Guarantor Payment and the Payment in Full of the Guaranteed Obligations and the termination of this Agreement, such Loan Guarantor shall be entitled to receive contribution and indemnification payments from, and be reimbursed by, each other Loan Guarantor for the amount of such excess, pro rata based upon their respective Allocable Amounts in effect immediately prior to such Guarantor Payment.

(b) of any date of determination, the "Allocable Amount" of any Loan Guarantor shall be equal to the excess of the fair saleable value of the property of such Loan Guarantor over the total liabilities of such Loan Guarantor (including the maximum amount reasonably expected to become due in respect of contingent liabilities, calculated, without duplication, assuming each other Loan Guarantor that is also liable for such contingent liability pays its ratable share thereof), giving effect to all payments made by other Loan Guarantors as of such date in a manner to maximize the amount of such contributions.

(c) Section 10.11 is intended only to define the relative rights of the Loan Guarantors, and nothing set forth in this Section 10.11 is intended to or shall impair the obligations of the Loan Guarantors, jointly and severally, to pay any amounts as and when the same shall become due and payable in accordance with the terms of this Loan Guaranty.

(d) parties hereto acknowledge that the rights of contribution and indemnification hereunder shall constitute assets of the Loan Guarantor or Loan Guarantors to which such contribution and indemnification is owing.

(e) rights of the indemnifying Loan Guarantors against other Loan Guarantors under this Section 10.11 shall be exercisable upon the Payment in Full of the Guaranteed Obligations and the termination of this Agreement.

SECTION 10.12. Liability Cumulative. The liability of each Loan Party as a Loan Guarantor under this Article X is in addition to and shall be cumulative with all liabilities of each Loan Party to the Administrative Agent, the Issuing Bank and the Lenders under this Agreement and the other Loan Documents to which such Loan Party is a party or in respect of any obligations or liabilities of the other Loan Parties, without any limitation as to amount, unless the instrument or agreement evidencing or creating such other liability specifically provides to the contrary.

SECTION 10.13. Keepwell. Each Qualified ECP Guarantor hereby jointly and severally absolutely, unconditionally and irrevocably undertakes to provide such funds or other support as may be needed from time to time by each other Loan Party to honor all of its obligations under this Guarantee in respect of a Swap Obligation (provided, however, that each Qualified ECP Guarantor shall only be liable under this Section 10.13 for the maximum amount of such liability that can be hereby incurred without rendering its obligations under this Section 10.13 or otherwise under this Loan Guaranty voidable under applicable law relating to fraudulent conveyance or fraudulent transfer, and not for any greater amount). Except as otherwise provided herein, the obligations of each Qualified ECP Guarantor under this Section 10.13 shall remain in full force and effect until the termination of all Swap Obligations. Each Qualified ECP Guarantor intends that this Section 10.13 constitute, and this Section 10.13 shall be deemed to constitute, a "keepwell, support, or other agreement" for the benefit of each other Loan Party for all purposes of Section 1a(18)(A)(v)(II) of the Commodity Exchange Act.

ARTICLE XI

The Borrower Representative.

SECTION 11.01. Appointment; Nature of Relationship. The Company is hereby appointed by each of the Borrowers as its contractual representative (herein referred to as the "Borrower Representative") hereunder and under each other Loan Document, and each of the Borrowers irrevocably authorizes the Borrower Representative to act as the contractual representative of such Borrower with the rights and duties expressly set forth herein and in the other Loan Documents. The Borrower Representative agrees to act as such contractual representative upon the express conditions contained in this Article XI. Additionally, the Borrowers hereby appoint the Borrower Representative as their agent to receive all of the proceeds of the Loans in the Funding Account(s), at which time the Borrower Representative shall promptly disburse such Loans to the appropriate Borrower(s). The Administrative Agent and the Lenders, and their respective officers, directors, agents or employees, shall not be liable to the Borrower Representative or any Borrower for any action taken or omitted to be taken by the Borrower Representative or the Borrowers pursuant to this Section 11.01.

SECTION 11.02. Powers. The Borrower Representative shall have and may exercise such powers under the Loan Documents as are specifically delegated to the Borrower Representative by the terms of each thereof, together with such powers as are reasonably incidental thereto. The Borrower Representative shall have no implied duties to the Borrowers, or any obligation to the Lenders to take any action thereunder except any action specifically provided by the Loan Documents to be taken by the Borrower Representative.

SECTION 11.03. Employment of Agents. The Borrower Representative may execute any of its duties as the Borrower Representative hereunder and under any other Loan Document by or through authorized officers.

SECTION 11.04. Notices. Each Borrower shall immediately notify the Borrower Representative of the occurrence of any Default or Event of Default hereunder referring to this Agreement describing such Default or Event of Default and stating that such notice is a "notice of default". In the event that the Borrower Representative receives such a notice, the Borrower Representative shall give prompt notice thereof to the Administrative Agent and the Lenders. Any notice provided to the Borrower Representative hereunder shall constitute notice to each Borrower on the date received by the Borrower Representative.

SECTION 11.05. Successor Borrower Representative. Upon the prior written consent of the Administrative Agent, the Borrower Representative may resign at any time, such resignation to be effective upon the appointment of a successor Borrower Representative. The Administrative Agent shall give prompt written notice of such resignation to the Lenders.

SECTION 11.06. Execution of Loan Documents; Borrowing Base Certificate. The Borrowers hereby empower and authorize the Borrower Representative, on behalf of the Borrowers, to execute and deliver to the Administrative Agent and the Lenders the Loan Documents and all related agreements, certificates, documents, or instruments as shall be necessary or appropriate to effect the purposes of the Loan Documents, including, without limitation, the Borrowing Base Certificates and the Compliance Certificates. Each Borrower agrees that any action taken by the Borrower Representative or the Borrowers in accordance with the terms of this Agreement or the other Loan Documents, and the exercise by the Borrower Representative of its powers set forth therein or herein, together with such other powers that are reasonably incidental thereto, shall be binding upon all of the Borrowers.

SECTION 11.07. Reporting. Each Borrower hereby agrees that such Borrower shall furnish promptly after each fiscal month to the Borrower Representative a copy of its Borrowing Base Certificate and any other certificate or report required hereunder or requested by the Borrower Representative on which the Borrower Representative shall rely to prepare the Borrowing Base Certificates and Compliance Certificate required pursuant to the provisions of this Agreement.

(Signature Pages Follow)

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective authorized officers as of the day and year first above written.

CRICUT, INC., a Delaware corporation

By /s/ Martin F. Petersen
Name: Martin F. Petersen
Title: Chief Financial Officer

OTHER LOAN PARTIES:

CRICUT HOLDINGS, LLC, a Delaware limited liability company

By /s/ Donald Olsen
Name: Donald Olsen
Title: Secretary

JPMORGAN CHASE BANK, N.A.,
individually and as Administrative Agent, Issuing Bank and Swingline Lender

By /s/ Rebecca Martin
Name: Rebecca Martin
Title: Authorized Officer

CITIBANK, N.A., as a Lender

By /s/ Kelly Josephite
Name: Kelly Josephite
Title: Senior Vice President

ORIGIN BANK, as a Lender

By /s/ P.P. Kyle Paschal
Name: Gerardo Garza
Title: Regional Executive V.P.

COMMITMENT SCHEDULE

Lender	Revolving Commitment
JPMorgan Chase Bank, N.A.	$75,000,000
Citibank, N.A.	$45,000,000
Origin Bank	$30,000,000
Total	**$150,000,000**

Schedule 3.05

Properties

Schedule 3.06

Disclosed Matters

None

Schedule 3.12

Material Agreements

Schedule 3.14

Insurance

Schedule 3.15

Capitalization and Subsidiaries

Schedule 3.22

Affiliate Transactions

None

Schedule 3.26

Credit Card Agreements

Schedule 5.16

Schedule 6.01

Existing Indebtedness

Schedule 6.02

Existing Liens

Schedule 6.04

Existing Investments

Schedule 6.10

Existing Restrictions

None

EXHIBIT A

FORM OF ASSIGNMENT AND ASSUMPTION

This Assignment and Assumption (the "Assignment and Assumption") is dated as of the Effective Date set forth below and is entered into by and between [*Insert name of Assignor*] (the "Assignor") and [*Insert name of Assignee*] (the "Assignee"). Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below, (i) all of the Assignor's rights and obligations in its capacity as a Lender under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of the Assignor under the respective facilities identified below (including any letters of credit, guarantees and swingline loans included in such facilities) and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and other rights of the Assignor (in its capacity as a Lender) against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned pursuant to clauses (i) and (ii) above being referred to herein collectively as the "Assigned Interest"). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by the Assignor.

1.	Assignor:	_____
2.	Assignee:	_____ [and is an Affiliate/Approved Fund of [*identify Lender*][1]]
3.	Borrowers:	CRICUT, INC., a Delaware corporation
4.	Administrative Agent:	JPMorgan Chase Bank, N.A., as the administrative agent under the Credit Agreement
5.	Credit Agreement:	Credit Agreement dated as of September 4, 2020 among Cricut, Inc., a Delaware corporation, the other Loan Parties party thereto, the Lenders party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent

[1] Select as applicable.

6. Assigned Interest:

Facility Assigned	Aggregate Amount of Commitment/Loans for all Lenders	Amount of Commitment/Loans Assigned	Percentage Assigned of Commitment/Loans[2]
Revolving Commitment	$	$	%
	$	$	%

Effective Date: _____ , 20___ [TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

The Assignee agrees to deliver to the Administrative Agent a completed Administrative Questionnaire in which the Assignee designates one or more credit contacts to whom all syndicate-level information (which may contain material non-public information about the Company, the other Loan Parties and their Related Parties or their respective securities) will be made available and who may receive such information in accordance with the Assignee's compliance procedures and applicable laws, including Federal and state securities laws.

The terms set forth in this Assignment and Assumption are hereby agreed to:

ASSIGNOR

[NAME OF ASSIGNOR]

By: _____
Name:
Title:

ASSIGNEE

[NAME OF ASSIGNEE]

By: _____
Name:
Title:

2 Set forth, to at least 9 decimals, as a percentage of the Commitment/Loans of all Lenders thereunder.

Consented to and Accepted:

JPMORGAN CHASE BANK, N.A., as
Administrative Agent, Issuing Bank and Swingline Lender

By: _____
Name:
Title:

[Consented to:][3]

CRICUT, INC.,
a Delaware corporation,
as Borrower Representative

By: _____
Name:
Title:

3 To be added only if the consent of the Borrower Representative is required by the terms of the Credit Agreement

ANNEX 1
ASSIGNMENT AND ASSUMPTION

STANDARD TERMS AND CONDITIONS FOR
ASSIGNMENT AND ASSUMPTION

1. Representations and Warranties.

1.1. Assignor. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any collateral thereunder, (iii) the financial condition of any Borrower, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document, (iv) any requirements under applicable law for the Assignee to become a lender under the Credit Agreement or to charge interest at the rate set forth therein from time to time, or (v) the performance or observance by any Borrower, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2. Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it satisfies the requirements, if any, specified in the Credit Agreement and under applicable law that are required to be satisfied by it in order to acquire the Assigned Interest and become a Lender, (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to Section 5.01 thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on the Administrative Agent, any Arranger, the Assignor or any other Lender or any of their respective Related Parties, and (v) attached to the Assignment and Assumption is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by the Assignee; and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, any Arranger, any Co-Syndication Agent, the Documentation Agent, the Assignor or any other Lender or any of their respective Related Parties, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

2. Payments. From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts which have accrued to but excluding the Effective Date and to the Assignee for amounts which have accrued from and after the Effective Date.

3. General Provisions. This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts and by different parties and separate

counterparts, each of which when so executed and delivered, shall be deemed an original, and all of which, when taken together, shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Assignment and Assumption by telefacsimile or other electronic transmission (including by .pdf attachment via electronic mail or electronic signature) shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. Electronic signature means any electronic sound, symbol, or process attached to or logically associated with a record and executed and adopted by a party with the intent to sign such record, including facsimile or email electronic signatures pursuant to the New York Electronic Signatures and Records Act (N.Y. State Tech. §§ 301-309) as amended from time to time or as provided under the Uniform Commercial Code as adopted by the State of New York. This Assignment and Assumption shall be governed by, and construed in accordance with, the internal laws (and not the law of conflicts) of the State of New York, but giving effect to federal laws applicable to national banks.

EXHIBIT B

FORM OF BORROWING BASE CERTIFICATE

EXHIBIT C

FORM OF COMPLIANCE CERTIFICATE

To: The Lenders party to the
Credit Agreement described below

This Compliance Certificate (this "Certificate") is furnished pursuant to that certain Credit Agreement dated as of September 4, 2020 (as amended, modified, renewed or extended from time to time, the "Agreement") among CRICUT, INC., a Delaware corporation ("Company", and together with any other Person that joins the Agreement as a Borrower in accordance with the terms thereof, each individually a "Borrower", and individually and collectively, jointly and severally, the "Borrowers"), the other Loan Parties party thereto, the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent for the Lenders. Unless otherwise defined herein, capitalized terms used in this Certificate have the meanings ascribed thereto in the Agreement.

THE UNDERSIGNED HEREBY CERTIFIES, ON ITS BEHALF AND ON BEHALF OF THE BORROWERS, THAT:

1. I am the duly elected of the Borrower Representative;

2. I have reviewed the terms of the Agreement and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of the Company and its Subsidiaries during the accounting period covered by the attached financial statements [**for quarterly or monthly financial statements add:** and such financial statements present fairly in all material respects the financial condition and results of operations of the Company and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments and the absence of footnotes];

3. The examinations described in paragraph 2 did not disclose, except as set forth below, and I have no knowledge of (i) the existence of any condition or event which constitutes a Default during or at the end of the accounting period covered by the attached financial statements or as of the date of this Certificate or (ii) any change in GAAP or in the application thereof that has occurred since the date of the audited financial statements referred to in Section 3.04 of the Agreement;

4. I hereby certify that no Loan Party has changed (i) its name, (ii) its chief executive office, (iii) principal place of business, (iv) the type of entity it is, (v) its federal employer identification number or its organization identification number, if any, or (vi) its state or other jurisdiction of incorporation or organization without having given the Administrative Agent the notice required by Section 4.15 of the Security Agreement;

1. Schedule I attached hereto sets forth [(i)] reasonably detailed calculations of the Fixed Charge Coverage Ratio (and each component thereof) (whether or not a Covenant Testing Trigger Period is in effect) [and (ii) the Borrowers' and their Subsidiaries' compliance with Section 6.13 of the Agreement][4], all of which data and computations are true, complete and correct; and

6. Schedule II attached hereto sets forth (i) the computations necessary to determine the Applicable Rate commencing on the Business Day this certificate is delivered and (ii) the Category from the definition of Applicable Rate determined by the computations.

4 To be included upon the occurrence and during the continuance of a Covenant Testing Trigger Period.

7. Schedule III attached hereto sets forth all updated or new Intellectual Property (as defined in the Security Agreement) listings required by the Security Agreement to be identified or updated on Exhibit D to the Security Agreement since the delivery of the previous Compliance Certificate in accordance with Section 5.01(d) of the Agreement.

8. [Schedule IV attached hereto sets forth (i) a description of each investment, loan, advance and Guarantee made pursuant to Sections 6.04(c), (d) or (e) of the Credit Agreement during the subject month and to which clause (b)(i) of the definition of "Investment Condition" in the Credit Agreement applies, and (ii) reasonably detailed calculations demonstrating compliance with the Investment Condition with respect to the same.][5]

Described below are the exceptions, if any, to paragraph 3 by listing, in detail, the (i) nature of the condition or event, the period during which it has existed and the action which the Borrowers have taken, are taking, or propose to take with respect to each such condition or event or (ii) the change in GAAP or the application thereof and the effect of such change on the attached financial statements:

_____

_____

_____

The foregoing certifications, together with the computations set forth in Schedule I and Schedule II hereto and the financial statements delivered with this Certificate in support hereof, are made and delivered this day of,.

CRICUT, INC.,
a Delaware corporation,
as Borrower Representative

By: _____
Name: _____
Title: _____

5 To be included if investments are made during the subject month pursuant to Sections 6.04(c), (d) or (e) of the Credit Agreement to which clause (b)(i) of the definition of "Investment Condition" in the Credit Agreement applies

SCHEDULE I

Fixed Charge Coverage Ratio

(i) Computation: _____

(ii) [Compliance as of _____,_____with Section 6.13 of the Agreement][6]

6 To be included upon the occurrence and during the continuance of a Covenant Testing Trigger Period.

SCHEDULE II

Borrowers' Applicable Rate Calculation

(i) Computation: _____

(ii) Category from Grid in Definition of Applicable Rate: _____

SCHEDULE III

Intellectual Property

Please see attached.

[SCHEDULE IV

Investments.

(i) a description of each investment, loan, advance and Guarantee made pursuant to Sections 6.04(c), (d) and (e) of the Credit Agreement during the subject month and to which clause (b)(i) of the definition of "Investment Condition" in the Credit Agreement applies:

(ii) reasonably detailed calculations demonstrating compliance with the Investment Condition with respect to the same:]

EXHIBIT D

JOINDER AGREEMENT

THIS JOINDER AGREEMENT (this "Agreement"), dated as of , ____, 20__, is entered into between _____, a _____ (the "New Subsidiary") and JPMORGAN CHASE BANK, N.A., in its capacity as administrative agent (the "Administrative Agent") under that certain Credit Agreement dated as of September 4, 2020 (as the same may be amended, modified, extended or restated from time to time, the "Credit Agreement") among CRICUT, INC., a Delaware corporation ("Company", and together with any other Person that joins the Credit Agreement as a Borrower in accordance with the terms thereof, each individually a "Borrower", and individually and collectively, jointly and severally, the "Borrowers"), the other Loan Parties party thereto, the Lenders party thereto and the Administrative Agent for the Lenders. All capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the Credit Agreement.

The New Subsidiary and the Administrative Agent, for the benefit of the Lenders, hereby agree as follows:

1. The New Subsidiary hereby acknowledges, agrees and confirms that, by its execution of this Agreement, the New Subsidiary will be deemed to be a Loan Party under the Credit Agreement and a "Loan Guarantor" for all purposes of the Credit Agreement and shall have all of the obligations of a Loan Party and a Loan Guarantor thereunder as if it had executed the Credit Agreement. The New Subsidiary hereby ratifies, as of the date hereof, and agrees to be bound by, all of the terms, provisions and conditions contained in the Credit Agreement, including without limitation (a) all of the representations and warranties of the Loan Parties set forth in Article III of the Credit Agreement, **[**and**]*** (b) all of the covenants set forth in Articles V and VI of the Credit Agreement ***[**and (c) all of the guaranty obligations set forth in Article X of the Credit Agreement. Without limiting the generality of the foregoing terms of this paragraph 1, the New Subsidiary, subject to the limitations set forth in Sections 10.10 and 10.13 of the Credit Agreement, hereby guarantees, jointly and severally with the other Loan Guarantors, to the Administrative Agent and the Lenders, as provided in Article X of the Credit Agreement, the prompt payment and performance of the Guaranteed Obligations in full when due (whether at stated maturity, as a mandatory prepayment, by acceleration or otherwise) strictly in accordance with the terms thereof and agrees that if any of the Guaranteed Obligations are not paid or performed in full when due (whether at stated maturity, as a mandatory prepayment, by acceleration or otherwise), the New Subsidiary will, jointly and severally together with the other Loan Guarantors, promptly pay and perform the same, without any demand or notice whatsoever, and that in the case of any extension of time of payment or renewal of any of the Guaranteed Obligations, the same will be promptly paid in full when due (whether at extended maturity, as a mandatory prepayment, by acceleration or otherwise) in accordance with the terms of such extension or renewal.**]* *[**The New Subsidiary has delivered to the Administrative Agent an executed Loan Guaranty.**]***

2. If required, the New Subsidiary is, simultaneously with the execution of this Agreement, executing and delivering such Collateral Documents (and such other documents and instruments) as requested by the Administrative Agent in accordance with the Credit Agreement.

3. The address of the New Subsidiary for purposes of Section 9.01 of the Credit Agreement is as follows:

_____

_____

_____

4. The New Subsidiary hereby waives acceptance by the Administrative Agent and the Lenders of the guaranty by the New Subsidiary upon the execution of this Agreement by the New Subsidiary.

5. This Agreement may be executed in any number of counterparts and by different parties and separate counterparts, each of which when so executed and delivered, shall be deemed an original, and all of which, when taken together, shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Agreement by telefacsimile or other electronic transmission (including by .pdf attachment via electronic mail or electronic signature) shall be effective as delivery of a manually executed counterpart of this Agreement. Electronic signature means any electronic sound, symbol, or process attached to or logically associated with a record and executed and adopted by a party with the intent to sign such record, including facsimile or email electronic signatures pursuant to the New York Electronic Signatures and Records Act (N.Y. State Tech. §§ 301-309) as amended from time to time or as provided under the Uniform Commercial Code as adopted by the State of New York.

6. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE INTERNAL LAWS (AND NOT THE LAW OF CONFLICTS) OF THE STATE OF NEW YORK, BUT GIVING EFFECT TO FEDERAL LAWS APPLICABLE TO NATIONAL BANKS.

IN WITNESS WHEREOF, the New Subsidiary has caused this Agreement to be duly executed by its authorized officer, and the Administrative Agent, for the benefit of the Lenders, has caused the same to be accepted by its authorized officer, as of the day and year first above written.

[NEW SUBSIDIARY]

By: _____
Name: _____
Title: _____

Acknowledged and accepted:

JPMORGAN CHASE BANK, N.A., as Administrative Agent

By: _____
Name: _____
Title: _____

SUPPLY AGREEMENT

THIS SUPPLY AGREEMENT (this "***Supply Agreement***") is made and entered into effective as of the last date set forth in the signature block below (the "***Effective Date***") by and between CRICUT, INC., a Utah corporation, with its principal office at 10855 South River Front Parkway, Suite 300, South Jordan, Utah 84095, U.S.A. ("***Cricut***" or "***Buyer***"), and XIAMEN INTRETECH, INC., a China corporation with its principal office at 104 Unit, 1st Floor of 6# building, No. 2879 DongFu Road, Haicang District, Xiamen, Fujian, China and its affiliates ("***Seller***"). Buyer and Seller are referred to in this Agreement, individually as a "***Party***", and collectively, the "***Parties***". This Supply Agreement, together with any exhibits attached hereto or incorporated by reference and all applicable POs (as defined below), are referred to collectively herein as this "***Agreement***", as further specified in Section IX.C. below.

IN CONSIDERATION of the mutual promises and covenants set forth herein and for other good and valuable consideration, the receipt of which is hereby acknowledged, Buyer and Seller agree to enter into this Agreement, subject to the following terms and conditions:

I. PURCHASE AND SUPPLY OF PRODUCTS

A. Products. Subject to the terms and conditions of this Agreement, Seller shall supply Buyer with the products generally described on Exhibit A, as such products may be more specifically described or modified from time to time by Buyer and/or by POs between the Parties (collectively, the "***Products***"). Acceptance of a PO will have the effect of listing on Exhibit A any new SKUs or Products included in such PO. Seller shall not institute any material Product or process design change without the express prior written authorization from a senior executive of Buyer responsible for such decisions.

B. Capacity. Seller shall maintain capacity consistent with rolling projections provided by Buyer, from time to time, but in no case less capacity than one hundred fifty percent (150%) of the annual production targets based upon the aggregate of all POs in the previous twelve (12) months.

C. Purchase Orders. During the Term of this Agreement, Buyer may issue purchase orders (each, a "***Purchase Order***" or "***PO***") for the Products from time to time, and Seller shall plan its manufacture and delivery of the Products accordingly. All POs for the Products will be in writing and transmitted to Seller via facsimile, email, or other electronic means. The essential elements for a PO and the process by which Buyer may issue a PO to Seller will be set by Buyer's reasonable instructions, as may be articulated from time to time. At a minimum, a PO shall identify and/or describe the Products to be purchased, the quantity of the Products, the scheduled delivery date, ship to address, and the applicable pricing. The price set forth in each PO shall include the cost of manufacturing, packaging, and labeling, unless otherwise specified therein. Seller acknowledges and agrees:

(i) that any sales forecasts, quantity purchase estimates, or similar projections received from Buyer are not purchase commitments of Buyer, but rather represent estimates for Buyer's planning purposes only; and

(ii) that Buyer has no obligation to purchase or otherwise compensate Seller for any of Seller's finished products, long lead-time parts, or unfinished raw materials not covered by an explicit and complete PO.

D. PO Terms and Conditions. The terms and conditions of the Cricut Purchase Order Terms and Conditions set forth at http://www.cricut.com/legal, as amended from time to time (the "***PO Terms and Conditions***") are hereby incorporated into this Agreement by reference and made a part of this Agreement.

A copy of the current PO Terms and Conditions are attached to this Agreement as Exhibit B for convenience only; in the event the PO Terms and Conditions are revised, amended, or updated online, such new version shall control. Similarly, the terms and conditions of the Cricut Manufacturer's Code of Conduct, as may be amended from time to time (the "***Code of Conduct***") are hereby incorporated into this Agreement by reference and made a part of this Agreement and Seller agrees to comply with (and cause all of its Subcontractors to comply with) all Manufacturer obligations set forth therein. A copy of the current version of the Code of Conduct is attached to this Agreement as Exhibit C. In the event of any inconsistency or conflict between this Supply Agreement and the PO Terms and Conditions, the terms of this Supply Agreement shall govern. Notwithstanding the foregoing, in the event of any inconsistency or conflict between specific terms negotiated and set forth in a PO and mutually agreed in writing by authorized signatories of both Parties shall govern over the terms of this Supply Agreement and the PO Terms and Conditions.

E. Logistics Guide. Seller agrees to fully comply with Buyer's Internal Vendor Logistics and Compliance Guide, as amended from time to time, a copy of which has been received and reviewed by Seller and any other logistics requirements outlined on a PO or by way of Buyer's instructions associated with the issuance of a PO (collectively, the "***Logistics Guide***"). In the event of any inconsistency or conflict between this Supply Agreement and the Logistics Guide, this Supply Agreement shall govern, including for example, Seller's indemnification limits for intellectual property claims as described below in Section IV below.

F. Second Source. The Parties understand and agree that as applied to Buyer this Agreement is non-exclusive, and Buyer reserves the right to "second source" the Products in Buyer's sole and absolute discretion.

II. DELIVERY/PRICING

A. Delivery. With respect to each PO, Seller shall deliver the Products to Buyer in such quantities and at such date and location specified in the PO, and shall follow all other reasonable instructions of Buyer (including the Code of Conduct, Logistics Guide, any Buyer quality assurance programs, Product specifications, or other quality standards). Delivery time for the Products shall be set forth in the PO (the "***Delivery Date***"), as well as the applicable "Ship to" address and freight information. In the event no Delivery Date is specifically set forth in the PO, the Delivery Date shall be a date that is no later than sixty (60) days from Seller's receipt of the PO and any required down payment. The Parties agree that timely delivery is essential for the sale of the Products. In the event that Seller fails to meet the Delivery Date due to any of its own acts or omissions (or the acts or omissions of its Subcontractors), Buyer shall have the right to reject any late shipments, impose reasonable late fees upon Seller, charge for expedited shipping, suspend its performance of this Agreement, and/or terminate this Agreement or applicable PO(s).

B. Title and Risk of Loss. Title to Products delivered by Seller hereunder and all risk of loss and damage associated therewith shall pass from Seller to Buyer upon Buyer's receipt of such Products. However, for any defective or non-conforming Products discovered by Buyer, title to such Products and all risk of loss and damage associated therewith shall revert back to Seller from Buyer upon Buyer's notice of such Products and shall remain with Seller.

C. Pricing and Payment for Accepted Products. The pricing for Products manufactured and delivered by Seller hereunder shall be as set forth in POs. Payment for accepted Products shall be made by Buyer to Seller in a method mutually agreed upon in writing by the Parties within ninety (90) days after shipment (sailing date) of such Products. Buyer will have no responsibility for any increased costs incurred by Seller in connection with any raw materials or Subcontractors, unless such additional costs have been negotiated and agreed to in advance in writing by Buyer.

III. TERM AND TERMINATION

A. Term and Termination.

1. *Term*. This Agreement shall be effective as of the Effective Date set forth above and shall continue in full force and effect for five (5) years from such date (the "***Initial Term***"), unless earlier terminated pursuant to the terms of Section III.A.2. Unless this Agreement is terminated or either Party provides written notice to the other Party at least sixty (60) days prior to expiration of the Initial Term (or the Renewal Term, as applicable), the Term of this Agreement will automatically renew for subsequent periods of one (1) year (each, a "***Renewal Term***"). For purposes of this Agreement, "***Term***" means the Initial Term or any Renewal Term, as applicable.

2. *Termination*. In addition to the termination rights and provisions contained in the PO Terms and Conditions, the following termination rights and provisions will apply to this Agreement:

a. *Buyer's Termination for Cause*. Buyer shall have the right to terminate this Agreement or any specific PO(s) and any license(s) granted hereunder with immediate effect, upon written notice to Seller, if Seller: (i) fails to timely deliver the Products pursuant to Section II; (ii) breaches any of the provisions of Sections IV, V, VI or VII; (iii) breaches any of its other representations, warranties or covenants under this Agreement and fails to cure such breach within five (5) days after receipt of Buyer's notice thereof; or (iv) files a petition in bankruptcy or is adjudicated as bankrupt or insolvent, or makes an assignment for the benefit of creditors, or makes an arrangement pursuant to any bankruptcy law, or discontinues its business, or if a receiver, liquidator, custodian, trustee or the like is appointed for Seller or its business and such appointment is not removed within sixty (60) days.

b. *Buyer's Termination for Convenience*. In addition to any other rights of Buyer to cancel or terminate this Agreement, subject to Section III.B. Buyer may terminate this Supply Agreement at any time and for any reason by giving sixty (60) days' prior written notice to Seller. Notwithstanding such termination, unless otherwise agreed to by the Parties, Seller agrees to continue and complete performance on any open POs then pending or outstanding.

c. *Seller's Termination for Cause*. Seller shall have the right to terminate this Agreement or any specific PO(s) with immediate effect, upon written notice to Buyer, if Buyer: (i) breaches its payment obligation for accepted Products and fails to cure such breach within ten (10) business days after receipt of Seller's notice; or (ii) files a petition in bankruptcy or is adjudicated as bankrupt or insolvent, or makes an assignment for the benefit of creditors, or makes an arrangement pursuant to any bankruptcy law, or discontinues its business, or if a receiver, liquidator, custodian, trustee or the like is appointed for Buyer or its business and such appointment is not removed within sixty (60) days thereof. Seller must submit any and all claims pursuant to this Subsection to Buyer within thirty (30) days after the date of termination or such claims shall be waived. Payments to be made to Seller under this Subsection represent the sole liability of Buyer in the event of termination or cancellation pursuant to this Subsection and any POs issued this Agreement, and Seller agrees not to charge any other costs, expenses, or fees to Buyer.

B. Effect of Termination or Expiration. Notwithstanding anything to the contrary, in the event there are any open POs pending or outstanding when this Agreement is terminated for any reason, Buyer may, at its option, cancel, or terminate those POs in accordance with the terms therein. Upon termination or expiration of this Agreement: (1) all rights and licenses granted to Seller hereunder shall immediately terminate and revert to Buyer; (2) Seller shall have no further right or license to use any Buyer Proprietary Information (including without limitation the designs and specifications for the Products and any and all Buyer Property) or Markings for any purpose or in any manner; (3) Seller shall immediately cease and refrain from manufacture of the Products and any and all use of Buyer Proprietary Information (including without limitation the designs and specifications for the Products and any and all Buyer Property) and Markings, except as expressly requested by Buyer in writing in order to fulfill an existing PO placed prior

to the termination or expiration of this Agreement; and (4) Seller shall, at Buyer's sole election, either (i) promptly return any and all Buyer Proprietary Information (including without limitation, the designs and specifications for the Products and any and all Buyer Property) and Markings, including all materials incorporating any of the same, that are in its possession or control, to Buyer or (ii) promptly destroy them and all copies thereof and provide evidence of such destruction satisfactory to Buyer. Notwithstanding anything to the contrary, upon termination or expiration of this Agreement, neither Party shall be relieved or released from any of its obligations or liabilities hereunder existing or accrued prior to such termination or expiration.

C. Inventory Upon Termination or Expiration. Within seven (7) days after the date of termination or expiration of this Agreement, Seller shall furnish to Buyer an inventory statement indicating the inventory of both finished and unfinished Products, detailing which inventory was purchased based on a PO; including works-in-progress for Products, as well as raw materials or components that Seller agrees are in Seller's standard stock or that are readily marketable and that are held by, or for, Seller at the termination or expiration date (the "***Remaining Inventory***"). Upon receipt of such statement, Buyer shall have the right to enter all premises where the Remaining Inventory is located or warehoused, to conduct at its cost and expense, a physical inventory to verify such statement. Seller shall cooperate with Buyer, and any refusal by Seller to submit to such physical inventory shall immediately forfeit Seller's rights hereunder to dispose of the Remaining Inventory. Buyer shall have the right to purchase the Remaining Inventory, in whole or in part, from Seller at Seller's cost, unless otherwise agreed to in writing by both Parties with respect to certain long lead-time components or other specialized inventory; provided that Buyer must elect to purchase such Remaining Inventory (or have it destroyed, as applicable) within three (3) months. Any Remaining Inventory not purchased by Buyer shall be promptly destroyed and Seller shall provide evidence of such destruction satisfactory to Buyer.

IV. PRODUCT WARRANTY, INDEMNITY, INSURANCE

A. Product Warranty. In addition to all warranties implied by law or set forth in the PO Terms and Conditions, Seller represents and warrants at all times during the Term of this Agreement that: (1) the Products will comply with all directives established by Buyer and communicated to Seller (whether in the Code of Conduct, Logistics Guide, or otherwise); (2) the Products will be free from defects in design (except where the design emanates from Buyer), workmanship, and/or materials; (3) the Products will conform in all respects with all applicable international, federal, state, agency, and local laws, orders, and regulations, including without limitation those regarding (a) safety, (b) content, (c) flammability, (d) weights, measures and sizes, (e) special use, care, handling, cleaning, laundering instructions, or warnings, (f) processing, manufacturing, labeling, advertising, selling, shipping, and invoicing, (g) registration and declaration of responsibility, (h) occupational safety and health, and (i) California Proposition 65 (The Safe Drinking Water and Toxic Enforcement Act of 1986), European Union REACH requirements, and all other similar health and safety regulatory requirements[1]; (4) the Products will not infringe or encroach upon Buyer's or any third party's proprietary rights, including without limitation patents, trademarks, trade names, copyrights, or trade secrets; (5) the Products will conform to all of Buyer's specifications and to all articles shown to Buyer as product samples; (6) no illegal child, forced, or prison labor is utilized in the mining, production, manufacture, assembly or packaging of Products, and (7) the Products were not trans-shipped for the purpose of evading quota or country or origin restrictions, mislabeling, or avoidance of applicable child, forced, or prison labor laws.

[1] California Prop 65, European Union REACH testing, and other similar health and safety qualifications are the responsibility of Seller and Seller agrees to, upon Buyer's request, provide certifications of compliance satisfactory to Buyer, in Buyer's sole discretion. Any inventory, or parts, which do not comply with these requirements shall be deemed defective and Buyer shall be under no obligation to pay for, take possession of, or dispose of such inventory.

B. Indemnity. Seller agrees to reimburse, indemnify, defend, and hold harmless Buyer (including its subsidiary and affiliate companies), its customers, and its present, former, and future shareholders, employees, officers, and directors from and against any and all damage, loss, liability, fine, settlement, penalty, and expense (including but not limited to reasonable attorneys' fees and expenses), and any and all claim or action therefore, by or on behalf of any person, arising out of or in connection with (1) any use, possession, consumption, or sale of the Products furnished by Seller; (2) any services provided by or on behalf of Seller with respect to such Products; (3) any failure of Seller to properly perform a PO; and (4) any other breach by Seller of its representations, warranties, or covenants under this Agreement, including without limitation those set forth in Section IV.A. Seller is not relieved of the foregoing indemnity, defense, and related obligations by allegations or any claim of negligence on the part of Buyer; provided, however, Seller is not liable hereunder to the proportional extent any injury or damage is finally judicially determined to have been proximately caused by the negligence and/or willful misconduct of Buyer.

C. Insurance. Seller shall, throughout the Term of this Agreement, and for a period of one (1) year thereafter, obtain and maintain at its own cost and expense, from a qualified insurance company, product liability insurance, the form of which must be acceptable to Buyer, naming Buyer and its officers, directors, and shareholders as additional named insureds and loss payee. Such policy shall provide protection against any and all claims, demands and causes of action arising out of any defects or failure to perform, alleged or otherwise, of the Products or any use thereof. The amount of coverage shall be a minimum of one million dollars ($1,000,000) combined single limit with no deductible amount for each single occurrence and two million dollars ($2,000,000) in the aggregate for bodily injury and/or for property damage. Buyer may request additional insurance should Products be added to Exhibit A (including by way of Section II.A.). Seller must provide to Buyer certificates of insurance evidencing such coverage, naming "Cricut, Inc. and its subsidiaries and affiliates" as additional insureds and identifying the coverage as primary over any and all other applicable coverages. Such certificates shall be provided annually to Buyer at the following address: Cricut, Inc., Attn: General Counsel, 10855 South River Front Parkway, Suite 300, South Jordan, UT 84095 U.S.A. (or any other address provided by Buyer). The policy shall provide for thirty (30) days prior written notice to Buyer from the insurer by registered or certified mail, return receipt requested, in the event of any modification, cancellation or termination. Seller agrees to furnish Buyer a certificate of insurance evidencing same within thirty (30) days after execution of this Agreement.

V. INTELLECTUAL PROPERTY

A. License Grant. Subject to and in strict conformance with the terms and conditions of this Agreement, Buyer hereby grants to Seller solely during the Term of this Agreement a non-exclusive, royalty-free, non-transferable, non-sublicensable, limited right and license to use and access such Buyer Proprietary Information as is necessary (as determined by Buyer in its sole and absolute discretion) to enable Seller (i) to manufacture the Products, and (ii) to affix the Markings to the Products only in such form and appearance as specified by Buyer. Any Buyer Proprietary Information and Markings provided by Buyer hereunder shall be used by Seller solely for the purposes of manufacturing the Products at Seller's premises (or approved Subcontractor premises) as approved by Buyer.

> For purposes of this Agreement, "***Buyer Proprietary Information***" shall mean any and all proprietary and Confidential Information (as defined in the Confidentiality Agreement), data, know-how, patents, patent applications, inventions, copyrights, industrial models or industrial designs, product packaging, mask works, and trade secrets of Buyer relating to the Products or Improvements, including without limitation: (a) designs and specifications for the Products; (b) drawings, photographs, diagrams, instructions, manuals, guidelines, and other printed and/or electronic documentation; (c) standards and procedures for quality control, quality assurance, and testing and inspection; (d) any information, data or documentation disclosed or provided to Seller by Buyer, which is marked or indicated as

"proprietary" or "confidential" by Buyer at the time of such disclosure or provision; (e) any other information that should reasonably be recognized as proprietary or confidential information; and, without limiting the foregoing (f) any information that contains, reflects, or is derived from any of the foregoing.

B. Patent Rights. Buyer retains all patent and intellectual property rights in the Products; those now associated with the Products, those that may arise from the Products, or design changes and innovations to the Products whether instituted by Buyer, Seller, any of Seller's affiliates, any of Seller's Subcontractors, or any other third party contracted by Seller.

C. Markings. For purposes of this Agreement, "***Markings***" means all means all trademarks, copyrights, trade dress, model names, style names, part numbers, catalog numbers, SKU numbers, UPC numbers, and all other information or indicia used by Buyer to distinguish the Products from the products of others, including without limitation those set forth in Exhibit A.

D. Ownership; No Challenge; No Registration. All Buyer Proprietary Information and Markings shall remain the sole and exclusive property of Buyer. Nothing in this Agreement shall be deemed or construed to have granted, conveyed, assigned, or transferred to Seller, its affiliates, or its Subcontractors any ownership interest in any Buyer Proprietary Information or Markings. All goodwill associated with the permitted use of the Markings by Seller shall inure exclusively to Buyer. Seller agrees that neither Seller nor any person acting with, for or under the control of direction of Seller shall ever contest such ownership or the exclusive rights of Buyer with respect to Buyer Proprietary Information or Markings anywhere in the world. Seller agrees that, except as expressly provided herein, it will not use, register, attempt to register or assist any third party in using or registering any Buyer Proprietary Information as a patent, industrial model, industrial design, copyright, or the like under any regime for registering proprietary rights. Seller agrees that, except as expressly provided herein, it will not use, register, attempt to register or assist any third party in using or registering any of the Markings, or any trademark or trade name that is the similar to any of the Markings, in English or any other language, whether as a trademark, trade name, domain name, or otherwise. Seller agrees to only make use of Buyer Proprietary Information and Improvements (as defined herein) as expressly permitted in this Agreement.

E. Improvements and Development. Any and all improvements, innovations, enhancements, upgrades, and modifications to the Products or Buyer Proprietary Information, whether made by Seller (including Seller's affiliates, its Subcontractors, and other third parties) or Buyer or jointly by the Parties (collectively, "***Improvements***"), shall belong solely to Buyer. Seller shall promptly disclose to Buyer any and all Improvements made to the Products. Seller's representatives (including engineers) shall further cooperate with Buyer and disclose information concerning Improvements as deemed useful by Seller and as requested by Buyer, including but not limited to working closely with Buyer's representatives to identify patentable material, completing Invention Disclosure Reports (as provided by Buyer), and providing materials and documentation relating to all Improvements. Seller hereby assigns to Buyer all rights associated with the Improvements and shall, upon Buyer's request, promptly execute a written instrument, in a form satisfactory to Buyer, transferring all right, title, and interest to Buyer, acknowledging Buyer's ownership of such Improvements. The license granted to Seller hereunder shall extend to any and all Improvements; provided that Seller strictly complies with all other terms and conditions of this Agreement. Additionally, to the extent that this Agreement or any PO is issued for the creation of copyrightable works, all such works shall be considered "works made for hire"; and to the extent that the works do not qualify as "works made for hire", Seller hereby assigns (and agrees to assign by written instrument if necessary) to Buyer all right, title, and interest in and to all copyrights and moral rights therein. In addition to Improvements made in Seller's role as a supplier to Buyer, Buyer may also engage Seller to develop or help develop specific products. Such development would take part under the terms and conditions set forth herein, and specifically the terms and conditions of this Section V.

F. Proprietary Notices. Seller shall include on the Products and packaging and related materials for the Products any and all such patent, copyright, trademark, and other proprietary notices as Buyer may specify from time to time which identify Buyer as the owner and licensor of Buyer Proprietary Information and Markings. Seller shall not alter, remove, conceal, or deface any such proprietary notices without prior written consent of Buyer.

G. Certain Restrictions. Without Buyer's prior written consent, Seller shall not use any Buyer Proprietary Information or Markings for any purpose or in any manner not expressly stated in this Agreement. Seller shall supply the Products solely and exclusively to Buyer, and shall not market, sell, or otherwise distribute the Products to any other person or entity. Seller shall not register or attempt to register any Buyer Proprietary Information or Markings (or any marks, names, codes, or symbols confusingly similar thereto) under patent, copyright, trademark, or otherwise, or challenge Buyer's rights thereto, anywhere in the world.

H. Registrations; Enforcement. Buyer shall have the exclusive right, but not the obligation, to file at its own expense, applications to register any rights in Buyer's Proprietary Information or the Markings, and to bring or assert any action for enforcement of rights in the same. Seller agrees to inform Buyer promptly of any possible infringement, or of any passing off or unfair competition affecting the Buyer's Proprietary Information or the Markings that comes to the attention of Seller. Additionally, Seller agrees to fully cooperate and assist Buyer in the protection and defense of any of Buyer's rights in Buyer's Proprietary Information or the Markings, in the filing and prosecution of any patent, copyright, industrial model or design application, registration, renewal and the like, in the recording of this Agreement or any related agreements, and in the doing of any other act with respect to Buyer's Proprietary Information or the Markings, including the prevention of the use thereof by any unauthorized person, that in the sole discretion of Buyer may be necessary or desirable.

VI. BUYER PROPERTY

All supplies, materials, computer files, tools, jigs, dies, gauges, fixtures, molds, patterns, diagrams, equipment, and other items furnished by Buyer, either directly or indirectly, to Seller or its Subcontractors to perform this Agreement or any PO, or for which Seller has been reimbursed by Buyer ("***Buyer Property***"), shall be and remain the property of Buyer and held by Seller on a bailment basis. Seller shall bear the risk of loss of and damage to Buyer Property. Buyer Property shall (i) at all times be properly housed and maintained by Seller, at its expense, (ii) not be used by Seller or its Subcontractors for any purpose other than the performance of this Agreement, (iii) be deemed to be personalty and conspicuously marked by Seller as the property of Buyer, (iv) shall not be commingled with the property of Seller, of its Subcontractors, or with that of any other third party, and (v) shall not be moved from Seller's premises (or Subcontractor's premises, as applicable) without Buyer's prior written approval. Upon the request of Buyer, Buyer Property shall be immediately released to Buyer or delivered to Buyer by Seller, either (i) F.O.B. transport equipment at Seller's plant, properly packed and marked in accordance with the requirements of the carrier selected by Buyer to transport such property, or (ii) to any location designated by Buyer, in which event Buyer shall pay to Seller the reasonable costs of delivering such property to such location. Where permitted by law, Seller waives any lien or other rights that Seller might otherwise have on any Buyer Property for work performed on such property or otherwise.

VII. REPRESENTATIONS AND COVENANTS

A. Confidentiality. The terms and conditions of that certain non-disclosure agreement or confidentiality agreement previously executed by and between the Parties (the "***Original Confidentiality Agreement***") are hereby incorporated by reference into this Agreement. In the event no Original Confidentiality Agreement exists, the terms and conditions of the Confidentiality Exhibit set forth in Exhibit D attached hereto are hereby incorporated. "***Confidentiality Agreement***" as used in this Agreement, shall

mean the Original Confidentiality Agreement or the Confidentiality Exhibit, as applicable. Notwithstanding the foregoing, in the event of any inconsistency or conflict between the terms of the Confidentiality Agreement or the PO Terms and Conditions, the terms more protective of the Disclosing Party shall govern.

B. No Disclosure to Independent Contractors. Seller shall not disseminate or disclose any Buyer Proprietary Information to any Subcontractor or other third party without Buyer's prior written approval. Any Subcontractor or third party that has been approved in writing by Buyer must also be legally bound by a written confidentiality agreement in a form pre-approved by Buyer.

C. Compliance with Buyer Guidelines. Seller shall comply with all usage and disclosure guidelines and policies, including the Logistics Guide, which Buyer may from time to time establish and implement with respect to Buyer Proprietary Information.

D. Non-Compete. During the Term of this Agreement and for a period of five (5) years following the termination or expiration of this Agreement, Seller, all of Seller's subsidiary, affiliate, or related companies, and all of Seller's Subcontractors (collectively, "***Seller Parties***"), shall not, within or with respect to any country or state worldwide, directly or indirectly own, operate, lease, manage, control, participate in, consult with, advise, permit Seller's name to be used by, provide services for, or in any manner engage in any business that creates, designs, invents, engineers, develops, sources, markets, manufactures, distributes, suppliers, or sells (hereinafter, "***Sell***") any product or material that (i) is the same or substantially the same as Buyer's Products, Improvements, or Buyer Proprietary Information, (ii) relates in any way to the business or contemplated business, products, packaging, activities, research, or development of Buyer, or (iii) may be used as a substitute for or otherwise competes with any of Buyer's Products, Improvements, or Buyer Proprietary Information (including but not limited to any products and/or packaging intended for use with an electronic cutting or iron-on machines) (where Subsections (i), (ii), and (ii), are collectively referred herein as, "***Competitive Products***"). As such, Seller acknowledges and agrees on behalf of itself and all Seller Parties that Seller Parties may not Sell the Products, Improvements, Buyer Proprietary Information, or any Competitive Products (whether directly or indirectly) in any manner. This restrictive covenant includes to any of Buyer's direct or indirect competitors or customers, and their respective subsidiary, affiliate, or related companies, including but not limited to Brother, Silhouette, Graphtec, Amazon, Walmart, Michaels, A.C. Moore, Hobby Lobby, American Crafts, and Jo-Ann Stores, or to any other craft/DIY retailer or e-commerce retailer. In addition to the aforementioned restrictive covenant, in the event Seller or Seller's Subcontractors (1) are approached to engage with any of the aforementioned parties, or (2) know or have reason to know that any such Selling or prohibited activities did occur, are occurring, or have alleged to occur, Seller agrees to immediately notify Buyer and immediately cease all such Selling and prohibited activities. The Parties understand, acknowledge, and agree that these non-compete covenants are required so as to protect Buyer's Products, Buyer Proprietary Information, and Buyer's trade secrets, including the intellectual property belonging to Buyer.

E. Enforcement. Buyer acknowledges and agrees that in the event of a breach by such Seller of any of the provisions of this Section VII and its subsections, monetary damages may be inadequate, and the Company may have no adequate remedy at law. Accordingly, in the event of any such breach, Buyer and its successors or assigns may, in addition to any other rights and remedies existing in their favor, enforce their rights hereunder by an action or actions for specific performance, injunctive, and/or other preliminary or summary relief.

F. Subcontractors. Except as expressly provided in this Agreement or an applicable PO, Seller may not subcontract any of its services or other work to be performed by it hereunder to another person, entity, or company ("***Subcontractor***") without Buyer's prior written consent. In the event that Buyer does so consent, then Seller shall cause such permitted Subcontractor to agree to and comply with all obligations set forth in this Agreement, including without limitation, ownership and allocation of intellectual property rights, non-compete and confidentiality obligations, record-keeping, Buyer's rights to audit and inspection,

and performance in accordance with applicable law that are consistent with the intent and terms of this Agreement. Notwithstanding this Subsection, Seller's use of Subcontractors will not relieve Seller of the responsibility for the Subcontractor's performance, and Seller's obligations and responsibilities assumed under this Agreement will be made equally applicable to all Subcontractors. Notwithstanding anything to the contrary, Seller shall remain liable for all acts, omissions, and performance of any of its Subcontractors and under no circumstances will Seller permit any Subcontractor to subcontract further without Buyer's prior written approval.

G. Additional Representations. Each Party represents, warrants and covenants to the other that: (a) it is a legal entity duly organized, validly existing and in good standing, duly qualified to do business and is in good standing in every jurisdiction in which such qualification is required for purposes of this Agreement; (b) it has the full right, power, and authority to enter into this Agreement, to grant the rights and licenses granted under this Agreement and to perform its obligations under this Agreement; (c) it has not, and during the Term will not, enter into any oral or written contract, agreement, or negotiation with any third party (including its own subsidiary and affiliate companies) that would impair the rights granted to the other Party under this Agreement, or limit the effectiveness of this Agreement, nor is it aware of any claims or actions that may limit or impair any of the rights granted to the other Party hereunder; (d) the execution of this Agreement by its representative whose signature is set forth at the end hereof and the delivery of this Agreement by the Party has been duly authorized by all necessary action of the Party; and (e) it is now, and through the Term will remain, in compliance with all laws and regulations applicable to the performance of its obligations under this Agreement.

VIII. AUDIT, INSPECTION, AND ACCEPTANCE

A. Audit Rights. Seller shall maintain all pertinent books and records relating to this Agreement and any POs issued hereunder (collectively, "***Seller Records***") during the Term of this Agreement and for a period of four (4) years after completion of delivery of Products pursuant to those POs. Buyer or Buyer's designee shall, upon reasonable notice to Seller, have the right, no more frequently than two (2) times per twelve (12) consecutive months, at its own expense, at reasonable times and during normal business hours, to examine Seller Records to the extent necessary to verify the accuracy of any delivery, performance, statement, charge, computation, or demand made under or pursuant to this Agreement. Any such audit shall initially be at Buyer's expense, however, should the audit reveal that Products or costs are owed Buyer, as a result of this audit, then Seller must provide such Products and must pay those costs within ten (10) days plus seven percent (7%) annual interest from the time the costs were originally due. Additionally, if any inaccuracy to Buyer is greater than five percent (5%) of the Products and costs properly due and payable for that calendar year, Seller also agrees to pay the cost of the audit. In addition to Buyer's aforementioned audit right, Buyer or Buyer's designee may, at any time, review the financial condition of Seller and/or Seller Parties, and Seller will fully cooperate in such review.

B. Inspection. Upon Buyer's request, Seller shall deliver to Buyer (or Buyer's designated agents and representatives, including any of Buyer's authorized retail or strategic partners) (hereinafter, "***Buyer Parties***") all data, records, and other materials (including Seller Records) to evidence testing, inspection, compliance with this Agreement, the Code of Conduct, Logistics Guide, and/or applicable law, including without limitation, anti-bribery laws, anti-corruption laws, and quality assurance actions. Additionally, Buyer Parties shall have the right to conduct audits and inspections (whether on-premises, via questionnaire, or otherwise) of Seller and Seller's Subcontractors to inspect, review, or audit compliance with this Section VIII, this Agreement, the Code of Conduct, Logistic Guide, Buyer Parties' reasonable requirements, and all other applicable laws, including without limitation: (1) inspecting the Products and/or work in process on the Products, and/or (2) conducting compliance audits, quality control measures, and tests at Seller's or its Subcontractor's premises. Without cost to Buyer, Seller agrees to provide facilities and assistance for Buyer Parties' audits, inspections, and tests. Any Buyer Party audit(s) and/or inspection of Seller, Subcontractors, or the Products, or the failure to audit or inspect, does not constitute acceptance

of any work-in-process or finished Products, nor does it not remove responsibility from Seller for compliance with the terms of this Agreement or any PO, and lastly does not relieve Seller of any of its responsibilities or warranties. Likewise, any audit, test, or approval of any design, drawing, material, process, or specifications will not limit or waive Buyer's rights under this Section VIII or this Agreement. Notwithstanding anything to the contrary, nothing will release Seller from the obligation of testing, inspection, and quality control.

C. Acceptance. All Products delivered by Seller are subject to inspection by Buyer prior to their acceptance. Buyer shall use commercially reasonable efforts to initially inspect Products within fourteen (14) days of receipt by Buyer or Buyer's designated agent (where notwithstanding Section II.A, receipt by Buyer or Buyer's designated agent for these purposes shall include their respective receipt at the "Ship to" address set forth in the PO). In the event of any shortage, damage, or discrepancy in or to a delivery of Products, Buyer will within ten (10) days thereafter give notice thereof to Seller and explain or provide documentation as Buyer may deem appropriate. If such evidence indicates, in Buyer's reasonable judgment, that such shortage, damage, or discrepancy existed, Seller shall promptly deliver (including expediting shipping if Buyer requires), at Seller's own cost and expense, non-defective, conforming Products to Buyer as replacements. In doing so, Seller will pay all loading, freight, shipping, insurance, forwarding and handling charges, taxes, fees, storage, and other charges applicable to such additional or substitute Products. Seller shall immediately take appropriate steps to identify and contain the source of the problem and cease manufacturing and shipping any additional defective or non-conforming Products. Inspection and acceptance as discussed in this Section VIII may include initial visual inspections, any on-premises inspections (as set forth above), or any other reasonable inspections as determined by Buyer, and none of these shall replace the Warranties in Section IV.A.

IX. MISCELLANEOUS

A. Assignment. This Agreement shall be binding on Seller and Buyer and on their respective permitted successors and assigns. Buyer may assign this Agreement in whole or in part to any purchaser of all or substantially all of the assets or shares of Buyer, or of the business to which this Agreement pertains. Seller may not assign its rights, duties, obligations, or interests hereunder, in whole or in part, without the prior written consent of Buyer, which consent shall not be unreasonably withheld.

B. Non-waiver. The delay or failure of either Party to exercise or enforce any right hereunder shall in no way operate as a waiver thereof, nor shall any single or partial enforcement or exercise of any right hereunder preclude the further enforcement or exercise of such right or the enforcement or exercise of any other right. The waiver, express or implied, by either Party of any right hereunder or of any failure to perform or breach hereof by the other Party shall not be deemed a waiver of any other right hereunder or of any other failure to perform or breach hereof by the other Party, whether of a similar or dissimilar nature thereto.

C. Entire Agreement. This Agreement (including any exhibits attached hereto and all documents incorporated by referenced therein and in this Agreement), POs, the PO Terms and Conditions, Code of Conduct, Logistics Guide, and the Confidentiality Agreement constitute the entire Agreement between the Parties and supersede any prior agreements (whether oral or written) concerning the subject matter covered herein/therein, including without limitation any prior agreements made with Buyer f/k/a Provo Craft & Novelty, Inc. The inclusion of a Seller invoice number on any PO or ordering document is for reference purposes only and is not an acceptance by Buyer of Seller's terms or conditions contained therein or elsewhere. Likewise, the terms on any such invoice or similar document submitted by Seller to Buyer will have no effect and are hereby rejected.

D. Relationship of the Parties. The relationship of the Parties under this Agreement is that of independent contractors. Nothing in this Agreement shall be construed to place the Parties in the relationship of legal representatives, partners, joint venturers, or agents of or with each other.

E. Amendment. This Agreement may only be amended or modified by a writing signed by a duly authorized representative of each Party; provided however, that Buyer may make amendments to the PO Terms and Conditions, Code of Conduct, and Logistics Guide, and the same shall be deemed binding effective on the date of such amendment.

F. Severability. If any term of this Agreement is held to be invalid or unenforceable by a court of competent jurisdiction, such term shall be deemed reformed or deleted to the extent necessary to comply with the intent of this Agreement and the remaining provisions of this Agreement shall remain in full force and effect.

G. Choice of Law and Forum; Choice of Language. This Agreement shall be governed and construed under the laws of the State of Utah without regard to principles of conflicts of law. Subject to Section VII.E. and the following sentence, should any dispute arise with regard to this Agreement, the Parties agree to first work in good faith to resolve such dispute, and neither Party may commence any action with regard to such dispute until thirty (30) days have passed from the time such Party has provided written notice to the other Party of the nature of such dispute. Notwithstanding the foregoing or any other provision of this Agreement, either Party shall be entitled to seek injunctive or other provisional relief from any court of competent jurisdiction pending such good faith efforts.

H. Language. The English/American spellings of words used in this Agreement and their customary and usual meanings in the U.S.A. shall control the rights, obligations, and relationship of the Parties, and the construction and interpretation of this Agreement, and shall also be the controlling language for all future communications between the Parties concerning this Agreement and the subject matter hereof. If both English/American and Chinese language versions of this Agreement are prepared and executed, both versions shall be valid and enforceable; provided, however, that in the event there is any inconsistency or conflict between the terms of the English/American language version and any Chinese language version of this Agreement, or with the terms of any other agreement between the Parties, the terms of the English/American language version of this Agreement shall govern.

I. Notices. Any notices, requests, and other communications required or permitted under this Agreement must be in writing, and will be deemed to have been duly given (i) at the time of receipt if delivered by hand or communicated by electronic transmission with delivery confirmation, or (ii) if mailed, ten (10) days after mailing first class mail with postage prepaid, to the addresses listed below, or to such other address as each Party may provide by written notice to the other Party:

If to Buyer:
Cricut, Inc.
Attn: Alan Slighting
10855 S. River Front Pkwy, Suite 300
South Jordan, UT 84095
U.S.A.

with a required copy to:
Cricut, Inc.
Attn: Don Olsen
10855 S. River Front Pkwy, Suite 300
South Jordan, UT 84095
U.S.A.

If to Seller:
XIAMEN INTRETECH, INC.
104 Unit, 1st Floor of 6# building, No.
2879 DongFu Road, Haicang District,
Xiamen, Fujian, China

J. Counterparts. This Agreement may be signed in any number of counterparts, each of which, when so executed and delivered via facsimile, photocopy, e-mail, or other electronic means shall be an original, but all of which shall together constitute one and the same instrument. Facsimile or electronic signatures shall be treated as original signatures for all purposes.

K. Survival. All provisions of this Agreement that by their nature are intended to survive the expiration or termination of this Agreement shall so survive. Without limiting the foregoing, the provisions of Sections III.B. and III.C., Sections IV, V, VI, VII, VIII, and IX, and the Confidentiality Agreement (including all definitions pertaining to the foregoing) shall specifically survive the expiration or termination of this Agreement.

The Parties have executed this Supply Agreement as of the Effective Date.

BUYER:		**SELLER:**	
CRICUT, INC.		XIAMEN INTRETECH, INC.	
By:	/s/ Don Olsen	By:	/s/ Stone Lin
Name:	Don Olsen	Name:	Stone Lin
Title:	EVP, General Counsel	Title:	VP
Date:	08/19/2018	Date:	08/18/2018

EXHIBIT A
TO
SUPPLY AGREEMENT

Products

All Products set forth on any previous, pending, or outstanding POs, as well any new SKUs or Products included in future POs accepted by Seller (see Section I.A. of the Supply Agreement).

BUYER:		**SELLER:**	
CRICUT, INC.		XIAMEN INTRETECH, INC.	
By:	/s/ Don Olsen	By:	/s/ Stone Lin
Name:	Don Olsen	Name:	Stone Lin
Title:	EVP, General Counsel	Title:	VP

EXHIBIT B
TO
SUPPLY AGREEMENT

PO Terms and Conditions

The following PO Terms and Conditions set forth below are the current version found at: http://www.cricut.com/legal. This Exhibit B is provided for convenience only; in the event the PO Terms and Conditions are revised, amended, or updated online, such new version shall control.

CRICUT PURCHASE ORDER TERMS AND CONDITIONS

1. SERVICES & DELIVERABLES. Seller agrees to provide the Goods or deliverables (collectively referred to as "Goods"), described in any purchase order, in accordance with these Terms and Conditions ("Agreement"). Upon acceptance of a purchase order, shipment of Goods or commencement of a Service, Seller shall be bound by the provisions of these Terms and Conditions, including all provisions set forth on the face of any applicable purchase order, whether Seller acknowledges or otherwise signs this Agreement or the purchase order, unless Seller objects to such terms in writing prior to shipping Goods or commencing Services.

This writing does not constitute a firm offer and may be revoked at any time prior to acceptance. This Agreement may not be added to, modified, superseded or otherwise altered, except by writing signed by an authorized Cricut representative. Any terms or conditions contained in any acknowledgment, invoice or other communication of Seller, which are inconsistent with the terms and conditions herein, are hereby rejected. If there is a conflict between the English terms and the Chinese terms, then English terms shall control. To the extent that this Agreement might be treated as an acceptance of Seller's prior offer, such acceptance is expressly made on condition of assent by Seller to the terms hereof and shipment of the Goods or beginning performance of any Services by Seller shall constitute such assent.

2. DELIVERY. Time is of the essence. Delivery of Goods shall be made pursuant to the schedule, via the carrier and to the place specified on the face of the applicable purchase order and in compliance with Cricut's Vendor Logistics Guide. Cricut reserves the right to return, shipping charges collect, all Goods received in advance of the delivery schedule. If no delivery schedule is specified, the order shall be filled promptly and delivery will be made by the most expeditious form of land transportation. If no method of shipment is specified in the purchase order, Seller shall use the least expensive carrier. In the event Seller fails to deliver the Goods within the time specified, Cricut may, at its option, decline to accept the Goods and terminate the Agreement or may demand its allocable fair share of Seller's available Goods and terminate the balance of the Agreement. Seller shall package all items in suitable containers to permit safe transportation and handling. Each delivered container must be labeled and marked to identify contents without opening and all boxes and packages must contain packing sheets listing contents. Cricut's purchase order number must appear on all shipping containers, packing sheets, delivery tickets and bills of lading.

3. IDENTIFICATION, RISK OF LOSS & DESTRUCTION OF GOODS. Identification of the Goods shall occur in accordance with Cricut's Vendor Logistics Guide, or as otherwise specified by Cricut. Seller assumes all risk of loss until receipt by Cricut. Title to the Goods shall pass to Cricut upon receipt by it of the Goods at the designated destination. If the Goods ordered are destroyed prior to title passing to Cricut, Cricut may at its option cancel the Agreement or require delivery of substitute Goods of equal quantity and quality. Such delivery will be made as soon as commercially practicable. If loss of Goods is partial, Cricut shall have the right to require delivery of the Goods not destroyed.

4. PAYMENT. As full consideration for the delivery of the Goods and the assignment of rights to Cricut as provided herein, Cricut shall pay Seller the amount agreed upon and specified in the applicable purchase order. Applicable taxes and other charges such as shipping costs, duties, customs, tariffs, imposts and government imposed surcharges shall be stated separately on Seller's invoice. Payment is made when Cricut's check is mailed. Payment shall not constitute acceptance. All personal property taxes assessable upon the Goods prior to receipt by Cricut of Goods conforming to the purchase order shall be borne by Seller. Seller shall invoice Cricut for all Goods delivered and all Services actually performed. Each invoice submitted by Seller must be provided to Cricut within ninety (90) days of delivery of Goods and must reference the applicable purchase order, and Cricut reserves the right to return all incorrect invoices. Unless otherwise specified on the face of a purchase order, Cricut shall pay the invoiced amount within sixty (60) days after receipt of a correct invoice.

5. WARRANTIES. Seller warrants that all Goods provided will be new and will not be used or refurbished. Seller warrants that all Goods delivered shall be free from defects in materials, design and workmanship and shall conform to all applicable specifications for a period of fifteen (15) months from the date of delivery to Cricut or for the period provided in Seller's standard warranty covering the Goods, whichever is longer. Furthermore, the Products will be free from defects and materials which could create a hazard to life or property; the Products will conform in all respects with all applicable international, federal, state, agency, and local laws, orders, and regulations, including, without limitation, those regarding: (a) safety, (b) content, (c) flammability, (d) weights, measures, and sizes, (e) processing, manufacturing, labeling, advertising, selling, shipping, and invoicing, (f) registration and declaration of responsibility, (h) occupational safety and health, and (g) noise, radio and electromagnetic emissions. If requested by Cricut in the Purchase Order, Seller hereby agrees that it will make spare parts available to Cricut for a period of five (5) years from the date of shipment at Sellers then current price. Additionally, Goods purchased shall be subject to all written express warranties made by Seller's agents. All warranties shall be construed as conditions as well as warranties and shall not be exclusive. Seller shall furnish to Cricut Seller's standard warranty and service guaranty applicable to the Goods. All warranties and Service guaranties shall run both to Cricut and to its customers.

If Cricut identifies a warranty problem with the Goods during the warranty period, Cricut will promptly notify Seller of such problems and will return the Goods to Seller, at Seller's expense. Within five (5) business days of receipt of the returned Goods, Seller shall, at Cricut's option, either repair or replace such Goods, or credit Cricut's account for the same.

Replacement and repaired Goods shall be warranted for the remainder of the warranty period or six (6) months, whichever is longer.

6. INSPECTION. Cricut shall have a reasonable time after receipt of Goods or Service deliverables and before payment to inspect them for conformity hereto, and Goods received prior to inspection shall not be deemed accepted until Cricut has run an adequate test to determine whether the Goods conform to the specifications hereof. Use of a portion of the Goods for the purpose of testing shall not constitute an acceptance of the Goods. If Goods tendered do not wholly conform with the provisions hereof, Cricut shall have the right to reject such Goods. Nonconforming Goods will be returned to Seller freight collect and risk of loss will pass to Seller upon Cricut's delivery to the common carrier.

7. INDEPENDENT CONTRACTOR. Seller is an independent contractor for all purposes, without express or implied authority to bind Cricut by contract or otherwise. Neither Seller nor its employees, agents or subcontractors ("Seller's Assistants") are agents or employees of Cricut.

8. SELLER RESPONSIBLE FOR TAXES AND RECORDS. Seller shall be solely responsible for filing the appropriate federal, state and local tax forms, and paying all such taxes or fees, including estimated taxes and employment taxes, due with respect to Seller's receipt of payment under this Agreement. Seller further agrees to provide Cricut with reasonable assistance in the event of a government audit. Cricut shall have no responsibility to pay or withhold from any payment to Seller under this Agreement, any federal, state or local taxes or fees.

9. INSURANCE. Seller shall be solely responsible for maintaining liability, and other insurance, as is required by law or as is the common practice in Seller's trades or businesses, whichever affords greater coverage. Upon request, Seller shall provide Cricut with certificates of insurance or evidence of coverage before commencing performance under this Agreement. Seller shall provide adequate coverage for any Cricut property under the care, custody or control of Seller.

10. INDEMNITY. Seller shall indemnify, hold harmless, and at Cricut's request, defend Cricut, its officers, directors, customers, agents and employees, against all claims, liabilities, damages, losses and expenses, including attorneys' fees and cost of suit arising out of or in any way connected with the Goods or Services provided under this Agreement, including, without limitation, (i) any claim based on the death or bodily injury to any person, destruction or damage to property, or contamination of the environment and any associated clean up costs, (ii) any claim based on the negligence, omissions or willful misconduct of Seller or any Seller's Assistants, and (iii) except where a design, or specification, is provided by Cricut, any claim by a third party against Cricut alleging that the Goods or Services, the results of such Services, or any other products or processes provided under this Agreement, infringe a patent, copyright, trademark, trade secret or other proprietary right of a third party, whether such are provided alone or in combination with other products, software or processes. Seller shall not settle any such suit or claim without Cricut's prior written approval. Seller agrees to pay or reimburse all costs that may be incurred by Cricut in enforcing this indemnity, including attorneys' fees.

Should Cricut's use, or use by its distributors, subcontractors or customers, of any Goods or Services purchased from Seller be enjoined, be threatened by injunction, or be the subject of any legal proceeding, Seller shall, at is sole cost and expense, either (a) substitute fully equivalent non-infringing Goods or Services; (b) modify the Goods or Services so that they no longer infringe but remain fully equivalent in functionality; (c) obtain for Cricut, its distributors, subcontractors or customers the right to continue using the Goods or Services; or (d) if none of the foregoing is possible, refund all amounts paid for the infringing Goods or Services.

11. CONFIDENTIALITY. Seller will acquire knowledge of Cricut Confidential Information (as defined below) in connection with its performance hereunder and agrees to keep such Cricut Confidential Information in confidence during and following termination or expiration of this Agreement. "Cricut Confidential Information" includes but is not limited to all information, whether written or oral, in any form, including without limitation, information relating to the research, development, products, methods of manufacture, trade secrets, business plans, customers, vendors, finances, personnel data, Work Product (as defined herein) and other material or information considered proprietary by Cricut relating to the current or anticipated business or affairs of Cricut which is disclosed directly or indirectly to Seller. In addition, Cricut Confidential Information means any third party's proprietary or confidential information disclosed to Seller in the course of providing Services or Goods to Cricut. Cricut Confidential Information does not include any information (i) which Seller lawfully knew without restriction on disclosure before Cricut disclosed it to Seller, (ii) which is now or becomes publicly known through no wrongful act or failure to act of Seller, (iii) which Seller developed independently without use of the Cricut Confidential Information, as evidenced by appropriate documentation.

12. OWNERSHIP OF WORK PRODUCT. For purposes of this Agreement, "Work Product" shall include, without limitation, all designs, discoveries, creations, works, devices, masks, models, work in progress, inventions, products, improvements, developments, drawings, notes, documents, business processes, information and materials made, conceived or developed by Seller alone or with others which result from or relate to the Goods provided hereunder. Standard Goods manufactured by Seller and sold to Cricut without having been designed, customized or modified for Cricut do not constitute Work Product. All Work Product shall at all times be and remain the sole and exclusive property of Cricut. Seller hereby agrees to irrevocably assign and transfer to Cricut and does hereby assign and transfer to Cricut all of its worldwide right, title and interest in and to the Work Product including all associated intellectual property rights. Seller agrees: (a) to disclose promptly in writing to Cricut all Work Product in its possession; (b) to assist Cricut in every reasonable way, at Cricut's expense, to secure, perfect, register, apply for, maintain, and defend for Cricut's benefit all copyrights, patent rights, mask work rights, trade secret rights, and all other proprietary rights or statutory protections in and to the Work Product in Cricut's name as it deems appropriate; and (c) to otherwise treat all Work Product as Cricut Confidential Information as described above. These obligations to disclose, assist, execute and keep confidential survive the expiration or termination of this Agreement. All tools and equipment supplied by Cricut to Seller shall remain the sole property of Cricut.

13. TERMINATION. Cricut may terminate this Agreement upon written notice. In the event of such termination, Cricut shall pay Seller for the portion of those conforming Goods delivered to Cricut through the date of termination, less appropriate offsets.

Upon the expiration or termination of this Agreement: (a) each party will be released from all obligations to the other arising after the date of expiration or termination, except for those which by their terms survive such termination or expiration; and (b) Seller will promptly notify Cricut of all Cricut Confidential Information or any Work Product in Seller's possession and, at the expense of Seller and in accordance with Cricut's instructions, will promptly deliver to Cricut all such Cricut Confidential Information and/or Work Product.

14. FORCE MAJEURE. Cricut shall not be liable for any failure to perform including failure to take delivery of the Goods as provided caused by circumstances beyond its control which make such performance commercially impractical including, but not limited to, acts of God, fire, flood, acts of war, government action, accident, labor difficulties or shortage, inability to obtain materials, equipment or transportation. In the event Cricut is so excused, either party may terminate the Agreement and Cricut shall at its expense and risk, return any Goods received to the place of shipment.

15. SEVERABILITY. If any provision of this Agreement shall be deemed to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

16. LIMITATION OF LIABILITY. IN NO EVENT SHALL CRICUT BE LIABLE TO SELLER OR SELLER'S ASSISTANTS, OR ANY THIRD PARTY FOR ANY INCIDENTAL, INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES ARISING OUT OF, OR IN CONNECTION WITH, THIS AGREEMENT, WHETHER OR NOT CRICUT WAS ADVISED OF THE POSSIBILITY OF SUCH DAMAGE.

17. ASSIGNMENT; WAIVER. Seller may not assign this Agreement or any of its rights or obligations under this Agreement, without the prior written consent of Cricut. Any assignment or transfer without such written consent shall be null and void. This Agreement shall inure to the benefit of, and be binding upon, the successors and assigns of Cricut without restriction. A waiver of any default hereunder or of any term or condition of this Agreement shall not be deemed to be a continuing waiver or a waiver of any other default or any other term or condition.

18. NONEXCLUSIVE AGREEMENT. This is not an exclusive agreement. Cricut is free to engage others to perform Services or provide Goods the same as or similar to Seller's. Seller is free to, and is encouraged to, advertise, offer and provide Seller's Services and/or Goods to others; provided however, that Seller does not breach this Agreement.

19. NOTICES. Except for Purchase Orders which may be sent by local mail, facsimile transmission, or electronically transmitted, all notices, and other communications hereunder shall be in writing, and shall be addressed to Seller or to an authorized Cricut representative, and shall be considered given when (a) delivered personally, (b) sent by confirmed telex or facsimile, (c) sent by commercial overnight courier with written verification receipt, or (d) three (3) days after having been sent, postage prepaid, by first class or certified mail.

20. SURVIVAL OF OBLIGATIONS. Any obligations and duties which by their nature extend beyond the expiration or termination of this Agreement shall survive the expiration or termination of this Agreement.

21. GOVERNING LAW. This Agreement shall be construed in accordance with, and disputes shall be governed by, the laws of the State of Utah, excluding its conflict of law rules. The Fourth District Court of Utah or the United States District Court for the District of Utah shall have jurisdiction and venue over all controversies arising out of, or relating to, this Agreement. The applicability of the UN Convention on Contracts for the International Sale of Goods is hereby expressly waived by the parties and it shall not apply to the terms and conditions of this Agreement.

22. ENTIRE AGREEMENT; MODIFICATION. This Agreement is the complete, final and exclusive statement of the terms of the agreement between the parties and supersedes any and all other prior and contemporaneous negotiations and agreements, whether oral or written, between them relating to the subject matter hereof. This Agreement may not be varied, modified, altered, or amended except in writing, including a purchase order or a change order issued by Cricut, signed by Cricut. The terms and conditions of this Agreement shall prevail notwithstanding any variance with the terms and conditions of any acknowledgment or other document submitted by Seller. Notwithstanding the foregoing, this Agreement will not supersede or take the place of any written agreement which is signed by both parties and covers the same subject matter as this Agreement or its related purchase orders.

23. COMPLIANCE WITH LAWS. Seller shall comply fully with all applicable federal, state and local laws in the performance of this Agreement. Upon Cricut's request, Seller will promptly provide Cricut with a statement of origin for all Goods and other documents reasonably requested by Cricut in order to effect the import/export of the Goods to the location designated by Cricut.

24. INJUNCTIVE RELIEF. Seller acknowledges and agrees that the obligations and promises of Seller under this Agreement are of a unique, intellectual nature giving them particular value. Seller's breach of any of the promises contained in this Agreement will result in irreparable and continuing damage to Cricut for which there will be no adequate remedy at law and, in the event of such breach, Cricut will be entitled to seek injunctive relief, or a decree of specific performance.

[END OF PURCHASE ORDER TERMS AND CONDITIONS]

EXHIBIT C
TO
SUPPLY AGREEMENT

Cricut, Inc.
Manufacturer's Code of Conduct

Cricut is committed to:

- a high standard of excellence in every aspect of its business;
- ethical and responsible conduct in all its business dealings and operations;
- respect for the rights of all individuals and;
- respect for the environment.

Manufacturer covenants on its own behalf with respect to its own manufacturing facilities, and agrees to require each of its own and third-party manufacturers to agree in writing to comply with and perform the obligations set forth below:

A) In developing, making and shipping the Products, Manufacturer must comply with all applicable laws and regulations, including, but not limited to, those related to employment, labor, worker health and safety, and the environment.

B) All references to "applicable laws and regulations" in this Code of Conduct include local and national codes, rules, and regulations as well as applicable treaties and voluntary industry standards.

C) Manufacturer agrees not use child labor. The term "child labor" refers to a person younger than the local legal minimum age for employment or the age for completing compulsory education, but in no case shall any child younger than fifteen (15) years of age (or fourteen (14) years of age where local law allows) be employed. Manufacturers employing young persons who do not fall within the definition of "child" agree to comply with any applicable laws and regulations to with respect to such persons.

D) Manufacturer agrees to only employ persons whose presence and labor are voluntary, and not to use any forced or involuntary labor, whether prison, bonded, indentured or otherwise.

E) Manufacturer agrees to treat each employee with dignity and respect and shall not use corporal punishment, threats of violence, or other forms of physical, sexual, psychological or verbal harassment or abuse.

F) Manufacturer agrees not to discriminate in hiring or employment practices, including salary, benefits, advancement, discipline, termination, or retirement on the basis of race, color, national origin/heritage, religion, age, nationality, social or ethnic origin, maternity, sexual orientation, gender, political opinion, or disability. Manufacturers will not retaliate against workers who complain in good faith about what they believe to be discrimination.

G) Manufacturer agrees to comply, at a minimum, with all applicable laws and regulations regarding wages and hours, including minimum wage, overtime, maximum hours, piece rates and other elements of compensation, and to provide legally mandated benefits. If local laws and regulations do not provide for overtime pay, Manufacturer agrees to pay at least regular pay for overtime work. Except in ordinary business circumstances, Manufacturer will not require employees to work more than the lesser of (a) 48 hours per week and 12 hours overtime or (b) the limits on regular and overtime hours allowed by local law, or, where local law does not limit the hours of work, the regular work week in such country plus 12 hours overtime. In addition, except in extraordinary business circumstances, employees will be entitled at least one day off in every seven-day period. Manufacturer agrees that, where local industry standards are higher than applicable legal requirements, they will meet the higher standards.

H) Manufacturer agrees to provide employees with a safe and healthy workplace in compliance with all applicable laws, ensuring at a minimum, reasonable access to drinkable water and sanitary facilities, fire safety, and adequate lighting and ventilation. Manufacturer also agrees to ensure that the same standards of health and safety are applied in any housing it provides for employees.

I) Manufacturer agrees to respect the rights of employees to associate, organize and bargain collectively in a lawful and peaceful manner, without penalty or interference, in accordance with applicable laws and regulations.

J) Manufacturer agrees to comply with all applicable laws and regulations regarding the environment.

K) Manufacturer agrees to maintain on site all documentation necessary to demonstrate compliance with these provisions. Manufacturer agrees to promptly reimburse Manufacturer for the reasonable cost of inspections performed when any of Manufacturers facilities does not pass the inspection(s).

L) Manufacturer agrees to take appropriate steps to ensure that these provisions are communicated to all employees, including the prominent posting of a copy of Cricut's Code of Conduct for Manufacturers in the local language and in a place readily accessible to employees at all times.

M) Manufacturer agrees not to use subcontractors or independent contractors for the manufacture of Products supplied to Cricut or components thereof without Cricut's express written consent. Cricut may require, as one of the conditions of approval, that the subcontractor or independent contractor enter into a written commitment with Cricut and comply with this Code of Conduct or that Manufacturer certify that the subcontractors or independent comply with this Code of Conduct.

N) Manufacturer shall establish and maintain a monitoring plan that sets forth Manufacturer's internal and independent external monitoring programs in accordance with the requirements of Section P below, and consisting of the agreement of the Manufacturer to undertake in good faith to implement a system of monitoring compliance with these provisions and any applicable Code of Conduct, including utilizing independent accredited external monitors.

O) Internal and external monitoring shall involve the periodic verifications that the provisions of this Agreement and this Code of Conduct are being met by Manufacturer and its permitted subcontractors or independent contractors.

P) Manufacturer agrees that internal monitoring will be conducted by employees of Manufacturer who shall be provided training on a regular basis about the workplace standards and applicable local and international law, as well as about effective monitoring practices, so as to enable such monitors to be able to assess compliance with the provisions of this Agreement and any applicable Code of Conduct.

Q) External monitoring may be conducted by independent external monitors accredited by industry associations, NGOs, and human rights or labor organizations.

R) "Noncompliance" shall mean any significant and/or persistent pattern of noncompliance, or any individual incident of serious noncompliance, with the provisions of this Agreement or any applicable Code of Conduct, either as determined by internal or external monitoring or as alleged by any third party. Each report shall include:

1. A description of the monitoring conducted which led to the discovery of the Noncompliance;
2. A description of the Noncompliance;
3. A description of the remedial actions taken by Manufacturer to prevent the recurrence of such Noncompliance or alleged Noncompliance.

S) If any permitted subcontractor or independent contractor fails to pass a compliance inspection, and thereafter fails to remedy the cited failure(s) within the time designated by Cricut, or if the third-party Manufacturer otherwise breaches it obligations to perform its services in accordance herewith, the third-party Manufacturer will be terminated immediately by Manufacturer, and Manufacturer shall not thereafter use the third-party Manufacturer.

[END OF CODE OF CONDUCT]

EXHIBIT D
TO
SUPPLY AGREEMENT

CRICUT CONFIDENTIALITY AND NONDISCLOSURE EXHIBIT

This Confidentiality and Non-Disclosure Exhibit ("Confidentiality Exhibit") is entered into by and between CRICUT, INC., a Utah Corporation located at 10855 South River Front Parkway, Suite 300, South Jordan, UT 84095 ("Cricut") and the named Seller set forth in the Agreement to which this Confidentiality Exhibit is attached ("Receiving Party").

WHEREAS, Cricut and Receiving Party desire to review, discuss, and conduct business related to the Agreement to which this Confidentiality Exhibit is attached (the "Business Purpose"); and

WHEREAS, in order to pursue the mutual Business Purpose, Cricut and Receiving Party recognize that there is a need for Cricut to disclose to Receiving Party certain of its confidential information to be used only for the Business Purpose and a need for Receiving Party to protect Cricut's confidential information from unauthorized use and disclosure.

NOW, THEREFORE, in consideration of the mutual covenants and conditions herein contained, and the association with Cricut of Receiving Party, the parties hereto agree as follows:

1. Definition of Confidential Information
"Confidential Information" shall mean information relating to electronic cutting, die cutting, embossing, embellishing, printing/cutting or other products or the business affairs of Cricut of a proprietary or confidential nature, whether communicated orally or in writing, including by way of illustration and not limitation:

(i) information concerning research and development activities;
(ii) manufacturing and processing techniques and know-how;
(iii) software, firmware and computer programs and elements of design relating thereto (including, for example, programming techniques, algorithms, inference structures and the construction of knowledge bases);
(iv) designs and drawings;
(v) cost, profit and market information;
(vi) financial and other business information with respect to Cricut that Cricut has not made publicly available; customer business information, including products of Cricut ordered, prices and delivery schedules; and
(vii) any information disclosed to Cricut by any third party which Cricut has agreed, or is otherwise obligated, to treat as confidential or proprietary.

2. Exclusions
Receiving Party, however, shall have no liability to the other party, under this Confidentiality Exhibit with respect to the disclosure and/or use of any such Confidential Information that it can establish:

(i) has become generally known or available to the public without breach of this Confidentiality Exhibit by the Receiving Party;
(ii) was known by the Receiving Party before receiving such information from Cricut;
(iii) has become known by or available to Receiving Party from a source other than Cricut, without any breach of any obligation of confidentiality owed to Cricut, subsequent to disclosure of such information to it by Cricut;
(iv) has been disclosed to persons regularly employed by the Receiving Party who have previously agreed in writing not to disclose such information or to use such information for any purpose other than to assist it to determine whether to pursue the Business Purpose;
(v) has been independently developed by the Receiving Party without use of or reference to the Confidential Information by persons who had no access to the Confidential Information;
(vi) has been provided to the Receiving Party with a written statement that it is provided without restriction on disclosures; or
(vii) has been approved for release or use by written authorization of Cricut.

3. Obligations of Receiving Party
The Receiving Party acknowledges that irreparable injury and damage will result from disclosure to third parties, or utilization for purposes other than those connected with the proposed acquisition or other business relationship, of any of the Confidential Information. Receiving Party agrees:

(i) to hold the Confidential Information in strict confidence;
(ii) not to disclose such Confidential Information to any third party except as specifically authorized herein or as specifically authorized by Cricut in writing;
(iii) to use all reasonable precautions, consistent with the Receiving Party's treatment of its own confidential information of a similar nature, to prevent the unauthorized disclosure of the Confidential Information, including, without limitation, protection of documents from theft, unauthorized duplication and discovery of contents, and restrictions on access by other persons to such Confidential Information;
(iv) not to make or use any copies, synopses or summaries of oral or written material, photographs or any other documentation or information made available or supplied by Cricut to Receiving Party except such as are necessary for Receiving Party's internal communications in connection with the Business Purpose; and
(v) not to use any Confidential Information for any purpose other than the Business Purpose.

4. Required Disclosures. Receiving Party may disclose the Confidential Information if and to the extent that such disclosure is required by applicable law, provided that the Receiving Party uses reasonable efforts to limit the disclosure by means of a protective order or a request for confidential treatment and provides Cricut a reasonable opportunity to review the disclosure before it is made and to interpose its own objection to the disclosure.

5. Return of Confidential Information. Receiving Party shall return all written material, photographs and all other documentation made available or supplied by Cricut to Receiving Party, and all copies and reproductions thereof, on request.

6. Retention of Legal Rights. Cricut retains all rights and remedies afforded it under the patent and other laws of the United States and the States thereof, including without limitation any laws designed to protect proprietary or confidential information.

7. Injunctive Relief. Receiving Party acknowledges that the unauthorized use or disclosure of the Confidential Information would cause irreparable harm to Cricut. Accordingly, the Receiving Party agrees that Cricut will have the right to obtain an immediate injunction against any breach or threatened breach of this Confidentiality Exhibit, as well as the right to pursue any and all other rights and remedies available at law or in equity for such a breach.

8. Term of Confidentiality Exhibit. This Confidentiality Exhibit applies to all Confidential Information that is disclosed by Cricut to the Receiving Party. Notwithstanding any termination or expiration of the Agreement to which this Confidentiality Exhibit is attached, the Receiving Party's obligations with respect to all Confidential Information shall continue indefinitely and be terminated only pursuant to Section 2 of this Exhibit.

9. Binding Effect. Receiving Party agrees that this Confidentiality Exhibit shall be binding upon the Receiving Party individually, and in Receiving Party's capacity as a representative of Receiving Party's Company.

10. Entire Agreement. This Confidentiality Exhibit sets forth the entire agreement and understanding of the parties and merges all prior discussions between them as to Confidential Information. Neither party may be bound by any definition, condition, representation or waiver other than as expressly stated in this Confidentiality Exhibit or as subsequently set forth in writing signed by the parties hereto.

11. Governing Law. This Confidentiality Exhibit shall be governed by the laws of the State of Utah as applied to contracts entered into and to be performed entirely within the State of Utah.

12. Successors and Assigns. This Confidentiality Exhibit shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, administrators, executors, successors and assigns.

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

Cricut, Inc.
South Jordan, Utah

We hereby consent to the use in the Prospectus constituting a part of this Registration Statement of our report dated November 10, 2020, relating to the consolidated financial statements of Cricut, Inc., which is contained in that Prospectus.

We also consent to the reference to us under the caption “Experts” in the Prospectus.

/s/ BDO USA, LLP

Salt Lake City, Utah
February 16, 2021

Exhibit 99.1

February 15, 2021

PRIVATE AND CONFIDENTIAL

YouGov America, Inc.
Attn: Legal Department
999 Main Street, Suite 101
Redwood City, CA 94063

Re: Consent to Use Report

To Whom It May Concern:

Cricut, Inc. ("Cricut") is contemplating an initial public offering of its common stock (the "IPO"). In connection with the IPO, Cricut proposes to submit and file a registration statement on Form S-1 (the "IPO Registration Statement") pursuant to the Securities Act of 1933, as amended (the "Securities Act"), with the Securities and Exchange Commission (the "SEC").

Cricut has drafted the disclosures attached as Exhibit A hereto (the "Disclosure") based in part on the report commissioned by the Company entitled "2020 Cricut TAM Study Background Information". We would like to obtain your permission to use the Disclosure and your name and the report, including by listing your name, logo, trademark and/or service marks (collectively with the Disclosure, the "Information") in (i) the IPO Registration Statement, all subsequent amendments thereto and all preliminary and final prospectuses included therein, (ii) any other registration statements on Form S-1 submitted or filed pursuant to the Securities Act with the SEC in connection with any public offerings of Cricut's common stock after the IPO, all subsequent amendments thereto and all preliminary and final prospectus included therein, (iii) presentations made by Cricut to prospective investors, (iv) any marketing materials prepared by Cricut, including, but not limited to, content on Cricut's website and any "testing the waters" or roadshow materials (including any video materials), and (v) other SEC filings by Cricut in connection with or following the IPO. Cricut agrees not to materially change or modify the Disclosure without your written approval, other than for changes as Cricut may reasonably deem necessary or appropriate and which do not substantially alter or misrepresent the original content and with prompt written notice detailing the same provided to you. By countersigning this letter, you consent to our use of the Information as set forth herein. You also consent, that if so requested by the SEC, we may provide a copy of this consent to the SEC.

In order to avoid jeopardizing the IPO, it is critical that you keep confidential Cricut's plans with the respect to the IPO. Accordingly, please do not discuss the IPO with third parties.

[Signature Page Follows]

Sincerely,

Cricut, Inc.

By: /s/ Don Olsen

Name: Don Olsen

Title: EVP

CONSENT GRANTED:

YouGov America, Inc.

By: /s/ Alex McIntosh

Name: Alex McIntosh

Title: CFO

Date: 11/10/2020

EXHIBIT A

Report Description

Our Opportunity

We believe that everyone is innately creative and thus anyone can be a part of the Cricut community of users. This presents us with a large untapped market opportunity in addition to our current user base.

We quantify our market opportunity in terms of SAM, which includes active creatives who we address with our current products and price points, and TAM, which includes potential creatives who we believe we can reach over the long term as we make products for new uses and products that are more accessible, even easier to use and available at a broad set of price points.

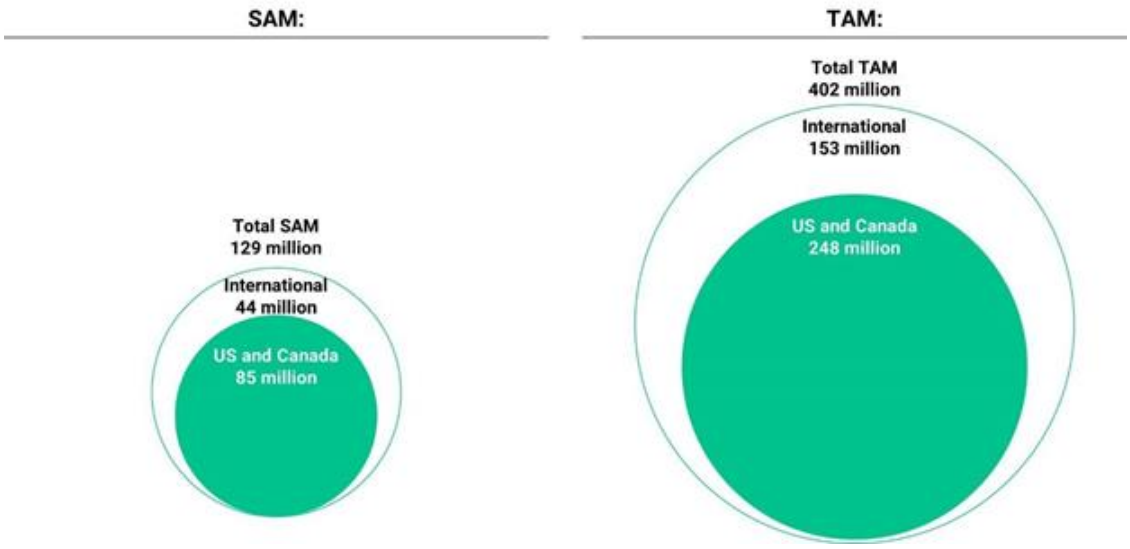
We commissioned a study from YouGov America in September 2020 across multiple countries. The sample size of those surveyed in each country included over 1,000 individuals 18 and older. To calculate our SAM and TAM, we extrapolate these survey results across the general population 18 and older in each country.

Our SAM consists of the portion of individuals surveyed who said they have made at least one creative project in categories addressed by our current products in the last 12 months, whom we call “active creatives.” Our TAM includes the individuals in our SAM as well as the portion of individuals surveyed who said they like, buy, used to make or are interested in creating personalized, handmade or custom items, whom we call “potential creatives.”

We assess our SAM and TAM in the United States and Canada and internationally. Today, a small portion of our revenue is generated from countries outside the United States and Canada. We currently classify four of these countries, Australia, France, Germany and the United Kingdom, as our primary international target markets and include them in our international SAM and TAM.

Based in part on the YouGov study, we estimate that our SAM consists of over 85 million people in the United States and Canada. We have 3.7 million users, the vast majority of whom are in the United States and Canada, implying more than 4% penetration of our SAM in those markets. We estimate that our SAM among our primary international target markets consists of over 44 million people. Accordingly, we estimate our total SAM is over 129 million individuals.

We estimate that there are over 163 million potential creatives in the United States and Canada and over 109 million potential creatives in our primary international target markets. We estimate that our United States and Canada TAM includes over 248 million individuals which reflects our belief that all people, regardless of demographic, can be part of the Cricut community. Our TAM among our primary international target markets includes over 153 million individuals, for a combined TAM of approximately 402 million individuals. We believe our products could achieve broader adoption in a number of countries beyond our primary international target markets that also have large populations engaging in creative activities and represent a similar product-market fit.



Because our products make creativity accessible, we believe our opportunity is much larger than the estimates of the size of the traditional craft market. We put production power into the hands of our users by allowing them to create their own professional-looking homemade goods instead of purchasing manufactured goods from a third party opening up a broad array of markets for our users that go beyond traditional craft markets.