
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 20549

FORM 10-Q

(MARK ONE)

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

For the quarterly period ended July 1, 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 0-26946

INTEVAC, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

94-3125814
(IRS Employer
Identification No.)

3560 Bassett Street
Santa Clara, California 95054
(Address of principal executive office, including Zip Code)

Registrant's telephone number, including area code: (408) 986-9888

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock (\$0.001 par value)	IVAC	The Nasdaq Stock Market LLC (Nasdaq) Global Select

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

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

On July 31, 2023, 26,302,666 shares of the registrant's Common Stock, \$0.001 par value, were outstanding.

INTEVAC, INC.

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PART I. FINANCIAL INFORMATION

Item 1. *Financial Statements*

INTEVAC, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

	July 1, 2023	December 31, 2022
	(Unaudited)	
	(In thousands, except par value)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 43,976	\$ 68,904
Short-term investments	23,626	25,541
Trade and other accounts receivable, net of allowances of \$0 at both July 1, 2023 and December 31, 2022	20,211	15,823
Inventories	46,293	30,003
Prepaid expenses and other current assets	1,914	1,898
Total current assets	136,020	142,169
Long-term investments	5,550	17,585
Restricted cash	785	786
Property, plant and equipment, net	7,288	3,658
Operating lease right-of-use-assets	2,266	3,390
Intangible assets, net of amortization of \$110,000 at July 1, 2023 and \$42,000 at December 31, 2022	1,022	1,090
Deferred income taxes and other long-term assets	4,187	4,381
Total assets	<u>\$ 157,118</u>	<u>\$ 173,059</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current operating lease liabilities	\$ 2,456	\$ 3,404
Accounts payable	10,421	11,610
Accrued payroll and related liabilities	3,416	3,087
Other accrued liabilities	1,376	5,430
Customer advances	20,248	2,444
Total current liabilities	37,917	25,975
Noncurrent liabilities:		
Noncurrent operating lease liabilities	687	1,417
Customer advances	1,482	22,215
Other noncurrent liabilities	29	—
Total noncurrent liabilities	2,198	23,632
Stockholders' equity:		
Common stock, \$0.001 par value	26	26
Additional paid-in capital	208,672	206,355
Treasury stock, 5,087 shares at both July 1, 2023 and at December 31, 2022	(29,551)	(29,551)
Accumulated other comprehensive loss	(190)	(193)
Accumulated deficit	(61,954)	(53,185)
Total stockholders' equity	117,003	123,452
Total liabilities and stockholders' equity	<u>\$ 157,118</u>	<u>\$ 173,059</u>

Note: Amounts as of December 31, 2022 are derived from the December 31, 2022 audited consolidated financial statements.

See accompanying notes to the condensed consolidated financial statements.

INTEVAC, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended		Six Months Ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
	(Unaudited)			
	(In thousands, except per share amounts)			
Net revenues	\$10,301	\$ 9,307	\$21,843	\$ 13,752
Cost of net revenues	7,731	4,820	14,554	8,543
Gross profit	2,570	4,487	7,289	5,209
Operating expenses:				
Research and development	3,647	2,868	7,620	7,028
Selling, general and administrative	4,375	4,016	9,575	8,265
Total operating expenses	8,022	6,884	17,195	15,293
Loss from operations	(5,452)	(2,397)	(9,906)	(10,084)
Interest income and other income (expense), net	650	317	1,322	310
Loss from continuing operations before provision for income taxes	(4,802)	(2,080)	(8,584)	(9,774)
Provision for income taxes	116	500	502	526
Net loss from continuing operations, net of taxes	(4,918)	(2,580)	(9,086)	(10,300)
Net income (loss) from discontinued operations, net of taxes	40	(238)	317	(373)
Net loss	\$ (4,878)	\$ (2,818)	\$ (8,769)	\$ (10,673)
Net income (loss) per share:				
Basic and diluted – continuing operations	\$ (0.19)	\$ (0.10)	\$ (0.35)	\$ (0.41)
Basic and diluted – discontinued operations	\$ 0.00	\$ (0.01)	\$ 0.01	\$ (0.01)
Basic and diluted – net loss	\$ (0.19)	\$ (0.11)	\$ (0.34)	\$ (0.43)
Weighted average common shares outstanding:				
Basic and diluted	26,032	25,141	25,907	24,970

See accompanying notes to the condensed consolidated financial statements.

INTEVAC, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended	
	July 1, 2023	July 2, 2022
	(Unaudited)	
	(In thousands)	
Operating activities		
Net loss	\$ (8,769)	\$(10,673)
Adjustments to reconcile net loss to net cash and cash equivalents used in operating activities:		
Depreciation and amortization	681	776
Amortization of intangible assets	68	—
Net amortization (accretion) of investment premiums and discounts	(108)	(20)
Equity-based compensation	3,076	489
Straight-line rent adjustment and amortization of lease incentives	(554)	(483)
Deferred income taxes	183	345
(Gain) loss on disposal of equipment	(41)	1,453
Changes in operating assets and liabilities	(27,931)	(3,322)
Total adjustments	(24,626)	(762)
Net cash and cash equivalents used in operating activities	(33,395)	(11,435)
Investing activities		
Purchases of investments	(9,099)	(45,663)
Proceeds from sales and maturities of investments	23,029	7,263
Proceeds from sales of fixed assets	65	—
Purchases of leasehold improvements and equipment	(4,335)	(888)
Net cash and cash equivalents provided by (used in) investing activities	9,660	(39,288)
Financing activities		
Net proceeds from issuance of common stock	838	2,211
Payment of acquisition-related contingent consideration	(250)	—
Taxes paid related to net share settlement	(1,563)	(295)
Net cash and cash equivalents provided by (used in) financing activities	(975)	1,916
Effect of exchange rate changes on cash and cash equivalents	(219)	(252)
Net decrease in cash, cash equivalents and restricted cash	(24,929)	(49,059)
Cash, cash equivalents and restricted cash at beginning of period	69,690	103,514
Cash, cash equivalents and restricted cash at end of period	<u>\$ 44,761</u>	<u>\$ 54,455</u>
Non-cash investing and financing activity		
Additions to right-of-use-assets obtained from new operating lease liabilities	<u>\$ —</u>	<u>\$ 94</u>

See accompanying notes to the condensed consolidated financial statements.

INTEVAC, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Description of Business, Basis of Presentation and Significant Accounting Policy

Description of Business

Intevac, Inc. (together with its subsidiaries, “Intevac”, the “Company” or “we”) is a leader in the design and development of high-productivity, thin-film processing systems. Intevac’s production-proven platforms are designed for high-volume manufacturing of substrates with precise thin-film properties, such as for the hard disk drive (“HDD”) and display cover panel (“DCP”) markets.

Principles of Consolidation and Basis of Presentation

The condensed consolidated financial statements include the accounts of Intevac, Inc. and its subsidiaries after elimination of inter-company balances and transactions.

In the opinion of management, the unaudited interim condensed consolidated financial statements of Intevac included herein have been prepared on a basis consistent with the December 31, 2022 audited consolidated financial statements and include all material adjustments, consisting of normal recurring adjustments, necessary to fairly present the information set forth therein.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ materially from those estimates.

Reportable Segment

During fiscal 2021, we sold the business of one of our reporting segments, Photonics. Therefore, we have one reportable segment remaining. See Note 2 for additional disclosure related to discontinued operations.

The remaining segment, Thin Film Equipment (“TFE”), designs, develops and markets vacuum process equipment solutions for high-volume manufacturing of small substrates with precise thin-film properties, such as for the HDD and DCP markets, as well as other adjacent thin-film markets. The TFE segment also previously designed, developed and marketed manufacturing equipment for the photovoltaic (“PV”) solar cell and advanced semiconductor packaging (“ASP”) industries.

In March 2022, the Company approved and implemented a restructuring program to realign the Company’s operational focus, scale the business and improve costs. The restructuring program includes (i) reducing the Company’s headcount and (ii) eliminating several research and development (“R&D”) programs and product offerings. As part of this realignment effort, the Company ceased its efforts to develop and market several of its manufacturing platforms for the DCP, PV and ASP industries and ceased offering certain legacy products in these industries.

Trade Accounts Receivable and Allowance for Credit Losses

The Company’s accounts receivable are recorded at invoiced amounts less allowance for any credit losses. In accordance with the Financial Accounting Standards Board’s Accounting Standards Update (“ASU”) 2016-13 that we adopted on January 1, 2023, the Company recognizes credit losses based on forward-looking current expected credit losses (“CECL”). The Company makes estimates of expected credit losses based upon its assessment of various factors, including the age of accounts receivable balances, credit quality of its customers, current economic conditions, reasonable and supportable forecasts of future economic conditions, and other factors that may affect its ability to collect from customers. The allowance for credit losses are recognized in the consolidated statement of operations. The uncollectible accounts receivable are written off in the period in which a determination is made that all commercially reasonable means of recovering them have been exhausted. The total allowance for credit losses was \$0 at both July 1, 2023 and December 31, 2022, and there was no write-off of accounts receivable for the periods presented.

INTEVAC, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

2. Divestiture and Discontinued Operations

Sale of Photonics

On December 30, 2021, the Company entered into an asset purchase agreement (the “Purchase Agreement”) with EOTECH, LLC (“EOTECH”) governing the sale of the Company’s Photonics business to EOTECH in exchange for (i) \$70.0 million in cash consideration, (ii) up to \$30.0 million in earnout payments and (iii) the assumption by EOTECH of certain liabilities of the Photonics business as specified in the Purchase Agreement. The transaction closed on December 30, 2021. Under the Purchase Agreement, EOTECH also agreed to pay to the Company, if earned, earnout payments of up to an aggregate of \$30.0 million based on achievement of fiscal year 2023, 2024 and 2025 Photonics segment revenue targets for the Integrated Visual Augmentation System (“IVAS”) program as specified in the Purchase Agreement. At any time prior to December 31, 2024, EOTECH may elect to pay to the Company \$14.0 million, which would terminate EOTECH’s obligations with respect to any remaining earnout payments. As of July 1, 2023, there have been no earnout payments under the Purchase Agreement. The cash proceeds do not include any estimated future payments from the revenue earnout as the Company has elected to record the proceeds when the consideration is deemed realizable. The Company believes the disposition of the Photonics business will allow it to benefit from a streamlined business model, simplified operating structure, and enhanced management focus.

In connection with the Photonics sale, the Company and EOTECH also entered into a Transition Service Agreement (the “TSA”) and a Lease Assignment Agreement. The TSA, which expired on June 30, 2022, outlined the information technology, people, and facility support the parties provided to each other for a period after the closing of the sale. The Lease Assignment Agreement assigns the lease obligation for two buildings in the Company’s California campus to EOTECH. As part of the assignment, the Company has agreed to subsidize a portion of EOTECH’s lease payments through the remainder of the lease term which expires in March 2024. In August 2022, Intevac and EOTECH entered into a Shared Services Agreement (the “Shared Services Agreement”) to share certain building maintenance costs.

TSA fees earned since the divestiture were \$408,000 for the three months ended July 2, 2022 and \$1.2 million for the six months ended July 2, 2022. The agreed-upon charges for such services were generally intended to allow the service provider to recover all costs and expenses of providing such services. The TSA fees were included in selling, general and administrative expenses and cost of sales, respectively, in the Company’s condensed consolidated statement of operations. Additionally, during the three and six months ended July 2, 2022, the Company sold inventory in the amount of \$32,000 and \$148,000, respectively to EOTECH. Fees earned under the Shared Services Agreement for the three and six months ended July 1, 2023 were \$39,000 and \$65,000, respectively. As of July 1, 2023 and December 31, 2022, accounts receivable from EOTECH of \$41,000 and \$49,000, respectively, were included in trade and other accounts receivable in the Company’s condensed consolidated balance sheets.

Based on its magnitude and because the Company exited certain markets, the sale of the Photonics segment represents a significant strategic shift that has a material effect on the Company’s operations and financial results, and the Company has separately reported the results of its Photonics segment as discontinued operations in the condensed consolidated statements of operations for the three and six months ended July 1, 2023 and July 2, 2022.

The key components from discontinued operations related to the Photonics segment are as follows:

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>July 1, 2023</u>	<u>July 2, 2022</u>	<u>July 1, 2023</u>	<u>July, 2022</u>
	(In thousands)			
Selling, general and administrative	\$ (40)	\$ 238	\$ (317)	\$ 373
Total operating expenses	(40)	238	(317)	373
Operating income (loss) – discontinued operations	40	(238)	317	(373)
Other income (expense) – discontinued operations	—	—	—	—
Income (loss) from discontinued operations before provision for income taxes	40	(238)	317	(373)
Provision for income taxes	—	—	—	—
Net income (loss) from discontinued operations, net of taxes	<u>\$ 40</u>	<u>\$ (238)</u>	<u>\$ 317</u>	<u>\$ (373)</u>

The cash flows related to discontinued operations have not been segregated and are included in the condensed consolidated statements of cash flows. The following table presents cash flow and non-cash information related to discontinued operations for the three and six months ended July 1, 2023 and July 2, 2022:

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>July 1, 2023</u>	<u>July 2, 2022</u>	<u>July 1, 2023</u>	<u>July 2, 2022</u>
	(In thousands)			
Equity-based compensation	\$ —	\$ 39	\$ (260)	\$ (291)

INTEVAC, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

3. Revenue

The following tables represent a disaggregation of revenue from contracts with customers for the three and six months ended July 1, 2023 and July 2, 2022.

Major Products and Service Lines

	<u>Three Months Ended July 1, 2023</u>				<u>Three Months Ended July 2, 2022</u>			
	HDD	PV	ASP	(In thousands) Total	HDD	DCP	PV	Total
Systems, upgrades and spare parts	\$ 9,351	\$ 10	\$ 11	\$ 9,372	\$7,756	\$ 1	\$82	\$7,839
Field service	929	—	—	929	1,421	43	4	1,468
Total net revenues	\$10,280	\$ 10	\$ 11	\$10,301	\$9,177	\$44	\$86	\$9,307

	<u>Six Months Ended July 1, 2023</u>				<u>Six Months Ended July 2, 2022</u>			
	HDD	PV	ASP	(In thousands) Total	HDD	DCP	PV	Total
Systems, upgrades and spare parts	\$19,868	\$ 28	\$ 11	\$19,907	\$10,879	\$ 1	\$135	\$11,015
Field service	1,936	—	—	1,936	2,684	43	10	2,737
Total net revenues	\$21,804	\$ 28	\$ 11	\$21,843	\$13,563	\$44	\$145	\$13,752

Primary Geographical Markets

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>July 1, 2023</u>	<u>July 2, 2022</u>	<u>July 1, 2023</u>	<u>July 2, 2022</u>
	(In thousands)			
United States	\$ 662	\$ 1,656	\$ 2,276	\$ 1,950
Asia	9,628	7,651	19,556	11,802
Europe	11	—	11	—
Total net revenues	\$ 10,301	\$ 9,307	\$ 21,843	\$ 13,752

Timing of Revenue Recognition

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>July 1, 2023</u>	<u>July 2, 2022</u>	<u>July 1, 2023</u>	<u>July 2, 2022</u>
	(In thousands)			
Products transferred at a point in time	\$ 10,301	\$ 9,307	\$ 21,843	\$ 13,752
Products and services transferred over time	—	—	—	—
Total net revenues	\$ 10,301	\$ 9,307	\$ 21,843	\$ 13,752

The following table reflects the changes in our contract assets, which we classify as accounts receivable, unbilled, and our contract liabilities, which we classify as deferred revenue and customer advances, for the six months ended July 1, 2023:

	<u>July 1, 2023</u>	<u>December 31, 2022</u>	<u>Six Months Change</u>
	(In thousands)		
Contract assets:			
Accounts receivable, unbilled	\$ 1,023	\$ 424	\$ 599
Contract liabilities:			
Deferred revenue	\$ 310	\$ 2,446	\$ (2,136)
Customer advances	21,730	24,659	(2,929)
	<u>\$22,040</u>	<u>\$ 27,105</u>	<u>\$ (5,065)</u>

INTEVAC, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

Accounts receivable, unbilled represents a contract asset for revenue that has been recognized in advance of billing the customer. For our system and certain upgrade sales, our customers generally pay in three installments, with a portion of the system price billed upon receipt of an order, a portion of the price billed upon shipment, and the balance of the price due upon completion of installation and acceptance of the system at the customer's factory. Accounts receivable, unbilled generally represents the balance of the system price that is due upon completion of installation and acceptance, less the amount that has been deferred as revenue for the performance of the installation tasks. During the six months ended July 1, 2023, contract assets increased by \$599,000 primarily due to the accrual of revenue for a system delivered in the quarter ended July 1, 2023 that was pending acceptance as of July 1, 2023 and the accrual of revenue related to the sale of upgrades to a customer during the six months ended July 1, 2023, offset in part by the billing of accrued revenue related to spare parts sold to a customer as of December 31, 2022.

Customer advances generally represent a contract liability for amounts billed to the customer prior to transferring goods. The Company has elected to use the practical expedient to disregard the effect of the time value of money in a significant financing component when its payment terms are less than one year. These customer advances are liquidated when revenue is recognized. Deferred revenue generally represents a contract liability for amounts billed to a customer for completed systems at the customer site that are undergoing installation and acceptance testing where transfer of control has not yet occurred as Intevac does not yet have a demonstrated history of meeting the acceptance criteria upon the customer's receipt of product. During the six months ended July 1, 2023, we recognized revenue of \$3.0 million and \$2.2 million that was included in customer advances and deferred revenue, respectively, at the beginning of the period.

In May 2023, the Company received notice of the cancellation of a \$54.6 million order for eight 200 Lean HDD systems due to the customer postponing previously planned media capacity additions, and, accordingly, the Company removed the order from backlog. The customer contract associated with the cancelled order requires the customer to pay the Company a prorated price based upon the percentage of work completed on the order. The Company has received customer advances in the amount of \$19.1 million associated with the cancelled order, all of which will be utilized to settle this customer obligation.

On July 1, 2023, we had \$58.2 million of remaining performance obligations, which we also refer to as total backlog. We expect to recognize approximately 37.9% of our remaining performance obligations as revenue in 2023 and 62.1% in 2024.

4. Inventories

Inventories are stated at the lower of average cost or net realizable value and consist of the following:

	July 1, 2023	December 31, 2022
	(In thousands)	
Raw materials	\$35,419	\$ 19,116
Work-in-progress	10,860	9,499
Finished goods	14	1,388
	<u>\$46,293</u>	<u>\$ 30,003</u>

Finished goods inventory at December 31, 2022 is comprised of a refurbished system at a customer location where the sales transaction did not meet our revenue recognition criteria. In May 2023, the Company received notice of the cancellation of a \$54.6 million order for eight 200 Lean HDD systems. The customer contract associated with the cancelled order requires the customer to pay the Company a prorated price based upon the percentage of work completed on the order. The Company has received customer advances in the amount of \$19.1 million associated with the cancelled order, all of which will be utilized to settle this customer obligation. In the second half of 2023 and into the beginning of 2024, as part of the cancellation of the order for eight 200 Lean HDD systems, the customer is expected to take delivery of \$12.5 million of inventory on hand at July 1, 2023 and \$11.4 million of inventory on order plus reimburse us for any supplier cancellation charges.

5. Equity-Based Compensation

At July 1, 2023, Intevac had equity-based awards outstanding under the 2020 Equity Incentive Plan, the 2012 Equity Incentive Plan, the 2022 Inducement Equity Incentive Plan (the "Inducement Plan") (together, the "Plans") and the 2003 Employee Stock Purchase Plan (the "ESPP"). Intevac's stockholders approved the 2020 Equity Incentive Plan, the 2012 Equity Incentive Plan and the ESPP. The Plans permit the grant of incentive or non-statutory stock options, performance-based stock options ("PSOs"), restricted stock, stock appreciation rights, restricted stock units ("RSUs"), performance-based restricted stock units ("PRSUs") and performance shares.

INTEVAC, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

On January 19, 2022, Intevac’s Board of Directors adopted the Inducement Plan and, subject to the adjustment provisions of the Inducement Plan, reserved 1,200,000 shares of the Company’s common stock for issuance pursuant to equity awards granted under the Inducement Plan. The Inducement Plan provides for the grant of equity-based awards, including nonstatutory stock options, restricted stock units, restricted stock, stock appreciation rights, performance shares and performance units, and its terms are substantially similar to the Company’s 2020 Equity Incentive Plan. The Inducement Plan was adopted without stockholder approval pursuant to Rule 5635(c)(4) of the Nasdaq Listing Rules. In accordance with that rule, awards under the Inducement Plan may only be made to individuals not previously employees or non-employee directors of the Company (or following such individuals’ bona fide period of non-employment with the Company), as an inducement material to the individuals’ entry into employment with the Company.

The ESPP provides that eligible employees may purchase Intevac’s common stock through payroll deductions at a price equal to 85% of the lower of the fair market value at the entry date of the applicable offering period or at the end of each applicable purchase interval. Offering periods are generally two years in length and consist of a series of six-month purchase intervals. Eligible employees may join the ESPP at the beginning of any six-month purchase interval. Under the terms of the ESPP, employees can choose to have up to 50% of their base earnings withheld to purchase Intevac common stock (not to exceed \$25,000 per year).

Compensation Expense

The effect of recording equity-based compensation for the three and six months ended July 1, 2023 and July 2, 2022 was as follows:

	Three Months Ended		Six Months Ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
	(In thousands)			
Equity-based compensation by type of award:				
Stock options	\$ 2	\$ 8	\$ (11)	\$ (163)
RSUs	756	729	1,355	336
PRsUs	534	566	1,332	231
ESPP purchase rights	203	222	400	85
Total equity-based compensation	<u>\$ 1,495</u>	<u>\$ 1,525</u>	<u>\$ 3,076</u>	<u>\$ 489</u>

Included in the table above are:

- (a) A reversal of \$1.3 million in equity-based compensation expense related to forfeitures of awards due to our reduction in workforce and a \$37,000 benefit related to the modification of certain stock-based awards for the six months ended July 2, 2022. (See Note 13. Restructuring and Other Costs, Net.); and
- (b) Equity-based compensation reported in discontinued operations of (\$260,000) for the six months ended July 1, 2023. Equity-based compensation reported in discontinued operations of \$39,000 and (\$291,000) for the three and six months ended July 2, 2022, respectively. Equity-based compensation expense allocated to discontinued operations for the six months ended July 2, 2022 includes \$75,000 related to the modification of certain stock-based awards and is net of a divestiture-related forfeiture benefit of \$446,000 that was recognized when employees were conveyed to EOTECH upon closing of the Photonics divestiture. (See Note 2. Divestiture and Discontinued Operations.)

Stock Options and ESPP

The fair value of stock options and ESPP awards is estimated at the grant date using the Black-Scholes option valuation model. The determination of the fair value of stock options and ESPP awards on the date of grant using an option-pricing model is affected by Intevac’s stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, our expected stock price volatility over the term of the awards, and actual employee stock option exercise behavior. Intevac accounts for forfeitures as they occur, rather than estimating expected forfeitures.

INTEVAC, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

Option activity as of July 1, 2023 and changes during the six months ended July 1, 2023 were as follows:

	<u>Shares</u>	<u>Weighted-Average Exercise Price</u>
Options outstanding at December 31, 2022	383,099	\$ 7.07
Options cancelled and forfeited	(41,593)	\$ 10.59
Options exercised	(52,813)	\$ 5.15
Options outstanding at July 1, 2023	<u>288,693</u>	\$ 6.91
Options exercisable at July 1, 2023	<u>288,568</u>	\$ 6.91

Intevac issued 131,303 shares of common stock under the ESPP during the six months ended July 1, 2023.

Intevac estimated the weighted-average fair value of ESPP purchase rights using the following weighted-average assumptions:

	<u>Six Months Ended</u>	
	<u>July 1, 2023</u>	<u>July 2, 2022</u>
ESPP Purchase Rights:		
Weighted-average fair value of grants per share	\$ 2.23	\$ 1.85
Expected volatility	34.20%	60.36%
Risk-free interest rate	4.47%	0.98%
Expected term of purchase rights (in years)	1.0	1.2
Dividend yield	None	None

The computation of the expected volatility assumptions used in the Black-Scholes calculations for ESPP purchase rights is based on the historical volatility of Intevac's stock price, measured over a period equal to the expected term of the purchase right. The risk-free interest rate is based on the yield available on U.S. Treasury Strips with an equivalent remaining term. The expected term of purchase rights represents the period of time remaining in the current offering period. The dividend yield assumption is based on Intevac's history of not paying dividends and the assumption of not paying dividends in the future.

RSUs

RSU activity as of July 1, 2023 and changes during the six months ended July 1, 2023 were as follows:

	<u>Shares</u>	<u>Weighted-Average Grant Date Fair Value</u>
Non-vested RSUs at December 31, 2022	1,309,792	\$ 5.14
Granted	277,269	\$ 5.40
Vested	(442,823)	\$ 5.21
Cancelled and forfeited	(74,185)	\$ 5.49
Non-vested RSUs at July 1, 2023	<u>1,070,053</u>	\$ 5.15

Time-based RSUs are converted into shares of Intevac common stock upon vesting on a one-for-one basis. Time-based RSUs typically are scheduled to vest over three or four years. For time-based RSUs granted beginning in May 2023, RSUs generally vest over a three-year period, with 33% vesting at the end of one year and the remaining vesting quarterly thereafter. Vesting of time-based RSUs is subject to the grantee's continued service with Intevac. The compensation expense related to these awards is determined using the fair market value of Intevac common stock on the date of the grant, and the compensation expense is recognized over the vesting period.

PRsUs

PRSU activity as of July 1, 2023 and changes during the six months ended July 1, 2023 were as follows:

	<u>Shares</u>	<u>Weighted-Average Grant Date Fair Value</u>
Non-vested PRSUs at December 31, 2022	1,089,339	\$ 3.54
Granted	525,656	\$ 4.92
Vested	(190,903)	\$ 4.26
Cancelled and forfeited	(7,929)	\$ 6.13
Non-vested PRSUs at July 1, 2023	<u>1,416,163</u>	\$ 3.94

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
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In May 2023, we granted to members of our senior management awards of performance-based restricted stock units (the “2023 PRSU Awards”) covering an aggregate of 525,656 shares of Intevac common stock (at maximum performance). The 2023 PRSU Awards are eligible to be earned based on achievement of five strategic goals during a three-year performance period commencing on May 18, 2023 and ending on May 31, 2026 (the “2023 Performance Period”). The 2023 PRSU Awards will vest, if at all, in five possible tranches. Each of the five tranches will vest only if the applicable strategic goal is achieved within the 2023 Performance Period, and each tranche may only be achieved once during the 2023 Performance Period. If a strategic goal is not achieved within the 2023 Performance Period, the corresponding PRSUs will not vest, and all unvested PRSUs at the end of the 2023 Performance Period will immediately be forfeited. Stock compensation expense is recorded based on the probability of achievement of the performance conditions specified in the PRSU grant. The Company evaluated the strategic goals in the context of its current long-range financial plan and its product development roadmap and determined the probability of achieving each goal for accounting purposes commencing in the quarter granted. Management expectations related to the achievement of performance goals associated with PRSUs with performance conditions are assessed regularly to determine whether such grants are expected to vest. The fair value of each PRSU is the Company’s stock price on the date of grant. Over the 2023 Performance Period, the number of shares expected to be issued may be adjusted upward or downward based upon the probability of achievement of the performance conditions.

In May 2022, we granted to members of our senior management awards of performance-based restricted stock units (the “2022 PRSU Awards”) covering an aggregate of 935,600 shares of Intevac common stock (at maximum performance). The 2022 PRSU Awards are eligible to be earned based on achievement of certain stock prices based on the average closing price of the Company’s stock over a 30-day period (the “Company Stock Price Hurdle”) during a three-year performance period commencing on May 18, 2022 and ending on May 31, 2025 (or earlier, upon a change in control, as defined in the Company’s 2022 Inducement Equity Incentive Plan or 2020 Equity Incentive Plan, as applicable) (the “2022 Performance Period”). The 2022 PRSU Awards will vest, if at all, in five possible tranches. Each of the five tranches will vest only if the applicable Company Stock Price Hurdle is achieved within the 2022 Performance Period, and each tranche may only be achieved once during the 2022 Performance Period. If a Company Stock Price Hurdle is not achieved within the 2022 Performance Period, the corresponding PRSUs will not vest, and all unvested PRSUs at the end of the 2022 Performance Period will immediately be forfeited. The first tranche of the awards vested on December 28, 2022. The second tranche of the awards vested on February 23, 2023. The fair value of each PRSU award was estimated on the date of grant using a Monte Carlo simulation.

Intevac estimated the weighted-average fair value of the 2022 PRSU Awards using the following assumptions:

	<u>Three and Six Months Ended</u>	
	<u>July 2, 2022</u>	
Weighted-average fair value of grants per share	\$	3.67
Expected volatility		54.42%
Risk-free interest rate		2.82%
Dividend yield		None

6. Warranty

Intevac provides for the estimated cost of warranty when revenue is recognized. Intevac’s warranty is subject to contract terms and, for its systems, the warranty typically ranges between 12 and 24 months from customer acceptance. During this warranty period any defective non-consumable parts are replaced and installed at no charge to the customer. Intevac uses estimated repair or replacement costs along with its historical warranty experience to determine its warranty obligation. The provision for the estimated future costs of warranty is based upon historical cost and product performance experience. Intevac exercises judgment in determining the underlying estimates.

On the condensed consolidated balance sheets, the short-term portion of the warranty provision is included in other accrued liabilities, while the long-term portion, if any, is included in other noncurrent liabilities. The expense associated with product warranties issued or adjusted is included in cost of net revenues on the condensed consolidated statements of operations.

INTEVAC, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

The following table displays the activity in the warranty provision account for the three and six months ended July 1, 2023 and July 2, 2022.

	Three Months Ended		Six Months Ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
	(In thousands)			
Opening balance	\$ 177	\$ 249	\$ 163	\$ 346
Expenditures incurred under warranties	(67)	(54)	(165)	(225)
Accruals for product warranties issued during the reporting period	72	36	172	72
Adjustments to previously existing warranty accruals	(1)	(17)	11	21
Closing balance	<u>\$ 181</u>	<u>\$ 214</u>	<u>\$ 181</u>	<u>\$ 214</u>

The following table displays the balance sheet classification of the warranty provision account at July 1, 2023 and at December 31, 2022.

	July 1 2023	December 31 2022
		(In thousands)
Other accrued liabilities	\$ 152	\$ 163
Other noncurrent liabilities	29	—
Total warranty provision	<u>\$ 181</u>	<u>\$ 163</u>

7. Guarantees

Officer and Director Indemnifications

As permitted or required under Delaware law and to the maximum extent allowable under that law, Intevac has certain obligations to indemnify its current and former officers and directors for certain events or occurrences while the officer or director is, or was, serving at Intevac's request in such capacity. These indemnification obligations are valid as long as the director or officer acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the Company and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The maximum potential amount of future payments Intevac could be required to make under these indemnification obligations is unlimited; however, Intevac has a director and officer insurance policy that mitigates Intevac's exposure and enables Intevac to recover a portion of any future amounts paid. As a result of Intevac's insurance policy coverage, Intevac believes the estimated fair value of these indemnification obligations is not material.

Other Indemnifications

As is customary in Intevac's industry, many of Intevac's contracts provide remedies to certain third parties such as defense, settlement, or payment of judgments for intellectual property claims related to the use of its products. Such indemnification obligations may not be subject to maximum loss clauses. Historically, payments made related to these indemnifications have been immaterial.

Letters of Credit

As of July 1, 2023, we had letters of credit and bank guarantees outstanding totaling \$785,000, including the standby letter of credit outstanding under the Santa Clara, California facility lease and various other guarantees with our bank. These letters of credit and bank guarantees are collateralized by \$785,000 of restricted cash.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

8. Cash, Cash Equivalents and Investments

Cash and cash equivalents, short-term investments and long-term investments consist of:

	July 1, 2023			Fair Value
	Amortized Cost	Unrealized Holding Gains	Unrealized Holding Losses	
	(In thousands)			
Cash and cash equivalents:				
Cash	\$ 22,389	\$ —	\$ —	\$ 22,389
Money market funds	16,188	—	—	16,188
Commercial paper	5,401	—	2	5,399
Total cash and cash equivalents	\$ 43,978	\$ —	\$ 2	\$ 43,976
Short-term investments:				
Asset-backed securities	\$ 1,015	\$ —	\$ 1	\$ 1,014
Certificates of deposit	1,700	—	1	1,699
Commercial paper	5,212	—	3	5,209
Corporate bonds and medium-term notes	5,673	—	101	5,572
Municipal bonds	1,220	—	13	1,207
U.S. treasury securities	9,024	—	99	8,925
Total short-term investments	\$ 23,844	\$ —	\$ 218	\$ 23,626
Long-term investments:				
Asset-backed securities	\$ 3,162	\$ —	\$ 29	\$ 3,133
Corporate bonds and medium-term notes	2,430	—	13	2,417
Total long-term investments	\$ 5,592	\$ —	\$ 42	\$ 5,550
Total cash, cash equivalents, and investments	\$ 73,414	\$ —	\$ 262	\$ 73,152

INTEVAC, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

	December 31, 2022			
	<u>Amortized Cost</u>	<u>Unrealized Holding Gains</u>	<u>Unrealized Holding Losses</u>	<u>Fair Value</u>
	(In thousands)			
Cash and cash equivalents:				
Cash	\$ 26,465	\$ —	\$ —	\$ 26,465
Money market funds	9,589	—	—	9,589
Commercial paper	32,856	—	6	32,850
Total cash and cash equivalents	\$ 68,910	\$ —	\$ 6	\$ 68,904
Short-term investments:				
Asset-backed securities	\$ 2,012	\$ —	\$ 13	\$ 1,999
Certificates of deposit	3,850	—	10	3,840
Commercial paper	9,443	—	28	9,415
Corporate bonds and medium-term notes	4,210	—	32	4,178
Municipal bonds	1,486	—	25	1,461
U.S. treasury securities	4,771	—	123	4,648
Total short-term investments	\$ 25,772	\$ —	\$ 231	\$ 25,541
Long-term investments:				
Asset-backed securities	\$ 6,749	\$ —	\$ 85	\$ 6,664
Corporate bonds and medium-term notes	5,366	—	102	5,264
Municipal bonds	224	—	6	218
U.S. treasury and agency securities	5,493	—	54	5,439
Total long-term investments	\$ 17,832	\$ —	\$ 247	\$ 17,585
Total cash, cash equivalents, and investments	\$ 112,514	\$ —	\$ 484	\$ 112,030

The contractual maturities of investment securities at July 1, 2023 are presented in the following table.

	<u>Amortized Cost</u>	<u>Fair Value</u>
	(In thousands)	
Due in one year or less	\$ 45,433	\$ 45,213
Due after one through five years	5,592	5,550
	<u>\$ 51,025</u>	<u>\$ 50,763</u>

We reassess our estimated credit losses on investments each reporting period. U.S. government securities and cash equivalents are under a “zero-loss exception” for credit losses, meaning no credit loss risk calculation is necessary on those instruments due to the exceptionally low rate of default, which continues to decrease as the securities approach maturity. We record changes in the allowance for credit losses for available-for-sale debt securities with a corresponding adjustment in credit loss expense on the consolidated statement of operations. No reversal of a previously recorded allowance for credit losses may be made to an amount below zero. The total allowance for credit losses was \$0 at both July 1, 2023 and December 31, 2022.

Our investment portfolio includes both corporate and U.S. government securities that have a maximum maturity of three years. The longer the duration of these securities, the more susceptible they are to changes in market interest rates and bond yields. As yields increase, those securities with a lower yield-at-cost show a mark-to-market unrealized loss. Most of our unrealized losses are due to changes in market interest rates and bond yields. We believe that we have the ability to realize the full value of all these investments upon maturity. As of July 1, 2023, we had 56 investments in a gross unrealized loss position. The following table provides the fair market value of Intevac’s investments with unrealized losses that are not deemed to be other-than temporarily impaired as of July 1, 2023.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
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	July 1, 2023			
	In Loss Position for Less than 12 Months		In Loss Position for Greater than 12 Months	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(In thousands)			
Asset-backed securities	\$ 288	\$ 2	\$ 3,778	\$ 28
Certificates of deposit	499	1	—	—
Commercial paper	9,458	5	—	—
Corporate bonds and medium-term notes	3,171	30	4,103	84
Municipal bonds	—	—	1,207	13
U.S. treasury securities	4,025	4	4,900	95
	<u>\$ 17,441</u>	<u>\$ 42</u>	<u>\$ 13,988</u>	<u>\$ 220</u>

All prices for the fixed maturity securities including U.S. treasury and agency securities, certificates of deposit, commercial paper, corporate bonds, asset-backed securities and municipal bonds are received from independent pricing services utilized by Intevac's outside investment manager. This investment manager performs a review of the pricing methodologies and inputs utilized by the independent pricing services for each asset type priced by the vendor. In addition, on at least an annual basis, the investment manager conducts due diligence visits and interviews with each pricing vendor to verify the inputs utilized for each asset class. The due diligence visits include a review of the procedures performed by each vendor to ensure that pricing evaluations are representative of the price that would be received if a security were sold in an orderly transaction. Any pricing where the input is based solely on a broker price is deemed to be a Level 3 price. Intevac uses the pricing data obtained from its outside investment manager as the primary input to make its assessments and determinations as to the ultimate valuation of the above-mentioned securities and has not made, during the periods presented, any material adjustments to such inputs.

The following table represents the fair value hierarchy of Intevac's investment securities measured at fair value on a recurring basis as of July 1, 2023.

	Fair Value Measurements at July 1, 2023		
	Total	Level 1	Level 2
	(In thousands)		
Recurring fair value measurements:			
Investment securities			
Money market funds	\$16,188	\$16,188	\$ —
U.S. treasury and agency securities	8,925	5,429	3,496
Asset-backed securities	4,147	—	4,147
Certificates of deposit	1,699	—	1,699
Commercial paper	10,608	—	10,608
Corporate bonds and medium-term notes	7,989	—	7,989
Municipal bonds	1,207	—	1,207
Total recurring fair value measurements	<u>\$50,763</u>	<u>\$21,617</u>	<u>\$29,146</u>

9. Derivative Instruments

The following table summarizes the Company's outstanding derivative instruments on a gross basis as recorded in its condensed consolidated balance sheets as of July 1, 2023 and December 31, 2022.

INTEVAC, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
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<u>Derivative Instrument</u>	<u>Notional Amounts</u>		<u>Derivative Liabilities</u>		<u>Derivative Assets</u>	
	<u>July 1,</u>	<u>December 31,</u>	<u>July 1,</u>		<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>		<u>2022</u>	
			<u>Balance</u>	<u>Fair</u>	<u>Balance</u>	<u>Fair</u>
			<u>Sheet</u>	<u>Value</u>	<u>Sheet</u>	<u>Value</u>
			<u>(In thousands)</u>		<u>Line</u>	<u>Line</u>
<u>Undesignated Hedges:</u>						
Forward Foreign Currency Contracts	\$1,258	2,240	b	\$ 6	a	\$ 44
Total Hedges	<u>\$1,258</u>	<u>2,240</u>		<u>\$ 6</u>		<u>\$ 44</u>

- a Other current assets
b Other accrued liabilities

10. Equity

Stock Repurchase Program

On November 21, 2013, Intevac announced that its Board of Directors approved a stock repurchase program authorizing up to \$30.0 million in repurchases. On August 20, 2018, Intevac announced that its Board of Directors approved a \$10.0 million increase to the original stock repurchase program for an aggregate authorized amount of up to \$40.0 million. At July 1, 2023, \$10.4 million remains available for future stock repurchases under the repurchase program. Intevac did not make any common stock repurchases during the three and six months ended July 1, 2023 and July 2, 2022.

Condensed Consolidated Statement of Changes in Equity

The changes in stockholders' equity by component for the three and six months ended July 1, 2023 and July 2, 2022, are as follows (in thousands):

	<u>Three Months Ended July 1, 2023</u>				
	<u>Common</u>		<u>Accumulated</u>		<u>Total</u>
	<u>Stock and</u>	<u>Treasury</u>	<u>Other</u>	<u>Accumulated</u>	<u>Stockholders'</u>
	<u>Additional</u>	<u>Stock</u>	<u>Comprehensive</u>	<u>Deficit</u>	<u>Equity</u>
	<u>Paid-in</u>		<u>Income (Loss)</u>		
	<u>Capital</u>				
Balance at April 1, 2023	\$207,489	\$(29,551)	\$ (14)	\$ (57,076)	\$ 120,848
Common stock issued under employee plans	3	—	—	—	3
Shares withheld for net share settlement of RSUs	(289)	—	—	—	(289)
Equity-based compensation expense	1,495	—	—	—	1,495
Net loss	—	—	—	(4,878)	(4,878)
Other comprehensive loss	—	—	(176)	—	(176)
Balance at July 1, 2023	<u>\$208,698</u>	<u>\$(29,551)</u>	<u>\$ (190)</u>	<u>\$ (61,954)</u>	<u>\$ 117,003</u>
	<u>Six Months Ended July 1, 2023</u>				
	<u>Common</u>		<u>Accumulated</u>		<u>Total</u>
	<u>Stock and</u>	<u>Treasury</u>	<u>Other</u>	<u>Accumulated</u>	<u>Stockholders'</u>
	<u>Additional</u>	<u>Stock</u>	<u>Comprehensive</u>	<u>Deficit</u>	<u>Equity</u>
	<u>Paid-in</u>		<u>Income (Loss)</u>		
	<u>Capital</u>				
Balance at December 31, 2022	\$206,381	\$(29,551)	\$ (193)	\$ (53,185)	\$ 123,452
Common stock issued under employee plans	804	—	—	—	804
Shares withheld for net share settlement of RSUs	(1,563)	—	—	—	(1,563)
Equity-based compensation expense	3,076	—	—	—	3,076
Net loss	—	—	—	(8,769)	(8,769)
Other comprehensive loss	—	—	3	—	3
Balance at July 1, 2023	<u>\$208,698</u>	<u>\$(29,551)</u>	<u>\$ (190)</u>	<u>\$ (61,954)</u>	<u>\$ 117,003</u>

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 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
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	Three Months Ended July 2, 2022				
	Common Stock and Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
Balance at April 2, 2022	\$198,960	\$(29,551)	\$ 371	\$ (43,965)	\$ 125,815
Common stock issued under employee plans	1,178	—	—	—	1,178
Shares withheld for net share settlement of RSUs	(160)	—	—	—	(160)
Equity-based compensation expense	1,525	—	—	—	1,525
Net loss	—	—	—	(2,818)	(2,818)
Other comprehensive loss	—	—	(380)	—	(380)
Balance at July 2, 2022	<u>\$201,503</u>	<u>\$(29,551)</u>	<u>\$ (9)</u>	<u>\$ (46,783)</u>	<u>\$ 125,160</u>

	Six Months Ended July 2, 2022				
	Common Stock and Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
Balance at January 1, 2022	\$199,098	\$(29,551)	\$ 578	\$ (36,110)	\$ 134,015
Common stock issued under employee plans	2,211	—	—	—	2,211
Shares withheld for net share settlement of RSUs	(295)	—	—	—	(295)
Equity-based compensation expense	489	—	—	—	489
Net loss	—	—	—	(10,673)	(10,673)
Other comprehensive loss	—	—	(587)	—	(587)
Balance at July 2, 2022	<u>\$201,503</u>	<u>\$(29,551)</u>	<u>\$ (9)</u>	<u>\$ (46,783)</u>	<u>\$ 125,160</u>

Accumulated Other Comprehensive Income (Loss)

The changes in accumulated other comprehensive income (loss) by component for the three and six months ended July 1, 2023 and July 2, 2022, are as follows.

	Three Months Ended			Six Months Ended		
	July 1, 2023					
	Foreign currency	Unrealized holding gains (losses) on available-for-sale investments	Total	Foreign currency	Unrealized holding gains (losses) on available-for-sale investments	Total
Beginning balance	\$ 301	\$ (315)	\$ (14)	\$ 291	\$ (484)	\$(193)
Other comprehensive income (loss) before reclassification	(229)	53	(176)	(219)	222	3
Amounts reclassified from other comprehensive income (loss)	—	—	—	—	—	—
Net current-period other comprehensive income (loss)	<u>(229)</u>	<u>53</u>	<u>(176)</u>	<u>(219)</u>	<u>222</u>	<u>3</u>
Ending balance	<u>\$ 72</u>	<u>\$ (262)</u>	<u>\$(190)</u>	<u>\$ 72</u>	<u>\$ (262)</u>	<u>\$(190)</u>

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
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	Three Months Ended			Six Months Ended		
	July 2, 2022			July 2, 2022		
	Foreign currency	Unrealized holding gains (losses) on available- for-sale investments	Total	Foreign currency	Unrealized holding gains (losses) on available- for-sale investments	Total
	(In thousands)					
Beginning balance	\$ 575	\$ (204)	\$ 371	\$ 608	\$ (30)	\$ 578
Other comprehensive loss before reclassification	(219)	(161)	(380)	(252)	(335)	(587)
Amounts reclassified from other comprehensive loss	—	—	—	—	—	—
Net current-period other comprehensive loss	(219)	(161)	(380)	(252)	(335)	(587)
Ending balance	<u>\$ 356</u>	<u>\$ (365)</u>	<u>\$ (9)</u>	<u>\$ 356</u>	<u>\$ (365)</u>	<u>\$ (9)</u>

11. Net Loss Per Share

The following table sets forth the computation of basic and diluted net loss per share:

	Three Months Ended		Six Months Ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
	(In thousands, except per share amounts)			
Net loss from continuing operations	\$ (4,918)	\$ (2,580)	\$ (9,086)	\$ (10,300)
Net income (loss) from discontinued operations, net of taxes	\$ 40	\$ (238)	\$ 317	\$ (373)
Net loss	<u>\$ (4,878)</u>	<u>\$ (2,818)</u>	<u>\$ (8,769)</u>	<u>\$ (10,673)</u>
Weighted-average shares – basic	26,032	25,141	25,907	24,970
Effect of dilutive potential common shares	—	—	—	—
Weighted-average shares – diluted	<u>26,032</u>	<u>25,141</u>	<u>25,907</u>	<u>24,970</u>
Basic and diluted net income (loss) per share:				
Continuing operations	<u>\$ (0.19)</u>	<u>\$ (0.10)</u>	<u>\$ (0.35)</u>	<u>\$ (0.41)</u>
Discontinued operations	<u>\$ 0.00</u>	<u>\$ (0.01)</u>	<u>\$ 0.01</u>	<u>\$ (0.01)</u>
Net loss per share	<u>\$ (0.19)</u>	<u>\$ (0.11)</u>	<u>\$ (0.34)</u>	<u>\$ (0.43)</u>

As the Company is in a net loss position, all of the Company's equity instruments are considered antidilutive.

12. Income Taxes

Intevac recorded income tax provisions of \$116,000 and \$502,000 for the three and six months ended July 1, 2023, respectively, and income tax provisions of \$500,000 and \$526,000 for the three and six months ended July 2, 2022, respectively. The income tax provisions (benefits) for the three and six month periods are based upon estimates of annual income (loss), annual permanent differences and statutory tax rates in the various jurisdictions in which Intevac operates. For the three month period ended July 1, 2023 Intevac recorded a \$44,000 income tax benefit on losses of its international subsidiaries and recorded \$158,000 for withholding taxes on royalties paid to the United States from Intevac's Singapore subsidiary as a discrete item. For the six month period ended July 1, 2023 Intevac recorded a \$180,000 income tax provision on income of its international subsidiaries and recorded \$320,000 for withholding taxes on royalties paid to the United States from Intevac's Singapore subsidiary as a discrete item. For the three and six month periods ended July 2, 2022 Intevac recorded income tax provisions on income of its international subsidiaries of \$390,000 and \$364,000, respectively, and recorded \$107,000 and \$158,000, respectively, for withholding taxes on royalties paid to the United States from Intevac's Singapore subsidiary as discrete items. Intevac's tax rate differs from the applicable statutory rates due primarily to establishment of a valuation allowance, the utilization of deferred and current credits and the effect of permanent differences and adjustments of prior permanent differences. Intevac's future effective income tax rate depends on various factors, including the level of Intevac's projected earnings, the geographic composition of worldwide earnings, tax regulations governing each region, net operating loss carry-forwards, availability of tax credits and the effectiveness of Intevac's tax planning strategies. Management carefully monitors these factors and timely adjusts the effective income tax rate.

INTEVAC, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

On August 16, 2022, the Inflation Reduction Act of 2022 (“IRA”) was signed into U.S. law. The IRA includes a new Corporate Alternative Minimum Tax (“CAMT”) that is effective for tax years beginning after December 31, 2022. The CAMT applies to corporations that report over \$1.0 billion in profits to shareholders. The Company does not expect the provisions of the CAMT to have a material impact to the Company’s consolidated financial statements.

13. Restructuring and Other Costs, Net

During the first quarter of fiscal 2022, Intevac substantially completed implementation of the 2022 cost reduction plan (the “2022 Cost Reduction Plan”), which was intended to reduce our overall cost structure and optimize our operational design, inclusive of the stranded overhead associated with the divestiture of the Photonics business. The restructuring program includes management reorganization and the right sizing of certain technology development, marketing and administrative functions. We incurred restructuring costs of \$1.2 million in estimated severance and the related modification of certain stock-based awards. Other costs incurred as part of the 2022 Cost Reduction Plan include: (i) a benefit of \$1.3 million related to the stock-based compensation forfeitures related to the employees affected by the reduction in workforce, (ii) \$1.5 million for fixed asset disposals and (iii) \$755,000 for write-offs of excess inventory. The 2022 Cost Reduction Plan reduced Intevac’s workforce by 6 percent. The cost of implementing the 2022 Cost Reduction Plan was reported under cost of net revenues and operating expenses in the condensed consolidated statements of operations. Implementation of the 2022 Cost Reduction Plan is expected to reduce salary, wages and other employee-related expenses by approximately \$2.1 million on an annual basis.

The changes in restructuring reserves, which resulted from cash-based severance payments and other employee-related costs, associated with the 2022 Cost Reduction Plan for the three and six months ended July 2, 2022 were as follows.

	Employee Termination Costs
	(In thousands)
Balance at January 1, 2022	\$ —
Provision for restructuring charges under the 2022 Cost Reduction Plan	1,232
Cash payments made	(757)
Non-cash utilization (a)	37
Balance at April 2, 2022	512
Cash payments made	(179)
Balance at July 2, 2022 (b)	<u>\$ 333</u>

- (a) Acceleration of equity awards.
(b) Liability for employee termination costs is included in accrued payroll and related liabilities.

During the fourth quarter of fiscal 2021, the Company recorded asset impairment and restructuring charges associated with the sale of the Photonics division including (i) \$693,000 in severance and other employee-related costs related to the termination of the Photonics general manager; (ii) \$1.2 million in asset impairment charges on the Company’s ROU asset and (iii) \$665,000 in accruals for common area charges associated with an unused space commitment to EOTECH. In consideration of EOTECH’s assumption of certain lease obligations related to the Company’s Santa Clara, California campus, which assumed lease obligations pertain in part to excess space beyond that required by EOTECH’s currently anticipated operation of the Photonics division, the Company agreed to pay EOTECH the amount of \$2.1 million, which is payable in (i) one initial installment of \$308,000 on January 10, 2022 and (ii) seven equal quarterly installments of \$259,000. The Company recorded an asset impairment charge against its ROU asset in the amount of \$1.2 million associated with the excess space noted above. The Company recorded a liability to EOTECH in the amount of \$665,000, the amount related to common area charges which are not included in the base rental payments or the lease liability on the Company’s condensed consolidated balance sheet. During the first quarter of fiscal 2022, the Company recorded restructuring charges associated with the sale of the Photonics division including \$37,000 in severance and other employee-related costs related to the termination of employment of four Photonics employees and \$75,000 in stock-based compensation associated with the modification of certain stock-based awards for eighty Photonics employees.

INTEVAC, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

The changes in restructuring reserves, which resulted from cash-based severance payments and other employee-related costs and other exit costs associated with the Photonics divestiture for the three and six months ended July 1, 2023 and July 2, 2022 were as follows.

	<u>Other Exit Costs</u> <u>(In thousands)</u>	
Balance at December 31, 2022	\$	318
Provision for restructuring charges associated with Photonics divestiture (a)		3
Cash payments made		(81)
Balance at April 1, 2023	\$	240
Provision for restructuring charges associated with Photonics divestiture (a)		2
Cash payments made		(80)
Balance at July 1, 2023	\$	<u>162</u>

	<u>Employee Termination Costs</u>	<u>Other Exit Costs</u> <u>(In thousands)</u>	<u>Total</u>
Balance at January 1, 2022	\$ 358	\$ 665	\$1,023
Provision for restructuring charges associated with Photonics divestiture (a)	112	2	114
Cash payments made	(137)	(128)	(265)
Non-cash utilization (b)	(75)	—	(75)
Balance at April 2, 2022	\$ 258	\$ 539	\$ 797
Provision for restructuring charges associated with Photonics divestiture (a)	—	4	4
Cash payments made	(90)	(77)	(167)
Balance at July 2, 2022	\$ 168(c)	\$ 466	\$ 634

- (a) Included in loss from discontinued operations (See Note 2).
(b) Acceleration of equity awards.
(c) Liability for employee termination costs is included in accrued payroll and related liabilities.

14. Acquisition of Hia, Inc.

On August 26, 2022 (the “Closing Date”), the Company completed the acquisition of Hia, Inc., a supplier of magnetic bars, to bring the manufacturing of these magnetic bars in-house and to protect our technology and product quality while continuing to improve our products. Pursuant to the Stock Purchase Agreement, dated August 26, 2022, between the Company, Hia and the other parties thereto, the Company paid an aggregate purchase price of \$700,000 to Hia’s stockholders on the Closing Date. Further contingent consideration will consist of amounts payable upon achievement of certain development and commercialization milestones, which consideration is estimated to be up to \$500,000. The first milestone was achieved and contingent consideration in the amount of \$250,000 was paid on January 17, 2023 and was accrued in the fourth quarter of 2022. The Company is also obligated to pay a royalty of \$1,500 for each magnetic bar sold through December 31, 2030. If at any time prior to December 31, 2030, the Company effects a change of control or a sale, license, transfer or other disposition to a third party (other than an affiliate of Intevac) of all or substantially all of the assets or rights associated with the magnetic bars, then, upon the closing of such transaction, a payment of \$1.7 million (minus any royalty payments previously paid) will immediately become due and payable, which payment shall fulfill the Company’s royalty obligations. Transaction costs incurred in connection with the Hia acquisition totaled \$63,000, which are included as a component of the purchase price paid in connection with the Hia acquisition.

INTEVAC, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
(Unaudited)

The Company determined this transaction represented an asset acquisition as substantially all of the value was in the technology intangible assets of Hia. Contingent consideration is not recorded in an asset acquisition until the contingency is resolved (when the contingent consideration is paid or becomes payable) or when probable and reasonably estimable. The first milestone was achieved and contingent consideration in the amount of \$250,000 was paid on January 17, 2023. The technology intangible assets are being amortized on a straight-line basis over a period of 8.3 years. Total amortization expense during the three and six months ended July 1, 2023 was \$34,000 and \$68,000, respectively. Annual amortization expense related to the acquired technology intangible assets in each of the succeeding years is estimated to be approximately \$68,000 for the remainder of fiscal 2023 and approximately \$136,000 per year from fiscal 2024 through fiscal 2030.

The following table represents the carrying amount of the Hia technology intangible assets at July 1, 2023 (in thousands):

Gross carrying amount at July 1, 2023	\$1,132
Accumulated amortization	(110)
Net carrying amount at July 1, 2023	<u>\$1,022</u>

15. Commitments and Contingencies

From time to time, Intevac may have certain contingent liabilities that arise in the ordinary course of its business activities. Intevac accounts for contingent liabilities when it is probable that future expenditures will be made and such expenditures can be reasonably estimated.

Legal Matters

From time to time, Intevac receives notification from third parties, including customers and suppliers, seeking indemnification, litigation support, payment of money or other actions in connection with claims made against them. In addition, from time to time, Intevac receives notification from third parties claiming that Intevac may be or is infringing their intellectual property or other rights. Intevac also is subject to various other legal proceedings and claims, both asserted and unasserted, that arise in the ordinary course of business. Although the outcome of these claims and proceedings cannot be predicted with certainty, Intevac does not believe that any existing proceedings or claims will have a material adverse effect on its consolidated financial condition or results of operations.

In July 2020, Robin Quiusky, a former contract employee who worked for us via a staffing agency, filed an action against us under the Private Attorneys General Act (“PAGA”) in California state court (Quiusky v. Intevac, Inc., et al) alleging that the Company failed to provide rest and meal breaks, pay overtime and reimburse business expenses for non-exempt California employees. The former employee subsequently added class action claims to his original complaint. The parties participated in a confidential mediation on February 1, 2022, and reached a settlement resolving the case. The court approved the settlement in November 2022 and payment on the claims was made on January 20, 2023. The settlement effectively extinguishes the Quiusky v. Intevac, Inc., et al lawsuit. The settlement includes the dismissal of all claims against the Company and related parties in the Quiusky lawsuit and claim under the PAGA, without any admission of liability or wrongdoing attributed to the Company. Because of the uncertainty surrounding this litigation, no litigation reserve had been previously established by the Company resulting in the full \$1.0 million settlement expense being recognized in the fourth quarter of fiscal 2021.

16. Subsequent Event

During the third quarter of fiscal 2023, Intevac substantially completed implementation of a cost reduction plan (the “2023 Cost Reduction Plan”), which is intended to reduce expenses by reducing our workforce by between 23 to 25 percent including employees and contractors. Intevac expects to incur restructuring costs of \$1.8 million in estimated severance and other employee-related expenses associated with the 2023 Cost Reduction Plan. Substantially all cash outlays in connection with the 2023 Cost Reduction Plan are expected to occur in the third quarter of fiscal 2023. Implementation of the 2023 Cost Reduction Plan is expected to reduce salary, wages and other employee-related expenses and contractor payments by approximately \$4.0 million on an annual basis.

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

This Quarterly Report on Form 10-Q contains forward-looking statements, which involve risks and uncertainties. Words such as “believes,” “expects,” “anticipates” and the like indicate forward-looking statements. These forward-looking statements include comments related to Intevac’s shipments, projected revenue recognition, product costs, gross margin, operating expenses, interest income, income taxes, cash balances and financial results in 2023 and beyond; projected customer requirements for Intevac’s new and existing products, and when, and if, Intevac’s customers will place orders for these products; the timing of delivery and/or acceptance of the systems and products that comprise Intevac’s backlog for revenue and the Company’s ability to achieve cost savings. Intevac’s actual results may differ materially from the results discussed in the forward-looking statements for a variety of reasons, including those set forth under “Risk Factors” and in other documents we file from time to time with the Securities and Exchange Commission, including our Annual Report on Form 10-K filed on February 16, 2023, our Quarterly Reports on Form 10-Q and our Current Reports on Form 8-K.

Intevac’s trademarks include the following: “200 Lean[®],” and “INTEVAC TRIO[™].”

Discontinued Operations

On December 30, 2021, the Company completed the sale of its Photonics business to EOTECH, LLC, a Michigan limited liability company (“EOTECH”). As a result of the disposition, the results of operations from the Photonics reporting segment are reported as “Net loss from discontinued operations, net of taxes” in the condensed consolidated financial statements. All discussion herein, unless otherwise noted, refers to Intevac’s remaining operating segment after the disposition, the Thin Film Equipment (“TFE”) business. See Note 2 “Divestiture and Discontinued Operations” to the condensed consolidated financial statements in Item 1 of this Quarterly Report on Form 10-Q.

Overview

Intevac is a provider of vacuum deposition equipment for a wide variety of thin-film applications. The Company leverages its core capabilities in high-volume manufacturing of small substrates to provide process manufacturing equipment solutions to the hard disk drive (“HDD”) and display cover panel (“DCP”) industries. Intevac’s customers include manufacturers of hard disk media and DCPs. Intevac operates in a single segment: TFE. Product development and manufacturing activities occur in North America and Asia. Intevac also has field offices in Asia to support its customers. Intevac’s products are highly technical and are sold primarily through Intevac’s direct sales force.

Intevac’s results of operations are driven by a number of factors including success in its equipment growth initiatives in the DCP market and by worldwide demand for HDDs. Demand for HDDs depends on the growth in digital data creation and storage, the rate of areal density improvements, and the end-user demand for PCs, enterprise data storage, nearline “cloud” applications, video players and video game consoles that include such drives. Intevac continues to execute its strategy of diversification beyond the HDD industry by focusing on the Company’s ability to provide proprietary tools to enhance scratch protection and durability for the DCP market and by working to develop the next generation of high volume DCP manufacturing equipment. Intevac believes that its renewed focus on the DCP market will result in incremental equipment revenues for Intevac and decrease Intevac’s dependence on the HDD industry. Intevac’s equipment business is subject to cyclical industry conditions, as demand for manufacturing equipment and services can change depending on supply and demand for HDDs and cell phones as well as other factors such as global economic conditions and technological advances in fabrication processes.

In March 2022, the Company approved and implemented a restructuring program to realign the Company’s operational focus, scale the business and improve costs. The restructuring program includes (i) reducing the Company’s headcount and (ii) eliminating several research and development (“R&D”) programs and product offerings. As part of this realignment effort, the Company ceased its efforts to develop and market several of its manufacturing platforms for the DCP, PV and ASP industries and ceased offering certain legacy products within these industries.

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The following table presents certain significant measurements for the three and six months ended July 1, 2023 and July 2, 2022:

	Three months ended			Six months ended		
	July 1, 2023	July 2, 2022	Change over prior period	July 1, 2023	July 2, 2022	Change over prior period
	(In thousands, except percentages and per share amounts)					
Net revenues	\$10,301	\$ 9,307	\$ 994	\$21,843	\$ 13,752	\$ 8,091
Gross profit	\$ 2,570	\$ 4,487	\$ (1,917)	\$ 7,289	\$ 5,209	\$ 2,080
Gross margin percent	24.9%	48.2%	(23.3) points	33.4%	37.9%	(4.5) points
Loss from operations	\$ (5,452)	\$ (2,397)	\$ (3,055)	\$ (9,906)	\$ (10,084)	\$ 178
Loss from continuing operations	\$ (4,918)	\$ (2,580)	\$ (2,338)	\$ (9,086)	\$ (10,300)	\$ 1,214
Income (loss) from discontinued operations	\$ 40	\$ (238)	\$ 278	\$ 317	\$ (373)	\$ 690
Net loss	\$ (4,878)	\$ (2,818)	\$ (2,060)	\$ (8,769)	\$ (10,673)	\$ 1,904
Net loss per diluted share	\$ (0.19)	\$ (0.11)	\$ (0.08)	\$ (0.34)	\$ (0.43)	\$ 0.09

Net revenues increased during the three and six months ended July 1, 2023 compared to the same periods in the prior year primarily due to systems sales. We recognized revenue on one 200 Lean HDD system and one refurbished 200 Lean HDD system in the second quarter of 2023. We did not recognize revenue on any system sales in the first half of fiscal 2022. Lower gross margin in the three and six months ended July 1, 2023, versus the same periods in the prior year, reflected the lower-margin contributions from the 200 Lean HDD system and the refurbished 200 Lean HDD system and lower factory utilization. Gross margins in the first half of fiscal 2022 reflected the impact of \$755,000 in charges for excess and obsolete inventory as part of the Company's realignment effort. In March 2022, the Company's management approved a restructuring plan to realign the Company's operational focus, scale the business and improve costs. R&D expenses for the first half of fiscal 2022 include \$1.5 million in expenditures related to the disposal of certain lab equipment as part of the realignment effort. The cost of employee severance associated with the fiscal 2022 realignment effort of \$1.2 million was offset in full by stock-based compensation forfeitures related to the employees affected by the reduction in workforce. Fees earned pursuant to the TSA with EOTECH since the divestiture of Photonics ("TSA fees") were \$408,000 for the three months ended July 2, 2022, of which \$14,000 was reported as a reduction of cost of net revenues and \$394,000 was reported as a reduction of selling, general and administrative expenses and \$1.2 million for the six months ended July 2, 2022, of which \$23,000 was reported as a reduction of cost of net revenues and \$1.2 million was reported as a reduction of selling, general and administrative expenses. The agreed-upon charges for such services were generally intended to allow the service provider to recover all costs and expenses of providing such services. The TSA concluded in June 2022, and the Company did not receive any TSA fees in the first half of fiscal 2023. The Company reported a larger net loss for the three months ended July 1, 2023 compared to same period in the prior year due to lower gross profit and higher operating costs, offset in part by higher revenues. The Company reported a smaller net loss for the six months ended July 1, 2023 compared to same period in the prior year due to higher revenues and higher gross profit, offset in part by higher operating costs.

We believe fiscal 2023 will continue to be a challenging year, and Intevac does not expect to be profitable in fiscal 2023. While we expect that HDD equipment sales will be higher in 2023 than 2022 levels, we expect that HDD equipment sales in 2024 will be lower than 2023 levels. We expect to begin recognizing revenue from our TRIO platform in fiscal 2024. In May 2023, a customer cancelled an order for eight 200 Lean HDD systems and we recorded a backlog reduction of \$54.6 million. Additionally, in the second half of 2023 and into the beginning of 2024, we expect to recognize cancellation charges associated with the cancelled order as the associated customer contract requires the customer to pay us a prorated price based upon the percentage of work completed on the order.

Our results of operations and growth prospects could be impacted by macroeconomic conditions such as a global economic slowdown, global economic instability and political conflicts, wars, and public health crises. Rising inflation and interest rates may impact demand for our products and services and our cost to provide products and services. Further, the impacts of inflation and interest rate fluctuations on our business and the broader economy may impact our financial condition and results of operations. Our customers may delay or cancel orders due to reduced demand and supply chain disruptions.

Results of Operations

Net revenues

	Three months ended			Six months ended		
	July 1, 2023	July 2, 2022	Change over prior period	July 1, 2023	July 2, 2022	Change over prior period
	(In thousands)					
Net revenues	\$10,301	\$9,307	\$ 994	\$21,843	\$13,752	\$ 8,091

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Revenue for the three months ended July 1, 2023 increased compared to the same period in the prior year as a result of higher sales of systems, offset in part by lower sales of technology upgrades, spare parts and field service. Revenue for the six months ended July 1, 2023 increased compared to the same period in the prior year as a result of higher sales of systems and technology upgrades, offset in part by lower sales of spare parts and field service. We recognized revenue on one 200 Lean HDD system and one refurbished 200 Lean HDD system for each of the three and six months ended July 1, 2023. Revenue for the three and six months ended July 2, 2022 did not include revenue recognized for any systems.

Backlog

	<u>July 1, 2023</u>	<u>December 31, 2022</u> (In thousands)	<u>July 2, 2022</u>
Backlog	\$58,157	\$ 121,743	\$100,194

Backlog at July 1, 2023 included two 200 Lean HDD systems. Backlog at both December 31, 2022 and July 2, 2022 included eleven 200 Lean HDD systems. In May 2023, a customer cancelled an order for eight 200 Lean HDD systems and we recorded a backlog reduction of \$54.6 million. Our HDD revenues through the remainder of 2023 are expected to consist primarily of HDD upgrade sales, spare parts sales and field service sales. On July 1, 2023, we had \$58.2 million of backlog and expect to recognize as revenue: 37.9% in 2023 and 62.1% in 2024. However, our customers may cancel their contracts with us prior to contract completion. In the case of a termination for convenience, we would not receive anticipated future revenues, but would generally be permitted to recover all or a portion of our incurred costs and fees for work performed.

Revenue by geographic region

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>July 1, 2023</u>	<u>July 2, 2022</u>	<u>July 1, 2023</u>	<u>July 2, 2022</u>
	(In thousands)			
United States	\$ 662	\$ 1,656	\$ 2,276	\$ 1,950
Asia	9,628	7,651	19,556	11,802
Europe	11	—	11	—
Total net revenues	<u>\$ 10,301</u>	<u>\$ 9,307</u>	<u>\$ 21,843</u>	<u>\$ 13,752</u>

International sales include products shipped to overseas operations of U.S. companies. The decrease in sales to the U.S. region in the three months ended July 1, 2023 versus the three months ended July 2, 2022, reflected lower HDD upgrade sales, lower spare parts and lower field service sales. The increase in sales to the U.S. region in the six months ended July 1, 2023 versus the six months ended July 2, 2022, reflected higher HDD upgrade sales, offset in part by lower spare parts and lower field service sales. The increase in sales to the Asia region in the three months ended July 1, 2023 versus the three months ended July 2, 2022, reflected higher HDD system sales, offset in part by lower upgrade, spare parts and field service sales. The increase in sales to the Asia region in the six months ended July 1, 2023 versus the six months ended July 2, 2022, reflected higher HDD system and higher upgrade sales, offset in part by lower spare parts and field service sales. Sales to the Asia region for each of the three and six months ended July 1, 2023 included one 200 Lean HDD system and one refurbished 200 Lean HDD system. Sales to the Asia region in the three and six months ended July 2, 2022, did not include any systems.

Gross profit

	<u>Three months ended</u>			<u>Six months ended</u>		
	<u>July 1, 2023</u>	<u>July 2, 2022</u>	<u>Change over prior period</u>	<u>July 1, 2023</u>	<u>July 2, 2022</u>	<u>Change over prior period</u>
	(In thousands, except percentages)					
Gross profit	\$2,570	\$4,487	\$ (1,917)	\$7,289	\$5,209	\$ 2,080
% of net revenues	24.9%	48.2%		33.4%	37.9%	

Cost of net revenues consists primarily of purchased materials, and also includes fabrication, assembly, test and installation labor and overhead, customer-specific engineering costs, warranty costs, royalties, provisions for inventory reserves and scrap.

Gross margin was 24.9% in the three months ended July 1, 2023 compared to 48.2% in the three months ended July 2, 2022 and was 33.4% in the six months ended July 1, 2023 compared to 37.9% in the six months ended July 2, 2022. The decrease in the gross margin percentage for the three and six months ended July 1, 2023 compared to the same periods in the prior year was due primarily to the lower-margin contributions from the 200 Lean HDD system and the refurbished 200 Lean HDD system, and lower factory utilization. Gross margins will vary depending on a number of factors, including revenue levels, product mix, product cost, system configuration and pricing, factory utilization, and provisions for excess and obsolete inventory.

[Table of Contents](#)*Research and development expense*

	Three months ended			Six months ended		
	July 1, 2023	July 2, 2022	Change over prior period	July 1, 2023	July 2, 2022	Change over prior period
	(In thousands)					
Research and development expense	\$3,647	\$2,868	\$ 779	\$7,620	\$7,028	\$ 592

Research and development spending during the three and six months ended July 1, 2023 increased compared to the same periods in the prior year primarily due to higher spending on TRIO and HDD R&D programs. R&D spending during the six months ended July 2, 2022 included \$1.5 million in expenditures related to the disposal of certain lab equipment as part of the realignment effort.

Selling, general and administrative expense

	Three months ended			Six months ended		
	July 1, 2023	July 2, 2022	Change over prior period	July 1, 2023	July 2, 2022	Change over prior period
	(In thousands)					
Selling, general and administrative expense	\$4,375	\$4,016	\$ 359	\$9,575	\$8,265	\$ 1,310

Selling, general and administrative expense consists primarily of selling, marketing, customer support, financial and management costs. Selling, general and administrative expense for the three months ended July 1, 2023 increased compared to the same period in the prior year as higher legal fees, higher consulting fees and higher travel expenses were offset in part by lower variable compensation expenses. Selling, general and administrative expense for the six months ended July 1, 2023 increased compared to the same period in the prior year as higher stock compensation expenses, higher variable compensation expenses, higher consulting fees, higher training expenses and higher travel expenses were offset in part by lower legal fees. Selling, general and administrative expense for the six months ended July 2, 2022 included one-time severance charges associated with the 2022 Cost Reduction Plan. Selling, general and administrative expense for the three and six months ended July 2, 2022, is net of \$394,000 and \$1.2 million, respectively, in TSA fees earned since the Photonics divestiture. The agreed-upon charges for such services were generally intended to allow the service provider to recover all costs and expenses of providing such services.

Cost reduction plan

In March 2022, the Company's management approved a restructuring plan to realign the Company's operational focus, scale the business and improve costs. The restructuring program includes (i) reducing the Company's headcount and (ii) eliminating several R&D programs and product offerings. As part of this re-alignment effort, the Company will no longer be pursuing several DCP projects including the coating of the backside covers of smartphones, solar ion implantation (also known as ENERGi®), and advanced packaging for semiconductor manufacturing. We incurred restructuring costs of \$1.2 million for estimated severance and the related modification of certain stock-based awards. Other costs incurred as part of the 2022 cost reduction plan include: (i) a benefit of \$1.3 million related to the stock-based compensation forfeitures related to the employees affected by the reduction in workforce, (ii) \$1.5 million for fixed asset disposals and (iii) \$755,000 for write-offs of excess inventory. The 2022 Cost Reduction Plan reduced our workforce by 6 percent. The cost of implementing the 2022 Cost Reduction Plan was reported under cost of net revenues and operating expenses in the condensed consolidated statements of operations. Implementation of the 2022 Cost Reduction Plan is expected to reduce salary, wages and other employee-related expenses by approximately \$2.1 million on an annual basis and reduce depreciation expense by \$720,000 on an annual basis. Substantially all cash outlays in connection with the 2022 Cost Reduction Plan occurred in fiscal 2022.

Interest income and other income (expense), net

	Three months ended			Six months ended		
	July 1, 2023	July 2, 2022	Change over prior period	July 1, 2023	July 2, 2022	Change over prior period
	(In thousands)					
Interest income and other, income (expense), net	\$ 650	\$ 317	\$ 333	\$1,322	\$ 310	\$ 1,012

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Interest income and other income (expense), net in the three months ended July 1, 2023 included \$567,000 of interest income on investments, \$24,000 of various other income and \$59,000 of foreign currency gains. Interest income and other income (expense), net in the six months ended July 1, 2023 included \$1.3 million of interest income on investments and \$64,000 of various other income, offset in part by \$19,000 of foreign currency losses. Interest income and other income (expense), net in the three months ended July 2, 2022 included \$166,000 of interest income on investments, \$11,000 of various other income and \$140,000 of foreign currency gains. Interest income and other income (expense), net in the six months ended July 2, 2022 included \$175,000 of interest income on investments, \$28,000 of various other income and \$107,000 of foreign currency gains. The increase in interest income in the three and six months ended July 1, 2023 compared to the same periods in the prior year resulted from higher interest rates on Intevac's investments, offset in part by lower invested balances.

Provision for income taxes

	Three months ended			Six months ended		
	July 1, 2023	July 2, 2022	Change over prior period	July 1, 2023	July 2, 2022	Change over prior period
	(In thousands)					
Provision for income taxes	\$ 116	\$ 500	\$ (384)	\$ 502	\$ 526	\$ (24)

Intevac recorded income tax provisions of \$116,000 and \$502,000 for the three and six months ended July 1, 2023, respectively, and income tax provisions of \$500,000 and \$526,000 for the three and six months ended July 2, 2022, respectively. The income tax provisions for these three and six month periods are based upon estimates of annual income (loss), annual permanent differences and statutory tax rates in the various jurisdictions in which Intevac operates. For the three month period ended July 1, 2023, Intevac recorded a \$44,000 income tax benefit on losses of its international subsidiaries and recorded \$158,000 for withholding taxes on royalties paid to the United States from Intevac's Singapore subsidiary as a discrete item. For the six month period ended July 1, 2023, Intevac recorded a \$180,000 income tax provision on income of its international subsidiaries and recorded \$320,000 for withholding taxes on royalties paid to the United States from Intevac's Singapore subsidiary as a discrete item. For the three and six month periods ended July 2, 2022, Intevac recorded income tax provisions on profits of its international subsidiaries of \$390,000 and \$364,000, respectively, and recorded \$107,000 and \$158,000, respectively, for withholding taxes on royalties paid to the United States from Intevac's Singapore subsidiary as discrete items. For all periods presented, Intevac utilized net operating loss carry-forwards to offset the impact of global intangible low-taxed income. Intevac's tax rate differs from the applicable statutory rates due primarily to the establishment of a valuation allowance, the utilization of deferred and current credits and the effect of permanent differences and adjustments of prior permanent differences. Intevac's future effective income tax rate depends on various factors, including the level of Intevac's projected earnings, the geographic composition of worldwide earnings, tax regulations governing each region, net operating loss carry-forwards, availability of tax credits and the effectiveness of Intevac's tax planning strategies. Management carefully monitors these factors and timely adjusts the effective income tax rate.

The income tax expense consists primarily of income taxes in foreign jurisdictions in which we conduct business and foreign withholding taxes. We maintain a full valuation allowance for domestic deferred tax assets, including net operating loss carry-forwards and certain domestic tax credits. Intevac's effective tax rate differs from the U.S. statutory rate in both 2023 and 2022 primarily due to the Company not recognizing an income tax benefit on the domestic loss.

Income (loss) from discontinued operations, net of taxes

	Three months ended			Six months ended		
	July 1, 2023	July 2, 2022	Change over prior period	July 1, 2023	July 2, 2022	Change over prior period
	(In thousands)					
Income (loss) from discontinued operations, net of taxes	\$ 40	\$(238)	\$ 278	\$ 317	\$(373)	\$ 690

The income (loss) from discontinued operations consists primarily of the results of operations of the Photonics business which was sold to EOTECH on December 30, 2021. Income from discontinued operations for the three months ended July 1, 2023 is comprised primarily of accretion on the lease liability that was assigned to EOTECH. Income from discontinued operations for the six months ended July 1, 2023 is comprised primarily of a stock based compensation forfeiture benefit recognized upon the termination of certain mutual employees of both the Company and EOTECH that were terminated by the Company upon the completion of the assignment and novation of all government contracts to EOTECH in the first quarter of fiscal 2023. Loss from discontinued operations for the three and six months ended July 2, 2022 includes salaries and wages and employee benefits up to and including January, 4, 2022, the date when employees were conveyed to EOTECH, severance for several employees that were not hired by EOTECH, stock based compensation expense associated with the acceleration of stock awards and incremental legal expenses associated with the divestiture, offset in part by a stock based compensation divestiture-related forfeiture benefit.

Liquidity and Capital Resources

At July 1, 2023, Intevac had \$73.9 million in cash, cash equivalents, restricted cash and investments compared to \$112.8 million at December 31, 2022. During the first six months of fiscal 2023, cash, cash equivalents, restricted cash and investments decreased by \$38.9 million due primarily to cash used by operating activities, purchases of leasehold improvements and equipment, payment of contingent consideration and tax payments on net share settlements offset in part by cash received from the sale of Intevac common stock to Intevac's employees through Intevac's employee benefit plans.

Cash, cash equivalents, restricted cash and investments consist of the following:

	July 1, 2023	December 31, 2022
	(In thousands)	
Cash and cash equivalents	\$43,976	\$ 68,904
Restricted cash	785	786
Short-term investments	23,626	25,541
Long-term investments	5,550	17,585
Total cash, cash equivalents, restricted cash and investments	<u>\$73,937</u>	<u>\$ 112,816</u>

Operating activities used cash of \$33.4 million during the first six months of fiscal 2023 compared to cash used of \$11.4 million during the first six months of fiscal 2022.

Accounts receivable increased to \$20.2 million at July 1, 2023 compared to \$15.8 million at December 31, 2022 as a result of sales from the first half of 2023 as well as the impact of offering our customers in good standing extended payment terms on a portion of the sales on selected products in the fourth quarter of 2022 and the first half of 2023. Net inventories increased to \$46.3 million at July 1, 2023 compared to \$30.0 million at December 31, 2022 due to purchases of inventory to support our investments in TRIO inventory and the build out of our HDD backlog. In the second half of 2023 and into the beginning of 2024, as part of the cancellation of an order for eight 200 Lean HDD systems, the customer is expected to take delivery of \$12.5 million of inventory on hand at July 1, 2023 and \$11.4 million of inventory on order, plus reimburse us for any supplier cancellation charges. Accounts payable decreased to \$10.4 million at July 1, 2023 from \$11.6 million at December 31, 2022 as a result of decreased inventory purchases, offset in part by changing our standard payment terms from 30 days to 60 days. Accrued payroll and related liabilities increased to \$3.4 million at July 1, 2023 compared to \$3.1 million at December 31, 2022. Other accrued liabilities decreased to \$1.4 million at July 1, 2023 compared to \$5.4 million at December 31, 2022 primarily due to the recognition of revenue on a 200 Lean HDD refurbished tool in deferred revenue as well as the settlement of the PAGA lawsuit which was paid on January 20, 2023. Customer advances decreased from \$24.7 million at December 31, 2022 to \$21.7 million at July 1, 2023 primarily as a result of recognition of revenue.

Investing activities generated cash of \$9.7 million during the first six months of fiscal 2023. Proceeds from sales and maturities of investments, net of purchases totaled \$13.9 million as the Company liquidated investments from its investment portfolio to fund operating costs and inventory purchases. Capital expenditures for the six months ended July 1, 2023 were \$4.3 million.

Financing activities used cash of \$975,000 in the first six months of fiscal 2023. Cash generated from the sale of Intevac common stock to Intevac's employees through Intevac's employee benefit plans was \$838,000. Tax payments related to the net share settlement of restricted stock units was \$1.6 million.

In connection with the acquisition of Hia Inc., Intevac agreed to make contingent consideration payments to the selling shareholders upon achievement of certain development and commercialization milestones, which consideration is estimated to be up to \$500,000. The first milestone was achieved and contingent consideration in the amount of \$250,000 was paid on January 17, 2023. The Company is also obligated to pay a royalty of \$1,500 for each magnetic bar sold through December 31, 2030. If at any time prior to December 31, 2030, the Company effects a change of control or a sale, license, transfer or other disposition to a third party (other than an affiliate of Intevac) of all or substantially all of the assets or rights associated with the magnetic bars, then, upon the closing of such transaction, a payment of \$1.7 million (minus any royalty payments previously paid) will immediately become due and payable, which payment shall fulfill the Company's royalty obligations. As of July 1, 2023, no royalty payments have been earned or paid.

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Intevac's investment portfolio consists principally of investment grade money market mutual funds, U.S. Treasury and agency securities, certificates of deposit, asset-backed securities, commercial paper, municipal bonds and corporate bonds. Intevac regularly monitors the credit risk in its investment portfolio and takes measures, which may include the sale of certain securities, to manage such risks in accordance with its investment policies.

As of July 1, 2023, approximately \$22.7 million of cash and cash equivalents and \$4.9 million of investments were domiciled in foreign tax jurisdictions. Intevac expects a significant portion of these funds to remain offshore in the short term. If the Company chose to repatriate these funds to the United States, it would be required to accrue and pay additional taxes on any portion of the repatriation subject to foreign withholding taxes.

We believe that our existing cash, cash equivalents and investments and cash flows from operating activities will be adequate to meet our liquidity needs for the next twelve months and for the foreseeable future beyond the next twelve months. Our significant funding requirements include procurement of manufacturing inventories, operating expenses, non-cancelable operating lease obligations, capital expenditures, contingent consideration payments, and variable compensation. We have flexibility over some of these uses of cash, including capital expenditures and discretionary operating expenses, to preserve our liquidity position. Capital expenditures for the remainder of fiscal 2023 are projected to be approximately \$1.5 million to \$2.0 million related to network infrastructure and security, and laboratory and test equipment to support our R&D programs.

Off-Balance Sheet Arrangements

Off-balance sheet firm commitments relating to outstanding letters of credit amounted to approximately \$785,000 as of July 1, 2023. These letters of credit and bank guarantees are collateralized by \$785,000 of restricted cash. We do not maintain any other off-balance sheet arrangements, transactions, obligations, or other relationships that would be expected to have a material current or future effect on the consolidated financial statements.

Climate Change

We believe that neither climate change, nor governmental regulations related to climate change, have had any material effect on our business, financial condition or results of operations.

Critical Accounting Policies and Estimates

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America ("US GAAP") requires management to make judgments, assumptions and estimates that affect the amounts reported. Intevac's significant accounting policies are described in Note 1 to the consolidated financial statements included in Item 8 of Intevac's Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on February 16, 2023. Certain of these significant accounting policies are considered to be critical accounting policies, as defined below.

A critical accounting policy is defined as one that is both material to the presentation of Intevac's financial statements and requires management to make difficult, subjective or complex judgments that could have a material effect on Intevac's financial conditions and results of operations. Specifically, critical accounting estimates have the following attributes: 1) Intevac is required to make assumptions about matters that are highly uncertain at the time of the estimate; and 2) different estimates Intevac could reasonably have used, or changes in the estimate that are reasonably likely to occur, would have a material effect on Intevac's financial condition or results of operations.

Estimates and assumptions about future events and their effects cannot be determined with certainty. Intevac bases its estimates on historical experience and on various other assumptions believed to be applicable and reasonable under the circumstances. These estimates may change as new events occur, as additional information is obtained and as Intevac's operating environment changes. These changes have historically been minor and have been included in the consolidated financial statements as soon as they become known. In addition, management is periodically faced with uncertainties, the outcomes of which are not within its control and will not be known for prolonged periods of time. Many of these uncertainties are discussed in the section below entitled "Risk Factors." Based on a critical assessment of Intevac's accounting policies and the underlying judgments and uncertainties affecting the application of those policies, management believes that Intevac's consolidated financial statements are fairly stated in accordance with US GAAP, and provide a meaningful presentation of Intevac's financial condition and results of operations.

Beginning January 1, 2023, we implemented ASC 326, Financial Instruments - Credit Losses. For a description of our critical accounting policies and estimates affecting accounting for credit losses, see Note 1. "Description of Business, Basis of Presentation and Significant Accounting Policy" to our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q. With the exception of the changes to our credit loss recognition policies referenced above, there have been no material changes to our critical accounting policies during the six months ended July 1, 2023.

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

Not applicable to smaller reporting companies.

Item 4. *Controls and Procedures*

Evaluation of disclosure controls and procedures

Intevac maintains a set of disclosure controls and procedures that are designed to ensure that information relating to Intevac required to be disclosed in periodic filings under the Securities Exchange Act of 1934, or Exchange Act, is recorded, processed, summarized and reported in a timely manner under the Exchange Act. In connection with the filing of this Quarterly Report on Form 10-Q for the quarter ended July 1, 2023, as required under Rule 13a-15(e) of the Exchange Act, an evaluation was carried out under the supervision and with the participation of management, including the Chief Executive Officer (the “CEO”) and Chief Financial Officer (the “CFO”), of the effectiveness of Intevac’s disclosure controls and procedures as of the end of the period covered by this quarterly report. Based on this evaluation, Intevac’s CEO and CFO concluded that our disclosure controls and procedures were effective as of July 1, 2023.

Attached as exhibits to this Quarterly Report on Form 10-Q are certifications of the CEO and the CFO, which are required in accordance with Rule 13a-14 of the Exchange Act. This Controls and Procedures section includes the information concerning the controls evaluation referred to in the certifications, and it should be read in conjunction with the certifications for a more complete understanding of the topics presented.

Definition of disclosure controls

Disclosure controls are controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act, such as this Quarterly Report on Form 10-Q, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms. Disclosure controls are also designed to ensure that such information is accumulated and communicated to our management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure. Our disclosure controls include components of our internal control over financial reporting, which consists of control processes designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles in the U.S. To the extent that components of our internal control over financial reporting are included within our disclosure controls, they are included in the scope of our quarterly controls evaluation.

Limitations on the effectiveness of controls

Intevac’s management, including the CEO and CFO, does not expect that Intevac’s disclosure controls or Intevac’s internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system’s objectives will be 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 Intevac have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Changes in internal control over financial reporting

Beginning January 1, 2023, we implemented ASC 326, Financial Instruments - Credit Losses. Although the new standard is expected to have an immaterial impact on our ongoing net income, we did implement changes to our processes related to the assessment of credit losses, including the utilization of an expected credit loss model, which requires consideration of a broader range of information to estimate expected credit losses over the entire lifetime of the asset, including losses where probability is considered remote, reporting of credit losses and the control activities within them. There were no other changes in our internal control over financial reporting that occurred during the period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, Intevac’s internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. *Legal Proceedings*

From time to time, Intevac is involved in claims and legal proceedings that arise in the ordinary course of business. Intevac expects that the number and significance of these matters will increase as Intevac's business expands. Any claims or proceedings against us, whether meritorious or not, could be time consuming, result in costly litigation, require significant amounts of management time, result in the diversion of significant operational resources, or require us to enter into royalty or licensing agreements which, if required, may not be available on terms favorable to us or at all. Intevac is not presently a party to any lawsuit or proceeding that, in Intevac's opinion, is likely to seriously harm Intevac's business. See "Risk Factors" in Part II, Item 1A of this Quarterly Report on Form 10-Q.

Item 1A. *Risk Factors*

The following factors could materially affect Intevac's business, financial condition or results of operations and should be carefully considered in evaluating the Company and its business, in addition to other information presented elsewhere in this report.

Risks Related to Our Business

The industries we serve are cyclical, volatile and unpredictable.

A significant portion of our revenue is derived from the sale of equipment used to manufacture commodity technology products such as disk drives and cell phones. This subjects us to business cycles, the timing, length and volatility of which can be difficult to predict. When demand for commodity technology products exceeds production capacity, then demand for new capital equipment such as ours tends to be amplified. Conversely, when supply of commodity technology products exceeds demand, then demand for new capital equipment such as ours tends to be depressed. We cannot predict with any certainty when these cycles will begin or end. For example, our sales of systems for magnetic disk production increased in 2016 as a customer began upgrading the technology level of its manufacturing capacity. Sales of systems and upgrades for magnetic disk production in 2017 and 2018 were higher than in 2016 as this customer's technology upgrade continued. However, sales of systems and upgrades for magnetic disk production in 2019, 2020 and 2021 and 2022 were down from the levels in 2018 as this customer took delivery of fewer or no (in the case of 2021 and 2022) systems. In May 2023, this customer cancelled an order for eight 200 Lean HDD systems due to the customer postponing previously planned media capacity additions, and we recorded a backlog reduction of \$54.6 million. Intevac expects sales of systems and upgrades for magnetic disk production in 2023 will be at levels higher than the levels in 2022.

Our equipment represents only a portion of the capital expenditure that our customers incur when they upgrade or add production capacity. Accordingly, our customers generally commit to making large capital expenditures far in excess of the cost of our systems alone when they decide to purchase our systems. The magnitude of these capital expenditures requires our customers to have access to large amounts of capital. Our customers generally reduce their level of capital investment during downturns in the overall economy or during a downturn in their industries. Reductions in capital investment could be particularly pronounced as the cost of obtaining capital increases during periods of rapidly rising interest rates.

We must effectively manage our resources and production capacity to meet rapidly changing demand. Our business experiences rapid growth and contraction, which stresses our infrastructure, internal systems and managerial resources. During periods of increasing demand for our products, we must have sufficient manufacturing capacity and inventory to meet customer demand; attract, retain and motivate a sufficient number of qualified individuals; and effectively manage our supply chain. During periods of decreasing demand for our products, we must be able to align our cost structure with prevailing market conditions; motivate and retain key employees and effectively manage our supply chain.

Supply chain and shipping disruptions could result in shipping delays, and increased product costs which may have a material adverse effect on our business, financial condition and results of operations.

Supply chain disruptions have impacted, and may continue to impact, us and our suppliers. These disruptions have resulted in longer lead times and increased product costs and shipping expenses. While we have taken steps to minimize the impact of these increased costs by working closely with our suppliers and customers, there can be no assurances that unforeseen events impacting the supply chain will not have a material adverse effect on our business, financial condition and results of operations in the future. Additionally, the impacts supply chain disruptions have on our suppliers are not within our control. It is not currently possible to predict how long it will take for these supply chain disruptions to cease. Prolonged supply chain disruptions impacting us and our suppliers could interrupt product manufacturing, increase lead times, increase product costs and continue to increase shipping costs, all of which may have a material adverse effect on our business, financial condition and results of operations.

We are dependent on certain suppliers for parts used in our products.

We are a manufacturing business. Purchased parts constitute the largest component of our product cost. Our ability to manufacture depends on the timely delivery of parts, components and subassemblies from suppliers. We obtain some of the key components and subassemblies used in our products from a single supplier or a limited group of suppliers. If any of our suppliers fail to deliver quality parts on a timely basis, we may experience delays in manufacturing, which could result in delayed product deliveries, increased costs to expedite deliveries or develop alternative suppliers, or require redesign of our products to accommodate alternative suppliers. Some of our suppliers are thinly capitalized and may be vulnerable to failure, particularly during economic downturns and periods of rapidly rising interest rates and inflation.

Global economic conditions may harm our industry, business and results of operations.

We operate globally and as a result our business, revenues and profitability are impacted by global macroeconomic conditions. The success of our activities is affected by general economic and market conditions, including, among others, inflation rate fluctuations, interest rates, tax rates, economic uncertainty, political instability, changes in laws, and trade barriers and sanctions. Recently, inflation rates in the U.S. have increased to levels not seen in several years. Such economic volatility could adversely affect our business, financial condition, results of operations and cash flows, and future market disruptions could negatively impact us. Geopolitical destabilization could continue to impact global currency exchange rates, commodity prices, trade and movement of resources, which may adversely affect the ability of our customers and potential customers to incur the capital expenditures necessary to purchase our products and services.

Sales of our equipment are primarily dependent on our customers' upgrade and capacity expansion plans and whether our customers select our equipment.

We have no control over our customers' upgrade and capacity expansion plans, and we cannot be sure they will select, or continue to select, our equipment when they upgrade or expand their capacity. The sales cycle for our equipment systems can be a year or longer, involving individuals from many different areas of Intevac and numerous product presentations and demonstrations for our prospective customers. Our sales process also commonly includes production of samples and customization of our products. We do not typically enter into long-term contracts with our customers, and until an order is actually submitted by a customer there is no binding commitment to purchase our systems. In some cases, orders are also subject to customer acceptance or other criteria even in the case of a binding agreement.

As of July 1, 2023, our total backlog was \$58.2 million, which was primarily attributable to two customers. Our backlog includes orders under contracts that can extend for several years. Our backlog can be significantly affected by the timing of large orders. We may not realize all of the revenue included in our total backlog in the future. For example, in May 2023, we removed \$54.6 million from backlog upon receiving notice from a customer of the cancellation of an order for eight 200 Lean HDD systems due to the customer postponing previously planned media capacity additions. There can also be no assurance that our backlog will result in revenue in any particular period because the actual receipt, timing and amount of revenue under contracts included in backlog are subject to various contingencies, many of which are beyond our control. If our customers terminate, reduce or defer orders, we may be protected from certain costs and losses, but our sales will nevertheless be adversely affected, and we may not generate the revenue we expect.

Sales of new manufacturing systems are also dependent on obsolescence and replacement of the installed base of our customers' existing equipment with newer, more capable equipment. If upgrades are developed that extend the useful life of the installed base of systems, then we tend to sell more upgrade products and fewer new systems, which can significantly reduce total revenue.

Our 200 Lean HDD customers also experience competition from companies that produce alternative storage technologies like flash memory, which offer smaller size, lower power consumption and more rugged designs. These storage technologies are being used

increasingly in enterprise applications and smaller form factors such as tablets, smart-phones, ultra-books, and notebook PCs instead of hard disk drives. Tablet computing devices and smart-phones have never contained, nor are they likely in the future to contain, a disk drive. Products using alternative technologies, such as flash memory, optical storage and other storage technologies are becoming increasingly common and could become a significant source of competition to particular applications of the products of our 200 Lean HDD customers, which could adversely affect our results of operations. If alternative technologies, such as flash memory, replace hard disk drives as a significant method of digital storage, then demand for our hard disk manufacturing products would decrease.

Our results of operations could be materially harmed if we are unable to accurately forecast demand for our products and manage product inventory in an effective and efficient manner.

To ensure adequate inventory supply, we must forecast inventory needs and place orders with our suppliers before orders are placed by our customers. If we fail to accurately forecast customer demand, we may experience excess inventory levels or a shortage of product to deliver to our customers. Factors that could affect our ability to accurately forecast demand for our products include: (1) an increase or decrease in customer demand for our products; (2) a failure to accurately forecast consumer acceptance for our new products such as the TRIO platform; (3) product introductions by competitors; (4) unanticipated changes in general market conditions or other factors (for example, because of effects on inventory supply and consumer demand caused by high inflation rates or other adverse macroeconomic conditions); (5) the uncertainties and logistical challenges that accompany operations on a global scale; and (6) terrorism or acts of war, or the threat thereof, or political or labor instability or unrest, civil unrest, riots or insurrections, public health crises such as the COVID-19 pandemic (or other future pandemics or epidemics), including the severity and transmission rates of new variants, which could adversely affect customer confidence and spending or interrupt production and distribution of product and raw materials.

Inventory levels in excess of customer demand may result in inventory write-downs or write-offs, and the sale of excess inventory at discounted prices, which could harm our gross margin. In addition, if we underestimate the demand for our products, we may not be able to produce products to meet our customer requirements, and this could result in delays in the shipment of our products, therefore impacting our ability to recognize revenue, generate lost sales, and cause damage to our reputation and relationships with our customers. Inaccurate forecasts may also adversely impact our ability to prepare forward-looking statements and meet investor expectations.

Challenges in forecasting demand can also make it difficult to estimate future results of operations and financial condition from period to period. A failure to accurately predict the level of demand for our products or manage product inventory in an effective and efficient manner could adversely impact our results of operations and cause us not to achieve our expected financial results.

We operate in an intensely competitive marketplace, and our competitors have greater resources than we do.

In the market for our disk sputtering systems, we experience competition primarily from Canon Anelva, which has sold a substantial number of systems worldwide. Some of our competitors have substantially greater financial, technical, marketing, manufacturing and other resources than we do, especially in the DCP equipment market. Our competitors may develop enhancements to, or future generations of, competitive products that offer superior price or performance features, and new competitors may enter our markets and develop such enhanced products. Moreover, competition for our customers is intense, and our competitors have historically offered substantial pricing concessions and incentives to attract our customers or retain their existing customers.

We are exposed to risks associated with a highly concentrated customer base.

Historically, a significant portion of our revenue in any particular period has been attributable to sales of our disk sputtering systems to a limited number of customers. Our reliance on sales to relatively few customers has increased with the disposition of our Photonics business, and we expect that sales of our products to relatively few customers will continue to account for a high percentage of our revenues in the foreseeable future, particularly as we realign our operations to focus on the HDD and DCP markets. This concentration of customers, when combined with changes in the customers' specific capacity plans and market share shifts can lead to extreme variability in our revenue and financial results from period to period.

The concentration of our customer base may enable our customers to demand pricing and other terms unfavorable to Intevac and makes us more vulnerable to changes in demand by or issues with a given customer. Orders from a relatively limited number of manufacturers have accounted for, and will likely continue to account for, a substantial portion of our revenues. The loss of one of these large customers, or delays in purchasing by them, would have a material and adverse effect on our revenues.

Our operating results fluctuate significantly from quarter to quarter, which can lead to volatility in the price of our common stock.

Our quarterly revenues and common stock price have fluctuated significantly. We anticipate that our revenues, operating margins and common stock price will continue to fluctuate for a variety of reasons, including: (1) changes in the demand, due to seasonality, cyclicality and other factors in the markets for computer systems, storage subsystems and consumer electronics containing disks as well as cell phones our customers produce with our systems; (2) delays or problems in the introduction and acceptance of our new products, or delivery of existing products; (3) timing of orders, acceptance of new systems by our customers or cancellation or delay of those

orders; (4) new products, services or technological innovations by our competitors or us; (5) changes in our manufacturing costs and operating expense; (6) changes in general economic, political, stock market and industry conditions; and (7) any failure of our operating results to meet the expectations of investment research analysts or investors.

Any of these, or other factors, could lead to volatility and/or a rapid change in the trading price of our common shares. In the past, securities class action litigation has been instituted against companies following periods of volatility in the market price of their securities. Any such litigation, if instituted against Intevac, could result in substantial costs and diversion of management time and attention.

Our success depends on international sales and the management of global operations.

In previous years, the majority of our revenues have come from regions outside the United States. Most of our international sales are to customers in Asia, which includes products shipped to overseas operations of U.S. companies. We currently have manufacturing facilities in California and Singapore and international customer support offices in Singapore, China, and Malaysia. We expect that international sales will continue to account for a significant portion of our total revenue in future years. Certain of our suppliers are also located outside the United States.

Managing our global operations presents challenges including, but not limited to, those arising from: (1) global trade issues; (2) variations in protection of intellectual property and other legal rights in different countries; (3) concerns of U.S. governmental agencies regarding possible national commercial and/or security issues posed by growing manufacturing business in Asia; (4) fluctuation of interest rates, raw material costs, labor and operating costs, and exchange rates; (5) variations in the ability to develop relationships with suppliers and other local businesses; (6) changes in the laws and regulations of the United States, including export restrictions, and other countries, as well as their interpretation and application; (7) the need to provide technical and spare parts support in different locations; (8) political and economic instability; (9) cultural differences; (10) varying government incentives to promote development; (11) shipping costs and delays; (12) adverse conditions in credit markets; (13) variations in tariffs, quotas, tax codes and other market barriers; and (14) barriers to movement of cash.

We must regularly assess the size, capability and location of our global infrastructure and make appropriate changes to address these issues.

Our success is dependent on recruiting and retaining a highly talented work force.

Our employees are vital to our success, and our key management, engineering and other employees are difficult to replace. We do not maintain key person life insurance on any of our employees. The expansion of high technology companies worldwide has increased demand and competition for qualified personnel and has made companies increasingly protective of prior employees. It may be difficult for us to locate employees who are not subject to non-competition agreements and other restrictions.

The majority of our U.S. operations are located in California where the cost of living and of recruiting employees is high. Our operating results depend, in large part, upon our ability to retain and attract qualified management, engineering, marketing, manufacturing, customer support, sales and administrative personnel. Furthermore, we compete with industries such as the hard disk drive, semiconductor, and solar industries for skilled employees. Failure to retain existing key personnel, or to attract, assimilate or retain additional highly qualified employees to meet our needs in the future, could have a material and adverse effect on our business, financial condition and results of operations.

Risks Related to Our Intellectual Property

Our growth depends on development of technically advanced new products and processes.

We have invested heavily, and continue to invest, in the development of new products, such as our 200 Lean HDD and our TRIO coating platform for DCP. Our success in developing and selling new products depends upon a variety of factors, including our ability to: predict future customer requirements; make technological advances; achieve a low total cost of ownership for our products; introduce new products on schedule; manufacture products cost-effectively including transitioning production to volume manufacturing; commercialize and attain customer acceptance of our products; and achieve acceptable and reliable performance of our new products in the field. Our new product decisions and development commitments must anticipate continuously evolving industry requirements significantly in advance of sales. In addition, we are attempting to expand into new or related markets, including the display cover glass market. Our expansion into the cover glass market is dependent upon the success of our customers' development plans. To date we have not recognized material revenue from such products. Failure to correctly assess the size of the market, to successfully develop products on a timely basis, to successfully develop cost effective products to address the market or to establish effective sales and support of the new products would have a material adverse effect on future revenues and profits. In addition, if we invest in products for which the market does not develop as anticipated, we may incur significant charges related to such investments.

Rapid technological change in our served markets requires us to rapidly develop new technically advanced products. Our future success depends in part on our ability to develop and offer new products with improved capabilities and to continue to enhance our existing products. If new products have reliability or quality problems, our performance may be impacted by reduced orders, higher manufacturing costs, delays in acceptance and payment for new products and additional service and warranty expenses.

Our business depends on the integrity of our intellectual property rights.

The success of our business depends upon the integrity of our intellectual property rights, and we cannot ensure that: (1) any of our pending or future patent applications will be allowed or that any of the allowed applications will be issued as patents or will issue with claims of the scope we sought; (2) any of our patents will not be invalidated, deemed unenforceable, circumvented or challenged; (3) the rights granted under our patents will provide competitive advantages to us; (4) other parties will not develop similar products, duplicate our products or design around our patents; or (5) our patent rights, intellectual property laws or our agreements will adequately protect our intellectual property or competitive position.

From time to time, we have received claims that we are infringing third parties' intellectual property rights or seeking to invalidate our rights. We cannot ensure that third parties will not in the future claim that we have infringed current or future patents, trademarks or other proprietary rights relating to our products. Any claims, with or without merit, could be time-consuming, result in costly litigation, cause product shipment delays or require us to enter into royalty or licensing agreements. Such royalty or licensing agreements, if required, may not be available on terms acceptable to us.

Risks Related to Government Regulation

We may not be able to obtain export licenses from the U.S. government permitting delivery of our products to international customers.

Many of our products, require export licenses from U.S. government agencies under the Export Administration Act. These regulations limit the potential market for some of our products. We can give no assurance that we will be successful in obtaining all the licenses necessary to export our products. Heightened government scrutiny of export licenses for defense related products has resulted in lengthened review periods for our license applications. Failure to comply with export control laws, including identification and reporting of all exports and re-exports of controlled technology or exports made without correct license approval or improper license use could result in severe penalties and revocation of licenses. Failure to obtain export licenses, delays in obtaining licenses, or revocation of previously issued licenses would prevent us from selling the affected products outside the United States and could negatively impact our results of operations.

We are subject to risks of non-compliance with environmental and other governmental regulations.

We are subject to a variety of governmental regulations relating to the use, storage, discharge, handling, emission, generation, manufacture, treatment and disposal of toxic or otherwise hazardous substances, chemicals, materials or waste. If we fail to comply with current or future regulations, such failure could result in suspension of our operations, alteration of our manufacturing process, remediation costs or substantial civil penalties or criminal fines against us or our officers, directors or employees. Additionally, these regulations could require us to acquire expensive remediation or abatement equipment and incur substantial expenses to comply with them.

In addition, climate change legislation is a significant topic of recent discussion and has generated and may continue to generate federal, international or other regulatory responses in the near future. If we or our suppliers, customers or partners fail to timely comply with applicable legislation, certain customers may refuse to purchase our products or we may face increased operating costs as a result of taxes, fines or penalties, or incur legal liability and reputational damage, which could harm our business, financial condition and results of operations.

General Risk Factors

Our business could be negatively impacted by cyber and other security threats or disruptions.

We face various cyber and other security threats, including attempts to gain unauthorized access to sensitive information and networks. Although we utilize various procedures and controls to monitor and mitigate the risk of these threats, there can be no assurance that these procedures and controls will be sufficient. These threats could lead to losses of sensitive information or capabilities; financial liabilities and damage to our reputation. If we are unable to maintain compliance with security standards applicable to defense contractors, we could lose business or suffer reputational harm. Cyber threats to businesses are evolving and include, but are not limited to, malicious software, destructive malware, attempts to gain unauthorized access to data, disruption or denial of service attacks, and other electronic security breaches that could lead to disruptions in our systems, unauthorized release of confidential, personal or otherwise protected information (ours or that of our employees, customers or partners), and corruption of data, networks or systems. We have experienced cybersecurity threats and incidents involving our systems and expect these incidents to continue. While none of the

cybersecurity events have been material to date, a successful breach or attack could have a material adverse effect on our results of operations, financial condition or business, harm our reputation and relationships with our customers, business partners, employees or other third parties, and subject us to consequences such as litigation and direct costs associated with incident response. In addition, we could be impacted by cyber threats or other disruptions or vulnerabilities found in products we use or in our partners' or customers' systems that are used in connection with our business. These events, if not prevented or effectively mitigated, could damage our reputation, require remedial actions and lead to loss of business, regulatory actions, potential liability and other financial losses.

Changes to our effective tax rate affect our results of operations.

As a global company, we are subject to taxation in the United States, Singapore and various other countries. Significant judgment is required to determine and estimate worldwide tax liabilities. Our future effective tax rate could be affected by: (1) changes in tax laws; (2) the allocation of earnings to countries with differing tax rates; (3) changes in worldwide projected annual earnings in current and future years; (4) accounting pronouncements; or (5) changes in the valuation of our deferred tax assets and liabilities. Although we believe our tax estimates are reasonable, there can be no assurance that any final determination will not be different from the treatment reflected in our historical income tax provisions and accruals, which could result in additional payments by Intevac.

Difficulties in integrating past or future acquisitions or implementing strategic divestitures could adversely affect our business.

We have completed a number of acquisitions and dispositions during our operating history. We have spent and may continue to spend significant resources identifying and pursuing future acquisition opportunities. Acquisitions involve numerous risks including: (1) difficulties in integrating the operations, technologies and products of the acquired companies; (2) the diversion of our management's attention from other business concerns; and (3) the potential loss of key employees of the acquired companies. Failure to achieve the anticipated benefits of the prior and any future acquisitions or to successfully integrate the operations of the companies we acquire could have a material and adverse effect on our business, financial condition and results of operations. Any future acquisitions could also result in potentially dilutive issuance of equity securities, acquisition or divestiture-related write-offs or the assumption of debt and contingent liabilities. In addition, we have made and will continue to consider making strategic divestitures, such as the disposition of our Photonics business. With any divestiture, there are risks that future operating results could be unfavorably impacted if targeted objectives, such as cost savings or earnout payments associated with the financial performance of the divested business, are not achieved or if other business disruptions occur as a result of the divestiture or activities related to the divestiture.

We could be involved in litigation.

From time to time, we may be involved in litigation of various types, including litigation alleging infringement of intellectual property rights and other claims and customer disputes. For example, we recently settled an action against us under the Private Attorneys General Act ("PAGA") for \$1.0 million. Litigation is expensive, subjects us to the risk of significant damages and requires significant management time and attention and could have a material and adverse effect on our business, financial condition and results of operations.

Business interruptions could adversely affect our operations.

Our operations are vulnerable to interruption by fire, earthquake, floods or other natural disaster, quarantines or other disruptions associated with infectious diseases, national catastrophe, terrorist activities, war, disruptions in our computing and communications infrastructure due to power loss, telecommunications failure, human error, physical or electronic security breaches and computer viruses, and other events beyond our control. We do not have a detailed disaster recovery plan. Despite our implementation of network security measures, our tools and servers may be vulnerable to computer viruses, break-ins and similar disruptions from unauthorized tampering with our computer systems and tools located at customer sites. Political instability could cause us to incur increased costs in transportation, make such transportation unreliable, increase our insurance costs or cause international currency markets to fluctuate. All these unforeseen disruptions and instabilities could have the same effects on our suppliers and their ability to timely deliver their products. In addition, we do not carry sufficient business interruption insurance to compensate us for all losses that may occur, and any losses or damages incurred by us could have a material adverse effect on our business and results of operations. For example, we self-insure earthquake risks because we believe this is the prudent financial decision based on the high cost of the limited coverage available in the earthquake insurance market. An earthquake could significantly disrupt our operations, most of which are conducted in California. It could also significantly delay our research and engineering effort on new products, most of which is also conducted in California. We take steps to minimize the damage that would be caused by business interruptions, but there is no certainty that our efforts will prove successful.

We could be negatively affected as a result of a proxy contest and the actions of activist stockholders.

A proxy contest with respect to election of our directors, or other activist stockholder activities, could adversely affect our business because: (1) responding to a proxy contest and other actions by activist stockholders can be costly and time-consuming, disruptive to our operations and divert the attention of management and our employees; (2) perceived uncertainties as to our future direction caused by activist activities may result in the loss of potential business opportunities, and may make it more difficult to attract and retain qualified personnel and business partners; and (3) if individuals are elected to our Board of Directors with a specific agenda, it may adversely affect our ability to effectively and timely implement our strategic plans.

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We are required to evaluate our internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act of 2002, and any adverse results from such evaluation could result in a loss of investor confidence in our financial reports and have an adverse effect on our stock price.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, our management must perform evaluations of our internal control over financial reporting. Although our assessment, testing, and evaluation resulted in our conclusion that as of December 31, 2022, our internal control over financial reporting was effective, we cannot predict the outcome of our testing in future periods. Ongoing compliance with this requirement is complex, costly and time-consuming. If Intevac fails to maintain effective internal control over financial reporting; or our management does not timely assess the adequacy of such internal control, then we could be subject to restatement of previously reported financial results, regulatory sanctions and a decline in the public's perception of Intevac, which could have a material and adverse effect on our business, financial condition and results of operations.

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

On November 21, 2013, Intevac announced that its Board of Directors approved a stock repurchase program authorizing up to \$30.0 million in repurchases. On August 20, 2018, Intevac announced that its Board of Directors approved a \$10.0 million increase to the original stock repurchase program for an aggregate authorized amount of \$40.0 million. At July 1, 2023, \$10.4 million remains available for future stock repurchases under the repurchase program. Intevac did not make any common stock repurchases during the three months ended July 1, 2023.

Item 3. *Defaults upon Senior Securities*

None.

Item 4. *Mine Safety Disclosures*

Not applicable.

Item 5. *Other Information*

Transition Agreement and Release with Retired CFO

As previously announced, on July 18, 2023, James Moniz retired from his positions as the Executive Vice President, Finance and Administration, Chief Financial Officer, Secretary and Treasurer of Intevac, Inc., and from all other positions he held in the Company or any of its subsidiaries effective August 4, 2023. On August 2, 2023, the Company entered into a Transition Agreement and Release (the "Transition Agreement") with Mr. Moniz. Under the terms of the Transition Agreement, Mr. Moniz will receive accelerated vesting with respect to: (a) 8,875 shares of restricted stock units granted to Mr. Moniz in May 2020, (b) 7,826 shares of restricted stock units granted to Mr. Moniz in May 2021 and (c) 14,600 shares of restricted stock units granted to Mr. Moniz in May 2022, which represents the number of shares that would have vested under each such restricted stock unit grant had Mr. Moniz remain employed with the Company through May 31, 2024. As part of the Transition Agreement, and as a condition to receiving the foregoing benefits, the parties agreed to provisions relating to a release and waiver of claims in favor of the Company, including a supplemental release of claims to be entered into following Mr. Moniz's termination date, confidentiality, non-disparagement, tax consequences and post-separation cooperation with respect to certain Company efforts. The foregoing summary is qualified in its entirety by reference to the full text of the Transition Agreement which is filed as Exhibit 10.3 and is incorporated herein by reference.

Item 6. *Exhibits*

The following exhibits are filed herewith:

Exhibit Number	Description
10.1	Form of the 2023 PRSU Award Agreement under the 2020 Equity Incentive Plan
10.2	Change in Control Agreement with John Dickinson dated June 20, 2023.
10.3	Transition Agreement and Release with James Moniz dated August 2, 2023.
10.4	2020 Equity Incentive Plan, as amended February 15, 2023 (incorporated by reference to Appendix B to the Registrant's Definitive Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on April 12, 2023).
10.5	2003 Employee Stock Purchase Plan, as amended February 15, 2023 (incorporated by reference to Appendix A to the Registrant's Definitive Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on April 12, 2023).
31.1	Certification of President and Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Executive Vice President, Finance and Administration, Chief Financial Officer, Treasurer and Secretary Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certifications Pursuant to U.S.C. 1350 Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. *

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101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Schema Document
101.CAL	Inline XBRL Calculation Linkbase Document
101.DEF	Inline XBRL Definition Linkbase Document
101.LAB	Inline XBRL Label Linkbase Document
101.PRE	Inline XBRL Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

* The certification attached as Exhibit 32.1 is deemed “furnished” and not deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 and is not to be incorporated by reference into any filing of Intevac, Inc. under the Securities Exchange Act of 1933 or the Securities Exchange Act of 1934, whether made before or after the date hereof, irrespective of any general incorporation by reference language contained in any such filing, except to the extent that the registrant specifically incorporates it by reference.

SIGNATURES

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

INTEVAC, INC.

Date: August 3, 2023

By: /s/ NIGEL HUNTON

Nigel Hunton
President and Chief Executive Officer
(Principal Executive Officer)

Date: August 3, 2023

By: /s/ JAMES MONIZ

James Moniz
Executive Vice President, Finance and Administration,
Chief Financial Officer, Secretary and Treasurer
(Principal Financial and Accounting Officer)



[PERFORMANCE-BASED]

2020 EQUITY INCENTIVE PLAN

FIRST_NAME LAST_NAME
ADDRESS_LINE_1
ADDRESS_LINE_2
ADDRESS_LINE_3
CITY, STATE ZIPCODE

Dear FIRST_NAME LAST_NAME,

NOTICE OF RSU GRANT (PERFORMANCE-BASED)

Congratulations. We, Intevac, Inc. (the "Company"), pursuant to our 2020 Equity Incentive Plan (the "Plan"), hereby grants you an award (the "award" or "Award") of restricted stock units (the "RSUs" or "Restricted Stock Units") to receive the number of Shares as set forth below. Unless otherwise stated, all capitalized terms within this Restricted Stock Unit Agreement (the "Agreement"), which includes this Notice of RSU Grant (Performance-Based) (the "Notice of Grant") and the Terms and Conditions of Restricted Stock Unit Grant – Performance-Based, shall be interpreted as defined in the Plan. The following documents are linked to this notification and are also available on the Intevac Portal under the Stock Plans page:

- Terms and Conditions of Restricted Stock Unit Grant – Performance-Based
• 2020 Equity Incentive Plan
• 2020 Equity Incentive Plan Prospectus

By accepting this Notice of Grant, you are agreeing to the electronic availability of the documents disclosed above. If you need a hard copy of any of the documents, please contact Janice Smith or myself, and one will be provided to you at no charge.

Name of Award Grantee: _____
Grantee Employee ID Number: _____
Award Number: _____
Date of Award Grant: _____
Number of RSUs Subject to Award: _____

Vesting Schedule:

Subject to you continuing to be a Service Provider through the applicable vesting date, the RSUs will vest in accordance with the following vesting criteria:

General

Vesting of the RSUs is subject to a performance-based requirement described below. Subject to the provisions of this Agreement, the RSUs will become eligible to vest if and to the extent the performance goal (the "Performance Goal") is satisfied. RSUs that become eligible to vest based on satisfying the Performance Goal, if any, are referred to as "Achieved RSUs".



Performance-based Requirement / Performance Period

For purposes of this Agreement, “Performance Period” means the period beginning on the Date of Award Grant (the “Commencement Date”), and ending on (and inclusive of) May 31, 2026 (the “Scheduled End Date”). Notwithstanding the foregoing, in the event of a Change in Control that occurs prior to the Scheduled End Date, the Performance Period will be deemed to end upon the consummation of the Change in Control (the “Closing”). The first to occur of the Scheduled End Date or a Closing is referred to as the “Period End Date”. In the event of a Change in Control, notwithstanding anything to the contrary in any Arrangement, the Performance Period then in effect will end upon the consummation of the Change in Control (the “Closing”), and all outstanding, unvested RSUs subject to the award will terminate and be cancelled and forfeited for no consideration and you will have no further rights with respect to such RSUs. For the avoidance of doubt, this Agreement specifically overrides and supersedes any acceleration of vesting provisions in any Arrangement existing as of the Date of Award Grant.

The Performance Goal that will be used to determine the Achieved RSUs under this Award will consist of achievement the Performance Goals listed in the table below.

[]

The following table sets forth the number of RSUs for each of the five tranches listed below (each tranche, a “Tranche”) that will become Achieved RSUs depending on whether the applicable Performance Goal (as defined below), has been achieved:

Tranche	Performance Goal	Number of RSUs that Become Achieved RSUs
1.		
2.		
3.		
4.		
5.		

Measurement Dates

For purposes of this Agreement, the first measurement date (a “Measurement Date”) of whether any Performance Goal has been achieved will occur on the date that Intevac receives notice that the first performance goal has been achieved. Additional Measurement Dates will occur on each of the dates that Intevac receives notice that the respective performance goal is achieved. In order for any RSUs to become Achieved RSUs on an applicable Measurement Date, a Performance Goal must be achieved on the applicable Measurement Date.

Certain Adjustments

In the event that any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, reclassification, repurchase, or exchange of Shares or other securities of the Company, or other change in the corporate structure of the Company affecting the Shares occurs (other than any ordinary dividends or other ordinary distributions), the Administrator, in order to prevent diminution or enlargement of the benefits or potential benefits intended to be made available under this Award, will make proportionate adjustments to any Performance Goals that have not yet been achieved.



Change in Control

In the event of a Change in Control, notwithstanding anything to the contrary in any Arrangement, the Performance Period then in effect will end upon the consummation of the Change in Control (the “**Closing**”), and all outstanding, unvested RSUs subject to the award will terminate and be cancelled and forfeited for no consideration and you will have no further rights with respect to such RSUs. For the avoidance of doubt, this Agreement specifically overrides and supersedes any acceleration of vesting provisions in any Arrangement existing as of the Date of Award Grant.

Section 14(c) of the Plan shall not apply to this Award. Any RSUs that have not become Achieved RSUs upon the Closing will be forfeited immediately, but contingent upon the Closing (without regard to whether any awards will be assumed or substituted for in connection with a Change in Control) and you will have no further rights with respect to those RSUs or any of the underlying Shares. For purposes of clarification, in the event a definitive agreement to which a Change in Control would otherwise become effective is executed, but the definitive agreement is later terminated and the transactions contemplated by the agreement are not consummated, then this Award will continue in effect in accordance with its terms without adjustment and you will not be entitled to any consideration under this Agreement as a result of the termination of the definitive agreement.

Termination of Service

In the event of cessation of your status as a Service Provider for any or no reason before you vest in the RSUs, the RSUs and your right to acquire any Shares hereunder will immediately terminate, unless specifically provided otherwise in this Agreement or other written agreement entered into after the Date of Award Grant between you and the Company or any of its Subsidiaries or Parents, as applicable.

Vesting Requirements

If RSUs are determined to be Achieved RSUs during the Performance Period, then the RSUs that are deemed to become Achieved RSUs on that Measurement Date, will vest as of the applicable Measurement Date, in each case subject to you remaining a Service Provider through the Measurement Date or Closing, as applicable.

You acknowledge and agree that by accepting this Notice of Grant, it will act as your electronic signature to this Agreement and indicate your agreement and understanding that this award of RSUs is subject to all of the terms and conditions contained in the Plan and this Agreement.

You should retain a copy of your Agreement. You may obtain a paper copy at any time for no charge by contacting Janice Smith or Jeff Calvello. If you would prefer not to electronically sign this Agreement, you may accept this Agreement by signing a paper copy of the Agreement and delivering it to Janice Smith or Jeff Calvello.

If you have any questions, please contact me at extension 2570 or stop by my office.

/s/ JEFFREY CALVELLO

Jeffrey Calvello, Corporate Controller

TERMS AND CONDITIONS OF RESTRICTED STOCK UNIT GRANT (PERFORMANCE-BASED)

1. Grant. The Company hereby grants to the individual (the "*Participant*") named in the Notice of RSU Grant (the "*Notice of Grant*") under the Intevac, Inc. 2020 Equity Incentive Plan (the "*Plan*") an Award of Restricted Stock Units, subject to all of the terms and conditions in this Agreement and the Plan, which is incorporated herein by reference. Subject to Section 19 of the Plan, in the event of a conflict between the terms and conditions of the Plan and the terms and conditions of this Agreement, the terms and conditions of the Plan will prevail. Unless otherwise defined herein, the terms defined in the Plan will have the same defined meanings in this Restricted Stock Unit Agreement (the "*Agreement*" or "*Award Agreement*"), which includes the Notice of Grant and Terms and Conditions of Restricted Stock Unit Grant (Performance-Based).

2. Company's Obligation to Pay. Each Restricted Stock Unit represents the right to receive a Share on the date it vests. Unless and until the Restricted Stock Units will have vested in the manner set forth in Section 3 or 4, Participant will have no right to payment of any such Restricted Stock Units. Prior to actual payment of any vested Restricted Stock Units, such Restricted Stock Units will represent an unsecured obligation of the Company, payable (if at all) only from the general assets of the Company. Any Restricted Stock Units that vest in accordance with Sections 3 or 4 will be paid to Participant (or in the event of Participant's death, to his or her properly designated beneficiary or estate) in whole Shares, subject to Participant satisfying any applicable tax withholding obligations as set forth in Section 7. Subject to the provisions of Section 4, such vested Restricted Stock Units will be paid in whole Shares as soon as practicable after vesting but in each such case within sixty (60) days following the vesting date or, if earlier, within sixty (60) days from when the applicable Restricted Stock Units are no longer subject to a substantial risk of forfeiture for purposes of Section 409A. In no event will Participant be permitted, directly or indirectly, to specify the taxable year of the payment of any Restricted Stock Units payable under this Agreement. No fractional Shares will be issued under this Agreement.

3. Vesting Schedule. Except as provided in Section 4, and subject to any acceleration provisions contained in the Plan or set forth in this Agreement, and subject to Section 5, the Restricted Stock Units awarded by this Agreement will vest in accordance with the vesting provisions set forth in the Notice of Grant. Restricted Stock Units scheduled to vest on a certain date or upon the occurrence of a certain condition will not vest in Participant in accordance with any of the provisions of this Agreement unless Participant will have been continuously a Service Provider from the Date of Award Grant until the date such vesting occurs. In the event Participant ceases to be a Service Provider for any or no reason before Participant vests in the Restricted Stock Units, the Restricted Stock Units and Participant's right to acquire any Shares hereunder will immediately terminate.

4. Administrator Discretion; Section 409A.

(a) Administrator Discretion; Acceleration.

(i) The Administrator, in its discretion, may accelerate the vesting of the balance, or some lesser portion of the balance, of the unvested Restricted Stock Units at any time, subject to the terms of the Plan. If so accelerated, such Restricted Stock Units will be

considered as having vested as of the date specified by the Administrator. The payment of Shares vesting pursuant to this Section 4 shall in all cases be paid at a time or in a manner that is exempt from or complies with Section 409A.

(ii) Notwithstanding anything in the Plan or this Agreement to the contrary, if the vesting of the balance, or some lesser portion of the balance, of the Restricted Stock Units is accelerated in connection with Participant's termination as a Service Provider (provided that such termination is a "separation from service" within the meaning of Section 409A, as determined by the Company), other than due to death, and if (x) Participant is a "specified employee" within the meaning of Section 409A at the time of such separation from service and (y) the payment of such accelerated Restricted Stock Units will result in the imposition of additional tax under Section 409A if paid to Participant on or within the six (6) month period following Participant's separation from service, then the payment of such accelerated Restricted Stock Units will not be made until the date six (6) months and one (1) day following the date of Participant's separation from service, unless the Participant dies following his or her termination as a Service Provider, in which case, the Restricted Stock Units will be paid in Shares to the Participant's estate as soon as practicable following his or her death. It is the intent of this Agreement that it and all payments and benefits hereunder be exempt from or comply with the requirements of Section 409A so that none of the Restricted Stock Units provided under this Agreement or Shares issuable thereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to be so exempt or so comply. Each payment payable under this Agreement is intended to constitute a separate payment for purposes of Treasury Regulation Section 1.409A-2(b)(2). For purposes of this Agreement, "**Section 409A**" means Section 409A of the Code, and any final Treasury Regulations and Internal Revenue Service guidance thereunder, as each may be amended from time to time.

(b) Section 409A. It is the intent of this Award Agreement that it and all issuances and benefits to U.S. taxpayers hereunder be exempt or excepted from the requirements of Section 409A pursuant to the "short-term deferral" exception under Section 409A, or otherwise be exempted or excepted from, or comply with, Section 409A, so that none of this Award Agreement, the Restricted Stock Units provided under this Award Agreement, or Shares issuable thereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities or ambiguous terms herein will be interpreted to be so exempt or excepted, or to so comply. Each issuance upon settlement of the Award under this Award Agreement is intended to constitute a separate payment for purposes of Treasury Regulation Section 1.409A-2(b)(2). In no event will the Company or any Service Recipient (as defined below) have any obligation or liability to reimburse, indemnify, or hold harmless Participant or any other person for any taxes, interest or penalties that may be imposed on Participant (or any other person), or other costs incurred by Participant (or any other person) as a result of Section 409A.

5. Forfeiture upon Termination of Status as a Service Provider. The balance of the Restricted Stock Units that have not vested as of the time of Participant's termination as a Service Provider for any or no reason and Participant's right to acquire any Shares hereunder will immediately terminate.

6. Death of Participant. Any distribution or delivery to be made to Participant under this Agreement will, if Participant is then deceased, be made to Participant's designated beneficiary, or if no beneficiary survives Participant, the administrator or executor of Participant's estate. Any such transferee must furnish the Company with (a) written notice of his or her status as transferee, and (b) evidence satisfactory to the Company to establish the validity of the transfer and compliance with any laws or regulations pertaining to said transfer.

7. Withholding of Taxes. Participant acknowledges that, regardless of any action taken by the Company or, if different, Participant's employer (the "**Employer**") or any Parent or Subsidiary to which Participant is providing services (together, the "**Service Recipients**"), the ultimate liability for any tax and/or social insurance liability obligations and requirements in connection with the Restricted Stock Units, including, without limitation, (i) all federal, state, and local taxes (including Participant's Federal Insurance Contributions Act (FICA) obligations) that are required to be withheld by any Service Recipient or other payment of tax-related items related to Participant's participation in the Plan and legally applicable to Participant; (ii) Participant's and, to the extent required by any Service Recipient, the Service Recipient's fringe benefit tax liability, if any, associated with the grant, vesting, or settlement of the Restricted Stock Units or sale of Shares; and (iii) any other Service Recipient taxes the responsibility for which Participant has, or has agreed to bear, with respect to the Restricted Stock Units (or settlement thereof or issuance of Shares thereunder) (collectively, the "**Tax Obligations**"), is and remains Participant's sole responsibility and may exceed the amount actually withheld by the applicable Service Recipient(s). Participant further acknowledges that no Service Recipient (A) makes any representations or undertakings regarding the treatment of any Tax Obligations in connection with any aspect of the Restricted Stock Units, including, but not limited to, the grant, vesting or settlement of the Restricted Stock Units, the subsequent sale of Shares acquired pursuant to such settlement and the receipt of any dividends or other distributions, and (B) makes any commitment to and is under any obligation to structure the terms of the grant or any aspect of the Restricted Stock Units to reduce or eliminate Participant's liability for Tax Obligations or achieve any particular tax result. Further, if Participant is subject to Tax Obligations in more than one jurisdiction between the Date of Award Grant and the date of any relevant taxable or tax withholding event, as applicable, Participant acknowledges that the applicable Service Recipient(s) (or former employer, as applicable) may be required to withhold or account for Tax Obligations in more than one jurisdiction. If Participant fails to make satisfactory arrangements for the payment of any required Tax Obligations hereunder at the time of the applicable taxable event, Participant acknowledges and agrees that the Company may refuse to issue or deliver the Shares and may deem such Shares forfeited to the Company for no consideration.

Notwithstanding any contrary provision of this Agreement, no certificate representing the Shares will be issued to Participant, unless and until satisfactory arrangements (as determined by the Administrator) will have been made by Participant with respect to the payment of the Tax Obligations. Prior to vesting and/or settlement of the Restricted Stock Units, Participant will pay or make adequate arrangements satisfactory to the Service Recipient to satisfy all obligations of the Service Recipient for the Tax Obligations. In this regard, Participant authorizes the Service Recipient to withhold all applicable Tax Obligations legally payable by Participant from his or her wages or other cash compensation paid to Participant by the Service Recipient or from proceeds of the sale of Shares. Alternatively, or in addition, if permissible under applicable

local law, the Company may, in its sole discretion and pursuant to such procedures as it may specify from time to time, may permit or require Participant to satisfy such Tax Obligations, in whole or in part (without limitation) by (a) paying cash (or cash equivalent), (b) electing to have the Company withhold otherwise deliverable cash or Shares having a fair market value equal to the minimum statutory amount required to be withheld or such greater amount as the Administrator may determine if such amount would not have adverse accounting consequences, as the Administrator determines in its sole discretion, (c) delivering to the Company already-owned Shares having a fair market value equal to the minimum statutory amount required to be withheld or such greater amount as the Administrator may determine if such amount would not have adverse accounting consequences, as the Administrator determines in its sole discretion, or (d) selling a sufficient number of such Shares otherwise deliverable to Participant through such means as the Company may determine in its sole discretion (whether through a broker or otherwise) equal to the amount required to be withheld for Tax Obligations. The Company, in its sole discretion, will have the right (but not the obligation) to satisfy any Tax Obligations by reducing the number of Shares otherwise deliverable to Participant and, until determined otherwise by the Company, this will be the method by which such obligations for Tax Obligations are satisfied. If Participant fails to make satisfactory arrangements for the payment of any required Tax Obligations hereunder at the time any applicable Restricted Stock Units otherwise are scheduled to vest pursuant to Sections 3 or 4 or Tax Obligations related to the Restricted Stock Units otherwise are due, Participant will permanently forfeit such Restricted Stock Units and any right to receive Shares thereunder and the Restricted Stock Units will be returned to the Company at no cost to the Company.

Participant has reviewed with his or her own tax advisers the U.S. federal, state, local and non-U.S. tax consequences of this investment and the transactions contemplated by this Award Agreement. With respect to such matters, Participant relies solely on such advisers and not on any statements or representations of the Company or any of its agents, written or oral. Participant understands that Participant (and not the Company) shall be responsible for Participant's own tax liability that may arise as a result of this investment or the transactions contemplated by this Award Agreement.

8. Acknowledgements. In accepting this Award of Restricted Stock Units, Participant acknowledges, understands and agrees that:

(a) Participant acknowledges receipt of a copy of the Plan (including any applicable appendixes or sub-plans thereunder) and represents that he or she is familiar with the terms and provisions thereof, and hereby accepts this Award of Restricted Stock Units subject to all of the terms and provisions thereof. Participant has reviewed the Plan (including any applicable appendixes or sub-plans thereunder) and this Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Agreement and fully understands all provisions of the Award. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan or this Agreement. Participant further agrees to notify the Company upon any change in the residence address indicated in the Notice of Grant;

(b) the grant of the Restricted Stock Units is voluntary and occasional and does not create any contractual or other right to receive future grants of Restricted Stock Units, or benefits in lieu of Restricted Stock Units, even if Restricted Stock Units have been granted in the past;

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- (c) all decisions with respect to future Restricted Stock Units or other grants, if any, will be at the sole discretion of the Administrator;
 - (d) Participant is voluntarily participating in the Plan;
 - (e) the Restricted Stock Units and the Shares subject to the Restricted Stock Units are not intended to replace any pension rights or compensation;

(f) the Restricted Stock Units and the Shares subject to the Restricted Stock Units, and the income and value of same, are not part of normal or expected compensation for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments;

- (g) the future value of the Shares underlying the Restricted Stock Units is unknown, indeterminable and cannot be predicted;

(h) for purposes of the Restricted Stock Units, Participant's status as a Service Provider will be considered terminated as of the date Participant is no longer actively providing services to the Company or any Parent or Subsidiary (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Participant is a Service Provider or the terms of Participant's employment or service agreement, if any), and unless otherwise expressly provided in this Award Agreement (including by reference in the Notice of Grant to other arrangements or contracts) or determined by the Administrator, Participant's right to vest in the Restricted Stock Units under the Plan, if any, will terminate as of such date and will not be extended by any notice period (e.g., Participant's period of service would not include any contractual notice period or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction where Participant is a Service Provider or the terms of Participant's employment or service agreement, if any, unless Participant is providing bona fide services during such time); the Administrator shall have the exclusive discretion to determine when Participant is no longer actively providing services for purposes of the Restricted Stock Units grant (including whether Participant may still be considered to be providing services while on a leave of absence and consistent with local law);

(i) unless otherwise provided in the Plan or by the Administrator in its discretion, the Restricted Stock Units and the benefits evidenced by this Award Agreement do not create any entitlement to have the Restricted Stock Units or any such benefits transferred to, or assumed by, another company nor be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Shares; and

- (j) the following provisions apply only if Participant is providing services outside the United States:

(i) the Restricted Stock Units and the Shares subject to the Restricted Stock Units are not part of normal or expected compensation or salary for any purpose;

(ii) Participant acknowledges and agrees that no Service Recipient shall be liable for any foreign exchange rate fluctuation between Participant's local currency and the United States Dollar that may affect the value of the Restricted Stock Units or of any amounts due to Participant pursuant to the settlement of the Restricted Stock Units or the subsequent sale of any Shares acquired upon settlement; and

(iii) no claim or entitlement to compensation or damages shall arise from forfeiture of the Restricted Stock Units resulting from the termination of Participant's status as a Service Provider (for any reason whatsoever whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Participant is a Service Provider or the terms of Participant's employment or service agreement, if any), and in consideration of the grant of the Restricted Stock Units to which Participant is otherwise not entitled, Participant irrevocably agrees never to institute any claim against any Service Recipient, waives his or her ability, if any, to bring any such claim, and releases each Service Recipient from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, Participant shall be deemed irrevocably to have agreed not to pursue such claim and agrees to execute any and all documents necessary to request dismissal or withdrawal of such claim

9. Data Privacy. Participant hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of Participant's personal data as described in this Award Agreement and any other Restricted Stock Unit grant materials by and among, as applicable, the Service Recipients for the exclusive purpose of implementing, administering and managing Participant's participation in the Plan.

Participant understands that the Company and the Service Recipient may hold certain personal information about Participant, including, but not limited to, Participant's name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any Shares or directorships held in the Company, details of all Restricted Stock Units or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in Participant's favor ("Data"), for the exclusive purpose of implementing, administering and managing the Plan.

Participant understands that Data may be transferred to a stock plan service provider, as may be selected by the Company in the future, assisting the Company with the implementation, administration and management of the Plan. Participant understands that the recipients of the Data may be located in the United States or elsewhere, and that the recipients' country of operation (e.g., the United States) may have different data privacy laws and protections than Participant's country. Participant understands that if he or she resides outside the United States, he or she may request a list with the names and addresses of any potential recipients of the Data by contacting his or her local human resources representative. Participant

authorizes the Company, the Service Recipients, any stock plan service provider selected by the Company and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing his or her participation in the Plan. Participant understands that Data will be held only as long as is necessary to implement, administer and manage Participant's participation in the Plan. Participant understands if he or she resides outside the United States, he or she may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing his or her local human resources representative. Further, Participant understands that he or she is providing the consents herein on a purely voluntary basis. If Participant does not consent, or if Participant later seeks to revoke his or her consent, his or her status as a Service Provider and career with the Service Recipient will not be adversely affected. The only adverse consequence of refusing or withdrawing Participant's consent is that the Company would not be able to grant Participant Restricted Stock Units or other equity awards or administer or maintain such awards. Therefore, Participant understands that refusing or withdrawing his or her consent may affect Participant's ability to participate in the Plan. For more information on the consequences of Participant's refusal to consent or withdrawal of consent, Participant understands that he or she may contact his or her local human resources representative.

10. English Language. Participant has received the terms and conditions of this Agreement and any other related communications, and Participant consents to having received these documents in English. If Participant has received this Agreement or any other document related to the Plan translated into a language other than English and if the translated version is different than the English version, the English version will control.

11. Rights as Stockholder. Neither Participant nor any person claiming under or through Participant will have any of the rights or privileges of a stockholder of the Company in respect of any Shares deliverable hereunder unless and until certificates representing such Shares will have been issued, recorded on the records of the Company or its transfer agents or registrars, and delivered to Participant (including through electronic delivery to a brokerage account). After such issuance, recordation and delivery, Participant will have all the rights of a stockholder of the Company with respect to voting such Shares and receipt of dividends and distributions on such Shares.

12. No Guarantee of Continued Service. PARTICIPANT ACKNOWLEDGES AND AGREES THAT THE VESTING OF THE RESTRICTED STOCK UNITS PURSUANT TO THE VESTING SCHEDULE HEREOF IS EARNED ONLY THROUGH ACHIEVEMENT OF THE PERFORMANCE GOALS SET FORTH IN THE NOTICE OF GRANT COUPLED WITH CONTINUATION AS A SERVICE PROVIDER AND, WHICH CONTINUATION, UNLESS PROVIDED OTHERWISE UNDER APPLICABLE LAW, IS AT THE WILL OF THE APPLICABLE SERVICE RECIPIENT AND NOT THROUGH THE ACT OF BEING HIRED,

BEING GRANTED THIS AWARD OF RESTRICTED STOCK UNITS OR ACQUIRING SHARES HEREUNDER. PARTICIPANT FURTHER ACKNOWLEDGES AND AGREES THAT THIS AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS A SERVICE PROVIDER FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND WILL NOT INTERFERE IN ANY WAY WITH PARTICIPANT'S RIGHT OR THE RIGHT OF ANY SERVICE RECIPIENT TO TERMINATE PARTICIPANT'S RELATIONSHIP AS A SERVICE PROVIDER, SUBJECT TO APPLICABLE LAW, WHICH TERMINATION, UNLESS PROVIDED OTHERWISE UNDER APPLICABLE LAW, MAY BE AT ANY TIME, WITH OR WITHOUT CAUSE.

13. Address for Notices. Any notice to be given to the Company under the terms of this Agreement will be addressed to the Company, in care of its Secretary at Intevac, Inc., 3560 Bassett Street, Santa Clara CA 95054, or at such other address as the Company may hereafter designate in writing.

14. Grant is Not Transferable. Except to the limited extent provided in Section 6, this grant and the rights and privileges conferred hereby will not be transferred, assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and will not be subject to sale under execution, attachment or similar process. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of this grant, or any right or privilege conferred hereby, or upon any attempted sale under any execution, attachment or similar process, this grant and the rights and privileges conferred hereby immediately will become null and void.

15. Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth, this Agreement shall be binding upon Participant and his or her heirs, executors, administrators, successors and assigns. The rights and obligations of Participant under this Agreement may be assigned only with the prior written consent of the Company.

16. Additional Conditions to Issuance of Stock. If at any time the Company determines, in its discretion, that the listing, registration, qualification or rule compliance of the Shares upon any securities exchange or under any state, federal or non-U.S. law, the tax code and related regulations or under the rulings or regulations of the United States Securities and Exchange Commission or any other governmental regulatory body or the clearance, consent or approval of the United States Securities and Exchange Commission or any other governmental regulatory authority is necessary or desirable as a condition to the issuance of Shares to Participant (or his or her estate or beneficiaries) hereunder, such issuance will not occur unless and until such listing, registration, qualification, rule compliance, clearance, consent or approval will have been completed, effected or obtained free of any conditions not acceptable to the Company. If any such listing, registration, qualification, rule compliance, clearance, consent or approval has not been completed by the applicable deadline to remain exempt from Section 409A under the "short-term deferral" exemption with respect to a Restricted Stock Unit in a manner that would allow it to be settled by such deadline, such Restricted Stock Unit will be forfeited as of immediately following such deadline for no consideration and at no cost to the Company. Subject to the prior sentence,

where the Company determines that the delivery of the payment of any Shares will violate federal securities laws or other applicable laws, the Company will defer delivery until the earliest date at which the Company reasonably anticipates that the delivery of Shares will no longer cause such violation. The Company will make all reasonable efforts to meet the requirements of any such state, federal or foreign law or securities exchange and to obtain any such consent or approval of any such governmental authority or securities exchange. Subject to the terms of this Award Agreement and the Plan, the Company shall not be required to issue any certificate or certificates for Shares hereunder prior to the lapse of such reasonable period of time following the date of vesting of a Restricted Stock Unit as the Administrator may establish from time to time for reasons of administrative convenience and any such certificate may be in book entry form.

17. Plan Governs. This Agreement is subject to all terms and provisions of the Plan. In the event of a conflict between one or more provisions of this Agreement and one or more provisions of the Plan, the provisions of the Plan will govern. Capitalized terms used and not defined in this Agreement will have the meaning set forth in the Plan.

18. Administrator Authority. The Administrator will have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules (including, but not limited to, the determination of whether or not any Restricted Stock Units have vested). All actions taken and all interpretations and determinations made by the Administrator in good faith will be final and binding upon Participant, the Company and all other interested persons. No member of the Administrator will be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or this Agreement.

19. Electronic Delivery and Acceptance. The Company may, in its sole discretion, decide to deliver any documents related to Restricted Stock Units awarded under the Plan or future Restricted Stock Units that may be awarded under the Plan by electronic means or require Participant to participate in the Plan by electronic means. Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through any on-line or electronic system established and maintained by the Company or a third party designated by the Company.

20. Captions. Captions provided herein are for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

21. Agreement Severable. In the event that any provision in this Agreement will be held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of this Agreement.

22. Modifications to the Agreement. This Agreement constitutes the entire understanding of the parties on the subjects covered. Participant expressly warrants that he or she is not accepting this Agreement in reliance on any promises, representations, or inducements other than those contained herein. Modifications to this Agreement or the Plan can be made only in an express written contract executed by a duly authorized officer of the Company. Notwithstanding

anything to the contrary in the Plan or this Agreement, the Company reserves the right to revise this Agreement as it deems necessary or advisable, in its sole discretion and without the consent of Participant, to comply with Section 409A or to otherwise avoid imposition of any additional tax or income recognition under Section 409A in connection to this Award of Restricted Stock Units.

23. Amendment, Suspension or Termination of the Plan. By accepting this Award, Participant expressly warrants that he or she has received an Award of Restricted Stock Units under the Plan, and has received, read and understood a description of the Plan. Participant understands that the Plan is discretionary in nature and may be amended, suspended or terminated by the Company at any time.

24. Governing Law. This Agreement will be governed by the laws of the State of California, without giving effect to the conflict of law principles thereof. For purposes of litigating any dispute that arises under this Award of Restricted Stock Units or this Agreement, the parties hereby submit to and consent to the jurisdiction of the State of California, and agree that such litigation will be conducted in the courts of Santa Clara County, California, or the federal courts for the United States for the Northern District of California, and no other courts, where this Award of Restricted Stock Units is made and/or to be performed.

25. No Waiver. Either party's failure to enforce any provision or provisions of this Agreement shall not in any way be construed as a waiver of any such provision or provisions, nor prevent that party from thereafter enforcing each and every other provision of this Agreement. The rights granted both parties herein are cumulative and shall not constitute a waiver of either party's right to assert all other legal remedies available to it under the circumstances.

26. Tax Consequences. Participant has reviewed with his or her own tax advisors the U.S. federal, state, local and non-U.S. tax consequences of this investment and the transactions contemplated by this Agreement. With respect to such matters, Participant relies solely on such advisors and not on any statements or representations of the Company or any of its agents, written or oral. Participant understands that Participant (and not the Company) shall be responsible for Participant's own tax liability that may arise as a result of this investment or the transactions contemplated by this Agreement.

Change in Control Agreement

Intevac, Inc. (hereafter referred to as “Intevac” or the “Company”) employs you, John Dickinson, and desires to provide certain benefits to you in the event of a Change in Control as described herein and your employment terminates thereafter under certain conditions. Accordingly, you and the Company agree as follows:

- 1.1 For purposes of this Change in Control Agreement (the “Agreement”), the term “Change in Control” has the meaning assigned to it in the Company’s 2020 Equity Incentive Plan.
- 1.2 Termination after a Change in Control. In the event that within twelve (12) months following a Change in Control, the Company terminates your employment without Cause (as defined below) or you resign for Good Reason (as defined below) (a “Change in Control Termination”), (a) the Company will provide you with severance in the amount of six (6) months of your then existing base salary, paid, less payroll deductions and all required withholdings, in equal installments on the Company’s normal payroll schedule over a period of six (6) months following your termination of employment with the Company, and (b) immediate vesting of each of your then-outstanding Company equity awards as to 100% of the then unvested number of shares subject to each such Company equity award; provided, however, that any Company equity award held by you that, at any time such Company equity award was outstanding, was subject to performance-based vesting, will instead be treated as provided in the award agreement related to such Company equity award. As a precondition of receiving the payments and benefits under this paragraph, you must, upon or following your separation from service, first sign and allow to become effective a general release of claims in favor of the Company in a form acceptable to the Company (the “Release”) and such Release must become effective and irrevocable no later than sixty (60) days following the Change in Control Termination (such deadline, the “Release Deadline”). If the Release does not become effective by the Release Deadline, or if you do not comply with the terms of the Release, you will forfeit any rights to severance payments or benefits under this Agreement. In no event will severance payments or benefits be paid or provided until the Release actually becomes effective. Notwithstanding the foregoing, your employment with the Company will not be considered to have terminated, and you shall not be entitled to any of the payments and benefits under this paragraph, if you simultaneously or with no break in service are rehired or become an employee of another Intevac Entity; for the avoidance of doubt, in connection with any such simultaneous rehire or transfer, the terms of this Section 1.2 with respect to the termination of your employment with the Company shall apply to your employment with Intevac or such Intevac Entity, as applicable.
- 1.3 Definition of “Cause”. For purposes of this Agreement, “Cause” shall mean the occurrence of one or more of the following: (a) your indictment or conviction of any felony or crime involving moral turpitude or dishonesty; (b) your participation in any fraud against the Company or its successor; (c) breach of your duties to the Company or its successor, including, without limitation, persistent unsatisfactory performance of job duties; (d) intentional damage to any property of the Company or its successor; (e) willful conduct that is demonstrably injurious to the Company or its successor, monetarily or otherwise; (f) breach of any agreement with the Company or its successor, including your Proprietary Information and Inventions Agreement; or (g) conduct by you that in the good faith and reasonable determination of the Company demonstrates gross unfitness to serve. Physical or mental disability or death shall not constitute Cause hereunder.

- 1.4 Definition of “Good Reason”. For purposes of this Agreement, your voluntary termination of employment with the company will be considered a termination for “Good Reason” if you resign your employment because one of the following events occurs without your consent: (a) a reduction of your then existing annual base salary by more than ten percent (10%), unless the then existing base salaries of other executive officers of the Company are accordingly reduced; (b) a material reduction in the package of benefits and incentives, taken as a whole, provided to you (not including raising of employee contributions to the extent of any cost increases imposed by third parties), except to the extent that such benefits and incentives of the other executive officers of the Company are similarly reduced; (c) assignment to you of any duties or any limitation of your responsibilities substantially inconsistent with your position, duties, responsibilities and status with the company immediately prior to the date of the Change in Control; or (d) relocation of the principal place of your employment to a location that is more than sixty (60) miles from your principal place of employment immediately prior to the date of the Change in Control. In order for an event to qualify as Good Reason, you must not resign without first providing the Company with written notice of the acts or omissions constituting the grounds for Good Reason and a reasonable cure period of fifteen (15) days following the date of such notice, and such grounds must not have been cured during such time.
- 1.5 Limitation on Payments. If any payment or benefit you would receive pursuant to a Change in Control from the Company or otherwise (“Payment”) would (i) constitute a “parachute payment” within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the “Excise Tax”), then such Payment shall be equal to the Reduced Amount. The “Reduced Amount” shall be either (x) the largest portion of the Payment that would result in no portion of the Payment being subject to the Excise Tax or (y) the largest portion, up to and including the total, of the Payment, whichever amount, after taking into account all applicable federal, state and local employment taxes, income taxes and the Excise Tax (all computed at the highest applicable marginal rate), results in your receipt, on the after-tax basis, of the greater amount of the Payment notwithstanding that all or some portion of the Payment may be subject to the Excise Tax. If a reduction in payments or benefits constituting “parachute payments” is necessary so that the Payment equals the Reduced Amount, reduction shall occur in the following order: (i) first, any cash payments shall be reduced in reverse chronological order (that is, the cash payment owed on the latest date following the occurrence of the event triggering the Excise Tax will be the first cash payment to be reduced); (ii) next, any equity awards that were granted “contingent on a change in ownership or control” within the meaning of Section 280G of the Code shall be reduced (if two or more equity awards are granted on the same date, each equity award will be reduced on a pro-rata basis); (iii) next, any accelerated vesting of other equity awards shall be reduced in the reverse order of date of grant (i.e., the vesting of the most recently granted equity awards will be reduced first, and if more than one equity award was granted to you on the same date, all such awards will have their acceleration of vesting reduced pro rata); and (iv) finally, reduction of other employee benefits paid or provided to you in reverse chronological order (i.e., the benefit owed on the latest date following the occurrence of the event triggering the excise tax will be the first benefit to be reduced). In no event will you have any discretion with respect to the ordering of payment reductions

The Company or an accounting firm engaged by the Company, as determined in the sole discretion of the Company shall perform the calculations described above (the Company or accounting firm performing such calculations, the “Calculation Team”). The Company shall bear all expenses with respect to the determinations required to be made hereunder.

The Calculation Team engaged to make the determinations hereunder shall provide its calculations, together with detailed supporting documentation, to you and the Company within fifteen (15) calendar days after the date on which your right to a Payment is triggered (if requested at the time by you or the Company) or such other time as requested by you or the Company. If the Calculation Team determines that no Excise Tax is payable with respect to a Payment, either before or after the application of the Reduced Amount, it shall furnish you and the Company with an opinion reasonably acceptable to you that no Excise Tax will be imposed with respect to such Payment. Any good faith determinations of the Calculation Team made hereunder shall be final, binding and conclusive upon you and the Company.

2.0 General Timing of Payments

- 2.1 Any severance payments and benefits under this Agreement will be paid on, or, in the case of installments, will not commence until the sixtieth (60th) day following your separation from service, or, if later, such time as required by Section 3.2 below; provided, however, that any acceleration of vesting of options and restricted stock will be provided on the Release effectiveness date. Except as required by Section 3.2 below, any installment payments or benefits that would have been made to you during the sixty (60) day period immediately following your separation from service but for the preceding sentence will be paid to you on the sixtieth (60th) day following your separation from service and the remaining payments shall be made as provided in the Agreement. In no event will you have discretion to determine the taxable year of payment of any severance payments or benefits.

3.0 Section 409A

- 3.1 Notwithstanding anything to the contrary in this Agreement, no Deferred Payments will be paid or otherwise provided until you have a “separation from service” from Intevac within the meaning of Section 409A. Similarly, no severance payment or benefit payable to you, if any, pursuant to this Agreement that otherwise would be exempt from Section 409A pursuant to Treasury Regulation Section 1.409A-1(b)(9) will be payable until you have a “separation from service” from Intevac within the meaning of Section 409A. In no event will you have discretion to determine the taxable year of payment of any Deferred Payments.
- 3.2 Notwithstanding anything to the contrary in this Agreement, if you are a “specified employee” within the meaning of Section 409A at the time of your separation from service from Intevac (other than due to death), then the Deferred Payments, if any, that are payable within the first six (6) months following your separation from service from Intevac, will become payable on the first payroll date that occurs on or after the date six (6) months and one (1) day following the date of your separation from service from Intevac. All subsequent Deferred Payments, if any, will be payable in accordance with the payment schedule applicable to each payment or benefit. Notwithstanding anything herein to the contrary, if you die following your separation from service from Intevac, but before the six (6) month anniversary of such separation from service, then any payments delayed in accordance with this Section 3.2 will be payable in a lump sum as soon as administratively practicable after the date of your death and all other Deferred Payments will be payable in accordance with the payment schedule applicable to each payment or benefit. Each payment, installment and benefit payable under this Agreement is intended to constitute a separate payment under Section 1.409A-2(b)(2) of the Treasury Regulations.
- 3.3 Any amount paid or benefit provided under this Agreement that satisfies the requirements of the “short-term deferral” rule set forth in Section 1.409A-1(b)(4) of the Treasury Regulations will not constitute a Deferred Payment for purposes of this Agreement. Any amount paid or benefit provided under this Agreement that qualifies as a payment made as a result of an involuntary separation from service pursuant to Section 1.409A-1(b)(9)(iii) of the Treasury Regulations that does not exceed the Section 409A Limit (as defined below) will not constitute a Deferred Payment for purposes of this Agreement. Any payments or benefits due under this Agreement will be paid as provided under this Agreement, but in no event later than the last day of your second taxable year following your taxable year in which your separation from service from the Company occurs.
- 3.4 For purposes of this Agreement, the term “Section 409A” means Section 409A of the Code, and any final regulations and guidance thereunder and any applicable state law equivalent, as each may be amended or promulgated from time to time.

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- 3.5 For purposes of this Agreement, “Deferred Payments” means any severance pay or benefits to be paid or provided to you pursuant to this Agreement and any other severance payments or separation benefits, that in each case, when considered together, are considered deferred compensation under Section 409A.
- 3.6 For purposes of this Agreement “Section 409A Limit” means two (2) times the lesser of: (x) your annualized compensation based upon the annual rate of pay paid to you during your taxable year preceding your taxable year of your termination of employment as determined under, and with such adjustments as are set forth in, Treasury Regulation 1.409A-1(b)(9)(iii)(A)(1) and any Internal Revenue Service guidance issued with respect thereto, or (y) the maximum amount that may be taken into account under a qualified plan pursuant to Section 401(a)(17) of the Code for the year in which your employment is terminated.
- 3.7 The foregoing provisions are intended to comply with or be exempt from the requirements of Section 409A so that none of the payments and benefits to be provided hereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to be exempt or so comply. You and the Company agree to work together in good faith to consider amendments to this Agreement and to take such reasonable actions which are necessary, appropriate or desirable to avoid imposition of any additional tax or income recognition before actual payment to you under Section 409A. In no event will the Company or any successor have any liability or obligation to reimburse or indemnify, or hold you harmless for any taxes or costs that may be imposed on or incurred by you as a result of Section 409A.

4.0 **General Provisions**

- 4.1 Severability. Whenever possible, each provision of this Agreement will be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but such invalid, illegal or unenforceable provision will be reformed, construed and enforced in such jurisdiction so as to render it valid, legal and enforceable consistent with the intent of the parties insofar as Possible.
- 4.2 Entire Agreement. This Agreement, together with the Proprietary Information and Inventions Agreement, constitutes the entire and exclusive agreement between you and the Company, and it supersedes any prior agreement, promise, representation, or statement, written or otherwise, between you and the Company with regard to this subject matter. This Agreement is entered into without reliance on any promise, representation, statement or agreement other than those expressly contained or incorporated herein, and it cannot be modified or amended except in writing signed by you and a duly authorized officer of the Company.
- 4.3 Successors and Assigns. This Agreement is intended to bind and inure to the benefit of and be enforceable by you, the company and your and its respective successors, assigns, heirs, executors and administrators, except that you may not assign any of your duties hereunder and you may not assign any of your rights hereunder without the written consent of the Company, which shall not be withheld unreasonably.
- 4.4 Governing Law. All questions concerning the construction, validity and interpretation of this Agreement will be governed by the law of the State of California as applied to contracts made and to be performed entirely within California.

To indicate your acceptance of the terms of this Agreement, please sign and date this Agreement and return the signed document to me.

Sincerely,

/s/ Nigel Hunton
Nigel Hunton
President/CEO
Intevac Inc.

June 13, 2023

Accepted and agreed:

/s/ John Dickinson

June 20, 2023

TRANSITION AGREEMENT AND RELEASE

This Transition Agreement and Release (“Transition Agreement”) is made by and between James Moniz (“Executive”) and Intevac, Inc. (the “Company”) (collectively referred to as the “Parties” or individually referred to as a “Party”).

RECITALS

WHEREAS, Executive is employed by the Company;

WHEREAS, Executive signed an offer letter with the Company (the “Offer Letter”) on October 29, 2014;

WHEREAS, Executive signed a Change in Control Agreement with the Company (the “Change in Control Agreement”) on October 29, 2014;

WHEREAS, Executive signed an At-Will Employment, Confidential Information, Invention Assignment, and Arbitration Agreement with the Company (the “Confidentiality Agreement”);

WHEREAS, Executive was granted the stock options to purchase shares of the Company’s common stock indicated in Schedule 1 hereto (each such grant, an “Option” and together, the “Options”) as of the dates indicated in Schedule 1 hereto, each subject to the terms and conditions of the Company’s 2012 Equity Incentive Plan (the “2012 Plan”) or the Company’s 2020 Equity Incentive Plan (the “2020 Plan” and together with the 2012 Plan, the “Plans” and each, a “Plan”) and the terms and conditions of a stock option agreement related to the award;

WHEREAS, Executive was granted the awards of restricted stock units (including performance-based restricted stock units) indicated in Schedule 1 hereto (each such award, an “RSU Award” and together, the “RSU Awards”) as of the dates indicated in Schedule 1 hereto, each subject to the terms and conditions of the applicable Plan and the terms and conditions of a restricted stock unit agreement related to the award (collectively with the Plans and the stock option agreements, the “Stock Agreements”);

WHEREAS, Executive will resign from Executive's position with the Company as of August 4, 2023 due to Executive's retirement (the "Resignation Date"); and

WHEREAS, the Parties wish to resolve any and all disputes, claims, complaints, grievances, charges, actions, petitions, and demands that Executive may have against the Company and any of the Releasees as defined below, including, but not limited to, any and all claims arising out of or in any way related to Executive's employment with or separation from the Company.

NOW, THEREFORE, in consideration of the mutual promises made herein, the Company and Executive hereby agree as follows:

COVENANTS

1. Consideration. In consideration of Executive's execution of this Transition Agreement and Executive's fulfillment of all terms and conditions, the Parties agree as follows:

a. *Pre-Resignation Services*. Between the date Executive receives a copy of this Transition Agreement and the Resignation Date, Executive will assist the Company in transitioning Executive's duties to other Company personnel, as requested by the Company, and in the Company's sole discretion. Throughout this period, Executive will continue to receive Executive's base salary and all other benefits Executive was entitled to receive prior to this period, in accordance with the Company's regular payroll and benefits administration practices.

b. *Separation Consideration*. In consideration of Executive's execution of the Supplemental Release as set forth below, and Executive's fulfillment of its terms and conditions, and provided that Executive does not revoke the Supplemental Release, the Company agrees as follows (the "Separation Consideration"):

i. *Restricted Stock Unit Acceleration of Vesting.* The vesting of the RSU Award granted to Executive on May 15, 2020 (the “2020 RSU Award”) will accelerate as of the Supplemental Release Effective Date as to 8,875 restricted stock units subject to the 2020 RSU Award, the vesting of the RSU Award granted to Executive on May 20, 2021 (the “2021 RSU Award”) will accelerate as of the Supplemental Release Effective Date as to 7,826 restricted stock units subject to the 2021 RSU Award, and the vesting of the RSU Award granted to Executive on May 18, 2022 (the “2022 RSU Award”) will accelerate as of the Supplemental Release Effective Date as to 14,600 restricted stock units subject to the 2022 RSU Award, which in each case is the number of restricted stock units that would have vested under such RSU Awards had Executive remained employed by the Company through May 15, 2024 (and assuming, for this purpose, that no change in control of the Company occurred in the interim) (collectively, such vesting acceleration, the “Acceleration Provisions”). This Transition Agreement acts as an amendment to the restricted stock unit agreements governing the 2020 RSU Award, the 2021 RSU Award, and the 2022 RSU Award, which RSU Awards shall otherwise continue to be governed by the terms and conditions of the applicable Stock Agreements, as modified in this paragraph.

c. *Acknowledgement.* Executive acknowledges that without this Transition Agreement, Executive is otherwise not entitled to the consideration listed in this Section 1. Executive further acknowledges that Executive is not entitled to any additional consideration under any other agreements, including but not limited to the Offer Letter and Change in Control Agreement.

2. *Benefits.* Executive’s health insurance benefits shall cease on August 31, 2023, subject to Executive’s right to continue Executive’s health insurance under COBRA. Executive’s participation in all benefits and incidents of employment, including, but not limited to, the accrual of bonuses, vacation, and paid time off, if any, ceased as of the Resignation Date.

3. *Equity.* The Parties agree that for purposes of determining the number of shares of the Company’s common stock that Executive is entitled to purchase from the Company, pursuant to the exercise of the outstanding Options, or that Executive has vested in pursuant to the RSU Awards, Executive will be considered to have vested only up to the Resignation Date. Executive acknowledges that as of the Resignation Date, Executive will have vested in the number of shares subject to the Options as listed on Schedule 1 hereto and that all unvested portions of such Options will forfeit as of the Resignation Date. Executive further acknowledges that as of the Resignation Date, and assuming (and inclusive of) the application of the Acceleration Provisions, Executive will have vested in the number of restricted stock units subject to the RSU Awards listed on Schedule 1 hereto and all unvested RSU Awards will forfeit as of the Resignation Date. Executive acknowledges that Executive will not be entitled to vest in any Options or RSU Awards, including performance-based RSU Awards, after the Resignation Date. The exercise of Executive’s vested Options, the shares purchased thereunder, and Executive’s RSU Awards shall continue to be governed by the terms and conditions of the applicable Stock Agreements. If this Transition Agreement does not become effective and irrevocable within the timeframe provided for herein, any restricted stock units subject to the 2020 RSU Award, the 2021 RSU Award, and the 2022 RSU Award that would have, but for the failure of this Transition Agreement to timely become effective and irrevocable, accelerated pursuant to the Acceleration Provisions, will immediately forfeit upon the first date and time on which this Transition Agreement no longer can become timely effective and irrevocable.

4. Payment of Salary and Receipt of All Benefits. Executive acknowledges and represents that, other than the consideration set forth in this Transition Agreement, the Company has paid or provided all salary, wages, bonuses, accrued vacation/paid time off, premiums, leaves, housing allowances, relocation costs, interest, severance, outplacement costs, fees, reimbursable expenses, commissions, stock, stock options, vesting, and any and all other benefits and compensation due to Executive.

5. Release of Claims. Executive agrees that the foregoing consideration represents settlement in full of all outstanding obligations owed to Executive by the Company and its current and former: officers, directors, employees, agents, investors, attorneys, shareholders, administrators, affiliates, benefit plans, plan administrators, professional employer organization or co-employer, insurers, trustees, divisions, and subsidiaries, and predecessor and successor corporations and assigns (collectively, the "Releasees"). Executive, on Executive's own behalf and on behalf of Executive's respective heirs, family members, executors, agents, and assigns, hereby and forever releases the Releasees from, and agrees not to sue concerning, or in any manner to institute, prosecute, or pursue, any claim, complaint, charge, duty, obligation, demand, or cause of action relating to any matters of any kind, whether presently known or unknown, suspected or unsuspected, that Executive may possess against any of the Releasees arising from any omissions, acts, facts, or damages that have occurred up until and including the Effective Date of this Transition Agreement, including, without limitation:

a. any and all claims relating to or arising from Executive's employment relationship with the Company and the termination of that relationship;

b. any and all claims relating to, or arising from, Executive's right to purchase, or actual purchase of shares of stock of the Company, including, without limitation, any claims for fraud, misrepresentation, breach of fiduciary duty, breach of duty under applicable state corporate law, and securities fraud under any state or federal law;

c. any and all claims for wrongful discharge of employment; termination in violation of public policy; discrimination; harassment; retaliation; breach of contract, both express and implied; breach of covenant of good faith and fair dealing, both express and implied; promissory estoppel; negligent or intentional infliction of emotional distress; fraud; negligent or intentional misrepresentation; negligent or intentional interference with contract or prospective economic advantage; unfair business practices; defamation; libel; slander; negligence; personal injury; assault; battery; invasion of privacy; false imprisonment; conversion; and disability benefits;

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- d. any and all claims for violation of any federal; state; or municipal statute; including; but not limited to; Title VII of the Civil Rights Act of 1964; the Civil Rights Act of 1991; the Rehabilitation Act of 1973; the Americans with Disabilities Act of 1990; the Equal Pay Act; the Fair Labor Standards Act; the Fair Credit Reporting Act; the Age Discrimination in Employment Act of 1967; the Older Workers Benefit Protection Act; the Employee Retirement Income Security Act of 1974; the Worker Adjustment and Retraining Notification Act; the Family and Medical Leave Act; the Immigration Reform and Control Act; the California Family Rights Act; the California Labor Code; and the California Workers' Compensation Act;
 - e. any and all claims for violation of the federal or any state constitution;
 - f. any and all claims arising out of any other laws and regulations relating to employment or employment discrimination;
 - g. any claim for any loss, cost, damage, or expense arising out of any dispute over the non-withholding or other tax treatment of any of the proceeds received by Executive as a result of this Transition Agreement; and
 - h. any and all claims for attorneys' fees and costs.

Executive agrees that the release set forth in this Section shall be and remain in effect in all respects as a complete general release as to the matters released. This release does not extend to any obligations incurred under this Transition Agreement. This release does not release claims that cannot be released as a matter of law, including any Protected Activity (as defined below). This release does not extend to any right Executive may have to unemployment compensation benefits or workers' compensation benefits. Nor does this release extend to Executive's right to bring claims for indemnification, which Executive retains. Executive represents that Executive has made no assignment or transfer of any right, claim, complaint, charge, duty, obligation, demand, cause of action, or other matter waived or released by this Section.

6. Civil Code Section 1542. Executive acknowledges that Executive has been advised to consult with legal counsel and is familiar with the provisions of California Civil Code Section 1542, a statute that otherwise prohibits the release of unknown claims, which provides as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

Executive, being aware of said code section, agrees to expressly waive any rights Executive may have thereunder, as well as under any other statute or common law principles of similar effect.

7. No Pending or Future Lawsuits. Executive represents that Executive has no lawsuits, claims, or actions pending in Executive's name, or on behalf of any other person or entity, against the Company or any of the other Releasees. Executive also represents that Executive does not intend to bring any claims on Executive's own behalf or on behalf of any other person or entity against the Company or any of the other Releasees.

8. Application for Employment. Executive understands and agrees that, as a condition of this Transition Agreement, Executive shall not be entitled to any employment with the Company, and Executive hereby waives any right, or alleged right, of employment or re-employment with the Company.

9. Trade Secrets and Confidential Information/Company Property. Executive acknowledges that, separate from this Transition Agreement, Executive remains under continuing obligations to the Company under the Confidentiality Agreement, including the provisions therein regarding nondisclosure of the Company's trade secrets and confidential and proprietary information. Executive remains bound by all other continuing obligations under the Confidentiality Agreement, including Executive's confidentiality obligations thereof. Executive's signature below constitutes Executive's certification under penalty of perjury that Executive will return, no later than the Resignation Date, all documents and other items provided to Executive by the Company (with the exception of personnel documents specifically relating to Executive), developed or obtained by Executive in connection with Executive's employment with the Company, or otherwise belonging to the Company.

10. Cooperation. Subject to the Protected Activity Not Prohibited section, Executive agrees that Executive will not knowingly encourage, counsel, or assist any attorneys or their clients in the presentation or prosecution of any disputes, differences, grievances, claims, charges, or complaints by any third party against any of the Releasees, unless under a subpoena or other court order to do so or upon written request from an administrative agency or the legislature. Executive agrees both to immediately notify the Company upon receipt of any such subpoena or court order or written request from an administrative agency or the legislature, and to furnish, within three (3)

business days of its receipt, a copy of such subpoena or other court order or written request from an administrative agency or the legislature. If approached by anyone for counsel or assistance in the presentation or prosecution of any disputes, differences, grievances, claims, charges, or complaints against any of the Releasees, Executive shall state no more than that Executive cannot provide counsel or assistance.

In addition, and further subject to the Protected Activity Not Prohibited section, Executive agrees to cooperate with the Company in connection with ongoing litigation at the Company's request. In the event that Executive's cooperation is sought, the Company agrees to compensate Executive for Executive's participation at a \$350 per hour per diem rate, as agreed by the Parties in advance.

11. Protected Activity Not Prohibited. Executive understands that nothing in this Transition Agreement shall in any way limit or prohibit Executive from engaging in any Protected Activity. Protected Activity includes: (i) filing and/or pursuing a charge, complaint, or report with, or otherwise communicating, cooperating, or participating in any investigation or proceeding that may be conducted by any federal, state or local government agency or commission, including the Securities and Exchange Commission, the Equal Employment Opportunity Commission, the Occupational Safety and Health Administration, and the National Labor Relations Board ("Government Agencies"); and/or (ii) discussing or disclosing information about unlawful acts in the workplace, such as harassment or discrimination or any other conduct that Executive has reason to believe is unlawful. Executive understands that in connection with such Protected Activity, Executive is permitted to disclose documents or other information as permitted by law, without giving notice to, or receiving authorization from, the Company. Notwithstanding the foregoing, Executive agrees to take all reasonable precautions to prevent any unauthorized use or disclosure of any Company trade secrets, proprietary information, or confidential information that does not involve unlawful acts in the workplace or the activity otherwise protected herein. Executive further understands that Protected Activity does not include the disclosure of any Company attorney-client privileged communications or attorney work product. Any language in the Confidentiality Agreement regarding Executive's right to engage in Protected Activity that conflicts with, or is contrary to, this section is superseded by this Transition Agreement. In addition, pursuant to the Defend Trade Secrets Act of 2016, Executive is notified that an individual will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that (i) is made in confidence to a federal, state, or local government official (directly or indirectly) or to an attorney *solely* for the purpose of reporting or investigating a suspected violation of law, or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if (and only if) such filing is made under seal. In addition, an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the individual's attorney and use the trade secret information in the court proceeding, if the individual files any document containing the trade secret under seal and does not disclose the trade secret, except pursuant to court order. Finally, nothing in this Transition Agreement constitutes a waiver of any rights Executive may have under the Sarbanes-Oxley Act or Section 7 of the National Labor Relations Act ("NLRA"). For purposes of clarity, nothing in this Transition Agreement shall be interpreted to impair or limit Executive's participation in any legally protected

activities, such as (i) forming, joining, or supporting labor unions, (ii) bargaining collectively through representatives of employees' choosing, (iii) discussing wages, benefits, or terms and conditions of employment, and (iv) discussing, or raising complaints about, working conditions for the purpose of mutual aid or protection of Executive or the Company's other current or former Executives, to the extent such activities are protected by Section 7 of the NLRA.

12. Mutual Non-Disparagement. Subject to the "Protected Activity Not Prohibited" section below, Executive agrees to refrain from any disparagement, defamation, libel, or slander of any of the Releasees, and agrees to refrain from any tortious interference with the contracts and relationships of any of the Releasees. The Company agrees to refrain from making any disparaging statements about Executive. Executive understands that the Company's obligations under this paragraph extend only to the Company's current executive officers and members of its Board of Directors and, in each case, only for so long as such individual remains an officer or director of the Company. Executive shall direct any inquiries by potential future employers to the Company's human resources department, which shall use its reasonable good faith efforts to provide only the Executive's last position and dates of employment.

13. Breach. In addition to the rights provided in the "Attorneys' Fees" section below, Executive acknowledges and agrees that any material breach of this Transition Agreement, or of any provision of the Confidentiality Agreement shall entitle the Company immediately to recover and/or cease providing the consideration provided to Executive under this Transition Agreement and to obtain damages, except as provided by law.

14. No Admission of Liability. Executive understands and acknowledges that with respect to the claims released herein, this Transition Agreement constitutes a compromise and settlement of any and all actual or potential disputed claims by Executive unless such claims were explicitly not released by the release in this Transition Agreement. No action taken by the Company hereto, either previously or in connection with this Transition Agreement, shall be deemed or construed to be (a) an admission of the truth or falsity of any actual or potential claims or (b) an acknowledgment or admission by the Company of any fault or liability whatsoever to Executive or to any third party.

15. Costs. The Parties shall each bear their own costs, attorneys' fees, and other fees incurred in connection with the preparation of this Transition Agreement.

16. ARBITRATION. EXCEPT AS PROHIBITED BY LAW, THE PARTIES AGREE THAT ANY AND ALL DISPUTES ARISING OUT OF THE TERMS OF THIS TRANSITION AGREEMENT, THEIR INTERPRETATION, EXECUTIVE'S EMPLOYMENT WITH THE COMPANY OR THE TERMS THEREOF, OR ANY OF THE MATTERS HEREIN RELEASED, SHALL BE SUBJECT TO ARBITRATION UNDER THE FEDERAL ARBITRATION ACT (THE "FAA") AND THAT THE FAA SHALL GOVERN AND APPLY TO THIS ARBITRATION AGREEMENT WITH FULL FORCE AND EFFECT; HOWEVER, WITHOUT LIMITING ANY

PROVISIONS OF THE FAA, A MOTION OR PETITION OR ACTION TO COMPEL ARBITRATION MAY ALSO BE BROUGHT IN STATE COURT UNDER THE PROCEDURAL PROVISIONS OF SUCH STATE'S LAWS RELATING TO MOTIONS OR PETITIONS OR ACTIONS TO COMPEL ARBITRATION. EXECUTIVE AGREES THAT, TO THE FULLEST EXTENT PERMITTED BY LAW, EXECUTIVE MAY BRING ANY SUCH ARBITRATION PROCEEDING ONLY IN EXECUTIVE'S INDIVIDUAL CAPACITY. ANY CLAIMS EXECUTIVE MAY BRING PURSUANT TO THE PRIVATE ATTORNEYS GENERAL ACT ("PAGA") ON BEHALF OF THE LABOR AND WORKFORCE DEVELOPMENT AGENCY MUST BE ARBITRATED ONLY IN EXECUTIVE'S INDIVIDUAL CAPACITY WITHOUT ANY JOINDER OR REPRESENTATION OF ANY CALIFORNIA LABOR CODE VIOLATIONS THAT WERE OR COULD BE ASSERTED BY OR ON BEHALF OF ANY OTHER EMPLOYEES. ANY ARBITRATION WILL OCCUR IN THE COUNTY WHERE EXECUTIVE PROVIDED SERVICES TO THE COMPANY, BEFORE JAMS, PURSUANT TO ITS EMPLOYMENT ARBITRATION RULES & PROCEDURES ("JAMS RULES"), EXCEPT AS EXPRESSLY PROVIDED IN THIS SECTION. THE PARTIES AGREE THAT THE ARBITRATOR SHALL HAVE THE POWER TO DECIDE ANY MOTIONS BROUGHT BY ANY PARTY TO THE ARBITRATION, INCLUDING MOTIONS FOR SUMMARY JUDGMENT AND/OR ADJUDICATION, AND MOTIONS TO DISMISS AND DEMURRERS, APPLYING THE STANDARDS SET FORTH UNDER THE CALIFORNIA CODE OF CIVIL PROCEDURE. THE PARTIES AGREE THAT THE ARBITRATOR SHALL ISSUE A WRITTEN DECISION ON THE MERITS. THE PARTIES ALSO AGREE THAT THE ARBITRATOR SHALL HAVE THE POWER TO AWARD ANY REMEDIES AVAILABLE UNDER APPLICABLE LAW. THE ARBITRATOR MAY GRANT INJUNCTIONS AND OTHER RELIEF IN SUCH DISPUTES. THE DECISION OF THE ARBITRATOR SHALL BE FINAL, CONCLUSIVE, AND BINDING ON THE PARTIES TO THE ARBITRATION. THE PARTIES AGREE THAT THE PREVAILING PARTY IN ANY ARBITRATION SHALL BE ENTITLED TO INJUNCTIVE RELIEF IN ANY COURT OF COMPETENT JURISDICTION TO ENFORCE THE ARBITRATION AWARD. THE PARTIES TO THE ARBITRATION SHALL EACH PAY AN EQUAL SHARE OF THE COSTS AND EXPENSES OF SUCH ARBITRATION, AND EACH PARTY SHALL SEPARATELY PAY FOR ITS RESPECTIVE COUNSEL FEES AND EXPENSES; PROVIDED, HOWEVER, THAT THE ARBITRATOR MAY AWARD ATTORNEYS' FEES AND COSTS TO THE PREVAILING PARTY, EXCEPT AS PROHIBITED BY LAW. THE PARTIES HEREBY AGREE TO WAIVE THEIR RIGHT TO HAVE ANY DISPUTE BETWEEN THEM RESOLVED IN A COURT OF LAW BY A JUDGE OR JURY. NOTWITHSTANDING THE FOREGOING, THIS SECTION WILL NOT PREVENT EITHER PARTY FROM SEEKING INJUNCTIVE RELIEF (OR ANY OTHER PROVISIONAL REMEDY) FROM ANY COURT HAVING JURISDICTION OVER THE PARTIES AND THE SUBJECT MATTER OF THEIR DISPUTE RELATING TO THIS TRANSITION AGREEMENT AND THE AGREEMENTS INCORPORATED HEREIN BY REFERENCE. SHOULD ANY PART OF THE ARBITRATION AGREEMENT CONTAINED IN THIS SECTION CONFLICT WITH ANY OTHER ARBITRATION AGREEMENT BETWEEN THE PARTIES, INCLUDING, BUT NOT LIMITED TO THE ARBITRATION SECTION OF THE CONFIDENTIALITY AGREEMENT, THE PARTIES AGREE THAT THIS ARBITRATION AGREEMENT IN THIS SECTION SHALL GOVERN.

17. Tax Consequences. The Company makes no representations or warranties with respect to the tax consequences of the payments and any other consideration provided to Executive or made on Executive's behalf under the terms of this Transition Agreement. Executive agrees and understands that Executive is responsible for payment, if any, of local, state, and/or federal taxes on the payments and any other consideration provided hereunder by the Company and any penalties or assessments thereon. Executive further agrees to indemnify and hold the Releasees harmless from any claims, demands, deficiencies, penalties, interest, assessments, executions, judgments, or recoveries by any government agency against the Company for any amounts claimed due on account of (a) Executive's failure to pay or delayed payment of federal or state taxes, or (b) damages sustained by the Company by reason of any such claims, including attorneys' fees and costs. The Parties agree and acknowledge that the payments made pursuant to Section 1 of this Transition Agreement are not related to sexual harassment or sexual abuse and not intended to fall within the scope of 26 U.S.C. Section 162(q).

18. Section 409A. It is intended that this Transition Agreement comply with, or be exempt from, Code Section 409A and the final regulations and official guidance thereunder ("Section 409A") so that none of the benefits to be provided hereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities or ambiguous terms herein will be interpreted to so comply and/or be exempt from Section 409A. Each payment and benefit to be paid or provided under this Transition Agreement is intended to constitute a separate payment for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations. Any restricted stock units that vest under Section 1 of this Transition Agreement will be paid within sixty (60) days following the vesting date, and in all cases no later than March 15, 2024. The Company and Executive will work together in good faith to consider either (i) amendments to this Transition Agreement; or (ii) revisions to this Transition Agreement with respect to the payment of any awards, which are necessary or appropriate to avoid imposition of any additional tax or income recognition prior to the actual payment to Executive under Section 409A. In no event will the Releasees have any obligation to reimburse or indemnify Executive or any other person for any taxes or costs that may be imposed on Executive or any other person as a result of Section 409A. In no event will Executive have discretion to determine the taxable year of payment of any separation-related benefits.

19. Authority. The Company represents and warrants that the undersigned has the authority to act on behalf of the Company and to bind the Company and all who may claim through it to the terms and conditions of this Transition Agreement. Executive represents and warrants that Executive has the capacity to act on Executive's own behalf and on behalf of all who might claim through Executive to bind them to the terms and conditions of this Transition Agreement. Each Party warrants and represents that there are no liens or claims of lien or assignments in law or equity or otherwise of or against any of the claims or causes of action released herein.

20. Severability. In the event that any provision or any portion of any provision hereof or any surviving agreement made a part hereof becomes or is declared by a court of competent jurisdiction or arbitrator to be illegal, unenforceable, or void, this Transition Agreement shall continue in full force and effect without said provision or portion of provision.

21. Attorneys' Fees. In the event that either Party brings an action to enforce or effect its rights under this Transition Agreement, the prevailing Party shall be entitled to recover its costs and expenses, including the costs of mediation, arbitration, litigation, court fees, and reasonable attorneys' fees incurred in connection with such an action.

22. Entire Agreement. This Transition Agreement represents the entire agreement and understanding between the Company and Executive concerning the subject matter of this Transition Agreement and Executive's employment with and resignation from the Company and the events leading thereto and associated therewith, and supersedes and replaces any and all prior agreements and understandings concerning the subject matter of this Transition Agreement and Executive's relationship with the Company, with the exception of the Confidentiality Agreement and the Stock Agreements (if applicable), except as otherwise modified or superseded herein.

23. No Oral Modification. This Transition Agreement may only be amended in a writing signed by Executive and the Company's Chief Executive Officer.

24. Governing Law; Venue. This Transition Agreement shall be governed by the laws of the State of California, without regard for choice-of-law provisions. Executive consents to personal and exclusive jurisdiction and venue in the State of California.

25. Effective Date. Executive understands that this Transition Agreement shall be null and void if not executed by Executive within five (5) business days. This Transition Agreement will become effective on the date it has been signed by both Parties (the "Transition Agreement Effective Date"). In the event Executive signs this Transition Agreement and returns it to the Company in less than the five (5) business day period identified above, Executive hereby acknowledges that Executive has knowingly and voluntarily chosen to waive the time period allotted for considering this Transition Agreement.

26. Counterparts. This Transition Agreement may be executed in counterparts and each counterpart shall be deemed an original and all of which counterparts taken together shall have the same force and effect as an original and shall constitute an effective, binding agreement on the part of each of the undersigned. The counterparts of this Transition Agreement may be executed and delivered by facsimile, photo, email PDF, or other electronic transmission or signature.

27. Voluntary Execution of Transition Agreement. Executive understands and agrees that Executive executed this Transition Agreement voluntarily and without any duress or undue influence on the part or behalf of the Company or any third party, with the full intent of releasing all of Executive's claims against the Company and any of the other Releasees. Executive acknowledges that:

- (a) Executive has read this Transition Agreement;
- (b) Executive has a right to consult with counsel regarding this Transition Agreement and has been represented in the preparation, negotiation, and execution of this Transition Agreement by legal counsel of Executive's own choice or has elected not to retain legal counsel;
- (c) Executive understands the terms and consequences of this Transition Agreement and of the releases it contains;
- (d) Executive is fully aware of the legal and binding effect of this Transition Agreement; and
- (e) Executive has not relied upon any representations or statements made by the Company that are not specifically set forth in this Transition Agreement.

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IN WITNESS WHEREOF, the Parties have executed this Transition Agreement on the respective dates set forth below.

JAMES MONIZ, AN INDIVIDUAL

Dated: August 2, 2023

/s/ James Moniz

James Moniz

INTEVAC, INC.

Dated: August 2, 2023

By /s/ Nigel Hunton

Nigel Hunton

President and Chief Executive Officer

Schedule 1

EXECUTIVE'S OPTIONS AND RSUs AS OF THE RESIGNATION DATE*

EXECUTIVE'S OPTIONS

<u>Date of Grant</u>	<u>Plan Under Which Option Was Granted</u>	<u>Number of Shares Granted under Option</u>	<u>Number of Shares Vested as of Resignation Date</u>	<u>Number of Shares Unvested as of Resignation Date*</u>
May 18, 2017	2012 Equity Incentive Plan	28,000	28,000	0
May 17, 2018	2012 Equity Incentive Plan	30,000	30,000	0
May 16, 2019	2012 Equity Incentive Plan	40,000	40,000	0
	Total:	98,000	98,000	

EXECUTIVE'S RSUs (TIME-BASED)

<u>Date of Grant</u>	<u>Plan Under Which RSU Award Was Granted</u>	<u>Number of Shares Granted</u>	<u>Number of Shares Vested as of Resignation Date</u>	<u>Number of Shares Unvested as of Resignation Date*</u>
May 15, 2020	2020 Equity Incentive Plan	35,502	35,502**	0
May 20, 2021	2020 Equity Incentive Plan	31,304	23,478**	7,826
May 18, 2022	2020 Equity Incentive Plan	43,800	29,200**	14,600
	Total:	110,606	88,180	22,426

EXECUTIVE'S RSUs (PERFORMANCE-BASED)

Date of Grant	Plan Under Which RSU Award (Performance-Based) Was Granted	Number of Shares Granted	Number of Shares Vested as of Resignation Date	Number of share previously forfeited	Number of Shares Unvested as of Resignation Date *
May 15, 2020	2020 Equity Incentive Plan	11,834 at target (23,668 at max performance)	5,918	2,959	2,957 at target (5,914 at max performance)
May 18, 2022	2020 Equity Incentive Plan	93,000 at target (186,000 at max performance)	46,500		46,500 at target (139,500 at max performance)
	Total:	104,834 at target (209,668 at maximum performance)	52,418	2,959	49,457 at target (145,414 at maximum performance)

* Will forfeit on the Resignation Date. For purposes of clarity regarding performance-based RSU Awards, all shares subject to the performance-based RSU Awards for which performance has not been satisfied or which are otherwise unvested will forfeit on the Resignation Date.

** Assumes application of the Acceleration Provisions. If restricted stock units do not accelerate pursuant to the Acceleration Provisions, then (x) 26,627 restricted stock units granted pursuant to the 2020 RSU Award will have vested as of the Resignation Date, (y) 15,652 restricted stock units granted pursuant to the 2021 RSU Award will have vested as of the Resignation Date, and (z) 14,600 restricted stock units granted pursuant to the 2022 RSU Award will have vested as of the Resignation Date.

EXHIBIT A OF TRANSITION AGREEMENT

SUPPLEMENTAL RELEASE

This Supplemental Release (the “Supplemental Release”) is made by and between James Moniz (“Executive”) and Intevac, Inc. (the “Company”) (collectively referred to as the “Parties” or individually referred to as a “Party”). Terms not defined herein have the meaning ascribed to them in the Transition Agreement.

1. Consideration. In consideration for the Company’s payment of the Separation Consideration set forth in Section 1.b. of the Transition Agreement and Release signed between Executive and the Company in or around August 4, 2023 (the “Transition Agreement”), Executive hereby extends Executive’s release and waiver of claims to any claims that have arisen between the Transition Agreement Effective Date (as such term is defined in the Transition Agreement) and the Supplemental Release Effective Date, as defined below.

2. Incorporation of Terms of Transition Agreement. The Parties further acknowledge that the terms of the Transition Agreement, including, but not limited to, the sections entitled, Consideration, Benefits, Equity, Payment of Salary and Receipt of All Benefits, Release of Claims, No Pending or Future Lawsuits, Confidentiality, Trade Secrets and Confidential Information/Company Property, Cooperation, Protected Activity Not Prohibited, Mutual Non-Disparagement, Breach, No Admission of Liability, Arbitration, Authority, and Governing Law; Venue shall apply to this Supplemental Release and are incorporated herein to the extent that they are not inconsistent with the express terms of this Supplemental Release.

3. Acknowledgment of Waiver of Claims under ADEA. Executive acknowledges that Executive is waiving and releasing any rights Executive may have under the Age Discrimination in Employment Act of 1967 (“ADEA”), and that this waiver and release is knowing and voluntary. Executive agrees that this waiver and release does not apply to any rights or claims that may arise under the ADEA after the Supplemental Release Effective Date. Executive acknowledges that the consideration given for this waiver and release is in addition to anything of value to which Executive was already entitled. Executive further acknowledges that Executive has been advised by this writing that: (a) Executive should consult with an attorney prior to executing this Supplemental Release; (b) Executive has had twenty-one (21) days within which to consider this Supplemental Release; (c) Executive has seven (7) days following Executive’s execution of this Supplemental Release to revoke it; (d) this Supplemental Release shall not be effective until after the revocation period has expired; and (e) nothing in this Supplemental Release prevents or precludes Executive from challenging or seeking a determination in good faith of the validity of this waiver under the ADEA, nor does it impose any condition precedent, penalties, or costs for

doing so, unless specifically authorized by federal law. In the event Executive signs this Supplemental Release and returns it to the Company in less than the 21-day period identified above, Executive hereby acknowledges that Executive has knowingly and voluntarily chosen to waive the time period allotted for considering this Supplemental Release. Executive acknowledges and understands that revocation must be accomplished by a written notification to the undersigned Company representative that is received prior to the Supplemental Release Effective Date. The Parties agree that changes, whether material or immaterial, do not restart the running of the 21-day period.

4. Effective Date. Executive understands that this Supplemental Release shall be null and void if not executed by Executive, and returned to the Company, within ten (10) calendar days following the Resignation Date. Executive has seven (7) days after signing this Supplemental Release to revoke it. Executive acknowledges and agrees that Executive cannot execute this Supplemental Release before the date that Executive's service with the Company terminates. This Supplemental Release will become effective on the eighth (8th) day after Executive signs it, so long as it has been signed by the Parties and has not been revoked before that date (the "Supplemental Release Effective Date").

5. Voluntary Execution of Agreement. Executive understands and agrees that Executive executed this Supplemental Release voluntarily and without any duress or undue influence on the part or behalf of the Company or any third party, with the full intent of releasing all of Executive's claims against the Company and any of the other Releasees. Executive acknowledges that: (a) Executive has read this Supplemental Release; (b) Executive a right to consult with an attorney regarding this Supplemental Release and has been represented in the preparation, negotiation, and execution of this Supplemental Release by legal counsel of Executive's own choice or has elected not to retain legal counsel; (c) Executive understands the terms and consequences of this Supplemental Release and of the releases it contains; (d) Executive is fully aware of the legal and binding effect of this Supplemental Release; and (e) Executive has not relied upon any representations or statements made by the Company that are not specifically set forth in this Supplemental Release.

IN WITNESS WHEREOF, the Parties have executed this Supplemental Release on the respective dates set forth below.

JAMES MONIZ, AN INDIVIDUAL

Dated: August 2, 2023

/s/ James Moniz

James Moniz

INTEVAC, INC.

Dated: August 2, 2023

By Nigel Hunton
Nigel Hunton
President and Chief Executive Officer

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I, Nigel Hunton, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Intevac, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2023

/s/ NIGEL HUNTON

Nigel Hunton
President and Chief Executive Officer

I, James Moniz, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Intevac, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2023

/s/ JAMES MONIZ

James Moniz
Executive Vice President, Finance and Administration,
Chief Financial Officer, Secretary and Treasurer

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

I, Nigel Hunton, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Intevac, Inc. on Form 10-Q for the quarterly period ended July 1, 2023 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Form 10-Q fairly presents in all material respects the financial condition and results of operations of Intevac, Inc.

Date: August 3, 2023

/s/ NIGEL HUNTON

Nigel Hunton
President and Chief Executive Officer

I, James Moniz, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Intevac, Inc. on Form 10-Q for the quarterly period ended July 1, 2023 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Form 10-Q fairly presents in all material respects the financial condition and results of operations of Intevac, Inc.

Date: August 3, 2023

/s/ JAMES MONIZ

James Moniz
Executive Vice President, Finance and Administration,
Chief Financial Officer, Secretary and Treasurer

A signed original of this written statement required by Section 906 has been provided to Intevac, Inc. and will be retained by Intevac, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

This certification accompanies the report to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Intevac, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Report), irrespective of any general incorporation language contained in such filing.