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

Form 10-K

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

For the fiscal year ended December 31, 2021

OR

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

For the transition period from to

COMMISSION FILE NUMBER 0-29440

IDENTIV, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware **(State or other jurisdiction of Incorporation or organization)**	**77-0444317** **(I.R.S. Employer Identification Number)**
2201 Walnut Avenue, Suite 100, Fremont, California **(Address of Principal Executive Offices)**	**94538** **(Zip Code)**

Registrant's telephone number, including area code:
(949) 250-8888

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of exchange on which registered
Common Stock, $0.001 par value per share	INVE	The Nasdaq Stock Market LLC

Securities Registered Pursuant to Section 12(g) of the Act:
Common Stock, $0.001 par value, and associated Preferred Share Purchase Rights
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☑

Indicated by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

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

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

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

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

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

Based on the closing sale price of the Registrant's Common Stock on the Nasdaq National Market System on June 30, 2021, the last business day of the Registrant's most recently completed second fiscal quarter, the aggregate market value of Common Stock held by non-affiliates of the Registrant was $323,453,815.

At March 2, 2022, the Registrant had outstanding 22,298,610 shares of Common Stock, excluding 1,493,835 shares held in treasury.

DOCUMENTS INCORPORATED BY REFERENCE

Designated portions of the Company's Proxy Statement to be filed within 120 days after the Registrant's fiscal year end of December 31, 2021 are incorporated by reference into Part II, Item 5 and Part III of this Report.

Auditor Firm Id:	207	Auditor Name:	BPM LLP	Auditor Location:	San Jose, California

Identiv, Inc.
Form 10-K
For the Fiscal Year Ended December 31, 2021

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PART I

ITEM 1. *BUSINESS*

Statement Regarding Forward Looking Statements

This Annual Report on Form 10-K ("Annual Report") contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. For example, statements, other than statements of historical facts regarding our strategy, future operations and growth, financial position, expected financial or business results, projected costs, prospects, plans, market trends, potential market size, product attributes and benefits, competition and competitive advantages, objectives of management, management judgements and estimates, and the expected impact of changes in laws or accounting pronouncements constitute forward-looking statements. In some cases, you can identify forward-looking statements by terms such as "will," "believe," "could," "should," "would," "may," "anticipate," "intend," "plan," "estimate," "expect," "project" or the negative of these terms or other similar expressions. Although we believe that our expectations reflected in or suggested by the forward-looking statements that we make in this Annual Report are reasonable, we cannot guarantee future results, performance or achievements. You should not place undue reliance on these forward-looking statements. All forward-looking statements speak only as of the date of this Annual Report. While we may elect to update forward-looking statements at some point in the future, we specifically disclaim any obligation to do so, even if our expectations change, whether as a result of new information, future events or otherwise. We also caution you that such forward-looking statements are subject to risks, uncertainties and other factors, not all of which are known to us or within our control, and that actual events or results may differ materially from those indicated by these forward-looking statements. Factors that could cause our actual results to differ materially from our expectations include, but are not limited to our ability to successfully execute our business plan and sell our products; continued market acceptance and growth or expansion in our target markets; our ability to successfully compete; our history of losses; our ability to obtain additional capital; the benefits and attributes of our products and services; the level of customer orders; the ability of our products to perform as expected; risks related to the COVID-19 pandemic; fluctuations in net cash provided and used by operating, financing and investing activities; sources and uses of our cash, and expense levels; the loss of significant customers or types of business; the impact of inflation; and the risks discussed elsewhere in this Annual Report under the heading "Risk Factors". These cautionary statements qualify all of the forward-looking statements included in this Annual Report.

Identiv and the Identiv logo are trademarks of Identiv, Inc., registered in many jurisdictions worldwide. Certain product and service brands are also trademarks or registered trademarks of the Company, including *HIRSCH*, *ScramblePad*, *TouchSecure*, *Velocity, Freedom, Enterphone MESH, 3VR, VisionPoint, Thursby Software, and Thursby SubRosa*. Other product and brand names not belonging to Identiv that appear in this Annual Report may be trademarks or registered trademarks of their respective owners.

Each of the terms the "Company," "Identiv," "we," "us" and "our" as used herein refers collectively to Identiv, Inc. and its wholly-owned subsidiaries, unless otherwise stated.

Overview

Our mission is to software-enable the entire physical world.

Our RFID (radio-frequency identification) devices are designed to digitally enable and secure any physical item. Our products enable frictionless digital interaction with the physical world, manage data flows from each physical object, creating a software-enabled experience that is far beyond a purely physical interaction.

By digitally enabling physical 'things,' we make them more secure, responsive, feature-rich, interactive and customer-connected. RFID powers a wide range of applications from customer engagement, product authenticity, enhanced consumer experiences, instrumentation and sensor enabling, brand protection, tamper detection, and other IoT applications. We add frictionless customer engagement, managing the interaction of products with mobile devices to create totally new experiences.

Our strategy is to digitally enable the world at the smallest and largest scales. As each grows and becomes pervasive their interactions and network effects create exponentially greater value.

We execute our strategy of digitally enabling the smallest-scale things and largest-scale things by focusing in two segments: our Identity business and our Premises business.

- **Identity:** Our Identity business is focused on digitally enabling and securing every physical **thing**. Our designs and products include embedded RFID solutions to make digital and physical devices more responsive, secure, feature-rich, interactive and customer-connected. Our RFID devices have been integrated into and have digitally-enabled over a billion and a half physical internet of things around the world.

- **Premises:** Our Premises business is focused on digitally enabling and securing every physical **place**. We apply much the same RFID and security technology from our Identity segment to our physical and logical security platforms to create what we believe is a more secure, convenient and responsive experience in physical spaces. Our platform is deployed across buildings worldwide, ranging from sensitive government facilities, schools, utilities, hospitals, stores, and apartment buildings, to the smallest shops worldwide.

Identity Strategy

Market Drivers

The emerging market of RFID is driven by pervasive use cases. For example, RFID enables syringes to track whether the exact right amount of medication is filled into them and dispensed into the patient. Refrigerators can tell when the filter needs to be replaced, and make sure an authentic replacement is installed and working. Running shoes can sense how many steps you've taken. Phone accessories can work together intelligently with your phone to create novel experiences and applications. Governments can track the quality and authenticity of cannabis products for compliance and especially for tax collection. Temperature-sensitive medicine can be tracked to ensure it has stayed within its safety parameters and not spoiled. Bicycle and scooter tire pressure and frame wear can be monitored. Consumer and luxury goods can be authenticated, personalized and responsive. Vaping pods can be verified and tamper resistant for safety and authenticity. Blood test assays can be verified as authentic and matched with the right blood sample.

These examples demonstrate the scale of the market opportunity of hundreds of billions of units over time. We believe competitive pressures will drive adoption across each sector as technology improves and costs drop, until nearly every physical thing has a sensor-augmented, integrated, digital existence.

We share the vision with leading chip makers that every physical thing on the planet will have a digital existence. Tiny, low-cost RFID chips with highly tuned and optimized antennas, systems, software and security that are embedded in everything we interact with. This is software reaching every physical thing on the planet, and Identiv enables it.

Competitive Advantages

We believe our core differentiation is our best-in-class designs, technologies and intellectual property to enable the secure digital capabilities of RFID chips to work in the analog world of antennas, power harvesting, data conversion and security. They have to go on a shoe, in a syringe, embedded in the hair of a doll, then they have to communicate through RF (radio frequency), and harvest power from the radio signal of the phone or reader, to run the chip. They have to do this reliably, while the item is dropped, washed, stuffed in pockets and generally exposed to the real world. We design the systems, the antennas, software, security and physical form that connects the chips, accesses their capabilities, manages RF communications and power conversion, and creates the platform for the digital experience, all in harmony with the physical experience of the product.

- Imagine, Design, Prototype

We make this happen with our library of designs, with patents like tag-on-metal and with IP we've developed working with advanced early adopters in their industries. We believe we deepen our value and competitive advantage by providing both the devices themselves in high volume as well as the readers and programmers to personalize and read the RFID devices. Whether it's in a pharmacy or any other place where RFID is read or programmed, our readers are among the most widely deployed for NFC (near-field communication) and high-frequency RFID programming and reading. We believe this gives us both credibility with our customers' engineers and the flexibility to add software value that providers of just RFID devices can't.

We then work closely with our customers' engineers to build the complicated analog bridge and system to make it all work across RF. With very high reliability, high data security and optimized power transfer, the end user gets an engaged interaction.

- Pilot, Scale-up, Re-Imagine, Re-Design....Repeat

Then because we own our own world class production facilities, we go directly to prototypes, pilot runs, ramp up production and deliver with high quality even for the most complicated devices. What usually happens next is the customers' engineers want to improve the product, either from what they've learned or because our chip partners come out with new chips, new features, new price points. We would then typically run another rapid cycle of re-design / re-prototype / re-pilot / re-production processes.

We believe that in this market of thousands of designs and hundreds of billions of units there are substantial first-mover advantages. We believe our design through production platform keeps customers with us as they drive more capabilities and better performance into their customer experiences. We believe this will accelerate, driven by the chips Moore's Law speed advances, and by competitive forces created when any digitally enabled product is launched, pressuring others to keep up or lose the market opportunity.

Growth Strategy

Our strategy to deliver on our mission is focused on pervasive deployment of high-end, sensor-enabled RFID devices in every physical thing and every physical place. We believe the category of the most sophisticated products is where we're the strongest. With over 150 active RFID customers, we're engaged with some of the most advanced early adopters, built on our reputation as the go-to partner for advanced RFID devices. We believe there are three growth drivers in RFID: customer launches, design wins and technology expansion.

Customer Launch & Use Case Examples

- Pharmaceutical prescriptions: Our RFID devices attached to prescription pill bottles enable an app to speak the contents, dosage, and regimen for the visually impaired. Our programmers are used by pharmacists to securely personalize the prescription for each customer. We believe this has the potential to expand to all prescriptions.

  Mobile accessories: With the power of mobile phones, we believe accessories that are unconnected are a missed opportunity. When your phone case, wallet, glucose monitor and other accessories can talk directly to your phone, they become part of the mobile platform. Our RFID devices embedded in mobile phone accessories enable rich, extensible experiences on a mobile device with an RFID-enabled accessory.

- Medical consumables: It's critical that a part like a disposable breathing tube is authentic to go with a particular manufacturer's ventilator. Our RFID devices enable a customer's product to track authenticity and usage of breathing tubes for ventilators. We believe every medical device consumable should be RFID enabled to make sure the right part is used with the right machine, and to make sure it's used only as intended, and replaced with a genuine part, creating a high-value, quality-sensitive, recurring, consumables-based use category.

These are just a few examples of use cases already in-market and growing, that we believe will expand to touch physical interaction with nearly every physical thing.

Design wins

Design wins are the key to our leadership in the market as it expands. We believe our technical expertise, leadership, IP, active customer engagements and reputation across all facets of RFID provide a pipeline of design win opportunities. Specific recent examples include:

- Industrial and Adverse Consumer RFID Applications (Industrial Assets, Bikes, Scooters): Our patented tag-on-metal RFID devices for authenticity, tracking and customer engagement are early-adoption uses we're designing for companies in this category. These specialty applications are demanded and required for various use cases within adverse environments. We're also working on tag-on-metal designs to track tire pressure, permitting a phone-tap to the wheel to display pressure instead of awkwardly jamming a pressure gauge on a tube stem. Strain gauge enabled RFID devices to track wear-and-tear are in early stages. This cycle of immediate-benefit, low-risk applications, followed by second-generation more complicated applications and then planning ahead for later-generation, experience-changing applications we believe is the proliferation path many leading companies will follow to deploy the full range of capabilities of a digitally-enabled RFID-connected product.

- Rapid blood analyzing systems: This application goes onto consumable cartridges to calibrate the system and confirm authenticity and content for the blood test assay. This use case is applicable to most testing and assays where authenticity, data integrity, reliability and seamless integration with existing form factors are critical.

- Existing customer design expansion: Core to our strategy is continuously improving designs, to leverage new chip features, capabilities, price and performance. With one of our major customers within the Healthcare segment, we completed a complex design in their initial product cycle; and we've since developed three additional designs built from the original, with at least two of them selected into a new launch phase.

Technology expansion

Our ability to get more design wins and successful customer launches depends on our best-in-class engineering and production, but upstream of that it's built on new technologies we're constantly incorporating and designing as new capabilities for our customers.

- Passive temperature sensors and patches: Provide the ability to track the temperature of people or things, without having a battery attached, flexibly attached on skin or integrated with other products, wherever temperature is critical to track. Perpetually-functioning (no battery), usable almost anywhere (small, custom-designable, flexible) at a fraction of the cost of powered cold-chain trackers opens multiple use cases within the IoT that were impractical or price-prohibitive.

- Integrated strain gauges: Designs with integrated strain gauges to track the bending and strain of objects, whether they're made of metal, plastic or even concrete. Early use cases range from tracking bending and long-term wear in bridges, using hundreds of embedded sensors, to tracking the pounding and wear on mountain bike frames and other load-bearing consumer products.

- Capacitive fluid sensors: This senses fluid fill even through glass or other materials, so you can track medicine fills in syringes, serum bottles, and anything else. For certainty of fluid fill and dispensing, medical and high value/high-sensitivity fluid measurement use cases are easily enabled at scale. Combined with a one-time counter, counterfeit re-fills can be precluded by the same device while providing transparency for compliance to insurers and other regulatory agencies.

- Multi-frequency devices: Combination RFID devices integrating both UHF (ultra-high frequency) and HF (high frequency) in a single device bring UHF's long read-range to the rich feature set – but limited read-range - of NFC and other HF RFID devices. We have focused on a solution for the Cannabis industry that we believe best serves requirements around supply chain transparency, tamper protection, authenticity and consumer experience.

- New RFID chips: We continuously collaborate with RFID chip suppliers as well as specialty chip manufacturers to steer them in the direction of innovation with our active customer requirements. We develop integrated designs to deliver the price and features of the newest chips for easy adoption into new products and better scale with active and prospective customers.

Premises Strategy

Just as our RFID products' software enables things on the planet, our Premises platform software enables places on the planet. Our platform is anchored by our Velocity and Freedom software, our line of controllers and IoT gateways including Mx, our Freedom SmartBridge, our TouchSecure access sensors, our Velocity Vision video platform and a wide range of integrations.

Also identical to our RFID strategy, we believe our Premises competitive advantage is our technical depth and total solution. In Premises our platform encompasses the total digitization of physical places, incorporating our own access sensors, gateways, bridges, appliances, cards, access and video software, integrations and analytics.

- Premises Software: Our software platform for premises digitization enables centralized management of a physical place, including control of doors, cameras, gates, elevators and other building equipment, monitoring users as they move around a facility, preventing unwanted access, maintaining compliance and providing a continuous audit trail. Our platforms are IT-centric and highly scalable from small businesses through global organizations, multi-tenant, special-purpose campuses such as schools, military bases, utilities and others. Our platforms are available as local software or cloud based, accessible through browser, mobile and desktop interfaces. We leverage data infrastructures across LAN's, Wifi, Bluetooth, mobile, RFID and emerging communication standards such as 5G and UWB (ultra wide-band). As communications infrastructure becomes fully wireless, low-power and high-security, our software is architected to support seamless migration to fully software-defined systems, compatible with pervasive RFID devices to enable a frictionless, convenient and secure experience in almost any physical location.
- Access Readers & Sensors: As most of the physical infrastructure becomes wireless, virtual and software-defined, the remaining device will be the sensors at the door. As platforms for local presence confirmation, video and audio interaction, and to signal a door to open, we believe our family of TouchSecure (TS) sensors will continue to play a key physical role in providing security and convenience at the door.

Sales & Marketing Strategy

Our go-to-market strategy is consistent across our business. We believe our competitive advantage is our technical expertise, technology and know-how which covers both the user side and the programmer/reader/infrastructure side. With this depth of technology across the overall system we develop and prove our best-in-class use cases with our customers.

- Use-case Proliferation: We apply our digital marketing platforms, sales teams and channel partners to proliferate each use case as best-in-class. We target the product engineers or other decision makers to build awareness of a proven solution. We drive our marketing message in terms that engineers value because we've established the benefits from comparable use cases. As a company adopts RFID and delivers superior product experiences, we believe that drives faster adoption by others, until a use-case becomes pervasive.
- Trusted advisor: Reducing adoption cost and risk: We have built a reputation as the trusted advisor to our customers by sharing benefits and pitfalls, risks and tradeoffs, as well as ways to mitigate them. We also communicate the risk of inaction, as others come to market with new capabilities. By highlighting risks of inaction, making customers aware of upcoming competitive threats and sharing insights into how they can confidently build competitive capabilities themselves, we believe we become their trusted advisor early in their learning and decision cycle. Then, because we help with the designs, provide devices as well as reader/programmers, and complete solutions or best-of-breed components, we often become a long-term partner, reducing their risks and efforts and improving their competitive advantages.
- Customer Confidentiality and Trust: Throughout this process confidentiality is paramount. A capability developed uniquely with and for a customer is not shared with another. That is fundamental to our culture and to our business practices.
- Industry Leader and Facilitator: As we develop general use-case capabilities and insights, we share and leverage those cross-industry, adding value and building our competitive advantage. Specific differentiation established with a customer is protected. With this key guideline, we optimize our value across each use case, to each individual customer, and to the industry overall.

Research and Development

In RFID, we're a leader in a wide range of chip use cases, antenna designs across HF, UHF and LF (low frequency) as well as sensors, materials and form factors. We encompass both sides of the underlying technology platforms, the devices themselves as well as the programmers, testers, configurators and readers. We believe this provides credibility with customers, demonstrating an understanding of all components of the devices in some cases even more deeply than the makers of the devices themselves, because our devices are programming, configuring, testing and validating them at the time of production, as well as in use among customers. Similarly with our physical security IoT platforms, we encompass the total solution. We believe our technology and products span a far greater range of the platform solution than most of our competitors, encompassing readers, controllers, video, cards and software across local, cloud, mobile, and hybrid modes.

Our research and development ("R&D") investment is highly leveraged because we optimally access expertise wherever we believe it is most advanced and most efficient. We maintain RFID R&D in Germany, in the region where the initial NFC and smart card technologies developed, and in Singapore/Southeast Asia, where the most advanced and flexible RFID production is centered. We also deploy software and systems teams in Chennai India, Vietnam, Mexico and in the U.S.

Proprietary Technology and Intellectual Property

We currently rely on a combination of patent, copyright and trademark laws, trade secrets, confidentiality agreements and contractual provisions to protect our proprietary rights. Although we may seek to protect our proprietary technology through patents, it is possible that no new patents will be issued, that our proprietary products or technologies are not patentable, and that any issued patent will fail to provide us with any competitive advantages. The core of our proprietary technology is the combination of our advanced technical expertise combined with our intimate customer knowledge, enabling us to develop bring to market and sometimes patent products uniquely positioned to deliver benefits to customers. We have a portfolio of approximately 36 patent families (designs, patents, utility models, patents pending and exclusive licenses) in individual or regional filings, covering products, electrical and mechanical designs, software systems and methods and manufacturing process ideas for our various businesses. Our issued patents expire between 2022 and 2034. We also submitted and have pending U.S. and foreign patent filings in RFID devices, converged access readers and systems, smart card manufacturing methods, authentication and NFC offerings. Additionally, we leverage our own ASIC designs for smart card interface in some of our reader devices.

Manufacturing and Sources of Supply

We utilize a combination of our own manufacturing facilities and the services of contract manufacturers in various countries around the world to manufacture our products and components. Our RFID devices are predominantly manufactured and assembled by our own internal manufacturing teams in Singapore primarily using locally sourced components and are certified to the ISO 9001:2015 and ISO 14001:2015 quality manufacturing standard. Our premises sensors readers, controllers and software are manufactured primarily in California. Our video appliances are manufactured primarily in Wisconsin and Arizona. The majority of our smart card reader products and components are manufactured in Singapore, Cambodia and South Korea. We have implemented formal quality control programs to satisfy customer requirements for high quality and reliable products. To ensure that products manufactured by third parties are consistent with internal standards, our quality control programs include management of all key aspects of the production process, including establishing product specifications, selecting the components to be used to produce products, selecting the suppliers of these components and negotiating the prices for certain of these components. In addition, we may work with suppliers to improve process control and product design.

For the majority of our product manufacturing, we utilize a global sourcing strategy that serves all business solution areas within the company, which allows us to achieve economies of scale and uniform quality standards for our products. On an ongoing basis, we analyze the need to add alternative sources for both our products and components. For example, we currently utilize the foundry services of external suppliers to produce our ASICs for smart cards readers and RFID devices, and we use chips and antenna components from third-party suppliers. Wherever possible, we have qualified additional sources of supply for components.

Government Regulation

Our business is subject to government regulation as discussed in Risk Factors.

Employees

As of December 31, 2021, we had 329 employees, of which 72 were in research and development, 80 were in sales and marketing, 149 were in manufacturing and 28 were in general and administrative. We are not subject to any collective bargaining agreements and, to our knowledge, none of our employees are currently represented by a labor union. To date, we have experienced no work stoppages and believe that our employee relations are generally good.

Corporate Information

Our corporate headquarters are located in Fremont, California. We maintain research and development facilities in California and Texas; Chennai, India; Munich, Germany; and local operations and sales facilities in Germany, the United Kingdom, Hong Kong, Singapore, Canada, India and the United States. We were founded in 1990 in Munich, Germany and incorporated in 1996 under the laws of the State of Delaware.

Availability of SEC Filings

We make available through our website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K and amendments to those reports free of charge as soon as reasonably practicable after we electronically file such reports with the Securities and Exchange Commission (“SEC”). Our Internet address is www.identiv.com. The content on our website is not, nor should it be deemed to be, incorporated by reference into this Annual Report. Our filings with the SEC are also available to the public through the SEC’s website at www.sec.gov.

Item 1A. Risk Factors

<u>Risks Related to Our Customers, Products and Markets, and Our Business</u>

We depend on a number of suppliers and contract manufacturers for the production of our products and components making us potentially vulnerable to supply disruption.

Our reliance on suppliers and contract manufacturers for the production of our products and hardware components has and may continue to result in product delivery problems and delays. We may suffer a disruption if the supply of components causes us to be unable to purchase sufficient components on a timely basis. For example, the ongoing global semiconductor shortage that began in 2021 has and may continue to adversely impact our ability to meet product demand in a timely fashion. This shortage, which is due in part to COVID-19, may persist for an indefinite period of time and has and may continue to have a negative impact on our revenue and operating results. Low inventory levels can affect our ability to meet customer demand, lengthen lead times and potentially cause us to miss opportunities, lose market share and/or damage customer relationships, also adversely affecting our business. Although we have taken steps to ensure we have adequate supply for expected customer demand, there can be no assurance that our efforts will be successful. If we are not able to get the necessary products and components on a timely basis, our business, financial condition and results of operations may be adversely affected.

Our financial performance depends on the extent and pace of RFID market adoption and end-user adoption of our RFID products and the timing of new customer deployments.

Our financial performance depends on the pace, scope and depth of end-user adoption of our RFID products in multiple industries. That pace, scope and depth accelerated during 2021 which has caused large fluctuations in our operating results. If RFID market adoption, and adoption of our products specifically, does not meet our expectations then our growth prospects and operating results will be adversely affected. If we are unable to meet end-user or customer volume or performance expectations, then our business prospects may be adversely affected. In addition, given the uncertainties of the specific timing of our new customer deployments, we cannot be assured that we will have appropriate inventory and capacity levels or that we will not experience inventory shortfalls or overages in the future. We seek to mitigate those risks by being deeply embedded in our customers design cycle, working with our chip partners on long lead time components, managing our limited capital equipment needs within a short cycle and expanding our facilities to accommodate several scenarios for growth potential. If end users with sizable projects change or delay them, we may experience significant fluctuation in revenue on a quarterly or annual basis, and we anticipate that such uncertainty and fluctuations may continue to characterize our business for the foreseeable future.

The impact of the COVID-19 pandemic, or similar global health concerns, could negatively impact our operations, supply chain and customer base.

The COVID-19 pandemic has severely restricted the level of economic activity around the world, which has and may continue to impact timing of demand for our products and services. Our operations and supply chains for certain of our products or services may be negatively impacted by the regional or global outbreak of illnesses, including COVID-19. Any quarantines, labor shortages or other disruptions to our operations, or those of our suppliers or customers, have and may continue to adversely impact our sales and operating results, including additional expenses and strain on the business as well as our supply chain. In addition, the COVID-19 pandemic has resulted in a widespread health crisis that has and may continue to adversely affect some of the market verticals that we participate in as well as the general economies and financial markets of many countries, including those in which we operate, and negatively impacted supply and demand for our products and services, and has and may continue to result in delayed sales and extended payment cycles for our products and services. We are unable to accurately fully predict the effect of the ongoing pandemic on our business, which could be material to our 2022 results, and which could be affected by other factors we are not currently able to predict, including the success of actions taken to contain or treat COVID-19, and reactions by consumers, companies, governmental entities and capital markets.

Our business could be adversely affected by reductions or delays in the purchase of our products or services for government security programs in the United States and globally.

We derive a substantial portion of our revenues from indirect sales to U.S. federal, state and local governments and government agencies, as well as from subcontracts under federal government prime contracts. Large government programs are an important market for our business, as high-security systems employing physical access, smart card, RFID or other access control technologies are increasingly used to enable applications ranging from authorizing building and network access for federal employees to paying taxes online, to citizen identification, to receiving health care. We believe that the success and growth of our business will continue to be influenced by our successful procurement of government business either directly or through our indirect sales channels. Accordingly, changes in government purchasing policies or government budgetary constraints, including government shutdowns, could directly affect our financial performance. Sales to government agencies and customers primarily serving the U.S. Government, including further sales pursuant to existing contracts, may be adversely affected by factors outside our control, such as, federal government shutdowns or other Congressional actions to reduce federal spending, and by adverse economic, political or market conditions. A reduction in current or future anticipated sales to the U.S. Government sector could harm our results of operations.

Additionally, we anticipate that an increasingly significant portion of our future revenues will come from government programs outside the U.S., such as electronic national identity, eGovernment and eHealth programs. We currently supply smart card readers, RFID products and credential provisioning and management solutions for various government programs in Europe, Asia and Australia and are actively targeting additional programs in these and other geographic areas. However, the allocation and availability of funding for such programs are often impacted by economic or political factors over which we have no control, and which may cause delays in program implementation, which could negatively impact our sales and results of operations.

Our U.S. Government business depends upon the continuance of regulations that require federal agencies to implement security systems such as ours, and upon our ability to receive certain government approvals or certifications and demonstrate compliance in government audits or investigations. A failure to receive these government approvals or certifications or a negative audit result could result in a material adverse impact on our business, financial condition and results of operations.

While we are not able to quantify the amount of sales made to end customers in the U.S. Government market due to the indirect nature of our selling process, we believe that orders from U.S. Government agencies represent a significant portion of our revenues. The U.S. Government, suppliers to the U.S. Government and certain industries in the public sector currently fall, or may in the future fall, under particular regulations that require federal agencies to implement security systems that utilize physical and logical access control products and solutions such as ours. These regulations include, but are not limited to, HSPD 12 and FIPS 201 produced by the National Institute of Standards and Technology (“NIST”). Discontinuance of, changes in, or lack of adoption of laws or regulations pertaining to security related to sales to end customers in the U.S. Government market could adversely affect our sales.

Our U.S. Government business is also dependent upon the receipt of certain governmental approvals or certifications and failure to receive such approvals or certifications could have a material adverse effect on our sales in those market segments for which such approvals or certifications are customary or required. Government agencies in the U.S. and other countries may audit our business as part of their routine audits and investigations of government procurement programs. Based on the outcome of any such audit, if any of our costs are found to be improperly allocated to a specific order, those costs may not be reimbursed, and any costs already reimbursed for such order may have to be refunded. If a government agency audit uncovers improper or illegal activities, we may be subject to civil and criminal penalties and administrative sanctions. A negative audit could materially affect our competitive position and result in a material adverse impact on our business, financial condition and results of operations.

Our revenues may decline if we cannot compete successfully in an intensely competitive market.

We target our products at the rapidly evolving market for security technologies. Many of our current and potential competitors have significantly greater financial, technical, marketing, purchasing and other resources than we do. As a result, our competitors may be able to respond more quickly to new or emerging technologies or standards and to changes in customer requirements. Our competitors may also be able to devote greater resources to the development, promotion and sale of products or solutions and may be able to deliver competitive products or solutions at a lower end user price.

We also experience indirect competition from certain of our customers who currently offer alternative products or solutions or are expected to introduce competitive offerings in the future. For example, in our Premises business, many of our dealer channel partners act as system integrators, providing installation and service, and therefore carry competitive lines of products and systems. This is a common practice within the industry as the integrators need access to multiple lines in order to support all potential service and user requirements. Depending on the technical competence of their sales forces, the comfort level of their technical staff with our systems and price pressures from customers, these integrators may choose to offer a competitor's product. There is also business pressure to provide some level of sales to all vendors to maintain access to a range of products and systems.

We believe that the principal competitive factors affecting the markets for our products and solutions include:

- the extent to which products and systems must support evolving industry standards and provide interoperability;
- the extent to which products are differentiated based on technical features, quality and reliability, ease of use, strength of distribution channels and price;
- the ability to quickly develop new products and solutions to satisfy new market and customer requirements; and
- the total cost of ownership including installation, maintenance and expansion capability of systems.

Increased competition and increased market volatility in our industry could result in lower prices, reduced margins or the failure of our product and service offerings to achieve or maintain market acceptance, any of which could have a serious adverse impact on our business, financial condition and results of operations.

Our percentage of revenue and customer concentration is significant in certain of our businesses.

Sales to our ten largest customers accounted for 32% of total net revenue in 2021 and 33% of total net revenue in 2020. No customer accounted for 10% or more of our total net revenue in 2021 or 2020. A significant amount of revenue is sourced from sales of products and systems to our original equipment manufacturer partners and an indirect sales network who sell to various entities within the U.S. federal government sector. We cannot guarantee that future reductions in U.S. Government budgets will not impact our sales to these government entities or that the terms of existing contracts will not be subject to renegotiation. Our loss of one or more significant customers could have a significant adverse impact on our business, financial condition and results of operations.

Our business will not be successful if we do not keep up with the rapid changes in our industry.

The market for security products and related services is characterized by rapid technological developments, frequent new product introductions and evolving industry standards. To be competitive, we have to continually improve the performance, features and reliability of our products and services, particularly in response to competitive offerings, and quickly demonstrate the value of new products and services or enhancements to existing products and services. Our failure to develop and introduce new products and services successfully on a timely basis and to achieve market acceptance for such products and services could have a significant adverse impact on our business, financial condition and results of operations.

Security breaches, whether or not related to our products, could result in the disclosure of sensitive government information or private personal information that could result in the loss of clients and negative publicity.

Many of the systems we sell manage private personal information or protect sensitive information related to our customers in the government or commercial markets. A well-publicized actual or perceived breach of network or computer security in one of these systems, regardless of whether such a breach is attributable to our products, could adversely affect the market's perception of us and our products, and could result in the loss of customers, have an adverse effect on our reputation and reduce demand for our products.

As part of our technical support services, we agree, from time to time, to possess all or a portion of the security system database of our customers. This service is subject to a number of risks. For example, despite our security measures our systems may be vulnerable to cyber-attacks by hackers, physical break-ins and service disruptions that could lead to interruptions, delays or loss of data. If any such compromise of our security were to occur, it could be very expensive to correct, could damage our reputation and result in the loss of customers, and could discourage potential customers from using our services. We could also be liable for damages and penalties. Although we have not experienced a cyber or physical security breach, we may experience breaches in the future. Our systems also may be affected by outages, delays and other difficulties. Our insurance coverage may be insufficient to cover losses and liabilities that may result from such events.

Our business and reputation may adversely affected by information technology system failures or network disruptions.

We may be subject to information technology system failures and network disruptions. These may be caused by natural disasters, accidents, power disruptions, telecommunications failures, acts of terrorism or war, computer viruses, physical or electronic break-ins, or other events or disruptions. System redundancy may be ineffective or inadequate, and our disaster recovery planning may not be sufficient for all eventualities. Such failures or disruptions could compromise company or customer data and result in delayed or cancelled orders and expose us to liability. System failures and disruptions could also impede the manufacturing and shipping of products, delivery of online services, processing of transactions and reporting of financial results. In addition, any such failures or disruptions could harm our reputation. We have no operations in Russia or Ukraine, but we do not and cannot know if the current uncertainties in these geopolitical areas, which are unfolding in real-time, may escalate and result in broad economic and security conditions, which could result in material implications for our business.

Sales of our products could decline and we could be subject to legal claims for damages if our products are found to have defects.

Despite our testing efforts, our products may contain defects that are not detected until after the products have been shipped. The discovery of defects or potential defects may result in damage to our reputation, delays in market acceptance of our products and additional expenditures to resolve issues related to the products' implementation. If we are unable to provide a solution to actual or potential product defects that is acceptable to our customers, we may be required to incur substantial costs for product recall, repair and replacement, or costs related to legal or warranty claims made against us.

The global nature of our business exposes us to operational and financial risks and our results of operations could be adversely affected if we are unable to manage them effectively.

We market and sell our products and solutions to customers in many countries around the world. To support our global sales, customer base and product development activities, we maintain offices and/or business operations in several locations around the world, including Germany, Hong Kong, India, Japan, Singapore, Canada, and the U.S. We also maintain manufacturing facilities in Singapore and California and engage contract manufacturers in multiple countries outside the U.S. Managing our global development, sales, administrative and manufacturing operations places a significant burden on our management resources and our financial processes and exposes us to various risks, including:

- longer accounts receivable collection cycles;
- changes in foreign currency exchange rates;
- compliance with and changes in foreign laws and regulatory requirements;
- changes in political or economic conditions and stability, particularly in emerging markets;
- difficulties managing widespread sales and manufacturing operations;
- export controls;
- natural disasters;
- less effective protection of our intellectual property; and
- potentially adverse tax consequences.

Any failure to effectively mitigate these risks and effectively manage our global operations could have a material adverse effect on our business, financial condition or operating results.

If current or future export laws limit or otherwise restrict our business, we could be prohibited from shipping our products to certain countries, which could cause our business, financial condition and results of operations to suffer.

Some of our products are subject to export controls or other laws restricting the sale of our products under the laws of the U.S., the European Union ("EU") and other governments. The export regimes and the governing policies applicable to our business are subject to change. We cannot be certain that such export authorizations will be available to us or for our products in the future. In some cases, we rely upon the compliance activities of our prime contractors, and we cannot be certain they have taken or will take all measures necessary to comply with applicable export laws. If we or our prime contractor partners cannot obtain required government approvals under applicable regulations, we may not be able to sell our products in certain international jurisdictions.

A significant portion of our revenue is through an indirect sales channel, and the loss of dealers, systems integrators, resellers, or other channel partners could result in decreased revenue.

We currently use an indirect sales channel that includes dealers, systems integrators, value added resellers and resellers to sell a significant portion of our products and solutions, primarily into markets or to customers where the channel partner may have closer customer relationships or greater access than we do. Some of these channel partners also sell our competitors' products, and if they favor our competitors' products for any reason, they may fail to market our products as effectively or to devote necessary resources that result in sales of our products, which would cause our sales to suffer. Indirect selling arrangements are intended to benefit both us and the channel partner, and may be long- or short-term relationships, depending on market conditions, competition in the marketplace and other factors. If we are unable to maintain effective indirect sales channels, there could be a reduction in the amount of product we are able to sell, and our revenues could decrease.

We depend upon third-party manufacturers and a limited number of suppliers, and if we experience disruptions in our supply chain or manufacturing, our business may suffer.

We rely upon a limited number of suppliers for some key components of our products which exposes us to various risks, including whether or not our suppliers will provide adequate quantities with sufficient quality on a timely basis and the risk that supplier pricing may be higher than anticipated. In addition, some of the basic components used in some of our products, such as semiconductors, may at any time be in great demand. This could result in components not being available to us in a timely manner or at all, particularly if larger companies have ordered significant volumes of those components, or in higher prices being charged for components we require. Disruption or termination of the supply of components or software used in our products could delay shipments of our products, which could have a material adverse effect on our business and operating results and could also damage relationships with current and prospective customers.

Many of our products are manufactured outside the U.S. by contract manufacturers. Our reliance on these manufactures poses a number of risks, including lack of control over the manufacturing process and ultimately over the quality and timing of delivery of our products. If any of our contract manufacturers cannot meet our production requirements, we may be required to rely on other contract manufacturing sources or identify and qualify new contract manufacturers, and we may not be able to do this in a timely manner or on reasonable terms. Additionally, we may be subject to currency fluctuations, potentially adverse tax consequences, unexpected changes in regulatory requirements, tariffs and other trade barriers, export controls, natural disasters, or political and economic instability. Any significant delay in our ability to obtain adequate supplies of our products from our current or alternative manufacturers could materially and adversely affect our business and operating results. In addition, if we are not successful at managing the contract manufacturing process, the quality of our products could be jeopardized or inventory levels could be inadequate or excessive, which could result in damage to our reputation with our customers and in the marketplace, as well as possible shortages of products or write-offs of excess inventory.

Our success depends largely on the continued service and availability of key personnel.

Our future success depends on our ability to continue to attract, retain, and motivate our senior management as well as qualified technical personnel, particularly software engineers. Competition for these employees is intense and many of our competitors may have greater name recognition and significantly greater financial resources to better compete for these employees. If we are unable to retain our existing personnel, or attract and train additional qualified personnel, our growth may be limited. Our key employees are employed on an "at will" basis, meaning either we or the employee may terminate their employment with us at any time. The loss of key employees could slow our product development processes and sales efforts or harm our reputation. Also, if our stock price declines, it may result in difficulty attracting and retaining personnel as equity incentives generally comprise a significant portion of our employee compensation. Further, restructurings and reductions in force that we have recently experienced may have a negative effect on employee morale and the ability to attract and retain qualified personnel.

Risks Related to Our Financial Results, Liquidity and Need for Additional Capital

Our revenue and operating results are subject to significant fluctuations and such fluctuations may lead to a reduced market price for our stock.

Our revenue and operating results have varied in the past and will likely continue to fluctuate in the future. We believe that period-to-period comparisons of our operating results are not necessarily meaningful, but securities analysts and investors often rely upon these comparisons as indicators of future performance. If our operating results in any future period fall below the expectations of securities analysts and investors, or the guidance that we provide, the market price of our stock would likely decline.

Factors that have caused our results to fluctuate in the past and which are likely to affect us in the future include the following:

- business and economic conditions overall and in our markets;
- the timing and size of customer orders, including orders that may be tied to annual or other budgetary cycles, seasonal demand, product plans or program roll-out schedules;
- the effects of U.S. Government shut downs, spending cuts and other changes in budget allocation or availability that create uncertainty for customers in certain parts of our business;
- the absence of significant backlog in our business;
- cancellations or delays of customer orders or the loss of a significant customer;
- the length of sales cycles associated with our product or service offerings;
- variations in the mix of products and services we sell;
- reductions in the average selling prices that we are able to charge due to competition, new product introductions or other factors;
- the impact of increasing freight and logistics costs;
- our ability to obtain an adequate supply of quality components and to deliver our products on a timely basis;
- our inventory levels and the inventory levels of our customers and indirect sales channels;
- the extent to which we invest in development, sales and marketing, and other expense categories;
- acquisitions, dispositions or organizational restructuring;
- fluctuations in the value of foreign currencies against the U.S. dollar;
- the cost or impact of litigation; and
- the write-off of trade receivables and investments.

Estimating the amount and mix of future revenues is difficult, and our failure to do so accurately could affect our ability to be profitable or reduce the market price for our stock.

Accurately estimating future revenues is difficult because the purchasing patterns of our customers can vary depending upon a number of factors. We sell our smart card readers primarily through a channel of distributors who place orders on an ongoing basis depending on their customers' requirements. As a result, the size and timing of these orders can vary from quarter to quarter. Market demand for RFID and NFC technology is resulting in larger program deployments of these products and components, as well as increasing competition for these solutions. Across our business, the timing of closing larger orders increases the risk of quarter-to-quarter fluctuation in revenues. If orders forecasted for a specific group of customers for a particular quarter are not realized or revenues are not otherwise recognized in that quarter, our operating results for that quarter could be materially adversely affected. In addition, from time to time, we may experience an unexpected increase or decrease in demand for our products resulting from fluctuations in our customers' budgets, purchasing patterns or deployment schedules. These occurrences are not always predictable and can have a significant impact on our results in the period in which they occur. Failure to accurately forecast customer demand may result in excess or obsolete inventory, which if written down might adversely impact our cost of revenues and financial condition.

In addition, our expense levels are based, in significant part, upon our expectations as to future revenues and are largely fixed in the short term. We may be unable to adjust spending in a timely manner to compensate for any unexpected shortfall in revenues. Any significant shortfall in revenues in relation to our expectations could have an immediate and significant effect on our operating results for that quarter and may lead to a reduced market price for our stock.

If we are not able to secure additional capital when needed, our business could be adversely affected.

We may seek or need to raise additional funds for general corporate and commercial purposes or for acquisitions. Our ability to obtain financing depends on our historical and expected future operating and financial performance, and is also subject to prevailing economic conditions and to financial, business and other factors beyond our control. If we are unable to secure additional financing when desired, our ability to fund our business operations, make capital expenditures, pursue additional expansion or acquisition opportunities, or have resources available to capitalize on other opportunities could be limited, and this could adversely impact our financial results. There can be no assurance that additional capital will be available to us on favorable terms or at all. The sale of additional debt or equity securities may cause dilution to existing stockholders. Any debt or equity securities issued may also provide for rights, preferences or privileges senior to those of our common stock and could impose significant restrictions on our operations.

Fluctuations in foreign exchange rates between the U.S. dollar and other major currencies in which we do business may adversely affect our business, financial condition and results of operations.

A significant portion of our business is conducted in foreign currencies, principally the euro and Indian Rupee. Fluctuations in the value of foreign currencies relative to the U.S. dollar will result in currency exchange gains and losses in our reported results. If a significant portion of operating expenses are incurred in a foreign currency such as the euro or Indian Rupee, and revenues are generated in U.S. dollars, exchange rate fluctuations might have a positive or negative net financial impact on these transactions, depending on whether the value of the U.S. dollar decreases or increases compared to that currency. In addition, the valuation of current assets and liabilities that are denominated in a currency other than the functional currency can result in currency exchange gains and losses. For example, when one of our subsidiaries uses the euro as the functional currency, and this subsidiary has a receivable in U.S. dollars, a devaluation of the U.S. dollar against the euro of 10% would result in a foreign exchange loss to the reporting entity of 10% of the value of the underlying U.S. dollar receivable. We cannot predict the effect of exchange rate fluctuations upon future operating results. The effect of currency exchange rate changes may increase or decrease our costs and/or revenues in any given period, and we may experience currency losses in the future. To date, we have not adopted a hedging program to protect against the risks associated with foreign currency fluctuations.

Risks Related to Our Intellectual Property, and Litigation

We may not be able to protect our intellectual property rights, which could make us less competitive and cause us to lose market share.

Our future success will depend, in part, upon our intellectual property rights and our ability to protect these rights. We rely on a combination of patent, copyright, trademark and trade secret laws, nondisclosure agreements and other contractual provisions to establish, maintain and protect our proprietary rights. From time to time, we may be required to use litigation to protect our proprietary technology. This may result in our incurring substantial costs and we may not be successful in any such litigation. Despite our efforts to protect our proprietary rights, unauthorized third parties may copy aspects of our products, obtain and use information that we regard as proprietary, or infringe upon our patents. In addition, the laws of some foreign countries do not protect proprietary and intellectual property rights to the same extent as do the laws in the U.S. Because many of our products are sold and a significant portion of our business is conducted outside the U.S., our exposure to intellectual property risks may be higher. Our efforts to protect our proprietary and intellectual property rights may not be adequate. Additionally, there is a risk that our competitors will independently develop similar technology or duplicate our products or design around patents or other intellectual property rights. If we are unsuccessful in protecting our intellectual property or our products or technologies are duplicated by others, our competitive position could be harmed and we could lose market share.

We face risks from claims of third parties and litigation, which could have an adverse effect on our results of operations.

We have, and may in the future, receive notices of claims of infringement and misappropriation or misuse of other parties' proprietary rights. From time to time, we are be subject to claims of third parties, possibly resulting in litigation, which could include, among other things, claims regarding infringement of the intellectual property rights of third parties, product defects, employment-related claims, and claims related to acquisitions, dispositions or restructurings. We cannot assure you that we will prevail in such actions, or that other actions alleging misappropriation or misuse by us of third party trade secrets, alleging infringement by us of third party patents and trademarks or challenging the validity of our patents, will not be asserted or prosecuted against us. Addressing any such claims or litigation may be time-consuming and costly, divert management resources, cause product shipment delays, require us to redesign our products, require us to accept returns of products and to write-off inventory, or result in other adverse effects to our business. Any of the foregoing could have a material adverse effect on our results of operations and could require us to pay significant monetary damages.

We expect the likelihood of intellectual property infringement and misappropriation claims may increase as the number of products and competitors in the security market grows and as we increasingly incorporate third-party technology into our products. As a result of infringement claims, we could be required to license intellectual property from a third party or redesign our products. Licenses may not be offered when required or on acceptable terms. If we do obtain licenses from third parties, we may be required to pay license fees or royalties or we may be required to license some of our intellectual property to others in return for such licenses. If we are unable to obtain a license necessary for us or our third-party manufacturers to manufacture our allegedly infringing products, we could be required to suspend the manufacture of products or stop our suppliers from using processes that may infringe the rights of third parties. We may also be unsuccessful in redesigning our products. Our suppliers and customers may be subject to infringement claims based on intellectual property included in our products. We have historically agreed to indemnify our suppliers and customers for patent infringement claims relating to our products. The scope of this indemnity varies, but may, in some instances, include indemnification for damages and expenses, including attorney's fees. We may periodically engage in litigation as a result of these indemnification obligations. Our insurance policies exclude coverage for third-party claims for patent infringement.

We have in the past been named as a defendant in putative securities class action and derivative lawsuits.

Securities class action lawsuits have often been brought against a company following periods of volatility in the market price of its securities. Companies such as ours in the technology industry are particularly vulnerable to this kind of litigation due to the volatility of their stock prices. We have in the recent past been named as a defendant in putative securities class action and derivative lawsuits and may again be so named in the future. Any litigation to which we were a party has and may in the future result in the diversion of management attention and resources from our business and business strategy. In addition, any litigation to which we may become a party to may result in onerous or unfavorable judgments that may not be reversed upon appeal and that may require us to pay substantial monetary damages or fines, or we may decide to settle lawsuits on similarly unfavorable terms, which could have a material adverse effect our business, financial condition or results of operations.

General Risk Factors

Our stock price has been and is likely to remain volatile.

Over the past several years, The Nasdaq Capital Market has experienced significant price and volume fluctuations that have particularly affected the market prices of the stocks of technology companies. Volatility in our stock price may result from a number of factors, some of which are beyond our control, including, among others:

- low volumes of trading activity in our stock;
- technical trading patterns of our stock;
- variations in our or our competitors' financial and/or operational results;
- the fluctuation in market value of comparable companies in any of our markets;
- expected or announced news about partner relationships, customer wins or losses, product announcements or organizational changes;
- comments and forecasts by securities analysts;
- litigation developments;
- global developments, including war, acts of terrorism, contagions such as COVID-19, and other such events; and
- general market downturns.

In addition, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. These fluctuations have often been unrelated or disproportionate to the operating performance of those companies. Broad market and industry factors, as well as general economic, political, regulatory and market conditions, may negatively affect the market price of our common stock, regardless of our actual operating performance.

You may experience dilution of your ownership interests due to the future issuance of additional shares of our stock, and future sales of shares of our common stock could adversely affect our stock price.

We have issued a significant number of shares of our common stock as well as warrants to purchase shares of our common stock, in connection with a number of financing transactions and acquisitions in recent years. In the future, from time to time we may issue additional previously authorized and unissued securities, resulting in additional dilution of the ownership interests of our current stockholders.

In addition, we have reserved shares of common stock for potential future issuance including stock issuable pursuant to our equity incentive plans, the conversion of our preferred stock and warrants issued in connection with previous capital raises and other transactions. As of March 2, 2022, 1,449,445 shares of common stock are reserved for future grants and outstanding equity awards under our equity incentive plans and an additional 9,011,994 shares of common stock are reserved for future issuance in connection with other potential issuances, including conversion of our preferred stock. We may issue additional shares of common stock or other securities that are convertible into or exercisable for shares of common stock in connection with the hiring of personnel, future acquisitions, and future financings or for other business purposes. If we issue additional securities, the aggregate percentage ownership of our existing stockholders will be reduced. In addition, any new securities that we issue may have rights senior to those of our common stock. The issuance of additional shares of common stock or preferred stock or other securities, or the perception that such issuances could occur, may create downward pressure on the trading price of our common stock.

Provisions in our charter documents and Delaware law may delay or prevent our acquisition by another company, which could decrease the value of your shares.

Our certificate of incorporation and bylaws and Delaware law contain provisions that could make it more difficult for a third party to acquire us or enter into a material transaction with us without the consent of our board of directors. These provisions include a classified board of directors and limitations on actions by our stockholders by written consent. Delaware law imposes some restrictions on mergers and other business combinations between us and any holder of 15% or more of our outstanding common stock. In addition, our board of directors has the right to issue preferred stock without stockholder approval, which could be used to dilute the stock ownership of a potential hostile acquirer. These provisions will apply even if the offer were to be considered adequate by some of our stockholders. Because these provisions may be deemed to discourage a change of control, they may delay or prevent the acquisition of our company, which could decrease the value of our common stock.

ITEM 1B. *UNRESOLVED STAFF COMMENTS*

None.

ITEM 2. *PROPERTIES*

Our corporate headquarters are located in Fremont, California and we maintain operational headquarters in Santa Ana, California. We lease additional facilities to house our engineering, sales and marketing, administrative and manufacturing functions. At December 31, 2021, our major facilities consisted of the following:

Location	Function	Square Feet	Lease Expiration
Fremont, California	Corporate headquarters	3,082	November 2022
Santa Ana, California	Administration; manufacturing; research and development	34,599	January 2023
Sauerlach, Germany	European operations; research and development; sales	5,156	Month to Month
Chennai, India	Research and development	17,500	October 2022
Singapore	RFID/NFC product manufacturing	16,060	May 2023

ITEM 3. *LEGAL PROCEEDINGS*

We are and from time to time, may become subject to various legal proceedings and claims arising in the ordinary course of business or could be named a defendant in other lawsuits. Legal proceedings could result in material costs, occupy significant management resources and entail penalties, even if we prevail. The outcome of such claims or other proceedings cannot be predicted with certainty and may have a material effect on our financial condition, results of operations or cash flows.

ITEM 4. ***MINE SAFETY DISCLOSURES***

Not applicable.

Executive Officers of the Registrant

Information concerning our executive officers as of March 1, 2022 is as follows:

Steven Humphreys, 60, has served as our Chief Executive Officer since September 2015 and as a director since July 1996. Mr. Humphreys previously served as Chairman of the Board from September 2013 until September 9, 2015. Previously, he also served as Lead Director from May 2010 until April 2013 and as Chairman of the Board from April 2000 to March 2007. Mr. Humphreys also served as President of the Company from July 1996 to December 1996 and as President and Chief Executive Officer from January 1997 to July 1999. From November 2011 to December 2014, Mr. Humphreys served as chief executive officer of Flywheel Software, Inc., a venture-backed, location-based mobile solutions company. From October 2008 until its acquisition by SMSC in February 2011, Mr. Humphreys served as Chief Executive Officer and President of Kleer Corporation, a venture-backed provider of wireless audio technology. From October 2001 to October 2003, he served as Chairman of the Board and Chief Executive Officer of ActivIdentity, a provider of digital identity solutions, a publicly-listed company until its acquisition by HID Global in December 2010. He also served as a director of ActivIdentity from March 2008 until December 2010. Previously, Mr. Humphreys was President of Caere Corporation, a publicly-listed optical character recognition software company. Prior to Caere, he spent ten years with General Electric in a variety of factory automation and information technology positions, most recently leading the Information Delivery Services business unit of GE Information Services. Philanthropically, Mr. Humphreys has been an elected public school board trustee and a contributor to a range of education-oriented charities. He also serves on the board of Summit Public Schools, a charter school system with schools across the West Coast, and developer of the Summit Learning System, developed in cooperation with Facebook and deployed in over 1,000 schools nationwide. Mr. Humphreys holds a B.S. degree from Yale University and M.S. and M.B.A. degrees from Stanford University.

Justin Scarpulla, 48, has served as our Chief Financial Officer since December 2021. Mr. Scarpulla previously served as Director of Finance at Space Exploration Technologies Corp., a company that designs, manufactures and launches advanced rockets and spacecraft, from May 2017 to December 2021. From May 2016 to May 2017, Mr. Scarpulla served as Vice President of Accounting & Finance at Incipio, LLC, a designer and manufacturer of mobile device accessories and technologies. Mr. Scarpulla served as Vice President and Corporate Controller at Vizio, Inc. (NYSE: VZIO), a designer and manufacturer of entertainment-focused technologies, from 2015 to 2016 and at JustFab, Inc., an online subscription fashion retailer, from 2014 to 2015. He also served as Chief Accounting Officer and Corporate Controller at MaxLinear, Inc. (NYSE: MXL), a provider of radio frequency, analog, digital and mixed-signal integrated circuits, from 2011 to 2014. From 1999 to 2011, Mr. Scarpulla held various roles in finance at Broadcom Corporation (Nasdaq: BRCM), a provider of semiconductor and infrastructure software solutions, including Director of Financial Reporting. Mr. Scarpulla is a Certified Public Accountant and started his career at Ernst & Young LLP. Mr. Scarpulla holds a B.A. in Accounting and Finance from California State University Fullerton.

PART II

ITEM 5. *MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES*

Our common stock is traded on The Nasdaq Capital Market under the symbol "INVE." According to data available at March 2, 2022, we had 111 registered holders of our common stock. Not represented in this figure are individual stockholders in Germany whose custodian banks do not release stockholder information to us.

The disclosure required by Item 201(d) of Regulation S-K is included in Item 12 of this Annual Report on Form 10-K.

During the years ended December 31, 2021 and 2020, we repurchased 82,351 shares and 171,641 shares, respectively, of common stock surrendered to us to satisfy tax withholding obligations in connection with the vesting of RSUs issued to employees.

ITEM 6. *[RESERVED]*

ITEM 7. *MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS*

Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the consolidated financial statements and notes thereto included in Part II, Item 8 of this Annual Report.

Overview

Identiv is a global provider of secure identification and physical security.

We are leveraging our RFID-based physical device-management expertise as well as our physical access, video and analytics solutions to provide leading solutions as our customers, and our customers' customers, embracing the IoT. Customers in the technology and mobility, consumer, government, healthcare, education and other sectors rely on Identiv's identification and access solutions. Identiv's platform encompasses RFID and NFC, cybersecurity, and the full spectrum of physical access, video, and audio security. We are bringing the benefits of the IoT to a wide range of physical, connected items.

Identiv's mission is to digitally enable every physical thing and every physical place on the planet. Our full continuum of security solutions is delivered through our platform of RFID enabled devices, mobile, client/server, cloud, web, dedicated hardware and software defined architectures. In doing so, we believe that we will create smart physical security and a smarter physical world.

Segments

We have organized our operations into two reportable business segments, principally by solution families: Identity and Premises. Our Identity segment includes products and solutions enabling secure access to information serving the logical access and cyber-security market, and protecting connected objects and information using RFID embedded security. Our Premises segment includes our solutions to address the premises security market for government and enterprise, including access control, video surveillance, analytics, audio, access readers and identities.

Factors Affecting Our Performance

Market Adoption

Our financial performance depends on the pace, scope and depth of end-user adoption of our RFID products in multiple industries. That pace, scope and depth accelerated during 2020 causing large fluctuations in our operating results. During 2021, we believe RFID deployments occurred at a much faster pace of growth than historically. We believe significant improvement in chip capabilities at lower costs, combined with the incorporation of the full NDEF (NFC data exchange format) protocol by Apple in its iPhone 12 and iOS 14 has accelerated the opportunities for product engineers to integrate RFID into their products to create new and more engaging customer experiences, product reliability and performance. As the market hit this pivot point, we expanded both our capacity and technical leadership. As a result, revenue in our Identity segment increased 23% year over year, driven by our RFID product growth of 21% year over year. We track growth indicators including design wins, customer launches and technology launches. We have made investments in our technology, world class quality and automation, and we believe that our competitive advantages will continue to drive growth.

We believe the underlying, long-term trend is continued RFID adoption by multiple verticals. We also believe that expanding use cases fosters adoption across verticals and into other markets. In addition, we do not have any significant concentration of customers so we believe that our demand will continue to be resilient to the loss of any individual customer or application.

If RFID market adoption, and adoption of our products specifically, does not meet our expectations then our growth prospects and operating results will be adversely affected. If we are unable to meet end-user or customer volume or performance expectations, then our business prospects may be adversely affected. In contrast, if our RFID sales exceed expectations, then our revenue and profitability may be positively affected.

Given the uncertainties of the specific timing of our new customer deployments, we cannot assure you that we have appropriate inventory and capacity levels or that we will not experience inventory shortfalls or overages in the future or acquire inventory at costs to maintain gross margins. We attempt to mitigate those risks by being deeply embedded in our customers design cycle, working with our chip partners on long lead time components, managing our limited capital equipment needs within a short cycle and future proofing our facilities to accommodate several scenarios for growth potential.

If end users with sizable projects change or delay them, we may experience significant fluctuation in revenue on a quarterly or annual basis, and we anticipate that uncertainty to continue to characterize our business for the foreseeable future.

Seasonality and Other Factors

In our business overall, we experience variations in demand for our offerings from quarter to quarter, and typically experience a stronger demand cycle in the second half of our fiscal year. Sales of our physical access control solutions and related products to U.S. Government agencies are subject to annual government budget cycles and generally are highest in the third quarter of each year. Sales of our identity readers, many of which are sold to government agencies worldwide, are impacted by project schedules of government agencies, as well as roll-out schedules for application deployments. Further, this business is typically subject to seasonality based on differing commercial and global government budget cycles. Lower sales are expected in the U.S. in the first half, and in particular, the first quarter of the year, with higher sales typically in the second half of each year. In Asia-Pacific, with fiscal year-ends in March and June, order demand can be higher in the first quarter as customers attempt to complete projects before the end of the fiscal year. Accordingly, our net revenue levels in the first quarter each year often depend on the relative strength of project completions and sales mix between our U.S. customer base and our international customer base.

Purchasing of our Products and Services for U.S. Federal Government Security Programs

In addition to the general seasonality of demand, overall U.S. Federal Government expenditure patterns have a significant effect on demand for our products due to the significant portion of revenue that are typically sourced from U.S. Federal Government agencies. During 2021, we experienced an increase in our U.S. Federal Government revenue of 21% over the preceding full year. Drivers of growth included our technology strength and proven security solutions, work from home mandates, and continued strength in investments for security across a number of different agencies. We believe that the success and growth of our business will continue through the U.S. Federal Government focus on security and our successful procurement of government business. If there are changes in government purchasing policies or budgetary constraints there could be implications for our growth prospects and operating results. If we are unable to meet end-user or customer volume or performance expectations, then our business prospects and operating results may be adversely affected.

Effects of the COVID-19 Pandemic on our Business.

In March 2020, the World Health Organization characterized the coronavirus ("COVID-19") a pandemic, and the President of the United States declared the COVID-19 outbreak a national emergency. The rapid spread of the pandemic and the continuously evolving responses to combat it have had an increasingly negative impact on the global economy. In view of the rapidly changing business environment created by the uncertainty related to the depth and or duration of the impact resulting from COVID-19, we have experienced delays in our sales in select vertical markets and are currently unable to determine if there will be any continued disruption and the extent to which this may have future impact on our business. We continue to monitor the progression of the pandemic and its effect on our financial position, results of operations, and cash flows.

Results of Operations

The following table includes net revenue and net profit information by business segment and reconciles gross profit to income (loss) before income tax provision (in thousands).

	Year Ended December 31,		
	2021	2020	% Change
Identity:			
Net revenue	$ 64,725	$ 52,742	23%
Gross profit	15,670	14,781	6%
Gross profit margin	24%	28%	
Premises:			
Net revenue	39,044	34,178	14%
Gross profit	21,397	18,900	13%
Gross profit margin	55%	55%	
Total:			
Net revenue	103,769	86,920	19%
Gross profit	37,067	33,681	10%
Gross profit margin	36%	39%	
Operating expenses:			
Research and development	8,673	9,781	(11)%
Selling and marketing	17,033	17,270	(1)%
General and administrative	11,891	8,623	38%
Decrease in fair value of earnout liability	—	(261)	(100)%
Restructuring and severance	817	1,716	(52)%
Total operating expenses	38,414	37,129	3%
Loss from operations	(1,347)	(3,448)	(61)%
Non-operating income (expense):			
Interest expense, net	(483)	(1,462)	(67)%
Gain on forgiveness of Paycheck Protection Program note	2,946	—	(100)%
Gain on investment	611	—	(100)%
Foreign currency losses, net	(79)	(122)	(35)%
Income (loss) before income tax provision	$ 1,648	$ (5,032)	(133)%

The following table sets forth our statements of comprehensive (income) loss as a percentage of net revenue:

	Year Ended December 31,	
	2021	2020
Net revenue	100%	100%
Cost of revenue	64	61
Gross profit	36	39
Operating expenses:		
Research and development	8	11
Selling and marketing	16	20
General and administrative	12	10
Decrease in fair value of earnout liability	—	—
Restructuring and severance	1	2
Total operating expenses	37	43
Loss from operations	(1)	(4)
Non-operating income (expense)		
Interest expense, net	(1)	(2)
Gain on forgiveness of Paycheck Protection Program note	3	—
Gain on investment	1	—
Foreign currency losses, net	—	—
Income (loss) before income tax provision	2	(6)
Income tax provision	—	—
Net income (loss)	2%	(6)%

Geographic net revenue based on each customer's ship-to location for the years ended December 31, 2021 and 2020 is as follows (in thousands):

	Year Ended December 31,	
	2021	2020
Americas	$ 69,396	$ 58,302
Europe and the Middle East	12,876	9,497
Asia-Pacific	21,497	19,121
Total	$ 103,769	$ 86,920
As a percentage of net revenue:		
Americas	67%	67%
Europe and the Middle East	12%	11%
Asia-Pacific	21%	22%
Total	100%	100%

Fiscal 2021 Compared with Fiscal 2020

Net Revenue

Net revenue in 2021 was $103.8 million, an increase of 19% compared with $86.9 million in 2020. Net revenue in the Americas was $69.4 million in 2021, an increase of 19% compared with $58.3 million in 2020. Net revenue from our Premises solution for security programs within various U.S. government agencies and commercial customers for access control and video solutions, as well as reader, controller and appliance products, represented approximately 52% of our net revenue in the Americas. Net revenue in Europe, the Middle East, and Asia-Pacific was approximately $34.4 million in 2021, an increase of 20% compared with 2020. Sales of RFID and NFC products and smart card readers comprised a significant proportion of our net revenue in these regions.

Identity Segment

Net revenue in our Identity segment, which represented 62% of our net revenue, was $64.7 million in 2021, an increase of 23% compared with $52.7 million in 2020. Net revenue in this segment in the Americas in 2021 increased 25% compared with 2020 primarily due to higher sales of RFID transponder products and smart card readers associated with the increased demand for transponder and smart card reader products. In addition, sales of access cards increased as sales to commercial consumers in select market verticals, including retail, banking and travel, began to rebound in 2021.

Net revenue in this segment in Europe, the Middle East, and the Asia-Pacific increased approximately 20% in 2021 compared with 2020 primarily due to higher sales of RFID transponder products to mobile phone and consumer products contract manufacturers.

Sales of RFID and NFC products and smart card readers comprise a significant proportion of our net revenue in these regions. RFID transponder products comprised approximately 66% of net revenue in these regions in 2021, and 65% of net revenue in 2020, while smart card reader sales in 2021 and 2020 comprised approximately 24% and 24% of the net revenue.

Premises Segment

Net revenue in our Premises segment, which represented 38% of our net revenue, was $39.0 million in 2021, an increase of 14% compared with $34.2 million in 2020. Net revenue in this segment in the Americas in 2021 increased 14% compared with 2020 due to a rebound in sales of Hirsch Velocity hardware and software products to consumers in select commercial verticals, continued growth in sales to the federal government, and higher sales of video technology and analytics software products. Net revenue from our Premises solution for security programs within various U.S. government agencies and commercial customers for access control and video solutions, as well as reader, controller and appliance products.

Net revenue in this segment across Europe, the Middle East, and Asia-Pacific increased 17% in 2021 compared with 2020. The increases in these regions are primarily project driven and can vary period to period.

As a general trend, U.S. Federal agencies continue to be subject to security improvement mandates under programs such as Homeland Security Presidential Directive-12 ("HSPD-12") and reiterated in memoranda from the Office of Management and Budget ("OMB M-11-11"). We believe that our solutions for trusted physical access is an attractive offering to help federal agency customers move towards compliance with federal directives and mandates. To address sales opportunities in the United States in general and with our U.S. Government customers in particular, we focus on a strong U.S. sales organization and our sales presence in Washington D.C.

More recently, in response to the new needs for health and safety in the physical security market overall, due to the COVID-19 pandemic, we have released products to address these trends. During 2020, we launched our contact tracing downloadable extension for our Velocity access system, our occupancy tracking system based on our 3VR platform, our MobilisID touchless reader and our temperature tracking tag. In addition, with the economic impact of the COVID-19 pandemic continuing to create uncertainty for our customers, we have released several products which are subscription based and which allow payments over time for our physical access and video solutions as a service.

Gross Profit and Gross Margin

Gross profit for 2021 was $37.1 million, or 36% of net revenue, compared to $33.7 million or 39% of net revenue in 2020. Gross profit represents net revenue less direct cost of product sales, manufacturing overhead, other costs directly related to preparing the product for sale including freight, scrap, inventory adjustments and amortization, where applicable.

Identity Segment

In our Identity segment, gross profit was $15.7 million in 2021 compared with $14.8 million in 2020. Gross profit margins in the Identity segment in 2021 decreased to 24% compared to 28% in 2020. The decrease in gross profit margins was primarily attributable to near-term investments in technology and manufacturing processes and systems, changes in product mix, with a higher proportion of lower margin RFID transponder product sales in 2021 compared to 2020, and increased freight and logistics costs.

Premises Segment

In our Premises segment, gross profit was $21.4 million in 2021 compared with $18.9 million in 2020. Gross profit margins in the Premises segment in 2021 were comparable to 2020.

We expect there will be variation in our total gross profit from period to period, as our gross profit has been and will continue to be affected primarily by varying mix among our products. Within each product category, gross margins have tended to be consistent, but over time may be affected by a variety of factors, including, without limitation, competition, product pricing, the volume of sales in any given quarter, manufacturing volumes, product configuration and mix, the availability of new products, product enhancements, software and services, risk of inventory write-downs and the cost and availability of components.

Operating Expenses

Information about our operating expenses for the years ended December 31, 2021 and 2020 is set forth below.

Research and Development

	Year Ended December 31,			
	2021	**2020**	**$ Change**	**% Change**
	($ in thousands)			
Research and development expenses	$ 8,673	$ 9,781	$ (1,108)	(11)%
Percentage of revenue	8%	11%		

Research and development expenses consist primarily of employee compensation and fees for the development of hardware, software and firmware products. We focus the bulk of our research and development activities on the continued development of existing products and the development of new offerings for emerging market opportunities.

Research and development expenses in 2021 decreased compared with 2020 primarily due to lower headcount and related costs, partially offset by higher external contractor costs.

Selling and Marketing

	Year Ended December 31,			
	2021	2020	$ Change	% Change
	($ in thousands)			
Selling and marketing expenses	$ 17,033	$ 17,270	$ (237)	(1)%
Percentage of revenue	16%	20%		

Selling and marketing expenses consist primarily of employee compensation as well as amortization expense of certain intangible assets, customer lead generation activities, tradeshow participation, advertising and other marketing and selling costs.

Selling and marketing expenses in 2021 decreased compared with 2020 primarily due to lower amortization expense associated with intangible assets that were fully amortized in the fourth quarter of 2020, and higher recruiting fees, partially offset by higher tradeshow and advertising costs in 2021.

General and Administrative

	Year Ended December 31,			
	2021	2020	$ Change	% Change
	($ in thousands)			
General and administrative expenses	$ 11,891	$ 8,623	$ 3,268	38%
Percentage of revenue	12%	10%		

General and administrative expenses consist primarily of compensation expenses for employees performing administrative functions, and professional fees incurred for legal, auditing and other consulting services.

General and administrative expenses increased compared with 2020 primarily due to bad debt expense recorded in the fourth quarter of 2021 of $2.3 million for aged accounts receivables, as well as higher professional fees and external contractor costs.

Decrease in Fair Value of Earnout Liability

	Year Ended December 31,			
	2021	2020	$ Change	% Change
	($ in thousands)			
Decrease in fair value of earnout liability	$ —	$ (261)	$ 261	N/A

The decrease in earnout consideration expense of $261,000 in 2020 was attributable to the decrease in the fair value of the earnout liability associated with a prior acquisition, representing the settlement date fair value of the earnout shares issued to the selling shareholders and the recorded earnout liability.

Restructuring and Severance

	Year Ended December 31,			
	2021	2020	$ Change	% Change
	($ in thousands)			
Restructuring and severance expenses	$ 817	$ 1,716	$ (899)	(52)%

Restructuring expenses incurred in 2021 consists of facility rental related costs of $521,000 and severance related costs of $296,000. Facility rental related costs in 2021 included a charge of $281,000 resulting from the impairment of a right-of-use operating lease asset for office space we vacated in the first quarter of 2021.

Restructuring expenses incurred in 2020 consists of severance related costs of $375,000 and facility rental related costs associated with office space of an acquired business of $1,341,000. The latter included a charge of $1,296,000 associated with the impairment of the right-of-use operating lease assets for office space we vacated in 2020.

See Note 14, *Restructuring and Severance,* in the accompanying notes to our consolidated financial statements for more information.

Non-operating Income (Expense)

Information about our non-operating income (expense) for the years ended December 31, 2021 and 2020 is set forth below.

	Year Ended December 31,			
	2021	2020	$ Change	% Change
	($ in thousands)			
Interest expense, net	$ (483)	$ (1,462)	$ 979	(67)%
Gain on forgiveness of Paycheck Protection Program note	$ 2,946	$ —	$ 2,946	100%
Gain on investment	$ 611	$ —	$ 611	100%
Foreign currency losses, net	$ (79)	$ (122)	$ 43	(35)%

Interest expense, net consists of interest on financial liabilities, amortization of debt issuance costs, and interest accretion expense for a liability on a contractual payment obligation arising from our acquisition of Hirsch Electronics Corporation. The decrease in interest expense in 2021 compared to 2020 was primarily attributable to lower borrowings outstanding under our revolving loan facility with our lender (which was fully paid down in August 2021), and lower amounts outstanding under our contractual payment obligation. See Note 7, *Contractual Payment Obligation* and Note 8, *Financial Liabilities*, in the accompanying notes to our consolidated financial statements for more information.

On May 7, 2021, the principal and accrued interest amounts outstanding of approximately $2.9 million under our promissory note pursuant to the Paycheck Protection Program had been forgiven. As a result, we recorded a gain on forgiveness of the promissory note of $2.9 million in the second quarter of 2021.

Gain on investment of $611,000 was from the proceeds received in connection with the acquisition of a private company that we had invested in, which had been fully impaired and had no carrying value.

Changes in currency valuation in the periods mainly were the result of exchange rate movements between the U.S. dollar, the Indian Rupee, the Canadian dollar, and the euro. Our foreign currency gains and losses primarily result from the valuation of current assets and liabilities denominated in a currency other than the functional currency of the respective entity in the local financial statements.

Income Tax Provision

	Year Ended December 31,			
	2021	2020	$ Change	% Change
	($ in thousands)			
Income tax provision	$ 28	$ 73	$ (45)	(62)%

As of December 31, 2021, our deferred tax assets are fully offset by a valuation allowance. Accounting Standards Codification ("ASC") 740, *Income Taxes*, provides for the recognition of deferred tax assets if realization of such assets is more likely than not. Based upon the weight of available evidence, which includes historical operating performance, reported cumulative net losses since inception and difficulty in accurately forecasting our future results, we provided a full valuation allowance against all of our net U.S. and foreign deferred tax assets. We reassess the need for our valuation allowance on a quarterly basis. If it is later determined that a portion or all of the valuation allowance is not required, it generally will be a benefit to the income tax provision in the period such determination is made.

We recorded an income tax provision during the year ended December 31, 2021. The effective tax rate for the year ended December 31, 2021 differs from the federal statutory rate of 21% primarily due to PPP loan forgiveness, stock-based compensation, GILTI inclusions, and the provision in certain foreign jurisdictions partially offset by the change in the valuation allowance. The effective tax rate for the year ended December 31, 2020 differs from the federal statutory rate of 21% primarily due to the provision in certain foreign jurisdictions partially offset by the change in the valuation allowance.

Quarterly Statements of Comprehensive Income (Loss)

The following tables set forth our unaudited quarterly statements of comprehensive income (loss) for the last eight quarters. In the opinion of management, these data have been prepared on the same basis as the audited consolidated financial statements included elsewhere in this report and reflect all adjustments, including normal recurring adjustments, necessary for a fair presentation of the data. The results of historical periods are not indicative of expectations for any future period. You should read these data together with our audited consolidated financial statements and the related notes included elsewhere in this report.

	Three Months Ended							
	Dec 31, 2021	Sep 30, 2021	Jun 30, 2021	Mar 31, 2021	Dec 31, 2020	Sep 30, 2020	Jun 30, 2020	Mar 31, 2020
	(In thousands, except per share data)							
Consolidated Statements of Comprehensive Income (Loss):								
Net revenue	$28,517	$29,097	$23,993	$22,162	$24,836	$24,859	$19,105	$18,120
Cost of revenue	19,100	17,979	15,153	14,470	16,252	14,974	11,393	10,620
Gross profit	9,417	11,118	8,840	7,692	8,584	9,885	7,712	7,500
Operating expenses:								
Research and development	2,117	2,088	2,131	2,337	2,383	2,380	2,422	2,596
Selling and marketing	4,351	4,471	4,147	4,064	4,292	4,245	4,236	4,497
General and administrative	4,771	2,400	2,595	2,125	2,163	2,118	2,151	2,191
Decrease in fair value of earnout liability	—	—	—	—	—	—	(261)	—
Restructuring and severance	56	99	274	388	71	163	1,417	65
Total operating expenses	11,295	9,058	9,147	8,914	8,909	8,906	9,965	9,349
Income (loss) from operations	(1,878)	2,060	(307)	(1,222)	(325)	979	(2,253)	(1,849)
Interest expense, net	(32)	(62)	(144)	(245)	(396)	(407)	(407)	(252)
Gain on forgiveness of Paycheck Protection Program note	—	—	2,946	—	—	—	—	—
Gain on investment	—	611	—	—	—	—	—	—
Foreign currency gains (losses), net	(77)	(48)	—	46	(3)	(175)	(30)	86
Income (loss) before income tax benefit (provision)	(1,987)	2,561	2,495	(1,421)	(724)	397	(2,690)	(2,015)
Income tax benefit (provision)	66	(21)	(29)	(44)	26	(8)	(59)	(32)
Net income (loss)	(1,921)	2,540	2,466	(1,465)	(698)	389	(2,749)	(2,047)
Cumulative dividends on Series B convertible preferred stock	(289)	(289)	(286)	(284)	(276)	(275)	(272)	(271)
Net income (loss) income attributable to common stockholders	$ (2,210)	$ 2,251	$ 2,180	$ (1,749)	$ (974)	$ 114	$ (3,021)	$ (2,318)
Net income (loss) per common share:								
Basic	$ (0.10)	$ 0.10	$ 0.10	$ (0.09)	$ (0.05)	$ 0.01	$ (0.17)	$ (0.13)
Diluted	$ (0.10)	$ 0.09	$ 0.09	$ (0.09)	$ (0.05)	$ 0.01	$ (0.17)	$ (0.13)
Weighted average shares used in computing net income (loss) per common share:								
Basic	22,504	22,448	21,908	18,443	18,302	18,144	17,941	17,521
Diluted	22,504	29,330	28,751	18,443	18,302	18,650	17,941	17,521

Liquidity and Capital Resources

As of December 31, 2021, our working capital, defined as current assets less current liabilities, was $51.9 million, an increase of $40.0 million compared to $11.9 million as of December 31, 2020. As of December 31, 2021, our cash and cash equivalents balance was $28.6 million.

Sale of Common Stock

On April 7, 2021, we sold an aggregate of 3,779,342 shares of our common stock at a public offering price of $10.65 per share in an underwritten public offering. We received net proceeds of approximately $37.6 million from the sale of the common stock in the public offering, after deducting the underwriting discount and other offering related expenses of $2.6 million.

East West Bank

On February 8, 2017, we entered into a loan and security agreement with East West Bank ("EWB"). Following subsequent amendments, on February 8, 2021 we amended and restated the Loan and Security Agreement in its entirety (the "Loan and Security Agreement"). The Loan and Security Agreement provides for a $20.0 million revolving loan facility subject to a borrowing base and a $4.0 million non-formula revolving loan facility that is not subject to a borrowing base. The maturity date of the main revolving loan facility is February 8, 2023. Our obligations under the Loan and Security Agreement are collateralized by substantially all of our assets. As of December 31, 2021, there were no amounts outstanding under our Loan and Security Agreement.

See Note 8, *Financial Liabilities* in the accompanying notes to our consolidated financial statements for more information.

April 21 Funds

On May 5, 2020, we issued secured subordinated promissory notes in an aggregate principal amount of $4.0 million (the "Notes") to 21 April Fund, LP and 21 April Fund, Ltd. (collectively referred to as the "April 21 Funds") pursuant to a Note and Warrant Purchase Agreement entered into with the April 21 Funds (the "Note Purchase Agreement"). The Notes were collateralized by our assets, but subordinate to our obligations to EWB under the Loan and Security Agreement. Proceeds from the sale of the Notes were only to be used for expenses incurred by us in connection with our provisions of goods and services under a statement of work with a third party. The Notes had an initial term of nine months and did not bear interest during that period. However, if the Notes were not repaid on or before the nine-month anniversary of issuance, (a) the Notes would thereafter bear interest of 8% per annum, payable quarterly, and (b) additional warrants to purchase common stock would be issuable to the April 21 Funds for each month all or a portion of the Notes remained unpaid. In the event the Notes were not paid in full by the first anniversary of their issuance, May 5, 2021, they would thereafter bear interest of 12% per annum, payable quarterly, and additional warrants would be issuable to the April 21 Funds.

On February 5, 2021, we entered into an amendment to our secured subordinated promissory note with April 21 Funds, which extended the initial term of the Notes to March 31, 2021. As a result of the amendment, if the Notes were repaid on or before March 31, 2021, we would incur no further interest on the Notes, or be obligated to issue additional warrants. On March 31, 2021, April 21 Funds waived any additional warrants issuable, and interest payable, to April 21 Funds through May 5, 2021. On April 13, 2021, we repaid the remaining principal amount outstanding of $2.8 million.

Paycheck Protection Program

On April 9, 2020, we entered into a promissory note (the "PPP Note") under the Paycheck Protection Program established under Section 1102 of the Coronavirus Aid, Relief and Economic Security ("CARES") Act. The PPP Note was dated April 8, 2020 with EWB. We borrowed a principal amount of approximately $2.9 million. The interest on the PPP Note was 1.0% per annum. The PPP Note was payable two years from the date of the PPP Note, and there was no prepayment penalty. All interest which accrues during the initial six months of the loan period was deferred and payable on the maturity date of the PPP Note. Notes issued under the CARES Act may be eligible for forgiveness in whole or in part in accordance with Small Business Administration rules established for the Paycheck Protection Program. On May 7, 2021, the principal and accrued interest amounts outstanding of approximately $2.9 million under our promissory note pursuant to the PPP Note had been forgiven. As a result, we recorded a gain on forgiveness of the PPP Note debt of $2.9 million in the second quarter of 2021.

As our previously unremitted earnings have been subjected to U.S. federal income tax, we expect any repatriation of these earnings to the U.S. would not incur significant additional taxes related to such amounts. However, our estimates are provisional and subject to further analysis. Generally, most of our foreign subsidiaries have accumulated deficits and cash and cash equivalents that are held outside the United States are typically not cash generated from earnings that would be subject to tax upon repatriation if transferred to the United States. We have access to the cash held outside the United States to fund domestic operations and obligations without any material income tax consequences. As of December 31, 2021, the amount of cash included at such subsidiaries was $3.5 million. We have not, nor do we anticipate the need to, repatriate funds to the United States to satisfy domestic liquidity needs arising in the ordinary course of business, including liquidity needs associated with our domestic debt service requirements.

We have historically incurred operating losses and negative cash flows from operating activities, and we may continue to incur losses in the future. As of December 31, 2021, we had a total accumulated deficit of $409.0 million.

We believe our existing cash and cash equivalents, together with cash generated from operations and available credit under our Loan and Security Agreement will be sufficient to satisfy our working capital needs to fund operations for the next twelve months. We may also use cash to acquire or invest in complementary businesses, technologies, services or products that would change our cash requirements. We may also choose to finance our business through public or private equity offerings, debt financings or other arrangements. However, there can be no assurance that additional capital will be available to us or that such capital will be available to us on acceptable terms. If we raise funds by issuing equity securities, dilution to stockholders could result. Debt or any equity securities issued also may provide for rights, preferences or privileges senior to those of holders of our common stock. The terms of debt securities issued or borrowings could impose significant restrictions on our operations. The incurrence of additional indebtedness or the issuance of certain debt or equity securities could result in increased fixed payment obligations and could also result in restrictive covenants, such as limitations on our ability to incur additional debt or issue additional equity, limitations on our ability to acquire or license intellectual property rights and other operating restrictions that could adversely affect our ability to conduct our business. Our Loan and Security Agreement imposes restrictions on our operations, increases our fixed payment obligations and has restrictive covenants. In addition, the issuance of additional equity securities by us, or the possibility of such issuance, may cause the market price of our common stock to decline. If we are not able to secure additional funding when needed, we may have to curtail or reduce the scope of our business or forgo potential business opportunities.

The following summarizes our cash flows for the years ended December 31, 2021 and 2020 (in thousands):

	Year Ended December 31,	
	2021	2020
Net cash provided by (used in) operating activities	$ 1,228	$ (1,766)
Net cash used in investing activities	(1,476)	(1,564)
Net cash provided by financing activities	19,341	4,853
Effect of exchange rates on cash, cash equivalents, and restricted cash	(695)	503
Net increase in cash, cash equivalents, and restricted cash	18,398	2,026
Cash, cash equivalents, and restricted cash, beginning of year	11,409	9,383
Cash, cash equivalents, and restricted cash, end of year	$ 29,807	$ 11,409

Cash flows from operating activities

Cash provided by operating activities in 2021 was primarily due to net income of $1.6 million and adjustments for certain non-cash items of $4.0 million, consisting primarily of depreciation, amortization, amortization of debt issuance costs, stock-based compensation, gain on forgiveness of the PPP Note and impairment of a right-of-use operating lease asset, partially offset by a decrease in cash from changes in operating assets and liabilities of $4.4 million.

Cash used in operating activities in 2020 was primarily due to a net loss of $5.1 million and a decrease in cash from net changes in operating assets and liabilities of $4.7 million, partially offset by adjustments for certain non-cash items of $8.0 million, consisting primarily of impairment of right-of-use operating lease assets, decrease in fair value of earnout liability, depreciation, amortization, amortization of debt issuance costs, and stock-based compensation.

Cash flows from investing activities

Cash used in investing activities in 2021 of $1.5 million was primarily due to $2.1 million of capital investment expenditures in our manufacturing facility in Singapore and our research and development facility in Germany, partially offset by $0.6 million related to the proceeds from an investment.

Cash used in investing activities in 2020 was $1.6 million, related to capital investment expenditures in our manufacturing facility in Singapore.

Cash flows from financing activities

Cash provided by financing activities in 2021 was primarily due to net proceeds of $37.6 million received from the sale of common stock in an underwritten public offering, partially offset by net repayments under our revolving loan facility of $14.6 million, repayments of April 21 Funds promissory notes of $2.8 million and taxes paid related to net share settlement of restricted stock units of $1.2 million.

Cash provided by financing activities in 2020 was primarily due to the issuance of secured subordinated promissory notes to April 21 Funds of $4.0 million, less repayments of $1.2 million, and proceeds received under the Payment Protection Program of $2.9 million, partially offset by taxes paid related to net share settlement of restricted stock units of $0.9 million.

Off-Balance Sheet Arrangements

We have not entered into off-balance sheet arrangements, or issued guarantees to third parties, except as disclosed in Note 7, *Contractual Payment Obligation*.

Contractual Obligations

The following summarizes expected cash requirements for contractual obligations as of December 31, 2021 (in thousands):

	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Operating leases	$ 2,389	$ 1,372	$ 975	$ 42	$ —
Purchase commitments and other obligations	38,490	37,011	1,479	—	—
Total obligations	$ 40,879	$ 38,383	$ 2,454	$ 42	$ —
Subleases	$ (1,615)	$ (1,406)	$ (209)	$ —	$ —

We lease facilities, certain equipment, and automobiles under non-cancelable operating lease agreements. We currently sublease office space in San Francisco, California associated with a prior acquisition. Beginning April 1, 2020, the sublessee went into default due to non-payment of rent. Sublease income of $198,000 was received in the first quarter of 2020, however, since the first quarter of 2020, no rental payments have been received.

Purchases for inventories are highly dependent upon forecasts of customer demand. Due to the uncertainty in demand from our customers, we may have to change, reschedule, or cancel purchases or purchase orders from our suppliers. These changes may lead to vendor cancellation charges on these orders or contractual commitments. See Note 17, *Commitments and Contingencies*, in the accompanying notes to our consolidated financial statements.

Our other long-term liabilities include gross unrecognized tax benefits, and related interest and penalties. At this time, we are unable to make a reasonably reliable estimate of the timing of payments in individual years in connection with these tax liabilities. Accordingly, such amounts are not included in the table above.

Climate Change

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

Critical Accounting Policies

Our consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States (“U.S. GAAP”). The preparation of these financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management bases its estimates and judgments on historical experience and on various other factors, which we believe are reasonable based upon the information available to us at the time these estimates, judgments and assumptions are made. Actual results may differ from these estimates under different assumptions or conditions.

Revenue Recognition

We recognize revenue when we transfer control of the promised products or services to our customers, in an amount that reflects the consideration we expect to receive in exchange for those products or services. We enter into contracts that can include various combinations of our products, software licenses, and services, which are generally capable of being distinct and accounted for as separate performance obligations. For contracts with multiple performance obligations, we allocate the transaction price of the contract to each performance obligation, generally on a relative basis using its standalone selling price. The stated contract value is generally the transaction price to be allocated to the separate performance obligations. Revenue is recognized net of any taxes collected from our customers that are subsequently remitted to governmental authorities.

Nature of Products and Services

We derive our revenues from sales of hardware products, software licenses, subscriptions, professional services, software maintenance and support, and extended hardware warranties.

Hardware Product Revenues — We generally have two performance obligations in arrangements involving the sale of hardware products. The first performance obligation is to transfer the hardware product (which includes software integral to the functionality of the hardware product). The second performance obligation is to provide assurance that the product complies with its agreed-upon specifications and is free from defects in material and workmanship for a period of one to three years (i.e. assurance warranty). The entire transaction price is allocated to the hardware product and is generally recognized as revenue at the time of shipment because the customer obtains control of the product at that point in time. We have concluded that control generally transfers at that point in time because the customer has title to the hardware, and a present obligation to pay for the hardware. None of the transaction price is allocated to the assurance warranty component, as we account for these product warranty costs in accordance with Accounting Standards Codification ("ASC") 460, *Guarantees*.

Software License Revenues — Our license arrangements grant customers the perpetual right to access and use the licensed software products at the outset of an arrangement. Technical support and software updates are generally made available throughout the term of the support agreement, which is generally one to three years. We account for these arrangements as two performance obligations: (1) the software licenses, and (2) the related updates and technical support. The software license revenue is recognized when the license is delivered to the customer or made available for download, while the software updates and technical support revenue is recognized over the term of the support contract.

Subscription Revenues — Subscription revenues consist of fees received in consideration for providing customers access to one or more of our software-as-a-service ("SaaS") based solutions. These SaaS arrangements include access to our licensed software and, in certain arrangements, use of various hardware devices over the contract term. These SaaS arrangements do not provide the customer the right to take possession of the software supporting the subscription service, or if applicable, any hardware devices at any time during the contract period, and as such are not considered separate performance obligations. Revenue is recognized ratably on a straight-line basis over the term of the contract beginning when the service is made available to the customer. Subscription contract terms range from month-to-month to six years in length and billed monthly or annually.

Professional Services Revenues — Professional services revenues consist primarily of programming customization services performed relating to the integration of our software products with our customers other systems, such as HR systems. Professional services contracts are generally billed on a time and materials basis and revenue is recognized as the services are performed.

Software Maintenance and Support Revenues — Support and maintenance contract revenues consist of the services provided to support the specialized programming applications performed by our professional services group. Support and maintenance contracts are typically billed at inception of the contract and recognized as revenue over the contract period, typically over a one or three year period.

Extended Hardware Warranties Revenues — Sales of our hardware products may also include optional extended hardware warranties, which typically provide assurance that the product will continue function as initially intended. Extended hardware warranty contracts are typically billed at inception of the contract and recognized as revenue over the respective contract period, typically over one to two year periods after the expiration of the original assurance warranty.

Significant Judgments

Our contracts with customers often include promises to transfer multiple products and services to a customer. For such arrangements, we allocate the transaction price to each performance obligation based on relative standalone selling price ("SSP").

Judgment is required to determine the SSP for each distinct performance obligation in a contract. For the majority of items, we estimate SSP using historical transaction data. We use a range of amounts to estimate SSP when we sell each of our products and services separately and need to determine whether there is a discount to be allocated based on the relative SSP of the various products and services. In instances where SSP is not directly observable, such as when the product or service is not sold separately, we determine the SSPs using information that may include market conditions and other observable inputs. The determination of SSP is an ongoing process and information is reviewed regularly in order to ensure SSPs reflect the most current information or trends.

Contract Balances

Amounts invoiced in advance of services being provided are accounted for as deferred revenue. The deferred revenue balance is primarily related software maintenance contracts. Payment terms and conditions vary by contract type, although payment is typically due within 30 to 60 days of contract inception. In instances where the timing of revenue recognition differs from the timing of invoicing, we have determined our contracts do not include a significant financing component. The primary purpose of our invoicing terms is to provide customers with simplified and predictable ways of purchasing our products and services, not to receive financing from our customers. Amounts recognized as revenue in excess of amounts billed are recorded as unbilled receivables and are included in other current assets on the consolidated balance sheet. As of December 31, 2021 and 2020, the amount of unbilled receivables were immaterial.

Allowance for Doubtful Accounts

Our allowance for doubtful accounts is based on our assessment of the collectibility of customer accounts. We regularly review our receivables that remain outstanding past their applicable payment terms and establish an allowance and potential write-offs by considering factors such as historical experience, credit quality, age of the accounts receivable balances, and current economic conditions that may affect a customer's ability to pay. Although we expect to collect net amounts due as stated on the consolidated balance sheets, actual collections may differ from these estimated amounts.

Inventory Valuation

Inventories are stated at the lower of cost (using average cost or standard cost, as applicable) or net realizable value (market). We typically plan our production and inventory levels based on internal forecasts of customer demand, which can be highly unpredictable and can fluctuate significantly. We regularly review inventory quantities on hand and record an estimated provision for excess inventory based on judgment and assumptions involving an evaluation of technical obsolescence and our ability to sell based primarily on historical sales patterns and expectations for future demand. Actual demand and market conditions may differ from the projections utilized by management in establishing our inventory reserves. If we were to use different assumptions or utilize different estimates, the amount and timing of our inventory write-downs could be materially different. Adverse changes in our inventory valuations could have a material effect on our operating results and financial position.

Income Taxes

Our income tax expense, deferred tax assets and liabilities, and reserves for unrecognized tax benefits reflect management's assessment of estimated current and future income taxes to be paid. We are subject to income taxes in the United States and in numerous foreign jurisdictions. Significant judgments and estimates are required in determining the consolidated income tax expense, deferred tax assets and liabilities and reserves for unrecognized tax benefits.

Deferred tax assets and liabilities arise from temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements, which are expected to result in taxable or deductible amounts in the future. In evaluating our ability to recover our deferred tax assets within the jurisdiction from which they arise, for all material jurisdictions, we consider all available positive and negative evidence, including scheduled reversals of deferred tax balances, projected future taxable income, tax-planning strategies and results of recent operations. In projecting future taxable income, we begin with historical results and incorporate assumptions about the amount of future state, federal and foreign pretax operating income adjusted for items that do not have tax consequences. The assumptions about future taxable income require significant judgment and are consistent with the plans and estimates we use to manage the underlying businesses. In evaluating the objective evidence that historical results provide, we consider three years of cumulative operating results.

As of December 31, 2021, we have federal and state income tax net operating loss ("NOL") carryforwards of $119.5 million and $45.3 million, respectively, which will expire at various dates.

We believe that it is more likely than not that the benefit from these NOL carryforwards will not be realized. Accordingly, we have provided a full valuation allowance on any potential deferred tax assets relating to these NOL carryforwards. If our assumptions change and we determine we will be able to realize these NOLs, the tax benefits relating to any reversal of the valuation allowance on deferred tax assets as of December 31, 2021, will be accounted for as a reduction of income tax expense.

The calculation of our tax liabilities involves evaluating uncertainties in the application of complex tax laws and regulations in a multitude of jurisdictions across our global operations. ASC 740, *Income Taxes* ("ASC 740") states that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including the resolution of any related appeals or litigation processes, on the basis of the technical merits.

We record unrecognized tax benefits as liabilities in accordance with ASC 740 and adjust these liabilities when our judgment changes as a result of the evaluation of new information not previously available. Because of the complexity of some of these uncertainties, the ultimate resolution may result in a tax payment that is materially different from our current estimate of the unrecognized tax benefit liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which new information is made available.

We believe that none of the unrecognized tax benefits, excluding the associated interest and penalties, which are insignificant, may be recognized by the end of 2022.

We consider the earnings of all our non-U.S. subsidiaries to be indefinitely invested outside the United States on the basis of estimates that future domestic cash generation will be sufficient to meet future domestic cash needs and our specific plans for reinvestment of those subsidiary earnings. Should we decide to repatriate foreign earnings, we would need to adjust our income tax provision in the period we determined that the earnings will no longer be indefinitely invested outside the United States.

Goodwill

Goodwill represents the excess of the aggregate of the fair value of consideration transferred in a business combination, over the fair value of assets acquired, net of liabilities assumed. In accordance with ASC 350, *Intangibles-Goodwill and Other*, goodwill is not amortized but is tested for impairment on an annual basis, in the fourth quarter, or whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. We perform an initial assessment of qualitative factors to determine whether the existence of events and circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. In performing the qualitative assessment, we identify and consider the significance of relevant key factors, events, and circumstances that affect the fair value of its reporting units. These factors include external factors such as macroeconomic, industry, and market conditions, as well as entity-specific factors, such as actual and planned financial performance. If, after assessing the totality of relevant events and circumstances, we determine that it is more likely than not that the fair value of the reporting unit exceeds its carrying value and there is no indication of impairment, no further testing is performed; however, if we conclude otherwise, then we will perform the quantitative impairment test which compares the estimated fair value of the reporting unit to its carrying value, including goodwill. If the carrying amount of the reporting unit is in excess of its fair value, an impairment loss would be recorded in the consolidated statement of comprehensive income (loss).

Intangible Assets and Long-lived Assets

We evaluate our identifiable amortizable intangible assets and long-lived assets for impairment in accordance with ASC 360, *Property, Plant and Equipment,* whenever events or changes in circumstances indicate that the carrying amount of such assets or intangibles may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by an asset group. If such asset groups are considered to be impaired (i.e., if the sum of its estimated future undiscounted cash flows used to test for recoverability is less than its carrying value), the impairment loss to be recognized is measured by the amount by which the carrying amount of the asset group exceeds the fair value of the asset group. Intangible assets with definite lives are amortized using the straight-line method over the estimated useful lives of the related assets.

Critical estimates in valuing intangible assets include, but are not limited to, future expected cash flows from customer relationships, developed technology, and trademarks; and discount rates. Management estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable. Unanticipated events and circumstances may occur which may affect the accuracy or validity of such assumptions, estimates or actual results.

Leases

We determine if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets, operating lease liabilities, and long-term operating lease liabilities on our consolidated balance sheets. Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at the lease commencement date in determining the present value of future payments. The operating lease ROU assets also include any lease payments made and exclude lease incentives and initial direct costs incurred. Our lease terms may include options to extend the lease when it is reasonably certain that they we will exercise that option. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. We have lease agreements with lease and non-lease components, which is accounted for as a single lease component.

Stock-based Compensation

We recognize stock-based compensation expense for all share-based payment awards in accordance with ASC 718, *Compensation – Stock Compensation*. Stock-based compensation expense for expected-to-vest awards is valued under the single-option approach and amortized on a straight-line basis, net of estimated forfeitures. We utilize the Black Scholes pricing model in order to determine the fair value of stock-based option awards. The Black Scholes pricing model requires various highly subjective assumptions including volatility, expected option life, and risk-free interest rate. The assumptions used in calculating the fair value of share-based payment awards represent management's best estimates. These estimates involve inherent uncertainties and the application of management judgment. If factors change and different assumptions are used, our stock-based compensation expense could be materially different in the future. In addition, we are required to estimate the expected forfeiture rate and recognize expense only for those expected-to-vest shares. If our actual forfeiture rate is materially different from our estimate, our recorded stock-based compensation expense and operating results could be different.

Recent Accounting Pronouncements

See Note 2, *Significant Accounting Policies and Recent Accounting Pronouncements,* in the accompanying notes to our consolidated financial statements in Item 8 of Part II of this Annual Report for a description of recent accounting pronouncements, which is incorporated herein by reference.

10b5-1 Trading Plans

From time to time, our executive officers and directors have, and we expect they will in the future, enter into written trading plans pursuant to Rule 10b5-1 of the Securities and Exchange Act of 1934.

ITEM 7A. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

Not applicable.

ITEM 8. *FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA*

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of Identiv, Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Identiv, Inc. (a Delaware Corporation) and its subsidiaries (the "Company") as of December 31, 2021 and 2020, and the related consolidated statements of comprehensive loss, stockholders' equity, and cash flows for each of the two years in the period ended December 31, 2021, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

Inventory Valuation - Adjustments for Excess or Obsolete Inventories

As described in Notes 2 and 7 to the consolidated financial statements, the Company's consolidated inventories balance was $19.9 million as of December 31, 2021. The Company's inventories are valued using standard cost, approximating average cost, and are stated at the lower of cost or net realizable value. The Company adjusts the carrying value of inventories based on assumptions about future demand, market conditions and technical obsolescence. If actual demand were to be substantially lower than estimated, there could be a significant adverse impact on the carrying value of inventories and results of operations.

The principal considerations for our determination that performing procedures relating to net realizable value adjustments to inventories is a critical audit matter are the significant amount of judgment by management in developing the assumptions of the forecasted product demand, which in turn lead to significant audit judgment, subjectivity, and effort in performing audit procedures and evaluating audit evidence relating to the forecasted product demand. Additionally, for newer products there may be limited historical data with which to evaluate forecasts.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included, among others, testing management's process for developing the valuation allowance for excess and obsolete inventory, testing the completeness and accuracy of the underlying data used in the estimate, and evaluating management's assumptions of forecasted product demand. Evaluating management's forecasted product demand for reasonableness involved considering historical sales by product, comparing prior period estimates to actual results of the same period, and determining whether the demand forecast used was consistent with evidence obtained in other areas of the audit.

/s/ BPM LLP

We have served as the Company's auditor since 2015.

San Jose, California
March 11, 2022

IDENTIV, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except par value)

	December 31,	
	2021	**2020**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 28,553	$ 11,409
Restricted cash	1,254	—
Accounts receivable, net of allowances of $2,745 and $178 as of December 31, 2021 and 2020, respectively	19,963	18,927
Inventories	19,924	20,296
Prepaid expenses and other current assets	3,032	2,813
Total current assets	72,726	53,445
Property and equipment, net	4,066	2,827
Operating lease right-of-use assets	2,088	3,405
Intangible assets, net	6,445	7,563
Goodwill	10,268	10,266
Other assets	1,070	1,171
Total assets	$ 96,663	$ 78,677
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 10,502	$ 10,964
Current portion - contractual payment obligation	—	1,040
Current portion - financial liabilities, net of debt issuance costs of $0 and $59 as of December 31, 2021 and 2020, respectively	—	20,084
Operating lease liabilities	1,269	1,279
Deferred revenue	2,153	1,981
Accrued compensation and related benefits	3,150	2,985
Other accrued expenses and liabilities	3,774	3,240
Total current liabilities	20,848	41,573
Long-term operating lease liabilities	938	2,272
Long-term deferred revenue	280	385
Other long-term liabilities	85	258
Total liabilities	22,151	44,488
Commitments and contingencies (see Note 17)		
Stockholders' equity:		
Stockholders' equity:		
Series B preferred stock, $0.001 par value: 5,000 shares authorized; 5,000 shares issued and outstanding as of December 31, 2021 and 2020, respectively	5	5
Common stock, $0.001 par value: 50,000 shares authorized; 23,707 and 19,450 shares issued and 22,230 and 18,055 shares outstanding as of December 31, 2021 and 2020, respectively	24	19
Additional paid-in capital	492,657	452,129
Treasury stock 1,477 and 1,395 shares as of December 31, 2021 and 2020, respectively	(11,134)	(9,933)
Accumulated deficit	(408,989)	(410,609)
Accumulated other comprehensive income	1,949	2,578
Total stockholders' equity	74,512	34,189
Total liabilities and stockholders' equity	$ 96,663	$ 78,677

The accompanying notes are an integral part of these consolidated financial statements.

IDENTIV, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands, except per share data)

	Year Ended December 31,	
	2021	**2020**
Net revenue	$ 103,769	$ 86,920
Cost of revenue	66,702	53,239
Gross profit	37,067	33,681
Operating expenses:		
Research and development	8,673	9,781
Selling and marketing	17,033	17,270
General and administrative	11,891	8,623
Decrease in fair value of earnout liability	—	(261)
Restructuring and severance	817	1,716
Total operating expenses	38,414	37,129
Loss from operations	(1,347)	(3,448)
Non-operating income (expense):		
Interest expense, net	(483)	(1,462)
Gain on forgiveness of Paycheck Protection Program note	2,946	—
Gain on investment	611	—
Foreign currency losses, net	(79)	(122)
Income (loss) before income tax provision	1,648	(5,032)
Income tax provision	(28)	(73)
Net income (loss)	$ 1,620	$ (5,105)
Other comprehensive income (loss):		
Foreign currency translation adjustment	(629)	553
Comprehensive income (loss)	$ 991	$ (4,552)
Net income (loss) per common share:		
Basic	$ 0.02	$ (0.34)
Diluted	$ 0.02	$ (0.34)
Weighted average shares used in computing net income (loss) per common share:		
Basic	21,340	17,978
Diluted	22,267	17,978

The accompanying notes are an integral part of these consolidated financial statements.

IDENTIV, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except par value)

	Year ended December 31, 2020									
	Series B Preferred Stock		Common Stock		Additional Paid-in	Treasury	Accumulated	Accumulated Other Comprehensive	Total
	Shares	Amount	Shares	Amount	Capital	Stock	Deficit	Income	Equity
Balances, December 31, 2019	5,000	$ 5	16,986	$ 18	$ 447,965	$ (9,043)	$ (405,504)	$ 2,025	$ 35,466
Net loss	—	—	—	—	—	—	(5,105)	—	(5,105)
Unrealized income from foreign currency translation adjustments	—	—	—	—	—	—	—	553	553
Issuance of common stock in connection with vesting of stock awards	—	—	632	—	—	—	—	—	—
Proceeds from exercise of stock options	—	—	3	—	13	—	—	—	13
Stock-based compensation	—	—	—	—	3,027	—	—	—	3,027
Shares withheld in payment of taxes in connection with net share settlement of restricted stock units	—	—	(172)	—	—	(890)	—	—	(890)
Issuance of common stock in connection with earnout	—	—	157	—	489	—	—	—	489
Issuance of shares to non-employees	—	—	62	—	304	—	—	—	304
Issuance of common stock in connection with warrant exercise	—	—	387	1	(1)	—	—	—	—
Issuance of warrants	—	—	—	—	332	—	—	—	332
Balances, December 31, 2020	5,000	$ 5	18,055	$ 19	$ 452,129	$ (9,933)	$ (410,609)	$ 2,578	$ 34,189

	Year ended December 31, 2021								
	Series B Preferred Stock		Common Stock		Additional Paid-in	Treasury	Accumulated	Accumulated Other Comprehensive	Total
	Shares	Amount	Shares	Amount	Capital	Stock	Deficit	Income	Equity
Balances, December 31, 2020	5,000	$ 5	18,055	$ 19	$ 452,129	$ (9,933)	$ (410,609)	$ 2,578	$ 34,189
Net income	—	—	—	—	—	—	1,620	—	1,620
Unrealized loss from foreign currency translation adjustments	—	—	—	—	—	—	—	(629)	(629)
Issuance of common stock in connection with vesting of stock awards	—	—	421	1	—	—	—	—	1
Proceeds from exercise of stock options	—	—	29	—	299	—	—	—	299
Stock-based compensation	—	—	—	—	2,606	—	—	—	2,606
Shares withheld in payment of taxes in connection with net share settlement of restricted stock units	—	—	(82)	—	—	(1,201)	—	—	(1,201)
Issuance of common stock in connection with warrant exercise	—	—	28	—	—	—	—	—	—
Issuance of common stock in connection with public offering	—	—	3,779	4	37,623	—	—	—	37,627
Balances, December 31, 2021	5,000	$ 5	22,230	$ 24	$ 492,657	$ (11,134)	$ (408,989)	$ 1,949	$ 74,512

The accompanying notes are an integral part of these consolidated financial statements.

IDENTIV, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,	
	2021	2020
Cash flows used in operating activities:		
Net income (loss)	$ 1,620	$ (5,105)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,971	3,313
Provision for doubtful accounts	2,562	(41)
Gain on forgiveness of Paycheck Protection Program note	(2,946)	—
Gain on investment	(611)	—
Accretion of interest on contractual payment obligation	43	139
Amortization of debt issuance costs	108	497
Stock-based compensation expense	2,606	3,027
Impairment of right-of-use operating lease asset	281	1,294
Decrease in fair value of earnout liability	—	(261)
Changes in operating assets and liabilities:		
Accounts receivable	(3,572)	(550)
Inventories	389	(4,105)
Prepaid expenses and other assets	(12)	(570)
Accounts payable	(441)	2,455
Contractual payment obligation liability	(1,083)	(770)
Deferred revenue	67	(467)
Accrued expenses and other liabilities	246	(622)
Net cash provided by (used in) operating activities	1,228	(1,766)
Cash flows from investing activities:		
Capital expenditures	(2,087)	(1,564)
Proceeds from investment	611	—
Net cash used in investing activities	(1,476)	(1,564)
Cash flows from financing activities:		
Borrowings under revolving loan facility, net of issuance costs	3,964	3,362
Repayments under revolving loan facility	(18,548)	(3,347)
Borrowings under East West Bank term loan	—	4,500
Repayments under East West Bank term loan	—	(4,500)
Proceeds from April 21 Funds promissory notes	—	4,000
Repayments of April 21 Funds promissory notes	(2,800)	(1,200)
Proceeds from the sale of common stock, net of issuance costs	37,627	—
Proceeds from Paycheck Protection Program promissory note	—	2,915
Taxes paid related to net share settlement of restricted stock units	(1,201)	(890)
Proceeds from exercise of stock options	299	13
Net cash provided by financing activities	19,341	4,853
Effect of exchange rates on cash, cash equivalents, and restricted cash	(695)	503
Net increase in cash, cash equivalents, and restricted cash	18,398	2,026
Cash, cash equivalents, and restricted cash at beginning of year	11,409	9,383
Cash, cash equivalents, and restricted cash at end of year	$ 29,807	$ 11,409
Supplemental Disclosures of Cash Flow Information:		
Interest paid	$ 340	$ 945
Taxes paid, net	$ 74	$ 112
Non-cash investing and financing activities:		
Common stock issued to settle vendor liability	$ —	$ 304
Common stock issued to settle earnout liability	$ —	$ 489
Fair value of warrants issued in connection with financial liabilities	$ —	$ 332
Dividends earned on Series B preferred stock	$ 1,148	$ 1,094
Reclassification of debt issuance costs to prepaid expenses and other current assets	$ 114	$ —

The accompanying notes are an integral part of these consolidated financial statements.

1. Description of Business

Description of Business — Identiv, Inc. and its wholly owned subsidiaries (the "Company") is a global security technology company provider of secure identification and physical security solutions that secure things, data and physical places. Global organizations in the mobility, consumer, government, healthcare, education and other markets rely upon the Company's solutions. The Company's solutions allow its customers to create safe, secure, validated and convenient experiences in their interaction with physical things around them and physical places like schools, government offices, factories, transportation, hospitals and other types of facilities. The Company's corporate headquarters are in Fremont, California. The Company maintains research and development facilities in California, and Chennai, India and local operations and sales facilities in Germany, Hong Kong, Japan, Singapore, Canada, and the United States. The Company was founded in 1990 in Munich, Germany and was incorporated in 1996 under the laws of the State of Delaware.

2. Significant Accounting Policies and Recent Accounting Pronouncements

Principles of Consolidation — The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Reclassifications — Certain reclassifications have been made to the fiscal year 2020 consolidated financial statements to conform to the fiscal year 2021 presentation. The reclassifications had no impact on net income (loss), total assets, total liabilities, or stockholders' equity.

Use of Estimates — The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as of the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. The Company believes judgment is involved in determining revenue recognition; impairment of goodwill and intangible assets; the recoverability of long-lived assets; stock-based compensation expense; and income tax uncertainties. The Company bases these estimates on historical and anticipated results, trends, and various other assumptions that the Company believes are reasonable under the circumstances, including assumptions as to future events. Actual results could differ materially from those estimates and assumptions.

Cash and Cash Equivalents and Restricted Cash — The Company considers all highly liquid investments with an original maturity of 90 days or less or investments with a remaining maturity of 90 days or less at the date of purchase to be cash equivalents and investments with original maturities greater than 90 days but less than one year to be short-term investments. The Company classifies debt securities with readily determinable market values as available-for-sale.

Restricted cash of $1.3 million pertains primarily to a stand by letter of credit with a manufacturer for equipment purchased for the Company's manufacturing facility in Singapore.

Concentration of Credit Risk — Financial instruments that potentially expose the Company to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company maintains its cash and cash equivalents with what it considers high credit quality financial institutions. No customer accounted for 10% or more of net revenue for the years ended December 31, 2021 or 2020, respectively. No customer accounted for 10% or more of the Company's accounts receivable balance as of December 31, 2021 or 2020. The Company does not require collateral or other security to support accounts receivable. To reduce risk, the Company's management performs ongoing credit evaluations of its customers' financial condition. The Company maintains allowances for potential credit losses in its consolidated financial statements. The Company relies upon a limited number of suppliers for some key components of their products which exposes them to various risks. No supplier accounted for 10% or more of the Company's accounts payable balance as of December 31, 2021 or 2020.

Allowance for Doubtful Accounts — The allowance for doubtful accounts is based on the Company's assessment of the collectibility of customer accounts. The Company regularly reviews its receivables that remain outstanding past their applicable payment terms and establishes an allowance and potential write-offs by considering factors such as historical experience, credit quality, age of the accounts receivable balances, and current economic conditions that may affect a customer's ability to pay. Although the Company expects to collect net amounts due as stated on the consolidated balance sheets, actual collections may differ from these estimated amounts.

Inventories — Inventories are stated at the lower of cost (using average cost or standard cost, as applicable) or net realizable value (market). Inventory is written down for excess inventory, technical obsolescence and the inability to sell based primarily on historical sales and expectations for future use. The Company operates in an industry characterized by technological change. The planning of production and inventory levels is based on internal forecasts of customer demand, which are highly unpredictable and can fluctuate substantially. Should the demand for the Company's products prove to be significantly less than anticipated, the ultimate realizable value of the Company's inventory could be substantially less than amounts in the consolidated balance sheets. Once inventory has been written down below cost, it is not subsequently written up.

Property and Equipment — Property and equipment are stated at cost less accumulated depreciation. Depreciation and amortization are computed using the straight-line method over estimated useful lives of three to ten years for furniture, fixture and office equipment, five to seven years for machinery, five years for automobiles and three years for computer software. Leasehold improvements are amortized over the shorter of the lease term or their estimated useful life.

Intangible Assets — Amortizable intangible assets include trademarks, developed technology and customer relationships acquired as part of business combinations. Intangible assets subject to amortization are amortized using the straight-line method over their estimated useful lives ranging from four to twelve years and are reviewed for impairment.

Goodwill — Goodwill represents the excess of the aggregate of the fair value of consideration transferred in a business combination, over the fair value of assets acquired, net of liabilities assumed. In accordance with Accounting Standards Codification ("ASC") 350, *Intangibles-Goodwill and Other* ("ASC 350"), goodwill is not amortized but is tested for impairment on an annual basis, in the fourth quarter, or whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. The Company performs an initial assessment of qualitative factors to determine whether the existence of events and circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. In performing the qualitative assessment, the Company identifies and considers the significance of relevant key factors, events, and circumstances that affect the fair value of its reporting units. These factors include external factors such as macroeconomic, industry, and market conditions, as well as entity-specific factors, such as actual and planned financial performance. If, after assessing the totality of relevant events and circumstances, the Company determines that it is more likely than not that the fair value of the reporting unit exceeds its carrying value and there is no indication of impairment, no further testing is performed; however, if the Company concludes otherwise, then it performs the quantitative impairment test which compares the estimated fair value of the reporting unit to its carrying value, including goodwill. If the carrying amount of the reporting unit is in excess of its fair value, an impairment loss would be recorded in the consolidated statement of comprehensive income (loss).

Long-Lived Assets — The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. An impairment loss is recognized when the total estimated future undiscounted cash flows expected to result from the use of the asset and its eventual disposition are less than its carrying amount. Impairment, if any, is assessed using discounted cash flows or other appropriate measures of fair value. There were no impairment losses recorded during the years ended December 31, 2021 or 2020.

Leases — The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets, operating lease liabilities, and long-term operating lease liabilities on the Company's consolidated balance sheets. Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at the lease commencement date in determining the present value of future payments. The operating lease ROU assets also include any lease payments made and exclude lease incentives and initial direct costs incurred. The Company's lease terms may include options to extend the lease when it is reasonably certain that the Company will exercise that option. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. The Company has lease agreements with lease and non-lease components, which are accounted for as a single lease component.

Freight Costs — The Company reflects the cost of shipping its products to customers as a cost of revenue. Reimbursements received from customers for freight costs are recognized as product revenue.

Research and Development — Costs to research, design, and develop the Company's products are expensed as incurred and consist primarily of employee compensation, external contractor costs, and fees for the development of prototype products. Software development costs are capitalized beginning when a product's technological feasibility has been established and ending when a product is available for general release to customers. Generally, the Company's products are released soon after technological feasibility has been established. Costs incurred subsequent to achieving technological feasibility have not been significant and generally have been expensed as incurred. As of December 31, 2021 and 2020, the net amount of capitalized software development costs were $303,000 and $280,000, respectively, and are included in other current and long term assets in the accompanying consolidated balance sheets.

The Company capitalizes certain costs for its internal-use software incurred during the application development stage. Costs related to preliminary project activities and post implementation activities are expensed as incurred. Internal-use software is amortized on a straight line basis over its estimated useful life, generally three years. The estimated useful life is determined based on management's judgment on how long the core technology and functionality serves internal needs and the customer base. Management evaluates the useful lives of these assets on an annual basis and tests for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets. The Company recorded amortization expense related to software development costs of $55,000 and $78,000 for the years ended December 31, 2021 and 2020, respectively. The Company capitalized software development costs of $84,000 in 2021. No software development costs were capitalized in 2020.

Advertising Costs — The Company expenses advertising costs as incurred. Advertising costs were not significant for the years ended December 31, 2021 and 2020.

Stock-based Compensation — The Company accounts for all stock-based payment awards, including employee stock options, restricted stock awards, and performance share units in accordance with ASC 718, *Compensation-Stock Compensation* ("ASC 718"). Under the fair value recognition provisions of ASC 718, stock-based compensation cost is measured at the grant date based on the fair value of the award. Compensation expense for all stock-based payment awards is recognized using the straight-line single-option approach. Employee stock options awards are valued under the single-option approach and amortized on a straight-line basis, net of estimated forfeitures. The value of the portion of the stock option award that is ultimately expected to vest is recognized as expense over the requisite service periods in the Company's consolidated statements of comprehensive income (loss). See Note 11, *Stock-Based Compensation*, for further information regarding the Company's stock-based compensation assumptions and expenses.

The Company has elected to use the Black Scholes pricing model to estimate the fair value of its stock options, which incorporates various subjective assumptions including volatility, risk-free interest rate, expected life, and dividend yield to calculate the fair value of stock option awards. Since the Company has been publicly traded for many years, it utilizes its own historical volatility in valuing its stock option grants. The expected life of an award is based on historical experience, the terms and conditions of the stock awards granted to employees, as well as the potential effect from options that have not been exercised at the time. The assumptions used in calculating the fair value of stock-based payment awards represent management's estimates. These estimates involve inherent uncertainties and the application of management's judgment. If factors change and the Company uses different assumptions, its stock-based compensation expense could be materially different in the future. In addition, the Company estimates the expected forfeiture rate and recognizes expense only for those awards which are ultimately expected-to-vest shares. If the actual forfeiture rate is materially different from the Company's estimate, the recorded stock-based compensation expense could be different. ASC 718 requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Income Taxes — The Company accounts for income taxes in accordance with ASC 740, *Income Taxes* ("ASC 740"), which requires the asset and liability approach for financial accounting and reporting of income taxes. Deferred income taxes reflect the recognition of future tax consequences of events that have been recognized in the Company's financial statements or tax returns. The carrying value of net deferred tax assets reflects that the Company has been unable to generate sufficient taxable income in certain tax jurisdictions. A valuation allowance is provided to reduce the deferred tax asset to an amount that is more likely than not to be realized. The deferred tax assets are still available for the Company to use in the future to offset taxable income, which would result in the recognition of a tax benefit and a reduction in the Company's effective tax rate. Actual operating results and the underlying amount and category of income in future years could render the Company's current assumptions, judgments and estimates of the realizability of deferred tax assets inaccurate, which could have a material impact on its financial position or results of operations.

The Company accounts for uncertain tax positions in accordance with ASC 740, which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. It prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Such changes in recognition or measurement might result in the recognition of a tax benefit or an additional charge to the tax provision in the period.

The Company recognizes interest and penalties related to unrecognized tax benefits within the income tax expense line in the accompanying consolidated statement of comprehensive income (loss). Accrued interest and penalties are included within the related tax liability line in the consolidated balance sheets. See Note 9, *Income Taxes*, for further information regarding the Company's tax disclosures.

Net Income (Loss) Per Share — Basic net income (loss) per share is based upon the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share is based upon the weighted average number of common shares and dilutive-potential common share equivalents outstanding during the period (using the treasury stock or if-converted method), if applicable. Dilutive-potential common share equivalents are excluded from the computation of net income (loss) per share in loss periods, as their effect would be antidilutive. See Note 12, *Net Income (Loss) per Common Share*, for further information regarding the Company's computation of both basic and diluted net income (loss) per common share.

Comprehensive Income (Loss) — Comprehensive income (loss) for the years ended December 31, 2021 and 2020 has been disclosed within the consolidated statements of comprehensive income (loss). Other accumulated comprehensive income (loss) includes net foreign currency translation adjustments, which are excluded from consolidated net income (loss).

Foreign Currency Translation and Transactions — The functional currencies of the Company's foreign subsidiaries are the local currencies, except for the Singapore subsidiary, which uses the U.S. dollar as its functional currency. For those subsidiaries whose functional currency is the local currency, the Company translates assets and liabilities to U.S. dollars using period-end exchange rates and translates revenues and expenses using average exchange rates during the period. Exchange gains and losses arising from translation of foreign entity financial statements are included as a component of other comprehensive income (loss) and gains and losses from transactions denominated in currencies other than the functional currency of the Company are included in the Company's consolidated statements of comprehensive income (loss). The Company recognized net currency losses of $0.1 million in 2021, and $0.1 million in 2020.

Recent Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board ("FASB") or other standard setting bodies that the Company adopts as of the specified effective date. Unless otherwise discussed, the Company does not believe that the impact of recently issued standards that are not yet effective will have a material impact on its financial position or results of operations upon adoption.

In June 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments-Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"), which requires measurement and recognition of expected credit losses for financial assets held at the reporting date based on external information, or a combination of both relating to past events, current conditions, and reasonable and supportable forecasts. ASU 2016-13 replaces the existing incurred loss impairment model with a forward-looking expected credit loss model which will result in earlier recognition of credit losses. Subsequent to the issuance of ASU 2016-13, the FASB issued ASU 2018-19, *Codification Improvement to Topic 326, Financial Instruments – Credit Losses*, ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses*, Topic 815, *Derivatives and Hedging*, and Topic 825*, Financial Instruments*, ASU 2019-05, *Financial Instruments Credit Losses (Topic 326) Targeted Transition Relief*, ASU 2016-13, the FASB issued ASU 2019-10 *Financial Instruments-Credit Losses* (Topic 326), *Derivatives and Hedging* (Topic 815), and *Leases* (Topic 842), and ASU 2019-11 *Codification Improvements to Topic 326, Financial Instruments-Credit Losses.* The subsequent ASUs do not change the core principle of the guidance in ASU 2016-13. Instead, these amendments are intended to clarify and improve operability of certain topics included within ASU 2016-13.

Additionally, ASU No. 2019-10 defers the effective date for the adoption of the new standard on credit losses for public filers that are considered small reporting companies ("SRC") as defined by the SEC to fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, which will be fiscal 2023 for the Company if it continues to be classified as a SRC. In February 2020, the FASB issued ASU 2020-02, which provides guidance regarding methodologies, documentation, and internal controls related to expected credit losses. The subsequent amendments will have the same effective date and transition requirements as ASU No. 2016-13. Early adoption is permitted. Topic 326 requires a modified retrospective approach by recording a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. While the Company is currently evaluating the impact of Topic 326, the Company does not expect the adoption of the ASU to have a material impact on its consolidated financial statements.

In December 2019, FASB issued ASU 2019-12, Income Taxes (740), *Simplifying the Accounting for Income Taxes* ("ASU 2019-12"), which simplifies the accounting for incomes taxes by removing certain exceptions to the general principles in Topic 740 and amending existing guidance to improve consistent application. ASU 2019-12 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2020, with early adoption permitted. The Company adopted this standard on January 1, 2021, and it did not have a material impact on the Company's consolidated financial statements.

3. Revenue

Revenue Recognition

Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those products or services. The Company enters into contracts that can include various combinations of its products, software licenses, and services, which are generally capable of being distinct and accounted for as separate performance obligations. For contracts with multiple performance obligations, the Company allocates the transaction price of the contract to each performance obligation, generally on a relative basis using its standalone selling price. The stated contract value is generally the transaction price to be allocated to the separate performance obligations. Revenue is recognized net of any taxes collected from customers that are subsequently remitted to governmental authorities.

Nature of Products and Services

The Company derives revenues from sales of hardware products, software licenses, subscriptions, professional services, software maintenance and support, and extended hardware warranties.

Hardware Product Revenues — The Company generally has two performance obligations in arrangements involving the sale of hardware products. The first performance obligation is to transfer the hardware product (which includes software integral to the functionality of the hardware product). The second performance obligation is to provide assurance that the product complies with its agreed-upon specifications and is free from defects in material and workmanship for a period of one to three years (i.e. assurance warranty). The entire transaction price is allocated to the hardware product and is generally recognized as revenue at the time of shipment because the customer obtains control of the product at that point in time. The Company has concluded that control generally transfers at that point in time because the customer has title to the hardware, and a present obligation to pay for the hardware. None of the transaction price is allocated to the assurance warranty component, as the Company accounts for these product warranty costs in accordance with ASC 460, *Guarantees*.

Software License Revenues — The Company's license arrangements grant customers the perpetual right to access and use the licensed software products at the outset of an arrangement. Technical support and software updates are generally made available throughout the term of the support agreement, which is generally one to three years. The Company accounts for these arrangements as two performance obligations: (1) the software licenses, and (2) the related updates and technical support. The software license revenue is recognized when the license is delivered to the customer or made available for download, while the software updates and technical support is recognized over the term of the support contract.

Subscription Revenues — Subscription revenues consist of fees received in consideration for providing customers access to one or more of the Company's software-as-a-service ("SaaS") based solutions. These SaaS arrangements include access to the Company's licensed software and, in certain arrangements, use of various hardware devices over the contract term. These SaaS arrangements do not provide the customer the right to take possession of the software supporting the subscription service, or if applicable, any hardware devices at any time during the contract period, and as such are not considered separate performance obligations. Revenue is recognized ratably on a straight-line basis over the term of the contract beginning when the service is made available to the customer. Subscription contract terms range from month-to-month to six years in length and billed monthly or annually.

Professional Services Revenues — Professional services revenues consist primarily of programming customization services performed relating to the integration of the Company's software products with the customers other systems, such as HR systems. Professional services contracts are generally billed on a time and materials basis and revenue is recognized as the services are performed.

Software Maintenance and Support Revenues — Support and maintenance contract revenues consist of the services provided to support the specialized programming applications performed by the Company's professional services group. Support and maintenance contracts are typically billed at inception of the contract and recognized as revenue over the contract period, typically over a one or three year period.

Extended Hardware Warranties Revenues — Sales of the Company's hardware products may also include optional extended hardware warranties, which typically provide assurance that the product will continue function as initially intended. Extended hardware warranty contracts are typically billed at inception of the contract and recognized as revenue over the respective contract period, typically over one to two year periods after the expiration of the original assurance warranty.

Performance Obligation	*When Performance Obligation is Typically Satisfied*	*When Payment is Typically Due*	*How Standalone Selling Price is Typically Estimated*
Hardware products	When customer obtains control of the product (point-in-time)	Within 30-60 days of shipment	Observable in transactions without multiple performance obligations
Software licenses	When license is delivered to customer or made available for download, and the applicable license period has begun (point-in-time)	Within 30-60 days of the beginning of license period	Established pricing practices for software licenses bundled with software maintenance, which are separately observable in renewal transactions
Subscriptions	Ratably over the course of the subscription term (over time)	In advance of subscription term	Contractually stated or list price
Professional services	As services are performed and/or when contract is fulfilled (point-in-time)	Within 30-60 days of delivery	Observable in transactions without multiple performance obligations
Software maintenance and support services	Ratably over the course of the support contract (over time)	Within 30-60 days of the beginning of the contract period	Observable in renewal transactions
Extended hardware warranties	Ratably over the course of the support contract (over time)	Within 30-60 days of the beginning of the contract period	Observable in renewal transactions

Significant Judgments

The Company's contracts with customers often include promises to transfer multiple products and services to a customer. For such arrangements, the Company allocates the transaction price to each performance obligation based on its relative standalone selling price ("SSP").

Judgment is required to determine the SSP for each distinct performance obligation in a contract. For the majority of items, the Company estimates SSP using historical transaction data. The Company uses a range of amounts to estimate SSP when it sells each of the products and services separately and needs to determine whether there is a discount to be allocated based on the relative SSP of the various products and services. In instances where SSP is not directly observable, such as when the product or service is not sold separately, the Company determines the SSP using information that may include market conditions and other observable inputs. The determination of SSP is an ongoing process and information is reviewed regularly in order to ensure SSPs reflect current information or trends.

Disaggregation of Revenues

The Company disaggregates revenue from contracts with customers based on the timing of transfer of goods or services to customers (point-in-time or over time) and geographic region based on the shipping location of the customer. The geographic regions that are tracked are the Americas, Europe and the Middle East, and Asia-Pacific regions.

Total net sales based on the disaggregation criteria described above are as follows (in thousands):

	Year Ended December 31,					
	2021			**2020**		
	Point-in-Time	**Over Time**	**Total**	**Point-in-Time**	**Over Time**	**Total**
Americas	$ 66,162	$ 3,234	$ 69,396	$ 54,491	$ 3,811	$ 58,302
Europe and the Middle East	12,507	369	12,876	9,124	373	9,497
Asia-Pacific	21,497	—	21,497	19,121	—	19,121
Total	$ 100,166	$ 3,603	$ 103,769	$ 82,736	$ 4,184	$ 86,920

Contract Balances

Amounts invoiced in advance of services being provided are accounted for as deferred revenue. Nearly all of the Company's deferred revenue balance is related software maintenance contracts. Payment terms and conditions vary by contract type, although payment is typically due within 30 to 60 days of contract inception. In instances where the timing of revenue recognition differs from the timing of invoicing, the Company has determined its contracts do not include a significant financing component. The primary purpose of the Company's invoicing terms is to provide customers with simplified and predictable ways of purchasing the Company's products and services, not to receive financing from its customers.

Changes in deferred revenue during the years ended December 31, 2021 and 2020 were as follows (in thousands):

	Year Ended December 31,	
	2021	**2020**
Deferred revenue, beginning of period	$ 2,366	$ 2,833
Deferral of revenue billed in current period, net of recognition	1,905	1,591
Recognition of revenue deferred in prior periods	(1,838)	(2,058)
Deferred revenue, end of period	$ 2,433	$ 2,366

Amounts recognized as revenue in excess of amounts billed are recorded as unbilled receivables and are included in other current assets on the consolidated balance sheet. As of December 31, 2021 and 2020, the amount of unbilled receivables was immaterial.

Unsatisfied Performance Obligations

Revenue expected to be recognized in future periods related to remaining performance obligations, excluding revenue pertaining to contracts that have an original expected duration of one year or less, and contracts where revenue is recognized as invoiced, was approximately $0.6 million as of December 31, 2021. Since the Company typically invoices customers at contract inception, this amount is included in the deferred revenue balance. As of December 31, 2021, the Company expects to recognize approximately 57% of the revenue related to these unsatisfied performance obligations during 2022, 24% during 2023, and 19% thereafter.

Practical Expedients

The Company has elected the following practical expedients in accordance with ASC 606, *Revenue from Contracts with Customers*:

- The Company expenses costs as incurred for costs to obtain a contract when the amortization period would have been one year or less. These costs include internal sales force compensation programs and certain partner sales incentive programs as the Company has determined annual compensation is commensurate with annual sales activities.
- The Company generally expenses sales commissions when incurred because the amortization period would have been one year or less. These costs are recorded within selling and marketing expense.
- The Company does not disclose the value of unsatisfied performance obligations for contracts with an original expected length of one year or less.
- The Company does not consider the time value of money for contracts with original durations of one year or less.

4. Fair Value Measurements

The Company determines the fair values of its financial instruments based on a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The classification of a financial asset or liability within the hierarchy is based upon the lowest level input that is significant to the fair value measurement. Under ASC 820, *Fair Value Measurement and Disclosures* ("ASC 820"), the fair value hierarchy prioritizes the inputs into three levels that may be used to measure fair value:

- Level 1 – Quoted prices (unadjusted) for identical assets and liabilities in active markets;
- Level 2 – Inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly; and
- Level 3 – Unobservable inputs.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

As of December 31, 2021 and 2020, the only assets measured and recognized at fair value on a recurring basis were nominal cash equivalents. As of December 31, 2021 and 2020, there were no liabilities measured and recognized at fair value on a recurring basis, other than contingent consideration related to prior acquisitions as of December 31, 2020 which had no fair value.

Assets and Liabilities Measured at Fair Value on a Non-recurring Basis

Certain of the Company's assets, including goodwill, intangible assets, and privately-held investments, are measured at fair value on a nonrecurring basis if impairment is indicated. Purchased intangible assets are measured at fair value primarily using discounted cash flow projections. For additional discussion of measurement criteria used in evaluating potential impairment involving goodwill and intangible assets, refer to Note 5, *Goodwill and Intangible Assets*.

As of December 31, 2021 and 2020, the Company had $348,000 of privately-held investments measured at fair value on a nonrecurring basis, which were classified as Level 3 assets due to the absence of quoted market prices and inherent lack of liquidity. The Company reviews its investments to identify and evaluate investments that have an indication of possible impairment. The Company adjusts the carrying value for its privately-held investments for any impairment if the fair value is less than the carrying value of the respective assets on an other-than-temporary basis. The amount of privately-held investments is included in other assets in the accompanying consolidated balance sheets.

During the year ended December 31, 2021, the Company received proceeds of approximately $611,000 from the acquisition of a private company that the Company had invested in, which had been fully impaired and had no carrying value.

As of December 31, 2021 and 2020, there were no liabilities that are measured and recognized at fair value on a non-recurring basis.

Assets and Liabilities Not Measured at Fair Value

The carrying amounts of the Company's accounts receivable, prepaid expenses and other current assets, accounts payable, and other accrued liabilities approximate fair value due to their short maturities. The carrying value of the Company's financial liabilities approximates fair value based upon borrowing rates currently available to the Company for loans with similar terms.

5. Goodwill and Intangible Assets

Goodwill

The following table summarizes the activity of goodwill (in thousands):

	Identity	Premises	Total
Balance as of December 31, 2019	$ 3,554	$ 6,684	$ 10,238
Currency translation adjustment	—	28	28
Balance as of December 31, 2020	$ 3,554	$ 6,712	$ 10,266
Balance as of December 31, 2020	$ 3,554	$ 6,712	$ 10,266
Currency translation adjustment	—	2	2
Balance as of December 31, 2021	$ 3,554	$ 6,714	$ 10,268

In accordance with ASC 350, the Company tests goodwill for impairment on an annual basis, in the fourth quarter, or whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. The Company performs an initial assessment of qualitative factors to determine whether the existence of events and circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. In performing the qualitative assessment, the Company identifies and considers the significance of relevant key factors, events, and circumstances that affect the fair value of its reporting units. These factors include external factors such as macroeconomic, industry, and market conditions, as well as entity-specific factors, such as actual and planned financial performance. If, after assessing the totality of relevant events and circumstances, the Company determines that it is more likely than not that the fair value of the reporting unit exceeds its carrying value and there is no indication of impairment, no further testing is performed; however, if the Company concludes otherwise, then the Company will perform the quantitative impairment test which compares the estimated fair value of the reporting unit to its carrying value, including goodwill. If the carrying amount of the reporting unit is in excess of its fair value, an impairment loss would be recorded in the consolidated statement of comprehensive income (loss). During the years ended December 31, 2021 and 2020, the Company noted no indicators of goodwill impairment and concluded no further testing was necessary.

Intangible Assets

The following table summarizes the gross carrying amount and accumulated amortization for intangible assets resulting from acquisitions (in thousands):

	Trademarks	Developed Technology	Customer Relationships	Total
Amortization period (in years)	5	10 - 12	4 - 12	
Gross carrying amount as of December 31, 2021	$ 764	$ 9,127	$ 15,774	$ 25,665
Accumulated amortization	(536)	(6,219)	(12,465)	(19,220)
Intangible assets, net as of December 31, 2021	$ 228	$ 2,908	$ 3,309	$ 6,445
Gross carrying amount as of December 31, 2020	$ 765	$ 9,123	$ 15,771	$ 25,659
Accumulated amortization	(382)	(5,773)	(11,941)	(18,096)
Intangible assets, net as of December 31, 2020	$ 383	$ 3,350	$ 3,830	$ 7,563

Each period, the Company evaluates the estimated remaining useful lives of purchased intangible assets and whether events or changes in circumstances warrant a revision to the remaining period of amortization. If a revision to the remaining period of amortization is warranted, amortization is prospectively adjusted over the remaining useful life of the intangible asset. Intangible assets subject to amortization are amortized on a straight-line basis over their useful lives as indicated in the table above. The Company performs an evaluation of its amortizable intangible assets for impairment at the end of each reporting period. The Company did not identify any impairment indicators during the years ended December 31, 2021 and 2020.

The following table summarizes the amortization expense included in the consolidated statements of comprehensive income (loss) for the years ended December 31, 2021 and 2020 (in thousands):

	Year Ended December 31,	
	2021	**2020**
Cost of revenue	$ 453	$ 899
Selling and marketing	671	1,666
Total	$ 1,124	$ 2,565

The estimated annual future amortization expense for purchased intangible assets with definite lives as of December 31, 2021 was as follows (in thousands):

2022	$ 1,120
2023	1,044
2024	967
2025	967
2026	967
Thereafter	1,380
Total	$ 6,445

6. Balance Sheet Components

The Company's inventories are stated at the lower of cost or market value. Inventories consist of (in thousands):

	December 31,	
	2021	2020
Raw materials	$ 7,182	$ 6,518
Work-in-progress	—	34
Finished goods	12,742	13,744
Total	$ 19,924	$ 20,296

Property and equipment, net consists of (in thousands):

	December 31,	
	2021	2020
Building and leasehold improvements	$ 1,304	$ 1,498
Furniture, fixtures and office equipment	1,379	1,295
Plant and machinery	13,244	11,429
Purchased software	2,281	2,191
Total	18,208	16,413
Accumulated depreciation	(14,142)	(13,586)
Property and equipment, net	$ 4,066	$ 2,827

The Company recorded depreciation expense of $0.8 million and $0.7 million during the years ended December 31, 2021 and 2020, respectively.

Other accrued expenses and liabilities consist of (in thousands):

	December 31,	
	2021	2020
Rental payments due to landlord	$ 922	$ —
Accrued professional fees	576	586
Accrued restructuring	294	801
Customer deposits	149	72
Accrued warranties	377	321
Other accrued expenses	1,456	1,460
Total	$ 3,774	$ 3,240

The rental payments due to landlord relate to leased office space acquired in a prior acquisition. The office space was subleased, but the tenant went into default for non-payment beginning April 1, 2020. The Company is currently in active negotiations with the lessor to negotiate a settlement of the outstanding lease obligation.

7. Contractual Payment Obligation

Hirsch Electronics Corporation ("Hirsch") Acquisition – Secure Keyboards and Secure Networks. Prior to the Company's acquisition of Hirsch in 2009, in November 1994, Hirsch had entered into a settlement agreement (the "1994 Settlement Agreement") with two limited partnerships, Secure Keyboards, Ltd. ("Secure Keyboards") and Secure Networks, Ltd. ("Secure Networks"). On April 8, 2009, the 1994 Settlement Agreement was amended and restated to replace the royalty-based payment arrangement with an installment payment schedule with contractual payments to be made in future periods through 2021 (the "2009 Settlement Agreement"). On April 30, 2009, as part of the acquisition of Hirsch, the Company provided Secure Keyboards and Secure Networks with a limited guarantee of Hirsch's payment obligation under the 2009 Settlement Agreement.

On April 13, 2020, the Company, Secure Keyboards, and Secure Networks, amended the 2009 Settlement Agreement. The amendment reduced the amount of quarterly payments due under the obligation in 2020, and required three additional quarterly payments in 2021. The Company's remaining payment obligation under the 2009 Settlement Agreement, as amended, was extended through October 31, 2021. The Company included approximately $43,000 and $139,000 of interest expense during the years ended December 31, 2021 and 2020, respectively, in its consolidated statements of comprehensive income (loss) for interest accreted on the payment obligation.

As of December 31, 2021, the Company had paid all amounts outstanding under the 2009 Settlement Agreement, as amended.

8. Financial Liabilities

Financial liabilities consist of (in thousands):

	December 31,	
	2021	2020
Revolving loan facility	$ —	$ 14,428
April 21 Funds promissory notes	—	2,800
Paycheck Protection Program note	—	2,915
Total	—	20,143
Less: Current maturities of financial liabilities	—	(20,084)
Less: Unamortized debt issuance costs	—	(59)
Long-term financial liabilities	$ —	$ —

East West Bank

On February 8, 2017, the Company entered into a Loan and Security Agreement with East West Bank ("EWB"). Following subsequent amendments, on February 8, 2021 the Company amended and restated the Loan and Security Agreement in its entirety (the "Loan and Security Agreement"). The Loan and Security Agreement provides for a $20.0 million revolving loan facility subject to a borrowing base and a $4.0 million non-formula revolving loan facility that was not subject to a borrowing base. The maturity date of the main revolving loan facility is February 8, 2023. The non-formula revolving loan facility terminated on February 7, 2022. The Company's obligations under the Loan and Security Agreement are collateralized by substantially all of its assets. As of December 31, 2021, the Company had repaid all amounts outstanding under its Loan and Security Agreement.

Advances under the revolving loan facility will initially bear interest at a per annum rate equal to the prime rate as determined under the Loan and Security Agreement plus 0.25%. On April 30, 2021, the Company entered into an amendment to its Loan and Security Agreement which reduced the per annum interest rate to the prime interest rate.

The Company may voluntarily prepay amounts outstanding under the revolving loan facility without prepayment charges. In the event the Loan and Security Agreement is terminated prior to February 8, 2023, the Company would be required to pay an early termination fee in the amount of 2.0% of the main revolving loan line if terminated prior to February 8, 2022 and 1% of the main revolving loan line thereafter. Additional borrowing requests under the revolving loan facilities are subject to various customary conditions precedent, including a borrowing base for the main revolving loan facility.

The Loan and Security Agreement contains customary representations and warranties and customary affirmative and negative covenants, including, limits or restrictions on the Company's ability to incur liens, incur indebtedness, make certain restricted payments (including dividends), merge or consolidate and dispose of assets. In addition, the Loan and Security Agreement contains financial covenants requiring that the Company (i) hold $5 million in unrestricted cash in accounts with EWB, (ii) maintain a monthly minimum trailing six-month EBITDA of $0.6 million for the first two quarters of 2021 and $1.2 million thereafter and (iii) maintain, if the Company converts into the term loan and starting with the quarter ending March 31, 2022, a quarterly fixed charge coverage ratio of at least 1.35:1.00.

The Loan and Security Agreement contains customary events of default that entitle EWB to cause any or all of the Company's indebtedness under it to become immediately due and payable. The events of default (some of which are subject to applicable grace or cure periods), include, among other things, non-payment defaults, covenant defaults, cross-defaults to other material indebtedness, bankruptcy and insolvency defaults and material judgment defaults. Upon the occurrence and during the continuance of an event of default, EWB may terminate its lending commitment and/or declare all or any part of the unpaid principal of all loans, all interest accrued and unpaid thereon and all other amounts payable under the Loan and Security Agreement to be immediately due and payable.

As of December 31, 2021, there were no amounts outstanding, $14.5 million was available, and the Company was in compliance with all financial covenants under the Loan and Security Agreement.

April 21 Funds

On May 5, 2020, the Company issued secured subordinated promissory notes in an aggregate principal amount of $4.0 million (the "Notes") to 21 April Fund, LP and 21 April Fund, Ltd. (collectively referred to as the "April 21 Funds") pursuant to a Note and Warrant Purchase Agreement entered into with the April 21 Funds (the "Note Purchase Agreement"). The Notes were collateralized by the Company's assets, but subordinate to the Company's obligations to EWB under its Loan and Security Agreement. Proceeds from the sale of the Notes were only to be used for expenses incurred by the Company in connection with its provisions of goods and services under a statement of work with a third party. The Notes had an initial term of nine months and did not bear interest during that period. If the Notes were not repaid on or before the nine-month anniversary of issuance, (a) the Notes would thereafter bear interest of 8% per annum, payable quarterly, and (b) additional warrants to purchase common stock would be issuable to the April 21 Funds for each month all or a portion of the Notes remain unpaid, as further detailed in the Note Purchase Agreement. In the event the Notes were not paid in full by the first anniversary of their issuance, May 5, 2021, they would thereafter bear interest of 12% per annum, payable quarterly, and additional warrants would be issuable to the April 21 Funds.

As discussed in Note 10, *Stockholders' Equity,* the fair value of the warrants issued to April 21 Funds was calculated using the Black Scholes pricing model using the following assumptions: estimated volatility of 63.2%, risk free interest rate of 0.24%, no dividend yield, and an expected life of three years. The relative fair value of the warrants of $290,000 was recorded as a direct reduction from the carrying amount of the Notes and was being amortized as interest expense over the term of the April 21 Funds promissory notes.

On February 5, 2021, the Company entered into an amendment to the secured subordinated promissory note with April 21 Funds, which extended the initial term of the Notes to March 31, 2021. As a result of the amendment, if the Notes were repaid on or before March 31, 2021, the Company would incur no further interest on the Notes, or be obligated to issue additional warrants. On March 31, 2021, April 21 Funds waived any additional warrants issuable, and interest payable, to April 21 Funds through May 5, 2021. On April 13, 2021, the Company repaid the remaining principal amount outstanding of $2.8 million.

Paycheck Protection Program

On April 9, 2020, the Company entered into a promissory note (the "PPP Note") under the Paycheck Protection Program established under Section 1102 of the Coronavirus Aid, Relief and Economic Security ("CARES") Act. The PPP Note was dated April 8, 2020 with EWB. The Company borrowed a principal amount of approximately $2.9 million. The interest on the PPP Note was 1.0% per annum. The PPP Note was payable two years from the date of the PPP Note, and there was no prepayment penalty. All interest which accrues during the initial six months of the loan period was deferred and payable on the maturity date of the PPP Note. Notes issued under the CARES Act may be eligible for forgiveness in whole or in part in accordance with Small Business Administration rules established for the Paycheck Protection Program. On May 7, 2021, the principal and accrued interest amounts outstanding of approximately $2.9 million under the PPP Note had been forgiven. As a result, the Company recorded a gain on forgiveness of debt of $2.9 million in the second quarter of 2021.

9. Income Taxes

Income (loss) before income tax provision for domestic and non-U.S. operations is as follows (in thousands):

	December 31,	
	2021	2020
Income (loss) from operations before before income tax provision:		
U.S.	$ (1,189)	$ (6,321)
Foreign	2,837	1,289
Income (loss) from operations before income tax provision	$ 1,648	$ (5,032)

The income tax provision consisted of the following (in thousands):

	December 31,	
	2021	2020
Deferred:		
Federal	$ —	$ —
State	—	—
Foreign	—	—
	$ —	$ —
Current:		
Federal	$ —	$ —
State	(24)	(15)
Foreign	52	88
Total current	28	73
Total income tax provision	$ 28	$ 73

Significant items making up deferred tax assets and liabilities are as follows (in thousands):

	December 31,	
	2021	2020
Deferred tax assets:		
Allowances not currently deductible for tax purposes	$ 978	$ 451
Net operating loss carryforwards	44,068	45,196
Operating lease liabilities	312	513
General carryforwards	16,433	16,242
Stock-based compensation	1,487	1,291
Accrued and other	1,961	1,990
	65,239	65,683
Less valuation allowance	(62,441)	(62,699)
	2,798	2,984
Deferred tax liabilities:		
Depreciation and amortization	(925)	(1,032)
Operating lease right-of-use assets	(10)	(169)
State income taxes	(1,863)	(1,783)
	(2,798)	(2,984)
Net deferred tax asset	$ —	$ —

Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. A significant piece of objective negative evidence evaluated was the cumulative loss incurred over the three-year period ended December 31, 2021. Such objective evidence limits the ability to consider other subjective evidence such as the Company's projections for future growth.

A valuation allowance of $62.4 million and $62.7 million as of December 31, 2021 and 2020, respectively, has been recorded to offset the related net deferred tax assets as the Company is unable to conclude that it is more likely than not that such deferred tax assets will be realized. The net deferred tax liabilities are primarily from foreign tax liabilities as well as intangibles acquired as a result of the acquisition of Hirsch and 3VR, which are not deductible for tax purposes.

Section 951A under the Tax Cuts and Jobs Act (the "Act") requires a U.S. shareholder of a controlled foreign corporation to include in taxable income the shareholder's share of global intangible low-taxed income ("GILTI") for the year. The Company has determined that the Section 951A provisions do apply to its operations and relationships with its controlled foreign corporations ("CFCs"). The Company recorded $2.5 million of GILTI income in 2021. The Company did not record any GILTI income in 2020 due to net tested losses at its CFCs.

As of December 31, 2021, the Company had net operating loss carryforwards of $119.5 million for federal, $45.3 million for state and $69.0 million for foreign income tax purposes. Certain of the Company's federal, state and foreign loss carryforwards have started expiring and will continue to expire through 2041 if not utilized.

The Tax Reform Act of 1986 (the "Tax Reform Act") limits the use of net operating loss and tax credit carryforwards in certain situations where changes occur in stock ownership. The Company completed its acquisition of Bluehill ID AG on January 4, 2010, which resulted in a stock ownership change as defined by the Tax Reform Act. The Company also completed its acquisition of 3VR on February 14, 2018, which resulted in a stock ownership change as defined by the Tax Reform Act. These transactions resulted in limitations on the annual utilization of federal and state net operating loss carryforwards and credits. As a result, the Company reevaluated its available deferred tax assets, and the loss carryforward and credit amounts, excluding the valuation allowance presented above have been adjusted for the limitation resulting from the change in ownership in accordance with the provisions of the Tax Reform Act.

The income tax provision reconciled to the amount computed by applying the statutory federal tax rate to the income (loss) before income tax provision is as follows (in thousands):

	December 31,	
	2021	**2020**
Income tax provision at statutory federal tax rate of 21%	$ 345	$ (1,057)
State taxes, net of federal benefit	(19)	(12)
Foreign taxes provisions provided for at rates other than U.S statutory rate	(494)	(202)
Section 951(A) inclusion	523	—
Stock options	(443)	—
Change in valuation allowance	700	1,432
Permanent differences	42	(76)
PPP loan forgiveness	(619)	—
Other	(7)	(12)
Total provision for income taxes	$ 28	$ 73

The Company applies the provisions of, and accounted for uncertain tax positions in accordance with, ASC 740. ASC 740 clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. It prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

The CARES Act includes provisions relating to refundable payroll tax credits, deferment of the employer portion of certain payroll taxes, net operating loss carryback periods, and alternative minimum tax credit refunds. The Company analyzed the provisions of the CARES Act and determined there was no significant impact to its provision for income taxes for the year ended December 31, 2020.

On June 29, 2020, California Governor Gavin Newsom signed Assembly Bill 85 ("AB85") into law as part of the California 2020 Budget Act, which temporarily suspends the use of California net operating losses and imposes a cap on the amount of business incentive tax credits that companies can utilize against their net income for tax years 2020, 2021, and 2022. The Company analyzed the provisions of AB85 and determined there was no impact on the Company's income tax provision for the years ended December 31, 2021 and 2020.

On December 27, 2020, the Consolidated Appropriations Act, 2021 (the "CAA") was signed into law. The CAA includes provisions meant to clarify and modify certain items put forth in CARES Act, while providing aid to businesses affected by the pandemic. The Company recorded an income tax benefit of $6.2 million in the year ended December 31, 2021 as a result of deductibility of expenses paid by the forgiveness of the PPP loan.

A reconciliation of the beginning and ending amount of unrecognized tax benefits with an impact on the Company's consolidated balance sheets or statements of comprehensive income (loss) is as follows (in thousands):

	December 31,	
	2021	**2020**
Balance at January 1	$ 2,307	$ 2,687
Additions based on tax positions related to the current year	1	1
Additions for tax positions of prior years	—	—
Reductions in prior year tax positions	(32)	(381)
Balance at December 31	$ 2,276	$ 2,307

While timing of the resolution and/or finalization of tax audits is uncertain, the Company does not believe that its unrecognized tax benefits as presented in the above table would materially change in the next 12 months.

As of December 31, 2021 and 2020, the Company recognized liabilities for unrecognized tax benefits of $2.3 million and $2.3 million, respectively. Since there was a full valuation allowance against these deferred tax assets, there was no impact on the Company's consolidated balance sheets or statements of comprehensive income (loss) for the years ended December 31, 2021 and 2020. Also the subsequent recognition, if any, of these previously unrecognized tax benefits would not affect the effective tax rate. Such recognition would result in adjustments to other tax accounts, primarily deferred taxes. The amount of unrecognized tax benefits which, if recognized, would affect the tax rate is $0.0 million and $0.1 million as of December 31, 2021 and 2020, respectively.

The Company recognizes interest accrued related to unrecognized tax benefits and penalties as income tax expense. During fiscal 2021, the Company recorded a decrease to accrued penalties of $3,000 and a decrease in accrued interest of $9,000 related to the unrecognized tax benefits noted above. As of December 31, 2021, the Company has recognized a total liability for penalties of $3,000 and interest of $5,000. During fiscal 2020, the Company recorded a decrease in accrued penalties of $5,000 and a decrease in accrued interest of $21,000 related to the unrecognized tax benefits noted above. As of December 31, 2020, the Company had recognized a total liability for penalties of $7,000 and interest of $14,000.

The Company files U.S. federal, U.S. state and foreign tax returns. The Company generally is no longer subject to tax examinations for years prior to 2017. However, if loss carryforwards of tax years prior to 2017 are utilized in the U.S., these tax years may become subject to investigation by the tax authorities.

10. Stockholders' Equity

Preferred Stock

The Company is authorized to issue 10,000,000 shares of preferred stock, 40,000 of which have been designated as Series A Participating Preferred Stock, par value $0.001 per share, and 5,000,000 of which have been designated as Series B Non-Voting Convertible Preferred Stock, par value $0.001 per share (the "Series B Preferred Stock"). No shares of the Company's Series A Participating Preferred Stock were outstanding as of December 31, 2021 and 2020. At both December 31, 2021 and 2020, 5,000,000 shares of the Series B convertible preferred stock were outstanding.

The Board of Directors may from time to time, without further action by the Company's stockholders, direct the issuance of shares of preferred stock in other series and may, at the time of issuance, determine the rights, preferences and limitations of each series, including voting rights, dividend rights and redemption and liquidation preferences. Satisfaction of any dividend preferences of outstanding shares of preferred stock would reduce the amount of funds available for the payment of dividends on shares of the Company's common stock. Holders of shares of preferred stock may be entitled to receive a preference payment in the event of any liquidation, dissolution or winding-up of the Company before any payment is made to the holders of shares of the Company's common stock. Upon the affirmative vote of the Board, without stockholder approval, the Company may issue shares of preferred stock with voting and conversion rights, which could adversely affect the holders of shares of its common stock.

Series B Convertible Preferred Stock and Private Placement

On December 20, 2017, the Company entered into a Securities Purchase Agreement (the "Purchase Agreement") with each of 21 April Fund, Ltd. and 21 April Fund, LP (collectively, the "Purchasers"), pursuant to which the Company, in a private placement, agreed to issue and sell to the Purchasers an aggregate of up to 5,000,000 shares of the Series B convertible preferred stock, $0.001 par value per share (collectively referred to as the "Shares"). The Purchasers agreed to purchase an aggregate of 3,000,000 Shares at a price of $4.00 per share in cash at the initial closing of the transaction, and at the sole option of the Company, an additional 2,000,000 Shares at a price of $4.00 per share in cash at a second closing, if any (the "Private Placement"). The total purchase price payable to the Company was $20,000,000, of which $12,000,000 was paid at the initial closing. On May 30, 2018, the Company issued 2,000,000 Shares at a price of $4.00 per share in the second closing of the Private Placement. Gross proceeds to the Company from the second closing were approximately $8.0 million, before deducting fees and certain expenses payable by the Company. The proceeds from the issuance of the Shares were required to be used to pay off existing debt obligations of the Company and to fund future acquisitions of technology, business and other assets by the Company.

Each Share shall be convertible into the Company's common stock (i) following the sixth (6th) anniversary of the initial closing of the Private Placement or (ii) if earlier, during the thirty (30) day period following the last trading day of any period of three (3) or more consecutive trading days that the closing market price of the Company's common stock exceeds $10.00. Each Share is convertible at the option of the holder of the Shares into such number of shares of the Company's common stock determined by taking the accreted value of such Share (purchase price plus accrued but unpaid dividends) and dividing such value by the stated value of such Share ($4.00 per share, subject to adjustment for dilutive issuances, stock splits, stock dividends and the like); provided, however, that the Company shall not convert any Shares if doing so would cause the holder thereof, along with its affiliates, to beneficially own in excess of 19.9% of the outstanding common stock immediately after giving effect to the applicable conversion (the "Ownership Limitation"), unless waiver of this restriction has been effected by the holder requesting conversion of Shares.

Based on the current conversion price, the outstanding shares, including the accretion of dividends, of Series B convertible preferred stock as of December 31, 2021 would be convertible into 6,029,297 shares of the Company's common stock. However, the conversion rate will be subject to adjustment in certain instances, such as if the Company issues shares of its common stock at a price less than $4.00 per common share, subject to a minimum conversion price of $3.27 per share. As of December 31, 2021, none of the contingent conditions to adjust the conversion rate had been met.

Each share of Series B convertible preferred stock is entitled to a cumulative annual dividend of 5% for the first six (6) years following the issuance of such share and 3% for each year thereafter, with the Company retaining the option to settle each year's dividend after the tenth (10th) year in cash. The dividends accrue and are payable in kind upon such time as the shares convert into the Company's common stock. In general, the shares are not entitled to vote except in certain limited cases, including in change of control transactions where the expected price per share distributable to the Company's stockholders is expected to be less than $4.00 per share. The Certificate of Designation with respect to the Series B convertible preferred stock further provides that in the event of, among other things, any change of control, liquidation or dissolution of the Company, the holders of the Series B convertible preferred stock will be entitled to receive, on a pari passu basis with the holders of the common stock, the same amount and form of consideration that the holders of the Company's common stock receive (on an as-if-converted-to-common-stock basis and without regard to the Ownership Limitation applicable to the Series B convertible preferred stock).

Series B Convertible Preferred Stock Dividend Accretion

The following table summarizes Series B convertible preferred stock and the accretion of dividend activity for the years ended December 31, 2021 and 2020 (in thousands):

	Year Ended December 31,	
	2021	**2020**
Series B Convertible Preferred Stock :		
Balance at beginning of period	$ 22,969	$ 21,875
Cumulative dividends on Series B convertible preferred stock	1,148	1,094
Balance at end of period	$ 24,117	$ 22,969
Number of Common Shares Issuable Upon Conversion :		
Number of shares at beginning of period	5,742	5,469
Cumulative dividends on Series B convertible preferred stock	287	273
Number of shares at end of period	6,029	5,742

Sale of Common Stock

On April 7, 2021, the Company sold an aggregate of 3,779,342 shares of its common stock at a public offering price of $10.65 per share in an underwritten public offering. The Company received net proceeds of approximately $37.6 million from the sale of the common stock in the public offering, after deducting the underwriting discounts and other offering related expenses of $2.6 million.

Common Stock Warrants

On February 8, 2017, the Company entered into a Loan and Security Agreement with EWB. In connection with the Loan and Security Agreement, the Company issued to EWB a warrant (the "EWB Warrant") to purchase up to 40,000 shares of the Company's common stock at a per share exercise price of $3.64 which were immediately exercisable for cash or by net exercise and expire on February 8, 2022. On May 5, 2020, the Company entered into an amendment to the Loan and Security Agreement, which included amending the EWB Warrant, reducing its exercise price from $3.64 to $3.50 per share and extending the expiration date of the EWB Warrant from February 8, 2022 to February 8, 2023. The Company calculated the fair value of the amended EWB Warrant using the Black Scholes pricing model using the following assumptions: estimated volatility of 63.2%, risk free interest rate of 0.24%, no dividend yield, and an expected life of three years. The fair value of the amended EWB Warrant of $42,000, as well as legal and administrative costs of $92,000, were recorded as a direct reduction from the carrying amount of the Revolving Loan Facility and amortized as interest expense over the remaining term of the Loan and Security Agreement. On February 11, 2021, EWB exercised their warrant on a cashless net exercise basis, receiving 27,599 shares of the Company’s common stock.

On May 5, 2020, the Company entered into a Note and Warrant Purchase Agreement with the April 21 Funds, as discussed in Note 8, *Financial Liabilities,* in which the Company issued warrants (“April 21 Funds Warrants”) to purchase 275,000 shares of common stock of the Company. The April 21 Funds Warrants have a term of three years (subject to early termination upon the closing of an acquisition); provided, that in the event that the Note is not paid in full by the nine-month anniversary of issuance, the term of the April 21 Funds Warrants shall be extended for a period of time equal to the period of time from such nine-month anniversary until the date the Note is fully paid (“Extension Warrants”). The Extension Warrants would have a term of three years from the date of issuance of the latest Extension Warrant to be issued (subject to early termination upon an acquisition). The shares of common stock issuable upon exercise of the April 21 Fund Warrants and any Extension Warrants that may be issued are entitled to the same resale registration rights granted to the April 21 Funds Warrants under the Stockholders Agreement dated December 21, 2017 in connection with the April 21 Funds previous purchase of certain securities of the Company.

Below is the summary of outstanding warrants issued by the Company as of December 31, 2021:

Warrant Type	Number of Shares Issuable Upon Exercise	Weighted Average Exercise Price	Issue Date	Expiration Date
April 21 Funds Warrants	275,000	3.50	May 5, 2020	May 5, 2023

Common Stock Reserved for Future Issuance

Common stock reserved for future issuance as of December 31, 2021 was as follows:

Exercise of outstanding stock options, vesting of restricted stock units ("RSU"), vesting of performance stock units ("PSU"), and issuance of RSUs vested but not released	1,471,899
Employee Stock Purchase Plan	293,888
Shares of common stock available for grant under the 2011 Plan	947,004
Warrants to purchase common stock	275,000
Shares of common stock issuable upon conversion of Series B convertible preferred stock	7,541,449
Total	10,529,240

11. Stock-Based Compensation

Stock Incentive Plan

The Company maintains a stock-based compensation plan, the 2011 Incentive Compensation Plan, as amended, (the "2011 Plan"), to attract, motivate, retain and reward employees, directors and consultants by providing its Board or a committee of the Board the discretion to award equity incentives to these persons.

On June 6, 2011, the Company's stockholders approved the 2011 Plan, which is administered by the Compensation Committee of the Board. The 2011 Plan provides that stock options, stock units, restricted shares, and stock appreciation rights may be granted to executive officers, directors, consultants, and other key employees. The Company reserved 400,000 shares of common stock under the 2011 Plan, plus 459,956 shares of common stock that remained available for delivery under the 2007 Plan and the 2010 Plan as of June 6, 2011. In aggregate, as of June 6, 2011, 859,956 shares were available for future grant under the 2011 Plan, including shares rolled over from the 2007 Plan and the 2010 Plan. Subsequent to June 6, 2011 through December 31, 2021, the number of shares of common stock authorized for issuance under the 2011 Plan has been increased by an aggregate of 4,400,000 shares.

Stock Options

The following is a summary of stock option activity for the year ended December 31, 2021:

	Number Outstanding	Average Exercise Price per Share	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Balance as of December 31, 2020	550,769	$ 5.56	4.88	$ 1,875,719
Granted	—	—		—
Cancelled or Expired	(6,142)	21.46		—
Exercised	(29,934)	10.00		—
Balance as of December 31, 2021	514,693	$ 5.11	4.11	$ 11,850,930
Vested or expected to vest as of December 31, 2021	514,693	$ 5.11	4.11	$ 11,850,930
Exercisable as of December 31, 2021	514,693	$ 5.11	4.11	$ 11,850,930

The aggregate intrinsic value in the table above represents the difference between the fair value of the Company's common stock as of December 31, 2021 and the exercise price of in-the-money stock options multiplied by the number of such stock options.

The following table summarizes information about stock options outstanding as of December 31, 2021:

	Stock Options Outstanding			Stock Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$4.36 - $7.20	452,510	4.37	$ 4.41	452,510	$ 4.41
$7.50 - $11.25	61,317	2.23	10.19	61,317	10.19
$11.30 - $16.95	500	2.25	11.30	500	11.30
$19.70 - $29.55	366	0.36	19.70	366	19.70
$4.36 - $29.55	514,693	4.11	$ 5.11	514,693	$ 5.11

As of December 31, 2021, there was no unrecognized stock-based compensation expense related to stock options.

Restricted Stock Units

The following is a summary of RSU activity for the year ended December 31, 2021:

	Number Outstanding	Weighted Average Fair Value
Unvested as of December 31, 2020	682,563	$ 4.34
Granted	288,368	14.64
Vested	(395,242)	5.76
Forfeited	(89,960)	4.92
Unvested as of December 31, 2021	485,729	$ 9.19
RSUs vested but not released	296,477	$ 5.31

The fair value of the Company's RSUs is calculated based upon the fair market value of the Company's common stock at the date of grant. As of December 31, 2021, there was $3.6 million of unrecognized compensation cost related to unvested RSUs granted, which is expected to be recognized over a weighted average period of 2.9 years.

Performance Stock Units

The Company granted 200,000 PSUs to a certain key employee during the year ended December 31, 2020, with a grant date fair value of $6.38 per share. The PSUs are subject to the attainment of performance goals established by the Company's Compensation Committee, the periods during which performance is to be measured, and other limitations and conditions. Performance goals are based on pre-established objectives that specify the manner of determining the number of PSUs that will vest if performance goals are attained. If the employee terminates employment, the non-vested portion of the PSUs will not vest and all rights to the non-vested portion will terminate.

The following is a summary of PSU activity for the year ended December 31, 2021:

	Number Outstanding
Unvested as of December 31, 2020	200,000
Granted	—
Vested	(23,500)
Forfeited	(1,500)
Unvested as of December 31, 2021	175,000

As of December 31, 2021, there was $1.1 million of unrecognized compensation cost related to unvested PSUs, which is expected to be recognized over a period of 1.0 year. No tax benefit was realized from PSUs for the year ended December 31, 2021.

Stock-Based Compensation Expense

The following table summarizes stock-based compensation expense related to stock options, RSUs, and PSUs included in the consolidated statements of comprehensive income (loss) for the years ended December 31, 2021 and 2020 (in thousands):

	Year Ended December 31,	
	2021	**2020**
Cost of revenue	$ 183	$ 160
Research and development	486	685
Selling and marketing	545	480
General and administrative	1,392	1,702
Total	$ 2,606	$ 3,027

Restricted Stock Unit Net Share Settlements

During the years ended December 31, 2021 and 2020, the Company repurchased 82,351 and 171,641 shares, respectively, of common stock surrendered to the Company to satisfy tax withholding obligations in connection with the vesting of RSUs issued to employees.

12. Net Income (Loss) per Common Share

Basic net income (loss) per common share is computed by dividing net income (loss) available to common stockholders during the period by the weighted average number of common shares outstanding during that period. Diluted net income (loss) per common share is impacted by equity instruments considered to be potential common shares, if dilutive, computed using the treasury stock or the if-converted method of accounting.

The calculations for basic and diluted net income (loss) per common share for the years ended December 31, 2021 and 2020 are as follows:

	Year Ended December 31,	
	2021	**2020**
Basic net income (loss) per common share:		
Numerator:		
Net income (loss)	$ 1,620	$ (5,105)
Less: accretion of Series B convertible preferred stock dividends	(1,148)	(1,094)
Net income (loss) available to common stockholders	$ 472	$ (6,199)
Denominator:		
Weighted average common shares outstanding - basic	21,340	17,978
Net income (loss) per common share - basic	$ 0.02	$ (0.34)
Diluted net income (loss) per common share:		
Numerator:		
Net income (loss) available to common stockholders	$ 472	$ (6,199)
Plus: accretion of Series B convertible preferred stock dividends, if dilutive	—	—
Net income (loss) available to common stockholders	$ 472	$ (6,199)
Denominator:		
Weighted average common shares outstanding - basic	21,340	17,978
Dilutive securities:		
Stock options, RSUs, and warrants	927	—
Weighted average common shares outstanding - diluted	22,267	17,978
Net income (loss) per common share - diluted	$ 0.02	$ (0.34)

The following common stock equivalents have been excluded from diluted net income (loss) per share for the fiscal years ended December 31, 2021 and 2020 because their inclusion would have been anti-dilutive (in thousands):

	December 31,	
	2021	**2020**
Shares of common stock subject to outstanding RSUs	—	683
Shares of common stock subject to outstanding stock options	—	551
Shares of common stock subject to outstanding warrants	—	315
Shares of common stock issuable upon conversion of Series B convertible preferred stock	6,029	5,742
Total	6,029	7,291

13. Segment Reporting and Geographic Information

Segment Reporting

ASC 280, *Segment Reporting* ("ASC 280") establishes standards for the reporting by public business enterprises of information about operating segments, products and services, geographic areas, and major customers. The method for determining what information to report is based on the way management organizes the operating segments within the Company for making operating decisions and assessing financial performance. An operating segment is defined as a component of an enterprise that engages in business activities from which it may earn revenue and incur expenses and about which separate financial information is available to its chief operating decision makers ("CODM"). The Company's CODM is its CEO.

The CODM reviews financial information and business performance for each operating segment. The Company evaluates the performance of its operating segments at the revenue and gross profit levels. The Company does not report total assets, capital expenditures or operating expenses by operating segment as such information is not used by the CODM for purposes of assessing performance or allocating resources.

Net revenue and gross profit information by segment for the years ended December 31, 2021 and 2020 are as follows (in thousands):

	Year Ended December 31,	
	2021	**2020**
Identity:		
Net revenue	$ 64,725	$ 52,742
Gross profit	15,670	14,781
Gross profit margin	24%	28%
Premises:		
Net revenue	39,044	34,178
Gross profit	21,397	18,900
Gross profit margin	55%	55%
Total:		
Net revenue	103,769	86,920
Gross profit	37,067	33,681
Gross profit margin	36%	39%
Operating expenses:		
Research and development	8,673	9,781
Selling and marketing	17,033	17,270
General and administrative	11,891	8,623
Decrease in fair value of earnout liability	—	(261)
Restructuring and severance	817	1,716
Total operating expenses:	38,414	37,129
Loss from operations	(1,347)	(3,448)
Non-operating income (expense):		
Interest expense, net	(483)	(1,462)
Gain on forgiveness of Paycheck Protection Program note	2,946	—
Gain on investment	611	—
Foreign currency losses, net	(79)	(122)
Income (loss) before income tax provision	$ 1,648	$ (5,032)

Geographic Information

Geographic net revenue is based on the customer's ship-to location. Information regarding net revenue by geographic region for the years ended December 31, 2021 and 2020 is as follows (in thousands):

	Year Ended December 31,	
	2021	**2020**
Americas	$ 69,396	$ 58,302
Europe and the Middle East	12,876	9,497
Asia-Pacific	21,497	19,121
Total	$ 103,769	$ 86,920
As percentage of net revenue:		
Americas	67%	67%
Europe and the Middle East	12%	11%
Asia-Pacific	21%	22%
Total	100%	100%

Long-lived assets by geographic location as of December 31, 2021 and 2020 are as follows (in thousands):

	December 31,	
	2021	**2020**
Property and equipment, net:		
Americas	$ 545	$ 606
Europe and the Middle East	334	73
Asia-Pacific	3,187	2,148
Total property and equipment, net	$ 4,066	$ 2,827
Operating lease ROU assets:		
Americas	$ 1,344	$ 2,100
Europe and the Middle East	135	224
Asia-Pacific	609	1,081
Total property and equipment, net	$ 2,088	$ 3,405

14. Restructuring and Severance

During the year ended December 31, 2021, the Company incurred restructuring expenses of $817,000, consisting of facility rental related costs of $521,000, and severance related costs of $296,000. Facility rental related costs during the year ended December 31, 2021 included a charge of $281,000 resulting from the impairment of a ROU operating lease asset for office space the Company vacated in the first quarter of 2021.

During the year ended December 31, 2020, the Company incurred restructuring expenses of $1,716,000, consisting of severance related costs of $375,000, and facility rental related costs associated with office space of an acquired business of approximately $1,341,000. The latter included a charge of $1,296,000 associated with the impairment of the ROU operating lease assets for office space we vacated in 2020.

15. Leases

The Company's leases consist primarily of operating leases for administrative office space, research and development facilities, a manufacturing facility, and sales offices in various countries around the world. The Company determines if an arrangement is a lease at inception. Some lease agreements contain lease and non-lease components, which are accounted for as a single lease component. Total rent expense was $1.3 million and $1.5 million for the years ended December 31, 2021 and 2020, respectively.

Initial lease terms are determined at commencement and may include options to extend or terminate the lease when it is reasonably certain the Company will exercise the option. Remaining lease terms range from one to four years, some of which include options to extend for up to five years. Leases with an initial term of twelve months or less are not recorded on the consolidated balance sheets. As the Company's leases do not provide an implicit rate, the present value of future lease payments is determined using the Company's incremental borrowing rate based on information available at the lease commencement date.

The table below reconciles the undiscounted cash flows for the first five years and the total of the remaining years to the operating lease liabilities recorded on the consolidated balance sheets as of December 31, 2021 (in thousands):

	December 31, 2021
2022	$ 1,372
2023	494
2024	250
2025	231
2026	42
Total minimum lease payments	2,389
Less: amount of lease payments representing interest	(182)
Present value of future minimum lease payments	2,207
Less: current liabilities under operating leases	(1,269)
Long-term operating lease liabilities	$ 938

As of December 31, 2021, the weighted average remaining lease term for the Company's operating leases was 2.4 years, and the weighted average discount rate used to determine the present value of the Company's operating leases was 5.9%. Sublease rental income due in the future under non-cancelable subleases was $1.6 million, which relates to office space acquired in an acquisition where the tenant went into default due to non-payment of rent beginning April 1, 2020. No cash has been received from the tenant since April 1, 2020.

Cash paid for amounts included in the measurement of operating lease liabilities was $1.4 million and $2.1 million for the years ended December 31, 2021 and 2020, respectively.

16. Legal Proceedings

The Company is and from time to time, may become subject to claims arising in the ordinary course of business or could be named a defendant in additional lawsuits. The outcome of such claims or other proceedings cannot be predicted with certainty and may have a material effect on the Company's financial condition, results of operations or cash flows.

17. Commitments and Contingencies

The following table summarizes the Company’s principal contractual commitments, excluding operating leases, as of December 31, 2021 (in thousands):

	Purchase Commitments	Other Contractual Commitments	Total
2022	$ 36,838	$ 173	$ 37,011
2023	1,479	—	1,479
Total	$ 38,317	$ 173	$ 38,490

Purchase commitments for inventories are highly dependent upon forecasts of customer demand. Due to the uncertainty in demand from its customers, the Company may have to change, reschedule, or cancel purchases or purchase orders from its suppliers. These changes may lead to vendor cancellation charges on these purchases or contractual commitments.

The following table summarizes the Company’s warranty accrual activity during the years ended December 31, 2021 and 2020 (in thousands):

	Year Ended December 31,	
	2021	2020
Balance at beginning of period	$ 321	$ 407
Accruals for warranties charged to expense	59	55
Cost of warranty claims	(3)	(141)
Balance at end of period	$ 377	$ 321

The Company provides warranties on certain product sales for periods ranging from 12 to 36 months, and allowances for estimated warranty costs are recorded during the period of sale. The determination of such allowances requires the Company to make estimates of product return rates and expected costs to repair or to replace the products under warranty. The Company currently establishes warranty reserves based on historical warranty costs for each product line combined with liability estimates based on the prior 12 months’ sales activities. If actual return rates and/or repair and replacement costs differ significantly from the Company’s estimates, adjustments to recognize additional cost of sales may be required in future periods. Historically the warranty accrual and the expense amounts have been immaterial.

ITEM 9. *CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE*

Not applicable.

ITEM 9A. *CONTROLS AND PROCEDURES*

Evaluation of Disclosure Controls and Procedures

As of the end of the fiscal year ended December 31, 2021, as required in Rule 13a-15(b) under the Exchange Act, we carried out an evaluation under the supervision and with the participation of members of our senior management, including our CEO and CFO, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). Disclosure controls and procedures are those controls and other procedures that are designed to provide reasonable assurance that the information required to be disclosed in our SEC reports that we file or submit under the Exchange Act (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Based on our evaluation, our management, including our CEO and CFO, concluded that as of December 31, 2021, our disclosure controls and procedures were effective at the reasonable assurance level.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) under the Exchange Act, to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States, or U.S. GAAP. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with U.S. GAAP. Internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with U.S. GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and or directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the interim or annual consolidated financial statements.

A control system, no matter how well designed and operated, can only provide reasonable assurance that the objectives of the control system are met. Because there are 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 or will be detected.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

Our management, including our CEO and CFO, assessed our internal control over financial reporting as of December 31, 2021. In making the assessment of internal control over financial reporting, our management based its assessment on the criteria issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in "Internal Control — Integrated Framework of 2013." Our management's assessment included evaluation of such elements as the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies, and our overall control environment. This assessment is supported by testing and monitoring performed by our internal accounting and finance organization, but has not been reviewed by our independent registered public accounting firm.

Based on management's assessment, management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2021.

Changes in Internal Controls over Financial Reporting

We have made no changes to our internal control over financial reporting during the three months ended December 31, 2021 that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. *OTHER INFORMATION*

Not applicable.

ITEM 9C *DISCLOSURE REGARDING FOREIGN JURISDICTION THAT PREVENT INSPECTIONS.*

Not applicable.

PART III

ITEM 10. *DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE*

The information required by Item 10 concerning our directors will be set forth under the captions "Proposal No. 1, Election of Directors" and "Policy for Director Recommendations and Nominations" in our Proxy Statement relating to our 2022 Annual Meeting of Stockholders, referred to in this Annual Report on Form 10-K as the "Proxy Statement," which we expect to file within 120 days of the end of our fiscal year pursuant to General Instruction G(3) of Form 10-K. Such information is incorporated herein by reference. Certain information required by this item concerning executive officers is set forth in Part I of this Report under the caption "Executive Officers of the Registrant" and is incorporated herein by reference. Item 405 of Regulation S-K calls for disclosure of any known late filing or failure of an insider to file a report required by Section 16(a) of the Exchange Act. To the extent disclosure of a delinquent reports is being made, it can be found under, and is incorporated herein by reference to the section of the Proxy Statement captioned "Delinquent Section 16(a) Reports." The information required by this item concerning our code of ethics is incorporated by reference to the section captioned "Code of Conduct and Ethics" in our Proxy Statement. To date, there have been no waivers under our Code of Conduct and Ethics. We intend to disclose future amendments to certain provisions of our Code of Conduct and Ethics or waivers of such Code granted to executive officers and directors on our website at *http://www.identiv.com* within four business days following the date of such amendment or waiver. The information required by this item concerning the Audit Committee of our board of directors is incorporated by reference to the section captioned "Committees of the Board of Directors" in our Proxy Statement.

ITEM 11. *EXECUTIVE COMPENSATION*

The information required by Item 11 will be contained in our Proxy Statement under the captions "Compensation of Directors" and "Executive Compensation", which information is incorporated herein by reference.

ITEM 12. *SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS*

The information required by Item 12 will be set forth under the captions "Security Ownership of Certain Beneficial Owners and Management" and "Equity Compensation Plan Information" in our Proxy Statement, which information is incorporated herein by reference.

ITEM 13. *CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE*

The information required by Item 13 will be set forth under the captions "Certain Relationships and Related Transactions" and "Director Independence" in our Proxy Statement, which information is incorporated herein by reference.

ITEM 14. *PRINCIPAL ACCOUNTANT FEES AND SERVICES*

The information required by Item 14 will be set forth under the captions "Principal Accountant Fees and Services" and "Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Our Independent Registered Public Accounting Firms" in our Proxy Statement, which information is incorporated herein by reference.

PART IV

ITEM 15. *EXHIBITS AND FINANCIAL STATEMENT SCHEDULES*

(a) The following documents are filed as a part of this report:

1. *Financial Statements: Consolidated Financial Statements filed as part of this report are listed under Item 8. Financial Statements and Supplementary Data.*

2. *Financial Statement Schedules: Not Applicable.*

3. *Exhibits: See Item 15(b) below.*

3. *Exhibits*

Exhibit Number	Description of Document
3.1	Fourth Amended and Restated Certificate of Incorporation. (Incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-4/A, filed on November 10, 2009 (SEC File No. 333-162618).)
3.2	Certificate of Amendment to Fourth Amended and Restated Certificate of Incorporation. (Incorporated by reference to Exhibit 3.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010.)
3.3	Certificate of Amendment to Fourth Amended and Restated Certificate of Incorporation. (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on June 17, 2010.)
3.4	Certificate of Amendment to Fourth Amended and Restated Certificate of Incorporation. (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on June 7, 2011.)
3.5	Certificate of Amendment to Fourth Amended and Restated Certificate of Incorporation. (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on May 23, 2014.)
3.6	Certificate of Amendment to Fourth Amended and Restated Certificate of Incorporation, as amended. (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on May 18, 2016.)
3.7	Amended and Restated Bylaws of the Company, as amended May 16, 2020 (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on May 19, 2020.)
4.1	Specimen Common Stock Certificate. (Incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010.)
4.2	Certificate of Designation of Rights, Preferences and Privileges of Series A Participating Preferred Stock of SCM Microsystems, Inc. (Incorporated by reference to Exhibit 3.3 to the Company's Registration Statement on Form 8-A filed on November 14, 2002.)
4.3	Certificate of Designation of Preferences, Rights and Limitations of Series B Non-Voting Convertible Preferred Stock dated December 21, 2017. (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on December 21, 2017.)
4.4	Warrants issued to 21 April Fund, Ltd. and 21 April Fund, L.P.dated May 5, 2020. (Incorporated by reference to Exhibit 4.4 to the Company's Annual Report on Form 10-K filed on March 12, 2021).
4.5	Description of Securities Registered Pursuant to Section 12 of the Securities and Exchange Act of 1934. (Incorporated by reference to Exhibit 4.5 to the Company's Annual Report on Form 10-K filed on March 18, 2020).
10.1*	Form of Director and Officer Indemnification Agreement. (Incorporated by Reference to Exhibit 10.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2015).
10.2	Note and Warrant Purchase dated as of May 5, 2020 between the Company and the purchasers named therein (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on May 7, 2020.)
10.3	Amendment to Secured Subordinated Promissory Note dated February 5, 2021. (Incorporated by reference to Exhibit 10.3 to the Company's Annual Report on Form 10-K filed on March 12, 2021).
10.4*	2011 Incentive Compensation Plan, as amended through March 10, 2020. (Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020.)

Exhibit Number	Description of Document
10.5*	2011 Employee Stock Purchase Plan. (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on June 7, 2011.)
10.6*	Letter Agreement dated September 14, 2015 between the Company and Steven Humphreys. (Incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed on September 16, 2015.)
10.7*	Offer Letter dated January 19, 2017 between the Company and Sandra Wallach. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 17, 2017.)
10.8	Securities Purchase Agreement dated December 21, 2017 among the Company, 21 April Fund, Ltd. and 21 April Fund, LP. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 21, 2017.)
10.9	Stockholder Agreement dated December 21, 2017 among the Company, 21 April Fund, Ltd. and 21 April Fund, LP. (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on December 21, 2017.)
10.10	Promissory Note dated April 8, 2020 between the Company and East West Bank. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 15, 2020.)
10.11	Amended and Restated Loan and Security Agreement dated February 8, 2021 between the Company and East West Bank. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K on February 11, 2021.)
10.12	Waiver Under Note and Warrant Purchase Agreement, dated March 31, 2021 among the Company, 12 April Fund, Ltd. and 21 April Fund, LP. (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2021.
10.13*	Offer Letter dated October 25, 2021 between the Company and Justin Scarpulla. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 1, 2021.
10.14^	First Amendment to Amended and Restated Loan and Security Agreement dated April 30, 2021 between the Company and East West Bank.
21.1^	Subsidiaries of the Registrant.
23.1^	Consent of Independent Registered Public Accounting Firm.
31.1^	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
31.2^	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
32+	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

Exhibit Number	Description of Document

^ Filed herewith.

* Denotes management compensatory contract or arrangement.

+ Furnished herewith and not "filed" for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"). Such certifications will not be deemed to be incorporated by reference into any filings under the Securities Act of 1933 or the Exchange Act, except to the extent that the registrant specifically incorporates by reference.

ITEM 16. *FORM 10-K SUMMARY*

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Registrant
IDENTIV, INC.

By: /s/ Steven Humphreys
Steven Humphreys
Chief Executive Officer

March 11, 2022

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENT, that each person whose signature appears below constitutes and appoints Steven Humphreys and Justin Scarpulla, and each of them, his or her true and lawful attorneys in fact, each with full power of substitution, for him or her in any and all capacities, to sign any amendments to this report on Form 10-K and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys in fact or their substitute or substitutes may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Capacity in Which Signed	Date
/s/ STEVEN HUMPHREYS **Steven Humphreys**	Chief Executive Officer (Principal Executive Officer)	March 11, 2022
/s/ JUSTIN SCARPULLA **Justin Scarpulla**	Chief Financial Officer (Principal Financial and Accounting Officer)	March 11, 2022
/s/ JAMES E. OUSLEY **James E. Ousley**	Chairman of the Board and Director	March 11, 2022
/s/ ROBIN R. BRAUN **Robin R. Braun**	Director	March 11, 2022
/s/ GARY KREMEN **Gary Kremen**	Director	March 11, 2022
/s/ NINA B. SHAPIRO **Nina B. Shapiro**	Director	March 11, 2022