UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 77644 / April 19, 2016

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 3765 / April 19, 2016

ADMINISTRATIVE PROCEEDING
File No. 3-17212

In the Matter of

LOGITECH INTERNATIONAL, S.A., MICHAEL DOKTORCZYK, and SHERRALYN BOLLES, CPA,

Respondents.

ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 21C OF THE SECURITIES EXCHANGE ACT OF 1934, MAKING FINDINGS, AND IMPOSING CEASE-AND-DESIST ORDERS AND PENALTIES

I.

The Securities and Exchange Commission ("Commission") deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 21C of the Securities Exchange Act of 1934 ("Exchange Act") against Logitech International, S.A. ("LOGI" or "the Company"), Michael Doktorczyk ("Doktorcyzk"), and Sherralyn Bolles, CPA ("Bolles") (collectively, "Respondents").

II.

In anticipation of the institution of these proceedings, Respondents have submitted Offers of Settlement (the "Offers") which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission's jurisdiction over them and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondents consent to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing Cease-and-Desist Orders and Penalties ("Order"), as set forth below.

III.

On the basis of this Order and Respondents' Offers, the Commission finds[1] that:

Summary

These proceedings arise out of, and this Order covers, recurring instances of improper accounting in three separate areas at Logitech International, S.A. during a five-year period. The first concerns LOGI's actions and omissions in fraudulently accounting for the write-down of a failed product in its fiscal year[2] 2011 ("FY11") financial statements. The second relates to actions and omissions by LOGI, Michael Doktorczyk, and Sherralyn Bolles concerning the accounting for the Company's warranty liabilities in the FY12 and FY13 financial statements, and concerning the failure to correct, in the FY13 financial statements, a known error in not amortizing intangibles from a prior acquisition. The third concerns books and records, reporting, and control violations by LOGI pertaining to the Company's revenue recognition in its Americas region in FY09. Doktorczyk and Bolles, whose employment at LOGI began in July 2011 and July 2012, respectively, were not involved in the first and third areas.

Respondents

Logitech International S.A. is incorporated in Switzerland and has substantial operations in the United States. LOGI is primarily involved in manufacturing and selling peripherals for computers and electronic devices. Its shares are listed on both the Nasdaq Global Select Market, under the trading symbol LOGI, and the SIX Swiss Exchange, under the trading symbol LOGN. The company maintains an executive office and its Americas region headquarters in Newark, California. LOGI's common stock is registered with the Commission pursuant to Exchange Act Section 12(b).

Michael Doktorczyk, age 50, resides in Menlo Park, California. From July 2011 (when he started at the Company) through August 2014, he was the Company's Vice President of Finance and Corporate Controller. In May 2013, when LOGI filed its Form 10-K for FY13, Doktorczyk was also the Company's Principal Financial Officer and Principal Accounting Officer. Doktorczyk's employment at LOGI ended in August 2014.

Sherralyn Bolles, age 50, resides in Castro Valley, California. From July 2012 (when she started at the Company) through August 2014, she was the Director of Accounting and Financial Reporting for the Company. Bolles's employment at LOGI ended in August 2014.

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[1] The findings herein are made pursuant to Respondents' Offers of Settlement and are not binding on any other person or entity in this or any other proceeding.

[2] The Company's fiscal year is April 1 to March 31.

<u>Accounting for Revue Product/Components</u>
(Concerning the Company)

1. In October 2010 (LOGI's fiscal Q311), LOGI launched a product called "Revue," a set-top device that connected to televisions, allowing internet usage and video streaming. Prior to launching Revue, LOGI had retained a contract manufacturer ("CM") in Asia to produce hundreds of thousands of units in anticipation of demand during the year-end holidays. LOGI had also authorized the CM to purchase millions of dollars of components to meet expected demand.

2. From the outset, Revue sales were significantly below LOGI's internal forecasts. By late November 2010, sales and finance personnel, including senior executives, were addressing whether the market price of $299 should be cut. LOGI's CFO at the time ("Former CFO"), and its acting controller ("Former Acting Controller"), were aware that LOGI might have to evaluate taking a "lower of cost or market" ("LCM") charge if the value of Revue inventory was impaired.

3. Under Generally Accepted Accounting Principles ("GAAP")[3], the Company was required to value its inventory at the lower of the inventory's cost or market value. Specifically, if the market value of a company's inventory (generally calculated for finished goods as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation) is less than its cost, then the company must write-down the inventory value in its financial statements.

4. On or around December 7, 2010, because of high inventory levels and weak sales, LOGI directed CM to stop manufacturing Revue, including halting all work-in-progress. LOGI also instructed CM not to ship over 26,000 finished Revue units. Further, because CM, at LOGI's direction, had purchased parts for future manufacturing, LOGI was liable for approximately $11 million of excess components.

5. At the end of Q311 (December 31, 2010), Revue sales were only 40% of LOGI's forecasts for that product. As part of its Q311 financial closing process, LOGI performed an LCM analysis of the Revue finished goods inventory and concluded that no adjustment, or write-down, was required.

6. On or around January 5, 2011, LOGI's Senior Vice-President of Operations (SVP-Operations) informed several executives that he intended to "dispose of the components" awaiting assembly by CM in light of Revue's "current trajectory." Shortly thereafter, the SVP-Operations instructed the VP of Global Sourcing/Supplier Management (VP-Global Sourcing) to "sell all of the components we could."

[3] FASB Accounting Standards Codification 330-10-35 Inventory – Subsequent Measurement.

7. Later in January 2011, LOGI management informed the Board of Directors about the poor sales of Revue and about management's future plans for the product, including a plan to lower the retail price of Revue to $249 in Q112, and to $199 in Q312. Management did not inform its independent auditor of this pricing plan strategy.

8. On January 27, 2011, LOGI issued its Q311 earnings release, reporting strong results, increasing its guidance for annual revenue for fiscal year-end March 31, 2011, and affirming its guidance for annual operating income in a range of $170M-$180M.

9. During LOGI's fiscal Q411, Revue sales continued to be far below projections. For all of Q411, despite regular discounting and promotions, Revue sales were 30% of internal product forecasts. By quarter-end, retailers were selling fewer than 1,000 Revue units per week.

10. At the end of Q411, LOGI had over 163,000 units of Revue finished inventory in its US distribution centers, with another 52,000 finished and work-in-progress units in Asia. Based on the sales rate for Q411, LOGI had well over a year's supply of Revue. At the quarter-end sales rate to retailers, LOGI had over three years of inventory.

11. In mid-March 2011, an accountant in LOGI's Regional Finance area asked LOGI's VP-Global Sourcing about financial risk for the Revue product and the number of units that could be built from on-hand components. The VP-Global Sourcing informed her that there was no plan to use the components and that Global Sourcing was attempting to sell whatever could be sold. He also noted: "If we need to scrap [work-in-progress] and components, we should assume a recoverable value of zero."

12. On or around March 23, 2011, a LOGI Finance employee sent the Former Acting Controller a summary of potential excess and obsolete inventory for contract manufacturers in preparation for a meeting the next day to discuss required accounting adjustments for the year-end financials. The summary highlighted a total potential excess inventory of $19.4M for Revue units and components that "should be reserved."

13. On March 31, 2011, LOGI announced that, for reasons unrelated to Revue, it would miss the guidance it had provided to the market two months earlier. LOGI lowered the previous guidance for operating income by $30M (to a range of $140M-$150M). Internally, the CEO characterized the guidance miss as a "disaster" and informed his executive team, including the Former CFO, that management's credibility with the market was damaged.

14. For its FY11 year-end financial close process, LOGI initially prepared an LCM analysis indicating that no LCM adjustment was required for Revue finished goods inventory. The company's independent auditor arranged separate meetings with LOGI's Former CFO and Former Acting Controller to discuss the importance of the assumptions in the LCM analysis. In the meetings, the independent auditor stressed the need to consider future pricing assumptions and strategies. Within days, LOGI revised the LCM analysis and, based on a planned price cut to $249 in Q112, recorded a $2.2M adjustment. However, in the revised analysis, LOGI did not account for the planned Q312 price cut to $199, nor did LOGI consider the excess component inventory.

15. After receiving the revised LCM with the $2.2 million adjustment, the independent auditor noted the roughly $11 million of excess component inventory and informed the Former Acting Controller and Regional Finance that LOGI was also required to evaluate and, if necessary, record an adjustment for the component inventory.

16. LOGI's Regional Finance accountant resisted adjusting for the component inventory. When the independent auditor persisted, Regional Finance again emailed the VP-Global Sourcing, notifying him there was "heated discussion" with the independent auditor about Revue, and asking him to determine the number of Revue units that could be built from the component inventory.

17. The VP-Global Sourcing, who was responsible for managing the component inventory liability, informed Regional Finance and the Former Acting Controller that production had been stopped for months and that he did not "see a chance that we are ever going to build [the components] into units." He wrote that a build-out of components was a "far fetched scenario that has never been formulated." He also explained that, at the direction of the SVP-Operations, "we have been working since January to resell component liabilities" with only modest success: "the easiest stuff to resell . . . is moving at 40-50 cts on the dollar maximum. For the rest of components, we should assume 25cts on the dollar of recovery, the rest will be a hard loss."

18. The Former Acting Controller forwarded the information to the Former CFO, who asked about the potential exposure if the information was correct. In her reply to the Former CFO, the Former Acting Controller suggested that, by <u>assuming</u> the excess components would be built into finished goods, LOGI could reduce the amount it would have to write-down. There was no basis for any such assumption.

19. The Former CFO replied: "Yes, we need to understand with precision what we are looking at and what decisions we need to make or clarify. We are still committed to making the right decisions and staying within our lowered range for Q4—we need to achieve them both."

20. On the next day (April 18, 2011), the Former Acting Controller received a detailed list of the excess components. Less than an hour later, she sent a spreadsheet containing an LCM component analysis to the independent auditor, calculating an adjustment of $1.1M, based on a hypothetical build-out of 79,000 additional finished units of Revue. The Former Acting Controller ignored the fact (communicated to her two days earlier) that LOGI had been actively attempting to sell all of the components, with only limited success and below cost. Instead, she based the Company's accounting on a "far fetched scenario."

21. On or around April 18, 2011, after forwarding the component LCM analysis spreadsheet to the independent auditor, the Former Acting Controller met with members of the independent audit team. At that meeting, the Former Acting Controller discussed LOGI's plans to use the $11 million of excess components to build 79,000 finished Revue units. She also represented that LOGI could use excess components (beyond what was needed to make 79,000 Revue units) to manufacture even more Revue units. The Former Acting Controller's representations were false.

22. During the week of April 18, 2011, the Former Acting Controller and Former CFO met with senior members of the independent audit team. In those meetings the Former Acting Controller and Former CFO confirmed the assumptions used in the LCM analyses, and represented that LOGI was committed to the Revue product for the long-term and was going to build at least 79,000 additional units using excess components. These representations were false.

23. At the time the representations were made, the Former Acting Controller and Former CFO knew, or were reckless in not knowing, that LOGI had no plan to produce additional units of Revue. They knew, or were reckless in not knowing, that CM had not shipped any Revue units since late November 2010, and had stopped production in early December 2010. In fact, they knew, or were reckless in not knowing, that LOGI had no timetable for re-starting production or even for completing the work-in-progress units and, for months, had been attempting to sell excess component inventory at substantial discounts.

24. On or around May 27, 2011, the Former Acting Controller and Former CFO signed a management representation letter to the independent audit firm. The letter contained material misrepresentations concerning the valuation of inventory and the LCM analysis for Revue inventory. Specifically, with respect to the Revue LCM analysis, the letter represented that "we considered future pricing adjustments/discounts which are probable of occurring." This representation was false because the LCM analysis did not consider the planned price drop to $199 in Q312 or other discounting or promotions that would likely be required to sell the excess finished goods inventory.

25. The Former Acting Controller and Former CFO knew, or were reckless in not knowing, that the representations in the management representation letter concerning inventory valuation and the LCM analysis were false. Prior to including the language on LCM and inventory valuation in the representation letter, the independent audit team had made both the Former Acting Controller and Former CFO aware of the importance of considering future pricing in the LCM analysis. As LOGI acknowledged in its November 2014 restatement, the Company had not considered future pricing adjustments/discounts that were probable of occurring. The LCM analysis provided to the independent audit firm, and which the Former Acting Controller and Former CFO discussed with the auditor, did not address—or account for—LOGI's plan to lower the price to $199 in or before Q312.

26. On May 27, 2011, LOGI filed its Form 10-K with the Commission. The Former CFO signed the Form 10-K as the Company's CFO and Principal Accounting Officer. LOGI reported operating income of $142.7M, which was within the lowered range of $140M-$150M that LOGI had communicated to investors on March 31, 2011.

27. On November 14, 2014, LOGI restated its financial results for FY11 and FY12 because of errors in the timing of the Revue-related inventory write-downs. At the time it initially filed its FY11 financial statements, LOGI overstated its operating income by $30.7M, *i.e.*, over 27%. If LOGI had properly accounted for Revue-related inventory in May 2011, it would have reported operating income of approximately $112M, far below the lowered guidance of $140M-$150M.

<u>Warranty Accrual Accounting</u>
(Concerning the Company, Doktorczyk, and Bolles)

28. Historically, LOGI divided its operations into three geographical regions: Americas (AMR); Europe, Middle East and Africa (EMEA); and Asia-Pacific/Japan (APJ). LOGI offered warranties on its products sold throughout the world. Depending upon the particular country and type of product, the warranties ranged from one to five years.[4] In FY09, after its independent auditor raised the need to accrue for its warranty liability, LOGI began recording a liability in its books and records.

29. In the latter part of FY09, accountants within LOGI, including the same Former Acting Controller, developed a warranty accrual model for the AMR region based on the assumption that, if a product failed, it would fail quickly and be returned within one quarter. The Company did not have a basis for this assumption, nor did it have sufficient data to evaluate such an assumption. The warranty model also did

[4] The need to account for contingent liabilities, including liability for future product warranty claims, was addressed in SFAS 5, Accounting for Contingencies. Pertaining to warranties in particular, SFAS 5 was codified as ASC 460-10-25, Product Warranties.

not consider when the warranty liability began (*i.e.*, when products were purchased by end-users) or when the liability ended (*i.e.*, one, two, or five years after purchase of a product by the end-user). This model was shared with the independent auditors.

30. From FY08 through FY11, the deficiencies of LOGI's AMR model—and the need for a more robust method—were known within LOGI's finance and accounting groups. During FY10, LOGI's then-controller noted that the Company's warranty model was "not good" because it was not based on the total number of products under warranty in the hands of consumers. Despite this recognition, LOGI continued to use the model to record the warranty liability.

31. During LOGI's FY12, a senior accountant was assigned to provide operational input on LOGI's warranty in the AMR region. The senior accountant reviewed the model and could not understand the reason or basis for various discretionary inputs or the underlying assumptions. She also discovered that the model did not take into account the length of the product warranty term. Specifically, the senior accountant determined that, if LOGI were to change its warranty term (*e.g.*, increase the length of the warranty from one-year to three-years), the model's calculated exposure (*i.e.*, the required accrual) would not change. In other words, the model calculated the same warranty accrual regardless of whether products carried a three-month warranty or a 10-year warranty.

32. The senior accountant inquired but could not get an explanation or basis for the inputs or why changing the warranty term would not impact the calculated accrual. The senior accountant also realized that the model did not use "sell-through data" (data on product sales to consumers). Although she lacked expertise in warranty accounting, she concluded that the Company's warranty accrual model did not comply with GAAP.

33. In Q312, the senior accountant developed a new, more robust "waterfall" model despite having only limited historical sales and return data available to her. Using the new model, she estimated that the Company was under-reserved by several million dollars. She reported her findings to her supervisor, who arranged a meeting with Doktorczyk (the controller).

34. Since at least 2004, LOGI's finance and accounting groups and senior management used a quarterly "exposure list" to keep track of significant recorded entries, potential exposures or charges, reclassifications, and other items. LOGI's finance and accounting groups did not share the exposure list with its independent auditor. In Q312, the warranty accrual was added to the list as a "potential exposure," with the amount of exposure "TBD" [to-be-decided]. The warranty accrual remained on the list as a "potential exposure" for six more quarters.

35. On or around December 21, 2011 (the end of Q312), the senior accountant presented her conclusions to Doktorczyk, the Former Acting Controller, and others. In the presentation, the senior accountant set forth the deficiencies with the existing model and indicated a likely under-accrual of $3.4M. Doktorczyk did not ensure that deficiencies in the model were corrected.

36. Five months later, in May 2012, as part of the Company's internal accounting controls, the senior accountant was asked to confirm[5] the accuracy of certain statements, one of which included language about the Company's warranty provisions. Because she believed the warranty accrual did not comply with GAAP, the senior accountant refused to confirm or certify the statement. The senior accountant's refusal to confirm or certify the statement about the warranty provisions was not raised with, and accordingly was not acted upon by, Doktorczyk.

37. Bolles started at LOGI in Q213. In Q313, an accountant in Financial Planning and Analysis (FP&A) became responsible for calculating the warranty accrual. She noted the same problems, and came to the same conclusion, as the senior accountant. When the FP&A accountant studied the existing AMR warranty model, she could not understand the basis for the inputs and assumptions, and attempted, unsuccessfully, to get an explanation of the AMR model's inputs and rationale.

38. In Q313, the FP&A accountant also discovered that the warranty accrual models for the Company's other regions (EMEA and APJ) were different than the AMR model. In addition, she determined that LOGI had not updated its warranty accrual calculation in its EMEA region for the two prior quarters because the person who had previously done the calculation had been laid off and no one could find the model. Bolles was informed about the lack of any support for the EMEA calculation.

39. By the end of Q313, the FP&A accountant had concluded that LOGI's warranty accrual, as computed with the existing model, was not appropriate under GAAP. She informed Doktorczyk and Bolles about the significant problems with the warranty accrual calculation, and asked for technical accounting assistance.

40. To assist the FP&A accountant, Bolles assigned the senior accountant who a year earlier had concluded that the existing model did not calculate a warranty accrual that was GAAP-compliant. At the end of Q313, a meeting was scheduled with the independent auditor to discuss the warranty accrual methodology. Shortly before the meeting, Bolles postponed it. The meeting never occurred. According to the FP&A accountant, the meeting was cancelled because the corporate accounting group did "not want to rock the boat . . . at this time with a revised warranty methodology."

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[5] This was a sub-certification process that LOGI had implemented.

41. In mid-Q413, the supervisor of the FP&A accountant arranged a meeting with LOGI's Former CFO. One purpose of the meeting was to address the concerns with the warranty model, the range of additional exposure reflected by a modified methodology, and to "share with [LOGI's Former CFO] our understanding of whether the issue can be contained to FY13 or not."

42. On or about February 14, 2013, LOGI's top finance and accounting officers—LOGI's Former CFO, Doktorczyk, Bolles, and the VP of FP&A, as well as the senior accountant and FP&A accountant, attended a meeting at which the senior accountant presented her findings regarding the warranty model issues and concerns, much like the presentation she had made 14 months earlier. The senior accountant told LOGI's Former CFO that the existing warranty accrual model was not GAAP-compliant.

43. The February 2013 presentation was explicit about the deficiencies in the current model and the estimated amount of additional exposure: $4.2M. The presentation also set forth two options for transitioning to a new model: a one-time switch in methodology or a "gradual change to existing approach." The first option would result in an immediate charge or "catch up adjustment" to LOGI's financial results. The second option would "change the current model gradually to increase reserves until [the] catch up entry is not material before switching the model." The second option was not GAAP-compliant.

44. At the direction of LOGI's Former CFO, the Company implemented the second option—the plan to gradually increase the reserve. Specifically, the Company planned for, and added, $1M to its warranty accrual for Q413. The Company added the $1M in Q413 by manipulating certain formulas in its existing warranty accrual model. The Company also planned to add $1M per quarter for the first three quarters of FY14.

45. Despite the warranty accrual remaining as a "potential exposure" item on the exposure list for six quarters, neither LOGI's Former CFO nor any LOGI accountant informed the Company's independent auditor about the under-accrual or the problems with the existing model for over a year and a half, during which time LOGI filed four Forms 10-Q and two Forms 10-K.

46. Toward the end of Q413, the senior accountant also discovered that LOGI apparently had not amortized certain intangibles from a FY10 acquisition. The senior accountant informed Bolles of the potential error in March 2013, over two months before the filing of the FY13 Form 10-K. The potential amortization error, which was estimated at approximately $1.87M, was also added as a "potential exposure" item on the finance and accounting groups' exposure list.

47. No later than April 2013, Bolles was aware that her staff, which included the senior accountant, had researched the intangibles issue and concluded that the Company had failed to amortize certain intangibles. Bolles did not cause the error to be corrected in FY13 or inform the independent auditor about it before the filing of the Form 10-K.

48. On May 30, 2013, LOGI filed its Form 10-K for FY13, which contained material misstatements and omissions about the Company's product warranty accruals. In particular, LOGI misstated the amount of its product warranty liability by over $17.2M.

49. LOGI's Former CFO resigned from LOGI in April 2013. Doktorczyk was asked to become the Company's principal financial officer and principal accounting officer, and he signed the Form 10-K in that capacity approximately two weeks later. At the time he signed the Form 10-K, Doktorczyk knew, or should have known, about two accounting errors/exposures that the Company had failed to correct in its books and records and about which the Company had failed to inform its independent auditor.

50. On May 30, 2013, Doktorczyk and Bolles signed a letter to the Company's audit firm representing that "there were no material transactions, agreements or accounts that have not been properly recorded in the accounting records underlying the consolidated financial statements." The materiality threshold in the letter was $500K. At the time they signed the letter, Doktorczyk and Bolles knew, or should have known, about two issues—additional warranty accrual exposure (estimated to be $4.2M at the time) and failure to amortize intangibles (approx. $1.87M) —that exceeded the letter's materiality threshold and had not been properly recorded in the Company's books and records.

51. On May 30, 2013, Doktorczyk certified that the Form 10-K did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by the Form 10-K. Doktorczyk also certified that the financial statements, and other financial information in the Form 10-K, fairly presented in all material respects the financial condition, results of operations and cash flows of LOGI for the period reported. At the time he signed the certification, Doktorczyk knew, or should have known, of the errors/exposures concerning the warranty accrual and failure to amortize intangibles, and the effect of those errors/exposures on the financial statements and results of operations.

52. Prior to the filing of the Company's Form 10-K in May 2013, Bolles knew, or should have known, that LOGI's internal accounting controls with respect to its warranty accrual were insufficient. Bolles was not only aware of deficiencies with the AMR warranty model, but also knew, or should have known, that LOGI had

inadequate accounting controls over its warranty reserve in the EMEA region. No later than January 2013, she had been informed that LOGI had not updated its warranty accrual calculation for two consecutive quarters in the EMEA region and, thus, she knew, or should have known, the Company did not have an adequate basis for the reserves it had recorded in those quarters.

53. The misstatements and omissions with respect to the warranty accrual were material. At the end of FY12, LOGI reserved $5.2M for its warranty obligations and reported net income of $71.5M. Using an appropriate methodology (*i.e.*, the model that LOGI subsequently proposed and adopted), the Company should have reserved $25.5M -- an under-accrual of over $21M. Similarly, in FY13, LOGI's accrual was over $17M lower than the GAAP-compliant model required.

54. On August 7, 2013, LOGI filed an amended Form 10-K for FY13, disclosing and correcting the warranty accrual and amortization expense errors, revising its financial statements for FY09 through FY13, and correcting its reporting on internal control.

Revenue Recognition in AMR

(Concerning the Company)

55. From late FY08 through FY09, LOGI improperly recognized revenue for sales to its largest wholesale distributor (Distributor) in the AMR region.

56. Historically, in its AMR region, most of LOGI's sales were to wholesale distributors and large retailers. For most sales, including those to Distributor, LOGI recognized revenue at the time it shipped products (net of reserves for estimated returns, incentives, price protection, and promotional programs). This method of revenue recognition is frequently called "sell-in."

57. Under GAAP[6], to recognize revenue based on "sell-in," LOGI had to meet certain criteria, including: LOGI's price to Distributor had to be substantially fixed or determinable at the time of sale, LOGI had to transfer the risks and rewards of product ownership (principally, risk of loss) to Distributor, LOGI could not have any significant obligation to bring about the resale of the product, and LOGI had to be reasonably assured that it could collect payment from the seller.

58. If LOGI could not meet the criteria for "sell-in" revenue recognition, then GAAP required the Company to recognize revenue only when it had met all the required criteria in GAAP, which was generally when the wholesale distributor (or retailer) sold the product to the next reseller (or end user) in the distribution chain.

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[6] Statement of Financial Accounting Standards No. 48 ("SFAS 48"), Revenue Recognition When Right of Return Exists, which specifies the criteria a company must meet to recognize revenue at time of sale. This was subsequently codified into the Accounting Standards Codification ("ASC") as ASC 605-15-25 for FY10 and later.

59. By the end of FY08, and through FY09, the facts and circumstances of LOGI's relationship with Distributor required LOGI to recognize revenue based upon "sell-through." Nevertheless, throughout FY09, the Company continued to recognize revenue from Distributor based upon "sell-in."

Logitech's Course of Dealing with Distributor

60. From at least FY07 though FY09, LOGI consistently made large end-of-quarter sales to Distributor in a "hockey stick" pattern: modest sales in the first two months, with a sharp increase in sales in the quarter's final weeks.

61. In order to encourage Distributor to purchase excess product, LOGI provided incentives to reach quarterly purchase thresholds, provided discounts for bulk container sales, and gave discounts for large, lump-sum payments of overdue invoices at quarter-end.

62. To meet its sales numbers, LOGI sold excess quantities of certain products to Distributor with the understanding that LOGI would assist Distributor in selling the products or would allow Distributor to return the products outside of the return period or in excess of the contractual return rights. When Distributor returned products, LOGI credited the full invoice price and allowed Distributor to keep the incentives and discounts.

63. Because of LOGI's selling significant amounts of lower-demand goods, Distributor had excess inventory of LOGI product and, as a result, withheld payment until LOGI provided a plan for reducing Distributor's inventory. Although Distributor had title to the inventory, Distributor considered the inventory to be "owned" only if it had paid LOGI for that inventory.

64. To facilitate payment of past-due invoices, LOGI negotiated discounts based, in part, on Distributor's amount of "owned" inventory. During FY09, LOGI gave Distributor nearly $3M in such discounts. Although LOGI had established a pattern of offering and negotiating these end-of-quarter payment discounts going back to FY07, LOGI did not accrue for them at the time of sale/shipment.

65. Distributor viewed the discounts as "owned" inventory discounts that were intended to compensate Distributor for its carrying costs of excess inventory. LOGI's practice of using discounts to obtain payment of past-due invoices and negotiating discounts based, in part, on "owned" inventory levels was inconsistent with the GAAP requirement that the price at the time of sale be fixed or determinable.

LOGI's Attempts to Alleviate Excess Inventory Levels at Distributor

66. Given the facts and circumstances of its business with Distributor, LOGI should have recognized revenue using the "sell-through" model no later than Q408. Instead, in FY09, LOGI attempted to alleviate the large build-up of inventory by finding buyers for Distributor's excess inventory, arranging "sideways" transactions, and allowing Distributor to return excess amounts of product. In effect, LOGI treated Distributor as an additional warehouse for inventory.

67. Throughout FY09, LOGI assisted Distributor in finding buyers for the excess inventory that Distributor had purchased under generous incentives.

68. Despite Distributor's elevated inventories of LOGI product, LOGI continued to make large end-of-quarter sales to Distributor in FY09, selling some products even though Distributor already had excess quantities.

69. In Q209 and Q309, in an effort to reduce Distributor's inventory, LOGI authorized extra-contractual returns and arranged "sideways" transactions or "channel to channel" sales, in which LOGI would find a purchaser, have the product returned or transferred from Distributor's warehouse, and insulate Distributor from losing money on the sale. In Q209 and Q309, LOGI also accepted millions of dollars of excess returns from Distributor. LOGI characterized some of the returns as "sideways" transactions, claiming that the Company needed the inventory to satisfy a customer in another of its channels, and requesting that Distributor return the product.

70. LOGI actively sought buyers for Distributor's inventory at lower prices than Distributor had paid, and then protected Distributor from losing money on the transactions. Specifically, LOGI credited Distributor at the original invoice price for the extra-contractual returns and then re-sold the product at lower prices.

71. Despite LOGI's efforts to reduce Distributor's inventory levels, Distributor still had excessive inventory of LOGI product in late FY09. As a result, LOGI and Distributor negotiated a special return of $12.5M of products, much of which LOGI had sold to Distributor over a year earlier. LOGI scrapped some of that product shortly after it was returned.

72. Along with the other concessions LOGI gave to Distributor in FY09, the special return was an indication that LOGI should not have recognized revenue on sales to Distributor upon "sell-in" in FY 09. Instead, GAAP required that LOGI recognize revenue from Distributor only upon Distributor's sale of the product.

73. If LOGI had switched to a "sell-through" model for Distributor at the beginning of FY09, as required by GAAP (assuming all general revenue recognition criteria

were achieved upon "sell-through"), LOGI's gross sales would have been $52M lower in FY09. Given LOGI's reported operating income of $109M and gross margins of 31.3%, LOGI materially overstated its operating income by approximately $16.2M in FY09, as a result of its improperly recognizing revenue from Distributor.

Violations

74. As a result of the conduct described above, Logitech violated Sections 10(b), 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act, and Rules 10b-5, 12b-20, 13a-1, 13a-11, and 13a-13 thereunder.

75. As a result of the conduct described in Paragraphs 28-54 above, Doktorczyk violated Section 13(b)(5) of the Exchange Act, and Rules 13a-14, 13b2-1 and 13b2-2 thereunder, and caused Logitech's violations of Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act, and Rules 12b-20, 13a-1, 13a-11 and 13a-13 thereunder.

76. As a result of the conduct described in Paragraphs 28-54 above, Bolles violated Rule 13b2-1 promulgated under the Exchange Act, and caused Logitech's violations of Sections 13(a), 13(b)(2)(A) and (B) of the Exchange Act, and Rules 12b-20, 13a-1, 13a-11 and 13a-13 thereunder.

Logitech's Remedial Efforts

In determining to accept the Offers, the Commission considered remedial acts promptly undertaken by LOGI and the cooperation LOGI afforded the Commission staff.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondents' Offers.

Accordingly, pursuant to Section 21C of the Exchange Act, it is hereby ORDERED that:

A. Respondent Logitech International, S.A. shall cease and desist from committing or causing any violations and any future violations of Sections 10(b), 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act, and Rules 10b-5, 12b-20, 13a-1, 13a-11, and 13a-13 thereunder.

B. Respondent Michael Doktorczyk shall cease and desist from committing or causing any violations and any future violations of Sections 13(a), 13(b)(2)(A), 13(b)(2)(B), and 13(b)(5) of the Exchange Act, and Rules 12b-20, 13a-1, 13a-11, 13a-13, 13a-14, 13b2-1 and 13b2-2 thereunder.

C. Respondent Sherralyn Bolles shall cease and desist from committing or causing any violations and any future violations of Sections 13(a), 13(b)(2)(A), 13(b)(2)(B) of the Exchange Act, and Rules 12b-20, 13a-1, 13a-11, 13a-13, and 13b2-1 thereunder.

D. Respondent Logitech International, S.A. shall, within ten (10) days of the entry of this Order, pay a civil money penalty in the amount of $7,500,000 to the Securities and Exchange Commission. The Commission may distribute civil money penalties collected in this proceeding if, in its discretion, the Commission orders the establishment of a Fair Fund pursuant to 15 U.S.C. § 7246, Section 308(a) of the Sarbanes-Oxley Act of 2002, as amended. The Commission will hold funds paid pursuant to this paragraph in an account at the United States Treasury pending a decision whether the Commission, in its discretion, will seek to distribute funds or, subject to Exchange Act Section 21F(g)(3), transfer them to the general fund of the United States Treasury. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

E. Respondent Michael Doktorczyk shall, within ten (10) days of the entry of this Order, pay a civil money penalty in the amount of $50,000 to the Securities and Exchange Commission. The Commission may distribute civil money penalties collected in this proceeding if, in its discretion, the Commission orders the establishment of a Fair Fund pursuant to 15 U.S.C. § 7246, Section 308(a) of the Sarbanes-Oxley Act of 2002, as amended. The Commission will hold funds paid pursuant to this paragraph in an account at the United States Treasury pending a decision whether the Commission, in its discretion, will seek to distribute funds or, subject to Exchange Act Section 21F(g)(3), transfer them to the general fund of the United States Treasury. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

F. Respondent Sherralyn Bolles shall pay a civil penalty of $25,000 to the Securities and Exchange Commission. The Commission may distribute civil money penalties collected in this proceeding if, in its discretion, the Commission orders the establishment of a Fair Fund pursuant to 15 U.S.C. § 7246, Section 308(a) of the Sarbanes-Oxley Act of 2002, as amended. The Commission will hold funds paid pursuant to this paragraph in an account at the United States Treasury pending a decision whether the Commission, in its discretion, will seek to distribute funds or, subject to Exchange Act Section 21F(g)(3), transfer them to the general fund of the United States Treasury. Payment shall be made in the following installments: $12,500, within ten days of the date of this Order; $12,500 by January 31, 2017. If any payment is not made by the date the payment is required by this Order, the entire outstanding balance of the civil penalty, plus any additional interest accrued pursuant to 31 U.S.C. § 3717, shall be due and payable immediately, without further application.

G. Payment must be made in one of the following ways:

(1) Respondents may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;

(2) Respondents may make direct payment from a bank account via Pay.gov through the SEC website at http://www.sec.gov/about/offices/ofm.htm; or

(3) Respondents may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Logitech International, S.A., Michael Doktorczyk, or Sherralyn Bolles as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Gerald Hodgkins, Esq., Division of Enforcement, Securities and Exchange Commission, 100 F St., NE, Washington, DC 20549-6561.

O. Such civil money penalty may be distributed pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, as amended ("Fair Fund distribution"). Regardless of whether any such Fair Fund distribution is made, amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondents agree that in any Related Investor Action, Respondents shall not argue that Respondents are entitled to, nor shall they benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondents' payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondents agree that they shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

V.

It is further Ordered that, for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and admitted by Respondent, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Brent J. Fields
Secretary