

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**FORM 10-Q**

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

For the quarterly period ended March 31, 2023  
or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number 000-38334

**Immersion Corporation**

*(Exact name of registrant as specified in its charter)*

**Delaware**

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

**94-3180138**

*(I.R.S. Employer  
Identification No.)*

**2999 N.E. 191st Street, Suite 610, Aventura, FL, 33180**  
*(Address of principal executive offices, zip code)*

**(408) 467-1900**  
*(Registrant's telephone number, including area code)*

**Not Applicable**  
*(Former name, former address and former fiscal year, if changed since last report.)*

**Securities registered pursuant to Section 12(b) of the Act:**

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, \$0.001 par value	IMMR	NASDAQ Global Market
Series B Junior Participating Preferred Stock Purchase Rights	IMMR	NASDAQ Global Market

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging Growth Company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Number of shares of common stock outstanding at May 5, 2023 was 32,633,851.

# IMMERSION CORPORATION

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## PART I

## FINANCIAL INFORMATION

## Item 1. Financial Statements

IMMERSION CORPORATION  
CONDENSED CONSOLIDATED BALANCE SHEETS(In thousands)  
(Unaudited)

	March 31, 2023	December 31, 2022
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 27,484	\$ 48,820
Investments - current	120,920	100,918
Accounts and other receivables	1,736	1,235
Prepaid expenses and other current assets	8,925	9,347
Total current assets	159,065	160,320
Property and equipment, net	272	293
Investments - noncurrent	25,604	17,040
Long-term deposits	4,306	4,324
Deferred tax assets	7,217	7,217
Other assets	654	916
Total assets	\$ 197,118	\$ 190,110
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 22	\$ 86
Accrued compensation	770	2,029
Deferred revenue - current	4,766	4,766
Other current liabilities	14,046	12,465
Total current liabilities	19,604	19,346
Deferred revenue - noncurrent	11,440	12,629
Other long-term liabilities	345	435
Total liabilities	31,389	32,410
Commitments and contingencies (Note 5)		
Stockholders' equity:		
Common stock and additional paid-in capital	322,847	322,714
Accumulated other comprehensive income	577	202
Accumulated deficit	(61,738)	(70,016)
Treasury stock	(95,957)	(95,200)
Total stockholders' equity	165,729	157,700
Total liabilities and stockholders' equity	\$ 197,118	\$ 190,110

See accompanying Notes to Condensed Consolidated Financial Statements.

**IMMERSION CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
**AND COMPREHENSIVE INCOME**  
**(In thousands, except per share amounts)**  
**(Unaudited)**

	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Revenues:		
Royalty and license	\$ 7,009	\$ 7,230
Development, services, and other	65	78
Total revenues	7,074	7,308
Operating expenses:		
Sales and marketing	96	486
Research and development	130	513
General and administrative	3,589	2,706
Total operating expenses	3,815	3,705
Operating income	3,259	3,603
Interest and other income (loss), net	6,526	2,034
Income before provision for income taxes	9,785	5,637
Provision for income taxes	(1,507)	(561)
Net income	\$ 8,278	\$ 5,076
Basic net income per share	\$ 0.25	\$ 0.15
Shares used in calculating basic net income per share	32,603	33,996
Diluted net income per share	\$ 0.25	\$ 0.15
Shares used in calculating diluted net income per share	33,085	34,268
Other comprehensive income, net of tax		
Deferred gains on available-for-sale marketable debt securities	565	530
Realized gains on available-for-sale marketable debt securities reclassified to net income	(190)	(289)
Total comprehensive income	\$ 8,653	\$ 5,317

See accompanying Notes to Condensed Consolidated Financial Statements.

**IMMERSION CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(In thousands, except number of shares)  
(Unaudited)

	<b>Three Months Ended March 31, 2023</b>						
	<b>Common Stock and Additional Paid- In Capital</b>		<b>Accumulated Other Comprehensive</b>	<b>Accumulated</b>	<b>Treasury Stock</b>		<b>Total Stockholders' Equity</b>
	<b>Shares</b>	<b>Amount</b>	<b>Income</b>	<b>Deficit</b>	<b>Shares</b>	<b>Amount</b>	
Balances at December 31, 2022	46,974,598	\$ 322,714	\$ 202	\$ (70,016)	14,727,582	\$ (95,200)	\$ 157,700
Net income	—	—	—	8,278	—	—	8,278
Unrealized gain on available-for-sale securities, net of taxes	—	—	375	—	—	—	375
Release of restricted stock units and awards, net of shares withheld	401,955	—	—	—	97,936	(757)	(757)
Issuance of stock for ESPP purchase	1,298	6	—	—	—	—	6
Shares issued to an employee in lieu of cash compensation	50,643	385	—	—	—	—	385
Dividends declared	—	(1,204)	—	—	—	—	(1,204)
Stock-based compensation	—	946	—	—	—	—	946
Balances at March 31, 2023	<u>47,428,494</u>	<u>\$ 322,847</u>	<u>\$ 577</u>	<u>\$ (61,738)</u>	<u>14,825,518</u>	<u>\$ (95,957)</u>	<u>\$ 165,729</u>

	<b>Three Months Ended March 31, 2022</b>						
	<b>Common Stock and Additional Paid- In Capital</b>		<b>Accumulated Other Comprehensive</b>	<b>Accumulated</b>	<b>Treasury Stock</b>		<b>Total Stockholders' Equity</b>
	<b>Shares</b>	<b>Amount</b>	<b>Income</b>	<b>Deficit</b>	<b>Shares</b>	<b>Amount</b>	
Balances at December 31, 2021	46,534,198	\$ 323,296	\$ 412	\$ (100,680)	12,143,433	\$ (81,733)	\$ 141,295
Net income	—	—	—	5,076	—	—	5,076
Unrealized gain on available-for-sale securities, net of taxes	—	—	241	—	—	—	241
Stock repurchases	—	—	—	—	938,781	(4,442)	(4,442)
Release of restricted stock units and awards	116,811	—	—	—	—	—	—
Issuance of stock for ESPP purchase	7,725	34	—	—	—	—	34
Shares issued in connection with public offering, net of issuance costs	—	5	—	—	—	—	5
Stock-based compensation	—	1,141	—	—	—	—	1,141
Balances at March 31, 2022	<u>46,658,734</u>	<u>\$ 324,476</u>	<u>\$ 653</u>	<u>\$ (95,604)</u>	<u>13,082,214</u>	<u>\$ (86,175)</u>	<u>\$ 143,350</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

**IMMERSION CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)  
(Unaudited)

	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>Cash flows provided by (used in) operating activities:</b>		
Net income	\$ 8,278	\$ 5,076
<b>Adjustments to reconcile net income to net cash and cash equivalents provided by operating activities:</b>		
Depreciation of property and equipment	21	35
Reduction in carrying value of right of use assets	151	171
Stock-based compensation	946	1,141
Net gains on investment in marketable securities	(3,683)	(3,534)
Net (gain) loss on derivative instruments	(615)	2,795
Foreign currency remeasurement losses	—	131
Shares issued to an employee in lieu of cash compensation	385	—
Other	(26)	(17)
<b>Changes in operating assets and liabilities:</b>		
Accounts and other receivables	(501)	(109)
Prepaid expenses and other current assets	383	1,644
Long-term deposits	18	4,611
Other assets	113	757
Accounts payable	(68)	52
Accrued compensation	(1,259)	12
Other current liabilities	602	(77)
Deferred revenue	(1,189)	(1,295)
Other long-term liabilities	(33)	(355)
Net cash and cash equivalents provided by operating activities	<u>3,523</u>	<u>11,038</u>
<b>Cash flows provided by (used in) investing activities:</b>		
Purchases of marketable securities and other investments	(54,954)	(36,778)
Proceeds from sale or maturities of marketable securities and other investments	30,771	39,899
Proceeds from sale of derivative instruments	5,844	6,817
Payments for settlement of derivative instruments	(1,369)	(5,105)
Net cash and cash equivalents provided by (used in) investing activities	<u>(19,708)</u>	<u>4,833</u>
<b>Cash flows provided by (used in) financing activities:</b>		
Dividends payments to stockholders	(4,400)	—
Payment for purchases of treasury stock	—	(4,442)
Shares withheld to cover payroll taxes	(757)	—
Other financing activities	6	39
Net cash and cash equivalents used in financing activities	<u>(5,151)</u>	<u>(4,403)</u>
Net increase (decrease) in cash and cash equivalents	<u>(21,336)</u>	<u>11,468</u>
<b>Cash and cash equivalents:</b>		
Beginning of period	48,820	51,490
End of period	<u>\$ 27,484</u>	<u>\$ 62,958</u>

See accompanying Notes to Condensed Consolidated Financial Statements.



**IMMERSION CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(In thousands)**

**(Unaudited)**

	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for income taxes	\$ 19	\$ 17
<b>Supplemental disclosure of non-cash investing, and financing activities:</b>		
Dividends declared but not yet paid	\$ 1,015	\$ —
Leased assets obtained in exchange for new operating lease liabilities	\$ —	\$ 120



## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### *Description of Business*

Immersion Corporation (the “Company”, “Immersion”, “we” or “us”) was incorporated in 1993 in California and reincorporated in Delaware in 1999. We focus on the creation, design, development, and licensing of innovative haptic technologies that allow people to use their sense of touch more fully as they engage with products and experience the digital world around them. We have adopted a business model under which we provide advanced tactile software, related tools and technical assistance designed to help integrate our patented technology into our customers’ products or enhance the functionality of our patented technology to certain customers, and offer licenses for our patented technology to other customers.

#### *Impact of COVID-19*

The outbreak of a novel strain of coronavirus (“COVID-19”) caused governments and public health officials around the world to implement stringent measures to help control the spread of the virus. In response to the COVID-19 pandemic, we implemented work-from-home and restricted travel policies in the first quarter of 2020, but have since lifted our travel restriction and our employees now work either from the office or from home.

#### *Principles of Consolidation and Basis of Presentation*

The accompanying condensed consolidated financial statements include the accounts of Immersion and our wholly-owned subsidiaries. All intercompany accounts, transactions, and balances have been eliminated in consolidation.

The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information and with the instructions for Form 10-Q and Article 10 of Regulation S-X. Accordingly, these condensed consolidated financial statements do not include all information and footnotes necessary for a complete presentation of the financial position, results of operations, and cash flows, in conformity with U.S. GAAP and should be read in conjunction with our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2022. In the opinion of management, all adjustments consisting of only normal and recurring items necessary for the fair presentation of the financial position and results of operations for the interim periods presented have been included. Certain prior year amounts have been reclassified to conform with the current year presentation.

#### *Use of Estimates*

The preparation of condensed consolidated financial statements and related disclosures requires management to make estimates and assumptions that affect the reported amounts of the condensed consolidated financial statements. Significant estimates include revenue recognition, fair value of financial instruments, useful lives of property and equipment, valuation of income taxes including uncertain tax provisions, stock-based compensation and long-term deposits for withholding taxes. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. The results of operations for the three months ended March 31, 2023 are not necessarily indicative of the results to be expected for the full year.

### **Segment Information**

We develop, license, and support a wide range of software and intellectual property (“IP”) that more fully engage users’ sense of touch when operating digital devices. We focus on the following target application areas: mobile devices, wearables, consumer, mobile entertainment and other content; console gaming; automotive; medical; and commercial. We manage these application areas in one operating and reporting segment with only one set of management, development, and administrative personnel.

Our chief operating decision maker (“CODM”) is the Chief Executive Officer. The CODM approves budgets and allocates resources to and assesses the performance of our business using information about our revenue and operating loss. There is only one segment that is reported to management.

### **Recent Account Pronouncements**

We do not expect recent accounting pronouncements or changes in accounting pronouncements during the three months ended March 31, 2023, to have significant impact on our financial positions and results of operations.

## **2. REVENUE RECOGNITION**

### **Disaggregated Revenue**

The following table presents the disaggregation of our revenue for the three months ended March 31, 2023, and 2022 (in thousands):

	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Fixed fee license revenue	\$ 1,214	\$ 1,745
Per-unit royalty revenue	5,795	5,485
Total royalty and license revenue	7,009	7,230
Development, services, and other revenue	65	78
Total revenues	<u>\$ 7,074</u>	<u>\$ 7,308</u>

### **Per-unit Royalty Revenue**

We record per-unit royalty revenue in the same period in which the licensee’s underlying sales occur. When we do not receive the per-unit licensee royalty reports for sales during a given quarter within the time frame that allows us to adequately review the reports and include the actual amounts in our quarterly results for such quarter, we accrue the related revenue based on estimates of our licensees’ underlying sales, subject to certain constraints on our ability to estimate such amounts. We develop such estimates based on a combination of available data including, but not limited to, approved customer forecasts, a look back at historical royalty reporting for each of our customers, and industry information available for the licensed products.

As a result of accruing per-unit royalty revenue for the quarter based on such estimates, adjustments will be required in the following quarter to true up revenue to the actual amounts reported by our licensees. In the three months ended March 31, 2023, we recorded adjustments of \$0.4 million to increase royalty revenue. We recorded adjustments of \$0.3 million to increase royalty revenue during the three months ended March 31, 2022.

### **Contract Assets**

As of March 31, 2023, we had contract assets of \$6.8 million included within *Prepaid expenses and other current assets*, and \$0.4 million included within *Other assets* on the *Condensed Consolidated Balance Sheets*. As of December 31, 2022, we had contract assets of \$7.7 million included within *Prepaid expenses and other current assets*, and \$0.5 million included within *Other assets* on the *Condensed Consolidated Balance Sheets*.

Contract assets decreased by \$1.1 million from January 1, 2023, to March 31, 2023, primarily due to actual royalties billed during the quarter.

### ***Deferred Revenue***

We recognize revenue from a fixed fee license agreement when we have satisfied our performance obligations, which typically occurs upon the transfer of rights to our technology upon the execution of the license agreement. However, in certain contracts, we grant a license to our existing patent portfolio at the inception of the license agreement as well as rights to the portfolio as it evolves throughout the contract term. For such arrangements, we have concluded that there are two separate performance obligations:

- Performance Obligation A: Transfer of rights to our patent portfolio as it exists when the contract is executed; and
- Performance Obligation B: Transfer of rights to our patent portfolio as it evolves over the term of the contract, including access to new patent applications that the licensee can benefit from over the term of the contract.

If a fixed fee license agreement contains only Performance Obligation A, we recognize the revenue from the agreement at the inception of the contract. For fixed fee license agreements that contain both Performance Obligation A and B, we allocate the transaction price based on the standalone price for each of the two performance obligations. We use a number of factors primarily related to the attributes of our patent portfolio to estimate standalone prices related to Performance Obligation A and B. Once the transaction price is allocated, the portion of the transaction price allocable to Performance Obligation A is recognized in the period the license agreement is signed and the customer can benefit from rights provided in the contract. The portion allocable to Performance Obligation B is recognized on a straight-line basis over the contract term which best represents the ongoing and continuous nature of the patent prosecution process. For such contracts, a contract liability account is established and included within *Deferred revenue* on the *Condensed Consolidated Balance Sheets*. As the rights and obligations in a contract are interdependent, contract assets and contract liabilities that arise in the same contract are presented on a net basis.

Based on contracts signed and payments received as of March 31, 2023, we expect to recognize \$16.2 million in revenue related to Performance Obligation B under our fixed fee license agreements, which are satisfied over time, including \$10.5 million over one to three years and \$5.7 million over more than three years.

As of December 31, 2022, total deferred revenue was \$17.4 million. We recognized \$1.2 million of deferred revenue during the three months ended March 31, 2023.

## **3. INVESTMENTS AND FAIR VALUE MEASUREMENTS**

### ***Marketable Securities***

We invest surplus funds in excess of operational requirements in a diversified portfolio of marketable securities, with the objectives of delivering competitive returns, maintaining a high degree of liquidity, and seeking to avoid the permanent impairment of principal.

We regularly review our investment portfolio to identify and evaluate investments that have indicators of possible impairment. Investments are considered impaired when a decline in fair value is judged to be other-than-temporary. If the cost of an individual investment exceeds its fair value, we evaluate, among other factors, general market conditions, the duration and extent to which the fair value is less than cost, and our intent and ability to hold the investment. Once a decline in fair value is determined to be other-than-temporary, we will record an impairment charge and establish a new cost basis for the investment.

Marketable securities as of March 31, 2023 and December 31, 2022 consisted of the following (in thousands):

<b>March 31, 2023</b>				
	<b>Cost or Amortized Cost</b>	<b>Unrealized Gains</b>	<b>Unrealized Losses</b>	<b>Fair Value</b>
<b>Marketable equity securities</b>				
Mutual funds	\$ 26,683	\$ —	\$ (2,988)	\$ 23,695
Equity securities	56,485	4,877	(6,077)	55,285
Total marketable equity securities	83,168	4,877	(9,065)	78,980
<b>Marketable debt securities</b>				
U.S. treasury securities	48,534	413	(13)	48,934
Corporate bonds	18,555	211	(156)	18,610
Total marketable debt securities	67,089	624	(169)	67,544
	<u>\$ 150,257</u>	<u>\$ 5,501</u>	<u>\$ (9,234)</u>	<u>\$ 146,524</u>
<b>December 31, 2022</b>				
	<b>Cost or Amortized Cost</b>	<b>Unrealized Gains</b>	<b>Unrealized Losses</b>	<b>Fair Value</b>
<b>Marketable equity securities</b>				
Mutual funds	\$ 26,352	\$ —	\$ (3,143)	\$ 23,209
Equity securities	53,273	2,776	(5,836)	50,213
Total marketable equity securities	79,625	2,776	(8,979)	73,422
<b>Marketable debt securities</b>				
U.S. treasury securities	25,640	182	(24)	25,798
Corporate bonds	13,496	48	(106)	13,438
Total marketable debt securities	39,136	230	(130)	39,236
	<u>\$ 118,761</u>	<u>\$ 3,006</u>	<u>\$ (9,109)</u>	<u>\$ 112,658</u>

The amortized costs and fair value of our marketable debt securities, by contractual maturity, as of March 31, 2023 (in thousands) are as follows:

<b>March 31, 2023</b>			
	<b>Amortized Cost</b>	<b>Fair Value</b>	
Less than 1 year	\$ 41,559	\$ 41,939	
1 to 5 years	20,247	20,204	
More than 5 years	5,283	5,400	
Total	<u>\$ 67,089</u>	<u>\$ 67,543</u>	

### Derivative Financial Instruments

Our derivative instruments consisted of call and put options sold at their fair value as of the balance sheet date. These derivative instruments are reported as *Other current liabilities* on our *Condensed Consolidated Balance Sheets* as of March 31, 2023 and December 31, 2022 (in thousands):

	<b>March 31, 2023</b>		
	<b>Cost</b>	<b>Unrealized</b>	
		<b>Losses</b>	<b>Fair Value</b>
Derivative instruments	\$ 6,848	\$ 662	\$ 7,510
	<u>\$ 6,848</u>	<u>\$ 662</u>	<u>\$ 7,510</u>

  

	<b>December 31, 2022</b>		
	<b>Cost</b>	<b>Unrealized</b>	
		<b>Losses</b>	<b>Fair Value</b>
Derivative instruments	\$ 2,987	\$ 662	\$ 3,649
	<u>\$ 2,987</u>	<u>\$ 662</u>	<u>\$ 3,649</u>

A summary of realized and unrealized gains and losses from our equity securities and derivative instruments are as follows (in thousands):

	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Net unrealized gains recognized on marketable equity securities	\$ 2,014	\$ 2,140
Net realized gains recognized on marketable equity securities	1,669	1,026
Net unrealized losses recognized on derivative instruments	(102)	(2,661)
Net realized gains (losses) recognized on derivative instruments	717	(134)
Net realized gains recognized on marketable debt securities	—	368
Total net gains recognized in interest and other income (loss), net	<u>\$ 4,298</u>	<u>\$ 739</u>

### Fair Value Measurements

Our financial instruments measured at fair value on a recurring basis consisted of money-market funds, mutual funds, equity securities, corporate debt securities and derivatives. Equity securities are classified within Level 1 of the fair value hierarchy as they are valued based on quoted market price in an active market. Corporate debt securities and derivative instruments are valued based on quoted prices in markets that are less active, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency are generally classified within Level 2 of the fair value hierarchy.

Financial instruments valued based on unobservable inputs which reflect the reporting entity's own assumptions or data that market participants would use in valuing an instrument are generally classified within Level 3 of the fair value hierarchy. We did not hold Level 3 financial instruments as of March 31, 2023, and December 31, 2022.

Financial instruments measured at fair value on a recurring basis as of March 31, 2023 and December 31, 2022 are classified based on the valuation technique in the table below (in thousands):

	<b>March 31, 2023</b>			
	<b>Fair Value Measurements Using</b>			
	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	<b>Total</b>
<b>Assets:</b>				
U.S. treasury securities	\$ —	\$ 48,934	\$ —	\$ 48,934
Mutual funds	23,695	—	—	23,695
Equity securities	55,285	—	—	55,285
Corporate bonds	—	18,610	—	18,610
Total assets at fair value	<u>\$ 78,980</u>	<u>\$ 67,544</u>	<u>\$ —</u>	<u>\$ 146,524</u>
<b>Liabilities</b>				
Derivative instruments	\$ —	\$ 7,510	\$ —	\$ 7,510
Total liabilities at fair value	<u>\$ —</u>	<u>\$ 7,510</u>	<u>\$ —</u>	<u>\$ 7,510</u>
	<b>December 31, 2022</b>			
	<b>Fair Value Measurements Using</b>			
	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	<b>Total</b>
<b>Assets:</b>				
Certificate of deposit	\$ —	\$ 5,300	\$ —	\$ 5,300
U.S.treasury securities	—	25,798	—	25,798
Mutual funds	23,209	—	—	23,209
Equity securities	50,213	—	—	50,213
Corporate bonds	—	13,438	—	13,438
Total assets at fair value	<u>\$ 73,422</u>	<u>\$ 44,536</u>	<u>\$ —</u>	<u>\$ 117,958</u>
<b>Liabilities</b>				
Derivative instruments	\$ —	\$ 3,649	\$ —	\$ 3,649
Total liabilities at fair value	<u>\$ —</u>	<u>\$ 3,649</u>	<u>\$ —</u>	<u>\$ 3,649</u>

**4. BALANCE SHEETS DETAILS*****Cash and Cash Equivalents***

Cash and cash equivalents were as follows (in thousands):

	<b>March 31, 2023</b>	<b>December 31, 2022</b>
Cash	\$ 7,972	\$ 9,630
Money market funds	19,512	13,586
Certificates of deposit <sup>(1)</sup>	—	25,604
Cash and cash equivalents	<u>\$ 27,484</u>	<u>\$ 48,820</u>

<sup>(1)</sup> Represents certificates of deposit with initial maturity days of 90 days or less.

***Investments - Current***

Investments - current were as follows (in thousands):

	<b>March 31, 2023</b>	<b>December 31, 2022</b>
Certificates of deposit <sup>(2)</sup>	\$ —	\$ 5,300
Marketable securities	78,981	73,422
U.S. treasury securities	41,939	22,196
Short-term investments	<u>\$ 120,920</u>	<u>\$ 100,918</u>

<sup>(2)</sup> Represents investments with initial maturity days between 91 days and one year.

***Accounts and Other Receivables***

Accounts and other receivables were as follows (in thousands):

	<b>March 31, 2023</b>	<b>December 31, 2022</b>
Trade accounts receivables	\$ 491	\$ 1,003
Other receivables	1,245	232
Accounts and other receivables	<u>\$ 1,736</u>	<u>\$ 1,235</u>

Allowance for credit losses as of March 31, 2023 and December 31, 2022 were not material.

***Prepaid Expenses and Other Current Assets***

Prepaid expenses and other current assets were as follows (in thousands):

	<b>March 31, 2023</b>	<b>December 31, 2022</b>
Prepaid expenses	\$ 2,033	\$ 1,576
Contract assets - current	6,837	7,671
Other current assets	55	100
Prepaid expenses and other current assets	<u>\$ 8,925</u>	<u>\$ 9,347</u>

**Investments - noncurrent**

Investments- noncurrent were as follows (in thousands):

	March 31, 2023	December 31, 2022
U.S. treasury securities	\$ 6,994	\$ 3,602
Marketable debt securities	18,610	13,438
Investments- noncurrent	<u>\$ 25,604</u>	<u>\$ 17,040</u>

**Other Assets**

Other assets were as follows (in thousands):

	March 31, 2023	December 31, 2022
Contract assets - long-term	436	545
Lease right-of-use assets	210	360
Other assets	8	11
Total other assets	<u>\$ 654</u>	<u>\$ 916</u>

**Other Current Liabilities**

Other current liabilities were as follows (in thousands):

	March 31, 2023	December 31, 2022
Derivative instruments	\$ 7,510	\$ 3,649
Lease liabilities - current	263	486
Income taxes payable	4,156	2,700
Dividends payable	1,015	4,212
Other current liabilities	1,102	1,418
Total other current liabilities	<u>\$ 14,046</u>	<u>\$ 12,465</u>

**5. CONTINGENCIES**

From time to time, we receive claims from third parties asserting that our technologies, or those of our licensees, infringe on the other parties' IP rights. Management believes that these claims are without merit. Additionally, periodically, we are involved in routine legal matters and contractual disputes incidental to our normal operations. In management's opinion, unless we disclosed otherwise, the resolution of such matters will not have a material adverse effect on our consolidated financial condition, results of operations, or liquidity.

In the normal course of business, we provide indemnification of varying scope to customers, most commonly to licensees in connection with licensing arrangements that include our IP, although these provisions can cover additional matters. Historically, costs related to these guarantees have not been significant, and we are unable to estimate the maximum potential impact of these guarantees on our future results of operations.



*LGE Korean Withholding Tax Matter*

On October 16, 2017, we received a letter from LG Electronics Inc. (“LGE”) requesting that we reimburse LGE with respect to withholding tax imposed on LGE by the Korean tax authorities following an investigation where the tax authority determined that LGE failed to withhold on LGE’s royalty payments to Immersion Software Ireland, a subsidiary of the Company, from 2012 to 2014. Pursuant to an agreement reached with LGE, on April 8, 2020, we provided a provisional deposit to LGE in the amount of KRW 5,916,845,454 (approximately \$5.0 million) representing the amount of such withholding tax that was imposed on LGE, which provisional deposit would be returned to us to the extent we ultimately prevail in the appeal in the Korean courts. In the second quarter of 2020, we recorded this deposit in *Long-term deposits* on our *Condensed Consolidated Balance Sheets*.

On November 3, 2017, on behalf of LGE, we filed an appeal with the Korea Tax Tribunal regarding their findings with respect to the withholding taxes. The Korea Tax Tribunal hearing took place on March 5, 2019. On March 19, 2019, the Korea Tax Tribunal issued its ruling in which it decided not to accept our arguments with respect to the Korean tax authorities’ assessment of withholding tax and penalties imposed on LGE. On behalf of LGE, we filed an appeal with the Korea Administrative Court on June 10, 2019. The Company has had numerous hearings before the Korea Administrative Court in the years 2019 through 2022. The Korea Administrative Court had indicated that it expected to render a decision on this matter by December 31, 2022, but had subsequently updated the parties to indicate that a decision on this matter was expected by February 16, 2023. On February 15, 2023, we were informed that the Korea Administrative Court had scheduled another hearing for April 27, 2023 due to a change in the main judge for this matter. We had a hearing on April 27, 2023, and the Korea Administrative Court indicated that it expects to render a decision on this matter by June 8, 2023.

On April 25, 2023, we received notice from LGE requesting us to reimburse LGE with respect to withholding tax imposed on LGE by the Korean tax authorities following a recent tax audit of LGE for the years 2018 through 2022 in the amount of KRW 3,025,251,775 (approximately \$2.3 million). We are currently evaluating our next steps with respect to the reimbursement of such withholding taxes in accordance with our obligations pursuant to the license agreement with LGE. As of March 31, 2023, we have accrued \$0.3 million of withholding taxes, interest and penalties related to the 2018 to 2022 period for which the Korean tax authorities have recently assessed LGE. The additional income tax is accrued in Other Current Liabilities in our Condensed Consolidated Balance Sheets.

Based on the developments in these cases, we regularly reassess the likelihood that we will prevail in the claims from the Korean tax authorities with respect to the LGE case. To the extent that we determine that it is more likely than not that we will prevail against the claims from the Korean tax authorities, then no additional tax expense is provided for in our *Condensed Consolidated Statements of Income and Comprehensive Income*. In the event that we determine that it is more likely than not that we will not prevail against the claims from the Korean tax authorities, or a portion thereof, then we would estimate the anticipated additional tax expense associated with that outcome and record it as additional income tax expense in our *Condensed Consolidated Statements of Income and Comprehensive Income* in the period of the new determination. If the additional income tax expense was related to the periods assessed by Korean tax authorities and for which we recorded a *Long-term deposits* on our *Condensed Consolidated Balance Sheets*, then the additional income tax expense would be recorded as an impairment to the *Long-term deposits*. If the additional income tax expense was not related to the periods assessed by Korean tax authorities and for which we recorded in *Long-term deposits* on our *Condensed Consolidated Balance Sheets*, then the additional income tax expense would be accrued as an *Other current liabilities*.

In the event that we do not ultimately prevail in our appeal in the Korean courts with respect to this case, the applicable deposits included in *Long-term deposits* would be recorded as additional income tax expense on our *Condensed Consolidated Statements of Income and Comprehensive Income*, in the period in which we do not ultimately prevail.

In the fourth quarter of 2021, we recorded an impairment charge of \$0.8 million related to the long-term deposits paid to LGE.

*Immersion Corporation vs. Meta Platforms, Inc., f/k/a Facebook, Inc.*

On May 26, 2022, we filed a complaint against Meta Platforms, Inc. (formerly known as Facebook, Inc.) (“Meta”) in the United States District Court for the Western District of Texas. The complaint alleges that Meta’s augmented and virtual reality (“AR/VR”) systems, including the Meta Quest 2, infringe six of our patents that cover various uses of haptic effects in connection with such AR/VR systems. We are seeking to enjoin Meta from further infringement and to recover a reasonable royalty for such infringement.

The complaint against Meta asserts infringement of the following patents:

- U.S. Patent No. 8,469,806: “System and method for providing complex haptic stimulation during input of control gestures, and relating to control of virtual equipment”
- U.S. Patent No. 8,896,524: “Context-dependent haptic confirmation system”
- U.S. Patent No. 9,727,217: “Haptically enhanced interactivity with interactive content”
- U.S. Patent No. 10,248,298: “Haptically enhanced interactivity with interactive content”
- U.S. Patent No. 10,269,222: “System with wearable device and haptic output device”
- U.S. Patent No. 10,664,143: “Haptically enhanced interactivity with interactive content”

Meta responded to our complaint on August 1, 2022. On September 12, 2022, Meta filed a motion to transfer the lawsuit to the Northern District of California or, in the alternative, to the Austin Division of the Western District of Texas. Meta’s motion remains pending, and a hearing on the transfer motion occurred on January 23, 2023. In the meantime, the claim construction briefing is closed, and fact discovery opened on February 7, 2023. The claim construction hearing was scheduled for March 6, 2023, but was rescheduled by the Court for April 24, 2023 and again rescheduled to May 11, 2023.

*Immersion Corporation vs. Xiaomi Group*

On or about March 3, 2023, we initiated patent infringement lawsuits against several companies of the Xiaomi-Group (the “Xiaomi-Group”) in Germany, France and India. We initiated lawsuits against Xiaomi-Group companies and their agents in the Düsseldorf Regional Court in Germany, the *Tribunal judiciaire de Paris* (Paris First Instance Civil Court) in France, and the High Court of Delhi, at New Delhi, in India.

The complaints allege that the Xiaomi-Group’s devices, including the Xiaomi 12, infringe our patents that cover various uses of haptic effects in connection with such devices. We are seeking injunctions that would allow us to prohibit Xiaomi-Group from selling the infringing devices in Germany, France and India, as well as costs and damages as compensation for such infringement.

The complaints against the Xiaomi-Group assert infringement of the following patents:

- EP 2 463 752 B1 (German part) titled “*Haptisches Feedback-System mit gespeicherten Effekten*”
- EP 2 463 752 B1 (French part) titled “*Système de rendu haptique avec stockage d’effets*”
- IN 304 396 (India) titled “*Haptic Feedback System With Stored Effects*”

## 6. STOCK-BASED COMPENSATION

### *Stock Options and Awards*

Our equity incentive program is a long-term retention program that is intended to attract, retain, and provide incentives for employees, consultants, officers, and directors and to align stockholder and employee interests. We may grant time-based options, market condition-based options, stock appreciation rights, restricted stock awards (“RSAs”), restricted stock units (“RSUs”), performance shares, market condition-based performance restricted stock units (“PSUs”), and other stock-based equity awards to employees, officers, directors, and consultants.

On January 18, 2022, our stockholders approved the 2021 Equity Incentive Plan (the “2021 Plan”), which provides for a total number of shares reserved and available for grant and issuance equal to 3,525,119 shares plus up to an additional 855,351 shares that are subject to stock options or other awards granted under the 2011 Equity Incentive Plan. On March 30, 2023, our stockholders approved an amendment to the 2021 Plan to increase the number of shares reserved for issuance under the 2021 Plan by 4,621,488 shares.

Under our equity incentive plans, stock options may be granted at prices not less than the fair market value on the date of grant for such stock options. Stock options generally vest over four years and expire seven years from the applicable grant date. Market condition-based stock awards are subject to a market condition whereby the closing price of our common stock must exceed a certain level for a number of trading days within a specified time frame or the awards will be canceled before expiration. RSAs generally vests over one year. RSUs generally vest over three years. Awards granted other than a stock option or a stock appreciation right shall reduce the common stock shares available for grant by 1.75 shares for every share issued.

A summary of our equity incentive program as of March 31, 2023 is as follows (in thousands):

Common stock shares available for grant	5,158
Stock options outstanding	140
RSUs outstanding	754
RSAs outstanding	75
PSUs outstanding	413

### *Time-Based Stock Options*

The following summarizes time-based stock options activities for the three months ended March 31, 2023:

	Number of Shares Underlying Stock Options (in thousands)	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2022	140	\$ 7.57	4.03	\$ —
Granted	—	—		
Exercised	—	—		
Canceled or expired	—	—		
Outstanding as of March 31, 2023	140	\$ 7.57	3.78	\$ 193
Vested and expected to vest at March 31, 2023	138	\$ 7.57	3.78	\$ 190
Exercisable at March 31, 2023	111	\$ 7.57	3.78	\$ 153

The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying awards and the exercise price of our common stock for the options that were in-the-money.

We did not grant stock options in the three months ended March 31, 2023.

### **Restricted Stock Units**

The following summarizes RSU activities for the three months ended March 31, 2023:

	Number of Restricted Stock Units (in thousands)	Weighted Average Grant Date Fair Value Per Share	Weighted Average Remaining Recognition Period (Years)	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2022	887	\$ 5.85	2.38	\$ 6,226
Granted	—	—		
Released	(82)	5.67		
Forfeited	(51)	6.91		
Outstanding at March 31, 2023	<u>754</u>	<u>\$ 5.79</u>	<u>2.22</u>	<u>\$ 6,738</u>

The aggregate intrinsic value is calculated as the market value as of the end of the reporting period.

### **Restricted Stock Awards**

The following summarizes RSA activities for the three months ended March 31, 2023:

	Number of Restricted Stock Awards (in thousands)	Weighted Average Grant Date Fair Value Per Share	Weighted Average Remaining Recognition Period (Years)
Outstanding at December 31, 2022	119	\$ 5.47	1.31
Granted	75	8.31	
Released	(119)	5.47	
Forfeited	—	—	
Outstanding at March 31, 2023	<u>75</u>	<u>\$ 8.31</u>	<u>1.00</u>

### **Market Condition-Based Performance Stock Units**

The following summarizes PSU activities for the three months ended March 31, 2023:

	Number of Market Condition-Based Performance Stock Units (in thousands)	Weighted Average Grant Date Fair Value Per Share	Weighted Average Remaining Recognition Period (Years)
Outstanding at December 31, 2022	615	\$ 3.69	1.12
Granted	—	—	
Released	(202)	3.65	
Forfeited	—	—	
Outstanding at March 31, 2023	<u>413</u>	<u>\$ 3.71</u>	<u>1.00</u>

### ***Employee Stock Purchase Plan***

Under our 1999 Employee Stock Purchase Plan (“ESPP”), eligible employees may purchase common stock through payroll deductions at a purchase price of 85% of the lower of the fair market value of our common stock at the beginning of the offering period or the purchase date. Participants may not purchase more than 2,000 shares in a six-month offering period or purchase stock having a value greater than \$25,000 in any calendar year as measured at the beginning of the offering period. A total of 1.0 million shares of common stock have been reserved for issuance under the ESPP. During the three months ended March 31, 2023, 1,298 shares were purchased under the ESPP. Effective February 1, 2023, our ESPP was discontinued and 193,134 shares expired following the ESPP termination.

### ***Stock-based Compensation Expense***

#### *Valuation and amortization methods*

Stock-based compensation is based on the estimated fair value of awards, net of estimated forfeitures, and recognized over the requisite service period. Estimated forfeitures are based on historical experience at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The stock-based compensation related to all of our stock-based awards and ESPP for the three months ended March 31, 2023, and 2022 is as follows (in thousands):

	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Stock options	\$ (56)	\$ (43)
RSUs, RSAs and PSUs	1,002	1,187
ESPP	—	(3)
<b>Total</b>	<b>\$ 946</b>	<b>\$ 1,141</b>
Sales and marketing	\$ (99)	\$ 90
Research and development	(74)	107
General and administrative	1,119	944
<b>Total</b>	<b>\$ 946</b>	<b>\$ 1,141</b>

As of March 31, 2023, there was \$5.6 million of unrecognized compensation cost adjusted for estimated forfeitures related to non-vested stock options, RSUs, RSAs and PSUs granted to our employees and directors. This unrecognized compensation cost will be recognized over an estimated weighted-average period of approximately 1.8 years. Total unrecognized compensation cost will be adjusted for future changes in estimated forfeitures.

## **7. STOCKHOLDERS' EQUITY**

### ***Stock Repurchase Program***

On February 23, 2022, our Board of Directors (the "Board") approved a stock repurchase program of up to \$30.0 million of our common stock for a period of up to twelve months (the "February 2022 Stock Repurchase Program"). Any stock repurchases were made through open market or privately negotiated transactions, at such times and in such amounts as management deemed appropriate, including pursuant to one or more Rule 10b5-1 trading plans adopted in accordance with Rule 10b5-1 of the Securities Exchange Act of 1934. Additionally, the Board authorized the use of derivative or similar instrument to effect stock repurchase transactions, including without limitation, accelerated share repurchase contracts, equity forward transactions, equity option transactions, equity swap transactions, cap transactions, collar transactions, naked put options, floor transactions or other similar transactions or any combination of the foregoing transactions. The stock repurchase program was implemented as a method to return value to our stockholders. The timing, pricing and sizes of any repurchases depended on a number of factors, including the market price of our common stock and general market and economic conditions. The stock repurchase program did not obligate us to repurchase any dollar amount or number of shares, and the program could be suspended or discontinued at any time. The February 2022 Stock Repurchase Program was terminated on December 29, 2022.

In the year ended December 31, 2022, we repurchased 1,637,566 shares of our common stock for \$8.9 million at an average purchase price of \$5.46 per share. The February 2022 Stock Repurchase Program was terminated on December 29, 2022.

On December 29, 2022, the Board approved a stock repurchase program of up to \$50.0 million of our common stock for a period of up to twelve months (the “December 2022 Stock Repurchase Program”), which terminated and superseded the stock repurchase program that had been approved by the Board on February 23, 2022. Any stock repurchases may be made through open market and privately negotiated transactions, at such times and in such amounts as management deems appropriate, including pursuant to one or more Rule 10b5-1 trading plans adopted in accordance with Rule 10b5-1 of the Securities Exchange Act of 1934, as amended. Additionally, the Board authorized the use of any derivative or similar instrument to effect stock repurchase transactions, including without limitation, accelerated share repurchase contracts, equity forward transactions, equity option transactions, equity swap transactions, cap transactions, collar transactions, naked put options, floor transactions or other similar transactions or any combination of the foregoing transactions. The stock repurchase program was implemented as a method to return value to our stockholders. The timing, pricing and sizes of any repurchases will depend on a number of factors, including the market price of our common stock and general market and economic conditions. The stock repurchase program does not obligate us to repurchase any dollar amount or number of shares, and the program may be suspended or discontinued at any time.

We did not repurchase shares during the three months ended March 31, 2023. As of March 31, 2023, we had \$50.0 million available for repurchase under the December 2022 Stock Repurchase Program.

### **Dividends Payment**

On November 14, 2022, our Board declared a quarterly dividend in the amount of \$0.03 per share, which was paid on January 30, 2023, to stockholders of record on January 15, 2023. In addition, on December 29, 2022, the Board declared a special dividend in the amount of \$0.10 per share, which was paid on January 30, 2023 to stockholders of record on January 15, 2023.

On February 21, 2023, the Board declared a second quarterly dividend, in the amount of \$0.03 per share, which was paid on April 28, 2023 to stockholders of record on April 13, 2023.

On May 10, 2023, we announced that the Board declared a quarterly dividend. The quarterly dividend, in the amount of \$0.03 per share, will be payable, subject to any prior revocation, on July 28, 2023, to shareholders of record on July 13, 2023. Future dividends will be subject to further review and approval by the Board in accordance with applicable law. The Board reserves the right to adjust or withdraw the quarterly dividend in future periods as it reviews the Company’s capital allocation strategy from time-to-time.

## **8. INCOME TAXES**

Provision for income taxes the three months ended March 31, 2023 and 2022 consisted of the following (in thousands):

	Three Months Ended March 31,	
	2023	2022
Income before provision for income taxes	\$ 9,785	\$ 5,637
Provision for income taxes	(1,507)	(561)
Effective tax rate	(15.4)%	(10.0)%

Provision for income taxes for the three months ended March 31, 2023 and 2022 resulted primarily from estimated domestic and foreign taxes included in the calculation of the effective tax rate. We maintain a partial valuation allowance against our U.S. federal deferred tax assets and maintain a full valuation allowance against our U.S. state and Canadian federal deferred tax assets.

As of March 31, 2023, we had unrecognized tax benefits under Accounting Standards Certification (“ASC”) 740 *Income Taxes* of approximately \$7.2 million and applicable interest of \$0.1 million. The total amount of unrecognized tax benefits that would affect our effective tax rate, if recognized, is \$3.2 million. Our policy is to account for interest and penalties related to uncertain tax positions as a component of income tax provision. We do not expect to have any significant changes to unrecognized tax benefits during the next twelve months.

As of March 31, 2023, we had net deferred income tax assets of \$7.0 million and deferred income tax liabilities of \$0.1 million. Because we have net operating loss and credit carryforwards, there are open statutes of limitations in which federal, state, and foreign taxing authorities may examine our tax returns for all years from 2005 through the current period.

We maintain a valuation allowance against certain of our deferred tax assets, including certain federal, all state, and certain foreign deferred tax assets because of uncertainties regarding the realization of the asset balance due to historical losses, the variability of operating results, and uncertainty regarding near term projected results. If we determine the deferred tax assets are realizable based on our assessment of relevant factors, an adjustment to the valuation allowance may increase income in the period such determination is made.

## 9. NET INCOME (LOSS) PER SHARE

Basic net income (loss) per share is computed using the weighted average number of shares of common stock outstanding during the period. Diluted net income (loss) per share is computed using the weighted average number of shares of common stock, adjusted for any dilutive effect of potential common stock. Potential common stock, computed using the treasury stock method, includes stock options, stock awards and ESPP.

The following is a reconciliation of the denominators used in computing basic and diluted net income (loss) per share (in thousands, except per share amounts):

	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>Denominator:</b>		
Weighted-average shares outstanding, basic	32,603	33,996
Shares related to outstanding options, unvested RSUs, RSAs, and PSUs	482	272
Weighted average shares outstanding, diluted	<u>33,085</u>	<u>34,268</u>

We include PSUs in the calculation of diluted earnings per share if the applicable performance condition has been satisfied as of the end of the reporting period and exclude stock equity awards if the performance condition has not been met.

For the three months ended March 31, 2023 and 2022, we had stock options, RSUs, PSUs and RSAs outstanding that could potentially dilute basic earnings per share in the future, but these were excluded from the computation of diluted net income per share because their effect would have been anti-dilutive. These outstanding securities consisted of the following (in thousands):

	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Stock options	140	239
RSUs, RSAs and PSUs	2	55
Total	<u>142</u>	<u>294</u>

## 10. LEASES

We lease our office space under lease arrangements with expiration dates on or before March 31, 2024. We recognize lease expense on a straight-line basis over the lease term. Leases with an initial term of 12 months or less are not recorded on the *Condensed Consolidated Balance Sheets*. We combine lease and non-lease components for new and reassessed leases. We apply discount rates to operating leases using a portfolio approach.

Below is a summary of our right-of-use assets and lease liabilities (in thousands):

	<b>Balance Sheets Classification</b>	<b>March 31,</b>	<b>December 31,</b>
		<b>2023</b>	<b>2022</b>
<b>Assets</b>			
Right-of-use assets	Other assets	\$ 210	\$ 360
<b>Liabilities</b>			
Operating lease liabilities - current	Other current liabilities	263	486
Operating lease liabilities - long-term	Other long-term liabilities	—	56
Total lease liabilities		<u>\$ 263</u>	<u>\$ 542</u>

The table below provides supplemental information related to operating leases during the three months ended March 31, 2023 and 2022 (in thousands except for lease term):

	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Cash paid within operating cash flow	\$ 282	\$ 355
Weighted average lease terms (in years)	0.69	1.11
Weighted average discount rates	N/A	3.93%

On June 6, 2022, we entered into a sublease agreement with Innovobot Fund LLP for our facility located in Montreal Canada (the “Montreal Facility”). This sublease commenced on June 8, 2022, and ends on February 27, 2024 which approximates the lease termination date of the original Montreal Facility lease.

On March 12, 2020, we entered into a sublease agreement with Neato Robotics, Inc. for our facility located in San Jose, California (“SJ Facility”). This sublease commenced in June 2020 and ended on April 30, 2023, which is the lease termination date of the original SJ Facility lease.

In accordance with provisions of ASC 842, we treated each sublease as a separate lease as we were not relieved of the primary obligation under each original lease. We continue to account for each original lease as a lessee, in the same manner as prior to the commencement date of the sublease. We accounted for each sublease as a lessor of such lease. We classified each sublease as an operating lease as it did not meet the criteria of a Sale-Type or Direct Financing lease.

We recognize operating lease expense and lease payments from the sublease, on a straight-line basis, in our *Condensed Consolidated Statements of Income and Comprehensive Income* over the lease terms. During the three months ended March 31, 2023 and 2022, our net operating lease expenses were as follows (in thousands):

	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Operating lease cost	\$ 318	\$ 210
Variable lease payments	128	137
Sublease income	(257)	(257)
Total lease cost	<u>\$ 189</u>	<u>\$ 90</u>

Minimum future lease payments obligations as of March 31, 2023 were as follows (in thousands):

**For the Years Ending December 31,**

2023	\$ 279
2024	39
Total lease payments	318
Less: Interest	(55)
Total lease liability	<u>\$ 263</u>

Future cash receipts from our sublease agreements as of March 31, 2023 were as follows (in thousands):

**For the Years Ending December 31,**

2023	228
2024	33
Total	<u>\$ 261</u>



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

*This Management's Discussion and Analysis of Financial Condition and Results of Operations includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The forward-looking statements involve risks and uncertainties. Forward-looking statements are frequently identified by words such as "anticipates", "believes", "expects", "intends", "may", "can", "will", "places", "estimates", and other similar expressions. However, these words are not the only way we identify forward-looking statements. Examples of forward-looking statements include among other things, any expectations, projections, or other characterizations of future events, or circumstances, and include statements regarding: the continued impact of COVID-19 on our business, including as to revenue, and potential cost reduction measures, and the continued impact of COVID-19 on our customers, suppliers, and on the economy in general; our strategy and our ability to execute our business plan; our competition and the market in which we operate; our customers and suppliers; our revenue and trends related thereto, and the recognition and components thereof; our costs and expenses, including capital expenditures; our investment of surplus funds and sales of marketable debt securities; seasonality and demand; our investment in research and technology development; changes to general and administrative expenses; our foreign operations and the reinvestment of our earnings related thereto; our investment in and protection of our IP; our employees; capital expenditures and the sufficiency of our capital resources; unrecognized tax benefit and tax liabilities; the impact of changes in interest rates and foreign exchange rates, as well as our plans with respect to foreign currency hedging in general; changes in laws and regulations, including with respect to taxes; our plans and estimates related to and the impact of current and future litigation and arbitration; our leases, sublease and the timing and income related thereto; and our dividend, stock repurchase and equity distribution programs.*

*Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Actual results could differ materially from those projected in the forward-looking statements, therefore we caution you not to place undue reliance on these forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, the risk factors contained under Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, filed with the SEC on February 22, 2023 and below under Part II, Item 1A, "Risk Factors."*

*Any forward-looking statements made by us in this report speak only as of the date of this report, and we do not intend to update these forward-looking statements after the filing of this report, unless required to do so by applicable law or regulation. You are urged to review carefully and consider our various disclosures in this report and in our other reports publicly disclosed or filed with the SEC that attempt to advise you of the risks and factors that may affect our business.*

### **OVERVIEW**

We are a premier licensing company focused on the invention, acceleration, and scaling, through licensing, of innovative haptic technologies that allow people to use their sense of touch to engage with products and experience the digital world around them. We are one of the leading experts in haptics, and our focus on innovation allows us to deliver world-class intellectual property ("IP") and technology that enables the creation of products that delight end users. Our technologies are designed to facilitate the creation of high-quality haptic experiences, enable their widespread distribution, and ensure that their playback is optimized. Our primary business is currently in the mobility, gaming, and automotive markets, but we believe our technology is broadly applicable and see opportunities in evolving new markets, including virtual and augmented reality, and wearables, as well as residential, commercial, and industrial Internet of Things. In recent years, we have seen a trend towards broad market adoption of haptic technology. As other companies follow our leadership in recognizing how important tactile feedback can be in people's digital lives, we expect the opportunity to license our IP and technologies will continue to expand.

We have adopted a business model under which we offer licenses to our patented technology to our customers and offer our customers enabling software, related tools and technical assistance designed to integrate our patented technology into our customers' products or enhance the functionality of our patented technology. Our licenses enable our customers to deploy haptically-enabled devices, content and other offerings, which they typically sell under their own brand names. We and our wholly-owned subsidiaries hold more than 1,000 issued or pending patents worldwide as of March 31, 2023. Our patents cover a wide range of digital technologies and ways in which touch-related technology can be incorporated into and between hardware products and components, systems software, application software, and digital content. We believe that our IP is relevant to many of the most important and cutting-edge ways in which haptic technology is and can be deployed, including in connection with mobile interfaces and user interactions, in association with pressure and other sensing technologies, as part of video and interactive content offerings, as related to virtual and augmented reality experiences, and in connection with advanced actuation technologies and techniques. Our portfolio includes numerous patents and patent applications that we believe may become essential to emerging standards in development by Standards Development Organizations ("SDOs") including media standards in development by ISO/IEC Moving Picture Expert Group (MPEG) and software and system standards in development at IEEE-SA.

We were incorporated in 1993 in California and reincorporated in Delaware in 1999.

## Results of Operations

### Overview

Total revenues for the three months ended March 31, 2023 was \$7.1 million, a decrease of \$0.2 million, or 3%, compared to the same period in 2022.

Total operating expenses were \$3.8 million in the three months ended March 31, 2023, a decrease of \$0.1 million, or 3%, compared to the same period in 2022.

Net income was \$8.3 million in the three months ended March 31, 2023, a \$3.2 million, or 63%, increase compared to a net income of \$5.1 million in the three months ended March 31, 2022.

The following table sets forth our *Condensed Consolidated Statements of Income and Comprehensive Income* data as a percentage of total revenues:

	Three Months Ended March 31,	
	2023	2022
<b>Revenues:</b>		
Fixed fee license revenue	17%	24%
Per-unit royalty revenue	82	75
Total royalty and license revenue	99	99
Development, services, and other	1	1
Total revenues	100	100
<b>Operating expenses:</b>		
Sales and marketing	1	7
Research and development	2	7
General and administrative	51	37
Total operating expenses	54	51
<b>Operating income</b>	46	49
Interest and other income (loss), net	92	28
Income before provision for income taxes	138	77
Provision for income taxes	(21)	(8)
<b>Net income</b>	117%	69%

## Revenues

Our revenue is primarily derived from fixed fee license agreements and per-unit royalty agreements, along with less significant revenue earned from development, services and other revenue. Royalty and license revenue is composed of per unit royalties earned based on usage or net sales by licensees and fixed payment license fees charged for our IP and software.

A revenue summary for the three months ended March 31, 2023 and 2022 is as follows (in thousands, except for percentages):

	Three Months Ended March 31,			
	2023	2022	\$ Change	% Change
<b>Revenues:</b>				
Fixed fee license revenue	\$ 1,214	\$ 1,745	\$ (531)	(30)%
Per-unit royalty revenue	5,795	5,485	310	6%
Total royalty and license revenue	7,009	7,230	(221)	(3)%
Development, services, and other revenue	65	78	(13)	(17)%
Total revenues	<u>\$ 7,074</u>	<u>\$ 7,308</u>	<u>\$ (234)</u>	<u>(3)%</u>

### *Royalty and license revenue*

Fixed fee license revenue decreased by \$0.5 million, or 30%, in the first quarter of 2023 compared to the same period in 2022 primarily due to a \$0.5 million decrease in automotive license revenue.

Per-unit royalty revenue increased by \$0.3 million, or 6%, in the first quarter of 2023 compared to the same period in 2022, primarily due to an \$0.7 million increase in royalties from gaming licensees and a \$0.3 million increase in royalties from other licensees partially offset by a \$0.6 million decrease in royalties from mobility licensees.

We expect royalty and license revenue to continue to be a major component of our future revenue as our technology is included in products and we succeed in our efforts to monetize our IP. Our fixed fee license revenue could fluctuate depending upon the timing of execution of new fixed license fee arrangements. We also anticipate that our royalty revenue will fluctuate relative to our customers' unit shipments.

Geographically, revenues generated in Asia, North America and Europe for the three months ended March 31, 2023 represented 84%, 12%, and 4%, respectively, of our total revenue as compared to 75%, 16%, and 9%, respectively, for the three months ended March 31, 2022.

## Operating Expenses

A summary of operating expenses for the three months ended March 31, 2023, and 2022 is as follows (in thousands, except for percentages):

	Three Months Ended March 31,			
	2023	2022	\$ Change	% Change
Sales and marketing	\$ 96	486	\$ (390)	(80)%
Research and development	130	513	(383)	(75)%
General and administrative	3,589	2,706	883	33%

*Sales and Marketing* - Our sales and marketing expenses primarily consisted of employee compensation and benefits, including stock-based compensation; sales commissions; advertising; collateral marketing materials; market development funds; travel; and allocated facilities costs.

Sales and marketing expenses decreased \$0.4 million, or 80%, in the three months ended March 31, 2023, compared to the same period in 2022. This decrease was primarily attributable to decreases in compensation, benefits and other personnel-related costs due to lower headcount and a decrease in stock-based compensation expense.

*Research and Development* - Our research and development expenses primarily consisted of employee compensation and benefits, including stock-based compensation; outside services and consulting fees; tooling and supplies; and allocated facilities costs.

Research and development expenses decreased \$0.4 million, or 75%, in the three months ended March 31, 2023, compared to the same period in 2022. This decrease was primarily attributable to decreases in compensation, benefits and other personnel-related costs due to lower headcount and a decrease in stock-based compensation expense.

*General and Administrative* - Our general and administrative expenses primarily consisted of employee compensation and benefits including stock-based compensation; legal other professional fees; external legal costs for patents; office expense; travel; and allocated facilities costs.

General and administrative expenses increased \$0.9 million, or 33%, in the three months ended March 31, 2023 as compared to the same period in 2022. This increase was primarily due to a \$1.0 million increase in compensation, benefits driven by increases in stock-based compensation expense and variable compensation.

We are engaged in, and may be required to engage in further, litigation to protect our IP, which may cause our general and administrative expenses to substantially increase reflecting such litigation costs.

### Interest and Other Income (Loss)

*Interest and Other Income (loss)* - Interest and other income consists primarily of interest and dividend income from cash and cash equivalents and marketable debt and equity securities, short-term investments realized and unrealized gains (losses) on our marketable equity securities and derivative instruments and realized gains (losses) on our marketable debt securities.

	Three Months Ended March 31,			
	2023	2022	\$ Change	% Change
Interest and other income (loss), net	\$ 6,415	\$ 2,186	4,229	193%
Other income (expense), net	110	(152)	262	(172)%
Interest and other income (loss), net	<u>\$ 6,525</u>	<u>\$ 2,034</u>	<u>\$ 4,491</u>	<u>221%</u>

Interest and other income (loss) increased \$4.2 million during the three months ended March 31, 2023, compared to the same period in 2022, primarily driven by a \$3.6 million increase in net gains from investments in marketable equity securities and derivative instruments and a \$0.7 million increase in interest income.

Other income (expense), net increased \$0.3 million during the three months ended March 31, 2023, compared to the same period in 2022, primarily driven by a \$0.1 million increase in net foreign currency translation gains and a \$0.1 million decrease in interest expense.

**Income Taxes**

A summary of provision for income taxes and effective tax rates for the three months ended March 31, 2023 and 2022 is as follows (in thousands):

	<b>Three Months Ended March 31,</b>			
	<b>2023</b>	<b>2022</b>	<b>\$ Change</b>	<b>% Change</b>
Income before provision for income taxes	\$ 9,785	\$ 5,637		
Provision for income taxes	(1,507)	(561)	(946)	169%
Effective tax rate	<u>(15.4)%</u>	<u>(10.0)%</u>		

Provision for income taxes for the three months ended March 31, 2023, and 2022 resulted primarily from estimated domestic and foreign taxes included in the calculation of the effective tax rate.

We provided a partial valuation allowance for certain U.S. federal assets, whose future realization is not more likely than not and continue to maintain full valuation allowance for state and certain foreign deferred tax assets in Canada as a result of uncertainties regarding the realization of the asset balance due to historical losses, the variability of operating results, and uncertainty regarding near term projected results. In the event that we determine the deferred tax assets are realizable based on an assessment of relevant factors, an adjustment to the valuation allowance may increase income in the period such determination is made. The valuation allowance does not impact our ability to utilize the underlying net operating loss carryforwards.

We also maintain liabilities for uncertain tax positions. As of March 31, 2023, we had unrecognized tax benefits under Accounting Standards Certification ("ASC") 740 *Income Taxes* of approximately \$7.2 million and applicable interest of \$0.1 million. The total amount of unrecognized tax benefits that would affect our effective tax rate, if recognized, is \$3.2 million. We account for interest and penalties related to uncertain tax positions as a component of income tax provision. We do not expect to have any significant changes to unrecognized tax benefits during the next twelve months.

**Liquidity and Capital Resources**

Our cash equivalents, investments - current and investments - noncurrent consist primarily of money-market funds, investments in marketable equity and debt securities (including mutual funds), investments in U.S. treasury securities and certificates of deposit. All marketable securities are stated at market value. Realized gains and losses on marketable equity securities and marketable debt securities are recorded in *Other income (expense), net* on the *Condensed Consolidated Statements of Income and Comprehensive Income*. Unrealized gains and losses on marketable equity securities (including mutual funds) are reported as *Other income (expense), net* on our *Condensed Consolidated Statement of Income and Comprehensive Income*. Unrealized gains and losses on marketable debt securities reported as a component of *Accumulated other comprehensive income* on our *Condensed Consolidated Balance Sheets*. Certificates of deposit are report as *Investment - current* or *Investment -noncurrent* based on their remaining maturity days. Interest income from certificates of deposit are reported as *Interest and other income (loss), net* on the *Condensed Consolidated Statement of Income and Comprehensive Income*.

*Cash, cash equivalents and investments-current* - As of March 31, 2023, our cash, cash equivalents, and investments- current totaled \$148.4 million, a decrease of \$1.3 million from \$149.7 million on December 31, 2022.

A summary of select cash flow information for the three months ended March 31, 2023 and 2022 are as follows (in thousands):

	Three Months Ended March 31,	
	2023	2022
Net cash provided by operating activities	\$ 3,523	\$ 11,038
Net cash provided by (used in) investing activities	\$ (19,708)	\$ 4,833
Net cash used in financing activities	\$ (5,151)	\$ (4,403)

*Cash provided by operating activities* - Our operating activities primarily consists of net income adjusted for certain non-cash items including depreciation and amortization; stock-based compensation expense, deferred income taxes and the effect of changes in operating assets and liabilities.

Net cash provided by operating activities was \$3.5 million in the three months ended March 31, 2023, a \$7.5 million decrease compared to the same period in 2022. This cash decrease was primarily attributable to a \$7.2 million decrease from changes in net operating assets and a \$3.5 million decrease from changes in non-cash items partially offset by a \$3.2 million increase in net income.

*Cash provided by (used in) investing activities* - Our investing activities primarily consist of purchases of marketable securities and other investments and proceeds from disposal of marketable securities and other investments; proceeds from issuance of derivative instruments; payments made to settle derivative instruments and purchases of computer equipment, furniture and leasehold improvements.

Net cash used in investing activities during the three months ended March 31, 2023 was \$19.7 million primarily consisting of \$56.3 million in cash used to purchase marketable securities and in the settlement of derivative instruments partially offset by \$36.6 million in proceeds from selling marketable securities and derivatives.

Net cash provided by investing activities during the three months ended March 31, 2022 was \$4.8 million primarily consisting of \$46.7 million in proceeds from selling marketable securities and derivative instruments partially offset by \$41.9 million in cash used to purchase marketable securities and in the settlement of derivative instruments.

*Cash provided by (used in) financing activities* — Our financing activities primarily consist of cash proceeds from issuance of common stock, proceeds from stock option exercises and stock purchases under our employee stock purchase plan and cash paid for repurchases of our common stock.

Net cash used in financing activities during the three months ended March 31, 2023 was \$5.2 million primarily consisting of \$4.4 million in dividend payments and \$0.8 million in shares withheld to cover payroll taxes..

Net cash used in financing activities during the three months ended March 31, 2022 was \$4.4 million primarily consisting of cash paid for stock repurchases.

Total cash, cash equivalents, and short-term investments were \$148.4 million as of March 31, 2023 of which approximately 30%, or \$44.8 million, was held by our foreign subsidiaries and subject to repatriation tax effects. Our intent is to permanently reinvest a majority of our earnings from foreign operations, and current plans do not anticipate that we will need funds generated from foreign operations to fund our domestic operations.

On November 14, 2022, our Board of Directors (“Board”) declared a quarterly dividend in the amount of \$0.03 per share, which was paid on January 30, 2023, to stockholders of record on January 15, 2023. In addition, on December 29, 2022, our Board declared a special dividend in the amount of \$0.10 per share, which was paid on January 30, 2023, to stockholders of record on January 15, 2023.

On February 21, 2023, our Board declared a second quarterly dividend, in the amount of \$0.03 per share, which was paid on April 28, 2023, to stockholders of record on April 13, 2023.

On May 10, 2023, we announced that the Board declared a quarterly dividend. The quarterly dividend, in the amount of \$0.03 per share, will be payable, subject to any prior revocation, on July 28, 2023, to shareholders of record on July 13, 2023. Future dividends will be subject to further review and approval by the Board in accordance with applicable law. The Board reserves the right to adjust or withdraw the quarterly dividend in future periods as it reviews the Company’s capital allocation strategy from time-to-time.

We may continue to invest in, protect, and defend our extensive IP portfolio, which can result in the use of cash in the event of litigation.

On December 29, 2022, the Board approved a stock repurchase program of up to \$50.0 million of our common stock for a period of up to twelve months (the “December 2022 Stock Repurchase Program”), which terminated and superseded the stock repurchase program that had been approved by our Board on February 23, 2022. Any stock repurchases may be made through open market and privately negotiated transactions, at such times and in such amounts as management deems appropriate, including pursuant to one or more Rule 10b5-1 trading plans adopted in accordance with Rule 10b5-1 of the Exchange Act. Additionally, the Board authorized the use of any derivative or similar instrument to effect stock repurchase transactions, including without limitation, accelerated share repurchase contracts, equity forward transactions, equity option transactions, equity swap transactions, cap transactions, collar transactions, naked put options, floor transactions or other similar transactions or any combination of the foregoing transactions. The December 2022 Stock Repurchase Program was implemented as a method to return value to our stockholders. The timing, pricing and sizes of any repurchases will depend on a number of factors, including the market price of our common stock and general market and economic conditions. The December 2022 Stock Repurchase Program does not obligate us to repurchase any dollar amount or number of shares, and the program may be suspended or discontinued at any time.

We did not repurchase shares during the three months ended March 31, 2023. As of March 31, 2023, we had \$50.0 million available for repurchase under the December 2022 Stock Repurchase Program.

We did not have any other significant non-cancellable purchase commitments as of March 31, 2023.

We anticipate that capital expenditures for property and equipment for the remainder of 2023 will be less than \$1.0 million.

While the unprecedented public health and governmental efforts to contain the spread of COVID-19 have created significant uncertainty as to general economic and capital market conditions in the past, as of the date of this Quarterly Report on Form 10-Q, we believe we have sufficient capital resources to meet our working capital needs for the next twelve months and beyond.

### **Critical Accounting Estimates**

Our discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The preparation of these condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates and assumptions, including those related to revenue recognition, marketable securities and derivative instruments, income taxes and contingencies. We base our estimates and assumptions on historical experience and on various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates and assumptions.

Please refer to *Management's Discussion and Analysis of Financial Condition and Results of Operations* contained in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on February 22, 2023, for a complete discussion of our critical accounting policies and estimates. The preparation of financial statements and related disclosures in conformity with U.S. GAAP and our discussion and analysis of our financial condition and operating results require the management to make judgments, assumptions and estimates that affect the amounts reported. See *Note 1. Significant Accounting Policies* of the *Notes to Condensed Consolidated Financial Statements* in Part I, Item 1 herein, which describes the significant accounting policies and methods used in the preparation of our condensed consolidated financial statements. Management bases its estimates on historical experience and on various other assumptions it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities.

### **Recent Accounting Pronouncements**

See *Note 1. Significant Accounting Policies* of the *Notes to Condensed Consolidated Financial Statements* for information regarding the effect of new accounting pronouncements on our financial statements.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Not applicable.

### **Item 4. Control and Procedures**

Based on their evaluation as of March 31, 2023, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were effective to ensure that the information required to be disclosed by us in this Quarterly Report on Form 10-Q was (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and regulations and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

There were no changes to internal controls over financial reporting that occurred during the quarter ended March 31, 2023, that have materially affected or are reasonably likely to materially affect our internal controls over financial reporting.

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls over financial reporting will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within Immersion, have been detected.



## PART II

### Item 1. *Legal Proceedings*

#### *Immersion Corporation vs. Meta Platforms, Inc., f/k/a Facebook, Inc. (“Meta”)*

On May 26, 2022, we filed a complaint against Meta in the United States District Court for the Western District of Texas. The complaint alleges that Meta’s augmented and virtual reality (“AR/VR”) systems, including the Meta Quest 2, infringe six of our patents that cover various uses of haptic effects in connection with such AR/VR systems. We are seeking to enjoin Meta from further infringement and to recover a reasonable royalty for such infringement.

The complaint against Meta asserts infringement of the following patents:

- U.S. Patent No. 8,469,806: “System and method for providing complex haptic stimulation during input of control gestures, and relating to control of virtual equipment”
- U.S. Patent No. 8,896,524: “Context-dependent haptic confirmation system”
- U.S. Patent No. 9,727,217: “Haptically enhanced interactivity with interactive content”
- U.S. Patent No. 10,248,298: “Haptically enhanced interactivity with interactive content”
- U.S. Patent No. 10,269,222: “System with wearable device and haptic output device”
- U.S. Patent No. 10,664,143: “Haptically enhanced interactivity with interactive content”

Meta responded to our complaint on August 1, 2022. On September 12, 2022, Meta filed a motion to transfer the lawsuit to the Northern District of California or, in the alternative, to the Austin Division of the Western District of Texas. Meta’s motion remains pending, and a hearing on the transfer motion occurred on January 23, 2023. In the meantime, claim construction briefing is closed, and fact discovery opened on February 7, 2023. The claim construction hearing was scheduled for March 6, 2023, but had been rescheduled by the Court for April 24, 2023, and again rescheduled to May 11, 2023.

#### *Immersion Corporation vs. Xiaomi Group*

On or about March 3, 2023, we initiated patent infringement lawsuits against several companies of the Xiaomi-Group (the “Xiaomi-Group”) in Germany, France and India. We initiated lawsuits against Xiaomi-Group companies and their agents in the Düsseldorf Regional Court in Germany, the *Tribunal judiciaire de Paris* (Paris First Instance Civil Court) in France, and the High Court of Delhi, at New Delhi, in India.

The complaints allege that the Xiaomi-Group’s devices, including the Xiaomi 12, infringe our patents that cover various uses of haptic effects in connection with such devices. We are seeking injunctions that would allow us to prohibit the Xiaomi-Group from selling the infringing devices in Germany, France and India, as well as costs and damages as compensation for such infringement.

The complaints against the Xiaomi-Group assert infringement of the following patents:

- EP 2 463 752 B1 (German part) titled “*Haptisches Feedback-System mit gespeicherten Effekten*”
- EP 2 463 752 B1 (French part) titled “*Système de rendu haptique avec stockage d’effets*”
- IN 304 396 (India) titled “*Haptic Feedback System With Stored Effects*”

#### *LGE Korean Withholding Tax Matter*

On October 16, 2017, we received a letter from LG Electronics Inc. (“LGE”) requesting that we reimburse LGE with respect to withholding tax imposed on LGE by the Korean tax authorities following an investigation where the tax authority determined that LGE failed to withhold on LGE’s royalty payments to Immersion Software Ireland, a subsidiary of the Company, from 2012 to 2014. Pursuant to an agreement reached with LGE, on April 8, 2020, we provided a provisional deposit to LGE in the amount of KRW 5,916,845,454 (approximately \$5.0 million) representing the amount of such withholding tax that was imposed on LGE, which provisional deposit would be returned to us to the extent we ultimately prevail in the appeal in the Korean courts. In the second quarter of 2020, we recorded this deposit as *Long-term deposits* on our *Condensed Consolidated Balance Sheets*.

On November 3, 2017, on behalf of LGE, we filed an appeal with the Korea Tax Tribunal regarding their findings with respect to the withholding taxes. The Korea Tax Tribunal hearing took place on March 5, 2019. On March 19, 2019, the Korea Tax Tribunal issued its ruling in which it decided not to accept our arguments with respect to the Korean tax authorities’ assessment of withholding tax and penalties imposed on LGE. On behalf of LGE, we filed an appeal with the Korea Administrative Court on June 10, 2019. The Company has had numerous hearings before the Korea Administrative Court in the years 2019 through 2022. The Korea Administrative Court had indicated that it expected to render a decision on this matter by December 31, 2022, but had subsequently updated the parties to indicate that a decision on this matter is expected by February 16, 2023. On February 15, 2023, we were informed that the Korea Administrative Court had scheduled another hearing for April 27, 2023 due to a change in the main judge for this matter. We had a hearing on April 27, 2023, and the Korea Administrative Court indicated that it expects to render a decision on this matter by June 8, 2023.

On April 25, 2023, we received notice from LGE requesting us to reimburse LGE with respect to withholding tax imposed on LGE by the Korean tax authorities following a recent tax audit of LGE for the years 2018 through 2022 in the amount of KRW 3,025,251,775 (approximately \$2.3 million). We are currently evaluating our next steps with respect to the reimbursement of such withholding taxes in accordance with our obligations pursuant to the license agreement with LGE. As of March 31, 2023, we have accrued \$0.3 million of withholding taxes, interest and penalties related to the 2018 to 2022 period for which the Korean tax authorities have recently assessed LGE. The additional income tax is accrued in Other Current Liabilities in our Condensed Consolidated Balance Sheets.

Based on the developments in these cases, we regularly reassess the likelihood that we will prevail in some or all the claims from the Korean tax authorities. To the extent that we determine that it is more likely than not that we will prevail against the claims from the Korean tax authorities, then no additional tax expense is provided for in our *Condensed Consolidated Statements of Income and Comprehensive Income*. In the event that we determine that it is more likely than not that we will not prevail against the claims from the Korean tax authorities, or a portion thereof, then we would estimate the anticipated additional tax expense associated with that outcome and record it as additional income tax expense in our *Condensed Consolidated Statements of Income and Comprehensive Income* in the period of the new determination. If the additional income tax expense was related to the periods assessed by Korean tax authorities and for which we recorded in *Long-term deposits* on our *Condensed Consolidated Balance Sheets*, then the additional income tax expense would be recorded as an impairment in the *Long-term deposits*. If the additional income tax expense was not related to the periods assessed by Korean tax authorities and for which we recorded a *Long-term deposits* on our *Condensed Consolidated Balance Sheets*, then the additional income tax expense would be accrued as an *Other current liabilities*.

We cannot predict the ultimate outcome of the above-mentioned actions that are pending, and we are unable to estimate any potential liability we may incur. Please also refer to our disclosures in Note 5. *Contingencies of the Note to the Condensed Consolidated Financial Statements*.

## **Item 1A. Risk Factors**

There have been no material changes to the risk factors disclosed in Part I, Item 1A, “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on February 22, 2023, except as set forth below. The risk factor set forth below supplements, and should be read together with, that section for disclosures regarding what we believe are the more significant risks and uncertainties related to our businesses

***Our business strategy includes acquisitions, and acquisitions entail numerous risks, including the risk of management diversion and increased costs and expenses, all of which could negatively affect the Company’s profitability.***

Our business strategy includes, among other things, strategic acquisitions, as well as potential opportunistic acquisitions and strategic actions with respect to our existing investments, such as restructurings, strategic partnerships and collaborations and activist activity. This overall acquisition and investment strategy entails several risks, including the diversion of management’s attention from other business concerns, the incurrence of substantial legal and other advisory fees (including, in the case of activist activity, proxy solicitation fees) and the potential need to finance such acquisitions with additional equity and/or debt. Additionally, to the extent that we are already invested in the entities that are the subject of our acquisitions and other activities, our actions may be temporarily disruptive to the value of the investments, which could adversely affect our financial condition.

In addition, once completed, acquisitions may entail further risks, including: unanticipated costs and liabilities of the acquired businesses, including environmental liabilities, that could materially adversely affect our results of operations; increased regulatory compliance relating to the acquired business; difficulties in assimilating acquired businesses, their personnel and their financial reporting systems, which would prevent the expected benefits from the transaction from being realized within the anticipated timeframe; negative effects on existing business relationships with suppliers and customers; and loss of key employees of the acquired businesses. In addition, any future acquisitions could result in the incurrence of additional debt and related interest expense, contingent liabilities and amortization expense related to intangible assets, which could have a material adverse effect on our business, financial condition, operating results and cash flows, or the issuance of additional equity, which could dilute our stockholder’s equity interests.

There can be no assurance that we will be able to negotiate any pending acquisition successfully, receive the required approvals for any acquisition or otherwise conclude any acquisition successfully, or that any acquisition will achieve the anticipated synergies or other positive results. Overall, if our acquisition strategy is not successful or if acquisitions are not well integrated into our existing operations, the Company’s profitability, business, and financial condition could be negatively affected.

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

### ***Stock Repurchase Program***

On December 29, 2022, the Board approved the December 2022 Stock Repurchase Program, which terminated and superseded the stock repurchase program that had been approved by our Board on February 23, 2022. Any stock repurchases may be made through open market and privately negotiated transactions, at such times and in such amounts as management deems appropriate, including pursuant to one or more Rule 10b5-1 trading plans adopted in accordance with Rule 10b5-1 of the Exchange Act. Additionally, the Board authorized the use of any derivative or similar instrument to effect stock repurchase transactions, including without limitation, accelerated share repurchase contracts, equity forward transactions, equity option transactions, equity swap transactions, cap transactions, collar transactions, naked put options, floor transactions or other similar transactions or any combination of the foregoing transactions. The December 2022 Stock Repurchase Program was implemented as a method to return value to our stockholders. The timing, pricing and sizes of any repurchases will depend on a number of factors, including the market price our common stock and general market and economic conditions. The stock repurchase program does not obligate us to repurchase any dollar amount or number of shares, and the program may be suspended or discontinued at any time.

We did not repurchase shares during the three months ended March 31, 2023. As of March 31, 2023, we had \$50.0 million available for repurchase under the December 2022 Stock Repurchase Program.

**ITEM 6. EXHIBITS**

The exhibits listed in the accompanying “Exhibit Index” are filed or incorporated by reference as part of this Form 10-Q.

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
<a href="#">3.1</a>	<a href="#">Amended and Restated Bylaws of Immersion Corporation, effective as of August 12, 2022</a>	8-K	000-38334	3.1	August 15, 2022
<a href="#">3.2</a>	<a href="#">Amended and Restated Certificate of Incorporation of Immersion Corporation</a>	8-K	000-27969	3.1	June 7, 2017
<a href="#">3.3</a>	<a href="#">Certificate of Designation of the Powers, Preferences and Rights of Series A Redeemable Convertible Preferred Stock</a>	8-K	000-27969	3.1	July 29, 2003
<a href="#">3.4</a>	<a href="#">Amended and Restated Certificate of Designations of Series B Participating Preferred Stock of Immersion Corporation</a>	8-K	000-27969	3.1	November 17, 2021
<a href="#">10.1</a>	** <a href="#">Amended and Restated Change of Control and Severance Agreement, dated January 3, 2023, between Immersion Corporation and Eric Singer</a>	8-K	000-38334	10.2	January 3, 2023
<a href="#">10.2</a>	* <a href="#">Separation Agreement, dated March 30, 2023 by and between Francis Jose and Immersion Corporation Change of Control and Severance Agreement, dated May 26, 2022, by and between the Company and Francis Jose</a>	8-K	000-38334	10.1	March 30, 2023
<a href="#">10.3</a>	* <a href="#">Amended and Restated Immersion Corporation 2021 Equity Incentive Plan</a>				
<a href="#">31.1</a>	* <a href="#">Certification of Eric Singer, Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>				
<a href="#">31.2</a>	* <a href="#">Certification of Aaron Akerman, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>				
<a href="#">32.1</a>	+ <a href="#">Certification of Eric Singer, Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>				
<a href="#">32.2</a>	+ <a href="#">Certification of Aaron Akerman, Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>				
101.INS	* XBRL Report Instance Document				
101.SCH	* XBRL Taxonomy Extension Schema Document				
101.CAL	* XBRL Taxonomy Calculation Linkbase Document				
101.DEF	* XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB	* XBRL Taxonomy Label Linkbase Document				
101.PRE	* XBRL Presentation Linkbase Document				
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)				

\* Filed herewith

+ This certification is deemed not filed for purposes of section 18 of the Exchange Act, as amended, or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act, as amended, or the Exchange Act, as amended.

\*\* Management Contract

**SIGNATURES**

Pursuant to the requirements of the Exchange Act, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: May 11, 2023

IMMERSION CORPORATION

By \_\_\_\_\_  
/s/ AARON AKERMAN  
Aaron Akerman  
*Chief Financial Officer*

IMMERSION CORPORATION  
2021 EQUITY INCENTIVE PLAN  
(as amended and restated January 20, 2023)

1. **PURPOSE.** The purpose of this Plan is to provide incentives to attract, retain and motivate eligible persons whose present and potential contributions are important to the success of the Company, and any Parents and Subsidiaries that exist now or in the future, by offering them an opportunity to participate in the Company's future performance through the grant of Awards. Capitalized terms not defined elsewhere in the text are defined in Section 28.

2. **SHARES SUBJECT TO THE PLAN.**

2.1 **Number of Shares Available.** Subject to Sections 2.5 and 21 and any other applicable provisions hereof, the total number of Shares reserved and available for grant and issuance pursuant to this Plan as of the Effective Date of the Plan is 8,146,607 Shares plus shares that are subject to stock options or other awards granted under the Company's 2011 Equity Incentive Plan (the "**Prior 2011 Plan**") that cease to be subject to such awards after the Effective Date for any reason other than the exercise, vesting or settlement thereof and, had the award been granted under this Plan, would have again become available for grant and issuance in connection with subsequent Awards under this Plan pursuant to Section 2.2 hereof (up to a maximum of 855,351 Shares). Any Award shall reduce the number of Shares available for issuance under this Plan at the rate of one (1) for one (1) if such Shares were subject to an Option or SAR and at the rate of one and three quarters (1.75) for one (1) if subject to an Award other than an Option or SAR.

2.2 **Lapsed, Returned Awards.** Shares subject to Awards, and Shares issued under the Plan under any Award, will again be available for grant and issuance in connection with subsequent Awards under this Plan to the extent such Shares: (a) are subject to issuance upon exercise of an Option or SAR granted under this Plan but which cease to be subject to the Option or SAR for any reason other than exercise of the Option or SAR; (b) are subject to Awards granted under this Plan that are forfeited or are repurchased by the Company at the original issue price; (c) are subject to Awards granted under this Plan that otherwise terminate without such Shares being issued; or (d) are surrendered pursuant to an Exchange Program. The following Shares may not again be made available for future grant and issuance as Awards under the Plan: (i) Shares that are withheld to pay the exercise or purchase price of an Award or to satisfy any tax withholding obligations in connection with an Award, (ii) Shares not issued or delivered as a result of the net settlement of an outstanding Option or SAR or (iii) shares of the Company's Common Stock repurchased on the open market with the proceeds of an Option exercise price. To the extent that any Award is forfeited, repurchased or terminates without Shares being issued, Shares may again be available for issuance under this Plan at the rate of one (1) for one (1) if such shares were subject to an Option or SAR and at the rate of one and three quarters (1.75) for one (1) if subject to an Award other than an Option or SAR.

2.3 **Minimum Share Reserve.** At all times the Company shall reserve and keep available a sufficient number of Shares as shall be required to satisfy the requirements of all outstanding Awards granted under this Plan.

2.4 **Limitations.** No more than 20,000,000 Shares shall be issued pursuant to the exercise of ISOs.

2.5 **Adjustment of Shares.** If the number of outstanding Shares is changed by an extraordinary cash dividend, stock dividend, recapitalization, stock split, reverse stock split, subdivision, combination, reclassification or similar change in the capital structure of the Company, without consideration, then (a) the number of Shares reserved for issuance and future grant under the Plan set forth in Sections 2.1 or 2.2, (b) the Exercise Prices of and number of Shares subject to outstanding Options and SARs, (c) the number of Shares subject to other outstanding Awards, (d) the maximum number of Shares that may be issued as ISOs set forth in Section 2.4, (e) the maximum number of Shares that may be issued to an individual or to a new Employee in any one calendar year set forth in Section 3 and (f) the number of Shares that are granted as Awards to Non-Employee Directors as set forth in Section 12, shall be proportionately adjusted, subject to any required action by the Board or the stockholders of the Company and in compliance with applicable securities laws; provided that fractions of a Share will not be issued.

2.6 Vesting Restriction. No portion of any Award shall have an initial vesting period pursuant to which vesting occurs prior to the first anniversary of the date of grant of the Award; provided, that the Committee may accelerate vesting on a discretionary basis. For purposes of Awards to Non-Employee Directors, a vesting period will be deemed to be one year if it runs from the date of one annual meeting of the Company's stockholders to the earlier of: (i) the one-year anniversary of the date of grant of such Award, and (ii) immediately prior to the next annual stockholders' meeting. Notwithstanding the foregoing, up to 5% of the Shares authorized for grant pursuant to Section 2.1 may be granted with a minimum vesting schedule of less than one year.

3. ELIGIBILITY. ISOs may be granted only to Employees. All other Awards may be granted to Employees, Consultants, Directors and Non-Employee Directors of the Company or any Parent or Subsidiary of the Company; provided such Consultants, Directors and Non-Employee Directors render bona fide services not in connection with the offer and sale of securities in a capital-raising transaction. No Participant will be eligible to receive an Award for more than one million (1,000,000) Shares in any calendar year under this Plan except that new Employees of the Company or a Parent or Subsidiary of the Company (including new Employees who are also officers and directors of the Company or any Parent or Subsidiary of the Company) are eligible to receive an Award for up to a maximum of two million (2,000,000) Shares in the calendar year in which they commence their employment.

#### 4. ADMINISTRATION.

4.1 Committee Composition; Authority. This Plan will be administered by the Committee or by the Board acting as the Committee. Subject to the general purposes, terms and conditions of this Plan, and to the direction of the Board, the Committee will have full power to implement and carry out this Plan, except, however, the Board shall establish the terms for the grant of an Award to Non-Employee Directors. The Committee will have the authority to:

- (a) construe and interpret this Plan, any Award Agreement and any other agreement or document executed pursuant to this Plan;
- (b) prescribe, amend and rescind rules and regulations relating to this Plan or any Award;
- (c) select persons to receive Awards;
- (d) determine the form and terms and conditions, not inconsistent with the terms of the Plan, of any Award granted hereunder. Such terms and conditions include, but are not limited to, the exercise price, the time or times when Awards may vest and be exercised or settled (which may be based on performance criteria), any vesting acceleration or waiver of forfeiture restrictions, the method to satisfy tax withholding obligations or any other tax liability and any restriction or limitation regarding any Award or the Shares relating thereto, based in each case on such factors as the Committee will determine;
- (e) determine the number of Shares or other consideration subject to Awards;
- (f) determine the Fair Market Value in good faith, if necessary;
- (g) determine whether Awards will be granted singly, in combination with, in tandem with, in replacement of, or as alternatives to, other Awards under this Plan or any other incentive or compensation plan of the Company or any Parent or Subsidiary of the Company;
- (h) grant waivers of Plan or Award conditions;
- (i) determine the vesting (subject to Section 2.6), exercisability and payment of Awards;

- (j) correct any defect, supply any omission or reconcile any inconsistency in this Plan, any Award or any Award Agreement;
- (k) determine whether an Award has been earned;
- (l) subject to Section 18, determine the terms and conditions of any, and to institute any Exchange Program;
- (m) reduce or waive any criteria with respect to Performance Factors;
- (n) adjust Performance Factors to take into account changes in law and accounting or tax rules as the Committee deems necessary or appropriate to reflect the impact of extraordinary or unusual items, events or circumstances to avoid windfalls or hardships;
- (o) adopt rules and/or procedures (including the adoption of any subplan under this Plan and country addenda to Award Agreements) relating to the operation and administration of the Plan to accommodate grants to Participants residing outside of the United States;
- (p) delegate any of the foregoing to a subcommittee consisting of one or more executive officers pursuant to a specific delegation as permitted by applicable law, including Section 157(c) of the Delaware General Corporation Law; and
- (q) make all other determinations necessary or advisable for the administration of this Plan.

4.2 Committee Interpretation and Discretion. Any determination made by the Committee with respect to any Award shall be made in its sole discretion at the time of grant of the Award or, unless in contravention of any express term of the Plan or Award, at any later time, and such determination shall be final and binding on the Company and all persons having an interest in any Award under the Plan. Any dispute regarding the interpretation of the Plan or any Award Agreement shall be submitted by the Participant or Company to the Committee for review. The resolution of such a dispute by the Committee shall be final and binding on the Company and the Participant. The Committee may delegate to one or more executive officers the authority to review and resolve disputes with respect to Awards held by Participants who are not Insiders, and such resolution shall be final and binding on the Company and the Participant.

4.3 Section 16 of the Exchange Act. Awards granted to Participants who are subject to Section 16 of the Exchange Act must be approved by two or more “non-employee directors” (as defined in the regulations promulgated under Section 16 of the Exchange Act).

4.4 Documentation. The Award Agreement for a given Award, the Plan and any other documents may be delivered to, and accepted by, a Participant or any other person in any manner (including electronic distribution or posting) that meets applicable legal requirements.

4.5 Foreign Award Recipients. Notwithstanding any provision of the Plan to the contrary, in order to comply with the laws in other countries in which the Company and any Subsidiary operate or have employees or other individuals eligible for Awards, the Committee, in its sole discretion, shall have the power and authority to: (a) determine which Subsidiary shall be covered by the Plan; (b) determine which individuals outside the United States are eligible to participate in the Plan; (c) modify the terms and conditions of any Award granted to individuals outside the United States; (d) establish subplans and addenda to Award Agreements and modify exercise procedures and other terms and procedures, to the extent the Committee determines such actions to be necessary or advisable (and such subplans and/or modifications shall be attached to this Plan as appendices and any addenda to the Award Agreements); provided, however, that no such subplans, addenda to Award Agreements and/or modifications shall increase the share limitations contained in Section 2.1 hereof; and (e) take any action, before or after an Award is made, that the Committee determines to be necessary or advisable to obtain approval or comply with any local governmental regulatory exemptions or approvals. Notwithstanding the foregoing, the Committee may not take any actions hereunder, and no Awards shall be granted, that would violate the Exchange Act or any other applicable United States securities law, the Code, or any other applicable United States governing statute or law.



5. **OPTIONS.** The Committee may grant Options to Participants and will determine whether such Options will be Incentive Stock Options within the meaning of the Code (“*ISOs*”) or Nonqualified Stock Options (“*NQSOs*”), the number of Shares subject to the Option, the Exercise Price of the Option, the period during which the Option may vest and be exercised, and all other terms and conditions of the Option, subject to the following:

5.1 **Option Grant.** Each Option granted under this Plan will identify the Option as an ISO or an NQSO. An Option may be, but need not be, awarded upon satisfaction of such Performance Factors during any Performance Period as are set out in advance in the Participant’s individual Award Agreement. If the Option is being earned upon the satisfaction of Performance Factors, then the Committee will: (x) determine the nature, length and starting date of any Performance Period for each Option; and (y) select from among the Performance Factors to be used to measure the performance, if any. Performance Periods may overlap and Participants may participate simultaneously with respect to Options that are subject to different performance goals and other criteria.

5.2 **Date of Grant.** The date of grant of an Option will be the date on which the Committee makes the determination to grant such Option, or a specified future date. The Award Agreement and a copy of this Plan will be delivered to the Participant within a reasonable time after the granting of the Option.

5.3 **Exercise Period.** Options may be vested and exercisable within the times or upon the conditions as set forth in the Award Agreement governing such Option; provided, however, that no Option will be exercisable after the expiration of seven (7) years from the date the Option is granted; and provided further that no ISO granted to a person who, at the time the ISO is granted, directly or by attribution owns more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or of any Parent or Subsidiary of the Company (“**Ten Percent Stockholder**”) will be exercisable after the expiration of five (5) years from the date the ISO is granted. The Committee also may provide for Options to become exercisable at one time or from time to time, periodically or otherwise, in such number of Shares or percentage of Shares as the Committee determines.

5.4 **Exercise Price.** The Exercise Price of an Option will be determined by the Committee when the Option is granted; provided that: (i) the Exercise Price of an Option will be not less than one hundred percent (100%) of the Fair Market Value of the Shares on the date of grant and (ii) the Exercise Price of any ISO granted to a Ten Percent Stockholder will not be less than one hundred ten percent (110%) of the Fair Market Value of the Shares on the date of grant. Payment for the Shares purchased may be made in accordance with Section 11 and the Award Agreement and in accordance with any procedures established by the Company.

5.5 **Method of Exercise.** Any Option granted hereunder will be vested and exercisable according to the terms of the Plan and at such times and under such conditions as determined by the Committee and set forth in the Award Agreement. An Option may not be exercised for a fraction of a Share. An Option will be deemed exercised when the Company receives: (i) notice of exercise (in such form as the Committee may specify from time to time) from the person entitled to exercise the Option (and/or via electronic execution through the authorized third party administrator), and (ii) full payment for the Shares with respect to which the Option is exercised (together with applicable withholding taxes). Full payment may consist of any consideration and method of payment authorized by the Committee and permitted by the Award Agreement and the Plan. Shares issued upon exercise of an Option will be issued in the name of the Participant. Until the Shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a stockholder will exist with respect to the Shares, notwithstanding the exercise of the Option. The Company will issue (or cause to be issued) such Shares promptly after the Option is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 2.5 of the Plan. Exercising an Option in any manner will decrease the number of Shares thereafter available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

5.6 Termination. The exercise of an Option will be subject to the following (except as may be otherwise provided in an Award Agreement):

(a) If the Participant is Terminated for any reason except for Cause or the Participant's death or Disability, then the Participant may exercise such Participant's Options only to the extent that such Options would have been exercisable by the Participant on the Termination Date no later than three (3) months after the Termination Date (or such shorter time period or longer time period not exceeding five (5) years as may be determined by the Committee, with any exercise beyond three (3) months after the Termination Date deemed to be the exercise of an NQSO), but in any event no later than the expiration date of the Options.

(b) If the Participant is Terminated because of the Participant's death (or the Participant dies within three (3) months after a Termination other than for Cause or because of the Participant's Disability), then the Participant's Options may be exercised only to the extent that such Options would have been exercisable by the Participant on the Termination Date and must be exercised by the Participant's legal representative, or authorized assignee, no later than twelve (12) months after the Termination Date (or such shorter time period not less than six (6) months or longer time period not exceeding five (5) years as may be determined by the Committee, but in any event no later than the expiration date of the Options.

(c) If the Participant is Terminated because of the Participant's Disability, then the Participant's Options may be exercised only to the extent that such Options would have been exercisable by the Participant on the Termination Date and must be exercised by the Participant (or the Participant's legal representative or authorized assignee) no later than twelve (12) months after the Termination Date (with any exercise beyond (a) three (3) months after the Termination Date when the Termination is for a Disability that is not a "permanent and total disability" as defined in Section 22(e)(3) of the Code, or (b) twelve (12) months after the Termination Date when the Termination is for a Disability that is a "permanent and total disability" as defined in Section 22(e)(3) of the Code, deemed to be exercise of an NQSO), but in any event no later than the expiration date of the Options.

(d) If the Participant is terminated for Cause, then Participant's Options shall expire on such Participant's Termination Date, or at such later time and on such conditions as are determined by the Committee, but in any no event later than the expiration date of the Options.

5.7 Limitations on Exercise. The Committee may specify a minimum number of Shares that may be purchased on any exercise of an Option, provided that such minimum number will not prevent any Participant from exercising the Option for the full number of Shares for which it is then exercisable.

5.8 Limitations on ISOs. With respect to Awards granted as ISOs, to the extent that the aggregate Fair Market Value of the Shares with respect to which such ISOs are exercisable for the first time by the Participant during any calendar year (under all plans of the Company and any Parent or Subsidiary) exceeds one hundred thousand dollars (\$100,000), such Options will be treated as NQSOs. For purposes of this Section 5.8, ISOs will be taken into account in the order in which they were granted. The Fair Market Value of the Shares will be determined as of the time the Option with respect to such Shares is granted. In the event that the Code or the regulations promulgated thereunder are amended after the Effective Date to provide for a different limit on the Fair Market Value of Shares permitted to be subject to ISOs, such different limit will be automatically incorporated herein and will apply to any Options granted after the effective date of such amendment.

5.9 Modification, Extension or Renewal. The Committee may modify, extend or renew outstanding Options and authorize the grant of new Options in substitution therefore, provided that any such action may not, without the written consent of a Participant, impair any of such Participant's rights under any Option previously granted. Subject to Section 18, the Committee may (a) reduce the Exercise Price of outstanding Options or (b) grant Options in substitution for cancelled options or other Awards authorized under the Plan. Any outstanding ISO that is modified, extended, renewed or otherwise altered will be treated in accordance with Section 424(h) of the Code.

5.10 No Disqualification. Notwithstanding any other provision in this Plan, no term of this Plan relating to ISOs will be interpreted, amended or altered, nor will any discretion or authority granted under this Plan be exercised, so as to disqualify this Plan under Section 422 of the Code or, without the consent of the Participant affected, to disqualify any ISO under Section 422 of the Code.

## 6. RESTRICTED STOCK AWARDS.

6.1 Awards of Restricted Stock. A Restricted Stock Award is an offer by the Company to sell to a Participant Shares that are subject to restrictions (“**Restricted Stock**”). The Committee will determine to whom an offer will be made, the number of Shares the Participant may purchase, the Purchase Price, the restrictions under which the Shares will be subject and all other terms and conditions of the Restricted Stock Award, subject to the Plan.

6.2 Restricted Stock Purchase Agreement. All purchases under a Restricted Stock Award will be evidenced by an Award Agreement. Except as may otherwise be provided in an Award Agreement, a Participant accepts a Restricted Stock Award by signing and delivering to the Company an Award Agreement with full payment of the Purchase Price, within thirty (30) days from the date the Award Agreement was delivered to the Participant. If the Participant does not accept such Award within thirty (30) days, then the offer of such Restricted Stock Award will terminate, unless the Committee determines otherwise.

6.3 Purchase Price. The Purchase Price for a Restricted Stock Award will be determined by the Committee and may be less than Fair Market Value on the date the Restricted Stock Award is granted. Payment of the Purchase Price must be made in accordance with Section 11 of the Plan, and the Award Agreement and in accordance with any procedures established by the Company.

6.4 Terms of Restricted Stock Awards. Restricted Stock Awards will be subject to such restrictions as the Committee may impose or are required by law. These restrictions may be based on completion of a specified number of years of service with the Company or upon completion of Performance Factors, if any, during any Performance Period as set out in advance in the Participant’s Award Agreement. Prior to the grant of a Restricted Stock Award, the Committee shall: (a) determine the nature, length and starting date of any Performance Period for the Restricted Stock Award; (b) select from among the Performance Factors to be used to measure performance goals, if any; and (c) determine the number of Shares that may be awarded to the Participant. Performance Periods may overlap and a Participant may participate simultaneously with respect to Restricted Stock Awards that are subject to different Performance Periods and having different performance goals and other criteria.

6.5 Termination of Participant. Except as may be set forth in the Participant’s Award Agreement, vesting ceases on such Participant’s Termination Date (unless determined otherwise by the Committee).

## 7. STOCK BONUS AWARDS.

7.1 Awards of Stock Bonuses. A Stock Bonus Award is an award to an eligible person of Shares for services to be rendered or for past services already rendered to the Company or any Parent or Subsidiary. All Stock Bonus Awards shall be made pursuant to an Award Agreement. No payment from the Participant will be required for Shares awarded pursuant to a Stock Bonus Award.

7.2 Terms of Stock Bonus Awards. The Committee will determine the number of Shares to be awarded to the Participant under a Stock Bonus Award and any restrictions thereon. These restrictions may be based upon completion of a specified number of years of service with the Company or upon satisfaction of performance goals based on Performance Factors during any Performance Period as set out in advance in the Participant’s Stock Bonus Agreement. Prior to the grant of any Stock Bonus Award the Committee shall: (a) determine the nature, length and starting date of any Performance Period for the Stock Bonus Award; (b) select from among the Performance Factors to be used to measure performance goals; and (c) determine the number of Shares that may be awarded to the Participant. Performance Periods may overlap and a Participant may participate simultaneously with respect to Stock Bonus Awards that are subject to different Performance Periods and different performance goals and other criteria.

7.3 Form of Payment to Participant. Payment may be made in the form of cash, whole Shares, or a combination thereof, based on the Fair Market Value of the Shares earned under a Stock Bonus Award on the date of payment, as determined in the sole discretion of the Committee.

7.4 Termination of Participation. Except as may be set forth in the Participant’s Award Agreement, vesting ceases on such Participant’s Termination Date (unless determined otherwise by the Committee).

## 8. STOCK APPRECIATION RIGHTS.

8.1 Awards of SARs. A Stock Appreciation Right (“**SAR**”) is an award to a Participant that may be settled in cash, or Shares (which may consist of Restricted Stock), having a value equal to (a) the difference between the Fair Market Value on the date of exercise over the Exercise Price multiplied by (b) the number of Shares with respect to which the SAR is being settled (subject to any maximum number of Shares that may be issuable as specified in an Award Agreement). All SARs shall be made pursuant to an Award Agreement.

8.2 Terms of SARs. The Committee will determine the terms of each SAR including, without limitation: (a) the number of Shares subject to the SAR; (b) the Exercise Price and the time or times during which the SAR may be settled; (c) the consideration to be distributed on settlement of the SAR; and (d) the effect of the Participant’s Termination on each SAR. The Exercise Price of the SAR will be determined by the Committee when the SAR is granted, and may not be less than Fair Market Value. A SAR may be awarded upon satisfaction of Performance Factors, if any, during any Performance Period as are set out in advance in the Participant’s individual Award Agreement. If the SAR is being earned upon the satisfaction of Performance Factors, then the Committee will: (x) determine the nature, length and starting date of any Performance Period for each SAR; and (y) select from among the Performance Factors to be used to measure the performance, if any. Performance Periods may overlap and Participants may participate simultaneously with respect to SARs that are subject to different Performance Factors and other criteria.

8.3 Exercise Period and Expiration Date. A SAR will be exercisable within the times or upon the occurrence of events determined by the Committee and set forth in the Award Agreement governing such SAR. The SAR Agreement shall set forth the expiration date; provided that no SAR will be exercisable after the expiration of seven (7) years from the date the SAR is granted. The Committee may also provide for SARs to become exercisable at one time or from time to time, periodically or otherwise (including, without limitation, upon the attainment during a Performance Period of performance goals based on Performance Factors), in such number of Shares or percentage of the Shares subject to the SAR as the Committee determines. Except as may be set forth in the Participant’s Award Agreement, vesting ceases on such Participant’s Termination Date (unless determined otherwise by the Committee). Notwithstanding the foregoing, the rules of Section 5.6 also will apply to SARs.

8.4 Form of Settlement. Upon exercise of a SAR, a Participant will be entitled to receive payment from the Company in an amount determined by multiplying (i) the difference between the Fair Market Value of a Share on the date of exercise over the Exercise Price; times (ii) the number of Shares with respect to which the SAR is exercised. At the discretion of the Committee, the payment from the Company for the SAR exercise may be in cash, in Shares of equivalent value, or in some combination thereof. The portion of a SAR being settled may be paid currently or on a deferred basis with such interest or dividend equivalent, if any, as the Committee determines, provided that the terms of the SAR and any deferral satisfy the requirements of Section 409A of the Code.

8.5 Termination of Participation. Except as may be set forth in the Participant’s Award Agreement, vesting ceases on such Participant’s Termination Date (unless determined otherwise by the Committee).

## 9. RESTRICTED STOCK UNITS.

9.1 Awards of Restricted Stock Units. A Restricted Stock Unit (“**RSU**”) is an award to a Participant covering a number of Shares that may be settled in cash, or by issuance of those Shares (which may consist of Restricted Stock). All RSUs shall be made pursuant to an Award Agreement.

9.2 Terms of RSUs. The Committee will determine the terms of an RSU including, without limitation: (a) the number of Shares subject to the RSU; (b) the time or times during which the RSU may be settled; and (c) the consideration to be distributed on settlement, and the effect of the Participant’s Termination on each RSU; provided that no RSU shall have a term longer than ten (10) years. An RSU may be awarded upon satisfaction of such performance goals based on Performance Factors during any Performance Period as are set out in advance in the Participant’s Award Agreement. If the RSU is being earned upon satisfaction of Performance Factors, then the Committee will: (x) determine the nature, length and starting date of any Performance Period for the RSU; (y) select from among the Performance Factors to be used to measure the performance, if any; and (z) determine the number of Shares deemed subject to the RSU. Performance Periods may overlap and participants may participate simultaneously with respect to RSUs that are subject to different Performance Periods and different performance goals and other criteria.

9.3 Form and Timing of Settlement. Payment of earned RSUs shall be made as soon as practicable after the date(s) determined by the Committee and set forth in the Award Agreement. The Committee, in its sole discretion, may settle earned RSUs in cash, Shares, or a combination of both. The Committee may also permit a Participant to defer payment under a RSU to a date or dates after the RSU is earned provided that the terms of the RSU and any deferral satisfy the requirements of Section 409A of the Code.

9.4 Termination of Participant. Except as may be set forth in the Participant's Award Agreement, vesting ceases on such Participant's Termination Date (unless determined otherwise by the Committee).

## **10. PERFORMANCE AWARDS.**

10.1 Performance Awards. Performance Awards may be granted in the form of a cash bonus or Performance Shares or Performance Units. Each Award Agreement evidencing a Performance Award shall specify the cash amount or the number of Performance Shares or the Performance Units subject thereto, the Performance Award Formula, the Performance Goal(s) and Performance Period applicable to the Award, and the other terms, conditions and restrictions of the Award.

10.2 Terms of Performance Awards. The Committee will determine the terms of a Performance Award including, without limitation: (a) the amount of cash; (b) the number of Shares subject to the Performance Award; (c) the time or times during which the Performance Award may be settled; and (d) the consideration to be distributed on settlement, and the effect of the Participant's Termination on each Performance Award. A Performance Award may be awarded upon satisfaction of such performance goals based on Performance Factors during any Performance Period as are set out in advance in the Participant's Award Agreement. If the Performance Award is being earned upon satisfaction of Performance Factors, then the Committee will: (x) determine the nature, length and starting date of any Performance Period for the Performance Award; (y) select from among the Performance Factors to be used to measure the performance, if any; and (z) determine the number of Shares or amount of cash deemed subject to the Performance Award. Performance Periods may overlap and participants may participate simultaneously with respect to Performance Awards that are subject to different Performance Periods and different performance goals and other criteria. No Participant will be eligible to receive more than \$2,000,000 in Performance Units in any calendar year.

10.3 Form and Timing of Settlement. Payment of earned Performance Awards shall be made as soon as practicable after the date(s) determined by the Committee and set forth in the Award Agreement. The Committee, in its sole discretion, may settle earned Performance Awards in cash, Shares, or a combination of both. The Committee may also permit a Participant to defer payment under a Performance Award to a date or dates after the Performance Award is earned provided that the terms of the Performance Award and any deferral satisfy the requirements of Section 409A of the Code.

10.4 Termination of Participant. Except as may be set forth in the Participant's Award Agreement, vesting ceases on such Participant's Termination Date (unless determined otherwise by the Committee).

## **11. PAYMENT FOR SHARE PURCHASES.**

Payment from a Participant for Shares purchased pursuant to this Plan may be made in cash or by check or, where expressly approved for the Participant by the Committee and where permitted by law (and to the extent not otherwise set forth in the applicable Award Agreement):

(a) by cancellation of indebtedness of the Participant to the Company;

(b) by surrender of shares of the Company held by the Participant that have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Award will be exercised or settled;

(c) by waiver of compensation due or accrued to the Participant for services rendered or to be rendered to the Company or a Parent or Subsidiary of the Company;

(d) by consideration received by the Company pursuant to a broker-assisted or other form of cashless exercise program implemented by the Company in connection with the Plan;

(e) by any combination of the foregoing; or

(f) by any other method of payment as is permitted by applicable law.

## **12. GRANTS TO NON-EMPLOYEE DIRECTORS.**

12.1 Types of Awards. Non-Employee Directors are eligible to receive any type of Award offered under this Plan except ISOs; provided, that no Non-Employee Director shall receive Awards under the Plan that, when combined with cash compensation received for service as a Non-Employee Director, exceeds \$700,000 in value (as described below) in any calendar year. The value of Awards for purposes of complying with this maximum shall be determined as follows: (a) for Options and SARs, grant date fair value will be calculated using the Black-Scholes valuation methodology on the date of grant of such Option or SAR, and (b) for all other Awards other than Options and SARs, grant date fair value will be determined by either (i) calculating the product of the Fair Market Value per Share on the date of grant and the aggregate number of Shares subject to the Award, or (ii) calculating the product using an average of the Fair Market Value over a number of trading days and the aggregate number of Shares subject to the Award as determined by the Committee. Awards pursuant to this Section 12 may be automatically made pursuant to policy adopted by the Board or made from time to time as determined in the discretion of the Board.

12.2 Eligibility. Awards pursuant to this Section 12 shall be granted only to Non-Employee Directors. A Non-Employee Director who is elected or re-elected as a member of the Board will be eligible to receive an Award under this Section 12.

12.3 Vesting, Exercisability and Settlement. Except as set forth in Section 21, Awards shall vest, become exercisable and be settled as determined by the Board. With respect to Options and SARs, the exercise price granted to Non-Employee Directors shall not be less than the Fair Market Value of the Shares at the time that such Option or SAR is granted.

12.4 Election to receive Awards in Lieu of Cash. A Non-Employee Director may elect to receive his or her annual retainer payments and/or meeting fees from the Company in the form of cash or Awards or a combination thereof, as determined by the Committee. Such Awards shall be issued under the Plan. An election under this Section 12.4 shall be filed with the Company on the form prescribed by the Company.

## **13. WITHHOLDING TAXES.**

13.1 Withholding Generally. Whenever Shares are to be issued in satisfaction of Awards granted under this Plan or the applicable tax event occurs, the Company may require the Participant to remit to the Company an amount sufficient to satisfy applicable federal, state, local and international withholding tax requirements related to the Participant's participation in the Plan and legally applicable to the Participant prior to the delivery of Shares pursuant to exercise or settlement of any Award. Whenever payments in satisfaction of Awards granted under this Plan are to be made in cash, such payment will be net of an amount sufficient to satisfy applicable federal, state, local and international withholding tax requirements.

13.2 Stock Withholding. The Committee, in its sole discretion and pursuant to such procedures as it may specify from time to time, may require or permit a Participant to satisfy the Participant's tax liability, in whole or in part by (without limitation) (i) paying cash, (ii) electing to have the Company withhold otherwise deliverable cash or Shares having a Fair Market Value equal to such liability, (iii) delivering to the Company already-owned Shares having a Fair Market Value equal to such liability, or (iv) withholding from proceeds of the sale of otherwise deliverable Shares acquired pursuant to an Award either through a voluntary sale or through a mandatory sale arranged by the Company. The Company may withhold for such tax liability by considering applicable statutory withholding rates or other applicable withholding rates, including up to the maximum permissible statutory tax rate for the applicable tax jurisdictions, to the extent consistent with applicable laws. The Fair Market Value of the Shares to be withheld or delivered will be determined as of the date that the taxes are required to be withheld.

#### **14. TRANSFERABILITY.**

14.1 Transfer Generally. Unless determined otherwise by the Committee, an Award may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution. If the Committee makes an Award transferable, including, without limitation, by instrument to an inter vivos or testamentary trust in which the Awards are to be passed to beneficiaries upon the death of the trustor (settlor) or by gift to a Permitted Transferee, such Award will contain such additional terms and conditions as the Administrator deems appropriate.

14.2 Award Transfer Program. Notwithstanding any contrary provision of the Plan, the Committee shall have all discretion and authority to determine and implement the terms and conditions of any Award Transfer Program instituted pursuant to this Section 14.2 and shall have the authority to amend the terms of any Award participating, or otherwise eligible to participate in, the award transfer program, including (but not limited to) the authority to (i) amend (including to extend) the expiration date, post-termination exercise period and/or forfeiture conditions of any such Award, (ii) amend or remove any provisions of the Award relating to the Award holder's continued service to the Company, (iii) amend the permissible payment methods with respect to the exercise or purchase of any such Award, (iv) amend the adjustments to be implemented in the event of changes in the capitalization and other similar events with respect to such Award, and (v) make such other changes to the terms of such Award as the Committee deems necessary or appropriate in its sole discretion. Notwithstanding anything to the contrary in the Plan, in no event will the Committee have the right to determine and implement the terms and conditions of any Award Transfer Program without stockholder approval.

#### **15. PRIVILEGES OF STOCK OWNERSHIP; RESTRICTIONS ON SHARES.**

15.1 Voting and Dividends. No Participant will have any of the rights of a stockholder with respect to any Shares until the Shares are issued to the Participant. Except as may be approved by the Committee in its sole discretion and provided in an Award Agreement, any dividends shall be subject to the same vesting or performance restrictions as the underlying Award. After Shares are issued to the Participant, the Participant will be a stockholder and have all the rights of a stockholder with respect to such Shares, including the right to vote and receive all dividends or other distributions made or paid with respect to such Shares; provided, that if such Shares are Restricted Stock, then any new, additional or different securities the Participant may become entitled to receive with respect to such Shares by virtue of a stock dividend, stock split or any other change in the corporate or capital structure of the Company will be subject to the same restrictions as the Restricted Stock, unless otherwise determined by the Committee in its sole discretion and provided in an Award Agreement; provided, further, that the Participant will have no right to retain such stock dividends or stock distributions with respect to Shares that are repurchased at the Participant's Purchase Price or Exercise Price, as the case may be, pursuant to Section 15.2. However, the Committee, in its discretion, may provide in the Award Agreement evidencing any Award (other than Options or SARs) that the Participant shall be entitled to Dividend Equivalent Rights with respect to the payment of cash dividends on Shares during the period beginning on the date the Award is granted and ending, with respect to each share subject to the Award, on the earlier of the date on which the Award is exercised or settled or the date on which they are forfeited. Such Dividend Equivalent Rights, if any, shall be credited to the Participant in the form of either cash or additional whole Shares as of the date of payment of such cash dividends on Shares, as determined by the Committee in its sole discretion and provided in an Award Agreement.

15.2 Restrictions on Shares. At the discretion of the Committee, the Company may reserve to itself and/or its assignee(s) a right to repurchase (a "**Right of Repurchase**") a portion of any or all Unvested Shares held by a Participant following such Participant's Termination at any time within ninety (90) days after the later of the Participant's Termination Date and the date the Participant purchases Shares under this Plan, for cash and/or cancellation of purchase money indebtedness, at the Participant's Purchase Price or Exercise Price, as the case may be. Unvested Shares, and any such dividends or stock distributions shall be accrued and paid only at such time, if any, as such unvested Shares become vested Shares.

**16. CERTIFICATES.** All Shares or other securities (whether or not certificated) delivered under this Plan will be subject to such stock transfer orders, legends and other restrictions as the Committee may deem necessary or advisable, including restrictions under any applicable federal, state or foreign securities law, or any rules, regulations and other requirements of the SEC or any stock exchange or automated quotation system upon which the Shares may be listed or quoted and any foreign exchange controls or restrictions.

**17. ESCROW; PLEDGE OF SHARES.** To enforce any restrictions on a Participant's Shares, the Committee may require the Participant to deposit all certificates representing Shares, together with stock powers or other instruments of transfer approved by the Committee, appropriately endorsed in blank, with the Company or an agent designated by the Company to hold in escrow until such restrictions have lapsed or terminated, and the Committee may cause a legend or legends referencing such restrictions to be placed on the certificates. Any Participant who is permitted to execute a promissory note as partial or full consideration for the purchase of Shares under this Plan will be required to pledge and deposit with the Company all or part of the Shares so purchased as collateral to secure the payment of the Participant's obligation to the Company under the promissory note; provided, however, that the Committee may require or accept other or additional forms of collateral to secure the payment of such obligation and, in any event, the Company will have full recourse against the Participant under the promissory note notwithstanding any pledge of the Participant's Shares or other collateral. In connection with any pledge of the Shares, the Participant will be required to execute and deliver a written pledge agreement in such form as the Committee will from time to time approve. The Shares purchased with the promissory note may be released from the pledge on a pro rata basis as the promissory note is paid.

**18. EXCHANGE AND BUYOUT OF AWARDS.** The repricing of Options or SARs is not permitted without prior stockholder approval. Repricing (which requires prior stockholder approval) is defined as amending the terms of outstanding awards to reduce the exercise price of outstanding Options or SARs or cancel, substitute, buyout or exchange outstanding Options or SARs in exchange for cash, other Awards or Options or SARs with an exercise price that is less than the exercise price of the original Options or SARs (other than pursuant to Sections 2.5 or 21.1). The Committee may, at any time or from time to time authorize the Company, in the case of an Option or SAR exchange with stockholder approval, and with the consent of the respective Participants (unless not required pursuant to Section 5.9 of the Plan), to pay cash or issue new Awards in exchange for the surrender and cancellation of any, or all, outstanding Awards.

**19. SECURITIES LAW AND OTHER REGULATORY COMPLIANCE.** An Award will not be effective unless such Award is in compliance with all applicable U.S. and foreign federal and state securities laws, rules and regulations of any governmental body, and the requirements of any stock exchange or automated quotation system upon which the Shares may then be listed or quoted, as they are in effect on the date of grant of the Award and also on the date of exercise or other issuance. Notwithstanding any other provision in this Plan, the Company will have no obligation to issue or deliver certificates for Shares under this Plan prior to: (a) obtaining any approvals from governmental agencies that the Company determines are necessary or advisable; and/or (b) completion of any registration or other qualification of such Shares under any state or federal or foreign law or ruling of any governmental body that the Company determines to be necessary or advisable. The Company will be under no obligation to register the Shares with the SEC or to effect compliance with the registration, qualification or listing requirements of foreign or state securities laws, stock exchange, exchange control or automated quotation system, and the Company will have no liability for any inability or failure to do so.

**20. NO OBLIGATION TO EMPLOY.** Nothing in this Plan or any Award granted under this Plan will confer or be deemed to confer on any Participant any right to continue in the employ of, or to continue any other relationship with, the Company or any Parent or Subsidiary of the Company or limit in any way the right of the Company or any Parent or Subsidiary of the Company to terminate Participant's employment or other relationship at any time.

**21. CORPORATE TRANSACTIONS.**

21.1 Assumption or Replacement of Awards by Successor. In the event of a Corporate Transaction any or all outstanding Awards may be assumed or replaced by the successor corporation, which assumption or replacement shall be binding on all Participants. In the alternative, the successor corporation may substitute equivalent Awards or provide substantially similar consideration to Participants as was provided to stockholders (after taking into account the existing provisions of the Awards). The successor corporation may also issue, in place of outstanding Shares of the Company held by the Participant, substantially similar shares or other property subject to repurchase restrictions no less favorable to the Participant. In the event such successor or acquiring corporation (if any) refuses to assume, convert, replace or substitute Awards, as provided above, pursuant to a Corporate Transaction, then notwithstanding any other provision in this Plan to the contrary, unless otherwise determined by the Committee, such Awards shall terminate and cease to be outstanding effective as of the time of consummation of the Corporate Transaction. In such event, the Committee will notify the Participant in writing or electronically that such Award will be exercisable for a period of time determined by the Committee in its sole discretion, and such Award will terminate upon the expiration of such period. Awards need not be treated similarly in a Corporate Transaction.



21.2 **Assumption of Awards by the Company.** The Company, from time to time, also may substitute or assume outstanding awards granted by another company, whether in connection with an acquisition of such other company or otherwise, by either; (a) granting an Award under this Plan in substitution of such other company's award; or (b) assuming such award as if it had been granted under this Plan if the terms of such assumed award could be applied to an Award granted under this Plan. Such substitution or assumption will be permissible if the holder of the substituted or assumed award would have been eligible to be granted an Award under this Plan if the other company had applied the rules of this Plan to such grant. In the event the Company assumes an award granted by another company, the terms and conditions of such award will remain unchanged (except that the Purchase Price or the Exercise Price, as the case may be, and the number and nature of Shares issuable upon exercise or settlement of any such Award will be adjusted appropriately pursuant to Section 424(a) of the Code). In the event the Company elects to grant a new Option in substitution rather than assuming an existing option, such new Option may be granted with a similarly adjusted Exercise Price. Substitute Awards shall not reduce the number of Shares authorized for grant under the Plan or authorized for grant to a Participant in a calendar year.

21.3 **Non-Employee Directors' Awards.** Notwithstanding any provision to the contrary herein, in the event of a Corporate Transaction, the vesting of all Awards granted to Non-Employee Directors shall accelerate and such Awards shall become exercisable (as applicable) in full prior to the consummation of such event at such times and on such conditions as the Committee determines.

22. **ADOPTION AND STOCKHOLDER APPROVAL.** This Plan shall be submitted for the approval of the Company's stockholders, consistent with applicable laws, within twelve (12) months after the date this Plan is adopted by the Board.

23. **TERM OF PLAN/GOVERNING LAW.** Unless earlier terminated as provided herein, this Plan will become effective on the Effective Date and will terminate ten (10) years from the date this Plan is adopted by the Board. This Plan and all Awards granted hereunder shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to that state's conflict of law provisions.

24. **AMENDMENT OR TERMINATION OF PLAN.** The Board may at any time terminate or amend this Plan in any respect, including, without limitation, amendment of any form of Award Agreement or instrument to be executed pursuant to this Plan; provided, however, that the Board will not, without the approval of the stockholders of the Company, amend this Plan in any manner that requires such stockholder approval; provided further, that a Participant's Award shall be governed by the version of this Plan then in effect at the time such Award was granted.

25. **NONEXCLUSIVITY OF THE PLAN.** Neither the adoption of this Plan by the Board, the submission of this Plan to the stockholders of the Company for approval, nor any provision of this Plan will be construed as creating any limitations on the power of the Board to adopt such additional compensation arrangements as it may deem desirable, including, without limitation, the granting of stock awards and bonuses otherwise than under this Plan, and such arrangements may be either generally applicable or applicable only in specific cases.

26. **INSIDER TRADING POLICY.** Each Participant who receives an Award shall comply with any policy adopted by the Company from time to time covering transactions in the Company's securities by Employees, officers and/or directors of the Company.

27. **ALL AWARDS SUBJECT TO COMPANY CLAWBACK OR RECOUPMENT POLICY.** All Awards shall be subject to clawback or recoupment pursuant to any compensation clawback or recoupment policy adopted by the Board or required by law during the term of Participant's employment or other service with the Company or its Parent or Subsidiary that is applicable to executive officers, employees, directors or other service providers of the Company or its Parent or Subsidiary, and in addition to any other remedies available under such policy and applicable law, may require the cancelation of outstanding Awards and the recoupment of any gains realized with respect to Awards.

28. **DEFINITIONS.** As used in this Plan, and except as elsewhere defined herein, the following terms will have the following meanings:

**“Award”** means any award under the Plan, including any Option, Restricted Stock, Stock Bonus, Stock Appreciation Right, Restricted Stock Unit or award of Performance Shares.

**“Award Agreement”** means, with respect to each Award, the written or electronic agreement between the Company and the Participant setting forth the terms and conditions of the Award, including a country-specific addenda for non-U.S. Participants, which shall be in substantially a form (which need not be the same for each Participant) that the Committee (or in the case of non-Insider Participants, the Committee’s delegate), has from time to time approved, and will comply with and be subject to the terms and conditions of this Plan.

**“Award Transfer Program”** means, any program instituted by the Committee that would permit Participants the opportunity to transfer for value any outstanding Awards to a financial institution or other person or entity approved by the Committee. A transfer for “value” shall not be deemed to occur under this Plan where an Award is transferred by a Participant for bona fide estate planning purposes to a trust or other testamentary vehicle approved by the Committee.

**“Board”** means the Board of Directors of the Company.

**“Cause”** means unless such term or an equivalent term is otherwise defined with respect to an Award by the Participant’s Award Agreement or by a written contract of employment or service, any of the following: (i) the Participant’s theft, dishonesty, willful misconduct, breach of fiduciary duty for personal profit, or falsification of any Company documents or records; (ii) the Participant’s material failure to abide by a Company’s code of conduct or other policies (including, without limitation, policies relating to confidentiality and reasonable workplace conduct); (iii) the Participant’s unauthorized use, misappropriation, destruction or diversion of any tangible or intangible asset or corporate opportunity of a Company (including, without limitation, the Participant’s improper use or disclosure of a Company’s confidential or proprietary information); (iv) any intentional act by the Participant which has a material detrimental effect on a Company’s reputation or business; (v) the Participant’s repeated failure or inability to perform any reasonable assigned duties after written notice from a Company of, and a reasonable opportunity to cure, such failure or inability; (vi) any material breach by the Participant of any employment, service, non-disclosure, non-competition, non-solicitation or other similar agreement between the Participant and a Company, which breach is not cured pursuant to the terms of such agreement; or (vii) the Participant’s conviction (including any plea of guilty or nolo contendere) of any criminal act involving fraud, dishonesty, misappropriation or moral turpitude, or which impairs the Participant’s ability to perform his or her duties with a Company.

**“Code”** means the United States Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

**“Committee”** means the Compensation Committee of the Board or those persons to whom administration of the Plan, or part of the Plan, has been delegated as permitted by law.

**“Common Stock”** means the common stock of the Company.

**“Company”** means Immersion Corporation, or any successor corporation.

**“Consultant”** means any person, including an advisor or independent contractor, engaged by the Company or a Parent or Subsidiary to render services to such entity.

**“Corporate Transaction”** means the occurrence of any of the following events: (i) any “person” (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becomes the “beneficial owner” (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company’s then-outstanding voting securities; (ii) the consummation of the sale or disposition by the Company of all or substantially all of the Company’s assets; (iii) the consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation or (iv) any other transaction which qualifies as a “corporate transaction” under Section 424(a) of the Code wherein the stockholders of the Company give up all of their equity interest in the Company (except for the acquisition, sale or transfer of all or substantially all of the outstanding shares of the Company). Notwithstanding the foregoing, to the extent that any amount constituting deferred compensation as defined in Section 409A of the Code) would become payable under this Plan by reason of a Change in Control, such amount shall become payable only if the event constituting a Change in Control would also constitute a change in ownership or effective control of the Company or a change in the ownership of a substantial portion of the assets of the Company (both as defined in Section 409A of the Code).

“**Director**” means a member of the Board.

“**Disability**” means in the case of incentive stock options, total and permanent disability as defined in Section 22(e)(3) of the Code and in the case of other Awards, that the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

“**Dividend Equivalent Right**” means the right of a Participant, granted at the discretion of the Committee or as otherwise provided by the Plan, to receive a credit for the account of such Participant in an amount equal to the cash dividends paid on one Share for each Share represented by an Award held by such Participant.

“**Effective Date**” means the date the Plan is approved by the Board.

“**Employee**” means any person, including Officers and Directors, providing services as an employee of the Company or any Parent or Subsidiary of the Company. Neither service as a Director nor payment of a director’s fee by the Company will be sufficient to constitute “employment” by the Company.

“**Exchange Act**” means the United States Securities Exchange Act of 1934, as amended.

“**Exchange Program**” means a program approved by stockholders of the Company pursuant to which (a) outstanding Awards are surrendered, cancelled or exchanged for cash, the same type of Award or a different Award (or combination thereof) or (b) the exercise price of an outstanding Award is increased or reduced.

“**Exercise Price**” means, with respect to an Option, the price at which a holder may purchase the Shares issuable upon exercise of an Option and with respect to a SAR, the price at which the SAR is granted to the holder thereof.

“**Fair Market Value**” means, as of any date, the value of a share of the Company’s Common Stock determined as follows:

(a) if such Common Stock is publicly traded and is then listed on a national securities exchange, its closing price on the date of determination on the principal national securities exchange on which the Common Stock is listed or admitted to trading as reported in *The Wall Street Journal* or such other source as the Committee deems reliable;

(b) if such Common Stock is publicly traded but is neither listed nor admitted to trading on a national securities exchange, the average of the closing bid and asked prices on the date of determination as reported in *The Wall Street Journal* or such other source as the Committee deems reliable; or

(c) if none of the foregoing is applicable, by the Board or the Committee in good faith.

“**Insider**” means an officer or director of the Company or any other person whose transactions in the Company’s Common Stock are subject to Section 16 of the Exchange Act.

“**Non-Employee Director**” means a Director who is not an Employee of the Company or any Parent or Subsidiary.

“**Option**” means an award of an option to purchase Shares pursuant to Section 5 or Section 12.

“**Parent**” means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company if each of such corporations other than the Company owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

“**Participant**” means a person who holds an Award under this Plan.

“**Performance Award**” means a cash or stock award granted pursuant to Section 10 or Section 12 of the Plan.

**“Performance Factors”** means any of the factors selected by the Committee and specified in an Award Agreement, which may include without limitation any of the following objective measures, either individually, alternatively or in any combination, applied to the Company as a whole or any business unit or Subsidiary, either individually, alternatively, or in any combination, on a GAAP or non-GAAP basis, and measured, to the extent applicable on an absolute basis or relative to a pre-established target, to determine whether the performance goals established by the Committee with respect to applicable Awards have been satisfied:

- (i) revenue;
- (ii) sales;
- (iii) expenses;
- (iv) operating income;
- (v) gross margin;
- (vi) operating margin;
- (vii) earnings before any one or more of: stock-based compensation expense, interest, taxes, depreciation and amortization;
- (viii) pre-tax profit;
- (ix) net operating income;
- (x) net income;
- (xi) economic value added;
- (xii) free cash flow;
- (xiii) operating cash flow;
- (xiv) balance of cash, cash equivalents and marketable securities;
- (xv) stock price;
- (xvi) earnings per share;
- (xvii) return on stockholder equity;
- (xviii) return on capital;
- (xix) return on assets;
- (xx) return on investment;
- (xxi) employee satisfaction;
- (xxii) employee retention;
- (xxiii) market share;
- (xxiv) customer satisfaction;
- (xxv) product development;
- (xxvi) research and development expenses;
- (xxvii) completion of an identified special project; and
- (xxviii) completion of a joint venture or other corporate transaction.

Performance Factors shall be calculated with respect to the Company and each Subsidiary consolidated therewith for financial reporting purposes or such division or other business unit as may be selected by the Committee. For purposes of the Plan, the Performance Factors applicable to a Performance Award shall be calculated in accordance with generally accepted accounting principles, if applicable, but prior to the accrual or payment of any Performance Award for the same Performance Period and excluding the effect (whether positive or negative) of any change in accounting standards or any extraordinary, unusual or nonrecurring item, as determined by the Committee, occurring after the establishment of the Performance Goals applicable to the Performance Award. Each such adjustment, if any, may be made for the purpose of providing a consistent basis from period to period for the calculation of Performance Factors in order to prevent the dilution or enlargement of the Participant's rights with respect to a Performance Award.

**"Performance Period"** means the period of service determined by the Committee, not to exceed five (5) years, during which years of service or performance is to be measured for the Award.

**"Performance Share"** means a right to receive Shares pursuant to Section 10 of the Plan.

**"Permitted Transferee"** means any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law (including adoptive relationships) of the Employee, any person sharing the Employee's household (other than a tenant or employee), a trust in which these persons (or the Employee) have more than 50% of the beneficial interest, a foundation in which these persons (or the Employee) control the management of assets, and any other entity in which these persons (or the Employee) own more than 50% of the voting interests.

**"Performance Unit"** means the right to receive cash pursuant to Section 10 of the Plan.

**"Plan"** means this Immersion Corporation 2021 Equity Incentive Plan.

**"Purchase Price"** means the price to be paid for Shares acquired under the Plan, other than Shares acquired upon exercise of an Option or SAR.

**"Restricted Stock Award"** means an award of Shares pursuant to Section 6 or Section 12 of the Plan, or issued pursuant to the early exercise of an Option.

**"Restricted Stock Unit"** means an Award granted pursuant to Section 9 or Section 12 of the Plan.

**"SEC"** means the United States Securities and Exchange Commission.

**"Securities Act"** means the United States Securities Act of 1933, as amended.

**"Shares"** means shares of the Company's Common Stock and the common stock of any successor security.

**"Stock Appreciation Right"** means an Award granted pursuant to Section 8 or Section 12 of the Plan.

**"Stock Bonus"** means an Award granted pursuant to Section 7 or Section 12 of the Plan.

**"Subsidiary"** means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if each of the corporations other than the last corporation in the unbroken chain owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

**"Termination"** or **"Terminated"** means, for purposes of this Plan with respect to a Participant, that the Participant has for any reason ceased to provide services as an employee, officer, director, consultant, independent contractor or advisor to the Company or a Parent or Subsidiary of the Company. An employee will not be deemed to have ceased to provide services in the case of (i) sick leave, (ii) military leave, or (iii) any other leave of absence approved by the Committee; provided, that such leave is for a period of not more than 90 days, unless reemployment upon the expiration of such leave is guaranteed by contract or statute or unless provided otherwise pursuant to formal policy adopted from time to time by the Company and issued and promulgated to employees in writing. In the case of any employee on an approved leave of absence, or any employee with a reduction in hours worked (for illustrative purposes only, a change in schedule from that of full-time to part-time) the Committee may make such provisions respecting suspension of vesting of the Award while on leave from the employ of the Company or a Parent or Subsidiary of the Company, or during such change in working hours, as it may deem appropriate, except that in no event may an Award be exercised after the expiration of the term set forth in the applicable Award Agreement. The Committee will have sole discretion to determine whether a Participant has ceased to provide services and the effective date on which the Participant ceased to provide services (the **"Termination Date"**).

**"Unvested Shares"** means Shares that have not yet vested or are subject to a right of repurchase in favor of the Company (or any successor thereto).

**CERTIFICATIONS PURSUANT TO SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, Eric Singer, certify that:

I have reviewed this annual report on Form 10-Q of Immersion Corporation;

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;

The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 11, 2023

/s/ ERIC SINGER

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Eric Singer

*Chief Executive Officer*

**CERTIFICATIONS PURSUANT TO SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, Aaron Akerman, certify that:

I have reviewed this annual report on Form 10-Q of Immersion Corporation;

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;

The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 11, 2023

/s/ AARON AKERMAN

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Aaron Akerman

*Chief Financial Officer*

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Immersion Corporation (the “Company”) on Form 10-Q for the three months ended March 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Eric Singer, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that based on my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ ERIC SINGER

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Eric Singer

*Chief Executive Officer*

May 11, 2023

*A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Registrant and will be retained by the Registrant and furnished to the Securities and Exchange Commission or its staff upon request.*



**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Immersion Corporation (the “Company”) on Form 10-Q for the three months ended March 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Aaron Akerman, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that based on my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/AARON AKERMAN

Aaron Akerman

*Chief Financial Officer*

May 11, 2023

*A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Registrant and will be retained by the Registrant and furnished to the Securities and Exchange Commission or its staff upon request.*