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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2022
OR

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

For the transition period from to

Commission file number 001-40960

Arteris, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**27-0117058**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

595 Millich Dr. Suite 200
Campbell, CA 95008
(408) 470-7300
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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	AIP	The Nasdaq Stock Market LLC

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 x No o

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

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

Large accelerated filer	o	Accelerated filer	o
Non-accelerated filer	x	Smaller reporting company	x
		Emerging growth company	x

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. o

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

As of November 1, 2022, there were 33,425,197 shares of the registrant's common stock outstanding.

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Part I - Financial Information

Item 1. Financial Statements

Arteris, Inc.
Condensed Consolidated Balance Sheets
(In thousands, except share and per share data)
(Unaudited)

	As of	
	September 30, 2022	**December 31, 2021**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 68,200	$ 85,825
Short-term investments	4,400	—
Accounts receivable, net	9,638	13,873
Prepaid expenses and other current assets	8,427	6,949
Total current assets	90,665	106,647
Property and equipment, net	3,502	2,438
Long-term investments	1,983	—
Equity method investment	12,181	—
Operating lease right-of-use assets	2,124	2,765
Intangibles, net	2,575	2,959
Goodwill	2,677	2,677
Other assets	3,115	2,957
TOTAL ASSETS	$ 118,822	$ 120,443
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,984	$ 1,722
Accrued expenses and other current liabilities	11,520	10,573
Operating lease liabilities, current	1,033	961
Deferred revenue, current	27,646	28,403
Vendor financing arrangements, current	1,502	833
Total current liabilities	43,685	42,492
Deferred revenue, noncurrent	22,046	20,773
Operating lease liabilities, noncurrent	1,134	1,851
Vendor financing arrangements, noncurrent	433	266
Deferred income, noncurrent	10,290	—
Other liabilities	877	2,157
Total liabilities	78,465	67,539
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Preferred stock, par value of $0.001 - 10,000,000 shares authorized and no shares issued and outstanding as of September 30, 2022 and December 31, 2021	—	—
Common stock, par value of $0.001 - 300,000,000 shares authorized as of September 30, 2022 and December 31, 2021; 33,320,891 and 31,530,682 shares issued and outstanding as of September 30, 2022 and December 31, 2021, respectively	33	31
Additional paid-in capital	99,589	91,945
Accumulated other comprehensive loss	(102)	(81)
Accumulated deficit	(59,163)	(38,991)
Total stockholders' equity	40,357	52,904
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 118,822	$ 120,443

See accompanying notes to condensed consolidated financial statements.

Arteris, Inc.
Condensed Consolidated Statements of Loss
(In thousands, except share and per share data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenue				
Licensing, support and maintenance	$ 11,135	$ 8,136	$ 35,743	$ 24,353
Variable royalties and other	1,463	823	3,432	2,077
Total revenue	12,598	8,959	39,175	26,430
Cost of revenue	928	883	3,196	2,618
Gross profit	11,670	8,076	35,979	23,812
Operating expenses:				
Research and development	11,022	7,609	30,849	20,572
Sales and marketing	4,411	3,242	12,788	7,971
General and administrative	3,991	1,742	12,138	9,754
Total operating expenses	19,424	12,593	55,775	38,297
Loss from operations	(7,754)	(4,517)	(19,796)	(14,485)
Interest and other income (expense), net	318	(183)	346	(497)
Loss before provision for income taxes	(7,436)	(4,700)	(19,450)	(14,982)
Provision for income taxes	248	268	722	612
Net loss	$ (7,684)	$ (4,968)	$ (20,172)	$ (15,594)
Net loss per share attributable to common stockholders, basic and diluted	$ (0.23)	$ (0.24)	$ (0.63)	$ (0.79)
Weighted average shares used in computing per share amounts, basic and diluted	32,836,014	20,578,386	32,228,429	19,768,574

See accompanying notes to condensed consolidated financial statements.

Arteris, Inc.
Condensed Consolidated Statements of Comprehensive Loss
(In thousands)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net loss	$ (7,684)	$ (4,968)	$ (20,172)	$ (15,594)
Other comprehensive loss:				
Unrealized loss on available-for-sale securities, net of tax	(21)	—	(21)	—
Comprehensive loss	$ (7,705)	$ (4,968)	$ (20,193)	$ (15,594)

See accompanying notes to condensed consolidated financial statements.

Arteris, Inc.
Condensed Consolidated Statements of Redeemable Convertible Preferred Stock and Stockholders' Equity (Deficit)
(In thousands, except share data)
(Unaudited)

	Three Months Ended September 30, 2022							
	Redeemable Convertible Preferred Stock		Stockholders' Equity					
			Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount				
BALANCE—June 30, 2022	—	$ —	32,622,817	$ 33	$ 97,237	$ (81)	$ (51,479)	$ 45,710
Issuance of common stock for cash upon exercise of stock options	—	—	255,108	—	173	—	—	173
Issuance of common stock for settlement of restricted stock units	—	—	614,184	—	—	—	—	—
Tax withholding on RSUs settlement	—	—	(171,218)	—	(1,210)	—	—	(1,210)
Stock-based compensation expense	—	—	—	—	3,389	—	—	3,389
Unrealized loss on available-for-sale securities, net of tax	—	—	—	—	—	(21)	—	(21)
Net loss	—	—	—	—	—	—	(7,684)	(7,684)
BALANCE—September 30, 2022	—	$ —	33,320,891	$ 33	$ 99,589	$ (102)	$ (59,163)	$ 40,357

	Three Months Ended September 30, 2021							
	Redeemable Convertible Preferred Stock		Stockholders' Deficit					
			Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount				
BALANCE—June 30, 2021	4,471,316	$ 5,712	20,525,254	$ 21	$ 10,054	$ (31)	$ (26,233)	$ (16,189)
Issuance of common stock for cash upon exercise of stock options	—	—	60,395	—	31	—	—	31
Issuance of common stock for settlement of restricted stock units	—	—	22,202	—	—	—	—	—
Stock-based compensation expense	—	—	—	—	433	—	—	433
Net loss	—	—	—	—	—	—	(4,968)	(4,968)
BALANCE—September 30, 2021	4,471,316	$ 5,712	20,607,851	$ 21	$ 10,518	$ (31)	$ (31,201)	$ (20,693)

See accompanying notes to condensed consolidated financial statements.

Arteris, Inc.
Condensed Consolidated Statements of Redeemable Convertible Preferred Stock and Stockholders' Equity (Deficit)
(In thousands, except share data)
(Unaudited)

	Nine Months Ended September 30, 2022							
	Redeemable Convertible Preferred Stock		Stockholders' Equity					
			Common Stock		Additional Paid-In	Accumulated Other Comprehensive	Accumulated	
	Shares	Amount	Shares	Amount	Capital	Loss	Deficit	Total
BALANCE—December 31, 2021	—	$ —	31,530,682	$ 31	$ 91,945	$ (81)	$ (38,991)	$ 52,904
Issuance of common stock for cash upon exercise of stock options	—	—	1,022,050	2	615	—	—	617
Issuance of common stock for settlement of restricted stock units	—	—	1,008,620	—	—	—	—	—
Tax withholding on RSUs settlement	—	—	(240,461)	—	(2,053)	—	—	(2,053)
Stock-based compensation expense	—	—	—	—	9,082	—	—	9,082
Unrealized loss on available-for-sale securities, net of tax	—	—	—	—	—	(21)	—	(21)
Net loss	—	—	—	—	—	—	(20,172)	(20,172)
BALANCE—September 30, 2022	—	$ —	33,320,891	$ 33	$ 99,589	$ (102)	$ (59,163)	$ 40,357

	Nine Months Ended September 30, 2021							
	Redeemable Convertible Preferred Stock		Stockholders' Deficit					
			Common Stock		Additional Paid-In	Accumulated Other Comprehensive	Accumulated	
	Shares	Amount	Shares	Amount	Capital	Loss	Deficit	Total
BALANCE—December 31, 2020	4,471,316	$ 5,712	18,486,989	$ 18	$ 3,612	$ (31)	$ (15,607)	$ (12,008)
Issuance of common stock	—	—	1,250,000	2	5,435	—	—	5,437
Issuance of common stock for cash upon exercise of stock options	—	—	832,329	1	327	—	—	328
Issuance of common stock for settlement of restricted stock units	—	—	38,533	—	—	—	—	—
Stock-based compensation expense	—	—	—	—	1,144	—	—	1,144
Net loss	—	—	—	—	—	—	(15,594)	(15,594)
BALANCE—September 30, 2021	4,471,316	$ 5,712	20,607,851	$ 21	$ 10,518	$ (31)	$ (31,201)	$ (20,693)

See accompanying notes to condensed consolidated financial statements.

Arteris, Inc.
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2022	**2021**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (20,172)	$ (15,594)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,568	1,107
Stock-based compensation	9,082	1,144
Operating non-cash lease expense	(4)	(32)
Amortization of deferred income	(94)	—
Gain on deconsolidation of subsidiary (Note 13)	(149)	—
Other, net	10	(8)
Changes in operating assets and liabilities:		
Accounts receivable, net	4,234	6,226
Prepaid expenses and other assets	(1,799)	(3,932)
Accounts payable	408	415
Accrued expenses and other liabilities	23	1,328
Deferred revenue	517	5,340
Net cash used in operating activities	(6,376)	(4,006)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(655)	(488)
Payments relating to investment in equity method investment (Note 13)	(520)	—
Purchases of available-for-sale securities	(6,399)	—
Proceeds from principal portion of related party loan	241	—
Net cash used in investing activities	(7,333)	(488)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments of contingent consideration for business acquisition	(1,573)	—
Proceeds from issuance of common stock	—	5,435
Principal payments under vendor financing arrangements	(635)	(418)
Proceeds from exercise of stock options	601	330
Payments to tax authorities for shares withheld from employees	(2,053)	—
Payments of deferred offering costs	(256)	(906)
Payments of principal portion of term loan	—	(450)
Net cash (used in) provided by financing activities	(3,916)	3,991
NET DECREASE IN CASH AND CASH EQUIVALENTS	(17,625)	(503)
CASH AND CASH EQUIVALENTS, beginning of period	85,825	11,744
CASH AND CASH EQUIVALENTS, end of period	$ 68,200	$ 11,241
Noncash investing and financing activities:		
Equity obtained in equity method investment in exchange for contribution of license agreement (Note 13)	$ 11,563	$ —
Purchase of property and equipment through vendor financing and accrued expenses and other current liabilities	$ 1,809	$ 186
Operating lease right-of-use assets exchanged for lease liabilities	$ 63	$ 718
Unpaid deferred offering costs	$ —	$ 1,749

See accompanying notes to condensed consolidated financial statements.

ARTERIS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. DESCRIPTION OF BUSINESS

Description of the Business

Arteris, Inc. and its subsidiaries (collectively, the "Company" or "Arteris") was incorporated in Delaware on April 12, 2004. The Company develops, licenses, and supports the on-chip interconnect fabric technology used in System-on-Chip (SoC) designs for a variety of devices and in the development and distribution of Network-on-Chip (NoC) interconnect intellectual property (IP). The Company also provides software and services to enable efficient deployment of NoC IP, IP support & maintenance services, professional services and training and on-site support services. The Company is headquartered in Campbell, California and has offices in the United States, France, Japan, South Korea and China.

In October, 2021, the Company completed its initial public offering (IPO), in which it issued and sold 5,750,000 shares of its common stock at the public offering price of $14.00 per share, including 750,000 shares of its common stock upon the full exercise of the underwriters' option to purchase additional shares. The Company received net proceeds of $71.1 million after deducting underwriting discounts and commissions and offering expenses.

Deferred offering costs for the IPO were $3.8 million and consisted primarily of direct incremental accounting, legal and other fees related to the IPO. Prior to the IPO, all deferred offering costs were capitalized and included in other assets, non-current on the condensed consolidated balance sheets. Upon completion of the IPO, deferred offering costs were reclassified into stockholders' equity (deficit) as a reduction of the IPO proceeds.

COVID-19 Pandemic

While the duration and extent of the COVID-19 pandemic depends on future developments that cannot be accurately predicted at this time, such as the extent and effectiveness of containment actions and emergence of new variants, it has already had an adverse effect on the global economy and the lasting effects of the pandemic continue to be unknown. In response to the COVID-19 pandemic, the measures implemented by various authorities have caused us to change the Company's business practices, including those related to where employees work, the distance between employees in the Company's facilities, limitations on in-person meetings between employees and with customers, suppliers, service providers and stakeholders, as well as restrictions on business travel to domestic and international locations and to attend trade shows, technical conferences and other events.

The Company is unable to accurately predict the full impact that COVID-19 will have on its future results of operations, financial condition, liquidity and cash flows due to numerous uncertainties, including the duration and severity of the pandemic and containment measures. The Company will continue to monitor health orders issued by applicable governments to ensure compliance with evolving domestic and global COVID-19 guidelines.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and do not include all disclosures normally required in annual consolidated financial statements prepared in accordance with GAAP. Accordingly, these unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2021 and the related notes included in the Company's Form 10-K filed on March 7, 2022 (2021 Form 10-K) with the U.S. Securities and Exchange Commission (SEC). The December 31, 2021 condensed consolidated balance sheet was derived from the audited consolidated financial statements as of that date. In management's opinion, the unaudited interim consolidated financial statements have been prepared on the same basis as the annual financial statements and reflect all adjustments, which include only normal recurring adjustments necessary for the fair statement of the condensed consolidated financial statements.

The operating results for the three and nine months ended September 30, 2022 are not necessarily indicative of the results to be expected for the full year or any other future interim or annual period.

Principles of Consolidation

The condensed consolidated financial statements include the accounts of Arteris, Inc. and its wholly-owned subsidiaries. All inter-company transactions and accounts have been eliminated.

Use of Estimates

The preparation of the condensed consolidated financial statements in conformity with GAAP requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates relate to, among others, revenue recognition, the useful lives of assets, assessment of recoverability of property, plant and equipment, fair value of investments, impairment of the equity method investment, fair values of goodwill and other intangible assets, including impairments, leases, allowances for doubtful accounts, deferred tax assets and related valuation allowance, stock-based compensation, potential reserves relating to litigation and tax matters, collectability of certain receivables, fair value and amortization of deferred income, as well as other accruals or reserves. Actual results could differ from those estimates and such differences may be material to the condensed consolidated financial statements.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with original maturities of three months or less from the purchase date to be cash equivalents. The Company's cash equivalents include deposits in money market accounts which were unrestricted as to withdrawal or use and are stated at fair value. As of September 30, 2022, cash and cash equivalents consisted of primarily checking, savings, money market accounts and highly liquid investments with original maturities of three months or less. As of December 31, 2021, cash consisted primarily of checking and savings deposits. Interest earned on cash and cash equivalents is included in interest and other income (expense), net in the consolidated statements of loss.

Concentrations of Credit Risk

Financial instruments that potentially subject us to concentration of credit risk consist of cash and cash equivalents, investments and accounts receivable. Cash is currently held in three financial institutions and, at times, may exceed federally insured limits.

The Company's accounts receivable are derived principally from revenue earned from customers located in Americas, Europe, Middle East and Asia Pacific regions.

Accounts receivable from the Company's major customers representing 10% or more of total accounts receivable was as follows:

	As of	
	September 30, 2022	**December 31, 2021**
Customer A	30 %	21 %
Customer B	*	33 %
Customer C	*	12 %

* Customer accounted for less than 10% of total accounts receivable at period end.

Revenue from the Company's major customers representing 10% or more of total revenue was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	**2021**	**2022**	**2021**
Customer B	24 %	23 %	26 %	23 %

Significant Accounting Policies

There have been no significant changes to the Company's significant accounting policies during the nine months ended September 30, 2022 from those disclosed in the annual consolidated financial statements for the year ended December 31, 2021, except for those disclosed in this document.

Investments

All investments in debt securities have been classified as "available-for-sale" and are carried at estimated fair value as determined based upon quoted market prices or pricing models for similar securities. Management determines the appropriate classification of its investments in debt securities at the time of purchase and reevaluates such designation as of each balance sheet date. Short-term investments have original maturities of greater than three months but one year or less as of the consolidated balance sheet dates. Long-term investments have maturities greater than one year as of the consolidated balance sheet dates. If the Company expects to sell a debt security within one year, it will classify the investment as a short-term investment regardless of its stated maturity date.

The available-for-sale securities are reported at fair value with unrealized gains and losses included in accumulated other comprehensive income (loss). A decline in the fair value of the available-for-sale securities is recognized directly to net income (loss) if judged to be other than temporary. Interest earned on investments in debt securities, realized gains and losses and impairment losses, if any, on investments in debt securities are included in interest and other income (expense), net in the consolidated statements of loss. The cost of securities sold is based on the specific-identification method.

Equity Method Investments

The Company uses the equity method to account for its investments in companies which the Company does not control but is deemed to have the ability to exercise significant influence over operating and financial decisions of the investee.

The Company generally measures an investment in the common stock of an investee initially at cost. The carrying value of the Company's equity method investments is reported in equity method investment on the condensed consolidated balance sheets. The Company records its proportionate share of the income or loss in its equity method investments on a one-quarter lag. The cost is adjusted to recognize the Company's proportionate share of the investee's net income or loss after the date of investment. The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable.

Distributions received from an investee reduce the carrying value of an investment and are recorded in the consolidated statements of cash flows using the nature of distribution approach.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* and in May 2019 issued ASU *No. 2019-05, Credit Losses (Topic 326): Targeted Transition Relief* (collectively referred to as Topic *326*), which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost. Topic 326 replaces the existing incurred loss impairment model with a forward-looking expected credit loss model which will result in earlier recognition of credit losses. Topic 326 is effective for the Company for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. The Company does not expect the adoption of this guidance to have a material impact on its consolidated financial statements and related disclosures.

In October 2021, the FASB issued ASU No. 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers.* This standard requires contract assets and contract liabilities acquired in a business combination to be recognized in accordance with Topic 606 as if the acquirer had originated the contracts. The guidance is effective for fiscal years beginning after December 15, 2022, including interim periods within those years and early adoption is permitted. The Company is currently evaluating the impact that the standard will have on its consolidated financial statements and related disclosures.

3. REVENUE

Disaggregated Revenue

The following table shows revenue by product and services groups (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Licensing, support and maintenance	$ 11,135	$ 8,136	$ 35,743	$ 24,353
Variable royalties	695	739	2,266	1,913
Other	768	84	1,166	164
Total	$ 12,598	$ 8,959	$ 39,175	$ 26,430

Contract Balances

The following table provides information about accounts receivable, net, contract assets and deferred revenue (in thousands):

	As of	
	September 30, 2022	December 31, 2021
Accounts receivable, net	$ 9,638	$ 13,873
Contract assets	$ 2,240	$ 1,486
Deferred revenue	$ 49,692	$ 49,176

The Company recognized revenue of $9.4 million and $6.2 million for the three months ended September 30, 2022 and 2021, respectively, and $22.0 million and $14.7 million for the nine months ended September 30, 2022 and 2021, respectively, that was included in the deferred revenue balance at the beginning of the respective periods.

Contracted but unsatisfied performance obligations were $49.7 million and $49.3 million as of September 30, 2022 and December 31, 2021, respectively, and included unearned revenue and non-cancelable Flexible Spending Account (FSA) Agreements from customers where actual product selection and quantities of specific products are to be determined by customers at a future period. FSA commitments amounted to nil and $0.2 million as of September 30, 2022 and December 31, 2021, respectively. The Company has elected to exclude the potential future royalty receipts from the remaining performance obligations. The contracted but unsatisfied or partially unsatisfied performance obligations, excluding non-cancelable FSA, expected to be recognized in revenue over the next 12 months as of September 30, 2022 are $28.9 million, with the remainder recognized thereafter.

Costs of Obtaining a Contract with a Customer

Incremental costs of obtaining a contract with a customer consist primarily of direct sales commissions incurred upon execution of the contract. These costs are required to be capitalized under ASC 340-40, *Other Assets and Deferred Costs — Contracts With Customers*, and amortized over the license term. As direct sales commissions paid for term extensions are commensurate with the amounts paid for initial contracts, the deferred incremental costs for initial contracts and for term extensions are recognized over the respective contract terms. Total capitalized direct commission costs were as follows (in thousands):

	As of	
	September 30, 2022	December 31, 2021
Short-term commissions capitalized in prepaid expenses and other current assets	$ 2,435	$ 2,289
Long-term commissions capitalized in other assets	1,554	1,719
Total	$ 3,989	$ 4,008

Amortization of capitalized sales commissions was $0.9 million and $0.6 million for the three months ended September 30, 2022 and 2021, respectively, and $2.5 million and $1.5 million for the nine months ended September 30, 2022 and 2021, respectively.

Amortization of capitalized sales commissions are included in sales and marketing expense in the condensed consolidated statements of loss.

4. NET LOSS PER SHARE

The following table presents the calculation of basic and diluted net loss per share attributable to common stockholders (in thousands, except share and per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Numerator:				
Net loss	$ (7,684)	$ (4,968)	$ (20,172)	$ (15,594)
Denominator:				
Weighted-average shares outstanding - basic and diluted	32,836,014	20,578,386	32,228,429	19,768,574
Net loss per share, basic and diluted	$ (0.23)	$ (0.24)	$ (0.63)	$ (0.79)

Since the Company was in a loss position for all periods presented, the diluted earnings per share is equal to the basic earnings per share as the effect of potentially dilutive securities would have been antidilutive.

The following table summarizes the potentially dilutive securities that were excluded from the calculation of diluted earnings per share because they would be antidilutive:

	As of	
	September 30, 2022	September 30, 2021
Stock options	4,037,721	5,964,043
Restricted stock units	5,104,347	3,935,229
Redeemable convertible preferred stock	—	4,471,316
Total	9,142,068	14,370,588

5. INVESTMENTS

The following tables summarize the fair value and amortized cost of the Company's cash equivalents and available-for-sale securities by major security type:

	Amortized Cost	Unrealized Gain/(Loss)	Aggregate Fair Value
Assets:			
Money market funds	$ 43,334	$ —	$ 43,334
Commercial paper	2,444	(1)	2,443
Corporate bonds	2,483	(8)	2,475
U.S. government agency securities	14,940	(12)	14,928
U.S. treasury securities	4,498	—	4,498
Total financial assets	$ 67,699	$ (21)	$ 67,678

The maturity dates of the Company's investments are as follows:

	September 30, 2022
Less than one year	$ 65,695
1-2 years	1,983
Total	$ 67,678

There were no impairments of available-for-sale securities during the three and nine months ended September 30, 2022.

The Company did not invest in any available-for-sale securities during 2021 and did not have any available-for-sale securities as of December 31, 2021.

6. FAIR VALUE MEASUREMENTS

Assets Measured and Recorded at Fair Value on a Non-Recurring Basis

Equity method investments, and certain non-financial assets, such as intangible assets and property, plant and equipment, are remeasured at fair value only if an impairment or observable price adjustment is recognized in the current period.

Financial Instruments Not Recorded at Fair Value on a Recurring Basis

Financial instruments not recorded at fair value on a recurring basis include vendor financing arrangements. The carrying value of the vendor financing agreements were $1.9 million as of September 30, 2022 and $1.1 million as of December 31, 2021, respectively. The Company's vendor financing arrangements are classified within Level 2 because these borrowings are not actively traded and have a variable interest rate structure based upon market rates currently available to the Company for debt with similar terms and maturities. The estimated fair values of these financial instruments approximate their carrying values.

Financial Instruments Recorded at Fair Value on a Recurring Basis

The following tables summarize the Company's financial assets measured at fair value on a recurring basis by level within the fair value hierarchy (in thousands):

	As of September 30, 2022			
	Level 1	Level 2	Level 3	Fair Value
Assets:				
Cash equivalents:				
Money market funds	$ 43,334	$ —	$ —	$ 43,334
Commercial paper	—	2,000	—	2,000
U.S. government agency securities	—	11,463	—	11,463
U.S. treasury securities	—	4,498	—	4,498
Total cash equivalents	43,334	17,961	—	61,295
Short-term investments:				
Commercial paper	—	443	—	443
Corporate bonds	—	1,986	—	1,986
U.S. government agency securities	—	1,971	—	1,971
Total short-term investments	—	4,400	—	4,400
Long-term investments:				
Corporate bonds	—	489	—	489
U.S. government agency securities	—	1,494	—	1,494
Total long-term investments	—	1,983	—	1,983
Total financial assets	$ 43,334	$ 24,344	$ —	$ 67,678

Money market funds are highly liquid investments and are actively traded. The fair value is based on quoted prices for identical assets in active markets and therefore classified as Level 1 of the fair value hierarchy.

The Company's other investments are considered Level 2 financial instruments as their fair values are determined using inputs that are directly or indirectly observable in active or less active markets. There were no transfers between levels during the three and nine months ended September 30, 2022.

The Company did not have any investments in available-for-sale securities as of December 31, 2021.

7. INTANGIBLE ASSETS AND GOODWILL

Intangible assets, net

Intangible assets, net consisted of the following as of September 30, 2022 (in thousands):

	Gross Fair Value	Accumulated Amortization	Net Book Value
Developed technology	$ 1,700	$ (623)	$ 1,077
Customer relationships	1,100	(252)	848
IPR&D	500	—	500
Trade name and other	150	—	150
Total intangibles	$ 3,450	$ (875)	$ 2,575

Intangible assets, net consisted of the following as of December 31, 2021 (in thousands):

	Gross Fair Value	Accumulated Amortization	Net Book Value
Developed technology	$ 1,700	$ (368)	$ 1,332
Customer relationships	1,100	(149)	951
IPR&D	500	—	500
Trade name and other	176	—	176
Total intangibles	$ 3,476	$ (517)	$ 2,959

Amortization expense of intangible assets was $0.1 million for both the three months ended September 30, 2022 and 2021, and $0.4 million for both the nine months ended September 30, 2022 and 2021.

The expected future amortization expense of these intangible assets as of September 30, 2022 is as follows (in thousands):

Fiscal year ending December 31,	Amount
Remainder of 2022	$ 120
2023	478
2024	478
2025	449
2026	138
Thereafter	262
Total future amortization expense	$ 1,925

Goodwill

As of September 30, 2022 and December 31, 2021, goodwill was $2.7 million. No goodwill impairments were recorded during the three and nine months ended September 30, 2022 and 2021.

8. LEASES

The Company leases its offices at various locations under noncancelable operating lease agreements expiring at various dates through 2027. Under the terms of these agreements, the Company also bears the costs for certain insurance, property tax, and maintenance. The terms of certain lease agreements provide for increasing rental payments at fixed intervals.

Total operating lease related costs were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Operating lease cost	$ 263	$ 333	$ 802	$ 807
Short-term lease cost	38	25	263	77
Total lease cost	$ 301	$ 358	$ 1,065	$ 884

The weighted-average remaining term of the Company's operating leases was 3.2 years and 3.6 years as of September 30, 2022 and December 31, 2021, respectively, and the weighted-average discount rate used to measure the present value of the operating lease liabilities was 7.5% as of both September 30, 2022 and December 31, 2021.

Maturities of operating lease liabilities as of September 30, 2022 were as follows (in thousands):

Fiscal year ending December 31,	Amount
Remainder of 2022	$ 296
2023	990
2024	449
2025	278
2026	212
Thereafter	212
Total undiscounted cash flows	$ 2,437
Less: imputed interest	(270)
Present value of lease liabilities	$ 2,167
Operating lease liabilities, current	$ 1,033
Operating lease liabilities, non-current	1,134
	$ 2,167

9. BORROWINGS

Vendor financing arrangements—The Company has various vendor financing arrangements with extended payment terms on the purchase of software licenses and equipment. In order to determine the present value of the commitments, the Company used an imputed interest rate of 7.5%, which is reflective of its collateralized borrowing rate with similar terms to that of the software licenses and equipment transactions.

Vendor financing arrangements as of September 30, 2022 were as follows (in thousands):

Fiscal year ending December 31,	Amount
Remainder of 2022	$ 402
2023	1,100
2024	556
Total undiscounted cash flows	$ 2,058
Less: imputed interest	(123)
Present value of vendor financing arrangements	$ 1,935
Vendor financing arrangements, current	$ 1,502
Vendor financing arrangements, noncurrent	433
	$ 1,935

Interest expense was less than $0.1 million for both the three months ended September 30, 2022 and 2021. Interest expense was $0.1 million for both the nine months ended September 30, 2022 and 2021.

10. COMMITMENTS AND CONTINGENCIES

Indemnifications—The Company often enters into limited indemnification provisions in license agreements in the ordinary course of the Company's licensing business. Pursuant to these provisions, which are often inserted into license agreements in the semiconductor IP and software licensing industries, the Company agrees to indemnify, hold harmless, and reimburse the indemnified parties up to a capped amount for losses suffered or incurred by such indemnified parties due to third party claims if such claims are determined to be caused by the Company. The term of these indemnification provisions is generally either for a term of years or perpetual, in each case beginning on the execution date of the agreement. The Company has also agreed to indemnify under indemnity agreements with its directors and officers, to the extent legally permissible, against liabilities incurred in connection with any action in which such individual may be involved by reason of such individual being or having been a director or officer, other than certain liabilities arising from willful misconduct of the individual.

The Company has incurred no actual payment obligations from these above-noted indemnification provisions and director and officer indemnity agreements for three and nine months ended September 30, 2022 and 2021 and the condensed consolidated financial statements do not include liabilities for any potential indemnity-related obligations as of September 30, 2022 and December 31, 2021.

Legal—In the normal course of business, the Company may receive inquiries or become involved in legal disputes regarding various litigation matters. Although claims are inherently unpredictable, the Company currently is not aware of any matters that may have a material adverse effect on the Company's financial position, results of operations, or cash flows.

The Company has no other material contractual noncancelable commitments as of September 30, 2022 and December 31, 2021.

11. REDEEMABLE CONVERTIBLE PREFERRED STOCK, PREFERRED STOCK AND COMMON STOCK

Redeemable Convertible Preferred Stock

Immediately prior to the closing of the IPO, all shares of the Company's redeemable convertible preferred stock outstanding, totaling 4,471,316, were automatically converted into an equal number of shares of common stock and their carrying value of $5.7 million was reclassified into stockholders' equity. As of both September 30, 2022 and December 31, 2021, there were zero shares of redeemable convertible preferred stock issued and outstanding.

Preferred Stock

In connection with the IPO, the Company amended and restated its certificate of incorporation to authorize 10,000,000 shares of preferred stock with a par value of $0.001, which shares of preferred stock are currently undesignated.

Common Stock

Holders of common stock are entitled to one vote per share and to receive dividends and, upon liquidation or dissolution, are entitled to receive all assets available for distribution to common stockholders. The common stock has no preemptive or other subscription rights and there are no redemption or sinking fund provisions with respect to such shares. Common stock is subordinate to the preferred stock with respect to dividend rights and rights upon liquidation, winding-up, and dissolution of the Company. In connection with the IPO, the Company amended and restated its certificate of incorporation to authorize 300,000,000 shares of common stock.

12. STOCK-BASED COMPENSATION

2016 Stock Plan

On October 10, 2016, the Company amended and restated the 2013 Equity Incentive Plan (the 2013 Plan) and changed the name of the plan to Arteris, Inc. 2016 Incentive Plan (the 2016 Plan). Adoption of the 2016 Plan provides for participation by foreign nationals or those employed outside of the United States.

The 2016 Plan provides for the granting of the following types of stock awards: incentive stock options, non-statutory stock options, stock appreciation rights, restricted stock awards, restricted stock unit awards (RSUs) and other stock awards. The number of shares authorized for award was 20,803,838. The Company has granted awards of common stock in the form of 14,142,208 shares as of December 31, 2021. Following the Company's IPO in October 2021, all future grants will be made under the 2021 Plan (as defined below), with none remaining available for future grant under the 2016 Plan.

2021 Stock Plan

The Company adopted the 2021 Incentive Award Plan (the 2021 Plan) effective October 26, 2021. The 2021 Plan provides for a variety of stock-based compensation awards, including stock options, stock appreciation rights, or SARs, restricted stock awards, restricted stock unit awards, performance bonus awards, performance stock unit awards, dividend equivalents, or other stock or cash based awards.

Following the effectiveness of the 2021 Plan, the Company will not make any further grants under the 2016 Plan. However, the 2016 Plan will continue to govern the terms and conditions of the outstanding awards granted under this plan. Shares of common stock subject to awards granted under the 2016 Plan that are forfeited, lapse unexercised and withheld to cover taxes which following the effective date of the 2021 Plan are not issued under the 2016 Plan will be available for issuance under the 2021 Plan.

2021 Employee stock purchase plan

The Company adopted the 2021 Employee Stock Purchase Plan (the 2021 ESPP) effective on October 26, 2021. The 2021 ESPP would enable eligible employees of the Company to purchase shares of common stock at a discount to fair market value. As of September 30, 2022, there had been no offering period under the ESPP.

Shares Available for Future Grant

Shares available for future grant consisted of the following:

	As of September 30, 2022
Shares available for future grant under the 2021 Plan	3,469,764
Shares available for future grant under the 2021 ESPP	922,306

The Company issues new shares upon a share option exercise or release of restricted stock units.

Stock Options

The following table summarizes the stock option activities under the Company's 2016 Plan:

	Options Outstanding			
	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value ($'000s)
BALANCE—December 31, 2021	5,407,170	$ 0.96	7.16	$ 108,964
Exercised	(1,022,050)	$ 0.60		
Canceled	(347,399)	$ 1.19		
BALANCE—September 30, 2022	4,037,721	$ 1.03	6.49	$ 22,738
Options vested and exercisable—September 30, 2022	3,011,042	$ 0.90	6.09	$ 17,354

The aggregate intrinsic value of the options exercised during the nine months ended September 30, 2022 and 2021 was $9.8 million and $1.2 million, respectively. The total grant-date fair value of options vested was $0.3 million during both the nine months ended September 30, 2022 and 2021.

As of September 30, 2022, there was $0.5 million of unamortized stock-based compensation cost related to unvested stock options, which is expected to be recognized over a weighted-average period of 2.0 years.

The Company had no stock option grants during the nine months ended September 30, 2022 and 2021.

Restricted Stock Units

The following table summarizes the restricted stock units activities under the Company's 2016 and 2021 Plans:

	Restricted Stock Units	
	Number of Shares	Weighted-Average Grant Date Fair Value
Unvested—December 31, 2021	3,925,097	$ 5.60
Granted	2,440,603	$ 11.76
Vested	(1,008,620)	$ 6.22
Forfeited	(252,733)	$ 12.07
Unvested—September 30, 2022	5,104,347	$ 8.11

The total grant-date fair value of restricted stock units vested was $6.3 million and less than $0.1 million during the nine months ended September 30, 2022 and 2021, respectively.

As of September 30, 2022, there was $34.0 million of unamortized stock-based compensation cost related to unvested restricted stock units, which is expected to be recognized over a weighted-average period of 3.2 years.

Stock-based Compensation

Stock-based compensation expense is recorded on a departmental basis, based on the classification of the award holder. The following table presents the amount of stock-based compensation related to stock-based awards to employees on the Company's condensed consolidated statements of loss (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Cost of revenue	$ 118	$ 15	$ 474	$ 42
Research and development	1,798	225	4,435	645
Sales and marketing	679	23	1,678	72
General and administrative	794	170	2,495	385
Total stock-based compensation	$ 3,389	$ 433	$ 9,082	$ 1,144

13. EQUITY METHOD INVESTMENT

On February 21, 2022, Arteris IP (Hong Kong) Ltd. (AHK), a wholly-owned subsidiary of the Company, entered into a Share Purchase and Shareholders Agreement (the SPA) with certain investors and Ningbo Transchip Information Consulting Partnership (Limited Partnership) (Management Co). The transaction closed on June 20, 2022.

The Company, the investors and Management Co, pursuant to the SPA, subscribed to the registered capital of Transchip Technology (Nanjing) Co., Ltd. (Transchip), a formerly wholly-owned subsidiary of the Company. As a result, the registered capital of Transchip increased to $29.4 million. The Company subscribed for the registered capital of approximately $11.9 million, of which $11.6 million of the contribution was contributed in-kind by way of an interconnect solutions technology license by the Company pursuant to a five-year technology license and services agreement which can be extended automatically for another five-year term, and the remaining was paid in cash.

The license agreement provides Transchip the right to software licenses, services, software updates and technical support. On the closing date, the license agreement including the support and maintenance services to be provided to Transchip was valued to be $11.6 million, which was recorded as deferred income and will be recognized as interest and other income (expense), net over a period of ten years on a straight line basis after delivery of the license. The license was delivered to Transchip on September 2, 2022. For the three and nine months ended September 30, 2022, the Company recognized income of $0.1 million for the license agreement.

Deconsolidation of Transchip as a subsidiary

Before the closing of the transaction, Transchip was a wholly-owned subsidiary of the Company with limited operations. Upon closing of the transaction, the Company no longer has control, and therefore deconsolidated Transchip. Accordingly, upon closing of the transaction, the Company derecognized all the assets and liabilities of Transchip and recognized a disposal gain of $0.1 million, included in interest and other income (expense), net in the condensed consolidated statements of loss for the nine months ended September 30, 2022.

Upon deconsolidation, the Company also recorded a nine-month related party loan to Transchip of $0.3 million, in prepaid expenses and other current assets within its condensed consolidated balance sheet, which was previously eliminated as an intercompany loan in the Company's consolidated financial statements. This loan carries an annual interest rate of 4% and expired on August 31, 2022. The Company received the payment of principal and interest of $0.3 million on September 2, 2022.

Investment of Transchip as an equity investee

Following the consummation of the foregoing transactions, the Company held 40.3% common stock of Transchip on a fully diluted basis. The Company accounts for its common stock investment in Transchip as an equity method investment as it does not control but has significant influence over operating and financing policies of Transchip. Transchip is the Company's only equity method investment. The Company invested $12.2 million, including transaction costs of $0.3 million in Transchip.

On September 15, 2022, Transchip completed a second funding with additional investors. The Company did not provide additional investments in the second funding. As a result, the Company's ownership interest in Transchip was diluted to 35.0% of the common stock of Transchip on a fully diluted basis. The impact to the Company's condensed consolidated statements of loss was immaterial.

As of September 30, 2022, the carrying value of the investment in Transchip was $12.2 million. There was no significant difference between the Company's carrying value of the investment in Transchip and its share of underlying equity in net assets of Transchip. During the three and nine months ended September 30, 2022, the Company's loss from its proportionate share of its equity method investment in Transchip was immaterial. The Company concluded that there were no indicators of impairment related to the Company's equity method investment in Transchip as of September 30, 2022.

14. INCOME TAXES

The Company's effective tax rate was (3.9)% and (4.1)% for the nine months ended September 30, 2022 and 2021, respectively. The Company's income tax provision was $0.7 million and $0.6 million for the nine months ended September 30, 2022 and 2021, respectively. The change in forecasted foreign withholding tax, changes in the geographic mix of worldwide earnings which are taxed at different rates, and the impact of losses in jurisdictions with full valuation allowances, has resulted in an insignificant change in the income tax provision for the period ended September 30, 2022 compared to the period ended September 30, 2021.

The Company's management continuously evaluates the need for a valuation allowance and, as of September 30, 2022, concluded that a full valuation allowance on its US federal, state, and certain foreign jurisdictions deferred tax assets was still appropriate.

As of September 30, 2022 and 2021, the Company's gross liability for unrecognized tax benefits was $3.1 million and $2.5 million, respectively. The Company's practice is to recognize interest and/or penalties related to income tax matters in income tax expense. As of September 30, 2022 and 2021, the Company had no accrued interest or penalties related to its unrecognized tax benefits. If any unrecognized tax benefits are realized, it would not result in any income tax benefit as the Company currently has a full valuation allowance against the deferred tax assets in which there is currently an uncertain tax benefit.

15. RELATED PARTY TRANSACTIONS

The Company defines related parties as directors, executive officers, nominees for director, stockholders that have significant influence over the Company, or are a greater than 10% beneficial owner of the Company's capital and their affiliates or immediate family members.

In November 2020, the Company entered into a lease agreement with Isabelle Geday, a member of the Board of Directors. The lease payments were less than $0.1 million and $0.1 million for the three months ended September 30, 2022 and 2021, respectively. The lease payments were $0.1 million and $0.2 million for the nine months ended September 30, 2022 and 2021, respectively. In addition, the Company signed a consulting agreement with Ms. Geday on December 1, 2021, which was subsequently assigned to Magillem Design Services S.A., effective January 10, 2022. Ms. Geday was paid as an executive employee of the Company from December 1, 2020 through November 30, 2021. As a consultant, Ms. Geday will provide services for an initial three-year term, commencing December 1, 2021, and is eligible to receive $26,445 per month for the first 12 months of the consulting term and $19,445 per month for the remaining 24 months of the consulting term. For the three months ended September 30, 2022, the Company paid Ms. Geday $0.1 million for consulting services. For the nine months ended September 30, 2022, the Company paid Ms. Geday $0.2 million for consulting services. Lastly, the 455,000 stock options and 62,200 RSUs granted in connection with Ms. Geday's prior employment continue to vest.

In connection with the deconsolidation of Transchip, the Company had recorded a short-term loan to Transchip, including interest, of $0.3 million in prepaid expenses and other current assets on its condensed consolidated balance sheet. The Company received the payment of principal and interest of $0.3 million on September 2, 2022.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and related notes included under Part I, Item 1 in this Quarterly Report on Form 10-Q and our audited consolidated financial statements and the related notes and the discussion under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" for the fiscal year ended December 31, 2021 included in the 2021 Form 10-K. This discussion and analysis contains forward-looking statements based upon current beliefs, plans and expectations that involve risks, uncertainties and assumptions, such as statements regarding our plans, objectives, expectations, intentions and projections. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of several factors, including those set forth under the heading "Risk Factors" in this Quarterly Report on Form 10-Q. Please also see the section under the heading "Cautionary Note Regarding Forward-Looking Statements" in the 2021 Form 10-K.

Unless the context otherwise requires, all references in this report to "we," "us," "our," the "Company," and "Arteris" refer to Arteris, Inc. and its subsidiaries.

Overview

We are a leading provider of System IP, including interconnect and other intellectual property, (collectively, IP) technology that connects client IP blocks such as processors, memories, artificial intelligence/machine learning (AI/ML) accelerators, graphics subsystems, safety and security and other input/output (I/Os) subsystems via multiple Network-on-Chips (NoCs) in order for our customers to create System-on-Chips (NoC) (SoCs) semiconductors faster, better, and a lower cost. Our products enable our customers to deliver increasingly complex SoCs that not only process data but are also able to make decisions. Growth in the total addressable market for our solutions is being driven by the addition of more processors, channels of memory access, machine learning sections, chiplets, additional I/Os interface standards and other subsystems within SoCs. The growth in the numbers of these connected on-chip subsystems place an increasing premium on the interconnect IP capability to move data inside complex SoCs. We believe this increase in SoC complexity is creating a significant opportunity for sophisticated SoC system IP solutions which incorporate NoC interconnect IP, IP deployment software and NoC interface IP (consisting of peripheral data transport IP and control plane networks connected to NoC interconnect IPs).

Our IP deployment solutions, which were significantly enhanced by our acquisition of Magillem Design Services S.A. (Magillem) in 2020, complement our interconnect IP solutions by helping to automate not only the customer configuration of its NoC interconnect but also the process of integrating and assembling all of the customer's IP blocks into an SoC. Products incorporating our IP are used to carry most of the important data inside complex SoCs for sophisticated applications, including automated driving, AI/ML, 5G and wireless communications, data centers, and consumer electronics.

As of September 30, 2022, we had 234 full-time employees and offices in eight locations in the United States, France, China, South Korea and Japan. For the three and nine months ended September 30, 2022, we generated revenue of $12.6 million and $39.2 million, respectively, net loss of $7.7 million and $20.2 million respectively, and net loss per share, basic and diluted of $0.23 and $0.63, respectively. As of September 30, 2022, we had Annual Contract Value (as defined below) of $50.2 million. During the three months ended September 30, 2022, we added 10 Active Customers (as defined below) and our customers had 21 Confirmed Design Starts (as defined below).

Factors Affecting Our Business

We believe that the growth of our business and our future success are dependent upon many factors including those described under "Risk Factors" and elsewhere in this report, in addition to those described below. While each of these factors presents significant opportunities for us, these factors also pose challenges that we must successfully address in order to sustain the growth of our business and enhance our results of operations.

License Agreements with New and Existing Customers

Our ability to generate revenue from new license agreements, and the timing of such revenue, is subject to a number of factors, risks and contingencies. For new products, the time from initial development until we generate license revenue can be lengthy, typically between one and three years. In addition, because the selection process by our customers is typically lengthy and market requirements and alternative solutions available to customers for IP-based products change rapidly, we may be required to incur significant research and development expenditures in pursuit of new products over extended, multiyear periods of time with no assurance that our solutions will be successfully developed or ultimately selected by our customers. While we make efforts to observe market demand and market need trends, we cannot be certain that our investment in developing and testing new products will generate an adequate rate of return in the form of fees, royalties or other revenues, or any revenues. Moreover, the customer acquisition process has a typical duration of six to nine months; following this, a customer's chip design cycle is typically between one to three years and may be delayed due to factors beyond our control, which may result in our customer's product not reaching the market until long after we entered into a contract with such customer. Customers typically start shipping their products containing our interconnect IP solutions between one to five years following completion of their product design, known as mass production, at which point we start to receive royalties; this lasts for up to seven years depending on the market segment. Any significant delay in the ramp-up of volume production of the customer's products into which our product is designed could adversely affect our business due to delayed or significantly reduced revenues. Further, because the average selling prices (ASPs) of our products may decline over time, we consider new license agreements and new product launches to be critical to our future success and anticipate that for our newer products, we are and will remain highly dependent on market demand timing and revenue from new license agreements.

End Customer Product Demand and Market Conditions

Demand for our interconnect IP solutions and associated royalty revenue is highly dependent on market conditions in the end markets in which our customers operate. These end markets, which include the automotive, AI/ML, 5G communications, data centers and consumer electronics sectors, are subject to a number of factors including end-product acceptance and sales, competitive pressures, supply chain issues and general market conditions. For example, our revenue has been supported by the increased need for more complex SoCs to enable sophisticated automated driving. If the demand in this market continues to grow, we anticipate it will continue to have a positive impact on our revenue. In contrast, if general market conditions deteriorate or other factors occur such as supply chain issues resulting in fewer semiconductors utilizing our IP solutions being available for sale, our revenue would be adversely affected.

Terms of our Agreements with Customers

Our revenue from period to period can be impacted by the terms of the agreements we enter into with our customers. For example, in recent periods we have structured certain agreements with customers that include substantial up front licensing payments. As a result of how these contracts are structured and the revenue is recognized, our revenue in the three and nine months ended September 30, 2022 may not be comparable to future periods if we do not enter into similar contractual agreements. Further, a meaningful percentage of our revenue is generated through royalty payments. Because the time between a new license agreement win and the customer's end product being sold can be substantial, with sales of the end product being subject to a number of factors outside our control, our revenue from royalties is difficult to predict. As a result of the foregoing, revenue may fluctuate significantly from period to period and any increase or decrease in such revenue may not be indicative of future period-to-period increases or decreases.

Technological Development and Market Growth

We believe our growth has been and will continue to be driven by technology trends in our end markets. For example, the requirements of smaller die size, lower power consumption, a higher frequency of operation and management of critical net latency in a timely and cost-effective manner for on-chip processing in the automotive, AI/ML, 5G and wireless communications, data center and consumer electronic markets has resulted in increased SoC design complexity for chips used in these markets. This trend in turn has created increased demand for in-licensing commercial semiconductor design IP, which in turn has positively impacted our revenue and growth.

In order to address technological developments such as the above and expand our offerings, we have invested significantly in our research and development efforts. These investments, which included growth in engineering headcount, have resulted in substantially increased research and development expenses in recent periods. As we continue to invest in our technology and new product design efforts, we anticipate research and development expense will increase on an absolute basis and as a percentage of revenue in the near term. In the medium to longer term, however, while we expect to increase our research and development expense on an absolute basis, we expect this expense to reduce as a percentage of revenue.

We will continue to evaluate growth opportunities through acquisitions of other businesses.

Impact of Operating Globally

We believe our products' global footprint provides us the opportunity to enter new markets and accelerate our growth. For 2021, 56.9% of our revenue was derived from sales to customers outside of the United States. In particular, we derived 27.1% of our revenue in 2021 from customers located in China. For the nine months ended September 30, 2022, 58.8% of our revenue was derived from sales to customers outside of the United States and 26.4% of our revenue was derived from customers located in China. While we believe operating internationally has beneficially impacted our results of operations, we are subject to inherent risks attributed to operating in a global economy. Further, our international operations have been, and may in the future continue to be, subject to restrictive government regulations. For example, U.S. export regulations, including regulations announced October 7, 2022 that impose broad end-use and other restrictions on doing business with certain customers and facilities in China that develop or produce semiconductor chips or manufacturing equipment, may limit or adversely impact our ability to license or support our products to entities in or doing business with certain advanced AI or "supercomputer" design companies, foundries and manufacturers of assemblies and components in China. As a result of these restrictions, we anticipate our revenue from China will face challenges to maintain and may decrease.

Cyclical Nature of the Semiconductor Industry

The semiconductor industry in which our customers operate is highly cyclical and is characterized by increasingly rapid technological change, product obsolescence, competitive pricing pressures, evolving standards, short product life cycles and fluctuations in product supply and demand. New technology may result in sudden changes in system designs or platform changes that may render some of our IP solutions obsolete and require us to devote significant research and development resources to compete effectively. Periods of rapid growth and capacity expansion are occasionally followed by significant market corrections in which our customers' sales decline, inventories accumulate and facilities go underutilized. During an expansion cycle, we may increase research and development hiring to add to our product offerings or spend more on sales and marketing to acquire new customers, such as during the recent cycle of expansion in which we increased the number of our engineers significantly. During periods of slower growth or industry contractions, our sales generally suffer due to a decrease in customers' Confirmed Design Starts or in sales of our customers' products.

COVID-19 Impact

While the duration and extent of the COVID-19 pandemic depends on future developments that cannot be accurately predicted at this time, such as the extent and effectiveness of containment actions and emergence of new variants, it has already had an adverse effect on the global economy and the lasting effects of the pandemic continue to be unknown. In response to the COVID-19 pandemic, the measures implemented by various authorities have caused us to change our business practices, including those related to where employees work, the distance between employees in our facilities, limitations on in-person meetings between employees and with customers, suppliers, service providers and stakeholders, as well as restrictions on business travel to domestic and international locations and to attend trade shows, technical conferences and other events. Although we have experienced, and may continue to experience, some impact on certain parts of our business as a result of governmental restrictions and other measures to mitigate the spread of COVID-19, our results of operations, cash flows and financial condition were not materially adversely impacted in the three and nine months ended September 30, 2022.

We are unable to accurately predict the full impact that COVID-19 will have on our future results of operations, financial condition, liquidity and cash flows due to numerous uncertainties, including the duration and severity of the pandemic and containment measures. Although we expect most of our employees to return to physical offices, the nature and extent of that return is uncertain and differs among jurisdictions such as China where restriction against returning to offices remain largely in effect. For additional details, see the section titled “Risk Factors —Our business has been, and may continue to be, adversely affected by health epidemics, pandemics and other outbreaks of infectious disease, including the current COVID-19 pandemic.”

Key Performance Indicators

We use the following key performance indicators to analyze our business performance and financial forecasts and to develop strategic plans, which we believe provide useful information to investors and others in understanding and evaluating our results of operations in the same manner as our management team. These key performance indicators are presented for supplemental informational purposes only, should not be considered a substitute for financial information presented in accordance with generally accepted accounting principles in the United States (GAAP), and may differ from similarly titled metrics or measures used by other companies, securities analysts, or investors.

Annual Contract Value

We define Annual Contract Value (ACV) for an individual customer agreement as the total fixed fees under the agreement divided by the number of years in the agreement term. Our total ACV is the aggregate ACVs for all our customers as measured at a given point in time. Total fixed fees include licensing, support and maintenance and other fixed fees under IP licensing or software licensing agreements but excludes variable revenue derived from licensing agreements with customers, particularly royalties. ACV was $50.2 million and $42.7 million as of September 30, 2022 and 2021, respectively. In addition, total ACV and trailing-twelve-months royalties and other revenue was $53.2 million and $45.6 million as of September 30, 2022 and 2021, respectively. We monitor ACV to measure our success and believe the increase in the number shows our progress in expanding our customers’ adoption of our platform. ACV fluctuates due to a number of factors, including the timing, duration and dollar amount of customer contracts.

Active Customers

We define Active Customers as customers who have entered into a license agreement with us that remains in effect. The retention and expansion of our relationships with existing customers are key indicators of our revenue potential. We added 10 and six Active Customers during each of the three months ended September 30, 2022 and 2021, respectively. Our annual average customer retention rate, excluding IP deployment solutions, is 98% from September 30, 2021 to September 30, 2022.

Confirmed Design Starts

We define Confirmed Design Starts as when customers confirm their commencement of new semiconductor designs using our interconnect IP and notify us. Confirmed Design Starts is a metric management uses to assess the activity level of our customers in terms of the number of new semiconductor designs that are started using our interconnect IP in a given period. Our interconnect IP and NoC interface IP customers confirmed a total of 21 and 22 design starts during the three months ended September 30, 2022 and 2021, respectively. We believe that the number of Confirmed Design Starts is an important indicator of the growth of our business and future royalty revenue trends.

Remaining Performance Obligations

We define Remaining Performance Obligations (RPO) as the amount of contracted future revenue that has not yet been recognized, including both deferred revenue and contracted amounts that will be invoiced and recognized as revenue in future periods.

The RPO amount is intended to provide visibility into future revenue streams. We expect RPO to fluctuate up or down from period to period for several possible reasons, including amounts, timing, and duration of customer contracts, as well as the timing of billing cycles for each contract. Our RPO was $59.3 million and $50.6 million as of September 30, 2022 and 2021, respectively.

Components of Our Results of Operations

Revenue: Our revenue is primarily derived from licensing intellectual property, licensing software, support and maintenance services, professional services, training services, and royalties. Our agreements often include other service elements including training and professional services which were immaterial for the three and nine months ended September 30, 2022 and 2021, respectively.

Our interconnect solutions product arrangements provide customers the right to software licenses, services, software updates and technical support. We enter into licensing arrangements with customers that typically range from two to three years and generally consist of delivery of a design license that grants the customer the right to use the IP to design a contractually defined number of products and stand-ready support services that provides the customer with our application engineer support services. We believe our customers derive a significant benefit from our engineer support services, which consist of our proprietary software tool (RTL), ongoing access to Corporate Application Engineers (CAE) and Field Application Engineers (FAE) that perform certain verifications including benchmark performance, simulations and ultimately, through RTL, instantiate designs into silicon over the design term.

The support services, including access to application engineering support services and the benefits of the RTL, are integral and fundamental to the customer's ability to derive its intended benefit from the IP.

CAEs are part of the product development team providing detailed requirements for engineering projects, working very closely with a customer's chief technology officer and the marketing department, and performing quality assurance testing of customer products prior to shipment to their customers.

FAEs provide assistance to the customer's engineering team in translating their desired SoC architecture into inputs for NoC IP configuration, assistance in optimizing the NoC configuration, answers to customer questions by the online support system or phone, constructive reviews of the progress achieved by the customer's development team and provision of advice on how to best use the licensed IP, performance of design reviews before customer project RTL freeze and tape-out to ensure the customer used the licensed IP configuration tooling as intended so that the RTL output meets customer requirements and expectations. FAE reviews of the customer's design are generally mandatory and consist of an understanding of the customer requirements and analysis of the adequacy of the contemplated IP considering the customer's desired architecture and design goals and objectives, taking into consideration bandwidth, coherence/non-coherence, latency, clock and timing, areas, and any and all constraints, as identified and specific to the design under review.

Besides application engineer support services, support and maintenance services also consist of a stand-ready obligation to provide technical support and software updates over the support term. Generally, the first-year of technical support and software updates are bundled with and into the license fee with a customer option to renew additional years of support throughout the license term. However, we continue to provide technical support and software updates throughout the license term even if the customer does not renew these services in subsequent years, making the license term and support and maintenance term co-terminus.

Revenues that are derived from the sale of a licensee's products that incorporate our IP are classified as royalty revenues. Royalty revenues are recognized during the quarter in which the sale of the product incorporating the IP occurs. Royalties are calculated either as a percentage of the revenues received by a licensee's sale of products incorporating the IP or on a per unit basis, as specified in the agreements with the licensees. For a majority of our royalty revenues, we receive the actual sales data from our customers after the quarter ends and account for it as unbilled receivables. When we do not receive actual sales data from the customer prior to the finalization of its financial statements, royalty revenues are recognized based on our estimation of the customer's sales during the quarter.

Our deployment solutions product arrangements provide customers the right to software licenses, software updates and technical support. The software licenses are time-based licenses with terms generally ranging from one to three years. These arrangements generally have two distinct performance obligations that consist of transferring the licensed software and the support and maintenance service. Support and maintenance services consist of a stand-ready obligation to provide technical support and software updates over the support term. Revenue allocated to the software license is recognized at a point in time upon the later of the delivery date or the beginning of the license period, and revenue allocated to support services is recognized ratably over the support term.

Cost of revenue: Cost of revenue relates to costs associated with our licensing agreements and support and maintenance, including applicable FAE personnel-related costs such as stock-based compensation, travel, and allocated overhead. We expect cost of revenue as a percentage of revenue to modestly decline over time due to productivity improvements of our FAE processes.

Allocation of Overhead Costs: Overhead costs that are not substantially dedicated for use by a specific functional group are allocated based on headcount. Such costs include costs associated with office facilities, depreciation of property and equipment, certain support function personnel costs and other expenses.

Research and development (R&D) expenses: R&D expenses consist primarily of salaries and associated personnel-related costs, facilities expenses associated with research and development activities, third-party project-related expenses connected with the development of our intellectual property which are expensed as incurred, and stock-based compensation expense and other allocated costs. We expect R&D expenses to increase in absolute terms and as a percentage of revenue in the short term and to continue to increase in absolute terms in the medium to long term but decrease as a percentage of revenue as certain new products are launched.

Sales and marketing (S&M) expenses: S&M expenses consist primarily of salaries, commissions, travel and other costs associated with S&M activities, as well as advertising, trade show participation, public relations, and other marketing costs, stock-based compensation expenses and other allocated costs. We expect S&M expenses to increase in absolute terms but decrease as a percentage of revenue due to productivity improvements of our sales processes.

General and administrative (G&A) expenses: G&A expenses consist primarily of salaries for management and administrative employees, depreciation, insurance costs, accounting, legal and consulting fees, other professional service fees, expenses related to the development of corporate initiatives and facilities expenses associated with G&A activities and stock-based compensation expense, fees for directors and other allocated costs.

We incur additional expenses as a result of operating as a public company, including costs to comply with the rules and regulations applicable to companies listed on a national securities exchange, costs related to compliance and reporting obligations, and increased expenses for additional G&A personnel, directors' and officers' insurance, investor relations, and professional services. We expect G&A expenses to increase as our business grows. In addition, we expect G&A expenses as a percentage of revenue to vary from period to period but generally decrease over the long term.

Interest and other income (expense), net: Interest and other income (expense), net consists primarily of interest income earned on our cash and cash equivalents and available-for-sale investments, gains and losses from foreign currency transactions, gain on deconsolidation of subsidiary, realized gains and losses from available-for-sale investments as well as deferred income and our proportionate share of net income (losses) from our equity method investee.

Provision for income taxes: Our income tax provision consists primarily of income taxes in certain foreign jurisdictions in which we conduct business and includes foreign non-recoverable withholding taxes. We have a full valuation allowance against our U.S. federal and state deferred tax assets as the realization of the full amount of these deferred tax assets is uncertain, including net operating loss carryforwards and tax credits related primarily to research and development. We expect to maintain this full valuation allowance until it becomes more likely than not that the deferred tax assets will be realized.

Results of Operations

The following table summarizes our GAAP results of operations for the periods presented. The results below are not necessarily indicative of results to be expected for future periods.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(in thousands)			
Total revenue	$ 12,598	$ 8,959	$ 39,175	$ 26,430
Cost of revenue (1)	928	883	3,196	2,618
Gross profit	11,670	8,076	35,979	23,812
Operating expenses:				
Research and development (1)	11,022	7,609	30,849	20,572
Sales and marketing (1)	4,411	3,242	12,788	7,971
General and administrative (1)	3,991	1,742	12,138	9,754
Total operating expenses	19,424	12,593	55,775	38,297
Loss from operations	(7,754)	(4,517)	(19,796)	(14,485)
Interest and other income (expense), net	318	(183)	346	(497)
Loss before provision for income taxes	(7,436)	(4,700)	(19,450)	(14,982)
Provision for income taxes	248	268	722	612
Net loss	$ (7,684)	$ (4,968)	$ (20,172)	$ (15,594)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Cost of revenue	$ 118	$ 15	$ 474	$ 42
Research and development	1,798	225	4,435	645
Sales and marketing	679	23	1,678	72
General and administrative	794	170	2,495	385
Total stock-based compensation	$ 3,389	$ 433	$ 9,082	$ 1,144

The following table summarizes our results of operations as a percentage of total revenue for each of the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(as a percentage of total revenue)			
Total revenue	100 %	100 %	100 %	100 %
Cost of revenue	7	10	8	10
Gross profit	93	90	92	90
Operating expenses:				
Research and development	87	85	79	78
Sales and marketing	35	36	32	30
General and administrative	32	19	31	37
Total operating expenses	154	140	142	145
Loss from operations	(61)	(50)	(50)	(55)
Interest and other income (expense), net	3	(2)	1	(2)
Loss before provision for income taxes	(58)	(52)	(49)	(57)
Provision for income taxes	2	3	2	2
Net loss	(60)%	(55)%	(51)%	(59)%

Comparison of the Three Months Ended September 30, 2022 and 2021

Revenue

	Three Months Ended September 30,		Change	
	2022	2021	$	%
	(dollars in thousands)			
Licensing, support and maintenance	$ 11,135	$ 8,136	$ 2,999	37 %
Variable royalties	695	739	(44)	(6)%
Other	768	84	684	814 %
Total	$ 12,598	$ 8,959	$ 3,639	41 %

Growth in our licensing and support and maintenance continued with a 37% increase during the three months ended September 30, 2022 compared to the three months ended September 30, 2021. The increase was primarily due to the addition of new customers and an increase in new license agreements with existing customers.

Cost of revenue

	Three Months Ended September 30,		Change	
	2022	2021	$	%
	(dollars in thousands)			
Cost of revenue	$ 928	$ 883	$ 45	5 %

Cost of revenue for the three months ended September 30, 2022 remained relatively flat when compared to three months ended September 30, 2021.

Operating expenses

	Three Months Ended September 30,		Change	
	2022	2021	$	%
	(dollars in thousands)			
Research and development	$ 11,022	$ 7,609	$ 3,413	45 %
Sales and marketing	4,411	3,242	1,169	36 %
General and administrative	3,991	1,742	2,249	129 %
Total operating expenses	$ 19,424	$ 12,593	$ 6,831	54 %

Research and development expenses

R&D expenses increased, $3.4 million, or 45%, to $11.0 million for the three months ended September 30, 2022 from $7.6 million for the three months ended September 30, 2021. The increase in R&D expenses was due to higher stock-based compensation expense of $1.6 million primarily related to our RSUs granted prior to our IPO, as the performance-based vesting condition applicable to such RSUs was satisfied upon the effectiveness of our IPO in October 2021, lower research tax credit of $0.6 million and higher allocated costs of $0.3 million. We also incurred higher employee-related costs of $0.3 million and professional fees of $0.2 million as a result of an increase in engineering headcount and overall costs to support our continued growth and investment in our interconnect technology and IP deployment software.

Sales and marketing expenses

S&M expenses increased, $1.2 million, or 36%, to $4.4 million for the three months ended September 30, 2022 from $3.2 million for the three months ended September 30, 2021. The increase in S&M expenses was primarily due to higher stock-based compensation expense of $0.6 million primarily related to our RSUs granted prior to our IPO, as the performance-based vesting condition applicable to such RSUs was satisfied upon the effectiveness of our IPO in October 2021 and an increase in employee-related costs, including commissions, of $0.4 million mainly driven by higher headcount to support growth of our business.

General and administrative expenses

G&A expenses increased, $2.2 million, or 129%, to $4.0 million for the three months ended September 30, 2022 from $1.7 million for the three months ended September 30, 2021. The increase in G&A expenses was primarily due to higher stock-based compensation expense of $0.6 million primarily related to our RSUs granted prior to our IPO, as the performance-based vesting condition applicable to such RSUs was satisfied upon the effectiveness of our IPO in October 2021. We also incurred increased directors and officers liability insurance expenses of $0.6 million to support the normal course of operating as a public company and higher employee-related costs of $0.4 million as a result of an increase in headcount and overall costs to support our continued growth.

Interest and other income (expense), net

	Three Months Ended September 30,		Change	
	2022	2021	$	%
	(dollars in thousands)			
Interest and other income (expense), net	$ 318	$ (183)	$ 501	(274)%

Interest and other income (expense), net was an income of $0.3 million for the three months ended September 30, 2022 compared to an expense of $0.2 million for the three months ended September 30, 2021. The increase in interest and other income is primarily related to foreign currency exchange, interest income earned on higher cash balances due to proceeds from our IPO in October 2021 and interest income earned on our available-for-sale investments.

Provision for income taxes

	Three Months Ended September 30,		Change	
	2022	2021	$	%
	(dollars in thousands)			
Provision for income taxes	$ 248	$ 268	$ (20)	(7)%

Provision for income taxes for the three months ended September 30, 2022 was $0.2 million, compared to $0.3 million for the three months ended September 30, 2021. The decrease in our income tax expense was due to a change in the forecasted geographic mix of worldwide earnings which are taxed at different statutory tax rates, the impact of losses in jurisdictions which have full valuation allowances, and changes in current year foreign withholding taxes. Foreign withholding taxes are generally assessed on gross revenue generated, rather than pre-tax income, in certain countries in which the Company does not file an income tax return.

Comparison of the Nine Months Ended September 30, 2022 and 2021

Revenue

	Nine Months Ended September 30,		Change	
	2022	2021	$	%
	(dollars in thousands)			
Licensing, support and maintenance	$ 35,743	$ 24,353	$ 11,390	47 %
Variable royalties	2,266	1,913	353	18 %
Other	1,166	164	1,002	611 %
Total	$ 39,175	$ 26,430	$ 12,745	48 %

Growth in our licensing and support and maintenance continued with a 47% increase during the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021. The increase was primarily due to increase in new license agreements with existing customers, the addition of new customers as well as increased average selling prices. Growth in our variable royalty revenue during the nine months ended September 30, 2022 was primarily due to the addition of new customers. Growth in our other revenue during the nine months ended September 30, 2022 was primarily due to increased services performed for existing customers.

Cost of revenue

	Nine Months Ended September 30,		Change	
	2022	2021	$	%
	(dollars in thousands)			
Cost of revenue	$ 3,196	$ 2,618	$ 578	22 %

Cost of revenue increased, $0.6 million, or 22%, to $3.2 million for the nine months ended September 30, 2022, from $2.6 million for the nine months ended September 30, 2021. The increase in cost of revenue was primarily due to higher FAE employee-related costs, which includes an increase in stock-based compensation expense related to our RSUs granted prior to our IPO, as the performance-based vesting condition applicable to such RSUs was satisfied upon the effectiveness of our IPO in October 2021.

Operating expenses

	Nine Months Ended September 30,		Change	
	2022	2021	$	%
	(dollars in thousands)			
Research and development	$ 30,849	$ 20,572	$ 10,277	50 %
Sales and marketing	12,788	7,971	4,817	60 %
General and administrative	12,138	9,754	2,384	24 %
Total operating expenses	$ 55,775	$ 38,297	$ 17,478	46 %

Research and development expenses

R&D expenses increased, $10.3 million, or 50%, to $30.8 million for the nine months ended September 30, 2022 from $20.6 million for the nine months ended September 30, 2021. The increase in R&D expenses was due to higher stock-based compensation expense of $3.8 million primarily related to our RSUs granted prior to our IPO, as the performance-based vesting condition applicable to such RSUs was satisfied upon the effectiveness of our IPO in October 2021, an increase in allocated costs of $2.7 million primarily attributable to increased headcount and a decrease in research tax credit of $1.0 million. We also incurred higher other employee-related costs of $1.7 million and professional fees of $0.5 million primarily attributable to increased engineering headcount as a result of growth and our investment in our interconnect technology and IP deployment software.

Sales and marketing expenses

S&M expenses increased, $4.8 million, or 60%, to $12.8 million for the nine months ended September 30, 2022 from $8.0 million for the nine months ended September 30, 2021. The increase in S&M expenses was primarily due to higher other employee-related costs, including commissions, of $2.1 million mainly driven by higher headcount and overall costs to support our continued growth, an increase in stock-based compensation expense of $1.6 million related to our RSUs granted prior to our IPO, as the performance-based vesting condition applicable to such RSUs was satisfied upon the effectiveness of our IPO in October 2021, and an increase in allocated costs of $1.0 million primarily attributable to increased headcount.

General and administrative expenses

G&A expenses increased, $2.4 million, or 24%, to $12.1 million for the nine months ended September 30, 2022 from $9.8 million for the nine months ended September 30, 2021. The increase in general and administrative expenses was primarily due to higher stock-based compensation expense of $2.1 million primarily related to our RSUs granted prior to our IPO, as the performance-based vesting condition applicable to such RSUs was satisfied upon the effectiveness of our IPO in October 2021. We also incurred increased directors and officers liability insurance expenses of $1.9 million to support the normal course of operating as a public company, partially offset by decrease in professional fees of $1.9 million.

Interest and other income (expense), net

	Nine Months Ended September 30,		Change	
	2022	2021	$	%
	(dollars in thousands)			
Interest and other income (expense), net	$ 346	$ (497)	$ 843	(170)%

Interest and other income (expense), net for the nine months ended September 30, 2022 was an income of $0.3 million, compared to an expense of $0.5 million for the nine months ended September 30, 2021. The increase in interest and other income is primarily related to foreign currency exchange, the gain on deconsolidation of our wholly-owned subsidiary, interest income earned on higher cash balances due to proceeds from our IPO in October 2021, and interest income earned on our available-for-sale investments.

Provision for income taxes

	Nine Months Ended September 30,		Change	
	2022	2021	$	%
	(dollars in thousands)			
Provision for income taxes	$ 722	$ 612	$ 110	18 %

Provision for income taxes for the nine months ended September 30, 2022 was $0.7 million, compared to $0.6 million for the nine months ended September 30, 2021. The increase in our income tax expense was due to a change in the forecasted geographic mix of worldwide earnings which are taxed at different statutory tax rates, the impact of losses in jurisdictions which have full valuation allowances, and changes in current year foreign withholding taxes. Foreign withholding taxes are generally assessed on gross revenue generated, rather than pre-tax income, in certain countries in which the Company does not file an income tax return.

Liquidity and Capital Resources

Since inception, we have financed operations primarily from payments received from our customers, the net proceeds from the sale of our common stock in the IPO as well as the net proceeds from the private issuance of our convertible preferred stock and common stock. As of September 30, 2022, we had $72.6 million in cash and cash equivalents and short-term investments of which $4.2 million was held by our foreign subsidiaries.

We believe our cash and cash equivalents, short-term investments, available borrowing capacity and cash expected to be generated from operations will be sufficient to meet our expected working capital needs, capital expenditures, financial commitments and other liquidity requirements associated with our existing operations for at least the next 12 months. If these resources are not sufficient to satisfy our liquidity requirements, we may be required to seek additional financing. If we raise additional funds by issuing equity securities, our stockholders will experience dilution. Debt financing, if available, may contain covenants that significantly restrict our operations or our ability to obtain additional debt financing in the future. Any additional financing that we raise may contain terms that are not favorable to us or our stockholders. We cannot assure you that we would be able to obtain additional financing on terms favorable to us or our existing stockholders, or at all. See “Risk Factors —Risks Related to Our Business and Industry—Our ability to raise capital in the future may be limited and could prevent us from executing our growth strategy” in our 2021 Form 10-K for additional information and elsewhere in this report.

Cash Flows

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

	Nine Months Ended September 30,	
	2022	**2021**
	(in thousands)	
Net cash used in operating activities	$ (6,376)	$ (4,006)
Net cash used in investing activities	$ (7,333)	$ (488)
Net cash (used in) provided by financing activities	$ (3,916)	$ 3,991

Operating Activities

Cash flows from operating activities may vary significantly from period to period depending on a variety of factors including the timing of our receipts and payments. Our ongoing cash outflows from operating activities primarily relate to payroll-related costs, payments for professional services, obligations under our property leases and design tool licenses. Our primary source of cash inflows is receipts from our accounts receivable. The timing of receipts of accounts receivable from customers is based upon the completion of agreed milestones or agreed dates as set forth in the contracts.

For the nine months ended September 30, 2022, net cash used in operating activities was $6.4 million primarily due to our net loss of $20.2 million, adjusted for non-cash charges of $10.4 million and $3.4 million changes in operating assets and liabilities. The non-cash charges primarily consisted of stock-based compensation expense of $9.1 million and depreciation and amortization of $1.6 million, partially offset by gain on deconsolidation of our wholly-owned subsidiary of $0.1 million and amortization of deferred income of $0.1 million. The primary drivers of the changes in operating assets and liabilities were a $4.2 million decrease in accounts receivable, a $0.5 million increase in deferred revenue, a $0.4 million increase in accounts payable, partially offset by a $1.8 million increase in prepaid expenses and other assets.

For the nine months ended September 30, 2021, net cash used in operating activities was $4.0 million primarily due to our net loss of $15.6 million, adjusted for non-cash charges of $2.2 million and $9.4 million changes in our operating assets and liabilities. The primary drivers of the changes in operating assets and liabilities were a $6.2 million decrease in accounts receivable, a $5.1 million increase in deferred revenue, a $1.3 million increase in accrued expenses and other current liabilities, partially offset by a $3.9 million increase in prepaid expenses and other assets.

Investing Activities

Net cash used in investing activities for the nine months ended September 30, 2022 was $7.3 million, primarily attributable to purchases of property and equipment, purchases of available-for-sale securities, proceeds from principal portion of our related party loan and payments related to investment in our equity method investee, see Note 13 to our unaudited condensed consolidated financial statements.

Net cash used in investing activities for the nine months ended September 30, 2021 was $0.5 million, primarily attributable to purchases of property and equipment to support our office facilities.

Financing Activities

Net cash used in financing activities for the nine months ended September 30, 2022 was $3.9 million, primarily attributable to payments of contingent consideration for business acquisition of $1.6 million and payments to tax authorities for shares withheld from employees of $2.1 million.

Net cash provided by financing activities for the nine months ended September 30, 2021 was $4.0 million, primarily attributable to proceeds from issuance of common stock of $5.4 million, partially offset by the principal payments of term loan of $0.5 million and payments of deferred offering costs of $0.9 million.

Off-Balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet financing arrangements or any relationships with unconsolidated entities or financial partnerships, including entities sometimes referred to as structured finance or special purpose entities, that were established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Critical Accounting Estimates

Our unaudited condensed consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q are prepared in accordance with GAAP. The preparation of these unaudited condensed consolidated financial statements requires us to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses, and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ significantly from the estimates made by management. To the extent that there are differences between our estimates and actual results, our financial condition, results of operations, and cash flows will be affected.

There have been no material changes to our critical accounting estimates as compared to those described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” set forth in our 2021 Form 10-K, other than those discussed in Note 2 to our unaudited condensed consolidated financial statements.

Recently Issued and Adopted Accounting Pronouncements

For more information regarding recently issued accounting pronouncements, see Note 2 to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

JOBS Act

We are an emerging growth company, as defined in the Jumpstart Our Business Startups (JOBS) Act. The JOBS Act provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards. This provision allows an emerging growth company to delay the adoption of some accounting standards until those standards would otherwise apply to private companies. We have elected to use the extended transition period under the JOBS Act for the adoption of certain accounting standards until the earlier of the date we (i) are no longer an emerging growth company or (ii) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. See Note 2, Basis of Presentation and Summary of Significant Accounting Policies, in the notes to our consolidated financial statements included on our 2021 Form 10-K. As a result, our financial statements may not be comparable to companies that comply with new or revised accounting pronouncements as of public company effective dates.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not required for the Company as a smaller reporting company.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, our management recognizes that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable assurance that the objectives of the disclosure controls and procedures are met. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this Quarterly Report on Form 10-Q, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act 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, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, believes that our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives and are effective at the reasonable assurance level. However, management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. 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 the company have been detected. The design of any system of controls also is based in part upon 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 the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Part II - Other Information

Item 1. Legal Proceedings

From time to time, we have been and will continue to be subject to legal proceedings and claims. We are not presently a party to any legal proceedings that, if determined adversely to us, would individually or taken together have a material adverse effect on our business, results of operations, financial condition, or cash flows.

Item 1A. Risk Factors

Investing in our common stock involves a high degree of risk. Before making your decision to invest in shares of our common stock, you should carefully consider and read carefully all of the risks described below, together with the other information contained in this report, including our financial statements and the related notes and the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this report, before deciding whether to invest in our common stock. We cannot assure you that any of the events discussed below will not occur. These events could have a material and adverse impact on our business, financial condition, results of operations and prospects. Unless otherwise indicated, references to our business being harmed in these risk factors will include harm to our business, reputation, financial condition, results of operations, revenue and future prospects. In such event, the trading price of our common stock could decline, and you could lose all or part of your investment. Additional risks and uncertainties not presently known to us or not believed by us to be material may also negatively impact us.

Risks Related to Our Business and Industry

We face significant competition from larger companies and third party providers that may deploy their resources so they can develop their IP solutions internally.

We are engaged in a competitive segment of the global semiconductor industry. Our competitive landscape is characterized by competition from companies that have greater resources than us. A variety of factors could adversely impact our ability to compete, including rapid technological change in product design and manufacturing, customers that make purchase decisions based on a mix of factors of varying importance and continuous declines in average selling prices (ASPs). We compete principally on the basis of technology, product quality and features, license, royalty and usage terms, post-contract customer support, interoperability among products, and price and payment terms.

Often, we compete against larger companies that possess substantial financial, technical, research and development and engineering resources that can be deployed so they can develop their IP solutions internally. In addition, we compete against other third-party providers of IP integration solutions, such as Openedges Technologies Inc. and Arm Limited that similarly possess substantial financial, technical, research and development and engineering resources. In certain cases, competitive companies may be supported by local or international government funding and similar resources. Varying combinations of these resources provide advantages to these competitors that enable them to influence industry trends and the pace at which they adapt to these trends. A strong competitive response from one or more of our competitors to our marketplace efforts, or a shift in customer preferences to competitors' products, could result in increased pressure to lower our prices more rapidly than anticipated, increased sales and marketing expense, and/or market share loss. The consolidation of our competitors or collaboration among our competitors to deliver more comprehensive offerings than they could individually, may also impact our ability to compete effectively. To the extent our revenue is negatively impacted by competitive pressures and reduced pricing, our business could be harmed.

Our ability to compete in our market is subject to a variety of factors, many of which are beyond our control. The occurrence of any of the below could adversely affect our ability to compete and harm our business:

- Our ability to anticipate and lead critical product development cycles and technological shifts as driven by our target markets, to innovate rapidly and efficiently and to improve our existing solutions.
- Whether any competitor substantially increases its engineering and marketing resources to compete with us in the semiconductor IP deployment software technology arena.
- Whether a new entrant with substantially greater resources and/or supported by governmental resources decides to enter the markets in which we compete.
- Whether any existing or new competitor bundles its technologies into one package at a discounted price that would make it uneconomical for our customers to license our products separately.

- The challenges of developing, or acquiring externally developed, technology solutions that are adequate and competitive in meeting the rapidly evolving requirements of next-generation design challenges.
- Our ability to compete on the basis of payment and pricing features and terms.
- Decisions by semiconductor companies, system companies, device or other end product producers, and/or OEMs to develop IP development internally, rather than license IP from outside vendors due to budget constraints or excess engineering capacity.
- Actions by regulators or governmental entities to impose license requirements, limit product availability, limit trade and exportability of our products, the features or contractual terms that either we or our customers can apply to product and service offerings, or to affect monetary policy.
- Actions by regulators or governmental entities to modify or augment tax treatment of our product and service offerings.
- The impact of global and regional inflation on ours and our customers' profitability and expansion plans due to among other effects of inflation, increases in wages, availability of capital, salaries, operating expenses, and costs of insurance, benefits and medical coverage.
- The potential effects of geopolitical conflicts, such as the military conflict between Russia and Ukraine, including retaliatory and regulatory actions, on purchasing, development, sales and innovation responses and trends in response to such conflicts.
- Competition, embargoes, sanctions, boycotts and/or social unrest.
- Local or international economic headwind trends that may lead to recessions, economic slowdowns or sudden changes in economic needs of regions and consumers.
- Silicon chip supply chain and shipment volume restrictions on our customers and their end customers that will impact the amount of royalties payable to us.

We may be unable to reduce the cost of our products sufficiently to compete effectively against our competitors. Our cost reduction efforts may not allow us to keep pace with competitive pricing pressures and/or other economic factors including inflation and customer and end market supply chain constraints which could adversely affect our gross margins and ability to meet customer demand. To the extent we are unable to reduce the prices of our products and remain competitive, our revenue will likely decline, resulting in further pressure on our gross margins, which could harm our business. Many other companies in the IP interconnect space have not been able to continue as a going concern due to intense competition and low margins. See "Business—Competition" in our 2021 Form 10-K for additional information.

We have a history of net losses, and we may not achieve or maintain profitability in the future.

We have incurred net losses in certain periods historically. We incurred a net loss of $23.4 million in 2021, and our net loss for the three months ended September 30, 2022 and 2021 was $7.7 million and $5.0 million, respectively. Our net loss for the nine months ended September 30, 2022 and 2021 was $20.2 million and $15.6 million, respectively. As of September 30, 2022, we had an accumulated deficit of $59.2 million. We have spent significant funds on organizational and start-up activities, to recruit engineers and other employees and to support our research and development. The net losses we incur may fluctuate significantly from quarter to quarter and may increase as a result of geopolitical and market fluctuations, inflation, slow downs and/or recessionary pressures, the COVID-19 pandemic and other global economic factors.

Our long-term success is dependent upon our ability to successfully market our interconnect IP and IP deployment solutions, develop new interconnect IP and IP deployment solutions, earn revenue, obtain additional capital when needed and, ultimately, to maintain profitable operations. We will need to generate significant additional revenue to achieve profitability. It is possible that we will not achieve profitability or that, even if we do achieve profitability, we may not maintain or increase profitability in the future. Our failure to achieve or maintain profitability could negatively impact the value of our common stock.

Because our IP solutions are components of end products, if semiconductor, system producers and/or end product producer companies in the automotive market, AI/ML market, 5G and wireless communications market, large scale cloud and data center market and consumer electronics market do not incorporate our solutions into their end products or if the end products of our customers do not achieve market acceptance, we may not be able to generate adequate license sales and royalty income from our products.

Our IP solutions include technology that manages on-chip communications in SoC semiconductor devices. We do not license our IP solutions and deployment tools directly to end-users; we license our technology primarily to companies in the automotive market, AI/ML market, 5G and wireless communications market, large scale cloud and data center market and consumer electronics market, who then incorporate our technology into the products they sell. As a result, we rely on our customers to incorporate our technology into their end products at the design stage. Once a company incorporates a competitor's technology or develops the technology internally and incorporates it into its end product, it becomes significantly more difficult for us to sell our technology to that company because changing suppliers involves significant cost, time, effort and risk for the company. As a result, we may not achieve targeted customer acceptance despite incurring significant expenditures to develop new technology.

Moreover, even after a customer agrees to incorporate our technology into its end products, the design cycle is long and may be delayed due to factors beyond our control, which may result in our customers' product not reaching the market until long after our initial design win, which we define as winning the competitive bid selection process. From initial product design-in to volume production, many factors could impact the timing and/or amount of sales actually realized from the design-in. These factors include, but are not limited to, changes in the competitive position of our customers' product, our customers' financial stability, and our customers' ability to ship products under our customers' original schedule. Moreover, several external factors affect our customers' ability to start their own product designs and manufacture and ship their products, including target product market conditions, our customers' financial stability, our customers' competitive positioning and external economic conditions (such as but not limited to inflation, customer and end market supply chain constraints, geopolitical conflict, sanctions and competition) that may prolong the customers' decision-making process and design cycle.

Further, we do not control the business practices of our customers and we do not influence the degree to which they promote, market or set their product pricing. We therefore cannot assure you that our customers will devote satisfactory efforts to promote their end products, which incorporate our IP technology and deployment solutions.

We depend on growth and economic stability in the end markets that use our products. Any slowdown in the growth and economic stability of these end markets could harm our business.

Our continued success will depend in large part on general economic growth and stability, and growth and stability within our target markets in the automotive market, AI/ML market, 5G and wireless communications market, large scale cloud and data center market and consumer electronics market. Factors affecting these markets could seriously harm our customers and/or end customers and, as a result, harm us, examples of which include:

- Reduced sales of our customers' and/or end customers' products.
- The effects of catastrophic and other disruptive events at our customers' and/or end customers' offices or facilities including, but not limited to, natural disasters, telecommunications failures, cyber-attacks, terrorist attacks, pandemics, epidemics or other outbreaks of infectious disease, including the current COVID-19 pandemic, breaches of security or loss of critical data.
- Increased costs associated with potential disruptions to our customers' and/or end markets' supply chain and other manufacturing and production operations.
- The deterioration of our customers' and/or end customers' financial condition.
- Delays and project cancellations as a result of design flaws in the products developed by our customers and/or end customers.
- The inability of our customers and/or end customers to expand or dedicate the resources necessary to promote and commercialize their products.

- The inability of our customers and/or end customers to adapt to changing technological demands resulting in their products becoming obsolete.
- The failure of our customers' and/or end customers' products to achieve market success and gain broad market acceptance.
- Disruption and uncertainty caused by new developments in export and related regulations.
- Regional and global effect of inflation.
- Adverse impact of multiple interest rate increases implemented and forecasted by the U.S. Federal Reserve.

Any slowdown in the growth of these end markets, or the emergence of economic instability in these end markets, could harm our business. For example, a significant element of our growth strategy depends on the increasing adoption of vehicles with more sophisticated automated driving, which will likely require more complex SoCs. If anticipated demand in the end market for these vehicles does not materialize, whether due to consumer demand not materializing, regulatory interventions delaying the deployment of automated driving, or the emergence of economic instability in end markets arising from factors such as inflationary trends, deteriorating purchasing power, trade or supply chain disruptions and regional and/or worldwide chip shortages or excess supply, demand fluctuations, unemployment spikes, labor shortages or end market reactions to regional or global geopolitical uncertainties or conflicts, or other factors beyond our control, it would adversely affect demand for our products from customers and royalty revenue and impact our ability to execute our growth strategy.

We depend on market acceptance of third-party semiconductor IP.

The semiconductor IP industry is a relatively small and emerging industry. Our future growth will depend on the level of market acceptance of our third-party licensable IP model, the variety of IP offerings available on the market and the shift in customer preference away from in-house development of semiconductor IP technologies and IP deployment software. Furthermore, the third-party licensable IP model is highly dependent on the market adoption of new services and products, including in the automotive market, AI/ML market, 5G and wireless communications market, large scale cloud and data center market and consumer electronics market. Such market adoption is important because the increased cost associated with ownership and maintenance of the more complex architectures in SoCs needed for the advanced services and products and time to market pressures on our customers may motivate companies to license third-party IP rather than design them in-house.

The trends that would enable our growth are largely beyond our control. Semiconductor customers also may choose to adopt a multi-chip, off-the-shelf chip solution versus licensing or using highly-integrated chipsets that embed our technologies or use our deployment software. If these market shifts do not materialize or third-party semiconductor IP does not achieve market acceptance, our business could be harmed.

The success of our business depends on sustaining or growing our licensing revenue and the failure to achieve such revenue would lead to a material decline in our results of operations.

Our revenue consists largely of technology license fees and other fees and royalties paid for access to our patented technologies, existing technology and other development and support services we provide to our customers. Our ability to secure and renew the licenses from which our revenue is derived depends on our customers adopting our technology and using it in the products they sell. Once secured, royalty revenue may be negatively affected by factors within and outside our control, including reductions in our customers' sales prices, sales volumes, our failure to timely complete engineering deliverables and the customers' negotiated contract terms. In addition, our customer acquisition cycle for new licenses and license renewals for existing licensees can be lengthy, typically between two to nine months, and can also be costly and unpredictable. We cannot provide any assurance that we will be successful in signing new license agreements or renewing existing license agreements on equal or favorable terms or at all. If we do not achieve our revenue goals, our results of operations could decline.

The nature of the design win process requires us to incur significant expenses without any guarantee that research and development and sales efforts will generate revenue, which could adversely affect our financial results.

We focus on winning competitive bid selection processes, called “design wins,” to incorporate our IP interconnect and other solutions in our customers’ products. These lengthy technical and commercial selection processes may require us to incur significant expenditures and dedicate valued engineering resources to the development or enhancement of our IP interconnect and other solutions without any assurance that our bids will be selected as the design wins. If we incur such expenditures and fail to be selected in the bid selection process, our operating and financial results may be adversely affected. Further, because of the significant costs associated with qualifying new suppliers, customers are likely to use the same or an enhanced version of semiconductor IP from existing suppliers across a number of similar and successor products for a lengthy period of time. As a result, if we fail to secure an initial design win for any of IP interconnect and other solutions to any particular customer, we may lose the opportunity to make future sales of those solutions to that customer for a significant period of time, or at all, and we may experience an associated decline in revenue relating to those products. Because we expect the ASPs of our products may decline over time, we consider design wins to be critical to our future success and anticipate that for our newer products, we are and will remain highly dependent on revenue from newer design wins. Failure to achieve initial design wins may also weaken our position in future competitive selection processes because we may not be perceived as an industry leader.

Further, a significant portion of our revenue in any period may depend on a single product design win with a large customer. As a result, the loss of any key design win or any significant delay in the ramp of volume production of the customer’s products into which our product is designed could harm our business. We may not be able to maintain sales to our key customers or continue to secure key design wins for a variety of reasons, and our customers can stop incorporating our products into their product offerings with limited notice to us and suffer little or no penalty.

The loss of a key customer or design win, a reduction in sales to any key customer, a significant delay or negative development in our customers’ product development plans, or our inability to attract new significant customers or secure new key design wins could harm our business.

Even if we succeed in securing design wins for our IP interconnect and other solutions and our IP deployment solutions, we may not generate timely or sufficient margins or margins from those wins and our financial results could suffer.

After incurring significant design and development expenditures and dedicating engineering resources to achieve a single initial design win for an IP interconnect or other solution, a substantial period of time generally elapses before we generate meaningful revenue from royalties relating to such solution, if at all. The reasons for this delay include, among other things, the following:

- Changing customer requirements, resulting in an extended development cycle for the product.
- Delay in the ramp-up of volume production of the customer’s products into which our solutions are designed.
- Delay or cancellation of the customer’s product development plans.
- Market or competitive pressures to reduce the selling price of the customer’s end-product.
- The discovery of design flaws, defects, errors or bugs in the products, whether or not those defects, errors or bugs are related to our IP interconnect and other solutions that delay the customer from finishing the product in which our IP solution is incorporated.
- Lower than expected acceptance of the customers’ end-products.

Moreover, as noted above, even if a customer selects our IP interconnect and other solutions, we cannot guarantee that this will result in any royalty or future licensing revenue, as the customer may ultimately change or cancel its product plans, or the customer’s efforts to market and sell its product may not be successful.

We continually pursue new IP interconnect and other solutions and IP deployment technology initiatives, and if we fail to successfully carry out these initiatives, our business could be harmed.

As part of the evolution of our business, we have made substantial investments to develop IP interconnect and other solutions, IP deployment software solutions and enhancements to existing technologies we license through our acquisitions and research and development efforts. Continuing to meet the requirements of smaller die size, lower power consumption, a higher frequency of operation and management of critical net latency in a timely and cost-effective manner for chips used in the automotive market, AI/ML market, 5G and wireless communications market, large scale cloud and data center market and consumer electronics market have resulted in increased SoC design complexity for chips used in these markets. If we are unable to meet these demands for increased SoC design complexity, if we are unable to anticipate technological changes in our industry by introducing new or enhanced IP interconnect and other solutions and/or IP deployment solutions in a timely and cost-effective manner, or if we fail to introduce new technologies that meet market demand, we may lose our competitive position, our products may become obsolete, and our business could be harmed.

Additionally, from time to time, we invest in expansion into adjacent markets, including the acquisition of Magillem and our entry into the IP deployment solutions market. Although we believe these solutions are complementary to our IP interconnect solutions, we have less experience and a more limited operating history in offering software that, among other things, manages register configurations of IP blocks, assembles multiple IP blocks into SoC platforms and links design parameters and metadata to documentation, and our efforts in this area may not be successful. Our success in these product areas depend on a variety of factors, including the following:

- Our ability to continue to attract new customers in industries in which we have less experience.
- Our successful development of sales and marketing strategies that meet customer requirements.
- Our ability to accurately predict, prepare for, and promptly respond to technological developments in existing and new fields.
- Our ability to compete with new and existing competitors, many of which may have more financial resources, industry experience, brand recognition, relevant IP rights, and/or more established customer relationships than we currently do, and they could include free and open-source solutions that provide similar IP deployment solutions.
- Our ability to continually balance our investment in adjacent markets with investment in our existing products and services.
- Our ability to attract and retain employees with expertise in new or emerging fields affecting our business.

Difficulties in any of our new product development efforts or our efforts to enter adjacent markets, including delays or disruptions due to factors outside of our control such as any adverse impact resulting from market and inflationary pressures, export and trade controls, and the COVID-19 pandemic, could harm our business.

A fundamental shift in technologies, the regulatory climate or demand patterns and preferences in our existing product markets or the product markets of our customers or end-users could make our current products obsolete, prevent or delay the introduction of new products or enhancements to our existing products or render our products irrelevant to our customers' needs. If our new product development efforts fail to align with the needs of our customers, including due to circumstances outside of our control like a fundamental shift in the product markets of our customers and end users or regulatory changes, our business could be harmed.

Further, we design our IP interconnect solutions to function optimally with various industry-standard core IP transaction protocols including AMBA, ACE, CHI and AXI. Should developers limit access to their IP protocol information or cease cooperation with us for any reason, our ability to support certain processors and IP protocols would be delayed, which could harm our business.

We may have to invest more resources in research and development than anticipated, which could increase our operating expenses and negatively affect our operating results.

We currently devote substantial resources to the research and development of new and enhanced interconnect IP and IP deployment solutions. However, we may be required to devote more resources than anticipated to address design requirements for specific target markets, new competitors, technological advances in the semiconductor industry or by competitors, our acquisitions, our entry into new markets, or other competitive factors. If we are required to invest significantly greater resources than anticipated without a corresponding increase in revenue, our operating results could decline. Additionally, our periodic research and development expenses may be independent of our level of revenue, which could negatively impact our financial results. We expect these expenses to be significant and increase in the foreseeable future as our technology development efforts continue, and there can be no guarantee that our research and development investments will result in products that create additional revenue.

We may also decide to increase our research and development investment to seize customer or market opportunities, which could negatively impact our financial results.

We continue to experience hiring challenges, including for engineering resources.

Product errors or defects could expose us to liability and harm our reputation and we could lose market share.

Software products frequently contain errors or defects, especially when first introduced, when new versions are released, or when integrated with technologies developed by acquired companies. Product errors, including those resulting from third-party suppliers, could negatively affect the performance or interoperability of our IP interconnect and IP deployment solutions, could delay the development or release of new solutions or new versions and could adversely affect market acceptance or perception of our technology. In addition, any allegations of manufacturability issues resulting from use of our IP interconnect and other solutions or semiconductor design efficiency issues resulting from our IP deployment solutions could, even if untrue, adversely affect our reputation and our customers' willingness to license our technology. Any such errors or delays in releasing new products or new versions of products or allegations of unsatisfactory performance could cause us to lose customers, increase our service costs, subject us to liability for damages and divert our resources from other tasks, any one of which could harm our business and operating results.

If we fail to offer high-quality support, our reputation could suffer.

Interconnect IP technology is complex, and our customer support is critical for the successful deployment of our IP in our customers' designs, and we maintain a team of corporate and field application engineers in our global support organization. High-quality support is important for customer retention, and the importance of our support function will increase as we expand our business and pursue new customers. If we do not help our customers quickly resolve issues and provide effective ongoing support, our ability to maintain and expand our offerings to existing and new customers could suffer, and our reputation with existing or potential customers could suffer.

Our dependence on international customers and operations also subjects us to a range of other additional regulatory, operational, financial and political risks that could adversely affect our financial results.

For 2021 56.9% of our revenue was derived from sales to customers outside of the United States. In particular, we derived 27.1% of our revenue in 2021 from customers located in China. For the nine months ended September 30, 2022, 58.8% of our revenue was derived from sales to customers outside of the United States and 26.4% of our revenue was derived from customers located in China. We expect our revenue from China to decrease due to the applicable U.S. government trade restrictions. As a result, the economic, political, legal and social conditions in China could harm our business. In addition, we have offices globally with our sales and research and development being conducted in offices located in the San Francisco Bay Area, Texas, France, China, South Korea and Japan. Moreover, conducting business outside the United States subjects us to a number of additional risks and challenges, including:

- Changes in a specific country's or region's political, regulatory or economic conditions.

- A pandemic, epidemic or other outbreak of an infectious disease, including the current COVID-19 pandemic, which may cause us or our distributors, vendors and/or customers to temporarily suspend our or their respective operations in the affected city or country or completely.
- Compliance with a wide variety of domestic and foreign laws and regulations (including those of municipalities or provinces where we have operations) and unexpected changes in those laws, export and trade controls, and regulatory requirements, including uncertainties regarding taxes, social insurance contributions and other payroll taxes and fees to governmental entities, tariffs, quotas, export controls, export licenses and other trade barriers.
- Unanticipated restrictions on our ability to sell to foreign customers where sales of products and the provision of services may require export licenses or are prohibited by government action, unfavorable foreign exchange controls and currency exchange rates.
- Imposition of significant new export control regulations targeting the Chinese semiconductor industry and technical support of the Chinese semiconductor industry, tariffs and other barriers, restrictions and regional stability measures, including as between U.S.-China.
- Potential for substantial penalties and litigation related to violations of a wide variety of laws, treaties and regulations, including labor regulations, export control and anti-corruption regulations (including the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act).
- Difficulties and costs of staffing and managing international operations across different geographic areas, time zones and cultures.
- Changes in diplomatic and trade relationships.
- Potential political, legal and economic instability, armed conflict, and civil unrest in the countries in which we and our customers are located.
- Difficulty and costs of maintaining effective data security.
- Inadequate protection of our IP.
- Nationalization and expropriation.
- Restrictions on the transfer of funds to and from foreign countries, including withholding taxes and other potentially negative tax consequences.
- Unfavorable and/or changing foreign tax treaties and policies.
- Increased exposure to general market and economic conditions inside and outside of the United States.
- Currency exchange rate fluctuations and the resulting effect on our revenue and expenses, and the cost and risk of entering into hedging transactions if we chose to do so in the future.
- Increased regulatory uncertainties with respect to our wholly foreign-owned enterprise operating in China and any joint ventures we may form or contribute IP or other resources to in the future.
- Trends such as global and regional inflation, supply shortages and supply chain disruptions, geopolitical conflicts and retaliatory actions and regulations affecting or relating to regions such as but not limited to Ukraine, Russia, Eastern Europe or in the Greater China region, may lead to the deterioration of our immediate customers' and/or end market customers' ability and/or willingness to purchase, use, develop, market or sell products or solutions that incorporate or are made while using our products.

These factors, individually or in combination, could impair our ability to effectively operate one or more of our foreign facilities or deliver our semiconductor IP or IP deployment solutions, result in unexpected and material expenses, or cause an unexpected decline in the demand for our products in certain countries or regions. For example, one formerly substantial royalty customer became unable to source a key material in 2020 as a result of the trade disputes between the United States and China, and consequently shipment volumes of products containing our interconnect IP have been significantly lower, adversely affecting our royalty revenue. Our failure to manage the risks and challenges associated with our international business and operations could harm our business.

Downturns or volatility in general economic conditions, including as a result of the current COVID-19 pandemic or any other outbreak of an infectious disease, could harm our business.

Our revenue, gross margin, and ability to achieve and maintain profitability depend significantly on general economic conditions and the demand for products in the markets in which our customers compete. Weaknesses in the global economy and financial markets, including the current weaknesses resulting from the ongoing COVID-19 pandemic, and any adverse changes in general domestic and global economic conditions that may occur in the future, including any recession, economic slowdown or disruption of credit markets, may lead to, lower demand for products that incorporate our solutions, including in the automotive market, AI/ML market, 5G and wireless communications market, large scale cloud and data center market and consumer electronics market. A decline in end-user demand can affect our customers' demand for our products, the ability of our customers to obtain credit and otherwise meet their payment obligations and the likelihood of customers canceling or deferring existing orders. Our business could be harmed by such actions.

In addition, any disruption in the credit markets, including as a result of the current COVID-19 pandemic, could impede our access to capital. If we have limited access to additional financing sources, we may be required to defer capital expenditures or seek other sources of liquidity, which may not be available to us on acceptable terms or at all. All of these factors related to global economic conditions, which are beyond our control, could harm our business. For a more detailed discussion of the COVID-19 pandemic and its recent and potential impact on our business, see "—Our business has been, and may continue to be, adversely affected by health epidemics, pandemics and other outbreaks of infectious disease, including the current COVID-19 pandemic."

The cyclical nature of the semiconductor industry may limit our ability to maintain or improve our revenue.

The semiconductor industry is highly cyclical and is prone to significant downturns from time to time. Cyclical downturns can result from a variety of market forces including constant and rapid technological change, rapid product obsolescence, price erosion, evolving standards, short product life cycles and wide fluctuations in product supply and demand, all of which can result in significant declines in semiconductor demand. We have experienced downturns in the past and may experience such downturns in the future. For example, the industry experienced a significant downtown in connection with the most recent global recession in 2008, and further experienced a downturn in 2020 and again in 2022, which may be prolonged as a result of the economic impact of the COVID-19 pandemic. These downturns have been characterized by diminished product demand, production overcapacity, high inventory levels and accelerated erosion of average selling prices. Recently, downturns in the semiconductor industry have been attributed to a variety of factors, including the COVID-19 pandemic, ongoing trade disputes among the United States and China, weakness in demand and pricing for semiconductors across applications and excess inventory. Recent downturns have directly impacted our business, as has been the case with many other companies, suppliers, distributors and customers in the semiconductor industry and other industries around the world, and any prolonged or significant future downturns in the semiconductor industry could harm our business. Conversely, significant upturns may suppress customer shipments of royalty-bearing products incorporating our IP solutions due to our customers having limited access to third-party foundry and assembly capacity. In the event of such an upturn, we may not be able to expand our workforce and operations in a sufficiently timely manner, procure adequate resources, or locate suitable third-party suppliers or other third-party subcontractors to respond effectively to changes in demand for our existing products or to the demand for new products requested by our customers, and our business could be harmed.

Our revenue has been concentrated among a small number of licensees and customers, and if we lose any of these customers and fail to replace them, our revenue may decrease substantially.

A significant amount of our revenue is derived from a limited number of customers. As of September 30, 2022, sales to Intel Corporation accounted for 26% of our revenue. We expect that a relatively small number of customers will continue to account for a substantial portion of our revenue for the foreseeable future.

As a result of this revenue concentration, our results of operations could be adversely affected by the decision of a single key licensee or customer to cease using our technology or products or by a decline in the number of products that incorporate our technology that are sold by a single licensee or customer or by a small group of licensees or customers. We must continue to obtain new significant licensees and to increase our revenue and grow our business.

Failure to effectively expand our sales and marketing capabilities could harm our ability to increase our customer base and achieve broader market acceptance of our products.

Our ability to increase our customer base and achieve broader market acceptance of our products and platform capabilities will depend to a significant extent on our ability to expand our global sales and application engineering organization. We plan to continue expanding our sales force, both domestically and internationally. We also plan to dedicate significant resources to sales and marketing programs. All of these efforts will require us to invest significant financial and other resources. Our business will be harmed if our sales and marketing efforts do not generate significant increases in revenue or increases in revenue are smaller than anticipated. We may not achieve anticipated revenue growth from expanding our sales force if we are unable to hire, develop, integrate and retain talented and effective sales personnel, if our new and existing sales personnel, on the whole, are unable to achieve desired productivity levels in a reasonable period of time, or if our sales and marketing programs are not effective.

We experience a strong seasonality in sales in the fourth calendar quarter of the year. As a result, our results of operations are subject to substantial quarterly fluctuations, which may seriously harm our business.

We have experienced, and expect to continue to experience, seasonal fluctuations in sales due to the spending patterns of semiconductor customers who license our products. Typically, the number of total new license agreements we enter into have generally been lowest in the first and second calendar quarters. We expect these seasonality trends to continue. As a result, revenue recognized from our total new license agreements are subject to seasonal fluctuations, which may seriously harm our business.

Substantial portions of our sales are made, and we anticipate will be made, to consumer, automotive, network, AI/ML, large-scale cloud and data center, and other industry suppliers. Any downturn in any of these the markets could significantly harm our business.

Of our annual contract value at September 30, 2022, 32% was derived from customers supplying to the consumer industry, 20% was to customers that supply various systems and components to the automotive industry, 20% was to customers in the AI/ML industry, 8% was to customers supplying large scale cloud and data center customers and 7% was to customers in the network industry.

Each of these sectors is subject to specific market risks. The consumer sector, for example, is subject to changes in end consumer spending patterns, technology developments and general economic conditions.

We are also exposed to the risks associated with the automotive market. For example, our anticipated future growth is highly dependent on the adoption of autonomous driving technologies, which are expected to have increased sensor and power product content. A downturn in the automotive market could delay automakers' plans to introduce new vehicles with these features, which would negatively impact the demand for our products and our ability to grow our business.

Several industries in which companies incorporate our technology, including the automotive industry and others, may undergo consolidation and reorganization and, in some cases, their suppliers may or have entered bankruptcy. Although we have not experienced any lost business or material bad debt write-offs as a result of such consolidation, such trends could harm our business.

Moreover, as a result of the COVID-19 pandemic and the associated responses by governments of various countries to prevent its spread, the automotive industry, including manufacturers, dealers, distributors and third-party suppliers have been adversely impacted. For example, many automotive manufacturers were forced to suspend manufacturing operations and may be required to do so again. In addition, government-imposed restrictions on businesses, operations and travel and the related economic uncertainty have impacted demand in many global markets. While demand in the automotive industry is dependent on a number of factors, automotive manufacturers expect the impact of COVID-19 to be highly dependent on its duration and severity. The foregoing impacts and other adverse effects on the automotive industry could harm our business, as well as our ability to execute our growth strategy.

Our business has been, and may continue to be, adversely affected by health epidemics, pandemics and other outbreaks of infectious disease, including the current COVID-19 pandemic.

Public health threats, such as COVID-19, influenza and other highly communicable diseases or viruses, outbreaks of which have from time to time occurred in various parts of the world in which we operate could adversely impact our operations, as well as the operations of our customers, end users of our products, and our and their respective vendors, suppliers and other business partners. Any of these public health threats and related consequences could adversely affect our financial results.

The COVID-19 pandemic has reached across the globe, resulting in the implementation of significant governmental measures, including lockdowns, closures, quarantines, and travel bans intended to control the spread of the virus. Measures implemented by various authorities in response to the COVID-19 pandemic have caused us to change our business practices, including those related to where employees work, the distance between employees in our facilities, limitations on in-person meetings between employees and with customers, potential customers, suppliers, service providers and stakeholders, as well as restrictions on business travel to domestic and international locations and to attend trade shows, technical conferences and other events. While many of these measures are not currently in effect, ongoing social distancing measures, and future prevention and mitigation measures, as well as the potential for some of these measures to be reinstituted in the event of repeat waves of the virus are likely to have, an adverse impact on global economic conditions, which could further affect our operations. A widespread epidemic, pandemic or other health crisis could also cause significant volatility in global markets. The COVID-19 outbreak has caused disruption in financial markets, which if it continues or intensifies, could reduce our ability to access capital and thereby harm our business.

These current and potential future measures that could restrict access to our facilities, limit support operations and place restrictions on our workforce, suppliers and other business partners have impacted and may further impact our workforce and operations, the operations of our customers and end users of our products, and those of our respective vendors, suppliers and other business partners. The disruptions to our operations caused by the COVID-19 pandemic may result in inefficiencies, delays and additional costs in our product development, sales, marketing, and customer service efforts that we cannot fully mitigate through remote or other alternative work arrangements. In addition, the severe global economic disruption, including recession, depression or other sustained adverse market impact caused by health crisis such as the COVID-19 pandemic, may cause our customers and end-users of our products to suffer significant economic hardship and potentially even go out of business, which could result in decreased demand for our products and harm our business.

The ultimate extent of the impact of any epidemic, pandemic, or other health crisis on our business will depend on multiple factors that are highly uncertain and cannot be predicted, including its severity, location and duration, and actions taken to contain or prevent further its spread. Additionally, the COVID-19 pandemic could increase the magnitude of many of the other risks described in this Quarterly Report on Form 10-Q, and may have other material adverse effects on our operations that we are not currently able to predict. If our business and the markets in which we operate experience a prolonged occurrence of adverse public health conditions, such as COVID-19, it could materially adversely affect our business, financial condition, and results of operations.

We received a Paycheck Protection Program loan, and our application for the PPP Loan could in the future be determined to have been impermissible or could result in damage to our reputation.

In April 2020, we applied for and received an unsecured $1.6 million loan under the Paycheck Protection Program (the “PPP Loan”). In December 2020, the PPP Loan was forgiven in full. The Paycheck Protection Program was established under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), and is administered by the U.S. Small Business Administration (the “SBA”).

Our receipt of the PPP Loan or the forgiveness of the PPP Loan could result in adverse publicity. In addition, if we are later determined to have been ineligible to receive the PPP Loan or loan forgiveness, we may be subject to significant penalties, including significant civil, criminal and administrative penalties, we could be required to repay the PPP Loan in its entirety, and our reputation could suffer. A review or audit by the SBA or other government entity or claims under the U.S. False Claims Act could consume significant financial and management resources.

A significant portion of our revenue comes from licensing fees, which may vary period to period.

License agreements for our interconnect IP are generally treated as ratable revenue, with revenue being recognized evenly over the license term. However, certain license agreements for our IP interconnect solutions are recognized as point in time revenue, including one agreement resulting in our recognizing revenue of $7.4 million in 2020. The majority of software license agreements for our IP deployment solutions are generally treated as point in time revenue at the start of the license period, so past revenue may not be indicative of the amount of revenue in any future period. Significant portions of our anticipated future revenue, therefore, will likely depend upon our success in attracting new customers, or continuing or expanding our relationships with existing customers. However, revenue recognized from licensing arrangements vary significantly from period to period, depending on the number and size of deals closed during a quarter, and is difficult to predict. In addition, as we expand our business into new markets, our licensing deals may be smaller in volume but greater in value in volume, which may further fluctuate our licensing revenue quarter to quarter. Our ability to succeed in our licensing efforts will depend on a variety of factors, including the market positioning, performance, delivery, quality, breadth and depth of our current and future IP interconnect and other solutions as well as our sales and marketing skills. Our failure to obtain future licensing customers would impede our future revenue growth and could materially harm our business.

As a result of these and other factors, you should not rely on the results of any prior quarterly or annual periods, or any historical trends reflected in such results, as indications of our future revenue or operating performance. Fluctuations in our revenue and operating results could cause our stock price to decline and, as a result, you may lose some or all of your investment.

Royalty rates could decrease for existing and future license agreements, which could materially adversely affect our operating results.

Royalty payments to us under existing and future license agreements could be lower than currently anticipated for a variety of reasons. Average selling prices for semiconductor products generally decrease over time during the lifespan of a product. In addition, there is significant pressure to maintain low royalty rates in certain markets where the end product may have a low average sales price, such as many consumer electronics products. In addition, there is increasing downward pricing pressures in the semiconductor industry on end products incorporating our technology, especially end products for consumer electronics markets. As a result, notwithstanding the existence of a license agreement, our customers may demand that royalty rates for our products on future or renewal agreements be lower than our historic royalty rates. Furthermore, our competitors may lower the royalty rates for their comparable products to win market share which may force us to lower our royalty rates on future or renewal agreements as well. As a consequence of the above referenced factors, as well as unforeseen factors in the future, the royalty rates we receive for use of our technology could decrease with new or renewed customers, thereby decreasing future anticipated revenue and cash flow. Variable royalty revenue was 5.8% of our revenue for the nine months ended September 30, 2022. Therefore, a significant decrease in our royalty revenue could materially adversely affect our operating results.

Moreover, royalty rates may be negatively affected by macroeconomic trends, including from global semiconductor supply chain issues (including from shortages in the availability of the supply of chips in several semiconductor sectors and applications), the COVID-19 pandemic and its world effects and changes in products mix. Furthermore, consolidation among our customers may increase the leverage of our existing customers to extract concessions from us in royalty rates.

Changing currency exchange rates could harm our business.

We have operations and assets in the U.S. as well as foreign jurisdictions, and we prepare our consolidated financial statements in U.S. dollars, but a portion of our earnings and expenditures are denominated in other currencies. We therefore must translate our foreign assets, liabilities, revenue and expenses into U.S. dollars at applicable exchange rates. Consequently, fluctuations in the value of foreign currencies relative to the U.S. dollar may negatively affect the value of these items in our financial statements. In addition, since many of our sales in foreign jurisdictions are denominated in U.S. dollars, fluctuations in the value of foreign currencies relative to the U.S. dollar may effectively increase the price of our products in the currency of the jurisdiction in which the sale took place and may result in our products becoming too expensive for non-U.S. customers who do not conduct their business in U.S. dollars. Furthermore, currency exchange rates have been especially volatile in the recent past, and these currency fluctuations may make it difficult for us to predict our results of operations. If the volume of our international operations increases and foreign currency exchange rates change, the impact to our consolidated statements of operations could be significant and may affect the comparability of operating results. The impact from foreign currency transactions for the nine months ended September 30, 2022 was immaterial. We do not believe a 10% increase or decrease in foreign exchange rates would have resulted in a material impact to our operating results. To the extent we fail to manage our foreign currency exposure adequately, we may suffer losses in the value of our net foreign currency investment, and our business may be harmed.

In particular, in light of the military conflict between Russia and Ukraine and the resulting tensions between the European Union, other European countries, as well as the United States, with Russia, any resulting material change to the valuation of the Euro relative to the U.S. dollar could adversely impact our operating results.

We have made acquisitions and in the future expect to pursue acquisitions of and investments in new businesses, products or technologies, joint ventures and other strategic transactions that involve numerous risks and could disrupt and harm our business.

As part of our business strategy, we make acquisitions of and investments in new businesses, such as our acquisition of Magillem, products and technologies and enter into joint ventures and other strategic relationships in the ordinary course. Our ability to grow our revenue, earnings and cash flow at or above our historic rates depends in part upon our ability to identify and successfully acquire and integrate businesses at acceptable prices, realize anticipated synergies and make appropriate investments that support our long-term strategy. We may not be able to consummate acquisitions at rates similar to the past, which could adversely impact our growth rate and the trading price of our common stock. Promising acquisitions and investments are difficult to identify and complete for a number of reasons, including high valuations, competition among prospective buyers, the availability of affordable funding in the capital markets and the need to satisfy applicable closing conditions and obtain applicable antitrust and other regulatory approvals on a timely basis and on acceptable terms. In addition, competition for acquisitions and investment may result in higher purchase prices. Changes in accounting or regulatory requirements or instability in the credit markets could also adversely impact our ability to consummate acquisitions and investments on acceptable terms or at all.

In addition, even if we are able to consummate acquisitions and enter into joint ventures and other strategic relationships, these transactions and relationships present a number of potential risks and challenges that could, if not met, disrupt our business operations, increase our operating costs, negatively affect our growth rate and the trading price of our common stock, and may harm our business. In addition, our Magillem acquisition and Transchip investment, as well as any acquisition, investment, joint venture or other strategic transaction that we may enter into in the future, involve a number of additional financial, accounting, managerial, operational, legal, regulatory and other risks, which may include, among others:

- Any business, technology, service or product that we acquire or invest in could under-perform relative to our expectations and the price that we paid or not perform in accordance with our anticipated timetable, or we could fail to operate any such business profitably.
- We may incur or assume significant debt in connection with our acquisitions, joint ventures and other strategic relationships, which could also cause a deterioration of our credit ratings, result in increased borrowing costs and interest expense and diminish our future access to the capital markets. Alternatively, we may issue additional equity securities, which could dilute your ownership and voting power.
- We expect to incur integration and startup costs.

- Acquisitions, joint ventures and other strategic relationships could cause our financial results to differ from our own or the investment community's expectations in any given period, or over the long-term challenges associated with integrating employees from the acquired company into our organization.
- Pre-closing and post-closing earnings charges could adversely impact operating results in any given period, and the impact may be substantially different from period to period.
- Acquisitions, joint ventures and other strategic relationships could create demands on our management, operational resources and financial and internal control systems that we are unable to effectively address.
- We could experience difficulty in integrating personnel, operations and financial and other controls and systems and retaining key employees and customers.
- We may be unable to achieve cost savings or other synergies anticipated in connection with an acquisition, joint venture or other strategic relationship.
- We may assume unknown liabilities, known contingent liabilities that become realized, known liabilities that prove greater than anticipated, internal control deficiencies or exposure to regulatory sanctions resulting from the acquired company's or investee's activities and the realization of any of these liabilities or deficiencies may increase our expenses, adversely affect our financial position and/or cause us to fail to meet our public financial reporting obligations.
- In connection with acquisitions and joint ventures, we often enter into post-closing financial arrangements such as purchase price adjustments, earn-out obligations and indemnification obligations, which may have unpredictable financial results.
- As a result of our acquisitions, we have recorded significant goodwill and other assets on our consolidated balance sheet and if we are not able to realize the value of these assets, or if the fair value of our investments declines, we may be required to incur impairment charges.
- We may have interests that diverge from those of our joint venture partners or other strategic partners and we may not be able to direct the management and operations of the joint venture or other strategic relationship in the manner we believe is most appropriate, exposing us to additional risk.
- Investing in or making loans to early-stage companies often entails a high degree of risk, and we may not achieve the strategic, technological, financial or commercial benefits we anticipate; we may lose our investment or fail to recoup our loan; or our investment may be illiquid for a greater-than-expected period of time.

Furthermore, potential acquisitions, investments, joint ventures and other strategic transactions, whether or not consummated, may divert our management's attention and require considerable cash outlays at the expense of our existing operations. This, and any of the risks set forth above, could harm our business.

Our ability to raise capital in the future may be limited and could prevent us from executing our growth strategy.

Our ability to operate and expand our business depends on the availability of adequate capital, which in turn depends on cash flow generated by our business and equity or other applicable financing arrangements. We believe that our cash flow from operations, existing cash and cash equivalents and short-term investments and the net proceeds from our initial public offering will satisfy our anticipated cash requirements for at least the next 12 months. However, we have based this estimate on our current operating plans and expectations, which are subject to change, and cannot assure you that that our existing resources will be sufficient to meet our future liquidity needs. We may require additional capital to respond to business opportunities, challenges, acquisitions or other strategic transactions and/or unforeseen circumstances. The timing and amount of our working capital and capital expenditure requirements may vary significantly depending on numerous factors, including:

- market acceptance of our semiconductor IP and other solutions, and our IP deployment solutions;
- the need to adapt to changing technologies and technical requirements;
- the existence of opportunities for expansion; and
- access to and availability of sufficient management, technical, marketing and financial personnel.

If our capital resources are insufficient to satisfy our liquidity requirements, we may seek to sell additional equity securities or debt securities or obtain additional debt financing. The sale of additional equity securities or convertible debt securities would result in additional dilution to our stockholders. Additional debt would result in increased expenses and could result in covenants that would restrict our operations and our ability to incur additional debt or engage in other capital-raising activities. We have not made arrangements to obtain additional financing and there is no assurance that financing, if required, will be available in amounts or on terms acceptable to us, if at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to grow and support our business and respond to business opportunities and challenges could be significantly limited.

We may not be able to effectively manage our growth, and we may need to incur significant expenditures to address the additional operational and control requirements of our growth, either of which could harm our business and operating results.

In order to succeed in executing our business plan, we will need to manage our growth effectively as we make significant investments in research and development and sales and marketing and expand our operations and infrastructure both domestically and internationally. In addition, in connection with operating as a public company, we will incur additional significant legal, accounting and other expenses that we did not incur as a private company. If our revenue does not increase to offset these increases in our expenses, we may not achieve or maintain profitability in future periods.

To continue to grow and to meet our ongoing obligations as a public company, we must continue to expand our operational, engineering, accounting and financial systems, procedures, controls and other internal management systems. This may require substantial managerial and financial resources, and our efforts in this regard may not be successful. Our current systems, procedures and controls may not be adequate to support our future operations and we may be unable to meet reporting obligation deadlines under the Exchange Act. Unless our growth results in an increase in our revenue that is proportionate to the increase in our costs associated with this growth, our operating margins will be adversely affected. If we fail to adequately manage our growth, improve our operational, financial and management information systems, or effectively motivate and manage our new and future employees, it could harm our business.

We depend on key and highly skilled personnel to operate our business, and if we are unable to retain our current personnel and hire additional personnel, our ability to develop and market our products could be harmed, which in turn could adversely affect our financial results.

Our success depends to a large extent upon the continued services of our executive officers, managers and skilled personnel, including our development engineers. In particular, we are highly dependent on the services of K. Charles Janac, our President, Chief Executive Officer and Chairman, who has been critical in the development and growth of our business and strategic direction, and we do not have key person insurance. From time to time, there may be changes in our executive management team or other key personnel, which could disrupt our business. Generally, our employees are not bound by obligations that require them to continue to work for us for any specified period and, therefore, they could terminate their employment with us at any time. Moreover, our employees are generally not subject to non-competition agreements. Given these limitations, we may not be able to continue to attract, retain and motivate qualified personnel necessary for our business.

In addition, we recruit from a limited pool of engineers with expertise in SoC design and the competition for such personnel can be intense. The loss of one or more of our executive officers or other key personnel, the loss of access to certain jurisdictions in the event of geopolitical conflict or changes in regulatory frameworks, or our inability to locate suitable or qualified replacements could be significantly detrimental to our product development efforts and could harm our business. In addition, we must attract and retain highly qualified personnel, including certain foreign nationals who are not U.S. citizens or permanent residents, many of whom are highly skilled and constitute an important part of our U.S. workforce, particularly in the areas of engineering and product development. Our ability to hire and retain these employees and their ability to remain and work in the U.S. are impacted by laws and regulations, as well as by procedures and enforcement practices of various government agencies. Changes in immigration laws, regulations or procedures may adversely affect our ability to hire or retain such workers, increase our operating expenses and negatively impact our ability to deliver our products and services, any of which would harm our business.

Volatility in, or lack of performance of, our stock price may also affect our ability to attract and retain key personnel. Employees may be more likely to terminate their employment with us if the shares they own or the shares underlying their vested options or restricted stock units have significantly appreciated in value relative to the original purchase prices of the shares or the exercise prices of the options, or, conversely, if the exercise prices of the options that they hold are significantly above the trading price of our common stock. If we are unable to retain our employees, our business could be harmed.

Our management team has limited experience managing a public company.

Many members of our management team have limited experience managing a publicly-traded company, interacting with public company investors and complying with the increasingly complex laws pertaining to public companies. Our management team may not successfully or efficiently manage us as a public company subject to significant regulatory oversight and reporting obligations under the federal securities laws and the continuous scrutiny of securities analysts and investors. These new obligations and constituents require significant attention from our senior management and could divert their attention away from the day-to-day management of our business, which could harm our business.

Catastrophic events may disrupt our business.

Our corporate headquarters are located in an area that is an active earthquake zone. In the event of a major earthquake, hurricane or other forms of catastrophic event such as fire, power loss, telecommunications failure, cyber-attack, war, terrorist attack or disease outbreak, we may be unable to continue our operations and may endure system interruptions, reputational harm, delays in our product development, breaches of data security, or loss of critical data, any of which could have an adverse effect on our future results of operations.

Risks Related to Intellectual Property, Information Technology and Data Security and Privacy

If we are unable to protect our proprietary technology and inventions through patents and other IP rights, our ability to compete successfully and our financial results could be adversely impacted.

We seek to protect our proprietary technology and innovations, particularly those relating to the design of our products, through patents, trade secrets and other IP rights. As of September 30, 2022, we had 129 total allowed or issued patents, pending patent applications and non-expired provisional patent applications worldwide. Of these, we had 52 allowed or issued patents, 47 of which are U.S. allowed or issued patents, two of which are allowed or issued China patents, one is a U.K. issued patent, one is a Japan issued patent, and one is a South Korea issued patent. The 52 allowed or issued patents generally expire between 2035 and 2042. As of September 30, 2022, we had 77 pending non-provisional and provisional patent application filings, including 38 in the United States, 18 in Europe, 17 in China, three in South Korea and one in Japan. Maintenance of patent portfolios, particularly outside of the United States, is expensive, and the process of seeking patent protection is lengthy and costly. While we intend to maintain our current portfolio of patents and to continue to prosecute our currently pending patent applications and file future patent applications when appropriate, the value of these actions may not exceed their expense. Existing patents and those that may be issued from any pending or future applications may be subject to challenges, invalidation or circumvention, and the rights granted under our patents may not provide us with meaningful protection or any commercial advantage. In addition, the protection afforded under the patent laws of one country may not be the same as that in other countries. This means, for example, that our right to exclusively commercialize a product in those countries where we have patent rights for that product can vary on a country-by-country basis. We also may not have the same scope of patent protection in every country where we do business.

Additionally, it is difficult and costly to monitor the use of our IP. It may be the case that our IP is already being infringed and infringement may occur in the future without our knowledge. Litigation may be necessary to enforce our IP rights. While it is our policy to protect and defend our rights to our IP, we cannot predict whether steps taken by us to enforce and protect our IP rights will be adequate to prevent infringement, misappropriation, or other violations of our IP rights. Any inability to meaningfully enforce our IP rights could harm our ability to compete. Moreover, in any lawsuit we bring to enforce our IP rights, a court may refuse to stop the other party from using the technology at issue on grounds that our IP rights do not cover the technology in question. Further, in such proceedings, the defendant could counterclaim that our IP is invalid or unenforceable and the court may agree, in which case we could lose valuable IP rights. Any litigation of this nature, regardless of outcome or merit, could materially harm our business and hurt our competitive advantage.

If we are unable to protect our proprietary technology and inventions through trade secrets, our competitive position and financial results could be adversely affected.

As noted above, we seek to protect our proprietary technology and innovations, particularly those relating to our products, as patents, trade secrets and other forms of IP. Additionally, while software and other forms of our proprietary works may be protected under copyright law, in some cases we have chosen not to register any copyrights in these works, and instead, primarily rely on protecting our software as a trade secret. In the United States, trade secrets are protected under the federal Economic Espionage Act of 1996 and the Defend Trade Secrets Act of 2016 (the "Defend Trade Secrets Act"), and under state law, with many states having adopted the Uniform Trade Secrets Act (the "UTSA") and several of which that have not. In addition to these federal and state laws inside the United States, under the World Trade Organization's Trade Related-Aspects of IP Rights Agreement (the "TRIPS Agreement"), trade secrets are to be protected by World Trade Organization member states as "confidential information." Under the UTSA and other trade secret laws, protection of our proprietary information as trade secrets requires us to take steps to prevent unauthorized disclosure to third parties or misappropriation by third parties. In addition, the full benefit of the remedies available under the Defend Trade Secrets Act requires specific language and notice requirements present in the relevant agreements, which may not be present in all of our agreements. While we require our officers, employees, consultants, distributors, and existing and prospective customers and collaborators to sign confidentiality agreements and take various security measures to protect unauthorized disclosure and misappropriation of our trade secrets, we cannot assure or predict that these measures will be sufficient. The semiconductor industry is generally subject to high turnover of employees, so the risk of trade secret misappropriation may be amplified. If any of our trade secrets are subject to unauthorized disclosure or are otherwise misappropriated by third parties, our competitive position may be materially and adversely affected.

Our ability to compete successfully depends in part on our ability to commercialize our IP solutions without infringing the patent, trade secret or other IP rights of others.

To the same extent that we seek to protect our technology and inventions with patents, trade secrets and other IP rights, our competitors and other third parties do the same for their technology and inventions. We have no means of knowing the content of patent applications filed by third parties until they are published. It is also difficult and costly to continuously monitor the IP portfolios of our competitors to ensure our technologies do not violate the IP rights of any third parties.

The semiconductor industry is ripe with patent assertion entities and is characterized by frequent litigation regarding patent and other IP rights. From time to time, we receive communications from third parties that allege that our products or technologies infringe their patent or other IP rights. As a public company with an increased profile and visibility, we may receive similar communications in the future. Lawsuits or other proceedings resulting from allegations of infringement could subject us to significant liability for damages, invalidate our proprietary rights and harm our business. In the event that any third-party succeeds in asserting a valid claim against us or any of our customers, we could be forced to do one or more of the following:

- discontinue selling access to certain technologies that contain the allegedly infringing IP which would result in a decline in our revenue and could result in breach of contract claim by our affected customers and damage to our reputation;
- stop receiving payment from a customer that can no longer sell the end-product if it contains allegedly infringing IP;
- seek to develop non-infringing technologies, which may not be feasible;
- incur significant legal expenses;
- pay substantial monetary damages to the party whose IP rights we may be found to be infringing; and/or
- we or our customers could be required to seek licenses to the infringed technology that may not be available on commercially reasonable terms, if at all.

If a third party causes us to discontinue the use of any of our technologies, we could be required to design around those technologies. This could be costly and time consuming and could have an adverse impact on our financial results. Any significant impairments of our IP rights from any litigation we face could harm our business and our ability to compete in our industry.

We may not be able to continue to obtain licenses to third-party software and IP on reasonable terms or at all, which may disrupt our business and harm our financial results.

We license third-party software and other IP for use in product research and development and, in several instances, for inclusion in our products such as our license with Qualcomm for FlexNoC. We also license third-party software, including the software of our competitors, to test the interoperability of our products with other industry products and in connection with our professional services. Our third-party licenses typically limit our use of IP to specific uses and for specific time periods, and include other contractual obligations with which we must comply. Moreover, certain IP rights may be licensed to us on a non-exclusive basis, and accordingly, the owners of such IP are free to license such rights to third parties, including our competitors, on terms that may be superior to those offered to us, which could place us at a competitive disadvantage. These licenses may need to be renegotiated or renewed from time to time, or we may need to obtain new licenses in the future. For example, we may be required to renegotiate or seek a waiver to or consent under our license with Qualcomm with respect to our FlexNoC product in the event of certain changes of control (as defined in our agreements with Qualcomm) and there can be no guarantee we would be successful in such endeavor. Such provision could prevent us from pursuing a robust sales process in the event of a sale of the company, if Qualcomm refuses to provide consent or waive such change in control provision. In such an event, a change in control could cause us to lose our license with Qualcomm and our valuation could be adversely affected. See “Business—Material Agreement—Qualcomm Agreements” in our 2021 Form 10-K for additional information. Third parties may stop adequately supporting or maintaining their technology, or they or their technology may be acquired by our competitors. If we are unable to obtain licenses to these third-party software and IP on reasonable terms or at all, we may not be able to sell or support the affected products, our customers’ use of the products may be interrupted, and/or our product development processes and professional services offerings may be disrupted, which could in turn harm our financial results, our customers, and our reputation. Further, if we or our third-party licensors were to breach any material term of a license, such a breach could, among other things, prompt costly litigation, result in the license being invalidated and or result in fines and other damages. If any of the following were to occur, it could harm our business and our reputation.

We also cannot be certain that our licensors are not infringing the IP rights of others or that our licensors have sufficient rights to the IP to grant us the applicable licenses. Although we seek to mitigate this risk contractually, we may not be able to sufficiently limit our potential liability. If we are unable to obtain or maintain rights to any of this IP because of IP infringement claims brought by third parties against our licensors or against us, our ability to develop, maintain and support our products and technology incorporating that IP could be severely limited and our business could be harmed. Furthermore, regardless of outcome, infringement claims may require us to use significant resources and may divert management’s attention.

Some of our products and technology, including those we acquire, may include software licensed under open-source licenses. Use and distribution of open-source software, where applicable, may entail greater risks than use of third-party commercial software, as open-source licensors generally do not provide support, warranties, indemnification, or other contractual protections regarding infringement claims or the quality of the code. To the extent that our technology may in the future depend upon the successful operation of open-source software, any undetected errors or defects in this open-source software could prevent the deployment or impair the functionality of such technologies and injure our reputation.

Moreover, some open-source software licenses, if applicable, could require users who distribute open-source software as part of their proprietary software to publicly disclose all or part of the source code to such software and make available any derivative works or modifications of the open-source code on unfavorable terms or at no cost. If we were to combine our proprietary software with open-source software in a certain manner, we could, under certain circumstances, be required to comply with such license terms. Although we have tools and processes to monitor and restrict our use of open-source software, the risks associated with open-source usage may not be eliminated and may, if not properly addressed, result in unanticipated obligations that could harm our business.

Any dispute regarding our IP may require us to indemnify certain customers, the cost of which could severely harm our business.

In any potential dispute involving our patents or other IP, our customers could also become the target of litigation. While we generally do not indemnify our customers, some of our agreements provide for indemnification, and some require us to provide technical support and information to a customer that is involved in litigation involving use of our technology. In addition, we may be exposed to indemnification obligations, risks and liabilities that were unknown at the time that we acquired assets or businesses for our operations. Any of these indemnification and support obligations could result in substantial and material expenses. In addition to the time and expense required for us to indemnify or supply such support to our customers, a customer's development, marketing and sales of licensed semiconductors, mobile communications and data security technologies could be severely disrupted or shut down as a result of litigation, which in turn could severely harm our business as a result of lower or no royalty payments.

Cybersecurity threats continue to increase in frequency and sophistication; a successful cybersecurity attack could interrupt or disrupt our information technology systems, or those of our third-party service providers, or cause the loss of confidential or protected data which could disrupt our business, force us to incur excessive costs or cause reputational harm.

Security breaches, computer malware and computer hacking attacks have become more prevalent across industries and may occur on our systems or those of our third-party service providers or partners. The size and complexity of our information systems make such systems potentially vulnerable to service interruptions or to security breaches from inadvertent or intentional actions by our employees or vendors, or from attacks by malicious third parties. Such attacks are increasing in their frequency, levels of persistence, levels of sophistication and intensity, and are being conducted by sophisticated and organized groups and individuals with a wide range of motives and expertise. As a result of the COVID-19 pandemic, we may face increased cybersecurity risks due to our reliance on internet technology and the number of our employees who are working remotely, which may create additional opportunities for cybercriminals to exploit vulnerabilities. In addition to unauthorized access to or acquisition of personal data, confidential information, intellectual property or other sensitive information, such attacks could include the deployment of harmful malware and ransomware, and may use a variety of methods, including denial-of-service attacks, social engineering and other means, to attain such unauthorized access or acquisition or otherwise affect service reliability and threaten the confidentiality, integrity and availability of information. Like many other companies, we experience attempted cybersecurity actions on a frequent basis, and the frequency of such attempts could increase in the future. While we have invested in the protection of data and information technology, there can be no assurance that our efforts will prevent or quickly identify service interruptions or security breaches. The techniques used by cybercriminals change frequently, may not be recognized until launched and can originate from a wide variety of sources, including outside groups such as external service providers, organized crime affiliates, terrorist organizations or hostile foreign governments or agencies. We cannot assure that our data protection efforts and our investment in information technology will prevent significant breakdowns, data leakages or breaches in our systems or those of our third-party services providers or partners. Any such interruption or breach of our systems could adversely affect our business operations and/or result in the loss of critical or sensitive confidential information or intellectual property, and could result in financial, legal, business and reputational harm to us. We maintain cyber liability insurance; however, this insurance may not be sufficient to cover the financial, legal, business or reputational losses that may result from an interruption or breach of our systems.

We are subject to data protection, privacy and security laws, regulations, standards and other requirements across different markets where we conduct our business. Our actual or perceived failure to comply with such obligations could harm our business.

The global data protection landscape is rapidly evolving, and we are or may become subject to numerous state, federal and foreign laws, regulations, legal requirements, contractual obligations and industry standards regarding security, data protection and privacy and any actual or perceived failure to comply with these requirements, obligations or standards could harm our reputation and business. If we are found to have breached any such laws or regulations in any such jurisdiction, we may be subject to enforcement actions that require us to change our business practices in a manner which may negatively impact our revenue, as well as expose us to litigation, fines, civil and/or criminal penalties and adverse publicity that could cause our customers to lose trust in us, negatively impacting our reputation and business in a manner that harms our financial position. Implementation standards and enforcement practices are likely to remain uncertain for the foreseeable future, and we cannot yet determine the impact future laws, regulations, standards, or perception of their requirements may have on our business. This evolution may create uncertainty in our business, affect our ability to operate in certain jurisdictions or to collect, store, transfer use and share personal information, necessitate the acceptance of more onerous obligations in our contracts, result in liability or impose additional costs on us. The cost of compliance with these laws, regulations and standards is high and is likely to increase in the future.

As part of our business, we collect personal data, and other potentially sensitive and/or regulated data from our customers. In the U.S., numerous federal and state laws and regulations, including data breach notification laws data privacy and security laws and consumer protection laws and regulations govern the collection, use, disclosure, and protection of personal information. For example, California enacted the California Consumer Privacy Act (CCPA) which became operative on January 1, 2020 and became enforceable by the California Attorney General on July 1, 2020, along with related regulations which came into force on August 14, 2020. The CCPA requires covered companies to, among other things, provide certain disclosures to California consumers about use of personal information, and affords such consumers new privacy rights such as the ability to opt-out of certain sales of personal information and expanded rights to access and require deletion of their personal information, opt out of certain personal information sharing, and receive detailed information about how their personal information is collected, used and shared. The CCPA provides for civil penalties for violations, as well as a private right of action for security breaches that may increase security breach litigation. Additionally, the California Privacy Rights Act (CPRA) recently passed in California. The CPRA significantly amends the CCPA and will impose additional data protection obligations on covered businesses, including additional consumer rights processes, limitations on data uses, new audit requirements for higher risk data, and opt outs for certain uses of sensitive data. It will also create a new California data protection agency authorized to issue substantive regulations and could result in increased privacy and information security enforcement. The majority of the provisions will go into effect on January 1, 2023, and additional compliance investment and potential business process changes may be required. Further, Virginia enacted the Virginia Consumer Data Protection Act, another comprehensive state privacy law, effective January 1, 2023. Colorado also enacted the Colorado Privacy Act, effective July 1, 2023, Connecticut enacted the Connecticut Data Privacy Act, effective July 1, 2023, and Utah enacted the Utah Consumer Privacy Act, effective December 31, 2023. These state privacy laws may increase our compliance costs and potential liability, particularly in the event of a data breach, and could harm our business, including how we use personal information. A number of other proposals exist for new federal and state privacy legislation that, if passed, could increase our potential liability, increase our compliance costs and harm our business.

Our operations abroad may also be subject to increased scrutiny or attention from data protection authorities. For example, the EU General Data Protection Regulation (EU GDPR) and the UK General Data Protection Regulation and the UK Data Protection Act 2018 (UK GDPR) (collectively, the GDPR) include stringent operational requirements for the use of personal data. The EU and UK regimes also include laws which, among other things, require European Economic Area (EEA) member states and the UK to regulate marketing by electronic means and the use of cookies and similar technologies. The GDPR has resulted in, and will continue to result in, significant compliance burdens and costs for companies with customers and/or operations in the EEA and the UK. The GDPR, and national implementing legislation in each member state, imposes a strict data protection compliance regime including: (i) providing detailed disclosures about how personal data is collected and processed; (ii) demonstrating that an appropriate legal basis is in place or otherwise exists to justify data processing activities; (iii) granting certain rights for data subjects in regard to their personal data (including transparency, the right to be "forgotten," right to data portability, right of access, and right to rectification); (iv) obligation to notify data protection regulators or supervisory authorities (and in certain cases, affected individuals) of significant data breaches; (v) imposing limitations on retention of personal data; (vi) maintaining a record of data processing; and (vii) complying with the principal of accountability and the obligation to demonstrate compliance through policies, procedures, training and audit. If our privacy or data security measures fail to comply with applicable current or future laws and regulations, we may be subject to litigation, regulatory investigations, and enforcement notices requiring us to change the way we use personal data or our marketing practices. For example, under the GDPR we may be subject to fines of up to €20 million / £17.5 million or up to 4% of the total worldwide annual group turnover of the preceding financial year (whichever is higher) for major violations. In addition to the foregoing, a breach of the GDPR could result in regulatory investigations, reputational damage, orders to cease/ change our processing of our data, enforcement notices, and/ or assessment notices (for a compulsory audit). We may also face civil claims including representative actions and other class action type litigation (where individuals have suffered harm), potentially amounting to significant compensation or damages liabilities, as well as associated costs, diversion of internal resources, reputational harm and a potential loss of business.

We are also subject to European Union rules with respect to cross-border transfers of personal data out of the EEA and the UK. Recent legal developments in Europe have created complexity and uncertainty regarding transfers of personal data from the EEA and the UK to the United States. In July 2020, the Court of Justice of the EU (CJEU) limited how organizations could lawfully transfer personal data from the EU/EEA to the United States by invalidating the Privacy Shield for purposes of international transfers and imposing further restrictions on the use of standard contractual clauses (SCCs). In March 2022, the US and EU announced a new regulatory regime intended to replace the invalidated regulations; however, this new EU-US Data Privacy Framework has not been implemented beyond an executive order signed by President Biden on October 7, 2022 on Enhancing Safeguards for Untied States Signals Intelligence Activities. The CJEU went on to state that if a competent supervisory authority believes that the SCCs cannot be complied with in the destination country and the required level of protection cannot be secured by other means, such supervisory authority is under an obligation to suspend or prohibit that transfer. The European Commission has published revised SCCs, which must be used for relevant new data transfers from September 27, 2021; existing standard contractual clauses arrangements must be migrated to the revised SCCs by December 27, 2022. We will be required to implement the revised applicable standard contractual clauses within the relevant time frames. In addition, the UK's Information Commissioner's Office has published new data transfer standard contracts for transfers from the UK under the UK GDPR. This new documentation will be mandatory for relevant data transfers from September 21, 2022; existing standard contractual clauses arrangements must be migrated to the new documentation by March 21, 2024. We will be required to implement the latest UK data transfer documentation for data transfers subject to the UK GDPR, within the relevant time frames. These recent developments may require us to review and amend the legal mechanisms by which we make and/ or receive personal data transfers to in the U.S. As supervisory authorities issue further guidance on personal data export mechanisms, including circumstances where the standard contractual clauses cannot be used, and/or start taking enforcement action, we could suffer additional costs, complaints and/or regulatory investigations or fines.

Further, the exit of the UK from the EU, often referred to as Brexit, has created uncertainty with regard to data protection regulation in the UK. The European Commission has adopted an adequacy decision in favor of the UK, enabling data transfers from EU member states to the UK without additional safeguards. However, the UK adequacy decision will automatically expire in June 2025 unless the European Commission re-assesses and renews/ extends that decision, and remains under review by the Commission during this period. In September 2021, the UK government launched a consultation on its proposals for wide-ranging reform of UK data protection laws following Brexit. There is a risk that any material changes which are made to the UK data protection regime could result in the Commission reviewing the UK adequacy decision, and the UK losing its adequacy decision if the Commission deems the UK to no longer provide adequate protection for personal data. The relationship between the UK and the EU in relation to certain aspects of data protection law remains unclear, and it is unclear how UK data protection laws and regulations will develop in the medium to longer term, and how data transfers to and from the UK will be regulated in the long term. These changes will lead to additional costs and increase our overall risk exposure.

Restrictions on the collection, use, sharing or disclosure of personal information or additional requirements and liability for security and data integrity could require us to modify our solutions and features, possibly in a material manner, could limit our ability to develop new products and features and could subject us to increased compliance obligations and regulatory scrutiny.

Although we make reasonable efforts to comply with all applicable data protection laws and regulations, our interpretations and such measures may have been or may prove to be insufficient or incorrect. Any failure to comply with any data protection laws and/or regulations that results in a data security breach could require notifications to data subjects and/or owners under federal, state and/or international data breach notification laws and regulations. The effects of any applicable U.S. state, federal and international laws and regulations that are currently in effect or that may go into effect in the future, are significant and may require us to modify our data processing practices and policies and to incur substantial costs and potential liability in an effort to comply with such laws and regulations. Allegations of non-compliance, whether or not true, could be costly, time consuming, distracting to management, and cause reputational harm. In addition to government regulation, privacy advocates and industry groups may propose new and different self-regulatory standards. Because the interpretation and application of privacy and data protection laws are still uncertain, it is possible that these laws may be interpreted and applied in a manner that is inconsistent with one another or inconsistent with our existing data management practices or the features of our products and services. Any actual or perceived failure to comply with these and other data protection and privacy laws and regulations could result in regulatory scrutiny and increased exposure to the risk of litigation or the imposition of consent orders, resolution agreements, requirements to take particular actions with respect to training, policies or other activities, and civil and criminal penalties, including fines, which could harm our business. In addition, we or our third-party service providers could be required to fundamentally change our business activities and practices or modify our products and services, which could harm our or our third-party service providers' business. Any of the foregoing could result in additional cost and liability to us, damage our reputation, inhibit sales, and harm our business.

Risks Related to Legal, Regulatory, Accounting and Tax Matters

Our failure to comply with the large body of laws and regulations to which we are subject could materially harm our business.

We are subject to regulation by various governmental agencies in the United States and other jurisdictions in which we operate. These laws and regulations (and the government agency responsible for their enforcement in the United States) cover: radio frequency emission regulatory activities (Federal Communications Commission); anti-trust regulatory activities (Federal Trade Commission and Department of Justice); consumer protection laws (Federal Trade Commission); import/export regulatory activities (Department of Commerce); product safety regulatory activities (Consumer Products Safety Commission); worker safety (Occupational Safety and Health Administration); environmental protection (Environmental Protection Agency and similar state and local agencies); employment matters (Equal Employment Opportunity Commission); and tax and other regulations by a variety of regulatory authorities in each of the areas in which we conduct business. In certain jurisdictions, regulatory requirements in one or more of these areas may be more stringent than in the United States.

In the area of employment matters, we are subject to a variety of federal, state and foreign employment and labor laws and regulations, including the Americans with Disabilities Act, the Federal Fair Labor Standards Act, the WARN Act and other regulations related to working conditions, wage and hour pay, overtime pay, employee benefits, anti-discrimination, and termination of employment. We are subject to local employment statutes and regulations in other jurisdictions. Noncompliance with any of these applicable regulations or requirements could subject us to investigations, sanctions, enforcement actions, fines, damages, penalties, or injunctions. In certain instances, former employees have brought claims against us and we expect that we will encounter similar actions against us in the future. An adverse outcome in any such litigation could require us to pay damages, attorneys' fees and costs. These enforcement actions could harm our reputation and business. If any governmental sanctions are imposed, or if we do not prevail in any possible civil or criminal litigation, our business could be harmed. In addition, responding to any action will likely result in a significant diversion of management's attention and resources and an increase in professional fees.

Our failure to comply with the Foreign Corrupt Practices Act, other applicable anti-corruption and anti-bribery laws, and applicable anti-money laundering laws could subject us to penalties and other adverse consequences.

We have extensive international operations and a substantial portion of our business is conducted outside of the United States. Our operations are subject to the U.S. Foreign Corrupt Practices Act of 1977, as amended (the "FCPA"), the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the U.S. Travel Act, the USA PATRIOT Act, as well as the anti-corruption, anti-bribery, and anti-money laundering laws in the countries where we do business. Anti-corruption laws are interpreted broadly and prohibit companies and their employees and agents from promising, authorizing, making, or offering, soliciting, or accepting, directly or indirectly, improper payments or other benefits to or from any person whether in the public or private sector. The FCPA also requires publicly traded companies to maintain records that accurately and fairly represent their transactions, and to have an adequate system of internal accounting controls. As we increase our international sales and business, our risks under these laws may increase.

Though we maintain policies, internal controls and other measures reasonably designed to promote compliance with applicable anticorruption, anti-bribery laws, and anti-money laundering laws and regulations, our employees or agents may nevertheless engage in improper conduct for which we might be held responsible. Any violations of these laws, or even allegations of such violations, can lead to an investigation and/or enforcement action, which could disrupt our operations, involve significant management distraction, and lead to significant costs and expenses, including legal fees. If we, or our employees or agents acting on our behalf, are found to have engaged in practices that violate these laws and regulations, we could suffer severe fines and penalties, profit disgorgement, injunctions on future conduct, securities litigation, bans on transacting government business, delisting from securities exchanges and other consequences that may harm our business. In addition, our reputation, our revenue or our stock price could be adversely affected if we become the subject of any negative publicity related to actual or potential violations of any of these laws and regulations.

We are subject to government regulation, including import, export and economic sanctions laws and regulations that may expose us to liability and increase our costs.

Certain of our products, including our IP interconnect and other solutions and technology are subject to U.S. export controls, including the U.S. Department of Commerce's Export Administration Regulations (EAR) and economic and trade sanctions regulations administered by the U.S. Treasury Department's Office of Foreign Assets Controls. These regulations may limit the export of our products and technology, and provision of our services outside of the United States, or may require export authorizations, including by license, a license exception, or other appropriate government authorizations and conditions, including annual or semi-annual reporting. Export control and economic sanctions laws may also include prohibitions on the sale or supply of certain of our products to embargoed or sanctioned countries, regions, governments, persons, and entities. In addition, various countries regulate the importation of certain products, through import permitting and licensing requirements, and have enacted laws that could limit our ability to distribute our products. The exportation, re-exportation, and importation of our products and technology and the provision of services, including by our partners, must comply with these laws or else we may be adversely affected through reputational harm, government investigations, penalties, and a denial or curtailment of our ability to export our products and technology. Complying with export control and sanctions laws may be time-consuming and may result in the delay or loss of sales opportunities. Although we take precautions to prevent our products and technology from being provided in violation of such laws, our products and technology have previously been, and could in the future be, provided inadvertently in violation of such laws, despite the precautions we take. If we are found to be in violation of U.S. sanctions or export control laws, it could result in substantial fines and penalties for us and for the individuals working for us. Changes in export or import laws or sanctions policies may adversely impact our operations, delay the introduction and sale of our products in international markets, or, in some cases, prevent the export or import of our products and technology to certain countries, regions, governments, persons, or entities altogether, which could harm our business.

We will lose sales if we are unable to obtain government authorization to export certain of our products and services, and we will be subject to legal and regulatory consequences if we do not comply with applicable export control laws and regulations.

Exports of certain of our IP interconnect and other solutions are subject to export controls imposed by the U.S. government and administered by the U.S. Departments of State and Commerce. In certain instances, these regulations may require pre-shipment authorization from the administering department. For products subject to the EAR, administered by the Department of Commerce's Bureau of Industry and Security (BIS), the requirement for a license is dependent on the type and end use of the product, the final destination, the identity of the end user and whether a license exception might apply. Certain of our solutions are subject to EAR. Obtaining export licenses can be difficult, costly and time-consuming and we may not always be successful in obtaining necessary export licenses, and our failure to obtain required import or export approval for our products or limitations on our ability to export or sell our products imposed by these laws may harm our international and domestic revenue. Noncompliance with these laws could have negative consequences, including government investigations, penalties and reputational harm. The absence of comparable restrictions on competitors in other countries may adversely affect our competitive position.

We derived 0.1%, and 31.2% of our revenue in 2021 and 2020, respectively, from parties that are currently subject to the Entity List of the EAR (a list of entities to which the transfer of EAR-controlled technology or software is generally prohibited absent a U.S. export license), including Chongxin Bada Technology Development Co., Ltd. (Bada), HiSilicon Technologies Co. Ltd. (HiSilicon), and SZ DJI Technology Co., Ltd. Current and future business with these entities may be limited in scope or suspended entirely in order to comply with the EAR and as a result, our revenue could be adversely impacted. Regulatory changes concerning the export classification of our products, changes to the applicability of the EAR to certain product offerings, or the addition of new entities to the restricted party lists can further increase the scope of export restrictions applicable to our business. Failure to obtain export licenses for our products or having one or more of our customers be restricted from receiving exports from us could significantly reduce our revenue and harm our business.

In addition, the U.S. federal government has increased its Entity List materially in recent years, which affects the range and number of customers, including Chinese customers available to license our products and technology. This raises an additional risk that China and/or other jurisdictions may enact retaliatory legislation or regulations that may raise similar adverse risks. As reflected in other Risk Factors, such risks may increase if additional Chinese entities are placed on the Entity List due, among other things, to their business with Russia in light of China's stance and actions taken relating to Russia-Ukraine tensions and hostilities.

In July 2021, we submitted a voluntary self-disclosure (VSD) to the BIS, noting potential violations of the EAR. On April 28, 2022, the Office of Export Enforcement of the BIS decided not to refer this matter for criminal or administrative prosecution and closed the matter with the issuance of a warning letter. In our VSD submission, we had identified discrete transactions with two customers, Bada and HiSilicon. We do not provide either customer with products or ongoing support. We have taken and continue to take remedial measures to help prevent similar situations from occurring in the future.

We face risks associated with doing business in China.

For the nine months ended September 30, 2022, we derived 26.4% of our revenue from customers located in China. As a result, the economic, political, legal and social conditions in China could harm our business. In recent years, the Chinese economy has experienced periods of rapid expansion and high rates of inflation. These factors have led to the adoption by the Chinese government, from time to time, of various corrective measures designed to restrict the availability of credit or regulate growth and contain inflation. Various factors may in the future cause the Chinese government to impose controls on credit or prices, or to take other action, which could inhibit economic activity in China, and thereby harm the market for our products. In addition, the legal system in China has inherent uncertainties that may limit the legal protections available in the event of any claims or disputes that we have with third parties, including our ability to protect the IP we develop in China or elsewhere. As China's legal system is still evolving, the interpretation of many laws, regulations and rules is not always uniform and enforcement of these laws, regulations and rules involve uncertainties, which may limit the remedies available in the event of any claims or disputes with third parties. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention. Some of the other risks related to doing business in China include:

- The Chinese government exerts substantial influence over the manner in which we must conduct our business activities.
- Restrictions on currency exchange may limit our ability to receive, transfer and use our cash effectively.
- Increased uncertainties related to the enforcement of IP rights including any IP rights that we may license to a Chinese (or other emerging jurisdiction) entity, including any joint ventures we may form.
- Increased uncertainties relating to Chinese regulation of exports of products and technology to and from China.
- Increased and rapidly changing export and related trade regulations and restrictions imposed by U.S. and Chinese legislation, executive actions and regulations.
- Difficulty of travel to and from China (and to and from United States) arising from or related to the COVID-19 pandemic or any future pandemic.
- The Chinese government may favor its local businesses and make it more difficult for foreign businesses to operate in China on an equal footing, or create generally difficult conditions for foreign headquartered businesses to operate.
- Increased uncertainties related to the enforcement of contracts with certain parties.
- More restrictive rules on foreign investment could adversely affect our ability to expand our operations in China.
- Geopolitical tensions between China on the one hand and the United States and/or the European Union on the other hand, may increase and may lead to increased export sanctions with Chinese entities and sanctions made against China.

As a result of our growing operations in China, these risks could harm our business.

Further, on June 3, 2021, the President issued Executive Order 14032 (Addressing the Threat from Securities Investments that Finance Certain Companies of the People's Republic of China) targeting entities that are deemed part of the Chinese military-industrial complex. The executive order, and the subsequent Office of Foreign Assets Control additions to its Non-SDN Chinese Military-Industrial Complex Companies List, include one or more entities that have indirectly invested in us. Among other things, this executive order prohibits the purchase or sale of any publicly traded securities of a designated entity. We do not expect that this executive order will impact us; however, further government escalation of restrictions related to Chinese investors and dealings in securities could harm certain shareholders.

Additionally, on October 7, 2022, the Bureau of Industry and Security issued new export controls related to the Chinese semiconductor manufacturing, advanced computing, and supercomputer industries. The new export controls impose broad end-use and other restrictions on facilities in China that develop or produce semiconductor chips or manufacturing equipment, may impact our ability to license or support our products to entities in or doing business with certain advanced AI or "supercomputer" design companies, foundries and manufacturers of assemblies and components in China. We are still evaluating these complex new rules and are unable to quantitatively estimate any impacts at this time, but such restrictions, and any subsequent restrictions, may have an adverse effect on our business, results of operations, or financial condition. However, we currently anticipate that we may no longer be able to license or support our products to certain companies. Furthermore, increased restrictions on China exports may lead to regulatory retaliation by the Chinese government and possibly further escalate geopolitical tensions, and any such scenarios may adversely impact our business. The prospect of future export controls that are implemented in a similar manner may continue to have an ongoing impact on our business, results of operation, or financial conditions.

We anticipate conducting certain of our operations through joint venture arrangements with Chinese entities. If the Chinese government determines that these arrangements do not comply with applicable regulations, our business could be adversely affected. If the PRC regulatory agencies determine that the agreements that establish the structure and relationship for our operations in China do not comply with PRC regulatory restrictions on foreign investment, we could be subject to severe penalties. In addition, changes in such Chinese laws and regulations may materially and adversely affect our business.

There are uncertainties regarding the interpretation and application of PRC laws, rules and regulations, including, but not limited to, the laws, rules and regulations governing the validity and enforcement of the joint venture arrangement such as the one we are contemplating entering into with certain Chinese entities, including one of our shareholders who holds less than 5% of our outstanding common stock. Because many laws and regulations are relatively new, the interpretations of many laws, regulations and rules are not always uniform. Moreover, the interpretation of statutes and regulations may be subject to government policies reflecting domestic political agendas. Enforcement of existing laws or contracts based on existing law may be uncertain and sporadic. Although we believe, based on our understanding of the current PRC laws, rules and regulations, the structure for our current and contemplated operations based in China complies with all applicable PRC laws, rules and regulations and does not violate, breach, contravene or otherwise conflict with any applicable PRC laws, rules or regulations, we cannot assure you that the PRC regulatory authorities will not determine that such joint venture arrangements do not violate PRC laws, rules or regulations. If the PRC regulatory authorities determine that any joint ventures we may enter into are in violation of applicable PRC laws, rules or regulations, such joint venture arrangements may become invalid or unenforceable, which will substantially affect our operations adversely.

The Chinese government has broad discretion in dealing with violations of laws and regulations, including levying fines, revoking business and other licenses and requiring actions necessary for compliance. In particular, licenses and permits issued or granted by relevant governmental agencies may be revoked at a later time by other regulatory agencies. We cannot predict the effect of the interpretation of existing or new Chinese laws or regulations on our business. Any of these or similar actions could significantly disrupt our operations or restrict us from conducting a substantial portion of our operations, which could materially and adversely affect our business, financial condition and results of operations.

Joint ventures or similar investments are subject to a number of risks, the occurrence of which could adversely impact any of our current or future joint ventures or similar investments, which in turn could harm our business.

Joint ventures or similar investments such as the investment in Transchip as discussed elsewhere in this report, and other joint ventures or similar investments we may form in the future are subject to a number of risks, including but not limited to:

- Our joint venture or investment partners may not commit sufficient resources to market and distribute our products or to otherwise support the joint venture and its intended operations.
- Our joint venture or investment partners may have economic or business interests or goals that are different from ours.
- Our joint venture or investment partners may infringe the IP we assign to such joint venture, or the IP of other parties, which may expose us to litigation and other potential liabilities.
- Disputes may arise among us and our joint venture or investment partners that result in the delay or termination of activities contemplated by such joint venture or investment or that could result in costly litigation or arbitration that diverts management attention and resources.
- Our joint venture or investment partners may not provide us with timely and accurate information regarding the status or activities of the joint venture or investment which could, among other things, impact our ability to accurately forecast financial results or provide timely information to our shareholders.
- Risks associated with additional capital requirements.
- Any of the risks related to doing business in China or having a Chinese joint venture or investment that are discussed elsewhere in these risk factors.

The occurrence of one or more of the above risks, or any other negative events, could adversely impact our joint ventures or similar investments and could in turn harm our business.

We could be subject to changes in tax rates or the adoption of new tax legislation, whether in or out of the United States, or could otherwise have exposure to additional tax liabilities, which could harm our business.

As a multinational business, we are subject to income and other taxes in both the United States and various foreign jurisdictions. Changes to tax laws or regulations in the jurisdictions in which we operate, or in the interpretation of such laws or regulations, could, significantly increase our effective tax rate and reduce our cash flow from operating activities, and otherwise have a material adverse effect on our financial condition. In addition, other factors or events, including business combinations and investment transactions, changes in the valuation of our deferred tax assets and liabilities, adjustments to taxes upon finalization of various tax returns or as a result of deficiencies asserted by taxing authorities, increases in expenses not deductible for tax purposes, changes in available tax credits, changes in transfer pricing methodologies, other changes in the apportionment of our income and other activities among tax jurisdictions, and changes in tax rates, could also increase our effective tax rate.

Our tax filings are subject to review or audit by the U.S. Internal Revenue Service (the “IRS”) and state, local and foreign taxing authorities. We may also be liable for taxes in connection with businesses we acquire. Our determinations are not binding on the IRS or any other taxing authorities, and accordingly the final determination in an audit or other proceeding may be materially different than the treatment reflected in our tax provisions, accruals and returns. An assessment of additional taxes because of an audit could harm our business.

Further changes in the tax laws of foreign jurisdictions could arise, in particular, as a result of the base erosion and profit shifting project that was undertaken by the Organization for Economic Co-operation and Development (the OECD). The OECD, which represents a coalition of member countries, recommended changes to numerous long-standing tax principles. These changes, if adopted, could increase tax uncertainty and may adversely affect our provision for income taxes and increase our tax liabilities.

Our ability to use net operating losses to offset future taxable income may be subject to certain limitations.

We have incurred cumulative losses historically and it is possible that we will not achieve profitability in the future. Realization of our existing net operating loss (NOL) carryforwards and other tax attributes (such as research tax credits) depends on future taxable income, and there is a risk that our NOL carryforwards and other tax attributes could expire unused before we achieve profitability and be unavailable to offset future taxable income, which could materially and adversely affect our operating results.

In general, under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended (the "Code"), if a corporation undergoes an "ownership change," generally defined as a cumulative change of more than 50 percentage points (by value) in its equity ownership by certain stockholders over a three-year period, the corporation's ability to use its pre-change NOL carryforwards and other pre-change tax attributes (such as research tax credits) to offset its post-change income or taxes may be limited. We may have experienced ownership changes in the past and may experience additional ownership changes in the future, including as a result of subsequent changes in our stock ownership, some of which are outside our control. Accordingly, we may not be able to utilize a material portion of our NOL carryforwards, even if we achieve profitability.

The requirements of being a public company require significant resources and management attention and affect our ability to attract and retain executive management and qualified board members.

As a public company, we incur increased legal, accounting, compliance and other expenses that we did not previously incur as a private company. We are subject to the Exchange Act, including the reporting requirements thereunder, the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the rules and other applicable securities rules and regulations. These rules and regulations impose various requirements on public companies, including establishment and maintenance of effective disclosure and financial controls and corporate governance practices. Our management and other personnel need to devote a substantial amount of time to these compliance initiatives, which divert their attention away from our core business operations and revenue-producing activities. Moreover, compliance with these rules and regulations increases our legal and financial compliance costs, makes some activities more difficult, time-consuming or costly and increases demand on our systems and resources, particularly after we are no longer an ''emerging growth company.'' Further, we expect that these rules and regulations may make it more difficult and more expensive for us to obtain directors' and officers' liability insurance, which in turn could require us to incur substantially higher costs to obtain the same or similar coverage or accept reduced policy limits and coverage, which, if we accept such reduced policy limits and coverage, could make it more difficult for us to attract and retain qualified individuals to serve on our board of directors and as our executive officers. In addition, prior to our initial public offering, we were not required to comply with SEC requirements to have our financial statements completed and reviewed or audited within a specified time and, as such, we may experience difficulty in meeting the applicable reporting requirements under the Exchange Act. Any failure by us to file our periodic reports with the SEC in a timely manner could harm our reputation and reduce the trading price of our common stock.

We are evaluating these rules and regulations and cannot predict or estimate the amount of additional costs we may incur or the timing of such costs. These rules and regulations are often subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. In addition, if we fail to comply with these rules and regulations, we could be subject to a number of penalties, including the delisting of our common stock, fines, sanctions or other regulatory action or civil litigation.

If we fail to maintain an effective system of disclosure controls and internal control over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable regulations could be impaired.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. Our disclosure controls and other procedures are designed to ensure that information required to be disclosed by us in the reports that we file with the SEC is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that information required to be disclosed in reports under the Exchange Act is accumulated and communicated to our principal executive and financial officers, and we continue to evaluate how to improve controls. We are also continuing to improve our internal control over financial reporting. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we have expended, and anticipate that we will continue to expend, significant resources, including accounting-related costs and significant management oversight.

Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business. Further, weaknesses in our disclosure controls and internal control over financial reporting may be discovered in the future. Any failure to develop or maintain effective controls or any difficulties encountered in their implementation or improvement could harm our business or cause us to fail to meet our reporting obligations and may result in a restatement of our financial statements for prior periods. Any failure to implement and maintain effective internal control over financial reporting also could adversely affect the results of periodic management evaluations and annual independent registered public accounting firm attestation reports regarding the effectiveness of our internal control over financial reporting that we are required to include in our periodic reports that will be filed with the SEC. Ineffective disclosure controls and procedures and internal control over financial reporting could also cause investors to lose confidence in our reported financial and other information, which would likely have a negative effect on the trading price of our common stock. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed. We are not currently required to comply with the SEC rules that implement Section 404 of the Sarbanes-Oxley Act and are therefore not required to make a formal assessment of the effectiveness of our internal control over financial reporting for that purpose. As a public company, we are required to provide an annual management report on the effectiveness of our internal control over financial reporting commencing with our second annual report on Form 10-K.

Our independent registered public accounting firm is not required to formally attest to the effectiveness of our internal control over financial reporting until after we are no longer an “emerging growth company” as defined in the JOBS Act. At such time, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our internal control over financial reporting is documented, designed or operating. Any failure to maintain effective disclosure controls and internal control over financial reporting could harm our business and could cause a decline in the trading price of our common stock.

We are an “emerging growth company,” and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors.

We are an “emerging growth company,” as defined in the JOBS Act, and we could remain an emerging growth company until the last day of our fiscal year following the fifth anniversary of the closing of our initial public offering. For as long as we continue to be an emerging growth company, we may choose to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including, but not limited to:

- not being required to engage an auditor to report on our internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act;
- not being required to comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor’s report providing additional information about the audit and the financial statements (i.e., an auditor discussion and analysis);

- not being required to submit certain executive compensation matters to stockholder advisory votes, such as “say-on-pay,” “say-on-frequency,” and “say-on-golden-parachutes”; and
- not being required to disclose certain executive compensation related items such as the correlation between executive compensation and performance and comparisons of the chief executive officer’s compensation to median employee compensation.

In addition, as an emerging growth company, we are only permitted to provide two years of audited financial statements and two years of selected financial data (in addition to any required interim financial statements and selected financial data) in this report, and to present correspondingly reduced disclosure in “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

We have elected to take advantage of this reduced disclosure obligation and certain of the other exemptions described above and may elect to take advantage of these and other reduced reporting requirements in the future. As a result, the information that we provide to our stockholders may be different than the information you might receive from other public reporting companies in which you hold equity interests. In addition, the JOBS Act permits emerging growth companies to delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have elected to use this extended transition period for complying with new or revised accounting standards until the earlier of the date we (i) are no longer an emerging growth company; or (ii) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our consolidated financial statements and the reported results of operations contained therein may not be directly comparable to those of other public companies. We cannot predict whether investors will find our common stock less attractive because of our reliance on these exemptions. If some investors do find our common stock less attractive, there may be a less active trading market for our common stock and our stock price may be reduced or become more volatile.

We will remain an emerging growth company, and will be able to take advantage of the foregoing exemptions, until the last day of our fiscal year following the fifth anniversary of the closing of our initial public offering or such earlier time that we otherwise cease to be an emerging growth company, which will occur upon the earliest of (i) the last day of the first fiscal year in which our annual gross revenue are $1.07 billion or more; (ii) the date on which we have, during the previous three-year period, issued more than $1.0 billion in non-convertible debt securities; and (iii) the date that we become a “large accelerated filer” as defined in Rule 12b-2 under the Exchange Act, which will occur as of the end of any fiscal year in which (x) the market value of our common equity held by non-affiliates is $700 million or more as of the last business day of our most recently completed second fiscal quarter, (y) we have been required to file annual and quarterly reports under the Exchange Act for a period of at least 12 months and (z) we have filed at least one annual report pursuant to the Exchange Act.

Risks Related to Ownership of Our Common Stock

An active and liquid trading market for our common stock may not be sustained.

Our common stock is currently listed on the Nasdaq Stock Market under the symbol “AIP”. The price for our common stock may vary and an active or liquid market in our common stock may not be sustained. The lack of an active market may impair the value of your shares, your ability to sell your shares at the time you wish to sell them and the prices that you may obtain for your shares. An inactive market may also impair our ability to raise further capital by selling additional shares of our common stock and our ability to acquire other companies, products or technologies by using our common stock as consideration. Furthermore, there can be no guarantee that we will continue to satisfy the continued listing standards of the Nasdaq exchange. If we fail to satisfy the continued listing standards, we could be de-listed, which would negatively impact the value and liquidity of your investment.

Our stock price may be volatile, and investors in our common stock may not be able to resell shares of our common stock at or above the price paid, or at all.

The trading price of our common stock could be volatile and subject to wide fluctuations in response to various factors, many of which are beyond our control, including, but not limited to:

- variations in our actual or anticipated annual or quarterly operating results or those of others in our industry;
- the potential effects arising if U.S. inflationary and/or currency devaluation trends appear or increase;
- results of operations that otherwise fail to meet the expectations of securities analysts and investors;

- changes in earnings estimates or recommendations by securities analysts, or other changes in investor perceptions of the investment opportunity associated with our common stock relative to other investment alternatives;
- market conditions in the semiconductor industry;
- publications, reports or other media exposure of our products or those of others in our industry, or of our industry generally;
- announcements by us or others in our industry, or by our or their respective suppliers, distributors or other business partners, regarding, among other things, significant contracts, price reductions, capital commitments or other business developments, the entry into or termination of strategic transactions or relationships, securities offerings or other financing initiatives, and public reaction thereto;
- additions or departures of key management personnel;
- regulatory actions involving us or others in our industry, or actual or anticipated changes in applicable government regulations or enforcement thereof;
- the development and sustainability of an active trading market for our common stock;
- sales, or anticipated sales, of large blocks of our common stock, such as any sales that may occur following the expiration of the lockups entered into in connection with our initial public offering or any sales to cover tax obligations or exercise costs in connection with the vesting of restricted stock units or the exercise of options, respectively;
- general economic and securities market conditions; and
- other factors discussed in this “Risk Factors” section and elsewhere in this report.

Furthermore, the stock market in general has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of particular companies. Broad market and industry factors may significantly affect the market price of our common stock, regardless of our actual operating performance. These and other factors may cause the market price and demand for our common stock to fluctuate significantly, which may limit or prevent investors from readily selling their shares of common stock and may otherwise negatively affect the liquidity of our common stock. In addition, in the past, when the market price of a stock has been volatile, holders of that stock have sometimes instituted securities class action litigation against the company that issued the stock. If any of our stockholders were to bring a lawsuit against us, we could incur substantial costs defending the lawsuit. Such a lawsuit could also divert the time and attention of our management from our core business operations.

Since our stock price may be volatile, investors in our common stock may not be able to resell shares of our common stock at or above the price paid, or at all.

If equity research analysts or industry analysts do not publish research or reports about our business, or if they change their recommendations regarding our stock adversely, our stock price and trading volume could decline.

The trading market for our common stock is influenced by the research and reports that industry or equity research analysts publish about us or our business. As a newly public company, we may be slow to attract research coverage and the analysts who publish information about our common stock will have had relatively little experience with us, which could affect their ability to accurately forecast our results and could make it more likely that we fail to meet their estimates. If only a few securities or industry analysts commence coverage of us, the trading price for our common stock will be negatively impacted. When we obtain industry or equity research analyst coverage, we will not have any control over the analysts’ content and opinions included in their reports. If any of the analysts who cover us issue an adverse or misleading opinion regarding us, our business model, financial performance, stock price or otherwise, our stock price would likely decline. If one or more of these analysts ceases coverage of our company or fails to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline and result in the loss of all or a part of your investment in us.

Sales of a substantial number of shares of our common stock in the public market could cause our stock price to fall.

If our existing stockholders sell, or indicate an intention to sell, substantial amounts of our common stock in the public market, the market price of our common stock could decline. As of September 30, 2022, we had 33.3 million shares of common stock outstanding.

Shares of common stock that are either subject to outstanding options or reserved for future issuance pursuant to restricted stock unit grants, in each case, under our equity incentive plans are eligible for sale in the public market to the extent permitted by the provisions of various vesting schedules and Rule 144 and Rule 701 under the Securities Act. If these additional shares of common stock are sold, or if it is perceived that they will be sold, in the public market, the market price of our common stock could decline.

In addition, certain of our executive officers, directors and stockholders affiliated with our directors have entered or may enter into Rule 10b5-1 plans providing for sales of shares of our common stock from time to time. Under a Rule 10b5-1 plan, a broker executes trades pursuant to parameters established by the executive officer, director or affiliated stockholder when entering into the plan, without further direction from the executive officer, director or affiliated stockholder. A Rule 10b5-1 plan may be amended or terminated in some circumstances. Our executive officers, directors and stockholders affiliated with our directors also may buy or sell additional shares outside of a Rule 10b5-1 plan when they are not in possession of material, nonpublic information.

K. Charles Janac, our President, Chief Executive Officer and Chairman, beneficially owns a significant percentage of our stock and will be able to exert significant control over matters subject to stockholder approval.

As of September 30, 2022, K. Charles Janac, our President, Chief Executive Officer and Chairman, held voting power over approximately 32% of our outstanding voting stock. Therefore, this stockholder will have the ability to influence us through this ownership position. For example, this stockholder may be able to exercise significant influence over elections of directors, amendments of our organizational documents, or approval of any merger, sale of assets, or other major corporate transaction. This may prevent or discourage unsolicited acquisition proposals or offers for our common stock that you may feel are in your best interest as one of our stockholders.

Our issuance of additional capital stock in connection with financings, acquisitions, investments, our stock incentive plans or otherwise could dilute the ownership and voting power of our other stockholders.

We have 300,000,000 shares of common stock authorized but unissued, based on the number of shares of our common stock outstanding as of September 30, 2022. In addition, our Certificate of Incorporation authorizes us to issue up to 10,000,000 shares of preferred stock with such rights and preferences as may be determined by our board of directors. Our Certificate of Incorporation authorizes us to issue shares of common stock or other securities convertible into or exercisable or exchangeable for shares of our common stock from time to time, for the consideration and on the terms and conditions established by our board of directors in its sole discretion, whether in connection with a financing, an acquisition, an investment, our stock incentive plans or otherwise. Such additional shares of our common stock or such other securities may be issued at a discount to the market price of our common stock at the time of issuance. Our preferred stock could be issued with voting, liquidation, dividend and other rights superior to the rights of our common stock. As discussed below, the potential issuance of preferred stock may delay or prevent a change in control of us, discourage bids for our common stock at a premium to the market price, and materially and adversely affect the market price and the voting and other rights of the holders of our common stock. Any issuance of such securities could result in substantial dilution to our existing stockholders and cause the market price of shares of our common stock to decline.

We do not expect to declare or pay any dividends on our common stock for the foreseeable future.

We do not intend to pay cash dividends on our common stock for the foreseeable future. Consequently, investors must rely on sales of their shares of our common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment. Investors seeking dividends should not purchase shares of our common stock. Any future determination to pay dividends will be at the discretion of our board of directors and subject to, among other things, our compliance with applicable law, and depending on, among other things, our business prospects, financial condition, results of operations, cash requirements and availability, debt repayment obligations, capital expenditure needs, the terms of any preferred equity securities we may issue in the future, covenants in the agreements governing our current and future indebtedness, other contractual restrictions, industry trends, the provisions of the Delaware General Corporation Law (the "DGCL") affecting the payment of dividends and distributions to stockholders and any other factors or considerations our board of directors may regard as relevant. Furthermore, because we are a holding company, our ability to pay dividends on our common stock will depend on our receipt of cash distributions and dividends from our direct and indirect wholly owned subsidiaries, which may be similarly impacted by, among other things, the terms of any preferred equity securities these subsidiaries may issue in the future, debt agreements, other contractual restrictions and provisions of applicable law. See "Dividend Policy" in our 2021 Form 10-K for additional information.

Management may apply our net proceeds from our initial public offering to uses that do not increase our market value or improve our operating results.

Our management has broad discretion in the application of the net proceeds from our initial public offering and could use these proceeds in ways that do not improve our results of operations or enhance the value of our common stock. We intend to use these proceeds for general corporate purposes. We may also use a portion of our net proceeds to acquire or invest in complementary businesses, products, services or technologies, though we do not have any agreements or commitments for any significant acquisitions or investments at this time. We have not reserved or allocated our net proceeds for any specific purpose, and we cannot state with certainty how our management will use our net proceeds. Accordingly, our management will have considerable discretion in applying our net proceeds, and you will not have the opportunity, as part of your investment decision, to assess whether we are using our net proceeds appropriately. We may use our net proceeds for purposes that do not result in any improvement in our results of operations or increase the market value of our common stock. The failure by our management to apply the net proceeds from our initial public offering effectively could impair our growth prospects and result in financial losses that could harm our business and cause the price of our common stock to decline. Until the net proceeds we receive are used, they may be placed in investments that do not produce income or that lose value.

Provisions in our Certificate of Incorporation and Bylaws and under the DGCL contain antitakeover provisions that could prevent or discourage a takeover.

Provisions in our Certificate of Incorporation and our Bylaws may discourage, delay or prevent a merger, acquisition or other change in control of our company that stockholders may consider favorable, including transactions in which you might otherwise receive a premium for your shares. These provisions could also limit the price that investors might be willing to pay in the future for shares of our common stock, thereby depressing the market price of our common stock. In addition, because our board of directors is responsible for appointing the members of our management team, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors. Among other things, these provisions include those establishing:

- a classified board of directors with three-year staggered terms, which may have the effect of deferring, delaying or discouraging hostile takeovers, or changes in control of us or our management;
- no cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates;
- the exclusive right of our board of directors to elect a director to fill a vacancy created by the expansion of the board of directors or the resignation, death or removal of a director, which prevents stockholders from filling vacancies on our board of directors;
- the ability of our board of directors to authorize the issuance of shares of preferred stock and to determine the terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquirer;

- the ability of our board of directors to alter our bylaws without obtaining stockholder approval;
- the required approval of the holders of at least two-thirds of the shares entitled to vote at an election of directors to amend or repeal our bylaws or amend the provisions of our Certificate of Incorporation regarding the election and removal of directors;
- a prohibition on stockholder action by written consent, which forces stockholder action to be taken at an annual or special meeting of our stockholders;
- the requirement that a special meeting of stockholders may be called only by the chairman of the board of directors or a majority of our board of directors, which may delay the ability of our stockholders to force consideration of a proposal or for stockholders controlling a majority of our capital stock to take action, including the removal of directors; and
- advance notice procedures that stockholders must comply with in order to nominate candidates to our board of directors or to propose matters to be acted upon at an annual meeting or special meeting of stockholders, which may discourage or delay a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of us until the next stockholder meeting or at all.

In addition, we are subject to Section 203 of the DGCL. Subject to specified exceptions, Section 203 prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder unless such transaction is approved in a prescribed manner. "Business combinations" include mergers, asset sales and other transactions resulting in a financial benefit to the "interested stockholder." Subject to various exceptions, an "interested stockholder" is a person who, together with his or her affiliates and associates, owns, or within three years did own, 15% or more of the corporation's outstanding voting stock.

Any provision of our Certificate of Incorporation, Bylaws or Delaware law that has the effect of delaying or preventing a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our capital stock and could also affect the price that some investors are willing to pay for our common stock.

Our Certificate of Incorporation provides that the Court of Chancery of the State of Delaware is the exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our Certificate of Incorporation provides that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware (the "Delaware Court of Chancery") will be the exclusive forum for (1) any derivative action or proceeding brought on our behalf; (2) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees or stockholders to us or our stockholders; (3) any action asserting a claim against us, any director or our officers and employees arising pursuant to any provision of the DGCL, our Certificate of Incorporation or our Bylaws, or as to which the DGCL confers exclusive jurisdiction on the Delaware Court of Chancery; or (4) any action asserting a claim against us, any director or our officers or employees that is governed by the internal affairs doctrine; provided that, the exclusive forum provision will not apply to suits brought to enforce any liability or duty created by the Securities Act, the Exchange Act, the rules and regulations thereunder or any other claim for which the federal courts have exclusive jurisdiction; and provided further that, if and only if the Delaware Court of Chancery dismisses any such action for lack of subject matter jurisdiction, such action may be brought in another state or federal court sitting in the State of Delaware. Our Certificate of Incorporation further provides that, unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States of America shall, to the fullest extent permitted by law, be the sole and exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock shall be deemed to have notice of and to have consented to the provisions of our Certificate of Incorporation described above.

We believe these provisions benefit us by providing increased consistency in the application of the DGCL by chancellors particularly experienced in resolving corporate disputes and in the application of the Securities Act by federal judges, as applicable, efficient administration of cases on a more expedited schedule relative to other forums and protection against the burdens of multi-forum litigation. However, these provisions may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees or agents, which may discourage such lawsuits against us and our directors, officers and other employees and agents. The enforceability of similar choice of forum provisions in other companies' certificates of incorporation has been challenged in legal proceedings, and it is possible that, in connection with any applicable action brought against us, a court could find the choice of forum provisions contained in our Certificate of Incorporation to be inapplicable or unenforceable in such action. If a court were to find the choice of forum provision contained in our Certificate of Incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business.

General Risk Factors

Actions of stockholders could cause us to incur substantial costs, divert management's attention and resources and have an adverse effect on our business.

As a public company, we may, from time to time, be subject to proposals and other requests from stockholders urging us to take certain corporate actions, including proposals seeking to influence our corporate policies or effect a change in our management. In the event of such stockholder proposals, particularly with respect to matters which our management and board of directors, in exercising their fiduciary duties, disagree with or have determined not to pursue, our business could be harmed because responding to actions and requests of stockholders can be costly and time-consuming, disrupting our operations and diverting the attention of management and our employees. Additionally, perceived uncertainties as to our future direction may result in the loss of potential business opportunities and may make it more difficult to attract and retain qualified personnel, business partners and customers.

Litigation*, including securities class action litigation, may impair our reputation and lead us to incur significant costs*.

From time to time, we may be party to various lawsuits and claims arising in the normal course of business, which may include lawsuits or claims relating to contracts, third-party contractors, IP, employment matters or other aspects of our business. In addition, in the past, following periods of volatility in the overall market and the market price of a company's securities, securities class action litigation has often been instituted against companies that experienced such volatility. Litigation, if instituted against us, whether or not valid and regardless of outcome, could result in substantial costs, reputational harm and a diversion of our management's attention and resources. In addition, we may be required to pay damage awards or settlements or become subject to injunctions or other equitable remedies, which could harm our business. The outcome of litigation is often difficult to predict, and any litigation may harm our business.

Although we have various insurance policies in place, the potential liabilities associated with litigation matters now or that could arise in the future, could be excluded from coverage or, if covered, could exceed the coverage provided by such policies. In addition, insurance carriers may seek to rescind or deny coverage with respect to any claim or lawsuit. If we do not have sufficient coverage under our policies, or if coverage is denied, we may be required to make material payments to settle litigation or satisfy any judgment. Any of these consequences could harm our business.

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

(a) Sales of Unregistered Securities

None.

(b) Use of Proceeds from Public Offering of Common Stock

Our Registration Statement on Form S-1, as amended (File No. 333-259988) (the "Form S-1"), for our IPO was declared effective by the SEC on October 26, 2021. The Form S-1 registered the offering and sale of 5,750,000 shares of common stock. On October 29, 2021, we completed our IPO, in which we issued 5,750,000 shares of

common stock at a price to the public of $14.00 per share, including 750,000 shares issued upon the full exercise of the underwriters' option to purchase additional shares. We received net proceeds of approximately $71.1 million after deducting underwriting discounts and commissions and offering costs of approximately $3.8 million.

Jefferies LLC and Cowen served as lead book-running managers and BMO Capital Markets served as joint book-running manager for the offering. Northland Capital Markets and Rosenblatt Securities acted as co-managers.

No payments were made to our directors or officers or their associates, holders of 10% or more of any class of our equity securities or any affiliates in connection with the issuance and sale of the securities registered.

There has been no material change in the planned use of proceeds from our IPO as described in our Final Prospectus for the IPO dated as of October 26, 2021 and filed with the SEC pursuant to Rule 424(b)(4) on October 28, 2021.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	Description of Exhibit	Form	Exhibit	Filing Date	Filed Herewith
3.1	Amended and Restated Certificate of Incorporation of Arteris, Inc.	8-K	3.1	10-29-2021	
3.2	Amended and Restated Bylaws of Arteris, Inc.	8-K	3.2	10-29-2021	
4.1	Specimen Stock Certificate evidencing the shares of common stock.	S-1/A	4.1	10-18-2021	
10.1	Transchip Share Purchase and Shareholders Agreement				X
10.2	2022 Employment Inducement Award Plan				X
10.3	Form of Stock Option Grant Notice and Stock Option Agreement under the 2022 Employment Inducement Award Plan				X
10.4	Form of Restricted Stock Unit Award Grant Notice and Restricted Stock Unit Award Agreement under the 2022 Employment Inducement Award Plan				X
31.1	Certification of Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
31.2	Certification of Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
32.1*	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
32.2*	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
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.				X
101.SCH	XBRL Taxonomy Extension Schema Document.				X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.				X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.				X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.				X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.				X
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibits 101).				X

* The certifications attached as Exhibits 32.1 and 32.2 that accompany this Quarterly Report on Form 10-Q, are deemed furnished and not filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of Arteris, 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 this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

Signatures

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

Date: November 8, 2022

Arteris, Inc.

By:	/s/ K. Charles Janac
Name:	K. Charles Janac
Title:	President and Chief Executive Officer *(Principal Executive Officer)*

By:	/s/ Nicholas B. Hawkins
Name:	Nicholas B. Hawkins
Title:	Vice President and Chief Financial Officer *(Principal Financial and Accounting Officer)*

SHARE PURCHASE AND SHAREHOLDERS AGREEMENT

among

Arteris HK Limited

Transchip Technology (Nanjing) Co., Ltd.

Arteris Semiconductor Technology (Nanjing) Co., Ltd.

SME Development (Shaoxing) Venture Fund, LLP

Jiaxing Luojia Chuanzhi Investment Partnership Enterprise (Limited Partnership)

Gongqing City Guinie Zhuyu No. 3 Investment Partnership (Limited Partnership)

Jiaxing Catalpa Huixin Investment Partnership Enterprise (Limited Partnership)

Gongqing City Guinie Zhuyu No. 5 venture capital partnership (limited partnership)

Huzhou Hangxin Rongxie Equity Investment Partnership (Limited partnership)

and

Ningbo Transchip Information Consulting Partnership (Limited Partnership)

Date: September 15, 2022

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Schedule 1 Rights of the Investing Parties

SHARE PURCHASE AND SHAREHOLDERS AGREEMENT PREAMBLE

THIS SHARE PURCHASE AND SHAREHOLDERS AGREEMENT, dated this 15th day of September, 2022 (this "**Agreement**"), is made by and among:

(a) **Transchip Technology (Nanjing) Co., Ltd.** (传智驿芯科技（南京）有限公司), a limited liability company incorporated under the laws of the PRC (the "**Company**");

(b) **Arteris HK Limited,** a company incorporated under the laws of Hong Kong **("AHK")**;

(c) **Arteris Semiconductor Technology (Nanjing) Co., Ltd.** (安通思半导体技术（南京）有限公司), a limited liability company incorporated under the laws of the PRC (the "**Original Shareholder**" or "**Arteris Nanjing**");

(d) **SME Development (Shaoxing) Venture Fund, LLP** 中小企业发展基金（绍兴）股权投资合伙企业（有限合伙),a limited partnership organized under the laws of the PRC ("**Investor A**" or "**SME**");

(e) **Jiaxing Luojia Chuangzhi Investment Partnership Enterprise (Limited Partnership)** (嘉兴珞珈传智股权投资合伙企业（有限合伙)), a limited partnership organized under the laws of the PRC ("**Investor B" or "Luojia");**

(f) **Gongqing City Guinie Zhuyu No. 3 Investment Partnerhip (Limited Partnership)**共青城圭臬珠玉三号投资合伙企业（有限合伙),a limited partnership organized under the laws of the PRC ("**Investor C**" or "**Guinie**");

(g) Jiaxing Catalpa Huixin Investment Partnership Enterprise (Limited Partnership) 嘉兴梓禾惠芯股权投资合伙企业（有限合伙）, a limited partnership organized under the laws of the PRC **("Investor D"** or **"Catalpa Capital**")

(h) Gongqing City Guinie Zhuyu No. 5 venture capital partnership (limited partnership) 共青城圭臬珠玉五号创业投资合伙企业（有限合伙）, a limited partnership organized under the laws of the PRC ("**Investor E**" or "**Guinie Zhuyu**")

(i) Huzhou Hangxin Rongxie Equity Investment Partnership (Limited partnership) 湖州航信荣协股权投资合伙企业(有限合伙) , a limited partnership organized under the laws of the PRC ("**Investor F**" or "**Hangxin Rongxie**")

(Investor A, Investor B, Investor C, Investor D, Investor E and Investor F collectively "**Investors**" and each an "**Investor**"); and

(j) **Ningbo Transchip Information Consulting Partnership (Limited Partnership)** (宁波传智驿芯信息咨询合伙企业（有限合伙), a limited partnership organized under the laws of the PRC ("**Management Co.**").

together the "**Parties**" and each a "**Party**".

WHEREAS,

(a) Series A investments in the Company under this Agreement were made by Investor A, Investor B, Investor C, Management Co., and AHK which closed June 20, 2022 ("First

Closing"). Investor D, Investor E and Investor F desire to subscribe for certain additional Series A capital contributions to the Company under the second closing described below ("Second Closing") (references to "Closing" below refer to the Second Closing as applicable); and

(b) To protect the Investing Parties' investment interests and to regulate the Shareholders' rights and obligations in the Company, the Parties agree to enter into this Agreement.

NOW the Parties agree as follows:

ARTICLE 1 DEFINITIONS AND INTERPRETATION RULES

1.1 Definitions

The terms used in this Agreement have the meanings set forth below:

"**Affiliate**" means, with respect to any specified Person, any other Person that directly, or indirectly, Controls, is Controlled by, or is under common Control with, such specified Person;

"**Approved Sale**" has the meaning set forth in Section 5.1 of Schedule 1; "**Approved Sale Date**" has the meaning set

forth in Section 5.3 of Schedule 1;

"**Articles of Association**" means the articles of association of the Company, as amended or supplemented from time to time;

"**Board**" means the board of directors of the Company; "**Breaching Party**" has the meaning set forth

in Section 14.1;

"**Business**" means the development, sale, distribution and promotion of products in China;

"**Business Day**" means any day that is not a Saturday, Sunday, public holiday or other day on which commercial banks are required or authorized to be closed in the PRC.

"**Business License**" means the business license of the Company issued by the Registration Authority;

"**Chairman**" has the meaning set forth in Section 5.3; "**CFO**" has the meaning set forth in

Section 7.1(c); "**Closing**" has the meaning set forth in Section 3.2;

"**Closing Conditions**" has the meaning set forth in Section 3.1; "**Closing Date**" has the meaning set forth

in Section 3.2; "**Confidential Information**" has the meaning set forth in Section 8.1;

"**Control**" (including the terms "Controlled by" and "under common Control with") means the direct or indirect possession of the decision-making authority over the management and policies of a Person, no matter through the ownership of voting securities, through contract or otherwise, including but not limited to, the direct or indirect ownership of securities with the right to elect a majority of the board or similar organ of authority that governing the affairs of such Person;

"**Dilutive Equity**" has the meaning set forth in Section 2.1 of Schedule 1; "**Dilutive Issuance**" has the meaning set forth in Section 2.1 of Schedule 1; "**Directors**" has the meaning set forth in Section 5.1;

"**Disputes**" has the meaning set forth in Section 15.2;

"**Drag-Along Holder**" has the meaning set forth in Section 5.1 of Schedule 1; "**Drag-Along Notice**" has the meaning set forth in Section 5.3 of Schedule 1; "**Dragged Holders**" has the meaning set forth in Section 5.1 of Schedule 1; "**ESOP**" has the meaning set forth in Section 2.3(e);

"**Establishment Date**" means the establishment date recorded on the first Business License;

"**General Manager**" has the meaning set forth in Section 7.1(a); "**Indemnitees**" has the meaning set forth in Section 14.1; "**Indemnifying Party**" has the meaning set forth in Section 14.1;

"**Issuance Equity**" has the meaning set forth in Section 4.1 of Schedule 1; "**Issuance Notice**" has the meaning set forth in Section 4.2 of Schedule 1;

"**Investing Parties**" means AHK and the Investors (excluding Management Co.), and "**Investing Party**" means any of them.

"**Investing Party Purchase Price**" means the per-unit purchase price for the registered capital subscribed pursuant to this Agreement for Investor D, Investor E and Investor F or the per-unit purchase price for the registered capital subscribed pursuant to SHARE PURCHASE AND SHAREHOLDERS AGREEMENT dated on Feb 21st,2022 for
Investor A, Investor B and Investor C at the First Closing (as appropriately adjusted for any dividend or split upon restructuring into a joint stock corporation, or any securities or equivalents issued upon the public offering of shares of the Company in the PRC or an offshore stock market), which shall be RMB 1.00 per unit of Registered Capital.

"**Key Employees**" means key employees identified before Closing, each of whose employment agreements are to be completed before Closing.

"**Lead Investor**" means Investor A.

"**Licensed Items**" has the meaning set forth in Section 10.2;

"**Liquidation Committee**" has the meaning set forth in Section 13.1(a); "**Liquidation Event**" has the meaning set forth in Section 1.1 of Schedule 1; "**Liquidation Preference**" has the meaning set forth in Section 1.1 of Schedule 1;

"**New Investor's Interest Rate**" has the meaning set forth in Section 1.2 of Schedule 1;

"**Notice Period of Redemption**" has the meaning set forth in Section 7.3 of Schedule 1;

"**Over-Allotment Issuance Equity**" has the meaning set forth in Section 4.4 of Schedule 1;

"**Party**" and "**Parties**" has the meaning set forth in the Preamble;

"**Person**" means any individual, partnership, social organization, enterprise, company, association, trust, unincorporated organization or other entity or institution;

"**Potential Purchaser**" has the meaning set forth in Section 5.1 of Schedule 1;

"**PRC**" or "**China**" means the People's Republic of China, including the Hong Kong Special Administrative Region, Macao Special Administrative Region and Taiwan ; solely for the purpose of this Agreement, excluding the Hong Kong Special Administrative Region, Macao Special Administrative Region and Taiwan;

"**PRC Accounting System**" means the PRC Generally Accepted Accounting Principles;

"**PRC Laws**" means any published and effective PRC laws, administrative regulations, department rules and provisions and related local regulations, rules and provisions;

"**Preemptive Rights**" has the meaning set forth in Section 4.1 of Schedule 1; "**Preemptive Rights Holders**" has the meaning set forth in Section 4.1 of Schedule 1; "**Proposed Transferee**" has the meaning set forth in Section 3.2 of Schedule 1; "**Senior Management Personnel**" has the meaning set forth in Section 7.1(d); "**Settlement Document**" has the meaning set forth in Section 6 of Schedule 1; "**Shareholder**" means a shareholder of the Company;

"**Registered Capital**" means the registered capital of the Company and any warrant, option, commitment or security convertible into, exchangeable or exercisable for the registered capital of the Company;

"**Registration Authority**" means the State Administration for Market Regulation of the PRC or its authorized local counterpart in charge of the registration of the Company;

"**Remaining Transfer Equity**" has the meaning set forth in Section 3.2 of Schedule 1; "**Renminbi**" or "**RMB**" means the lawful currency of the PRC;

"**Second ROFR Holder**" has the meaning set forth in Section 3.2 of Schedule 1;

"**Second Transfer Notice**" has the meaning set forth in Section 3.2 of Schedule 1;

"**Shareholders' Meeting**" means the supreme decision-making body of the Company, consisting of all of the Shareholders.

"**Supervisors**" has the meaning set forth in Section 6.1;

"**Tag Along Equity**" has the meaning set forth in Section 3.3 of Schedule 1; "**Tag Along Right**" has the meaning set forth in Section 3.3 of Schedule 1; "**Technology License Agreement**" has the meaning set forth in Section 10.2; "**Term**" has the meaning set forth in Section 12.1;

"**Transaction Documents**" means (a) this Agreement, and (b) the Articles of Association of the Company.

"**Transfer Equity**" has the meaning set forth in Section 3.2 of Schedule 1; "**Transfer Notice**" has the meaning set forth in Section 3.2 of Schedule 1; "**Transferring Party**" has the meaning set forth in Section 3.2 of Schedule 1; "**U.S.**" means the United States of America;

"**U.S. Dollars**" or "**US$**" means the lawful currency of the U.S..

1.1 Rules of Interpretation

(a) Unless otherwise provided, all the terms, annexes and appendices referred to in this Agreement refer to the terms, annexes and appendices of this Agreement. "Of this Agreement", "in this Agreement", "under this Agreement" and other wordings with similar meaning used in this Agreement refer to this Agreement as a whole rather than any article or section of this Agreement.

(b) Reference to any document (including this Agreement) includes the amendment, supplement or replacement of that document from time to time.

(c) Reference to any Party includes any successor of its proprietorship or any permitted assigns.

(d) Reference to the singular includes the plural and *vice versa*; reference to any gender includes all the other genders.

(e) General words shall not be given a restrictive meaning by any particular examples introduced by "including", "such as" or any similar expressions.

(f) The insertion of headings in this Agreement is for convenience of reference only and shall not define or limit the articles and sections of this Agreement.

ARTICLE 2 SUBSCRIPTION AND TRANSFER OF REGISTERED CAPITAL

2.1 Capital Contributions of Investor D, Investor E and Investor F

The Registered Capital of the Company shall be increased from RMB **196,500,000** at the First Closing to RMB **226,500,000** at the Second Closing ("**Capital Increase**"). The Investor D, Investor E and Investor F agree to subscribe for and contribute the amounts of Registered Capital of the Company (each, a "**Capital Contribution Amount**") as follows (the "**Capital Contributions**"):

(a) Catalpa Capital agrees to subscribe for and contribute RMB 10,000,000 in cash, representing 4.4150% of the Registered Capital of the Company immediately after Closing;

(b) Guinie Zhuyu agrees to subscribe for and contribute RMB 10,000,000 in cash, representing 4.4150% of the Registered Capital of the Company immediately after Closing; and

(c) Hangxin Rongxie agrees to subscribe for and contribute RMB 10,000,000 in cash, representing 4.4150% of the Registered Capital of the Company immediately after Closing.

2.1 Timing of Capital Contribution

Subject to the provisions of Section 3.2 below, the Parties shall contribute their respective subscribed capital contributions to the Company as provided below.

2.2 Registered Capital

The Registered Capital of the Company is consisted of as follows immediately after Closing (for the avoidance of doubt, contributions (a), (b), (c), (d) and (h) below were made at the First Closing and their updated percentage ownership of Registered Capital is effective after the Closing):

(d) AHK contributes RMB 79,230,000 representing 34.9802% of the Registered Capital of the Company immediately after the Closing, in which (I) RMB 77,330,000 is contributed in-kind by way of a technology license for Licensed Items under the Technology License Agreement at appraised value, representing 34.1413% of the Registered Capital of the Company immediately after the Closing
(II) RMB 1,700,000 in cash is contributed to the Company, representing 0.7506% of the Registered Capital of the Company immediately after the Closing, and (III) RMB 200,000 in cash has been paid to Arteris Nanjing for the Initial Registered Capital of the Company that transferred earlier from Arteris Nanjing to AHK and representing 0.0883% of the Registered Capital of the Company immediately after Closing;

(e) SME contributes RMB 30,000,000 in cash, representing 13.2450% of the Registered Capital of the Company immediately after Closing;

(f) Luojia contributes RMB 20,000,000 in cash, representing 8.8300% of the Registered Capital of the Company immediately after Closing.

(g) Guinie contributes RMB 26,500,000 in cash, representing 11.6998% of the

Registered Capital of the Company immediately after Closing;

(h) Catalpa Capital contributes RMB 10,000,000 in cash, representing 4.4150% of the Registered Capital of the Company immediately after Closing;

(i) Guinie Zhuyu contributes RMB 10,000,000 in cash, representing 4.4150% of the Registered Capital of the Company immediately after Closing;

(j) Hangxin Rongxie contributes RMB 10,000,000 in cash, representing 4.4150% of the Registered Capital of the Company immediately after Closing; and

(k) Management Co contributes RMB 40,770,000 which representing 18.0000% of the Registered Capital of the Company, which shall be reserved for employees under an Employee Shares Option Plan (the "**ESOP**") or another vehicle used for employee stock options.

ARTICLE 3 CAPITAL CONTRIBUTION OF INVESTING PARTIES

3.4 Closing Conditions.

The obligation of Investor D, Investor E and Investor F to contribute their respective capital contributions to the Company as contemplated in Section 2.1 above will be subject to the satisfaction (or waiver in writing by the applicable Investing Party) of the following Second Closing conditions ("**Closing Conditions**"):

(l) Each of the Transaction Documents shall have been duly executed by the applicable parties thereto;
(m) The investment committee of Investor D, Investor E and Investor F if applicable shall have issued final approval for the Investor's investment in the Company contemplated in this Agreement;
(n) All approvals and consents required to be obtained in connection with the Transaction from any third party, governmental authority, and the decision- making authority of the Company shall have been obtained;
(o) The board of directors of AHK and Arteris, Inc., which is AHK's parent company, shall have approved the transactions contemplated hereunder.

3.1 Closing

The closing of the Second Closing's Capital Contributions ("**Closing**") shall occur no later than on the tenth (10^{th}) Business Day (or another day as agreed by the Parties in writing; the day of the Closing agreed by the Parties is the "**Closing Date**") following the fulfilment of all Closing Conditions (unless otherwise waived in writing by the applicable Investor D, Investor E and Investor F). For the avoidance of doubt, each Party shall complete its respective Closing agreed under this agreement independently and separately. If any Party fails to conduct the corresponding Closing, it shall not affect other Parties to complete their respective Closings under this agreement.

(p) On or before the Closing Date, Investor D, Investor E and Investor F shall pay their Capital Contribution Amount by wire transfer of immediately available funds to the bank account as notified by the Company to the Investors in writing.

(q) On the Closing Date and after the Company's receipt of respective contributions, the Company shall deliver to each Investing Party the Company's updated register of shareholders and an investment certificate issued by the Company, reflecting such

Investing Party having contributed its Capital Contribution Amount and having become a shareholder holding the Registered Capital of the Company in the amount of the applicable Capital Contribution Amount.

(r) Promptly following the Closing Date, the Company shall, and the Shareholders shall cause the Company to, use its reasonable best efforts apply to the Registration Authority and any other applicable Chinese regulatory entities for filings and registrations with respect to the Capital Increase and the updated Articles of Association (as required by the PRC Laws).

3.5 Rights of the Investing Parties

The provisions of Schedule 1 will become effective, and all the Investing Parties will enjoy the rights granted to them under Schedule 1, only upon completion of the Closing and on and after the Closing Date.

ARTICLE 4 SHAREHOLDERS' MEETING

4.13 Quorum

Shareholders present in person or by proxy, which shall hold at least two thirds (2/3) of the voting rights of all Shareholders, shall constitute quorum for purpose of a meeting of the Shareholders' Meeting.

4.14 Resolution of Shareholders' Meeting

The Shareholders shall exercise their voting rights at a meeting of the Shareholders' Meeting in proportion to their respective contributions to the Registered Capital. Save for the matters to be resolved by special resolutions in Section 4.4, all matters to be decided by the Shareholders shall be resolved by ordinary resolution. To adopt an ordinary resolution, a simple majority of the voting rights of all Shareholders in attendance or by proxy, must be cast in favor of the resolution. To adopt a special resolution, two thirds (2/3) of the voting rights of all Shareholders must be cast in favor of the resolution.

4.15 Ordinary Resolutions

The following matters shall be resolved by ordinary resolutions at a meeting of the Shareholders' Meeting:

(s) determining the Company's operational guidelines and investment plans;

(t) electing and changing the Directors and the Supervisors and determining matters relating to their salaries and compensation;

(u) approving the reports of the Board of Directors;

(v) approving the reports of the Supervisors;

(w) approving annual budgets and business plans of the Company, and any revisions thereof;

(x) approving profit distribution plans and loss recovery plans of the Company; and

(y) other matters to be decided the Shareholders (other than (a) through (f) above and the matters set forth in Section 4.4) as specified in this Agreement and the Articles of Association.

4.1 Special Resolutions

The following matters shall be resolved by special resolutions at a meeting of the Shareholders' Meeting:

(z) approving any amendment to the Articles of Association;

(aa) approving any increase or reduction of the Company's Registered Capital;

(ab) approving termination and dissolution of the Company;

(ac) approving any merger or division, or change of corporate form of the Company; and

(ad) approving the establishment, adoption of, any change or amendment to the ESOP and the grant of options or incentives under the ESOP.

4.16 The Initial Meeting of the Shareholders' Meeting

The initial meeting of the Shareholders' Meeting after the Closing shall be convened and presided over by the person designated by Management Co. subject to China's Company Law. The initial meeting of the Shareholders' Meeting after the Closing shall discuss and adopt resolutions with respect to the following matters:

(ae) election of the Board of Directors as per the provisions of this Agreement; and

(af) election of the Supervisors as per the provisions of this Agreement.

4.2 Regular Meeting

A regular meeting of the Shareholders' Meeting shall be held once (1) a year, and shall be convened by the Board and presided over by the Chairman. Where the Chairman is unable to or does not perform his or her function, the meeting shall be presided over by a Director designated in writing by the Chairman and/or preapproved by a majority of the Board.

4.3 Interim Meeting

An interim meeting of the Shareholders' Meeting shall only be held if proposed by the Shareholders representing ten percent (10%) or more of the voting rights, or by a Supervisor. The interim meeting shall be presided over by the Chairman or a Director designated in writing by the Chairman and preapproved by a majority of the Board.

4.4 Place and Method of Meeting

Each meeting of the Shareholders' Meeting generally shall be held at the registered address of the Company or such other address in the PRC or abroad as is designated by the Chairman. A meeting of the Shareholders' Meeting may be held by any method which allows all participants to hear and be heard simultaneously throughout the meeting, such as telephone, video-conferencing or other electronic communicating methods.

Participation in the meeting through such method by a Shareholder shall be deemed presence in person by such Shareholder at the meeting.

4.5 Attending the Meeting

Each Shareholder shall attend the Shareholders' Meeting in person or by video or audio conference, or entrust other person(s) by proxy in writing to attend the meeting and exercise rights specified in the entrustment letter.

4.6 Notice

Each Shareholder shall be given written notice by the Company at least fifteen (15) days before a meeting of the Shareholders' Meeting is held.

4.7 Meeting Minutes

The minutes of a Shareholders' Meeting shall be taken by a Person designated by the Chairman. A transcript of such minutes shall be prepared by such designated Person in the Chinese and English languages and shall be delivered to each Shareholder as soon as reasonably practicable following such meeting of the Shareholders' Meeting. The Shareholders shall sign or seal all resolutions duly adopted by the Shareholders' Meeting and the minutes pursuant to this Agreement as soon as reasonably practical following the delivery of such resolutions or minutes to the Shareholders.

4.8 Written Resolution

In lieu of a meeting of the Shareholders' Meeting, a written resolution may be adopted by the Shareholders if such resolution is sent to all Shareholders and is affirmatively signed and adopted by all Shareholders. The written resolution shall be made in writing with the signatures or seals of all Shareholders. Such resolution shall be filed with the minutes of Shareholders' Meetings and shall have the same force and effect as resolutions adopted by Shareholders present in person or by proxy at a duly convened meeting of the Shareholders' Meeting.

ARTICLE 5 BOARD

5.10 Composition of the Board

The Board shall consist of five (5) directors ("**Directors**"), allocated as follows.

(ag)AHK shall be entitled to nominate and appoint two (2) Directors.
(ah)Investor A shall be entitled to nominate and appoint one (1) Director.
(ai) Investor B shall be entitled to nominate and appoint one (1) Director.
(aj) The remaining one (1) Director shall be appointed by Management Co.

All persons appointed as Directors shall meet the qualification requirements for company directors as specified in PRC Laws. All Parties undertake to vote in favor of the candidates for Directors and Chairman as nominated by each Party pursuant to this provision to be elected on Shareholders' Meeting.

5.1 Term of Office

The term of each Director shall be three (3) years, and each Director shall be nominated by the Party to this Agreement that originally nominated such Director, on or prior to the

conclusion of such Director's then-current term. If a seat on the Board is vacated by the retirement, removal, resignation, illness, disability or death of a Director, the Party that originally nominated such Director shall be entitled to nominate a successor for election at the next relevant meeting of the Shareholders' Meeting. The term of such successor Director shall end upon expiry of the term of the original Director. A Director may serve consecutive terms if nominated again by the Party who originally nominated that person and elected by the relevant meeting of the Shareholders' Meeting. Any Director may resign at any time upon written notice to the Company and the Party who originally nominated that Director.

5.2 Chairman

(ak) The Chairman is the legal representative of the Company. The Chairman shall convene and preside over Board meetings, and exercise his or her powers within the limits given by the Board in accordance with this Agreement and the Articles of Association.

(al) When the Chairman is unable to perform his or her duties (including convening and presiding over Board meetings) for any reason, he or she shall appoint another Director to act on his or her behalf in accordance with China's Company Law. If the Chairman further fails to appoint such Director, any Director elected by no less than half of the remaining Directors except the Chairman shall act on behalf of the Chairman until a new Chairman is elected by the Board.

5.11 Board Meetings

(am) In each calendar year, the Board shall convene at least one (1) regular meeting to examine the operations and approve major matters of the Company. Upon written request of two (2) or more of the Directors, the Chairman shall convene an interim Board meeting to discuss relevant matters within ten (10) days after his or her receipt of such request. Board meetings may be attended by the Directors in person, or through television conference, video conference, tele- conference or other similar communication methods, so long as all attending Directors are able to hear each other and to communicate, and all such Directors are deemed to attend the Board meeting by presenting in this meeting in person.

(an) All Board meetings shall be convened and presided over by the Chairman. The Chairman shall give written notice of any Board meeting to each of the Directors at least ten (10) days prior to the meeting, which notice shall specify the time, place, agenda of the meeting and other documents related to such Board meeting (if any). Any Board meeting held without giving proper and timely notice to each of the Directors shall be invalid unless each of the Directors who did not receive proper and timely notice delivers a written waiver to the Chairman either before or after the meeting of the Board or attends the meeting. Board meetings shall be held at the registered address of the Company or such other place inside or outside the PRC as may be determined by the Chairman.

(ao) Other details regarding Board meetings may be provided in the Articles of Association.

5.3 Quorum and Adoption of Resolutions

(ap) The quorum for a duly convened Board meeting shall include at least two-thirds (2/3) of the Directors present in person (including attending via television conference or tele-conference) or by proxy. In the absence of a quorum, any resolutions passed at a Board meeting shall be invalid and have no effect, subject to the following sentences if and when applicable. If the quorum is not present at any duly convened Board meeting, the Chairman (or another Director in accordance with Section 5.3(b)), shall send a notice to all Directors within two (2) Business Days to convene a second Board meeting (with the same agenda to be held at the same place as the first meeting) on or about the fifth (5^{th}) Business Day after the first meeting, in accordance with the procedures provided in this Agreement and the Articles of Association, and so on until a quorum is present.

(aq) If a Director is unable to attend a Board meeting for any reason, he or she may, so long as providing notice to the Chairman or Secretary prior to the Board meeting, appoint a proxy in writing to attend the meeting, who may be but not necessarily to be another Director of the Board. Any proxy so appointed shall have the same rights as the Director who appointed him or her, and one proxy may represent more than one Director. A proxy shall have one vote for each Director he or she represents and an additional vote if he or she is also a Director. The Chairman shall have the same right of one vote as accorded to each of the other Directors.

(ar) Resolutions may be passed without a Board meeting if in writing and executed by the required Directors pursuant to Section 5.6 below, provided that the proposed resolution is delivered to each of the Directors. For such purposes, Directors may execute separate counterparts of identical written resolutions, which, taken together, shall constitute one valid set of written resolutions, and facsimile or email signatures of the Directors shall be valid and binding for such purposes. Such written resolutions shall have the same force and effect as resolutions adopted at a duly convened Board meeting.

5.12 Powers of the Board

Except as reserved to the Shareholders' Meeting, the Board shall have the power to manage and to direct the Senior Management Personnel and employees of the Company. The Board shall have the right to delegate authority to such Senior Management Personnel as the Board shall deem appropriate except for such authority that cannot be delegated according to the applicable laws. The Board shall decide on the following matters:

(as) provision of security or guarantee to a third party by the Company;

(at) appointment or dismissal and remuneration of the Senior Management Personnel;

(au) establishment or termination of subsidiaries, branches or other branch offices, or investment by the Company in any other entity or acquisition or disposal of any equity interest in any other entity;

(av) borrowing of any amounts involving value or amounts of more than RMB 1,000,000 in a single transaction or a series of related transactions (for the purpose

of this Section 5.6, "a series of related transactions" shall mean a series of transactions (i) entered into with the same counterparty or its Affiliates, and (ii) regarding the same or related subject matter within a period of twelve (12) consecutive months);

(a) provision of any loans to organizations or individuals other than the Company;

(b) decisions on sales, transfers or other dispositions of any fixed assets and/or Company IP that is material to the business of the Company important business operated by the Company, the amount of which is or would exceed RMB 1,000,000 in a single transaction or a series of related transactions;

(c) selection and appointment of external auditor of the Company, subject to Article 9 below;

(d) any contract or other transaction to be entered into between the Company and any Party or its Affiliates involving value of RMB 5,000,000 or more in a single transaction or a series of related transactions;

(e) formulating the Company's proposed annual budgets and business plans, for submission to the Shareholders' Meeting for final approval;

(f) formulating the Company's profit distribution plans and plans for making up losses, for submission to the Shareholders' Meeting for final approval;

(g) formulating plans for the merger, division, change of corporate form or dissolution of the Company, for submission to the Shareholders' Meeting for final approval;

(h) important rules and regulations of the Company, including without limitation financial system, investment management system, human resources and remuneration management system and market development system;

(i) matters relating to executive compensation and administration of the ESOP (including any grants and awards associated therewith); and

(j) other matters the Board has the right to determine in accordance with the applicable PRC Laws.

Unless otherwise provided in this Agreement, a decision on any matters specified in this Section 5.6 shall require the approval of affirmative votes of at least a majority of the Directors (including at least one (1) Director nominated by the Lead Investor) present in person or by proxy at a duly convened Board meeting or by an affirmative written

resolution signed by at least a majority of the Directors (including at least one (1) Director nominated by the Lead Investor) in accordance with Section 5.5 above.

5.1 Protective Provisions

Without limiting any other provisions in this Agreement, the Articles of Association and PRC Laws, the Company or its subsidiaries shall not, without the prior written consent or resolution from at least two-thirds (2/3) of the members of the Board, take or do or agree to take or do any of the following actions or transactions:

(aw) Change in the principal business activities of the Company;
(ax) Making or changing annual business plan and annual budget plan;
(ay) Adoption or amendment of the Articles of Association, by-laws or any similar governing documents;
(az) Any change in accounting principles or policies materially or change auditors;
(ba) Modification of the number of board of directors ;
(bb) Alternation or change in the rights, preferences or privileges of the Investing Parties, or provide other investors with any rights favorable than the Investing Parties;
(bc) Transactions with any related or affiliated party;
(bd) Making any guarantee for third parties;
(be) Any acquisition of part or all of the Company;
(bf) Any corporate or product acquisition or merger activities;
(bg) Any Company corporate reorganization, including divestiture or consolidation activities or resolutions;
(bh) Any initial public offering of the Company;
(bi) Any dividends or redemptions issued by the Company;
(bj) Any new financing activity by the Company; and
(bk) Any new stock issuance activity by the Company.

5.13 Directors' Remuneration and Indemnification

(bl) The Directors are not entitled to receive any remuneration from the Company for their position as Directors of the Company, provided that reasonable costs incurred by Directors or their proxies in connection with attending Board meetings shall be reimbursed by the Company in Renminbi or U.S. Dollars based on vouchers permissible under the PRC Accounting System.

(bm) Directors shall be indemnified by the Company from personal liabilities for acts performed in a normal manner within their respective capacities as such. After Closing, the Company shall enter into a standard indemnification agreement with the Directors, pursuant to which the Company will indemnify them, to the fullest extent possible under applicable PRC Laws, from and against any claim or charge brought against them, except for claims or charges resulting from acts or omissions of intent or gross negligence, fraud or serious dereliction of duties by the Director.

5.4 Meeting Minutes of Board Meetings

The Board shall maintain complete and correct records of its meetings, including copies of all meeting notices to convene meetings. All Board meeting minutes and adopted resolutions shall be recorded by the secretary and/or assistant secretary appointed by the Board for a meeting designated by the Board and shall be circulated to all Directors within ten (10) days after the conclusion of each meeting. All Board resolutions shall be

signed by all voting Directors, and Board meeting minutes shall be signed and approved by the Chairman and then filed by the secretary and kept in the Company Board meeting minutes books. The appointment and replacement of Directors shall be recorded in the Board meeting minutes books.

ARTICLE 6 SUPERVISORS

6.3 Appointment of Supervisors

The Company shall have two (2) supervisors ("**Supervisors**"). Each of Management Co. and Investor C is entitled to nominate one (1) Supervisor for the Company. Both Parties undertake to vote in favor of the candidates for Supervisors as nominated by each Party pursuant to this provision to be elected on Shareholders' Meeting. The Directors and Senior Management Personnel of the Company shall not act as the Supervisors of the Company. Each Supervisor shall be appointed for a term of three (3) years and may serve consecutive terms if reappointed by the Party that originally appointed him or her. The Supervisors are not entitled to receive any remuneration from the Company for their position as Supervisors of the Company. Reasonable costs incurred by Supervisors or their proxies in connection with attending Board meetings shall be reimbursed by the Company in Renminbi or U.S. Dollars based on vouchers permissible under the PRC Accounting System.

6.4 Powers of Supervisors

A Supervisor shall exercise the following powers:

(bn) examine the financial status of the Company;

(bo) supervise Directors' and Senior Management Personnel's behaviors to carry out his/her duties for the Company, and advise to dismiss any Director or Senior Management Personnel who violates any laws, the Articles of Association or any Board resolution;

(bp) when the behaviors of Directors and Senior Management Personnel damage the interest of the Company, request the Director and Senior Management Personnel to rectify such behavior;

(bq) make proposals in furtherance of Supervisor powers at or in connection with a Board meeting; and

(br) bring lawsuits against the Directors and Senior Management Personnel pursuant to Article 151 of the *Company Law of the People's Republic of China*, as amended.

The Supervisors may attend Board meetings as observers.

ARTICLE 7 OPERATION AND MANAGEMENT ORGANIZATION

7.3 Management System

(bs) The Company shall have one (1) general manager ("**General Manager**"), who shall be appointed by the Board. The day-to-day management and operation of the Company shall be carried out by the General Manager in accordance with the

policies adopted by the Board from time to time. The General Manager will be the CEO of the Company. The General Manager shall be directly responsible to the Board.

(bt) The term of office of the General Manager shall be three (3) years and he/she can serve consecutive terms upon re-appointment. The General Manager may be dismissed and replaced by the Board upon thirty (30) days' notice.

(bu) The Company shall have one (1) chief financial officer ("**CFO**") who shall be in charge of matters of finance, accounting, financial reporting to the Board and shareholders, internal control and tax. The CFO will be nominated by AHK, and shall be approved and appointed by the Board.

(bv) The General Manager, CFO and any other personnel of the Company who are required to be senior management personnel of the Company under the PRC Laws, regulations, rules or as per the requirements of the regulatory authorities or departments ("**Senior Management Personnel**") shall be appointed by the Board based on market-oriented principles.

7.1 Powers and Responsibilities of the General Manager

The powers and responsibilities of the General Manager shall consist of the following:

(bw) implementation of the resolutions adopted by the Board from time to time;

(bx) reporting to the Board on the operation of, and matters of major importance to, the Company;

(by) preparation and submission to the Board of operational reports concerning the business, marketing, capital expenditure, personnel and other operational matters of the Company;

(bz) within the powers delegated by the Board, negotiation, execution, amendment and implementation of business contracts and other contracts with third persons;

(ca) formulation, amendment and submission to the Board of the rules and regulations required for the operation of the Company, including but not limited to internal employees management rules and regulations, confidentiality system, bonuses and welfare or benefit plans of the Company, which shall be implemented upon approval by the Board;

(cb) suggestion to Board of the nomination and remuneration of the Senior Management Personnel (except for the General Manager), and determination of the employment, appointment and dismissal of other employees of the Company, and determination of the salaries, rewards, promotion and sanctions for employees in accordance with the Company's employment policies;

(cc) preparation and submission to the Board of proposals for an organizational structure suitable for the Company's operations, the establishment of various departments and their responsibilities and functions, which shall be implemented upon approval by the Board;

(cd) the daily management and direction of all the Company's employees, including without limitation those engaged in the activities of marketing, sales and services;

and

(ce) all other responsibilities entrusted to him or her by the Board from time to time or necessary for the normal operation of the Company.

ARTICLE 8 CONFIDENTIALITY

8.6 Confidentiality

Each Party shall maintain the secrecy and confidentiality of any information of the following ("**Confidential Information**"):

(cf) the business or asset of the Company, the other Parties or its Affiliates;

(cg) the existence and content of this Agreement; and

(ch) all information provided by the other Party pursuant to this Agreement.

Each of the Parties and the Company receiving Confidential Information shall:

(a) limit the access to the Confidential Information to only such directors, senior management personnel and employees as are necessary for the implementation of this Agreement;

(b) not disclose, directly or indirectly, any Confidential Information to any third Person; and

(c) not use any Confidential Information for any purpose other than for the implementation of this Agreement or any ancillary contracts or agreements hereto.

Except for situations set forth in Section 8.2, none of the Parties may use or disclose any Confidential Information to any third party for its own business purpose or other purposes without the other Party's prior written consent.

8.1 Exceptions

The confidentiality obligations under Section 8.1 above shall not apply to:

(ci) confidential communications to the Parties' respective Affiliates, directors, senior management personnel, employees, agents, professional advisors or financing party that are under an equivalent confidentiality obligation necessary for the implementation of this Agreement of a Party;

(cj) disclosure required to be made by applicable law; provided, however, that the Party subject to such requirement shall promptly notify the Party who disclosed the Confidential Information of such requirement to the extent of practically permissible and gives it reasonable opportunity to oppose such disclosure;

(ck) information which has become public knowledge through no fault of any Party or the Company; and

(cl) any information which was disclosed to the receiving party in good faith by a third Person who is not subject to any confidentiality obligation.

8.7 Measures of Protection

(cm) Each of the Parties and the Company shall advise its directors, senior management personnel, employees, agents, professional advisors or financing party having access to any Confidential Information of the existence and the requirements of Section 8.1 and shall formulate rules and regulations to cause its directors, senior management personnel, employees, agents, professional advisors or financing party and the directors, senior management personnel, employees, agents, professional advisors or financing party of its Affiliates to comply with the confidentiality obligations set forth in Section 8.1. Each of the Parties and the Company shall sign a confidentiality agreement with each of its directors, senior management personnel, employees, agents, professional advisors or financing party who may have access to any Confidential Information (confidentiality clauses in executed labor contracts, agency contracts, subcontracts or any other contracts or agreements with such personnel, which cover the Confidential Information, shall be considered as having executed such confidentiality agreement).

(cn) In addition, without prejudice to the generality of the provisions of Section 8.1 above, each of the appointees or nominees to the Company from each Party (including without limitation the Chairman and Directors) shall not use or disclose any Confidential Information which may become known to him or her in his or her involvement in the investments or investment decisions or business activities relating to the Party which appointed or recommended him or her or any of its Affiliates.

8.2 Breach

If, without the prior written consent of the Party providing the Confidential Information or the Company, any Party discloses or permits or allows to be disclosed any Confidential Information to any unauthorized third Person, such Party shall be in breach of this Agreement and shall indemnify and hold the other Party and/or the Company thus affected harmless in accordance with applicable law and this Agreement.

8.3 Survival

The provisions and obligations under this Article 8 shall survive within two (2) years of the expiry or termination of this Agreement, and shall continue to be binding on the Parties, the Company and their respective permitted assigns and successors.

ARTICLE 9 FINANCE, AUDIT AND DISTRIBUTION OF PROFIT

9.6 Financial and Accounting System

(co) The Company shall establish its financial and accounting systems in accordance with the PRC Accounting System and other applicable PRC Laws, which shall be submitted to the Board for approval.

(cp) The Company shall adopt the accrual basis and debit and credit method for bookkeeping and shall separately prepare complete and accurate monthly, quarterly and annual financial statements in accordance with the PRC Accounting System.

(cq) The Company shall adopt the Gregorian calendar year as its fiscal year, commencing on January 1 and ending on December 31 of each year. The first fiscal year of the Company shall begin on the Establishment Date and end on December 31 of the same year.

(cr) Renminbi shall be the Company's bookkeeping currency. For cash, bank deposits, funds, credits and debts, gains and expenses that are not in Renminbi, the Company shall also enter the currencies actually paid and received in its bookkeeping.

(cs) The depreciation period of the fixed assets of the Company shall be decided by the Board in accordance with the then applicable PRC Laws.

9.1 Auditing

The Company shall hire a Big Four accounting firm (Deloitte, Ernst & Young, KPMG or PwC) with securities business qualifications in the PRC as its external auditor for annual auditing. The external auditor shall audit the Company's accounts and issue an audit report in accordance with the PRC Accounting System, which shall be submitted by the Company to the Board for approval. the Company shall provide the external auditor with all documents and books necessary for the external auditing.

9.2 Information and Inspection Rights

(ct) For as long as the Investing Parties continue to hold the shares of the Company, the Company shall deliver to each Investing Party (i) unaudited quarterly consolidated financial statements and business reports, which shall be delivered to the Investors no later than 30 days after the end of each quarter, (ii) key Company metrics (to be determined based on the Investing Parties' and the auditor's feedback) by the end of the calendar month preceding the end of each quarter, (iii) unaudited annual financial statements and business reports, which shall be within 30 days after the end of each financial year, (iv) audited annual consolidated financial statements prepared by a recognized accounting firm within 60 days after each financial year ends, (v) an annual operating plan and budget which shall be approved by the Board/Shareholder Meeting (within their respective authority limits) and delivered to the Investors no later than 45 days prior to the beginning of each fiscal year, and (vi) other information relating to the Company as reasonably requested by the Investing Parties.

(cu) Without affecting the Company's normal operations, the Investing Parties shall be entitled to standard inspection rights to the facilities, assets, book and record of the Company and its subsidiaries. The Investing Parties shall be allowed to discuss the business, operations and other aspects of the Company and its subsidiaries with the managers, employees, accountants, legal counsel and the investment bankers.

9.7 Distribution of Profits

(cv) The distribution of the Company's profits shall depend upon the available surplus of the Company's profits and liquidity, as resulting from the Company's financial statements approved by the Shareholders' Meeting for each fiscal year. Any distribution of the Company's profits shall be in accordance with the profit distribution plan approved by the Shareholders' Meeting and in proportion to the

shareholding of each Party. For the sake of clarity, Investors are not obligated to pay dividends that they had received to other Shareholders.

9.3 Budgets and Business Plans

The Company shall operate in accordance with the annual budgets and business plans approved by the Shareholders' Meeting.

ARTICLE 10 REPRESENTATIONS AND WARRANTIES OF THE PARTIES

10.1 Each Party hereby represents and warrants to the other Parties as follows:

(cw) It is a legal entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation;

(cx) It has full legal right, power and authority to execute, deliver and perform this Agreement and all of the contracts and documents referred to in this Agreement to which it is a party;

(cy) It has obtained or will obtain within 90 days from the Closing Date, all legally required, governmental or third Person consents, approvals (and CFIUS Clearance shall have been obtained prior to the Closing Date) and authorizations necessary for the valid signing, delivery and performance of this Agreement and all of the contracts and documents referred to in this Agreement to which it is a party, and this Agreement shall constitute legal, valid and binding obligations of it, enforceable against it in accordance with its terms;

(cz) Neither the signing and performance of this Agreement nor the consummation of the transactions contemplated hereby shall violate, result in a breach of any material term or provision of, or constitute a default under, any articles of association or any contract, agreement, law or regulation to which it is a party or by which it is bound; and

(da) There is no lawsuit, arbitration or other legal proceeding pending or threatened against it with respect to the subject of this Agreement or that would affect in any way its ability to enter into or perform this Agreement.

10.2 AHK hereby represents and warrants to the Investors that AHK and/or its Affiliates shall have the power and right to license to the Company all the Licensed Items (collectively "**Licensed Items**") pursuant to the technology collaboration and license agreement which has been duly executed and delivered by the Company and AHK in January 20th, 2022 (the "**Technology License Agreement**"). To the knowledge of AHK, entrance into and performance of the Technology License Agreement has not and will not violate or infringe upon any other entity's right relating to the Licensed Items.

ARTICLE 11 ADDITIONAL COVENANTS

11.3 Non-Competition

Following the Closing Date, until the earlier of the expiry of the Term or early termination of this Agreement pursuant to its terms, without the prior written approval of the Investing Parties, AHK, AHK's worldwide Affiliates, and Management Co shall not operate or conduct any business that competes directly with the automotive SoC business (which is namely the design and delivery of entire SoCs or entire SoC platforms)

of the Company and its subsidiaries, including but not limited to establishing a joint venture with any third party, or entering into a strategic cooperation agreement.

Absent the express prior written permission of AHK and AHK's applicable Affiliates, the Company shall not directly or indirectly enter or enable or cause third parties to enter, in any way, the interconnect IP and/or interchip link licensing business.

The Key Employees shall devote their full working time to the conduct and development of the business of the Company, protecting the interest of the Company. Without the prior written approval of all the Investing Parties, no Key Employee or his/her affiliates or family members shall, directly or indirectly, own, manage, operate, conduct, consult, render services for, or participate in any entity whose business may compete with the business of the Company.

11.4 Export Control

Upon the execution of this Agreement, the Parties shall collaborate with each other to conduct an initial analysis on whether the Company's technologies and products are subject to any export control requirements. In the event that the initial analysis indicates so, the Parties shall discuss in good faith for a viable solution.

ARTICLE 12 TERM AND TERMINATION OF THE COMPANY

12.5 Term of the Company

The term of the Company shall be **twenty (20)** years ("**Term**") from the Establishment Date.

12.6 Events of Termination

(db) This Agreement will terminate automatically upon expiration of the Term.

(dc) This Agreement may be terminated prior to the expiry of the Term (absent mutual agreement by the Lead Investor and AHK under separate written agreement):

(i) by the Parties upon their mutual agreement; or
(ii) by Investor D, Investor E and/or Investor F, if the Closing Conditions set forth under Section 3.1 shall have not been satisfied or waived in writing by such Investor on or before October 31, 2022, provided that if not all the Investor D, Investor E and Investor F elect to terminate this Agreement, this Agreement shall remain effective and binding upon the remaining investors and the other Parties; or
(iii) by AHK, if all Closing Conditions have been satisfied or waived on or before October 31, 2022 but the Investor D, Investor E and/or Investor F fail to fund and transfer their Capital Contribution Amount to the Company's bank account; provided that this (iii) shall not apply if another Investor(s) acceptable to AHK funds and transfers a Capital Contribution Amount making up for aggregate unfunded Investor obligations.

12.1 Shareholders' Meeting to Discuss Termination and Dissolution

(c) Upon the occurrence of any of the events of termination enumerated in Section 12.2 above, any Party may request that a meeting of the Shareholders' Meeting be convened to discuss the termination of this Agreement. The Board must convene

a meeting of the Shareholders' Meeting within ten (10) days of the receipt of that request in accordance with the provisions regarding Shareholders' Meeting.

(d) At the meeting of the Shareholders' Meeting, if the Shareholders are unable to reach any other solution acceptable to the Shareholders, the Shareholders may vote to dissolve and liquidate the Company.

12.7 Dissolution due to Termination

Upon a termination pursuant to Sections 12.2 and 12.3 above, the Company shall be liquidated and dissolved, and the Shareholders shall liquidate the Company in accordance with ARTICLE 13, the applicable PRC Laws and the provisions of this Agreement.

ARTICLE 13 DISSOLUTION AND LIQUIDATION

13.4 Liquidation Committee

(a) If the Company is to be liquidated in accordance with Section 12.4, the Parties shall establish a liquidation committee ("**Liquidation Committee**") pursuant to PRC Laws. The costs and expenses of the Liquidation Committee shall be paid by the Company.

(b) Upon completion of the liquidation of the Company, the Liquidation Committee shall prepare a liquidation report, which shall be submitted to the Shareholders' Meeting for confirmation, and the Company shall then complete the de-registration procedures with the Registration Authority.

13.1 Principles of Liquidation

The Liquidation Committee shall conduct an overall inspection and stock take of the Company's assets, creditors' rights and liabilities, prepare a balance sheet and assets inventory, put forward the basis on which the Company's assets are to be valued and computed, and apply the assets of the Company to satisfy the Company's liabilities. Thereafter, the remaining assets of the Company shall be distributed to the Parties in accordance with Section 1 of Schedule 1; provided, however, that any cash or assets to be distributed to the Breaching Party shall be used with priority to pay for the damages payable by the Breaching Party to the non-breaching Party.

13.2 Survival

In case of a termination of this Agreement, none of the Parties shall be relieved from any obligation and responsibilities towards the Company or the other Party until the date of the resolution of the Shareholders' Meeting to liquidate the Company.

ARTICLE 14 INDEMNIFICATION

14.3 Indemnification for Breach

If a non-breaching Party (or both) ("**Indemnitees**") suffers any expense, liability or loss, (including lost profits of the Company but excluding any other indirect or consequential losses of any nature) as a result of a breach of this Agreement, the breaching Party ("**Indemnifying Party**") shall indemnify and defend the one or more Indemnitees against all demands, claims, Proceedings, and losses, including third-party claims.

14.4 Damages for Breach

Each Party acknowledges that any breach of the covenants contained in this Agreement would cause irreparable injury so that damages and remedies under PRC Law for any breach of any such covenant would be inadequate. The remedies provided under this Article 14 will be non-exclusive and the Indemnitees will be free to pursue all remedies available at Law or otherwise against the Indemnifying Parties, including for injunction and liquidated damages.

ARTICLE 15 GOVERNING LAW AND DISPUTE RESOLUTION

15.5 Applicable Law

The formation, validity, interpretation, execution of this Agreement and settlement of any Disputes arising hereunder shall be governed by and in accordance with the PRC Laws.

15.6 Dispute Resolution

Any dispute, controversy or claim arising under or relating to this Agreement, or any breach hereof (collectively the "**Disputes**") shall be resolved through amicable negotiation by the Parties. If the Dispute is not resolved through negotiation within thirty
(30) days of its occurrence, any Party may submit the Dispute to arbitration in accordance with the provisions of Section 15.3.

15.7 Arbitration

(c) Any Dispute that is not resolved in accordance with Section 15.2 shall be settled by final arbitration binding upon the Parties in Shanghai at the Shanghai International Economic and Trade Arbitration Commission by an arbitration tribunal in Shanghai, China in accordance with the then effective arbitration rules of the Shanghai International Economic and Trade Arbitration Commission.

(d) The arbitration proceedings shall be conducted in English and Chinese, using qualified translators. The Parties shall use their best efforts to effect the prompt execution of any such award and shall render whatever assistance as may necessary to this end. The arbitral reward shall be enforced by any court of competent jurisdiction, if necessary.

(e) The losing Party shall be responsible for the costs of the Shanghai International Economic and Trade Arbitration Commission, the fees of the arbitrators, fees and expenses of the arbitration proceedings and all costs and expenses in relation to the enforcement of any arbitral award, including reasonable attorneys' fees and expenses.

15.1 Continued Performance

During the period when a Dispute is being resolved, the Parties shall continue to perform this Agreement except for the matters in dispute.

ARTICLE 16 MISCELLANEOUS PROVISIONS

16.12 Effectiveness of this Agreement

This Agreement shall become effective and binding upon the Parties on the date of signing by duly authorized representatives of the Parties.

16.13 Entire Agreement

This Agreement, together with the schedules and annexes, constitutes the entire agreement of the Parties with respect to the subject matter hereof, and shall supersede all previous oral or written agreements, contracts, letters of intent, undertakings and communications between the Parties with respect to the subject matter hereof. For the avoidance of doubt, Schedule 1 (Rights of the Investing Parties) under SHARE PURCHASE AND SHAREHOLDERS AGREEMENT dated on Feb 21st, 2022 among
Investor A, Investor B and Investor C and other relevant parties, shall be expressly superseded by Schedule 1 under this Agreement on and after the Closing Date.

16.14 Language

This Agreement is written in English, with a Chinese translation. The languages will be interpreted consistently. The English language will prevail if strictly necessary to make a final interpretation.

16.15 Amendment

Any amendment to this Agreement shall come into force only after a written agreement is signed by the duly authorized representatives of each of the Parties.

16.16 Severability

If any term or provision of this Agreement shall be held to be invalid or unenforceable in whole or in part under any applicable law, it shall be excluded from this Agreement (to the extent of such invalidity or unenforceability only), and all other terms and provisions of this Agreement shall continue to be in full force and effect. Under such circumstances, the Parties shall use their best efforts to implement both the letter and spirit of this Agreement and replace the invalid or unenforceable term or provision with a valid and enforceable term or provision that corresponds as far as possible to the spirit and purpose of the invalid or unenforceable term or provision.

16.17 Parties in Interest

This Agreement shall be binding on and inure to the benefit of the Parties and to their respective successors and administrators, as well as to their assigns where a Party’s interests in the Company are assigned in accordance with law and the terms and conditions hereof.

16.18 Costs and Expenses

Any costs, expenses or fees of any nature incurred by a Party in connection with the preparation and execution of this Agreement and the Articles of Association shall be borne by the incurring Party; provided further that, the Company shall at its own cost make any notification to or filing to the Registration Authority for filings and registrations with respect to the Capital Increase and the updated Articles of Association (as required by the PRC Laws) contemplated by this Agreement. Amounts approved by the Board may in connection with such approval, be auditable by the Board.

16.19 Waiver

No delay or failure by a Party to this Agreement to exercise any of its powers, rights or remedies under this Agreement shall be construed as a waiver of any of them, nor shall any single or partial exercise of any such powers, rights or remedies preclude any other. Any waiver by a Party of any provision of this Agreement shall not be construed as a waiver of any other provisions of this Agreement, nor shall such waiver be construed as a waiver of such provision with respect to any other event or circumstances, whether past, present or future. Further, the remedies provided in this Agreement are cumulative and not exclusive of any provided by law.

16.20 No Agency

Nothing in this Agreement shall be construed so as to constitute a Party the agent or partner of another Party. On no account may a Party create (or hold itself out to third Person as being able to create) any binding obligation on behalf of another Party without the prior written consent of such other Party.

16.21 Notices

Communications between the Parties, notices and documents of the Board and the Shareholders' Meeting and such other notices and financial reports of the Company as provided for herein shall be sent to each of the Parties and to the Company at their respective addresses set forth below, in each case by (i) personal delivery, (ii) prepaid airmail, (iii) prepaid air courier, or (iv) email. All such notices shall be deemed to have been given or received (i) upon receipt if personally delivered, (ii) on the tenth (10^{th}) day after it is sent if delivered by airmail, (iii) on the fifth (5^{th}) day after delivery to an internationally recognized courier service if delivered by air courier, (iv) twenty-four (24) hours following transmission by facsimile with confirmed successful answer back, if delivered by facsimile, and (v) upon receipt on the email system of the receiving Party, if delivered by email.

(f) In the case of AHK to:

Arteris HK Limited

Address: 26/F Three Exchange Square 8 Connaught Place Central Hong Kong Attention: K. Charles Janac

Email [***]

(g) In the case of SME (Investor A) to:

SME Development (Shaoxing) Venture Fund, LLP 中小企业发展基金（绍兴）股权投资合伙企业（有限合伙)

Address: 11th Floor, Building 1, No. 1158 Zhangdong Road, Pudong New Area, Shanghai, P.R. China

Attention: Mr. Cangbo Zhao; Mr. Sen Zhao

Email: [***]

(h) In the case of Luojia (Investor B) to:

Jiaxing Luojia Chuangzhi Investment Partnership Enterprise (Limited Partnership) 嘉兴珞珈传智股权投资合伙企业（有限合伙）

Address: 26th Floor, Block A, Poly Plaza, No. 99 Zhongnan Road, Wuchang District, Wuhan, Hubei Province, P.R. China

Attention: Mr. Geng Lin; Ms. Huan Guo

Email: [***]

(i) In the case of Guinie (Investor C), to:

Gongqing City Guinie Zhuyu No. 3 Investment Partnerhip (Limited Partnership) 共青城圭臬珠玉三号投资合伙企业（有限合伙)

Address: Room 1703, Block B, Jinhui Global Center, Gong-jian Road, Yanta District, Xi 'an, Shaanxi Province, P.R. China

Attention: Zixi Yao

Email: [***]

(j) In the case of Management Co to:

Ningbo Transchip Information Consulting Partnership (Limited Partnership) 宁波传智驿芯信息咨询合伙企业（有限合伙)

Address: 107-6, 1F, No. 69, Dagang Second Road, Xinqi street, Beilun District, Ningbo City, Zhejiang Province, P.R. China

Attention: Zheng Wu

Email: [***]

(k) In the case of Arteris Nanjing to:

Arteris Semiconductor Technology (Nanjing) Co., Ltd. 安通思半导体技术(南京) 有限公司

Address: Room 1821, Fuying Building, No. 99, Tuanjie Road, Yanchuang Park, Jiangbei New Area, Nanjing, Jiangsu Province, P.R. China

Attention: K. Charles Janac Email: [***]

(l) In the case of the Company to:

TransChip Technology (Nanjing) Co., Ltd. 传智驿芯科技（南京）有限公司

Address: Room 2307, Fuying Building, No. 99, Tuanjie Road, Yanchuang Park, Nanjing area, China (Jiangsu) pilot Free Trade Zone, P.R. China

Attention: Zheng Wu

Email: [***]

(m) In the case of the Investor D to:

Jiaxing Catalpa Huixin Investment Partnership Enterprise (Limited Partnership) 嘉兴梓禾惠芯股权投资合伙企业（有限合伙）

Address: Room 2201, Block B, 288 Jiahui Street, Yinzhou District, Ningbo, Zhejiang Province, P.R. China

Attention: Xin Zheng

Email: [***]

(n) In the case of the Investor E to:

Gongqing City Guinie Zhuyu No. 5 venture capital partnership (limited partnership) 共青城圭臬珠玉五号创业投资合伙企业（有限合伙）

Address: Room 1703, Block B, Jinhui Global Center, Gong-jian Road, Yanta District, Xi 'an, Shaanxi Province, P.R. China

Attention: Zixi Yao

Email: [***]

(o) In the case of the Investor F to:

Huzhou Hangxin Rongxie Equity Investment Partnership (Limited partnership) 湖州航信荣协股权投资合伙企业(有限合伙)

Address: Room 2010, Beichen Times Building, No. 8 Beichen East Road, Chaoyang District, Beijing

Attention: Yang Hu

Email: [***]

During the term of this Agreement, any Party may change its address from time to time, provided that the other Parties will be notified in writing of that change promptly.

16.1 Publicity

No Party shall make any declarations, announcements, or disclosures to the public with respect to this Agreement without the prior written consent of the other Parties.

16.2 Logo Usage

Names and logos of Investors shall not be used by other Parties to this Agreement absent the prior consent of the applicable Investor.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their representatives, duly authorized hereunto, on the date first above written.

Arteris HK Limited

By: /s/ K. Charles Janac
Name: K. Charles Janac
Title: Authorized Representative

Signature page to the Share Purchase and Shareholders Agreement

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their representatives, duly authorized hereunto, on the date first above written.

SME Development (Shaoxing) Venture Fund, LLP
中小企业发展基金（绍兴）股权投资合伙企业
（有限合伙）

By: /s/ Mr. Sen Zhao
Name: Mr. Sen Zhao
Title: Representative Delegated by its General Partner

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their representatives, duly authorized hereunto, on the date first above written.

Jiaxing Luojia Chuangzhi Investment Partnership Enterprise (Limited Partnership)嘉兴珞珈传智股权投资合伙企业（有限合伙）

By: /s/ Mr. Geng Lin
Name: Mr. Geng Lin
Title: Representative Delegated by its General Partner

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their representatives, duly authorized hereunto, on the date first above written.

Gongqing City Guinie Zhuyu No. 3 Investment Partnership (Limited Partnership)
共青城圭臬珠玉三号投资合伙企业（有限合伙）

By: /s/ Mr. Zixi Yao
Name: Mr. Zixi Yao
Title: Representative Delegated by its General Partner

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their representatives, duly authorized hereunto, on the date first above written.

Arteris Semiconductor Technology (Nanjing) Co., Ltd. 安通思半导体技术（南京）有限公司

By: /s/ K. Charles Janac
Name: K. Charles Janac Title: Legal Representative

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their representatives, duly authorized hereunto, on the date first above written.

Ningbo Transchip Information Consulting Partnership (Limited Partnership)
宁波传智驿芯信息咨询合伙企业（有限合伙）

By: /s/ Mr. Zheng Wu
Name: Mr. Zheng Wu
Title: Representative Delegated by its General Partner

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their representatives, duly authorized hereunto, on the date first above written.

Transchip Technology (Nanjing) Co., Ltd.
传智驿芯科技（南京）有限公司

By: /s/ Zheng Wu
Name: Zheng Wu
Title: Legal Representative

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their representatives, duly authorized hereunto, on the date first above written.

Jiaxing Catalpa Huixin Investment Partnership Enterprise (Limited Partnership)
嘉兴梓禾惠芯股权投资合伙企业（有限合伙）

By: /s/ Mr. Xin Zheng
Name: Mr. Xin Zheng
Title: Representative Delegated by its General Partner

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their representatives, duly authorized hereunto, on the date first above written.

Gongqing City Guinie Zhuyu No. 5 venture capital partnership (limited partnership)
共青城圭臬珠玉五号创业投资合伙企业（有限合伙）

By: /s/ Mr. Zixi Yao
Name: Mr. Zixi Yao
Title: Representative Delegated by its General Partner

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their representatives, duly authorized hereunto, on the date first above written.

Huzhou Hangxin Rongxie Equity Investment Partnership (Limited partnership)
湖州航信荣协股权投资合伙企业(有限合伙)

By: /s/ Mr. Yang Hu
Name: Mr. Yang Hu
Title: Representative Delegated by its General Partner

Schedule 1 Rights of the Investing Parties

1. Liquidation Preference

1.1 In the event of any Liquidation Event (as defined below), all assets and funds legally available for distribution to the Shareholders shall be distributed as follows:

(a) FIRST, prior to and in preference to any distribution of any of the assets and funds to any Shareholders other than the Investing Parties that made Capital Contributions, each Investing Party that made Capital Contributions shall be entitled to receive an amount, the price per unit of equity of which is equal to the Investing Party Purchase Price, plus a simple interest rate of 8% per annum from the date of the Closing until the full payment of the total liquidation preference amount, plus declared but unpaid dividends on the equity interests held by such Investing Party (the "**Liquidation Preference**");

(b) SECOND, the remaining assets and funds legally available for distribution to the Shareholders shall be distributed ratably among all the Shareholders (including the Investing Parties) in proportion to the equity interests held by them.

A "**Liquidation Event**" shall be deemed to have occurred upon: (a) liquidation, dissolution or winding up of the Company, (b) any consummated merger, amalgamation, acquisition, or other business combination in which the Shareholders owning a majority of the voting power or voting stock of the Company immediately prior to such transaction do not own a majority of the voting power or voting stock of the Company, or (c) any sale, lease, transfer, exclusive license or other disposition of all or substantially all of the assets of the Company and its subsidiaries (taken as a whole).

1.2 In the event of any new equity financing by the Company after the Closing Date in which any new investor is entitled to receive a liquidation preference equal to the investment amount paid by such new investor, plus declared but unpaid dividend on the equity interests held by such new investor and further plus annual interest at a certain interest rate ("**New Investor's Interest Rate**"), then the Investing Party's Liquidation Preference hereof shall be automatically amended and equal to an amount, the price per unit of equity of which is equal to the Investing Party Purchase Price, plus declared but unpaid dividends on the equity interests held by such Investing Party, and further plus an annual interest at the New Investor's Interest Rate.

2. Dilutive Issuance

2.1 **Dilutive Adjustment**. If at any time, the Company issues or sells any additional Registered Capital to any third party for a per-unit consideration that is less than the Investing Party Purchase Price ("**Dilutive Issuance**"), then simultaneously with or immediately after such issuance or sale of additional Registered Capital, an Investing Party shall be entitled to require the Company to issue to such Investing Party an additional number of units of Registered Capital determined by the following formula (as calculated below, "**Dilutive Equity**"):

Dilutive Equity = (Investing Party Registered Capital × IPP1 ÷ IPP2) – Investing Party Registered Capital

For the purposes of the foregoing formula, the following definitions will apply:

(a) "Investing Party Registered Capital" means the total units of Registered Capital held by the Investing Party immediately prior to the Dilutive Issuance;
(b) "IPP1" means the Investing Party Purchase Price in effect immediately prior to the Dilutive Issuance;

(a) "IPP2" means the Investing Party Purchase Price in effect immediately after the Dilutive Issuance as determined through the following formula:

IPP2 = IPP1* (A + B) ÷ (A + C)
In this formula:
"A" means the total number of units of all Registered Capital immediately prior to the Dilutive Issuance;
"B" means the number of units of Registered Capital that would have been issued if the New Equity had been issued at the Investing Party Purchase Price; and
"C" means the total number of units of New Equity issued in the Dilutive Issuance.

1.3 **Deemed Issuances of Registered Capital**. In the case of the issuance of any option, the following provisions will apply for all purposes of this Section 2:

(a) The aggregate maximum number of units of Registered Capital deliverable upon exercise of any option will be deemed to have been issued at the time such option was issued, and for consideration equal to the consideration, if any, received by the Company upon the issuance of such option, plus the minimum exercise price provided in such option for number of units of Registered Capital covered thereby.
(b) If there is any change in the number of units of Registered Capital deliverable, or in the consideration payable to the Company, upon exercise of such option, including a change resulting from the Dilutive Issuance provisions thereof, the Investing Party Purchase Price, to the extent that it is in any way affected by or computed using such option, shall be recomputed to reflect such change, but no further adjustment shall be made for the actual issuance of units of Registered Capital or any payment of such consideration upon the exercise of any such option.
(c) Upon the expiration or termination of any such option, the Investing Party Purchase Price shall, to the extent in any way affected by or computed using such option, be recomputed to reflect the issuance of only the number of units of Registered Capital actually issued upon the exercise of such option.

3. Transfer of Equity Interest

3.1 **Transfer Restrictions**. Without the prior written consent of the Lead Investors, within two (2) years of the Closing Date, neither AHK nor Management Co. may, directly nor indirectly, sell or transfer any equity interest in the Company (including but not limited to, transfer of the equity interest or its right of entitlement, issuance of any securities that may result in the transfer of the equity interest or its right of entitlement, entering into any arrangement that may result in change of control of the entity holding the equity interest in the Company, or creation of any trust, pledge or other arrangement over the equity interest or its right of entitlement that may result in change of control of the entity holding the equity interest in the Company), pledge any equity interest in the Company or otherwise create any third party rights on the equity interest of the Company. Notwithstanding the above and Section 3.2 below, a Shareholder may transfer any or all of its equity interest in the Company to any of its Affiliates, and each Shareholder hereby irrevocably consents to and shall cause the Director(s) nominated by it to the Board to vote in favor of, such transfer. If any Shareholder transfers its equity interest in the Company in accordance with provisions of this Agreement and the Articles of Association, the assignee (including Affiliates of any Party) shall accept all terms and conditions of this Agreement in writing, unless otherwise agreed in writing between the assignee and the other Parties.

3.2 **Rights of First Refusal**

(a) Subject to Section 3.1 above, if any Shareholder other than the Investing Parties (each, "**Transferring Party**") wish to transfer all or portion of its equity interests in

the Company ("**Transfer Equity**") to any third party that is not a Shareholder ("**Proposed Transferee**"), the Transferring Party shall first offer the Transfer Equity to the Investing Parties.

(d) To offer the Transfer Equity to the Investing Parties, the Transferring Party shall deliver a written notice to each Investing Party containing the following ("**Transfer Notice**"):

(i) the amount of the Transfer Equity;
(ii)a cash price per unit of Registered Capital at which the Transfer Equity will be transferred;
(iii) the identity of the Proposed Transferee;
(iv) a summary of the terms of purchase put forward by the Proposed Transferee, including details of the nature and amount of the consideration and the date on which it would be payable; and
(v) whether the Transferring Party's offer is conditional on acceptances being received for all (or any other specified percentage) of the Transfer Equity.

(a) Within 20 Business Days after receiving the Transfer Notice, an Investing Party may purchase up to its pro rata share of the Transfer Equity on the terms set out in the Transfer Notice. The pro rata share of the Transfer Equity shall be equivalent to the product obtained by multiplying the Transfer Equity, by a fraction, of which the amount of the Registered Capital that has been contributed by the exercising Investing Party shall be the numerator and the total amount of the Registered Capital that has been contributed by all exercising Investing Parties shall be the denominator. A notice indicating an Investing Party's acceptance of such offer will be irrevocable, and will give rise to a legally binding agreement between the Transferring Party and the exercising Investing Party.

(b) If any Investing Party chooses not to purchase its entire pro rata share of Transfer Equity, then the entire un-purchased Transfer Equity ("**Remaining Transfer Equity**") will be offered to the Investing Parties that have elected to purchase their respective entire pro rata share of Transfer Equity ("**Second ROFR Holder**"). The Transferring Party shall deliver a written notice to the Company and each Second ROFR Holder to inform them of the number of the Remaining Transfer Equity that are available for purchase ("**Second Transfer Notice**"). The Second Rights Holder will have 10 Business Days after receiving the Second Transfer Notice to irrevocably elect to purchase all or a portion of the Remaining Transfer Equity at the same price per unit and subject to the same terms and conditions as described in the Transfer Notice by notifying the Transferring Party and the Company in writing of the number of units of Remaining Transfer Equity to be purchased.

(c) If an Investing Party or Second ROFR Holder elects to purchase any Transfer Equity, the Investing Party or Second ROFR Holder shall pay for the Transfer Equity by wire transfer in immediately available funds of the appropriate currency, against delivery of such Transfer Equity to be purchased, at a place and time agreed by the Transferring Party and the Investing Party or Second ROFR Holder that has elected to purchase the Transfer Equity, provided that the scheduled time for closing may not be later than 20 Business Days following the date on which the Investing Party or Second ROFR Holder notified the Transferring Party of its desire to purchase the Transfer Equity.

(d) If the non-transferring Parties fail to timely elect to purchase the entire Transfer Equity, then the Transferring Party may transfer all, but not less than all of the

remaining portion of the Transfer Equity to the Proposed Transferee, on the terms set forth in the Transfer Notice. Any such transfer to the Proposed Transferee must be completed within 90 days after the date of the Transfer Notice or the requirements and procedures relating to the Right of First Refusal must be re-initiated with respect to such transfer; provided, that the above 90-day period shall not include the time for obtaining any government approvals required for the transfer.

(b) Each Investing Party or Second ROFR Holder may freely assign its rights of first refusal to any of its respective Affiliates at any time.

1.2 **Tag Along Rights**

(c) If an Investing Party does not wish to execute its right of first refusal under Section 3.2 above, the Investing Party will have 20 Business Days after the date of the Transfer Notice to irrevocably elect to sell up to its Tag Along Share of any Transfer Equity proposed to be transferred by the Transferring Party at the same price and subject to the same terms and conditions as described in the Transfer Notice ("**Tag Along Right**") by notifying the Transferring Party and the Company in writing of the amount of Transfer Equity to be sold ("**Tag Along Equity**").

(d) The sale of the Tag Along Equity to the Proposed Transferee by the Investing Party will be consummated simultaneously with the sale by the Transferring Party. To the extent that any Proposed Transferee refuses to purchase any Tag Along Equity, the Transferring Party shall not sell to such Proposed Transferee any Registered Capital until, simultaneously with such sale, the Proposed Transferee purchases from the Investor such Tag Along Equity that the Investor would otherwise be entitled to sell to the Proposed Transferee pursuant to its Tag Along Right.

(e) The Investing Party's "Tag Along Share" will be determined according to the amount of all units of Registered Capital held by the Investing Party on the date of the Transfer Notice in relation to the total amount of all units of Registered Capital held by the Transferring Party.

1.1 **Further Assistance**

(f) If any Shareholder proposes to transfer any of its Registered Capital under this Section 3 of Schedule 1, and the relevant procedures above have been completed, each Shareholder shall consent to the transfer and take any actions and execute any documents reasonably requested by the Transferring Party to evidence such agreement and to effect the transfer of the Transfer Equity (and Tag Along Equity, if applicable).

(g) All relevant parties to any transfer of the Registered Capital shall promptly enter into one or more equity transfer agreements setting forth the details of the transaction in question. Within 10 Business Days after the date on which the sale of the Transfer Equity (and the Tag Along Equity, if applicable) is closed, the Parties shall make all necessary amendments to this Agreement, the Articles of Association and any other documents of the Company, and undertake any necessary filings with applicable Governmental Authority to reflect the concluded transfer.

(h) For the avoidance of doubt, each Shareholder shall, and shall cause the Company to, promptly execute all such further documents and perform all such further acts as the Transferring Party, the Investing Party or the Proposed Transferee (or any combination of them) may reasonably require to formalize the transfer of Registered

Capital.

4. Right of Participation

4.1 **General**. If the Company wishes to increase the Registered Capital in accordance with the terms and conditions of this Agreement, the Articles of Association or PRC Law, then the Investing Parties ("**Preemptive Rights Holders**") will each have the right ("**Preemptive Rights**") to subscribe for its pro rata share of the increased Registered Capital ("**Issuance Equity**").

4.2 **Issuance Notice**. If the Company proposes to increase its Registered Capital, it shall deliver a written notice to the Preemptive Rights Holders containing the following information ("**Issuance Notice**"):

(i) the amount of the Issuance Equity;
(j) the cash price per unit of Registered Capital at which the Issuance Equity will be issued; and
(k) a summary of the terms of subscription for the Issuance Equity.

4.9 **Notice to Exercise**. Each Preemptive Rights Holder will have 30 Business Days after receipt of the Issuance Notice to agree in writing to purchase up to the Preemptive Rights Holder's pro rata share of the Issuance Equity for the price and upon the terms and conditions specified in the Issuance Notice by giving written notice to the Company and stating in the notice the quantity of Issuance Equity to be purchased. If a Preemptive Rights Holder does not respond in writing within the 30-Business Day period, then the Preemptive Rights Holder will be deemed to have abandoned the purchase of that part of its pro rata share of such Issuance Equity.

4.10 **Over-Allotment**. If any Preemptive Rights Holder chooses not to purchase its entire pro rata share of Issuance Equity, then the entire un-purchased Issuance Equity will be offered to the Investing Parties that have fully exercised their Preemptive Rights. The Company shall deliver a notice to the Investing Parties that have fully exercised their Preemptive Rights to inform the remaining number of units of Registered Capital that are available for purchase ("**Over-Allotment Issuance Equity**"). The Investing Parties that have fully exercised their Preemptive Rights will have 10 Business Days after receiving the notice to irrevocably elect to subscribe all or a portion of the Over-Allotment Issuance Equity at the same price per unit and subject to the same terms and conditions as described in the Issuance Notice by notifying the Company in writing of the number of units of Over-Allotment Issuance Equity to be purchased.

4.11 **Sale by the Company**. Any remaining Issuance Equity and Over-Allotment Issuance Equity (as the case may be) not purchased by the Preemptive Rights Holders in accordance with Sections 4.1 to 4.4 of this Schedule 1 will fall under the control of the Board and may be offered for sale to third party purchasers according to the exact price, terms and conditions set forth in the Issuance Notice for a period of three months, calculated from the date of the Issuance Notice. If the Company does not complete the sale of remaining Issuance Equity and Over- Allotment Issuance Equity (as the case may be) within such 90-day period, the right of participation provided in this Section 4 in respect of such Issuance Equity and Over-Allotment Issuance Equity (as the case may be) shall be deemed to be revived and such equity interests of the Company shall not be offered to any person unless first re-offered to the Preemptive Rights Holders in accordance with this Section 4.

4.12 **Exceptions**. The Preemptive Rights Holders will not have any Preemptive Rights with respect to: (a) any increase of Registered Capital or any options issued pursuant to the ESOP or any other compensation plan that is related to the equity of the Company, or any increase of Registered Capital undertaken pursuant to options approved by the Board; (b) any increase in Registered Capital in connection with an acquisition or merger of equity or business of any

other entity that is approved by the Board; (c) any increase in Registered Capital from the conversion of profits or reserved capital of the Company that is approved by the Board; or (d) any New Equity issued in the event of any share conversion, dividend or split upon restructuring into a joint stock corporation (as approved by a Shareholders' Meeting of the Company), or any securities or equivalents issued upon the public offering of shares of the Company in the PRC or an offshore stock market approved by the Board.

1.4 **Consideration**. In the case of the issuance of increased Registered Capital for cash, the consideration will be deemed to be the amount of cash received by the Company. In the case of the issuance of increased Registered Capital for non-cash consideration, in whole or in part, the non-cash consideration will be deemed to be the fair market value thereof, as determined by the Board, irrespective of any accounting treatment.

5. Drag-along Right.

5.1 General. If AHK and at least one (1) Lead Investor (collectively, the "**Drag-Along Holder**") consent to an acquisition or sale of the Company by merger, sale of more than fifty percent (50%) of the Registered Capital of the Company, sale of all or substantially all of the assets or business of the Company or otherwise, in which the pre-investment valuation of the Company shall not be less than the higher of (i) 1 billion RMB, and (ii) the latest post- investment valuation of the Company at that time (the "**Approved Sale**") to a third-party potential purchaser (the "**Potential Purchaser**") at any time after the second anniversary of the Closing date, then upon written notice from the Drag-Along Holder, each of other shareholders of the Company (the "**Dragged Holders**") shall, (i) vote, or give its written consent with respect to, all Registered Capital held by them in favor of the Approved Sale; (ii) sell, transfer, and/or exchange, as the case may be, all Registered Capital held by them in such Approval Sale on the same terms to such Potential Purchaser; (iii) execute and deliver such instruments of conveyance and transfer, and (iv) take all actions reasonably necessary to consummate the proposed Approved Sale. If any Dragged Holder does not elect to vote, or give its written consent with respect to, all Registered Capital held by them in favor of the Approved Sale, such Dragged Holder shall be obligated to purchase all Registered Capital held by the Drag-Along Holder at the same price and terms offered by the Potential Purchaser within thirty (30) days from the date of failure to vote or give its written consent of such Approved Sale by the Dragged Holder. Notwithstanding any provision to the contrary, the restriction on transfer under Section 3.1 of this Schedule 1 shall not apply to any transfer made pursuant to this Section 5 of this Schedule 1.

5.2 **Representation and Undertaking.** Any such sale or disposition by the Dragged Holders shall be on the terms and conditions as the proposed Approved Sale by the Potential Purchaser. Each Dragged Holder shall be required to make customary and usual representations and warranties in connection with the Approval Sale. Each Dragged Holder undertake to obtain all consents, permits, approvals, orders, authorizations or registrations qualifications, designations, declarations, or filings with any governmental authority or any third party, which are required to be obtained or made in connection with the Approved Sale.

5.3 **Drag-Along Notice.** Prior to making any Approved Sale in which the Drag-Along Holder wishes to exercise its right under this Section 5 of Schedule 1, the Drag-Along Holder shall provide the Company and the Dragged Holders with written notice (the "**Drag-Along Notice**") at least thirty (30) days prior to the proposed closing date of the Approved Sale (the "**Approved Sale Date**"). The Drag-Along Notice shall set forth (i) the name and address of the Potential Purchaser; (ii) the proposed amount and form of consideration to be paid, and the terms and conditions of payment offered by the Potential Purchaser; (iii) the Approved Sale Date; (iv) the number of units of the Registered Capital held of record by the Drag-Along Holder on the date of the Drag-Along Notice which form the subject to be transferred, sold or otherwise dispose

of by the Drag-Along Holder; and (v) the number of units of the Registered Capital held of record by the Dragged Holders to be included in the Approved Sale.

1.5 **Transfer Certificate.** On the Approved Sale Date, each Dragged Holder shall deliver or cause to be delivered an executed instrument of transfer and/or a certificate (if required) representing and evidencing the number of units of the Registered Capital held by such Dragged Holder to be included in the Approved Sale, with all endorsement necessary for transfer to such Potential Purchaser in the manner and at the address indicated in the Drag-Along Notice.

1.6 **Payment.** If the Drag-Along Holder or the Dragged Holders receive the purchase price for their number of units of the Registered Capital or such purchase price is made available to them as part of an Approved Sale and, in either case such party elects in writing not to deliver an executed instrument of transfer and/or a certificate (if required) evidencing the number of units of Registered Capital as described under this Section 5, they shall for all purposes be deemed no longer to be a shareholder of the Company, shall have no voting rights, shall not be entitled to any dividends or other distributions with respect to any number of units of the Registered Capital held by them, shall have no other rights or privileges as a shareholder of the Company. In addition, the Company shall stop any subsequent transfer of any number of units of Registered Capital held by such shareholder.

6. **Most Favored Nation for this Transaction.** AHK, Management Co and the Company hereby jointly and severally represent and warrant and covenant, from the Closing Date, that terms offered to any Person with respect to any amendment, settlement or waiver (each a "**Settlement Document**") relating to the terms and conditions and transactions contemplated by this Agreement will not, taken as a whole, be more favorable to such Person than those of the Investors. If the previous sentence is demonstrated by a court of applicable jurisdiction to have been violated, this Agreement shall be, without any further action by the Investors or the Company, deemed amended and modified in an economically and legally equivalent manner such that the Investors shall receive the benefit of the more favorable terms and conditions contained in such Settlement Documents. In the event that this Section 6 is triggered, AHK, Management Co and the Company jointly and severally agree, at their expense, to take such other actions (such as entering into amendments to this Agreement) as the Investors may reasonably request, in the form and substance reasonably acceptable to the Investors, to further effectuate this Section 6.

7. **Right of Redemption**

7.4 **General.** Each Investor has the right of redemption to ask the Company to redeem all or part of shares held by it in the Company once any of the following events is triggered: (i) the Company's failure to consummate a qualified IPO within six years after the Closing; (ii) the violation of non-competition clause by any Key Employee, AHK, the Management Co or AHK's worldwide Affiliates; (iii) failure of the Company to own or use necessary IP for its business operation, whether attributable to the laws and rules of export control or the Company's incompliance with other applicable laws; (iv) intentional, verified and uncured violation or breach by AHK under the Technology License Agreement.

7.5 **Good Faith Resolution Efforts; Redeem Price**. Once any of the triggering events stated in this Section 7.1 occurs, (a) the relevant Investors will give written notice to the Company, and the relevant Investors and the Company will promptly thereafter for at least 60 days have regular good faith discussions and efforts to resolve such claim(s) that 7.1 was triggered, held by senior representatives of each party with authority to approve a resolution to such claim(s); and if the preceding (a) is unsuccessful despite such good faith discussions and efforts by the parties involved in such discussion and efforts, then (b) the Company shall redeem the Investor who exercises its right of redemption at the price per unit of equity of which is equal to the applicable Investor's Investing Party Purchase Price, plus a simple interest rate of 8% per

annum from the date of the Closing until the full payment of the total liquidation preference amount, plus declared but unpaid dividends on the equity interests held by such Investor.

1.7 **Notice of Redemption Right.** In case of any of events stated in this Section 7.1 is triggered, the Investor who intends to exercise its right of redemption, shall send a written notice to the Company no later than four (4) months from the date of the occurrence of the triggering events stated in this Section 7.1 (the "**Notice Period of Redemption**").

ARTERIS INC.
2022 EMPLOYMENT INDUCEMENT INCENTIVE PLAN

ARTICLE I.
PURPOSE

The Plan's purpose is to enhance the Company's ability to attract, retain and motivate eligible employees, who are expected to make important contributions to the Company or any Subsidiaries, by providing these individuals with equity ownership opportunities.

ARTICLE II.
DEFINITIONS

As used in the Plan, the following words and phrases have the meanings specified below, unless the context clearly indicates otherwise:

1.1 "***Administrator***" means the Board or the Committee. Any action taken by the Board as the Administrator in connection with the administration of the Plan shall not be deemed approved by the Board unless such actions are approved by a majority of the Non-Employee Directors of the Board.

1.1 "***Applicable Law***" means any applicable law, including without limitation: (a) provisions of the Code, the Securities Act, the Exchange Act and any rules or regulations thereunder; (b) corporate, securities, tax or other laws, statutes, rules, requirements or regulations, whether federal, state, local or foreign; and (c) rules of any securities exchange or automated quotation system on which the Shares are listed, quoted or traded.

1.2 "***Award***" means an Option award, Stock Appreciation Right award, Restricted Stock award, Restricted Stock Unit award, Performance Bonus Award, Performance Stock Unit award, Dividend Equivalents award or Other Stock or Cash Based Award granted to a Participant under the Plan.

1.2 "***Award Agreement***" means an agreement evidencing an Award, which may be written or electronic, that contains such terms and conditions as the Administrator determines, consistent with and subject to the terms and conditions of the Plan.

1.1 "***Board***" means the Board of Directors of the Company.

1.3 "***Cause***" shall have the meaning ascribed to such term, or term of similar effect, in any offer letter, employment, severance or similar agreement, including any Award Agreement, between the Participant and the Company; provided, that in the absence of an offer letter, employment, severance or similar agreement containing such definition, "Cause" means, with respect to a Participant, the occurrence of any of the following: (a) the Participant's commission of any crime involving fraud, dishonesty or moral turpitude; (b) the Participant's attempted commission of or participation in a fraud or act of dishonesty against the Company that results in (or might have reasonably resulted in) material harm to the business of the Company; (c) the Participant's material violation of any contract or agreement between the Participant and the Company or any Subsidiary or any statutory duty the Participant owes to the Company or any Subsidiary; (d) the Participant's conduct that constitutes gross insubordination, incompetence or habitual neglect of duties and that results in (or might have reasonably resulted in) material harm to the business of the Company; or (e) the Participant's failure to perform his/her assigned duties and responsibilities to the reasonable satisfaction of the Company which failure continues, in the reasonable judgment of the Company, after written notice given to the Participant by the Company.

1.3 "***Change in Control***" means any of the following:

(a) A transaction or series of transactions (other than an offering of Common Stock to the general public through a registration statement filed with the Securities and Exchange Commission) whereby any "person" or related "group" of "persons" (as such terms are used in Sections 13(d) and 14(d)(2) of the Exchange Act) directly or indirectly acquires beneficial ownership (within the meaning of

Rules 13d-3 and 13d-5 under the Exchange Act) of the Company's securities possessing more than 50% of the total combined voting power of the Company's securities outstanding immediately after such acquisition; provided, however, that the following acquisitions shall not constitute a Change in Control: (i) any acquisition by the Company or any of its Subsidiaries; (ii) any acquisition by an employee benefit plan maintained by the Company or any of its Subsidiaries, (iii) any acquisition which complies with Sections 2.7(c)(i), 2.7(c)(ii) and 2.7(c)(iii); or (iv) in respect of an Award held by a particular Participant, any acquisition by the Participant or any group of persons including the Participant (or any entity controlled by the Participant or any group of persons including the Participant);

(a) The Incumbent Directors cease for any reason to constitute a majority of the Board;

(b) The consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination, (y) a sale or other disposition of all or substantially all of the Company's assets in any single transaction or series of related transactions or (z) the acquisition of assets or stock of another entity, in each case other than a transaction:

(i) which results in the Company's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company's assets or otherwise succeeds to the business of the Company (the Company or such person, the "***Successor Entity***")) directly or indirectly, at least a majority of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction;

(i) after which no person or group beneficially owns voting securities representing 50% or more of the combined voting power of the Successor Entity; provided, however, that no person or group shall be treated for purposes of this Section 2.7. (c)(ii) as beneficially owning 50% or more of the combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction; and

(i) after which at least a majority of the members of the board of directors (or the analogous governing body) of the Successor Entity were Board members at the time of the Board's approval of the execution of the initial agreement providing for such transaction; or

(c) The completion of a liquidation or dissolution of the Company.

Notwithstanding the foregoing, if a Change in Control constitutes a payment event with respect to any Award (or any portion of an Award) that provides for the deferral of compensation that is subject to Section 409A, to the extent required to avoid the imposition of additional taxes under Section 409A, the transaction or event described in subsection (a), (b), (c) or (d) of this Section 2.7 with respect to such Award (or portion thereof) shall only constitute a Change in Control for purposes of the payment timing of such Award if such transaction also constitutes a "change in control event," as defined in Treasury Regulation Section 1.409A-3(i)(5).

The Administrator shall have full and final authority, which shall be exercised in its sole discretion, to determine conclusively whether a Change in Control has occurred pursuant to the above definition, the date of such Change in Control and any incidental matters relating thereto; provided that any exercise of authority in conjunction with a determination of whether a Change in Control is a "change in control event" as defined in Treasury Regulation Section 1.409A-3(i)(5) shall be consistent with such regulation.

1.4 "***Code***" means the U.S. Internal Revenue Code of 1986, as amended, and all regulations, guidance, compliance programs and other interpretative authority issued thereunder.

1.4 "***Committee***" means the Compensation Committee of the Board.

1.2 "***Common Stock***" means the common stock of the Company.

1.5 "***Company***" means Arteris Inc., a Delaware corporation, or any successor.

1.5 "***Designated Beneficiary***" means, if permitted by the Company, the beneficiary or beneficiaries the Participant designates, in a manner the Company determines, to receive amounts due or exercise the Participant's rights if the Participant dies. Without a Participant's effective designation, "Designated Beneficiary" will mean the Participant's estate or legal heirs.

1.6 "***Disability***" means a permanent and total disability under Section 22(e)(3) of the Code.

1.1 "***Dividend Equivalents***" means a right granted to a Participant to receive the equivalent value (in cash or Shares) of dividends paid on a specified number of Shares. Such Dividend Equivalent shall be converted to cash or additional Shares, or a combination of cash and Shares, by such formula and at such time and subject to such limitations as may be determined by the Administrator.

1.7 "***DRO***" means a "domestic relations order" as defined by the Code or Title I of the Employee Retirement Income Security Act of 1974, as amended, or the rules thereunder.

1.6 "***Eligible Employee***" means any Employee who has not previously been an employee or director of the Company or any of its Subsidiaries, or is commencing employment with the Company or a Subsidiary following a bona fide period of non-employment by the Company or a Subsidiary, if he or she is granted an award in connection with his or her commencement of employment with the Company or a Subsidiary and such grant is an inducement material to his or her entering into employment with the Company or a Subsidiary. The Administrator may in its discretion adopt procedures from time to time to ensure that an Employee is eligible to participate in the Plan prior to the granting of any awards to such Employee under the Plan (including, without limitation, a requirement, that each such Employee certify to the Company prior to the receipt of an award under the Plan that he or she has not been previously employed by the Company or a Subsidiary, or if previously employed, has had a bona fide period of non-employment, and that the grant of an award under the Plan is an inducement material to her or her agreement to enter into employment with the Company or a Subsidiary).

1.8 "***Employee***" means any person, including officers, providing services as an employee to the Company or any of its Subsidiaries. Neither service as a Non-Employee Director nor payment of a director's fee by the Company will be sufficient to constitute "employment" by the Company.

1.3 "***Equity Restructuring***" means a nonreciprocal transaction between the Company and its stockholders, such as a stock dividend, stock split (including a reverse stock split), spin-off or recapitalization through a large, nonrecurring cash dividend, that affects the number or kind of Shares (or other Company securities) or the share price of Common Stock (or other Company securities) and causes a change in the per share value of the Common Stock underlying outstanding Awards.

1.9 "***Exchange Act***" means the U.S. Securities Exchange Act of 1934, as amended, and all regulations, guidance and other interpretative authority issued thereunder.

1.7 "***Fair Market Value***" means, as of any date, the value of a Share determined as follows: (i) if the Common Stock is listed on any established stock exchange, the value of a Share will be the closing sales price for a Share as quoted on such exchange for such date, or if no sale occurred on such date, the last day preceding such date during which a sale occurred, as reported in *The Wall Street Journal* or another source the Administrator deems reliable; (ii) if the Common Stock is not listed on an established stock exchange but is quoted on a national market or other quotation system, the value of a Share will be the closing sales price for a Share on such date, or if no sales occurred on such date, then on the last date preceding such date during which a sale occurred, as reported in *The Wall Street Journal* or another source the Administrator deems reliable; or (iii) if the Common Stock is not listed on any established stock exchange or quoted on a national market or other quotation system, the value established by the Administrator in its sole discretion.

1.10 "***Good Reason***" shall have the meaning ascribed to such term, or term of similar effect, in any offer letter, employment, severance or similar agreement, including any Award Agreement, between the Participant and the Company or any Subsidiary; provided, that in the absence of an offer letter,

employment, severance or similar agreement containing such definition, Good Reason means the occurrence of one or more of the following without the Participant's consent: (i) a material diminution in the Participant's base salary, except for across-the-board salary reductions similarly affecting all or substantially all similarly situated employees of the Company or any Subsidiary, or (ii) a change of more than 50 miles in the geographic location at which the Participant provides services to the Company, except for such reasonable travel as required to perform the Participant's duties to the Company or any Subsidiary and unless such change or relocation is set forth in an offer letter, employment agreement or similar agreement entered into between Participant and the Company or any Subsidiary prior to a Change in Control, or otherwise agreed by the Company (or any Subsidiary) and the Participant. In order to establish Good Reason, the Participant must provide the Administrator with notice of the event giving rise to Good Reason within 90 days of the initial occurrence of such event, the event shall remain uncured 30 days thereafter and the Participant must actually terminate services within 30 days following the end of such cure period.

1.1 "***Incumbent Directors"*** means, for any period of 12 consecutive months, individuals who, at the beginning of such period, constitute the Board together with any new director(s) (other than a director designated by a person who shall have entered into an agreement with the Company to effect a transaction described in clause (a) or (c) of the Change in Control definition) whose election or nomination for election to the Board was approved by a vote of at least a majority (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director without objection to such nomination) of the directors then still in office who either were directors at the beginning of the 12-month period or whose election or nomination for election was previously so approved. No individual initially elected or nominated as a director of the Company as a result of an actual or threatened election contest with respect to directors or as a result of any other actual or threatened solicitation of proxies by or on behalf of any person other than the Board shall be an Incumbent Director.

1.11 "***Non-Employee Director***" means a member of the Board who is not an Employee.

1.8 "***Nonqualified Stock Option***" means an Option that is not an Incentive Stock Option.

1.12 "***Option***" means a right granted under Article VI to purchase a specified number of Shares at a specified price per Share during a specified time period. An Option shall be a Nonqualified Stock Option.

1.4 "***Other Stock or Cash Based Awards***" means cash awards, awards of Shares, and other awards valued wholly or partially by referring to, or are otherwise based on, Shares or other property.

1.13 "***Participant***" means an Eligible Employee who has been granted an Award.

1.9 "***Performance Bonus Award***" has the meaning set forth in Section 8.3.

1.14 "***Performance Stock Unit***" means a right granted to a Participant pursuant to Section 8.1 and subject to Section 8.2, to receive cash or Shares, the payment of which is contingent upon achieving certain performance goals or other performance-based targets established by the Administrator.

1.2 "***Permitted Transferee***" means, with respect to a Participant, any "family member" of the Participant, as defined in the General Instructions to Form S-8 Registration Statement under the Securities Act (or any successor form thereto), or any other transferee specifically approved by the Administrator after taking into account Applicable Law.

1.15 "***Plan***" means this 2022 Employment Inducement Incentive Plan.

1.10 "***Restricted Stock***" means Shares awarded to a Participant under Article VII, subject to certain vesting conditions and other restrictions.

1.16 "***Restricted Stock Unit***" means an unfunded, unsecured right to receive, on the applicable settlement date, one Share or an amount in cash or other consideration determined by the Administrator to be of equal value as of such settlement date, subject to certain vesting conditions and other restrictions.

1.5 "***Section 409A***" means Section 409A of the Code and the regulations promulgated thereunder by the United States Treasury Department, as amended or as may be amended from time to time.

1.17 "***Securities Act***" means the Securities Act of 1933, as amended, and all regulations, guidance and other interpretative authority issued thereunder.

1.11 "***Shares***" means shares of Common Stock.

1.18 "***Stock Appreciation Right***" or "***SAR***" means a right granted under Article VI to receive a payment equal to the excess of the Fair Market Value of a specified number of Shares on the date the right is exercised over the exercise price set forth in the applicable Award Agreement.

1.2 "***Subsidiary***" means any entity (other than the Company), whether U.S. or non-U.S., in an unbroken chain of entities beginning with the Company if each of the entities other than the last entity in the unbroken chain beneficially owns, at the time of the determination, securities or interests representing at least 50% of the total combined voting power of all classes of securities or interests in one of the other entities in such chain.

1.19 "***Substitute Awards***" means Awards granted or Shares issued by the Company in assumption of, or in substitution or exchange for, awards previously granted, or the right or obligation to make future awards, in each case by a company or other entity acquired by the Company or any Subsidiary or with which the Company or any Subsidiary combines.

1.12 "***Tax-Related Items***" means any U.S. and non-U.S. federal, state and/or local taxes (including, without limitation, income tax, social insurance contributions, fringe benefit tax, employment tax, stamp tax and any employer tax liability which has been transferred to a Participant) for which a Participant is liable in connection with Awards and/or Shares.

1.20 "***Termination of Service***" means as to an Employee, the time when the employee-employer relationship between a Participant and the Company or any Subsidiary is terminated for any reason, including, without limitation, a termination by resignation, discharge, death, disability or retirement; but excluding terminations where the Participant simultaneously commences or remains in employment or service with the Company or any Subsidiary. The Company, in its sole discretion, shall determine the effect of all matters and questions relating to any Termination of Service, including, without limitation, whether a Termination of Service has occurred, whether a Termination of Service resulted from a discharge for Cause and all questions of whether particular leaves of absence constitute a Termination of Service. For purposes of the Plan, a Participant's employee-employer relationship shall be deemed to be terminated in the event that the Subsidiary employing or contracting with such Participant ceases to remain a Subsidiary following any merger, sale of stock or other corporate transaction or event (including, without limitation, a spin-off), even though the Participant may subsequently continue to perform services for that entity.

ARTICLE III.
ELIGIBILITY

All Awards may be granted only to Eligible Employees, subject to the limitations described herein. No Eligible Employee shall have any right to be granted an Award pursuant to the Plan and neither the Company nor the Administrator is obligated to treat Eligible Employees, Participants or any other persons uniformly.

ARTICLE IV.
ADMINISTRATION AND DELEGATION

1.13 Administration

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(a) The Plan is administered by the Administrator. The Administrator has authority to determine which Eligible Employees receive Awards, grant Awards and set Award terms and conditions, subject to the conditions and limitations in the Plan. The Administrator also has the authority to take all actions and make all determinations under the Plan, to interpret the Plan and Award Agreements and to adopt, amend and repeal Plan administrative rules, guidelines and practices as it deems advisable. The Administrator may correct defects and ambiguities, supply omissions, reconcile inconsistencies in the Plan or any Award and make all other determinations that it deems necessary or appropriate to administer the Plan and any Awards. The Administrator is entitled to, in good faith, rely or act upon any report or other information furnished to it, him or her by any officer or other Employee, the Company's independent certified public accountants, or any executive compensation consultant or other professional retained by the Company to assist in the administration of the Plan. The Administrator's determinations under the Plan are in its sole discretion and will be final, binding and conclusive on all persons having or claiming any interest in the Plan or any Award.

(a) Without limiting the foregoing, the Administrator has the exclusive power, authority and sole discretion to: (i) designate Participants; (ii) determine the type or types of Awards to be granted to each Participant; (iii) determine the number of Awards to be granted and the number of Shares to which an Award will relate; (iv) subject to the limitations in the Plan, determine the terms and conditions of any Award and related Award Agreement, including, but not limited to, the exercise price, grant price, purchase price, any performance criteria, any restrictions or limitations on the Award, any schedule for vesting, lapse of forfeiture restrictions or restrictions on the exercisability of an Award, and accelerations, waivers or amendments thereof; (v) determine whether, to what extent, and under what circumstances an Award may be settled in, or the exercise price of an Award may be paid in cash, Shares, or other property, or an Award may be canceled, forfeited, or surrendered; and (vi) make all other determinations necessary or advisable for the administration of this Plan, including imposing, incidental to the grant of an Award, conditions with respect to the Award, including procedures to ensure that an Employee is eligible to participate in the Plan prior to the granting of any awards to such Employee under the Plan (including, without limitation, a requirement, if any, that each such Employee certify to the Company prior to the receipt of an award under the Plan that he or she has not been previously employed by the Company or a Subsidiary, or if previously employed, has had a bona fide period of non-employment, and that the grant of an award under the Plan is an inducement material to his or her agreement to enter into employment with the Company or a Subsidiary).

ARTICLE V.
STOCK AVAILABLE FOR AWARDS

1.14 Number of Shares

. Subject to adjustment under Article IX and the terms of this Article V, Awards may be made under the Plan with the total number of Shares reserved and available for grant and issuance pursuant to this Plan as of the date of adoption of the Plan by the Board is 2,000,000 Shares.

1.1 Share Recycling

.

(a) If all or any part of an Award expires, lapses or is terminated, converted into an award in respect of shares of another entity in connection with a spin-off or other similar event, exchanged or settled for cash, surrendered, repurchased, canceled without having been fully exercised or forfeited, in any case, in a manner that results in the Company acquiring Shares covered by the Award at a price not greater than the price (as adjusted to reflect any Equity Restructuring) paid by the Participant for such Shares or not issuing any Shares covered by the Award, the unused Shares covered by the Award will, as applicable, become or again be available, in each case, as Common Stock for Awards under the

Plan. The payment of Dividend Equivalents in cash in conjunction with any outstanding Awards shall not count against the number of Shares available for issuance under the Plan.

(a) In addition, the following Shares shall be available for future grants of Awards: (i) Shares tendered by a Participant or withheld by the Company in payment of the exercise price of an Option; (ii) Shares tendered by the Participant or withheld by the Company to satisfy any tax withholding obligation with respect to an Award; and (iii) Shares subject to a Stock Appreciation Right that are not issued in connection with the stock settlement of the Stock Appreciation Right on exercise thereof.

1.15 Substitute Awards

. In connection with an entity's merger or consolidation with the Company or any Subsidiary or the Company's or any Subsidiary's acquisition of an entity's property or stock, the Administrator may grant Substitute Awards in respect of any options or other stock or stock-based awards granted before such merger or consolidation by such entity or its affiliate. Substitute Awards may be granted on such terms and conditions as the Administrator deems appropriate, notwithstanding limitations on Awards in the Plan. Substitute Awards will not reduce the number of Shares available for issuance under the Plan (nor shall Shares subject to a Substitute Award be added to the Shares available for Awards under the Plan as provided under Section 5.2 above). Additionally, in the event that a company acquired by the Company or any Subsidiary or with which the Company or any Subsidiary combines has shares available under a pre-existing plan and not adopted in contemplation of such acquisition or combination, the shares available for grant pursuant to the terms of such pre-existing plan (as appropriately adjusted to reflect the transaction) may be used for Awards under the Plan and shall not reduce the number of Shares available for issuance under the Plan (and Shares subject to such Awards may again become available for Awards under the Plan as provided under Section 5.2 above); provided that Awards using such available shares shall not be made after the date awards or grants could have been made under the terms of the pre-existing plan, absent the acquisition or combination, and shall only be made to individuals who were not Employees prior to such acquisition or combination.

ARTICLE VI.
STOCK OPTIONS AND STOCK APPRECIATION RIGHTS

1.1 General

. The Administrator may grant Options or Stock Appreciation Rights to one or more Eligible Employees, subject to such terms and conditions not inconsistent with the Plan as the Administrator shall determine. The Administrator will determine the number of Shares covered by each Option and Stock Appreciation Right, the exercise price of each Option and Stock Appreciation Right and the conditions and limitations applicable to the exercise of each Option and Stock Appreciation Right. A Stock Appreciation Right will entitle the Participant (or other person entitled to exercise the Stock Appreciation Right) to receive from the Company upon exercise of the exercisable portion of the Stock Appreciation Right an amount determined by multiplying (x) the excess, if any, of the Fair Market Value of one Share on the date of exercise over the exercise price per Share of the Stock Appreciation Right by (y) the number of Shares with respect to which the Stock Appreciation Right is exercised, subject to any limitations of the Plan or that the Administrator may impose, and payable in cash, Shares valued at Fair Market Value on the date of exercise or a combination of the two as the Administrator may determine or provide in the Award Agreement.

1.1 Exercise Price

. The Administrator will establish each Option's and Stock Appreciation Right's exercise price and specify the exercise price in the Award Agreement. The exercise price will not be less than 100% of the Fair Market Value on the grant date of the Option or Stock Appreciation Right. Notwithstanding the foregoing, in the case of an Option or Stock Appreciation Right that is a Substitute Award, the exercise price per share of the Shares subject to such Option or Stock Appreciation Right, as applicable, may be less than the Fair Market Value per share on the date of grant; provided that the exercise price of any Substitute Award shall be determined in accordance with the applicable requirements of 409A of the Code.

1.16 Duration of Options

. Each Option or Stock Appreciation Right will be exercisable at such times and as specified in the Award Agreement, provided that the term of an Option or Stock Appreciation Right will not exceed ten years; provided, further, that, unless otherwise determined by the Administrator or specified in the Award Agreement, (a) no portion of an Option or Stock Appreciation Right which is unexercisable at a Participant's Termination of Service shall thereafter become exercisable and (b) the portion of an Option or Stock Appreciation Right that is unexercisable at a Participant's Termination of Service shall automatically expire on the date of such Termination of Service. In addition, in no event shall an Option or Stock Appreciation Right granted to an Employee who is a non-exempt employee for purposes of overtime pay under the U.S. Fair Labor Standards Act of 1938 be exercisable earlier than six months after its date of grant. Notwithstanding the foregoing, if the Participant, prior to the end of the term of an Option or Stock Appreciation Right, commits an act of Cause (as determined by the Administrator), or violates any non-competition, non-solicitation or confidentiality provisions of any employment contract, confidentiality and nondisclosure agreement or other agreement between the Participant and the Company or any of its Subsidiaries, the right to exercise the Option or Stock Appreciation Right, as applicable, may be terminated by the Company and the Company may suspend the Participant's right to exercise the Option or Stock Appreciation Right when it reasonably believes that the Participant may have participated in any such act or violation.

1.2 Exercise

. Options and Stock Appreciation Rights may be exercised by delivering to the Company (or such other person or entity designated by the Administrator) a notice of exercise, in a form and manner the Company approves (which may be written, electronic or telephonic and may contain representations and warranties deemed advisable by the Administrator), signed or authenticated by the person authorized to exercise the Option or Stock Appreciation Right, together with, as applicable, (a) payment in full of the exercise price for the number of Shares for which the Option is exercised in a manner specified in Section 6.5 and (b) satisfaction in full of any withholding obligation for Tax-Related Items in a manner specified in Section 10.5. The Administrator may, in its discretion, limit exercise with respect to fractional Shares and require that any partial exercise of an Option or Stock Appreciation Right be with respect to a minimum number of Shares.

1.1 Payment Upon Exercise

. The Administrator shall determine the methods by which payment of the exercise price of an Option shall be made, including, without limitation:

(a) Cash, check or wire transfer of immediately available funds; provided that the Company may limit the use of one of the foregoing methods if one or more of the methods below is permitted;

(a) If there is a public market for Shares at the time of exercise, unless the Company otherwise determines, (A) delivery (including electronically or telephonically to the extent permitted by the Company) of a notice that the Participant has placed a market sell order with a broker acceptable to the Company with respect to Shares then issuable upon exercise of the Option and that the broker has been directed to deliver promptly to the Company funds sufficient to pay the exercise price, or (B) the Participant's delivery to the Company of a copy of irrevocable and unconditional instructions to a broker acceptable to the Company to deliver promptly to the Company an amount sufficient to pay the exercise price by cash, wire transfer of immediately available funds or check; provided that such amount is paid to the Company at such time as may be required by the Company;

(b) To the extent permitted by the Administrator, delivery (either by actual delivery or attestation) of Shares owned by the Participant valued at their Fair Market Value on the date of delivery;

(b) To the extent permitted by the Administrator, surrendering Shares then issuable upon the Option's exercise valued at their Fair Market Value on the exercise date;

(c) To the extent permitted by the Administrator, delivery of a promissory note or any other lawful consideration; or

(b) To the extent permitted by the Administrator, any combination of the above payment forms.

ARTICLE VII.
RESTRICTED STOCK; RESTRICTED STOCK UNITS

1.2 General

. The Administrator may grant Restricted Stock, or the right to purchase Restricted Stock, to any Eligible Employee, subject to forfeiture or the Company's right to repurchase all or part of the underlying Shares at their issue price or other stated or formula price from the Participant if conditions the Administrator specifies in the Award Agreement are not satisfied before the end of the applicable restriction period or periods that the Administrator establishes for such Award. In addition, the Administrator may grant Restricted Stock Units, which may be subject to vesting and forfeiture conditions during the applicable restriction period or periods, as set forth in an Award Agreement, to Eligible Employees. The Administrator shall establish the purchase price, if any, and form of payment for Restricted Stock and Restricted Stock Units; provided, however, that if a purchase price is charged, such purchase price shall be no less than the par value, if any, of the Shares to be purchased, unless otherwise permitted by Applicable Law. In all cases, legal consideration shall be required for each issuance of Restricted Stock and Restricted Stock Units to the extent required by Applicable Law. The Award Agreement for each Award of Restricted Stock and Restricted Stock Units shall set forth the terms and conditions not inconsistent with the Plan as the Administrator shall determine.

1.1 Restricted Stock

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(c) *Stockholder Rights*. Unless otherwise determined by the Administrator, each Participant holding Shares of Restricted Stock will be entitled to all the rights of a stockholder with respect to such Shares, subject to the restrictions in the Plan and the applicable Award Agreement, including the right to receive all dividends and other distributions paid or made with respect to the Shares to the extent such dividends and other distributions have a record date that is on or after the date on which such Participant becomes the record holder of such Shares; provided, however, that with respect to a share of Restricted Stock subject to restrictions or vesting conditions, except in connection with a spin-off or other similar event as otherwise permitted under Section 9.2, dividends which are paid to Company stockholders prior to the removal of restrictions and satisfaction of vesting conditions shall only be paid to the Participant to the extent that the restrictions are subsequently removed and the vesting conditions are subsequently satisfied and the share of Restricted Stock vests.

(a) *Stock Certificates*. The Company may require that the Participant deposit in escrow with the Company (or its designee) any stock certificates issued in respect of Shares of Restricted Stock, together with a stock power endorsed in blank.

(a) *Section 83(b) Election*. If a Participant makes an election under Section 83(b) of the Code to be taxed with respect to the Restricted Stock as of the date of transfer of the Restricted Stock rather than as of the date or dates upon which such Participant would otherwise be taxable under Section 83(a) of the Code, such Participant shall be required to deliver a copy of such election to the Company promptly after filing such election with the Internal Revenue Service along with proof of the timely filing thereof.

1.2 Restricted Stock Units. The Administrator may provide that settlement of Restricted Stock Units will occur upon or as soon as reasonably practicable after the Restricted Stock Units vest or will instead be deferred, on a mandatory basis or at the Participant's election, subject to compliance with Applicable Law. A Participant holding Restricted Stock Units will have only the rights of a general unsecured creditor of the Company (solely to the extent of any rights then applicable to Participant with

respect to such Restricted Stock Units) until delivery of Shares, cash or other securities or property is made as specified in the applicable Award Agreement.

ARTICLE VIII.
OTHER TYPES OF AWARDS

1.3 General

. The Administrator may grant Performance Stock Unit awards, Performance Bonus Awards, Dividend Equivalents or Other Stock or Cash Based Awards, to one or more Eligible Employees, in such amounts and subject to such terms and conditions not inconsistent with the Plan as the Administrator shall determine.

1.3 Performance Stock Unit Awards

. Each Performance Stock Unit award shall be denominated in a number of Shares or in unit equivalents of Shares or units of value (including a dollar value of Shares) and may be linked to any one or more of performance or other specific criteria, including service to the Company or Subsidiaries, determined to be appropriate by the Administrator, in each case on a specified date or dates or over any period or periods determined by the Administrator. In making such determinations, the Administrator may consider (among such other factors as it deems relevant in light of the specific type of award) the contributions, responsibilities and other compensation of the particular Participant.

1.4 Performance Bonus Awards

. Each right to receive a bonus granted under this Section 8.3 shall be denominated in the form of cash (but may be payable in cash, stock or a combination thereof) (a "***Performance Bonus Award***") and shall be payable upon the attainment of performance goals that are established by the Administrator and relate to one or more of performance or other specific criteria, including service to the Company or Subsidiaries, in each case on a specified date or dates or over any period or periods determined by the Administrator.

1.1 Dividend Equivalents

. If the Administrator provides, an Award (other than an Option or Stock Appreciation Right) may provide a Participant with the right to receive Dividend Equivalents. Dividend Equivalents may be paid currently or credited to an account for the Participant, settled in cash or Shares and subject to the same restrictions on transferability and forfeitability as the Award with respect to which the Dividend Equivalents are granted and subject to other terms and conditions as set forth in the Award Agreement. Notwithstanding anything to the contrary herein, Dividend Equivalents with respect to an Award subject to vesting shall either (a) to the extent permitted by Applicable Law, not be paid or credited or (b) be accumulated and subject to vesting to the same extent as the related Award. All such Dividend Equivalents shall be paid at such time as the Administrator shall specify in the applicable Award Agreement or as determined by the Administrator in the event not specified in such Award Agreement.

1.5 Other Stock or Cash Based Awards

. Other Stock or Cash Based Awards may be granted to Participants, including Awards entitling Participants to receive cash or Shares to be delivered in the future and annual or other periodic or long-term cash bonus awards (whether based on specified performance criteria or otherwise), in each case subject to any conditions and limitations in the Plan. Such Other Stock or Cash Based Awards will also be available as a payment form in the settlement of other Awards, as standalone payments and as payment in lieu of compensation to which a Participant is otherwise entitled, subject to compliance with Section 409A. Other Stock or Cash Based Awards may be paid in Shares, cash or other property, as the Administrator determines. Subject to the provisions of the Plan, the Administrator will determine the terms and conditions of each Other Stock or Cash Based Award, including any purchase price, performance goal(s), transfer restrictions, and vesting conditions, which will be set forth in the applicable Award Agreement. Except in connection with a spin-off or other similar event as otherwise permitted

under Article IX, dividends that are paid prior to vesting of any Other Stock or Cash Based Award shall only be paid to the applicable Participant to the extent that the vesting conditions are subsequently satisfied and the Other Stock or Cash Based Award vests.

ARTICLE IX.
ADJUSTMENTS FOR CHANGES IN COMMON STOCK
AND CERTAIN OTHER EVENTS

1.6 Equity Restructuring

(a) . In connection with any Equity Restructuring, notwithstanding anything to the contrary in this Article IX, the Administrator will equitably adjust the terms of the Plan and each outstanding Award as it deems appropriate to reflect the Equity Restructuring, which may include (i) adjusting the number and type of securities subject to each outstanding Award or with respect to which Awards may be granted under the Plan (including, but not limited to, adjustments of the limitations in Article V hereof on the maximum number and kind of shares that may be issued); (ii) adjusting the terms and conditions of (including the grant or exercise price), and the performance goals or other criteria included in, outstanding Awards; and (iii) granting new Awards or making cash payments to Participants. The adjustments provided under this Section 9.1 will be nondiscretionary and final and binding on all interested parties, including the affected Participant and the Company; provided that the Administrator will determine whether an adjustment is equitable.

1.7 Corporate Transactions

. In the event of any extraordinary dividend or other distribution (whether in the form of cash, Common Stock, other securities, or other property), reorganization, merger, consolidation, split-up, spin off, combination, amalgamation, repurchase, recapitalization, liquidation, dissolution, or sale, transfer, exchange or other disposition of all or substantially all of the assets of the Company, or sale or exchange of Common Stock or other securities of the Company, Change in Control, issuance of warrants or other rights to purchase Common Stock or other securities of the Company, other similar corporate transaction or event, other unusual or nonrecurring transaction or event affecting the Company or its financial statements or any change in any Applicable Law or accounting principles, the Administrator, on such terms and conditions as it deems appropriate, either by the terms of the Award or by action taken prior to the occurrence of such transaction or event (except that action to give effect to a change in Applicable Law or accounting principles may be made within a reasonable period of time after such change) and either automatically or upon the Participant's request, is hereby authorized to take any one or more of the following actions whenever the Administrator determines that such action is appropriate in order to (x) prevent dilution or enlargement of the benefits or potential benefits intended by the Company to be made available under the Plan or with respect to any Award granted or issued under the Plan, (y) to facilitate such transaction or event or (z) give effect to such changes in Applicable Law or accounting principles:

(a) To provide for the cancellation of any such Award in exchange for either an amount of cash or other property with a value equal to the amount that could have been obtained upon the exercise or settlement of the vested portion of such Award or realization of the Participant's rights under the vested portion of such Award, as applicable, in each case as of the date of such cancellation; provided that, if the amount that could have been obtained upon the exercise or settlement of the vested portion of such Award or realization of the Participant's rights, in any case, is equal to or less than zero, then the Award may be terminated without payment;

(a) To provide that such Award shall vest and, to the extent applicable, be exercisable as to all Shares (or other property) covered thereby, notwithstanding anything to the contrary in the Plan or the provisions of such Award;

(b) To provide that such Award be assumed by the successor or survivor corporation or entity, or a parent or subsidiary thereof, or shall be substituted for by awards covering the stock of the successor or survivor corporation or entity, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and applicable exercise or purchase price, in all cases, as determined by the Administrator;

(b) To make adjustments in the number and type of Shares (or other securities or property) subject to outstanding Awards or with respect to which Awards may be granted under the Plan (including, but not limited to, adjustments of the limitations in Article V hereof on the maximum number and kind of Shares which may be issued) or in the terms and conditions of (including the grant or exercise price), and the criteria included in, outstanding Awards;

(a) To replace such Award with other rights or property selected by the Administrator; or

(c) To provide that the Award will terminate and cannot vest, be exercised or become payable after the applicable event.

1.2 Change in Control.

(d) Notwithstanding any other provision of the Plan, in the event of a Change in Control, unless the Administrator elects to (i) terminate an Award or (ii) cause an Award to become fully exercisable and no longer subject to any forfeiture restrictions prior to the consummation of a Change in Control, pursuant to Section 9.2, (A) such Award (other than any portion subject to performance-based vesting) shall continue in effect or be assumed or an equivalent Award substituted by the successor corporation or a parent or subsidiary of the successor corporation and (B) the portion of such Award subject to performance-based vesting shall be subject to the terms and conditions of the applicable Award Agreement and, in the absence of applicable terms and conditions, the Administrator's discretion.

(b) For the purposes of this Section 9.3, an Award shall be considered assumed if, following the Change in Control, the Award confers the right to purchase or receive, for each Share subject to the Award immediately prior to the Change in Control, the consideration (whether stock, cash, or other securities or property) received in the Change in Control by holders of Common Stock for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the Change in Control was not solely common stock of the successor corporation or its parent, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of the Award, for each Share subject to an Award, to be solely common stock of the successor corporation or its parent equal in fair market value to the per-share consideration received by holders of Common Stock in the Change in Control.

(e) Notwithstanding anything to the contrary herein, if a Participant experiences a Termination of Service during the period beginning three months prior to and ending 12 months following the closing of a Change in Control that is effected by the Company without Cause or by the Participant for Good Reason, then, the Award(s) (other than any portion subject to performance-based vesting, which shall be handled as specified in the individual Award Agreement or as otherwise provided by the Administrator) held by such Participant shall become fully vested and, if applicable, exercisable and all forfeiture restrictions on such Award(s) shall lapse as of immediately prior to the consummation of such Change in Control or, if later, the date of such Termination of Service.

1.3 Administrative Stand Still

. In the event of any pending stock dividend, stock split, combination or exchange of shares, merger, consolidation or other distribution (other than normal cash dividends) of Company assets to stockholders, or any other extraordinary transaction or change affecting the Shares or the share price of Common Stock (including any Equity Restructuring or any securities offering or other similar transaction) or for reasons of administrative convenience or to facilitate compliance with any Applicable Law, the Administrator may refuse to permit the exercise or settlement of one or more Awards for such period of time as the Company may determine to be reasonably appropriate under the circumstances.

1.8 General

. Except as expressly provided in the Plan or the Administrator's action under the Plan, no Participant will have any rights due to any subdivision or consolidation of Shares of any class, dividend

payment, increase or decrease in the number of Shares of any class or dissolution, liquidation, merger, or consolidation of the Company or other corporation. Except as expressly provided with respect to an Equity Restructuring under Section 9.1 above or the Administrator's action under the Plan, no issuance by the Company of Shares of any class, or securities convertible into Shares of any class, will affect, and no adjustment will be made regarding, the number of Shares subject to an Award or the Award's grant or exercise price. The existence of the Plan, any Award Agreements and the Awards granted hereunder will not affect or restrict in any way the Company's right or power to make or authorize (i) any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, (ii) any merger, consolidation, spinoff, dissolution or liquidation of the Company or sale of Company assets or (iii) any sale or issuance of securities, including securities with rights superior to those of the Shares or securities convertible into or exchangeable for Shares.

ARTICLE X.
PROVISIONS APPLICABLE TO AWARDS

1.9 Transferability

.

(a) No Award may be sold, assigned, transferred, pledged or otherwise encumbered, either voluntarily or by operation of law, except by will or the laws of descent and distribution, or, subject to the Administrator's consent, pursuant to a DRO, unless and until such Award has been exercised or the Shares underlying such Award have been issued, and all restrictions applicable to such Shares have lapsed. During the life of a Participant, Awards will be exercisable only by the Participant, unless it has been disposed of pursuant to a DRO. After the death of a Participant, any exercisable portion of an Award may, prior to the time when such portion becomes unexercisable under the Plan or the applicable Award Agreement, be exercised by the Participant's personal representative or by any person empowered to do so under the deceased Participant's will or under the then-Applicable Law of descent and distribution. References to a Participant, to the extent relevant in the context, will include references to a transferee approved by the Administrator.

(a) Notwithstanding Section 10.1(a), the Administrator, in its sole discretion, may determine to permit a Participant or a Permitted Transferee of such Participant to transfer an Award to any one or more Permitted Transferees of such Participant, subject to the following terms and conditions: (i) an Award transferred to a Permitted Transferee shall not be assignable or transferable by the Permitted Transferee other than (A) to another Permitted Transferee of the applicable Participant or (B) by will or the laws of descent and distribution or, subject to the consent of the Administrator, pursuant to a DRO; (ii) an Award transferred to a Permitted Transferee shall continue to be subject to all the terms and conditions of the Award as applicable to the original Participant (other than the ability to further transfer the Award to any person other than another Permitted Transferee of the applicable Participant); (iii) the Participant (or transferring Permitted Transferee) and the receiving Permitted Transferee shall execute any and all documents requested by the Administrator, including, without limitation, documents to (A) confirm the status of the transferee as a Permitted Transferee, (B) satisfy any requirements for an exemption for the transfer under Applicable Law and (C) evidence the transfer; and (iv) any transfer of an Award to a Permitted Transferee shall be without consideration, except as required by Applicable Law.

(c) Notwithstanding Section 10.1(a), if permitted by the Administrator, a Participant may, in the manner determined by the Administrator, designate a Designated Beneficiary. A Designated Beneficiary, legal guardian, legal representative, or other person claiming any rights pursuant to the Plan is subject to all terms and conditions of the Plan and any Award Agreement applicable to the Participant and any additional restrictions deemed necessary or appropriate by the Administrator. If the Participant is married or a domestic partner in a domestic partnership qualified under Applicable Law and resides in a community property state, a designation of a person other than the Participant's spouse or domestic partner, as applicable, as the Participant's Designated Beneficiary with respect to more than 50% of the Participant's interest in the Award shall not be effective without the prior written or electronic consent of the Participant's spouse or domestic partner. Subject to the foregoing, a beneficiary designation may be changed or revoked by a Participant at any time; provided that the change or revocation is delivered in writing to the Administrator prior to the Participant's death.

1.10 Documentation

. Each Award will be evidenced in an Award Agreement in such form as the Administrator determines in its discretion. Each Award may contain such terms and conditions as are determined by the Administrator in its sole discretion, to the extent not inconsistent with those set forth in the Plan.

1.4 Discretion

. Except as the Plan otherwise provides, each Award may be made alone or in addition or in relation to any other Award. The terms of each Award to a Participant need not be identical, and the Administrator need not treat Participants or Awards (or portions thereof) uniformly.

1.11 Changes in Participant's Status

. The Administrator will determine how the disability, death, retirement, authorized leave of absence or any other change or purported change in a Participant's Eligible Employee status affects an Award and the extent to which, and the period during which, the Participant, the Participant's legal representative, conservator, guardian or Designated Beneficiary may exercise rights under the Award, if applicable. Except to the extent otherwise required by Applicable Law or expressly authorized by the Company or by the Company's written policy on leaves of absence, no service credit shall be given for vesting purposes for any period the Participant is on a leave of absence.

1.3 Withholding

. Each Participant must pay the Company or a Subsidiary or other Participant's employing company, as applicable, or make provision satisfactory to the Administrator for payment of, any Tax-Related Items required by Applicable Law to be withheld in connection with such Participant's Awards and/or Shares by the date of the event creating the liability for Tax-Related Items. At the Company's discretion and subject to any Company insider trading policy (including black-out periods), any withholding obligation for Tax-Related Items may be satisfied by (i) deducting an amount sufficient to satisfy such withholding obligation from any payment of any kind otherwise due to a Participant; (ii) accepting a payment from the Participant in cash, by wire transfer of immediately available funds, or by check made payable to the order of the Company or a Subsidiary, as applicable; (iii) accepting the delivery of Shares, including Shares delivered by attestation; (iv) retaining Shares from the Award creating the withholding obligation for Tax-Related Items, valued on the date of delivery; (v) if there is a public market for Shares at the time the withholding obligation for Tax-Related Items is to be satisfied, selling Shares issued pursuant to the Award creating the withholding obligation for Tax-Related Items, either voluntarily by the Participant or mandatorily by the Company; (vi) accepting delivery of a promissory note or any other lawful consideration; or (vii) any combination of the foregoing payment forms. The amount withheld pursuant to any of the foregoing payment forms shall be determined by the Company and may be up to, but no greater than, the aggregate amount of such obligations based on the maximum statutory withholding rates in the applicable Participant's jurisdiction for all Tax-Related Items that are applicable to such taxable income. If any tax withholding obligation will be satisfied under clause (v) of the preceding paragraph, each Participant's acceptance of an Award under the Plan will constitute the Participant's authorization to the Company and instruction and authorization to any brokerage firm selected by the Company to effect the sale to complete the transactions described in clause (v).

1.12 Amendment of Award; Repricing

. The Administrator may amend, modify or terminate any outstanding Award, including by substituting another Award of the same or a different type and changing the exercise or settlement date. The Participant's consent to such action will be required unless (i) the action, taking into account any related action, does not materially and adversely affect the Participant's rights under the Award, or (ii) the change is permitted under Article IX or pursuant to Section 11.6. In addition, the Administrator shall, without the approval of the stockholders of the Company, have the authority to (a) amend any outstanding Option or Stock Appreciation Right to reduce its exercise price per Share or (b) cancel any Option or Stock Appreciation Right in exchange for cash or another Award.

1.5 Conditions on Delivery of Stock

. The Company will not be obligated to deliver any Shares under the Plan or remove restrictions from Shares previously delivered under the Plan until (i) all Award conditions have been met or removed to the Company's satisfaction, (ii) as determined by the Company, all other legal matters regarding the issuance and delivery of such Shares have been satisfied, including, without limitation, any applicable securities laws and stock exchange or stock market rules and regulations, (iii) any approvals from governmental agencies that the Company determines are necessary or advisable have been obtained, and (iv) the Participant has executed and delivered to the Company such representations or agreements as the Administrator deems necessary or appropriate to satisfy Applicable Law. The inability or impracticability of the Company to obtain or maintain authority to issue or sell any securities from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained, and shall constitute circumstances in which the Administrator may determine to amend or cancel Awards pertaining to such Shares, with or without consideration to the Participant.

1.13 Acceleration

. The Administrator may at any time provide that any Award will become immediately vested and fully or partially exercisable, free of some or all restrictions or conditions, or otherwise fully or partially realizable.

ARTICLE XI.
MISCELLANEOUS

1.14 No Right to Employment or Other Status

. No person will have any claim or right to be granted an Award, and the grant of an Award will not be construed as giving a Participant the right to commence or continue employment or any other relationship with the Company or a Subsidiary. The Company and its Subsidiaries expressly reserve the right at any time to dismiss or otherwise terminate its relationship with a Participant free from any liability or claim under the Plan or any Award, except as expressly provided in an Award Agreement or other written agreement between the Participant and the Company or any Subsidiary.

1.6 No Rights as Stockholder; Certificates

. Subject to the Award Agreement, no Participant or Designated Beneficiary will have any rights as a stockholder with respect to any Shares to be distributed under an Award until becoming the record holder of such Shares. Notwithstanding any other provision of the Plan, unless the Administrator otherwise determines or Applicable Law requires, the Company will not be required to deliver to any Participant certificates evidencing Shares issued in connection with any Award and instead such Shares may be recorded in the books of the Company (or, as applicable, its transfer agent or stock plan administrator). The Company may place legends on any share certificate or book entry to reference restrictions applicable to the Shares (including, without limitation, restrictions applicable to Restricted Stock).

1.15 Effective Date

. The Plan will become effective on November 3, 2022, the date the Board adopted the Plan (the "***Effective Date***"). It is expressly intended that approval of the Company's stockholders not be required as a condition of the effectiveness of the Plan, and the Plan's provisions shall be interpreted in a manner consistent with such intent for all purposes. Specifically, Nasdaq Stock Market Rule 5635(c) generally requires stockholder approval for stock option plans or other equity compensation arrangements adopted by companies whose securities are listed on the Nasdaq Stock Market pursuant to which stock awards or stock may be acquired by officers, directors, employees, or consultants of such companies. Nasdaq Stock Market Rule 5635(c)(4) provides an exception to this requirement for issuances of securities to a person

not previously an employee or director of the issuer, or following a bona fide period of non-employment, as an inducement material to the individual's entering into employment with the issuer; provided, such issuances are approved by either the issuer's compensation committee comprised of a majority of independent directors or a majority of the issuer's independent directors. Notwithstanding anything to the contrary herein, awards under the Plan may only be made to employees who have not previously been an employee or director of the Company or a Subsidiary, or following a bona fide period of non-employment by the Company or a Subsidiary, as an inducement material to the employee's entering into employment with the Company or a Subsidiary. Awards under the Plan will be approved by the Administrator. Accordingly, pursuant to Nasdaq Stock Market Rule 5635(c)(4), the issuance of Awards and the Shares issuable upon exercise or vesting of such Awards pursuant to the Plan are not subject to the approval of the Company's stockholders.

1.1 Amendment of Plan

. The Board may amend, suspend or terminate the Plan at any time and from time to time; provided that (a) no amendment requiring stockholder approval to comply with Applicable Law shall be effective unless approved by the stockholders, and (b) no amendment, other than an increase the number of Shares available for issuance under the Plan or pursuant to Article IX or Section 11.6, may materially and adversely affect any Award outstanding at the time of such amendment without the affected Participant's consent. No Awards may be granted under the Plan during any suspension period or after Plan termination. Awards outstanding at the time of any Plan suspension or termination will continue to be governed by the Plan and the Award Agreement, as each in effect before such suspension or termination.

1.16 Provisions for Foreign Participants

. The Administrator may modify Awards granted to Participants who are nationals of a country other than the United States or employed or residing outside the United States, establish subplans or procedures under the Plan or take any other necessary or appropriate action to address Applicable Law, including (a) differences in laws, rules, regulations or customs of such jurisdictions with respect to tax, securities, currency, employee benefit or other matters, (b) listing and other requirements of any non-U.S. securities exchange, and (c) any necessary local governmental or regulatory exemptions or approvals.

1.7 Section 409A

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(a) *General*. The Company intends that all Awards be structured to comply with, or be exempt from, Section 409A, such that no adverse tax consequences, interest, or penalties under Section 409A apply. Notwithstanding anything in the Plan or any Award Agreement to the contrary, the Administrator may, without a Participant's consent, amend this Plan or Awards, adopt policies and procedures, or take any other actions (including amendments, policies, procedures and retroactive actions) as are necessary or appropriate to preserve the intended tax treatment of Awards, including any such actions intended to (A) exempt this Plan or any Award from Section 409A, or (B) comply with Section 409A, including regulations, guidance, compliance programs and other interpretative authority that may be issued after an Award's grant date. The Company makes no representations or warranties as to an Award's tax treatment under Section 409A or otherwise. The Company will have no obligation under this Section 11.6 or otherwise to avoid the taxes, penalties or interest under Section 409A with respect to any Award and will have no liability to any Participant or any other person if any Award, compensation or other benefits under the Plan are determined to constitute noncompliant "nonqualified deferred compensation" subject to taxes, penalties or interest under Section 409A.

(a) *Separation from Service*. If an Award constitutes "nonqualified deferred compensation" under Section 409A, any payment or settlement of such Award upon a Participant's Termination of Service will, to the extent necessary to avoid taxes under Section 409A, be made only upon the Participant's "separation from service" (within the meaning of Section 409A), whether such "separation from service" occurs upon or after the Participant's Termination of Service. For purposes of

this Plan or any Award Agreement relating to any such payments or benefits, references to a "termination," "termination of employment" or like terms means a "separation from service."

(b) *Payments to Specified Employees*. Notwithstanding any contrary provision in the Plan or any Award Agreement, any payment(s) of "nonqualified deferred compensation" required to be made under an Award to a "specified employee" (as defined under Section 409A and as the Administrator determines) due to his or her "separation from service" will, to the extent necessary to avoid taxes under Section 409A(a)(2)(B)(i) of the Code, be delayed for the six-month period immediately following such "separation from service" (or, if earlier, until the specified employee's death) and will instead be paid (as set forth in the Award Agreement) on the day immediately following such six-month period or as soon as administratively practicable thereafter (without interest). Any payments of "nonqualified deferred compensation" under such Award payable more than six months following the Participant's "separation from service" will be paid at the time or times the payments are otherwise scheduled to be made.

(a) *Separate Payments*. If an Award includes a "series of installment payments" within the meaning of Section 1.409A-2(b)(2)(iii) of Section 409A, the Participant's right to the series of installment payments will be treated as a right to a series of separate payments and not as a right to a single payment and, if an Award includes "dividend equivalents" within the meaning of Section 1.409A-3(e) of Section 409A, the Participant's right to receive the dividend equivalents will be treated separately from the right to other amounts under the Award.

(c) *Change in Control*. Any payment due upon a Change in Control of the Company will be paid only if such Change in Control constitutes a "change in ownership" or "change in effective control" within the meaning of Section 409A, and in the event that such Change in Control does not constitute a "change in the ownership" or "change in the effective control" within the meaning of Section 409A, such Award for which payment is due upon a Change in Control of the Company will vest upon the Change in Control and any payment will be delayed until the first compliant date under Section 409A.

1.1 Limitations on Liability

. Notwithstanding any other provisions of the Plan, no individual acting as a director, officer or other Employee will be liable to any Participant, former Participant, spouse, beneficiary, or any other person for any claim, loss, liability, or expense incurred in connection with the Plan or any Award, and such individual will not be personally liable with respect to the Plan because of any contract or other instrument executed in his or her capacity as an Administrator, director, officer or other Employee. The Company will indemnify and hold harmless each director, officer or other Employee that has been or will be granted or delegated any duty or power relating to the Plan's administration or interpretation, against any cost or expense (including attorneys' fees) or liability (including any sum paid in settlement of a claim with the Administrator's approval) arising from any act or omission concerning this Plan unless arising from such person's own fraud or bad faith; provided that he or she gives the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf.

1.17 Data Privacy

. As a condition for receiving any Award, each Participant explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of personal data as described in this Section 11.8 by and among the Company and its Subsidiaries and affiliates exclusively for implementing, administering and managing the Participant's participation in the Plan. The Company and its Subsidiaries and affiliates may hold certain personal information about a Participant, including the Participant's name, address and telephone number; birthdate; social security, insurance number or other identification number; salary; nationality; job title(s); any Shares held in the Company or its Subsidiaries and affiliates; and Award details, to implement, manage and administer the Plan and Awards (the "***Data***"). The Company and its Subsidiaries and affiliates may transfer the Data amongst themselves as necessary to implement, administer and manage a Participant's participation in the Plan, and the Company and its Subsidiaries and affiliates may transfer the Data to third parties assisting the Company with Plan implementation, administration and management. These recipients may be located in the Participant's country, or elsewhere, and the Participant's country may have different data privacy laws

and protections than a recipient's country. By accepting an Award, each Participant authorizes such recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, to implement, administer and manage the Participant's participation in the Plan, including any required Data transfer to a broker or other third party with whom the Company or the Participant may elect to deposit any Shares. The Data related to a Participant will be held only as long as necessary to implement, administer, and manage the Participant's participation in the Plan. A Participant may, at any time, view the Data that the Company holds regarding such Participant, request additional information about the storage and processing of the Data regarding such Participant, recommend any necessary corrections to the Data regarding the Participant or refuse or withdraw the consents in this Section 11.8 in writing, without cost, by contacting the local human resources representative. The Company may cancel Participant's ability to participate in the Plan and, in the Administrator's sole discretion, the Participant may forfeit any outstanding Awards if the Participant refuses or withdraws the consents in this Section 11.8. For more information on the consequences of refusing or withdrawing consent, Participants may contact their local human resources representative.

1.8 Severability

. If any portion of the Plan or any action taken under it is held illegal or invalid for any reason, the illegality or invalidity will not affect the remaining parts of the Plan, and the Plan will be construed and enforced as if the illegal or invalid provisions had been excluded, and the illegal or invalid action will be null and void.

1.18 Governing Documents

. If any contradiction occurs between the Plan and any Award Agreement or other written agreement between a Participant and the Company (or any Subsidiary), the Plan will govern, unless such Award Agreement or other written agreement was approved by the Administrator and expressly provides that a specific provision of the Plan will not apply.

1.1 Governing Law

. The Plan and all Awards will be governed by and interpreted in accordance with the laws of the State of Delaware, without regard to the conflict of law rules thereof or of any other jurisdiction. By accepting an Award, each Participant irrevocably and unconditionally consents to submit to the exclusive jurisdiction of the courts of the State of Delaware and of the United States of America, in each case located in the State of Delaware, for any action arising out of or relating to the Plan (and agrees not to commence any litigation relating thereto except in such courts), and further agrees that service of any process, summons, notice or document by U.S. registered mail to the address contained in the records of the Company shall be effective service of process for any litigation brought against it in any such court. By accepting an Award, each Participant irrevocably and unconditionally waives any objection to the laying of venue of any litigation arising out of the Plan or Award hereunder in the courts of the State of Delaware or the United States of America, in each case located in the State of Delaware, and further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such litigation brought in any such court has been brought in an inconvenient forum. By accepting an Award, each Participant irrevocably and unconditionally waives, to the fullest extent permitted by Applicable Law, any and all rights to trial by jury in connection with any litigation arising out of or relating to the Plan or any Award hereunder.

1.19 Clawback Provisions

. All Awards (including the gross amount of any proceeds, gains or other economic benefit the Participant actually or constructively receives upon receipt or exercise of any Award or the receipt or resale of any Shares underlying the Award) will be subject to recoupment by the Company to the extent required to comply with Applicable Law or any policy of the Company providing for the reimbursement of incentive compensation, whether or not such policy was in place at the time of grant of an Award.

1.9 Titles and Headings

. The titles and headings in the Plan are for convenience of reference only and, if any conflict, the Plan's text, rather than such titles or headings, will control.

1.20 Conformity to Applicable Law

. Participant acknowledges that the Plan is intended to conform to the extent necessary with Applicable Law. Notwithstanding anything herein to the contrary, the Plan and all Awards will be administered only in a manner intended to conform with Applicable Law. To the extent Applicable Law permits, the Plan and all Award Agreements will be deemed amended as necessary to conform to Applicable Law.

1.2 Relationship to Other Benefits

. No payment under the Plan will be taken into account in determining any benefits under any pension, retirement, savings, profit sharing, group insurance, welfare or other benefit plan of the Company or any Subsidiary, except as expressly provided in writing in such other plan or an agreement thereunder.

1.21 Unfunded Status of Awards. The Plan is intended to be an "unfunded" plan for incentive compensation. With respect to any payments not yet made to a Participant pursuant to an Award, nothing contained in the Plan or Award Agreement shall give the Participant any rights that are greater than those of a general creditor of the Company or any Subsidiary.

1.10 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan, the Plan and any Award granted or awarded to any individual who is then subject to Section 16 of the Exchange Act shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including Rule 16b-3 of the Exchange Act and any amendments thereto) that are requirements for the application of such exemptive rule. To the extent permitted by Applicable Law, the Plan and Awards granted or awarded hereunder shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

1.22 Prohibition on Executive Officer Loans. Notwithstanding any other provision of the Plan to the contrary, no Participant who is an "executive officer" of the Company within the meaning of Section 13(k) of the Exchange Act shall be permitted to make payment with respect to any Awards granted under the Plan, or continue any extension of credit with respect to such payment, with a loan from the Company or a loan arranged by the Company in violation of Section 13(k) of the Exchange Act.

1.2 Broker-Assisted Sales

. In the event of a broker-assisted sale of Shares in connection with the payment of amounts owed by a Participant under or with respect to the Plan or Awards, including amounts to be paid under the final sentence of Section 10.5: (a) any Shares to be sold through the broker-assisted sale will be sold on the day the payment first becomes due, or as soon thereafter as practicable; (b) such Shares may be sold as part of a block trade with other Participants in the Plan in which all Participants receive an average price; (c) the applicable Participant will be responsible for all broker's fees and other costs of sale, and by accepting an Award, each Participant agrees to indemnify and hold the Company and its directors, officers and other Employees harmless from any losses, costs, damages, or expenses relating to any such sale; (d) to the extent the Company or its designee receives proceeds of such sale that exceed the amount owed, the Company will pay such excess in cash to the applicable Participant as soon as reasonably practicable; (e) the Company and its designees are under no obligation to arrange for such sale at any particular price; and (f) in the event the proceeds of such sale are insufficient to satisfy the Participant's applicable obligation, the Participant may be required to pay immediately upon demand to the Company or its designee an amount in cash sufficient to satisfy any remaining portion of the Participant's obligation.

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ARTERIS INC.
2022 EMPLOYMENT INDUCEMENT INCENTIVE PLAN
STOCK OPTION GRANT NOTICE

Arteris Inc., a Delaware corporation, (the "***Company***"), pursuant to its 2022 Employment Inducement Incentive Plan, as may be amended from time to time (the "***Plan***"), hereby grants to the holder listed below ("***Participant***"), an option to purchase the number of shares of the Company's Common Stock (the "***Shares***"), set forth below (the "***Option***"). This Option is subject to all of the terms and conditions set forth herein, as well as in the Plan and the Stock Option Agreement attached hereto as **Exhibit A** (the "***Stock Option Agreement***") including any special provisions for Participant's country of residence, if any, set forth in the Appendix for Participant's Country (the "***Country Provisions***"), each of which are incorporated herein by reference. Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Grant Notice, the Country Provisions and the Stock Option Agreement.

Participant:	[_____]
Grant Date:	[_____]
Vesting Commencement Date:	[_____]
Exercise Price per Share:	$[_____]
Total Exercise Price:	$[_____]
Total Number of Shares Subject to the Option:	[_____]
Expiration Date:	[_____]
Vesting Schedule:	[_____]

Type of Option: Nonqualified Stock Option

If the Company uses an electronic capitalization table system (such as Shareworks, Carta or Equity Edge) and the fields in this Grant Notice are blank or the information is otherwise provided in a different format electronically, the blank fields and other information will be deemed to come from the electronic capitalization system and is considered part of this Grant Notice. In addition, the Company's signature below shall be deemed to have occurred by the Company's input of the Option in such electronic capitalization table system and the Participant's signature below shall be deemed to have occurred by the Participant's online acceptance of the Option through such electronic capitalization table system.

By his or her signature and the Company's signature below, Participant agrees to be bound by the terms and conditions of the Plan, the Stock Option Agreement and this Grant Notice. Participant has reviewed the Plan, the Stock Option Agreement and this Grant Notice in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Grant Notice and fully understands all provisions of the Plan, the Stock Option Agreement and this Grant Notice. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan, the Stock Option Agreement or this Grant Notice.

ARTERIS **INC.:** **Holder:**

By:
Print Name:
Title:
Address:

PARTICIPANT:

By:
Print Name:

Address:

EXHIBIT A
TO STOCK OPTION GRANT NOTICE

STOCK OPTION AGREEMENT

Pursuant to the Stock Option Grant Notice (the "***Grant Notice***") to which this Stock Option Agreement (this "***Agreement***") is attached, Arteris Inc., a Delaware corporation (the "***Company***"), has granted to Participant an Option under the Company's 2022 Employment Inducement Incentive Plan, as may be amended from time to time (the "***Plan***"), to purchase the number of Shares indicated in the Grant Notice.

ARTICLE I.

GENERAL

1.1 Defined Terms. Capitalized terms not specifically defined herein shall have the meanings specified in the Plan and the Grant Notice.

1.2 Incorporation of Terms of Plan. The Option is subject to the terms and conditions of the Plan which are incorporated herein by reference. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan shall control. If the Country Provisions apply to Participant, in the event of a conflict between the terms of this Agreement, the Grant Notice or the Plan and the Country Provisions, the terms of the Country Provisions shall control.

ARTICLE II.

GRANT OF OPTION

1.3 Grant of Option. In consideration of Participant commencing employment with the Company or any Subsidiary and for other good and valuable consideration, effective as of the Grant Date set forth in the Grant Notice (the "***Grant Date***"), the Company irrevocably grants to Participant the Option to purchase any part or all of an aggregate of the number of Shares set forth in the Grant Notice, upon the terms and conditions set forth in the Plan, this Agreement, and the Country Provisions (if applicable), subject to adjustments as provided in Article IX of the Plan. This Option shall be treated as a Nonqualified Stock Option.

1.4 Exercise Price. The exercise price of the Shares subject to the Option shall be as set forth in the Grant Notice, without commission or other charge; *provided*, *however*, that the exercise price per share of the Shares subject to the Option shall not be less than 100% of the Fair Market Value of a Share on the Grant Date.

1.5 Consideration to the Company. In consideration of the grant of the Option by the Company, Participant agrees to render faithful and efficient services to the Company and its Subsidiaries, as applicable.

ARTICLE III.

PERIOD OF EXERCISABILITY

1.6 Commencement of Exercisability.

(a) Subject to this Section 3.1 and Sections 3.2, 3.3, 5.11 and 5.16 hereof, the Option shall become vested and exercisable in such amounts and at such times as are set forth in the Grant Notice.

(b) No portion of the Option which has not become vested and exercisable at the date of Participant's Termination of Service shall thereafter become vested and exercisable, except as may be otherwise provided by the Administrator or as set forth in a written agreement between the Company (or any Subsidiary that is the employer of Participant) and Participant.

(c) Notwithstanding Section 3.1(a) hereof and the Grant Notice, but subject to Section 3.1(b) hereof, in the event of a Change in Control the Option shall be treated pursuant to Sections 9.2 and 9.3 of the Plan.

1.7 Duration of Exercisability. The installments provided for in the vesting schedule set forth in the Grant Notice are cumulative. Each such installment which becomes vested and exercisable pursuant to the vesting schedule set forth in the Grant Notice shall remain vested and exercisable until it becomes unexercisable under Section 3.3 hereof.

1.8 Expiration of Option. The Option may not be exercised to any extent by anyone after the first to occur of the following events:

(a) The Expiration Date set forth in the Grant Notice, which shall in no event be more than ten years from the Grant Date;

(b) The expiration of three months from the date of Participant's Termination of Service, unless such termination occurs by reason of Participant's death or Disability or Cause;

(c) The expiration of one year from the date of Participant's Termination of Service by reason of Participant's death or Disability; or

(d) Participant's Termination of Service for Cause.

1.9 Tax Indemnity.

(d) Participant agrees to hold harmless, indemnify and keep indemnified the Company, any Subsidiary and Participant's employing company, if different, from and against any liability for or obligation to pay any Tax-Related Items that is attributable to (1) the grant or exercise of, or any benefit derived by Participant from, the Option, (2) the acquisition by Participant of the Shares on exercise of the Option or (3) the disposal of any Shares.

(e) The Option cannot be exercised until Participant has made such arrangements as the Company may require for the satisfaction of any Tax-Related Items that may arise in connection with the exercise of the Option or the acquisition of the Shares by Participant. The Company shall not be required to issue, allot or transfer Shares until Participant has satisfied this obligation.

(f) Participant hereby acknowledges that the Company (i) makes no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Option and (ii) does not commit to and is under no obligation to structure the terms of the grant or any aspect of any Award, including the Option, to reduce or eliminate Participant's liability for Tax-Related Items or achieve any particular tax result. Furthermore, if Participant becomes subject to tax in more than one jurisdiction between the date of grant of an Award, including the Option, and the date of any relevant taxable event, Participant acknowledges that the Company may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

ARTICLE IV.

EXERCISE OF OPTION

1.1 Person Eligible to Exercise. Except as provided in Section 5.3 hereof, during the lifetime of Participant, only Participant may exercise the Option or any portion thereof, unless it has been disposed of pursuant to a DRO. After the death of Participant, any exercisable portion of the Option may, prior to

the time when the Option becomes unexercisable under Section 3.3 hereof, be exercised by the deceased Participant's personal representative or by any person empowered to do so under the deceased Participant's will or under the then applicable laws of descent and distribution.

1.2 Partial Exercise. Any exercisable portion of the Option or the entire Option, if then wholly exercisable, may be exercised in whole or in part at any time prior to the time when the Option or portion thereof becomes unexercisable under Section 3.3 hereof. However, the Option shall not be exercisable with respect to fractional Shares.

1.3 Manner of Exercise. The Option, or any exercisable portion thereof, may be exercised solely by delivery to the Secretary of the Company (or any third party administrator or other person or entity designated by the Company; for the avoidance of doubt, delivery shall include electronic delivery), during regular business hours, of all of the following prior to the time when the Option or such portion thereof becomes unexercisable under Section 3.3 hereof:

(a) An exercise notice in a form specified by the Administrator, stating that the Option or portion thereof is thereby exercised, such notice complying with all applicable rules established by the Administrator. The notice shall be signed by Participant or other person then entitled to exercise the Option or such portion of the Option;

(b) The receipt by the Company of full payment for the Shares with respect to which the Option or portion thereof is exercised, including payment of any applicable Tax-Related Items, which shall be made by deduction from other compensation payable to Participant or in such other form of consideration permitted under Section 4.4 hereof that is acceptable to the Company;

(c) Any other written representations or documents as may be required in the Administrator's sole discretion to evidence compliance with the Securities Act, the Exchange Act or any other Applicable Law; and

(d) In the event the Option or portion thereof shall be exercised pursuant to Section 4.1 hereof by any person or persons other than Participant, appropriate proof of the right of such person or persons to exercise the Option.

Notwithstanding any of the foregoing, the Company shall have the right to specify all conditions of the manner of exercise, which conditions may vary by country and which may be subject to change from time to time.

1.1 Method of Payment. Payment of the exercise price shall be by any of the following, or a combination thereof, at the election of Participant:

(e) Cash or check;

(f) With the consent of the Administrator, surrender of Shares (including, without limitation, Shares otherwise issuable upon exercise of the Option) held for such period of time as may be required by the Administrator in order to avoid adverse accounting consequences and having a Fair Market Value on the date of delivery equal to the aggregate exercise price of the Option or exercised portion thereof; or

(g) Other legal consideration acceptable to the Administrator (including, without limitation, through the delivery of a notice that Participant has placed a market sell order with a broker with respect to Shares then issuable upon exercise of the Option, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company in satisfaction of the Option exercise price; *provided* that payment of such proceeds is then made to the Company at such time as may be required by the Company, but in any event not later than the settlement of such sale).

1.4 Conditions to Issuance of Shares. The Shares deliverable upon the exercise of the Option, or any portion thereof, may be either previously authorized but unissued Shares or issued Shares

which have then been reacquired by the Company. Such Shares shall be fully paid and nonassessable. The Company shall not be required to issue or deliver any Shares purchased upon the exercise of the Option or portion thereof prior to fulfillment of all of the conditions in Section 10.7 of the Plan.

1.5 Participant's Representations. If the Shares issuable hereunder have not been registered under the Securities Act or any applicable state laws on an effective registration statement at the time of exercise, Participant shall, if required by the Company, concurrently with such exercise, make such written representations as are deemed necessary or appropriate by the Company or its counsel.

1.6 Rights as Stockholder. The holder of the Option shall not be, nor have any of the rights or privileges of, a stockholder of the Company, including, without limitation, voting rights and rights to dividends, in respect of any Shares purchasable upon the exercise of any part of the Option unless and until such Shares shall have been issued by the Company and held of record by such holder (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Article IX of the Plan.

ARTICLE V.

OTHER PROVISIONS

1.1 Administration. The Administrator shall 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, amend or revoke any such rules. All actions taken and all interpretations and determinations made by the Administrator in good faith shall be final and binding upon Participant, the Company and all other interested persons. No member of the Committee or the Board shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan, this Agreement or the Option.

1.2 Whole Shares. The Option may only be exercised for whole Shares.

1.3 Transferability. The Option shall be subject to the restrictions on transferability set forth in Section 10.1 of the Plan.

1.4 Tax Consultation. Participant understands that Participant may suffer adverse tax consequences as a result of the grant, vesting or exercise of the Option, or with the purchase or disposition of the Shares subject to the Option. Participant represents that Participant has consulted with any tax consultants Participant deems advisable in connection with the purchase or disposition of such Shares and that Participant is not relying on the Company for any tax advice.

1.5 Binding Agreement. Subject to the limitation on the transferability of the Option contained herein, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

1.6 Adjustments Upon Specified Events. The Administrator may accelerate the vesting of the Option in such circumstances as it, in its sole discretion, may determine. Participant acknowledges that the Option is subject to adjustment, modification and termination in certain events as provided in this Agreement and Article IX of the Plan.

1.7 Notices. Any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company in care of the Secretary of the Company at the Company's principal office, and any notice to be given to Participant shall be addressed to Participant at Participant's last address reflected on the Company's records. By a notice given pursuant to this Section 5.7, either party may hereafter designate a different address for notices to be given to that party. Any notice which is required to be given to Participant shall, if Participant is then deceased, be given to the person entitled to exercise his or her Option pursuant to Section 4.1 hereof by written notice under this Section 5.7. Any notice shall be deemed duly given when sent via email or when sent by certified mail (return receipt requested) and

deposited (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service (or similar non-U.S. entity).

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

1.9 Governing Law. The laws of the State of Delaware shall govern the interpretation, validity, administration, enforcement and performance of the terms of this Agreement regardless of the law that might be applied under principles of conflicts of laws. By entering into this Agreement, Participant irrevocably and unconditionally consents to submit to the exclusive jurisdiction of the courts of the State of Delaware and of the United States of America, in each case located in the State of Delaware, for any action arising out of or relating to this Agreement and the Plan (and agrees not to commence any litigation relating thereto except in such courts), and further agrees that service of any process, summons, notice or document by U.S. registered mail to the address contained in the records of the Company shall be effective service of process for any litigation brought against it in any such court. By entering into this Agreement, Participant irrevocably and unconditionally waives any objection to the laying of venue of any litigation arising out of the Plan or this Agreement in the courts of the State of Delaware or the United States of America, in each case located in the State of Delaware, and further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such litigation brought in any such court has been brought in an inconvenient forum. By entering into this Agreement, Participant irrevocably and unconditionally waives, to the fullest extent permitted by applicable law, any and all rights to trial by jury in connection with any litigation arising out of or relating to the Plan or this Agreement.

1.10 Conformity to Securities Laws. Participant acknowledges that the Plan and this Agreement are intended to conform to the extent necessary with all provisions of the Securities Act and the Exchange Act and any other Applicable Law. Notwithstanding anything herein to the contrary, the Plan shall be administered, and the Option is granted and may be exercised, only in such a manner as to conform to such Applicable Law. To the extent permitted by Applicable Law, the Plan and this Agreement shall be deemed amended to the extent necessary to conform to such Applicable Law.

1.11 Amendment, Suspension and Termination. To the extent permitted by the Plan, this Agreement may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Administrator or the Board; *provided, however,* that, except as may otherwise be provided by the Plan, no amendment, modification, suspension or termination of this Agreement shall adversely affect the Option in any material way without the prior written consent of Participant.

1.12 Successors and Assigns. The Company may assign any of its rights and delegate any of its obligations 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 in Section 5.3 hereof, this Agreement shall be binding upon Participant and his or her heirs, executors, administrators, successors and assigns.

1.13 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan or this Agreement, if Participant is subject to Section 16 of the Exchange Act, then the Plan, the Option and this Agreement shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by Applicable Law, this Agreement shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

1.14 Not a Contract of Service Relationship. Nothing in this Agreement or in the Plan shall confer upon Participant any right to commence or continue to serve as an Employee or shall interfere with or restrict in any way the rights of the Company and its Subsidiaries, which rights are hereby expressly reserved, to discharge or terminate the services of Participant at any time for any reason whatsoever, with or without Cause, except to the extent expressly provided otherwise by Applicable Law or in a written agreement between the Company or a Subsidiary (as applicable) and Participant.

1.15 Entire Agreement. The Plan, the Grant Notice and this Agreement (including the Country Provisions) constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof, *provided* that the Option shall be subject to any accelerated vesting provisions in any written agreement between Participant and the Company (or any Subsidiary who is the employer of Participant) or a Company plan pursuant to which Participant is eligible to participate, in each case, in accordance with the terms therein.

1.16 Section 409A. This Option is not intended to constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code (together with any Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the date hereof, "***Section 409A***"). However, notwithstanding any other provision of the Plan, the Grant Notice or this Agreement, if at any time the Administrator determines that the Option (or any portion thereof) may be subject to Section 409A, the Administrator shall have the right in its sole discretion (without any obligation to do so or to indemnify Participant or any other person for failure to do so) to adopt such amendments to the Plan, the Grant Notice or this Agreement, or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, as the Administrator determines are necessary or appropriate either for the Option to be exempt from the application of Section 409A or to comply with the requirements of Section 409A.

1.17 Limitation on Participant's Rights. Participation in the Plan confers no rights or interests other than as herein provided. This Agreement creates only a contractual obligation on the part of the Company as to amounts payable and shall not be construed as creating a trust. Neither the Plan nor any underlying program, in and of itself, has any assets. Participant shall have only the rights of a general unsecured creditor of the Company and its Subsidiaries with respect to amounts credited and benefits payable, if any, with respect to the Option, and rights no greater than the right to receive the Shares as a general unsecured creditor with respect to the Option, as and when exercised pursuant to the terms hereof.

1.18 Rules Particular To Specific Countries.

(a) *Generally*. Participant shall, if required by the Administrator, enter into an election with the Company or a Subsidiary (in a form approved by the Company) under which any liability to the Company's (or a Subsidiary's) Tax-Related Items, including, but not limited to, National Insurance Contributions ("***NICs***") and the Fringe Benefit Tax, is transferred to and met by Participant.

(b) *Tax Indemnity*. Participant shall indemnify and keep indemnified the Company and any of its subsidiaries from and against any Tax-Related Items.

1.7 Special Country Provisions for Options Granted to Participants. This Option shall be subject to the Country Provisions, if any, for Participant's country of residence, as set forth in the Country Provisions. If Participant relocates to one of the countries included in the Country Provisions during the life of this Option, the special provisions for such country shall apply to Participant, to the extent the Company determines that the application of such provisions is necessary or advisable in order to comply with local law or facilitate the administration of the Plan. The Company reserves the right to impose other requirements on this Option and the Shares purchased upon exercise of this Option, to the extent the Company determines it is necessary or advisable in order to comply with local laws or facilitate the administration of the Plan, and to require Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

* * * * *

APPENDIX
TO
STOCK OPTION AGREEMENT

Special Country Provisions for Options for Participants

This Appendix includes special terms and conditions applicable to Participants in the countries below. These terms and conditions are in addition to those set forth in the Stock Option Agreement (the "***Agreement***") and the Plan, and to the extent there are any inconsistencies between these terms and conditions and those set forth in the Agreement, these terms and conditions shall prevail. Any capitalized term used in this Appendix without definition shall have the meaning ascribed to such term in the Plan or the Agreement, as applicable.

In accepting the Option, Participant acknowledges, understands and agrees that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature, and may be amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;

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

(c) all decisions with respect to future option or other grants, if any, will be at the sole discretion of the Company;

(d) the Option grant and Participant's participation in the Plan shall not create a right to employment or be interpreted as forming an employment contract with the Company, or, if different, Participant's employer, or any Subsidiary or parent or affiliate of the Company, and shall not interfere with the ability of the Company, the employer or any Subsidiary or parent or affiliate of the Company, as applicable, to provide for a termination of Participant's service;

(e) Participant is voluntarily participating in the Plan;

(f) the Option and any Shares acquired under the Plan are not intended to replace any pension rights or compensation;

(g) the Option and any Shares acquired under the Plan and the income and value of same, are not part of normal or expected compensation for any purpose, including, without limitation, calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments;

(h) the future value of the Shares underlying the Option is unknown, indeterminable, and cannot be predicted with certainty;

(i) if the underlying Shares do not increase in value, the Option will have no value;

(j) if Participant exercises the Option and acquires Shares, the value of such Shares may increase or decrease in value, even below the exercise price; and

(k) neither the Company, the employer nor any parent, Subsidiary or affiliate of the Company 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 Option or of any amounts due to Participant pursuant to the exercise of the Option or the subsequent sale of any Shares acquired upon exercise.

Securities Law Notice: Unless otherwise noted, neither the Company nor the Shares are registered with any local stock exchange or under the control of any local securities regulator outside the United States.

The Agreement (of which this Appendix is a part), the Plan, and any other communications or materials that Participant may receive regarding participation in the Plan do not constitute advertising or an offering of securities outside the United States, and the issuance of securities described in any Plan-related documents is not intended for public offering or circulation in Participant's jurisdiction.

General Provisions

Data Privacy: **Participant acknowledges and agrees to the data privacy provisions set forth in Section 11.8 of the Plan.**

Notifications: This Appendix also includes information relating to exchange control and other issues of which Participant should be aware with respect to his or her participation in the Plan. The information is based on the exchange control, securities and other laws in effect in the respective countries as of September 2021. Such laws are often complex and change frequently. As a result, the Company strongly recommends that Participant not rely on the information herein as the only source of information relating to the consequences of participation in the Plan because the information may be out of date at the time the Option is exercised or Shares acquired under the Plan are sold. In addition, the information contained in this Appendix is general in nature and may not apply to Participant's particular situation, and the Company is not in a position to assure Participant of any particular result. Accordingly, Participant is advised to seek appropriate professional advice as to how the relevant laws in his or her country may apply to his or her situation. Finally, Participant understands that if Participant is a citizen or resident of a country other than the one in which he or she is currently residing or working, the information contained herein may not be applicable to Participant.

English Language: By participating in the Plan, Participant acknowledges that Participant is proficient in the English language, or has consulted with an advisor who is sufficiently proficient in English, so as to allow him or her to understand the terms and conditions of the Plan and the Agreement applicable to Participant's country of residence. If Participant has received the Agreement and the Plan applicably to his or her country of residence or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

Currency: Participant understands that, any amounts related to the Option will be denominated in U.S. dollars and will be converted to any local currency using a prevailing exchange rate in effect at the time such conversion is performed, as determined by the Company. Participant understands and agrees that neither the Company nor any affiliate shall be liable for any foreign exchange rate fluctuation between Participant's local currency and the U.S. dollar that may affect the value of the Option, or of any amounts due to Participant or as a result of the subsequent sale of any Shares acquired under the Option.

Foreign Asset/Account Reporting; Exchange Controls: Participant's country of residence may have certain foreign asset and/or account reporting or exchange control requirements which may affect his or her ability to acquire or hold Shares under the Agreement or cash received (including proceeds arising from the sale of Shares) in a brokerage or bank account outside Participant's country. Participant may be required to report such accounts, assets or transactions to the tax or other authorities in his or her country. Participant may also be required to repatriate sale proceeds or other funds received as a result of his/her participation in the Plan to his or her country through a designated broker or bank and/or within a certain time after receipt. Participant is responsible for ensuring compliance with such regulations and should consult with his or her personal legal advisor for any details.

No Advice Regarding Grant: The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding Participant's participation in the Plan or the Agreement or any receipt of the Option or sale of Shares acquired upon exercise of the Option. Participant should consult his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan and the Agreement before taking any action related to the Option or the Shares.

Imposition of Other Requirements: The Company reserves the right to impose other requirements on Participant, on the Option and/or any Shares issuable upon exercise of the Option, to the extent the

Company determines it is necessary or advisable for legal or administrative reasons, and to require Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

France[1]

The provisions of this **Country Schedule France** provide additional clarifications for the purpose of granting Options which are intended to qualify for specific French personal income tax and social security treatment in France applicable to stock options granted under Articles L. 225-177 to L. 225-186 and L. 22-10-56 et seq. of the French Commercial Code (*Code de Commerce*), for qualifying employees and corporate officers (*mandataires sociaux*) who are residents in France for French tax purposes and/or subject to the French social security regime.

Terms and Conditions

This Option is subject to the terms and conditions of Appendix A to the Plan for the grant of stock options to French participants, the terms of which are incorporated herein by reference.

Non-transferability. The Options shall not be transferable otherwise than the laws of descent and distribution.

Japan

Notifications

Securities Law Information. The Option has not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended), or the FIEA. Accordingly, the Option may not be offered or sold, directly or indirectly, in Japan or to or for the benefit of any resident of Japan (including any person resident in Japan or any corporation or other entity organized under the laws of Japan) or to others for reoffering or resale, directly or indirectly, in Japan or to or for the benefit of any resident of Japan, except pursuant to an exemption from the registration requirements of the FIEA and otherwise in compliance with any relevant laws and regulations of Japan.

Exchange Control Information. If Participant acquires shares of Common Stock valued at more than ¥100,000,000 in a single transaction, Participant must file a Securities Acquisition Report with the Ministry of Finance ("***MOF***") through the Bank of Japan within 20 days of the exercise of the Option. In addition, if Participant pays more than ¥30,000,000 in a single transaction for the shares at exercise, Participant must file a Payment Report with the MOF through the Bank of Japan by the 20th day of the month following the month in which the payment was made. The precise reporting requirements vary depending on whether the relevant payment is made through a bank in Japan. A Payment Report is

[1] NTD: It results arguably from French Supreme Court decisions (Employment Chamber) that stock option plans (or similar), issued by a non-French company, can be drafted in English and are enforceable against a French employee, if it can be established that the French employee (i) has received a copy of the relevant plan documents and (ii) has a sufficient knowledge of English to understand the provisions of these documents.

Recommendation: Establishing a French translation would nonetheless be prudent. As an alternative, it could be considered to ask the French employee to date and sign the following statement, for example as a cover letter or side document:

"I have received a copy of the attached [identify plan documents] and read and understood the provisions, terms and conditions contained therein. I have sufficient knowledge of English to understand their meaning and consequences.

Je déclare avoir reçu un exemplaire des documents* [*identify plan documents*] *joints, lu et compris leurs dispositions, termes et conditions. Je maîtrise suffisamment la langue anglaise pour en comprendre le contenu et les conséquences."

Exception to this recommendation : If the plan or agreement implements specific obligations on the beneficiary, such as covenants, then it will have to be translated in full into French. Otherwise, any such covenants will be unenforceable.

required independently of a Securities Acquisition Report. Consequently, if the total amount that Participant pays on a one-time basis at exercise of the Option exceeds ¥100,000,000, Participant must file both a Payment Report and a Securities Acquisition Report.

South Korea

Notifications

Exchange Control Information. To remit funds out of Korea to exercise the Option by a cash-settlement method, the Participant must obtain a confirmation of the remittance by a foreign exchange bank in Korea. This is an automatic procedure, (i.e., the bank does not need to approve the remittance and the process should not take more than a single day). The Participant likely will need to present the bank processing the transaction supporting documentation evidencing the nature of the remittance. If the Participant realizes U.S.$500,000 or more from the sale of shares of Common Stock, Korean exchange control laws require the Participant to repatriate the proceeds to Korea within 18 months of the sale.

ARTERIS INC.
2022 EMPLOYMENT INDUCEMENT INCENTIVE PLAN

RESTRICTED STOCK UNIT AWARD GRANT NOTICE

Arteris Inc., a Delaware corporation, (the "***Company***"), pursuant to its 2022 Employment Inducement Incentive Plan, as may be amended from time to time (the "***Plan***"), hereby grants to the holder listed below ("***Participant***"), an award of restricted stock units ("***Restricted Stock Units***" or "***RSUs***"). Each vested Restricted Stock Unit represents the right to receive, in accordance with the Restricted Stock Unit Award Agreement attached hereto as **Exhibit A** (the "***Agreement***"), including any special provisions for Participant's country of residence, if any, set forth in the Appendix for Participant's Country (the "***Country Provisions***"), one share of Common Stock ("***Share***"). This award of Restricted Stock Units is subject to all of the terms and conditions set forth herein and in the Agreement, the Country Provisions (if applicable) and the Plan, each of which are incorporated herein by reference. Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Restricted Stock Unit Award Grant Notice, the Country Provisions and the Agreement.

Participant:	[_____]
Grant Date:	[_____]
Total Number of RSUs:	[_____]
Vesting Commencement Date:	[_____]
Vesting Schedule:	[_____]
Termination:	If Participant experiences a Termination of Service, all RSUs that have not become vested on or prior to the date of such Termination of Service will thereupon be automatically forfeited by Participant without payment of any consideration therefor.

If the Company uses an electronic capitalization table system (such as Shareworks, Carta or Equity Edge) and the fields in this Grant Notice are blank or the information is otherwise provided in a different format electronically, the blank fields and other information will be deemed to come from the electronic capitalization system and is considered part of this Grant Notice. In addition, the Company's signature below shall be deemed to have occurred by the Company's input of the RSUs in such electronic capitalization table system and the Participant's signature below shall be deemed to have occurred by the Participant's online acceptance of the RSUs through such electronic capitalization table system.

By his or her signature and the Company's signature below, Participant agrees to be bound by the terms and conditions of the Plan, the Agreement and this Grant Notice. Participant has reviewed the Plan, the Agreement and this Grant Notice in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Grant Notice and fully understands all provisions of the Plan, the Agreement and this Grant Notice. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan, the Agreement or this Grant Notice. In addition, by signing below, Participant also agrees that the Company, in its sole discretion, may satisfy any withholding obligations in accordance with Section 2.6(b) of the Agreement by (i) withholding shares of Common Stock otherwise issuable to Participant upon vesting of the RSUs, (ii) instructing a broker on Participant's behalf to sell shares of Common Stock otherwise issuable to Participant upon vesting of the RSUs and submit the proceeds of such sale to the Company, or (iii) using any other method permitted by Section 2.6(b) of the Agreement or the Plan.

ARTERIS INC.: **Participant:**

By:
Print Name:
Title:
Address:

PARTICIPANT:

By:
Print Name:

Address:

EXHIBIT A
TO RESTRICTED STOCK UNIT AWARD GRANT NOTICE

RESTRICTED STOCK UNIT AWARD AGREEMENT

Pursuant to the Restricted Stock Unit Award Grant Notice (the "***Grant Notice***") to which this Restricted Stock Unit Award Agreement (this "***Agreement***") is attached, Arteris Inc., a Delaware corporation (the "***Company***"), has granted to Participant the number of restricted stock units ("***Restricted Stock Units***" or "***RSUs***") set forth in the Grant Notice under the Company's 2022 Employment Inducement Incentive Plan, as may be amended from time to time (the "***Plan***"). Each Restricted Stock Unit represents the right to receive one share of Common Stock (a "***Share***") upon vesting.

ARTICLE I.

GENERAL

1.1 Defined Terms. Capitalized terms not specifically defined herein shall have the meanings specified in the Plan and the Grant Notice.

1.2 Incorporation of Terms of Plan. The RSUs are subject to the terms and conditions of the Plan, which are incorporated herein by reference. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan shall control. If the Country Provisions apply to Participant, in the event of a conflict between the terms of this Agreement, the Grant Notice or the Plan and the Country Provisions, the terms of the Country Provisions shall control.

ARTICLE II.

GRANT OF RESTRICTED STOCK UNITS

1.3 Grant of RSUs. Pursuant to the Grant Notice and upon the terms and conditions set forth in the Plan, this Agreement and the Country Provisions (if applicable), effective as of the Grant Date set forth in the Grant Notice, the Company hereby grants to Participant an award of RSUs under the Plan in consideration of Participant commencing employment with the Company or any Subsidiary and for other good and valuable consideration, subject to adjustments as provided in Article IX of the Plan.

1.4 Unsecured Obligation to RSUs. Unless and until the RSUs have vested in the manner set forth in Article II hereof, Participant will have no right to receive Common Stock or other property under any such RSUs. Prior to actual payment of any vested RSUs, such RSUs will represent an unsecured obligation of the Company, payable (if at all) only from the general assets of the Company.

1.5 Vesting Schedule. Subject to Section 2.5 hereof, the RSUs shall vest and become nonforfeitable with respect to the applicable portion thereof according to the vesting schedule set forth in the Grant Notice (rounding down to the nearest whole Share). Notwithstanding the foregoing and the Grant Notice, but subject to Section 2.5 hereof, in the event of a Change in Control, the RSUs shall be treated pursuant to Section 9.2 and 9.3 of the Plan.

1.6 Consideration to the Company. In consideration of the grant of the award of RSUs pursuant hereto, Participant agrees to render faithful and efficient services to the Company and its Subsidiaries, as applicable.

1.7 Forfeiture, Termination and Cancellation upon Termination of Service. Notwithstanding any contrary provision of this Agreement or the Plan, upon Participant's Termination of Service for any or no reason, all Restricted Stock Units which have not vested prior to or in connection with such Termination of Service shall thereupon automatically be forfeited, terminated and cancelled as of the applicable termination date without payment of any consideration by the Company, and Participant, or Participant's beneficiary or personal representative, as the case may be, shall have no further rights

hereunder. No portion of the RSUs which has not become vested as of the date on which Participant incurs a Termination of Service shall thereafter become vested, except as may otherwise be provided by the Administrator or as set forth in a written agreement between the Company (or any Subsidiary that is the employer of Participant) and Participant.

1.8 Issuance of Common Stock upon Vesting.

(a) As soon as administratively practicable following the vesting of any Restricted Stock Units pursuant to Section 2.3 hereof, but in no event later than 30 days after such vesting date (for the avoidance of doubt, this deadline is intended to comply with the "short term deferral" exemption from Section 409A of the Code), the Company shall deliver to Participant (or any transferee permitted under Section 3.2 hereof) either, as determined by the Company, in its sole discretion, (i) a number of Shares or (ii) a cash payment in the amount equal to the Fair Market Value, as of the date of vesting, of a number of Shares equal to the number of RSUs subject to this Award that vest on the applicable vesting date. Notwithstanding the foregoing, in the event Shares are not issued pursuant to Section 10.7 of the Plan, the Shares shall be issued pursuant to the preceding sentence as soon as administratively practicable after the Administrator determines that Shares can again be issued in accordance with such Section.

(b) As set forth in Section 10.5 of the Plan, the Company shall have the authority and the right to deduct or withhold, or to require Participant to remit to the Company, an amount sufficient to satisfy all applicable Tax-Related Items required by law to be withheld with respect to any taxable event arising in connection with the Restricted Stock Units. The Company shall not be obligated to deliver any Shares to Participant or Participant's legal representative unless and until Participant or Participant's legal representative shall have paid or otherwise satisfied in full the amount of all Tax-Related Items applicable to the taxable income of Participant resulting from the grant or vesting of the Restricted Stock Units or the issuance of Shares.

1.9 Conditions to Delivery of Shares. The Shares deliverable hereunder may be either previously authorized but unissued Shares, treasury Shares or issued Shares which have then been reacquired by the Company. Such Shares shall be fully paid and nonassessable. The Company shall not be required to issue Shares deliverable hereunder prior to fulfillment of the conditions set forth in Section 10.7 of the Plan.

1.10 Rights as Stockholder. The holder of the RSUs shall not be, nor have any of the rights or privileges of, a stockholder of the Company, including, without limitation, voting rights and rights to dividends, in respect of the RSUs and any Shares underlying the RSUs and deliverable hereunder unless and until such Shares shall have been issued by the Company and held of record by such holder (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Article IX of the Plan.

ARTICLE III.

OTHER PROVISIONS

1.11 Administration. The Administrator shall 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, amend or revoke any such rules. All actions taken and all interpretations and determinations made by the Administrator in good faith shall be final and binding upon Participant, the Company and all other interested persons. No member of the Committee or the Board shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan, this Agreement or the RSUs.

1.12 Transferability. The RSUs shall be subject to the restrictions on transferability set forth in Section 10.1 of the Plan.

1.13 Tax Consultation. Participant understands that Participant may suffer adverse tax consequences in connection with the RSUs granted pursuant to this Agreement (and the Shares issuable with respect thereto). Participant represents that Participant has consulted with any tax consultants Participant deems advisable in connection with the RSUs and the issuance of Shares with respect thereto and that Participant is not relying on the Company for any tax advice.

1.14 Binding Agreement. Subject to the limitation on the transferability of the RSUs contained herein, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

1.15 Adjustments Upon Specified Events. The Administrator may accelerate the vesting of the RSUs in such circumstances as it, in its sole discretion, may determine. Participant acknowledges that the RSUs are subject to adjustment, modification and termination in certain events as provided in this Agreement and Article IX of the Plan.

1.16 Notices. Any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company in care of the Secretary of the Company at the Company's principal office, and any notice to be given to Participant shall be addressed to Participant at Participant's last address reflected on the Company's records. By a notice given pursuant to this Section 3.6, either party may hereafter designate a different address for notices to be given to that party. Any notice shall be deemed duly given when sent via email or when sent by certified mail (return receipt requested) and deposited (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service (or similar non-U.S. entity).

1.17 Participant's Representations. If the Shares issuable hereunder have not been registered under the Securities Act or any applicable state laws on an effective registration statement at the time of such issuance, Participant shall, if required by the Company, concurrently with such issuance, make such written representations as are deemed necessary or appropriate by the Company or its counsel.

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

1.19 Governing Law. The laws of the State of Delaware shall govern the interpretation, validity, administration, enforcement and performance of the terms of this Agreement regardless of the law that might be applied under principles of conflicts of laws. By entering into this Agreement, Participant irrevocably and unconditionally consents to submit to the exclusive jurisdiction of the courts of the State of Delaware and of the United States of America, in each case located in the State of Delaware, for any action arising out of or relating to this Agreement and the Plan (and agrees not to commence any litigation relating thereto except in such courts), and further agrees that service of any process, summons, notice or document by U.S. registered mail to the address contained in the records of the Company shall be effective service of process for any litigation brought against it in any such court. By entering into this Agreement, Participant irrevocably and unconditionally waives any objection to the laying of venue of any litigation arising out of the Plan or this Agreement in the courts of the State of Delaware or the United States of America, in each case located in the State of Delaware, and further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such litigation brought in any such court has been brought in an inconvenient forum. By entering into this Agreement, Participant irrevocably and unconditionally waives, to the fullest extent permitted by applicable law, any and all rights to trial by jury in connection with any litigation arising out of or relating to the Plan or this Agreement.

1.20 Conformity to Securities Laws. Participant acknowledges that the Plan and this Agreement are intended to conform to the extent necessary with all provisions of the Securities Act and the Exchange Act and any other Applicable Law. Notwithstanding anything herein to the contrary, the Plan shall be administered, and the RSUs are granted, only in such a manner as to conform to Applicable Law. To the extent permitted by Applicable Law, the Plan and this Agreement shall be deemed amended to the extent necessary to conform to such Applicable Law.

1.21 Amendment, Suspension and Termination. To the extent permitted by the Plan, this Agreement may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Administrator or the Board; *provided, however,* that, except as may otherwise be provided by the Plan, no amendment, modification, suspension or termination of this Agreement shall adversely affect the RSUs in any material way without the prior written consent of Participant.

1.22 Successors and Assigns. The Company may assign any of its rights and delegate any of its obligations 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 in Section 3.2 hereof, this Agreement shall be binding upon Participant and his or her heirs, executors, administrators, successors and assigns.

1.23 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan or this Agreement, if Participant is subject to Section 16 of the Exchange Act, then the Plan, the RSUs and this Agreement shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by Applicable Law, this Agreement shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

1.24 Not a Contract of Service Relationship. Nothing in this Agreement or in the Plan shall confer upon Participant any right to commence or continue to serve as an Employee or shall interfere with or restrict in any way the rights of the Company and its Subsidiaries, which rights are hereby expressly reserved, to discharge or terminate the services of Participant at any time for any reason whatsoever, with or without Cause, except to the extent expressly provided otherwise by Applicable Law or in a written agreement between the Company or a Subsidiary (as applicable) and Participant.

1.25 Entire Agreement. The Plan, the Grant Notice and this Agreement (including the Country Provisions) constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof, *provided* that the RSUs shall be subject to any accelerated vesting provisions in any written agreement between Participant and the Company (or any Subsidiary who is the employer of Participant) or a Company plan pursuant to which Participant is eligible to participate, in each case, in accordance with the terms therein.

1.26 Section 409A. This Award is not intended to constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code (together with any Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the date hereof, "***Section 409A***"). However, notwithstanding any other provision of the Plan, the Grant Notice or this Agreement, if at any time the Administrator determines that this Award (or any portion thereof) may be subject to Section 409A, the Administrator shall have the right in its sole discretion (without any obligation to do so or to indemnify Participant or any other person for failure to do so) to adopt such amendments to the Plan, the Grant Notice or this Agreement, or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, as the Administrator determines are necessary or appropriate for this Award either to be exempt from the application of Section 409A or to comply with the requirements of Section 409A.

1.27 Limitation on Participant's Rights. Participation in the Plan confers no rights or interests other than as herein provided. This Agreement creates only a contractual obligation on the part of the Company as to amounts payable and shall not be construed as creating a trust. Neither the Plan nor any underlying program, in and of itself, has any assets. Participant shall have only the rights of a general unsecured creditor of the Company and its Subsidiaries with respect to amounts credited and benefits payable, if any, with respect to the RSUs, and rights no greater than the right to receive the Shares as a general unsecured creditor with respect to RSUs, as and when payable hereunder.

1.28 Rules Particular To Specific Countries.

(c) *Generally*. Participant shall, if required by the Administrator, enter into an election with the Company or a Subsidiary (in a form approved by the Company) under which any liability to the Company's (or a Subsidiary's) Tax-Related Items, including, but not limited to, National Insurance Contributions ("***NICs***") and the Fringe Benefit Tax, is transferred to and met by Participant.

(d) *Tax Indemnity*. Participant shall indemnify and keep indemnified the Company and any of its subsidiaries from and against any Tax-Related Items.

1.29 Special Country Provisions for RSUs Granted to Participants. The RSUs shall be subject to the Country Provisions, if any, for Participant's country of residence, as set forth in the Country Provisions. If Participant relocates to one of the countries included in the Country Provisions during the life of the RSUs, the special provisions for such country shall apply to Participant, to the extent the Company determines that the application of such provisions is necessary or advisable in order to comply with local law or facilitate the administration of the Plan. The Company reserves the right to impose other requirements on the RSUs and the Shares issuable upon settlement of the RSUs, to the extent the Company determines it is necessary or advisable in order to comply with local laws or facilitate the administration of the Plan, and to require Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

* * * * *

APPENDIX
TO
RESTRICTED STOCK UNIT AWARD AGREEMENT

Special Country Provisions for RSUs for Participants

This Appendix includes special terms and conditions applicable to Participants in the countries below. These terms and conditions are in addition to those set forth in the Restricted Stock Unit Agreement (the "***Agreement***") and the Plan, and to the extent there are any inconsistencies between these terms and conditions and those set forth in the Agreement, these terms and conditions shall prevail. Any capitalized term used in this Appendix without definition shall have the meaning ascribed to such term in the Plan or the Agreement, as applicable.

In accepting the RSUs, Participant acknowledges, understands and agrees that:

- the Plan is established voluntarily by the Company, it is discretionary in nature, and may be amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;
- the grant of the RSUs 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;
- all decisions with respect to future restricted stock units or other grants, if any, will be at the sole discretion of the Company;
- Participant is voluntarily participating in the Plan;
- for labor law purposes, the RSUs and the Common Stock subject to the RSUs are an extraordinary item that does not constitute wages of any kind for services of any kind rendered to the Company or to Participant's service entity, and the award of the RSUs is outside the scope of Participant's service contract, if any;
- for labor law purposes, the RSUs and the Common Stock subject to the RSUs are not part of normal or expected wages or salary for any purposes, including, but not limited to, calculation of any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, holiday pay, long-service awards, pension or retirement benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the Company, any Subsidiary, Participant's employer, its parent, or any affiliate of the Company;
- the RSUs and the Common Stock subject to the RSUs are not intended to replace any pension rights or compensation;
- neither the RSUs nor any provision of this Agreement, the Plan or the policies adopted pursuant to the Plan confer upon Participant any right with respect to service or continuation of current service and shall not be interpreted to form a service contract or relationship with the Company or any subsidiary or affiliate;
- the future value of the underlying Common Stock is unknown and cannot be predicted with certainty; and
- the value of the Common Stock acquired upon vesting of the RSUs may increase or decrease in value.

Securities Law Notice: Unless otherwise noted, neither the Company nor the Shares are registered with any local stock exchange or under the control of any local securities regulator outside the United States.

The Agreement (of which this Appendix is a part), the Plan, and any other communications or materials that Participant may receive regarding participation in the Plan do not constitute advertising or an offering of securities outside the United States, and the issuance of securities described in any Plan-related documents is not intended for public offering or circulation in Participant's jurisdiction.

General Provisions

Data Privacy. Participant acknowledges and agrees to the data privacy provisions set forth in Section 11.8 of the Plan.

Notifications. This Appendix also includes information relating to exchange control and other issues of which Participant should be aware with respect to his or her participation in the Plan. The information is based on the exchange control, securities and other laws in effect in the respective countries as of September 2021. Such laws are often complex and change frequently. As a result, the Company strongly recommends that Participant not rely on the information herein as the only source of information relating to the consequences of participation in the Plan because the information may be out of date at the time the RSUs vest or Shares acquired under the Plan are sold. In addition, the information is general in nature and may not apply to the particular situation of Participant, and the Company is not in a position to assure Participant of any particular result. Accordingly, Participant is advised to seek appropriate professional advice as to how the relevant laws in his or her country may apply to his or her situation. Finally, Participant understands that if Participant is a citizen or resident of a country other than the one in which he or she is currently residing or working, the information contained herein may not be applicable to Participant.

English Language. By participating in the Plan, Participant acknowledges that Participant is proficient in the English language, or has consulted with an advisor who is sufficiently proficient in English, so as to allow him or her to understand the terms and conditions of the Plan and the Agreement applicable to Participant's country of residence. If Participant has received the Agreement and the Plan applicably to his or her country of residence or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

Currency. Participant understands that, any amounts related to the RSUs will be denominated in U.S. dollars and will be converted to any local currency using a prevailing exchange rate in effect at the time such conversion is performed, as determined by the Company. Participant understands and agrees that neither the Company nor any affiliate shall be liable for any foreign exchange rate fluctuation between Participant's local currency and the U.S. dollar that may affect the value of the RSUs, or of any amounts due to Participant or as a result of the subsequent sale of any Shares acquired under the RSUs.

Foreign Asset/Account Reporting; Exchange Controls. Participant's country of residence may have certain foreign asset and/or account reporting or exchange control requirements which may affect his or her ability to acquire or hold Shares under the Agreement or cash received (including proceeds arising from the sale of Shares) in a brokerage or bank account outside Participant's country. Participant may be required to report such accounts, assets or transactions to the tax or other authorities in his or her country. Participant may also be required to repatriate sale proceeds or other funds received as a result of his/her participation in the Plan to his or her country through a designated broker or bank and/or within a certain time after receipt. Participant is responsible for ensuring compliance with such regulations and should consult with his or her personal legal advisor for any details.

No Advice Regarding Grant. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding Participant's participation in the Plan or the Agreement or any receipt of the RSUs or sale of Shares acquired upon settlement of the RSUs. Participant should consult his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan and the Agreement before taking any action related to the RSUs or the Shares.

Imposition of Other Requirements. The Company reserves the right to impose other requirements on Participant, on the RSUs and/or any Shares issuable upon settlement of the RSUs, to the extent the

Company determines it is necessary or advisable for legal or administrative reasons, and to require Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

China

Terms and Conditions

*The following provisions apply only to Participants who are subject to exchange control restrictions imposed by the State Administration of Foreign Exchange ("***SAFE***"), as determined by the Company in its sole discretion:*

Award Conditioned on Satisfaction of Regulatory Obligations. In addition to the vesting schedule in the Grant Notice, settlement of the RSUs is also conditioned on the Company's completion of a registration of the Plan with SAFE and on the continued effectiveness of such registration (the "***SAFE Registration Requirement***"). If or to the extent the Company is unable to complete the registration or maintain the registration, no Shares subject to the RSUs for which a registration cannot be completed or maintained shall be issued. In this case, the Company retains the discretion to settle any RSUs for which the vesting schedule in the Grant Notice, but not the SAFE Registration Requirement, has been met in cash paid through local payroll in an amount equal to the market value of the Shares subject to the RSUs less any Tax-Related Items; *provided, however*, that in case the Company is able to complete a SAFE registration with respect to any RSUs, the cash payment for RSUs not covered by the SAFE registration shall not be made until the initial SAFE registration has been completed.

Stock Must Remain With Company's Designated Broker. The Participant agrees to hold any Shares received upon settlement of the RSUs with the Company's designated broker until the Shares are sold. The limitation shall apply to all Shares issued to the Participant under the Plan, whether or not Participant remains an Employee.

Forced Sale of Shares. The Company has the discretion to arrange for the sale of the Shares issued upon settlement of the RSUs, either immediately upon settlement or at any time thereafter. In any event, if the Participant experiences a Termination of Service, the Participant will be required to sell all Shares acquired upon settlement of the RSUs within such time period as required by the Company in accordance with SAFE requirements. Any Shares remaining in the brokerage account at the end of this period shall be sold by the broker (on behalf of the Participant and the Participant hereby authorizes such sale). The Participant agrees to sign any additional agreements, forms and/or consents that reasonably may be requested by the Company (or the Company's designated broker) to effectuate the sale of Shares (including, without limitation, as to the transfer of the sale proceeds and other exchange control matters noted below) and shall otherwise cooperate with the Company with respect to such matters. The Participant acknowledges that neither the Company nor the designated broker is under any obligation to arrange for the sale of Shares at any particular price (it being understood that the sale will occur in the market) and that broker's fees and similar expenses may be incurred in any such sale. In any event, when the Shares are sold, the sale proceeds, less any withholding for Tax-Related Items, any broker's fees or commissions, and any similar expenses of the sale will be remitted to the Participant in accordance with applicable exchange control laws and regulations.

Exchange Control Restrictions. The Participant understands and agrees that the Participant will be required to immediately repatriate to China the proceeds from the sale of any Shares acquired under the Plan and any cash dividends paid on such Shares. The Participant further understands that such repatriation of proceeds may need to be effected through a special bank account established by the Company (or a Subsidiary), and the Participant hereby consents and agrees that any sale proceeds and cash dividends may be transferred to such special account by the Company (or a Subsidiary) on the Participant's behalf prior to being delivered to Participant and that no interest shall be paid with respect to funds held in such account.

The proceeds may be paid to the Participant in U.S. dollars or local currency at the Company's discretion. If the proceeds are paid to the Participant in U.S. dollars, the Participant understands that a U.S. dollar bank account in China must be established and maintained so that the proceeds may be deposited into such account. If the proceeds are paid to the Participant in local currency, the Participant acknowledges

that the Company (or its Subsidiaries) are under no obligation to secure any particular exchange conversion rate and that the Company (or its Subsidiaries) may face delays in converting the proceeds to local currency due to exchange control restrictions. The Participant agrees to bear any currency fluctuation risk between the time the Shares are sold and the net proceeds are converted into local currency and distributed to the Participant. The Participant further agrees to comply with any other requirements that may be imposed by the Company (or its Subsidiary) in the future in order to facilitate compliance with exchange control requirements in China.

Administration. The Company (or its Subsidiaries) shall not be liable for any costs, fees, lost interest or dividends or other losses that the Participant may incur or suffer resulting from the enforcement of the terms of this Appendix or otherwise from the Company's operation and enforcement of the Plan, the Agreement, the Grant Notice and the RSUs in accordance with any applicable laws, rules, regulations and requirements.

Notifications

Exchange Control Information. Chinese residents may be required to report to SAFE all details of their foreign financial assets and liabilities (including Shares acquired under the Plan), as well as details of any economic transactions conducted with non-Chinese residents.

France

The provisions of this **Country Schedule France** provide additional clarifications for the purpose of granting RSUs which are intended to qualify for specific French personal income tax and social security treatment in France applicable to shares granted for no consideration under Articles L. 225-197-1 to L. 225-197-5 and L. 22-10-59 et seq. of the French Commercial Code (*Code de Commerce*), for qualifying employees and corporate officers (*mandataires sociaux*) who are residents in France for French tax purposes and/or subject to the French social security regime.

Terms and Conditions

The RSUs are subject to the terms and conditions of Appendix B to the Plan for the grant of RSUs to French participants, the terms of which are incorporated herein by reference.

Settlement of Restricted Stock Units. The Shares underlying the RSUs shall be delivered free of charge to the French participant (*i.e.*, without any consideration on his/her part).

Non-transferability. The RSUs shall not be transferable otherwise than pursuant to the laws of descent and distribution.

Japan

Notifications

No Registration. The RSUs will be offered in Japan by a private placement to small number of subscribers (*shoninzu muke kanyu*), as provided under Article 23-13, Paragraph 4 of the Financial Instruments and Exchange Law of Japan ("***FIEL***"), and accordingly, the filing of a securities registration statement pursuant to Article 4, Paragraph 1 of the FIEL has not been made, and such the RSUs may not be assigned or transferred by Participant.

Securities Law Information. The Shares have not been and will not be registered under the FIEL (Act No. 25 of 1948, as amended).

Exchange Control Information. If Participant acquires shares of Common Stock valued at more than ¥100,000,000 in a single transaction, Participant must file a Securities Acquisition Report with the Ministry of Finance ("***MOF***") through the Bank of Japan within 20 days of the settlement of the RSUs.

The precise reporting requirements vary depending on whether the relevant payment is made through a bank in Japan. A Payment Report is required independently of a Securities Acquisition Report.

South Korea

Notifications

Exchange Control Information. To remit funds out of Korea to settle the RSUs by a cash-settlement method, Participant must obtain a confirmation of the remittance by a foreign exchange bank in Korea. This is an automatic procedure, (i.e., the bank does not need to approve the remittance and the process should not take more than a single day). Participant likely will need to present the bank processing the transaction supporting documentation evidencing the nature of the remittance. If Participant realizes U.S.$500,000 or more from the sale of Shares, Korean exchange control laws require Participant to repatriate the proceeds to Korea within 18 months of the sale.

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, K. Charles Janac, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Arteris, 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 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)) 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 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: November 8, 2022

By: /s/ K. Charles Janac

Name: K. Charles Janac

Title: President and Chief Executive Officer

(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Nicholas B. Hawkins, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Arteris, 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 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)) 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 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: November 8, 2022

By: /s/ Nicholas B. Hawkins

Name: Nicholas B. Hawkins

Title: Vice President and Chief Financial Officer

(Principal Financial and Accounting Officer)

Exhibit 32.1

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

In connection with the Quarterly Report of Arteris, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 8, 2022

By: /s/ K. Charles Janac
Name: K. Charles Janac
Title: President and Chief Executive Officer
(Principal Executive Officer)

This certification accompanies the Form 10-Q 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 the Company under the Securities Act of 1933, as amended, or the Exchange Act (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.

Exhibit 32.2

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

In connection with the Quarterly Report of Arteris, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 8, 2022

By: /s/ Nicholas B. Hawkins

Name: Nicholas B. Hawkins

Title: Vice President and Chief Financial Officer

(Principal Financial and Accounting Officer)

This certification accompanies the Form 10-Q 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 the Company under the Securities Act of 1933, as amended, or the Exchange Act (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.