

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2022

OR

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

Commission File Number: 001-39304

ADEIA INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

3025 Orchard Parkway, San Jose, California
(Address of Principal Executive Offices)

84-4734590
(I.R.S. Employer
Identification No.)

95134
(Zip Code)

(408) 473-2500
(Registrant's Telephone Number, Including Area Code)

XPERI HOLDING CORPORATION
(Former name, former address and former fiscal year, if changed since last report)

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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

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

The number of shares outstanding of the registrant's common stock as of October 25, 2022 was 105,059,079.

ADEIA INC.
FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2022
TABLE OF CONTENTS

	<u>Page</u>
<u>PART I</u>	
Item 1.	3
<u>Financial Statements (unaudited)</u>	3
<u>Condensed Consolidated Statements of Operations – Three and Nine Months Ended September 30, 2022 and 2021</u>	3
<u>Condensed Consolidated Statements of Comprehensive Income (Loss) – Three and Nine Months Ended September 30, 2022 and 2021</u>	4
<u>Condensed Consolidated Balance Sheets – September 30, 2022 and December 31, 2021</u>	5
<u>Condensed Consolidated Statements of Cash Flows – Nine Months Ended September 30, 2022 and 2021</u>	6
<u>Condensed Consolidated Statements of Equity – Three and Nine Months Ended September 30, 2022 and 2021</u>	7
<u>Notes to Condensed Consolidated Financial Statements</u>	9
Item 2.	38
<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	38
Item 3.	53
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	53
Item 4.	53
<u>Controls and Procedures</u>	53
<u>PART II</u>	
Item 1.	54
<u>Legal Proceedings</u>	54
Item 1A.	56
<u>Risk Factors</u>	56
Item 2.	76
<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	76
Item 3.	76
<u>Defaults Upon Senior Securities</u>	76
Item 4.	76
<u>Mine Safety Disclosures</u>	76
Item 5.	76
<u>Other Information</u>	76
Item 6.	77
<u>Exhibits</u>	77
<u>Signatures</u>	78

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

ADEIA INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)
(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Revenue	\$ 210,941	\$ 219,379	\$ 702,379	\$ 663,247
Operating expenses:				
Cost of revenue, excluding depreciation and amortization of intangible assets	31,554	32,549	86,324	87,564
Research, development and other related costs	68,366	58,766	189,881	168,369
Selling, general and administrative	83,958	62,627	226,519	197,754
Depreciation expense	5,388	6,796	16,759	17,994
Amortization expense	40,808	52,388	119,293	156,825
Litigation expense	3,083	2,327	7,998	7,162
Goodwill impairment	354,000	—	354,000	—
Total operating expenses	587,157	215,453	1,000,774	635,668
Operating income (loss)	(376,216)	3,926	(298,395)	27,579
Interest expense	(13,198)	(8,532)	(31,066)	(30,400)
Other income and expense, net	460	927	1,681	2,916
Loss on debt extinguishment	—	—	—	(8,012)
Loss before taxes	(388,954)	(3,679)	(327,780)	(7,917)
Provision for income taxes	865	42,698	44,536	35,807
Net loss	\$ (389,819)	\$ (46,377)	\$ (372,316)	\$ (43,724)
Less: net loss attributable to noncontrolling interest	(890)	(1,310)	(2,706)	(2,826)
Net loss attributable to the Company	\$ (388,929)	\$ (45,067)	\$ (369,610)	\$ (40,898)
Loss per share attributable to the Company:				
Basic	\$ (3.72)	\$ (0.43)	\$ (3.55)	\$ (0.39)
Diluted	\$ (3.72)	\$ (0.43)	\$ (3.55)	\$ (0.39)
Weighted average number of shares used in per share calculations-basic	104,510	104,849	104,066	104,898
Weighted average number of shares used in per share calculations-diluted	104,510	104,849	104,066	104,898

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

ADEIA INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands)
(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Net loss	\$ (389,819)	\$ (46,377)	\$ (372,316)	\$ (43,724)
Other comprehensive income (loss), net of tax:				
Change in foreign currency translation adjustment	(1,523)	(598)	(4,441)	(1,563)
Net unrealized loss on available-for-sale debt securities	42	2	64	2
Other comprehensive loss, net of tax	(1,481)	(596)	(4,377)	(1,561)
Comprehensive loss	(391,300)	(46,973)	(376,693)	(45,285)
Less: comprehensive loss attributable to noncontrolling interest	(890)	(1,310)	(2,706)	(2,826)
Comprehensive loss attributable to the Company	<u>\$ (390,410)</u>	<u>\$ (45,663)</u>	<u>\$ (373,987)</u>	<u>\$ (42,459)</u>

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

ADEIA INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except for par value)
(unaudited)

	September 30, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 271,092	\$ 201,121
Available-for-sale debt securities	1,399	60,534
Accounts receivable, net of allowance for credit losses of \$2,705 and \$3,102, respectively	107,017	143,683
Unbilled contracts receivable, net	129,206	77,677
Other current assets	45,250	36,459
Total current assets	553,964	519,474
Long-term unbilled contracts receivable	44,715	4,107
Property and equipment, net	56,727	60,974
Operating lease right-of-use assets	62,691	68,498
Intangible assets, net	736,489	817,916
Goodwill, net	564,215	851,088
Other long-term assets	141,926	147,965
Total assets	<u>\$ 2,160,727</u>	<u>\$ 2,470,022</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 25,286	\$ 7,811
Accrued liabilities	125,921	110,705
Current portion of long-term debt, net	36,267	36,095
Deferred revenue	37,921	35,136
Total current liabilities	225,395	189,747
Deferred revenue, less current portion	30,897	37,107
Long-term deferred tax liabilities	26,240	19,848
Long-term debt, net	752,170	729,392
Noncurrent operating lease liabilities	47,089	54,658
Other long-term liabilities	99,881	98,842
Total liabilities	1,181,672	1,129,594
Commitments and contingencies (Note 15)		
Company stockholders' equity:		
Preferred stock: \$0.001 par value; (2022: authorized 15,000 shares; 2021: authorized 15,000 shares; and no shares issued and outstanding)	—	—
Common stock: \$0.001 par value; (2022: authorized 350,000 shares, issued 116,930 shares, outstanding 105,059 shares; 2021: authorized 350,000 shares, issued 113,460, outstanding 103,260 shares)	117	113
Additional paid-in capital	1,405,433	1,340,480
Treasury stock at cost (2022: 11,880 shares; 2021: 10,200 shares)	(210,607)	(178,022)
Accumulated other comprehensive loss	(5,129)	(752)
Retained earnings (accumulated deficit)	(197,427)	187,814
Total Company stockholders' equity	992,387	1,349,633
Noncontrolling interest	(13,332)	(9,205)
Total equity	979,055	1,340,428
Total liabilities and equity	<u>\$ 2,160,727</u>	<u>\$ 2,470,022</u>

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

ADEIA INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Nine Months Ended	
	September 30, 2022	September 30, 2021
Cash flows from operating activities:		
Net loss	\$ (372,316)	\$ (43,724)
Adjustments to reconcile net loss to net cash from operating activities:		
Depreciation of property and equipment	16,759	17,994
Amortization of intangible assets	119,293	156,825
Goodwill impairment	354,000	—
Stock-based compensation expense	49,283	42,468
Deferred income taxes	(1,761)	(7,092)
Loss on debt extinguishment	—	8,012
Patent assets received in lieu of cash	—	(8,787)
Other	4,312	8,474
Changes in operating assets and liabilities:		
Accounts receivable	40,075	(14,327)
Unbilled contracts receivable	(89,636)	30,708
Other assets	7,264	(3,956)
Accounts payable	16,606	3,036
Accrued and other liabilities	2,508	(23,414)
Deferred revenue	(4,345)	(304)
Net cash from operating activities	<u>142,042</u>	<u>165,913</u>
Cash flows from investing activities:		
Purchases of property and equipment	(12,576)	(8,298)
Proceeds from sale of property and equipment	86	19
Cash paid for acquisitions, net of cash acquired	(50,473)	(17,400)
Purchases of intangible assets	(290)	(119)
Purchases of short-term investments	(4,490)	(65,446)
Proceeds from sales of investments	28,254	46,248
Proceeds from maturities of investments	35,176	33,436
Net cash from investing activities	<u>(4,313)</u>	<u>(11,560)</u>
Cash flows from financing activities:		
Dividends paid	(15,631)	(15,752)
Repayment of debt	(30,375)	(73,923)
Debt refinancing costs	—	(6,843)
Proceeds from employee stock purchase program and exercise of stock options	14,252	13,839
Repurchases of common stock	(32,585)	(75,235)
Net cash from financing activities	<u>(64,339)</u>	<u>(157,914)</u>
Effect of exchange rate changes on cash and cash equivalents	(3,419)	(1,189)
Net increase (decrease) in cash and cash equivalents	69,971	(4,750)
Cash and cash equivalents at beginning of period	201,121	170,188
Cash and cash equivalents at end of period	<u>\$ 271,092</u>	<u>\$ 165,438</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ 26,797</u>	<u>\$ 25,030</u>
Income taxes paid, net of refunds	<u>\$ 22,389</u>	<u>\$ 22,151</u>
Debt acquired in a business acquisition	<u>\$ 50,000</u>	<u>\$ —</u>

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

ADEIA INC.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(in thousands)
(unaudited)

Three Months Ended September 30, 2022	Total Company Stockholders' Equity								
	Common Stock		Additional Paid-In	Treasury Stock		Accumulated Other Comprehensive	Retained Earnings	Noncontrolling	Total Equity
	Shares	Amount	Capital	Shares	Amount	Loss	(Accumulated Deficit)	Interest	
Balance at July 1, 2022	104,030	\$ 116	\$ 1,380,814	11,734	\$ (206,757)	\$ (3,648)	\$ 196,715	\$ (11,015)	\$ 1,356,225
Issuance of subsidiary shares to noncontrolling interest	—	—	1,427	—	—	—	—	(1,427)	—
Net loss	—	—	—	—	—	—	(388,929)	(890)	(389,819)
Other comprehensive loss	—	—	—	—	—	(1,481)	—	—	(1,481)
Cash dividends paid on common stock (\$0.05 per share)	—	—	—	—	—	—	(5,213)	—	(5,213)
Issuance of common stock in connection with exercise of stock options	4	—	56	—	—	—	—	—	56
Issuance of common stock in connection with employee stock purchase plan	562	—	6,138	—	—	—	—	—	6,138
Issuance of restricted stock, net of shares canceled	714	1	—	—	—	—	—	—	1
Repurchases of common stock, shares exchanged	(251)	—	—	251	(3,850)	—	—	—	(3,850)
Shares exchanged and returned to assumed plans	—	—	—	(105)	—	—	—	—	—
Stock-based compensation expense	—	—	16,998	—	—	—	—	—	16,998
Balance at September 30, 2022	<u>105,059</u>	<u>\$ 117</u>	<u>\$ 1,405,433</u>	<u>11,880</u>	<u>\$ (210,607)</u>	<u>\$ (5,129)</u>	<u>\$ (197,427)</u>	<u>\$ (13,332)</u>	<u>\$ 979,055</u>

Nine Months Ended September 30, 2022	Total Company Stockholders' Equity								
	Common Stock		Additional Paid-In	Treasury Stock		Accumulated Other Comprehensive	Retained Earnings	Noncontrolling	Total Equity
	Shares	Amount	Capital	Shares	Amount	Loss	(Accumulated Deficit)	Interest	
Balance at January 1, 2022	103,260	\$ 113	\$ 1,340,480	10,200	\$ (178,022)	\$ (752)	\$ 187,814	\$ (9,205)	\$ 1,340,428
Issuance of subsidiary shares to noncontrolling interest	—	—	1,421	—	—	—	—	(1,421)	—
Net loss	—	—	—	—	—	—	(369,610)	(2,706)	(372,316)
Other comprehensive loss	—	—	—	—	—	(4,377)	—	—	(4,377)
Cash dividends paid on common stock (\$0.05 per share)	—	—	—	—	—	—	(15,631)	—	(15,631)
Issuance of common stock in connection with exercise of stock options	9	—	118	—	—	—	—	—	118
Issuance of common stock in connection with employee stock purchase plan	1,301	1	14,131	—	—	—	—	—	14,132
Issuance of restricted stock, net of shares canceled	2,452	3	—	—	—	—	—	—	3
Repurchases of common stock, shares exchanged	(934)	—	—	934	(15,325)	—	—	—	(15,325)
Shares exchanged and returned to assumed plans	—	—	—	(283)	—	—	—	—	—
Repurchases of common stock	(1,029)	—	—	1,029	(17,260)	—	—	—	(17,260)
Stock-based compensation expense	—	—	49,283	—	—	—	—	—	49,283
Balance at September 30, 2022	<u>105,059</u>	<u>\$ 117</u>	<u>\$ 1,405,433</u>	<u>11,880</u>	<u>\$ (210,607)</u>	<u>\$ (5,129)</u>	<u>\$ (197,427)</u>	<u>\$ (13,332)</u>	<u>\$ 979,055</u>

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

ADEIA INC.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(in thousands)
(unaudited)

Total Company Stockholders' Equity									
Three Months Ended September 30, 2021	Common Stock		Additional Paid-In Capital	Treasury Stock		Accumulated Other Comprehensiv e Income (Loss)	Retained Earnings	Noncontrolli ng Interest	Total Equity
	Shares	Amount		Shares	Amount				
Balance at July 1, 2021	104,578	\$ 112	\$ 1,303,768	7,324	\$ (120,542)	\$ 299	\$ 257,905	\$ (7,272)	\$ 1,434,270
Issuance of subsidiary shares to noncontrolling interest	—	—	(10)	—	—	—	—	10	—
Net loss	—	—	—	—	—	—	(45,067)	(1,310)	(46,377)
Other comprehensive loss	—	—	—	—	—	(596)	—	—	(596)
Cash dividends paid on common stock (\$0.05 per share)	—	—	—	—	—	—	(5,238)	—	(5,238)
Issuance of common stock in connection with exercise of stock options	1	—	19	—	—	—	—	—	19
Issuance of common stock in connection with employee stock purchase plan	604	—	6,572	—	—	—	—	—	6,572
Issuance of restricted stock, net of shares canceled	888	1	—	—	—	—	—	—	1
Repurchases of common stock, shares exchanged	(334)	—	—	334	(7,073)	—	—	—	(7,073)
Repurchases of common stock	(1,229)	—	—	1,229	(24,838)	—	—	—	(24,838)
Stock-based compensation expense	—	—	14,414	—	—	—	—	—	14,414
Balance at September 30, 2021	<u>104,508</u>	<u>\$ 113</u>	<u>\$ 1,324,763</u>	<u>8,887</u>	<u>\$ (152,453)</u>	<u>\$ (297)</u>	<u>\$ 207,600</u>	<u>\$ (8,572)</u>	<u>\$ 1,371,154</u>

Total Company Stockholders' Equity									
Nine Months Ended September 30, 2021	Common Stock		Additional Paid-In Capital	Treasury Stock		Accumulated Other Comprehensiv e Income (Loss)	Retained Earnings	Noncontrolli ng Interest	Total Equity
	Shares	Amount		Shares	Amount				
Balance at January 1, 2021	104,775	\$ 110	\$ 1,268,471	5,407	\$ (77,218)	\$ 1,264	\$ 264,250	\$ (5,758)	\$ 1,451,119
Issuance of subsidiary shares to noncontrolling interest	—	—	(12)	—	—	—	—	12	—
Net loss	—	—	—	—	—	—	(40,898)	(2,826)	(43,724)
Other comprehensive loss	—	—	—	—	—	(1,561)	—	—	(1,561)
Cash dividends paid on common stock (\$0.15 per share)	—	—	—	—	—	—	(15,752)	—	(15,752)
Issuance of common stock in connection with exercise of stock options	39	—	779	—	—	—	—	—	779
Issuance of common stock in connection with employee stock purchase plan	1,237	1	13,057	—	—	—	—	—	13,058
Issuance of restricted stock, net of shares canceled	1,937	2	—	—	—	—	—	—	2
Repurchases of common stock, shares exchanged	(726)	—	—	726	(15,417)	—	—	—	(15,417)
Repurchases of common stock	(2,754)	—	—	2,754	(59,818)	—	—	—	(59,818)
Stock-based compensation expense	—	—	42,468	—	—	—	—	—	42,468
Balance at September 30, 2021	<u>104,508</u>	<u>\$ 113</u>	<u>\$ 1,324,763</u>	<u>8,887</u>	<u>\$ (152,453)</u>	<u>\$ (297)</u>	<u>\$ 207,600</u>	<u>\$ (8,572)</u>	<u>\$ 1,371,154</u>

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

ADEIA INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

NOTE 1 – THE COMPANY AND BASIS OF PRESENTATION

Adeia Inc. (formerly known as Xperi Holding Corporation) (the "Company") a Delaware corporation, is one of the industry's largest intellectual property ("IP") licensing platforms, with a diverse portfolio of media and semiconductor intellectual property and more than 9,500 patents and patent applications worldwide.

On December 18, 2019, Xperi Corporation ("Xperi") entered into an Agreement and Plan of Merger and Reorganization with TiVo Corporation ("TiVo") to combine in an all-stock merger of equals transaction (the "Mergers"). Immediately following the consummation of the Mergers on June 1, 2020 (the "Merger Date"), Xperi Holding Corporation, a Delaware corporation founded in December 2019 under the name "XRAY-TWOLF HoldCo Corporation," became the parent company of both Xperi and TiVo. The common stock of Xperi and TiVo were de-registered after completion of the Mergers. On June 2, 2020, Xperi Holding Corporation's common stock, par value \$0.001 per share, commenced trading on the Nasdaq Global Select Market ("Nasdaq") under the ticker symbol "XPER."

On October 1, 2022, the Company completed the previously announced separation ("the Separation") of its product business into a separate, independent publicly traded company, Xperi Inc. ("Xperi Inc."). The Separation was structured as a spin-off (the "Spin-off"), which was achieved through the Company's distribution (the "Distribution") of 100 percent of the outstanding shares of Xperi Inc.'s common stock to holders of the Company's common stock as of the close of business on the record date of September 21, 2022 (the "Record Date"). Each Company stockholder of record received four shares of Xperi Inc. common stock for every ten shares of Company common stock that it held on the Record Date. Following the Separation, the Company retains no ownership in Xperi Inc., which is now listed under the ticker symbol "XPER" on the New York Stock Exchange. Effective at the open of business on October 3, 2022, the Company's shares of common stock, par value \$0.001 per share, began trading on the Nasdaq Global Select Market under the new ticker symbol "ADEA".

Xperi Inc. is a leading consumer and entertainment product/solutions licensing company. Xperi Inc. creates extraordinary experiences at home and on the go for millions of consumers around the world, elevating content and how audiences connect with it in a way that is more intelligent, immersive and personal. Powering smart devices, connected cars, entertainment experiences and more, Xperi Inc. has created a unified ecosystem that reaches highly engaged consumers and uncovers significant new business opportunities, now and in the future. Xperi Inc.'s technologies are integrated into billions of consumer devices, media platforms, and semiconductors worldwide, driving increased value for Xperi Inc.'s partners, customers and consumers.

The Company's financial results for the three and nine months ended September 30, 2022 include Xperi Inc., and the discussion in these notes to the interim unaudited condensed consolidated financial statements describes the historical results and business of Xperi Inc. With the completion of the Separation, the Company will no longer consolidate Xperi Inc. into its financial results and the historical results of Xperi Inc. will be presented as discontinued operations in the Company's consolidated financial statements beginning in the fourth quarter of 2022. Additionally, as a result of the Separation, the Company changed its organizational structure in the fourth quarter of 2022, resulting in one reportable segment: IP Licensing. Since these organizational changes did not occur until the fourth quarter of 2022, the periods presented in this Form 10-Q are reported under historical segments. See "Note 16 - *Segment and Geographic Information*" for additional information.

The accompanying interim unaudited condensed consolidated financial statements have been prepared by the Company in accordance with generally accepted accounting principles ("GAAP") in the United States ("U.S.") and the applicable rules and regulations of the Securities and Exchange Commission ("SEC") for interim financial information. The amounts as of December 31, 2021 have been derived from the Company's annual audited consolidated financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2021, filed on February 24, 2022 (the "Form 10-K"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted in accordance with such rules and regulations. In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments necessary (consisting of normal recurring adjustments) to state fairly the financial position of the Company and its results of operations and cash flows as of and for the periods presented. These financial statements should be read in conjunction with the annual audited financial statements and notes thereto as of and for the year ended December 31, 2021, included in the Form 10-K.

The results of operations for the three and nine months ended September 30, 2022 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2022 or any future period and the Company makes no representations related thereto.

In the fourth quarter of 2018, the Company funded a new subsidiary, Perceive Corporation (“Perceive”), which was created to focus on delivering edge inference solutions. As of September 30, 2022, the Company’s ownership interest in Perceive was approximately 77%. The operating results of Perceive have been consolidated in the Company’s condensed consolidated financial statements for all periods presented. As of October 1, 2022 the Company had no ownership interest in Perceive as Xperi Inc. retained the ownership interest in connection with the Separation.

Reclassification

Certain reclassifications have been made to prior period balances in order to conform to the current period’s presentation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

There have been no significant changes in the Company’s significant accounting policies during the nine months ended September 30, 2022, as compared to the significant accounting policies described in the Form 10-K.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The accounting estimates and assumptions that require management’s most significant, challenging, and subjective judgment include the estimation of licensees’ quarterly royalties prior to receiving the royalty reports, the determination of stand-alone selling price and the transaction price in an arrangement with multiple performance obligations, the estimation of variable consideration, the assessment of the recoverability of goodwill, the assessment of useful lives and recoverability of other intangible assets and long-lived assets, recognition and measurement of current and deferred income tax assets and liabilities, the assessment of unrecognized tax benefits, and purchase accounting resulting from business combinations, among others. Actual results experienced by the Company may differ from management’s estimates. These estimates may change, as new events occur and additional information is obtained, and are recognized in the consolidated financial statements as soon as they become known.

Recently Adopted Accounting Pronouncements

In October 2021, the Financial Accounting Standards Board (“FASB”) issued ASU 2021-08, “*Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*” (“ASU 2021-08”), which amends the guidance in ASC 805 to require that an entity (acquirer) recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Revenue from Contracts with Customers (“Topic 606”). As a result of the amendments, it is expected that an acquirer will generally recognize and measure acquired contract assets and contract liabilities in a manner consistent with how the acquiree recognized and measured them in its preacquisition financial statements. ASU 2021-08 is effective for public business entities for fiscal years beginning after December 15, 2022 and early adoption is permitted. The Company elected to early adopt the new standard on January 1, 2022. The adoption did not have an impact on the Company’s condensed consolidated financial statements.

Recent Accounting Pronouncements

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848): *Facilitation of the Effects of Reference Rate Reform on Financial Reporting* (“ASU 2020-04”). ASU 2020-04 provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments in ASU 2020-04 apply only to contracts, hedging relationships, and other transactions that reference the London Interbank Offered Rate (“LIBOR”) or another reference rate expected to be discontinued because of reference rate reform. In January 2021, the FASB issued ASU 2021-01, Reference Rate Reform (Topic 848), which provides further clarification on the scope of Topic 848 so that derivatives affected by the discounting transition are explicitly eligible for certain optional expedients and exceptions in Topic 848. ASU 2020-04 became effective upon issuance and may be applied prospectively to contract modifications made on or before December 31, 2022. ASU 2021-01 became effective upon issuance and may be applied on a full retrospective basis as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020 or prospectively for contract modifications made on or before December 31, 2022.

The Company currently has debt agreements that reference LIBOR and will apply the amendments prospectively through December 31, 2022 as these contracts are modified to reference other rates.

NOTE 3 – REVENUE

Revenue Recognition

General

Revenue is recognized when control of the promised goods or services is transferred to a customer in an amount that reflects the consideration the Company expects to receive in exchange for those goods or services, which may include various combinations of goods and services which are generally capable of being distinct and accounted for as separate performance obligations. Revenue is recognized net of sales taxes collected from customers, which are subsequently remitted to governmental authorities. In situations where foreign withholding taxes are withheld by the Company's licensee, revenue is recognized gross of withholding taxes that are remitted directly by the licensee to a local tax authority.

Some of the Company's contracts with customers contain multiple performance obligations. For these contracts, the individual performance obligations are separately accounted for if they are distinct. In an arrangement with multiple performance obligations, the transaction price is allocated among the separate performance obligations on a relative stand-alone selling price basis. The determination of stand-alone selling price considers market conditions, the size and scope of the contract, customer and geographic information, and other factors. When observable prices are not available, stand-alone selling price for separate performance obligations is based on the cost-plus-margin approach, considering overall pricing objectives. The allocation of transaction price among performance obligations in a contract may impact the amount and timing of revenue recognized in the Condensed Consolidated Statements of Operations during a given period.

When a contract with a customer includes a variable transaction price, an estimate of the consideration that the Company expects to be entitled to for transferring the promised goods or services is made at contract inception. The amount of variable consideration is estimated at contract inception by considering all available information (historical, current and forecast) at the time and is updated as additional information becomes available. The estimate of variable consideration is included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Subsequent changes in the transaction price resulting from changes in the estimate of variable consideration are allocated to the performance obligations in the contract on the same basis as at contract inception.

When variable consideration is in the form of a sales-based or usage-based royalty in exchange for a license of IP, or when a license of IP is the predominant item to which the variable consideration relates, revenue is recognized at the later of when the subsequent sale or usage occurs or the performance obligation to which some or all of the sales-based or usage-based royalty has been allocated has been satisfied or partially satisfied.

Description of Revenue-Generating Activities

The Company operates in two business segments. In its IP Licensing segment, the Company licenses its innovations to leading companies in the broader entertainment and semiconductor industries and those developing new technologies that will help drive these industries forward. Licensing arrangements include access to one or more of the Company's foundational patent portfolios and may also include access to some of its industry-leading technologies and proven know-how. In its Product segment, the Company derives the majority of its revenue from licensing its technology to customers primarily through Technology License arrangements and Technology Solutions arrangements. For Technology License arrangements, the customer obtains rights to the technology delivered at the commencement of the agreement. For Technology Solutions arrangements, the customer receives access to a platform, media or data that includes frequent updates, where access to such updates is critical to the functionality of the technology.

IP License Arrangements

In its IP Licensing segment, the Company licenses (i) its media patent portfolio (“Media IP licensing”) to multichannel video programming distributors, over-the-top video service providers, consumer electronics manufacturers, social media, and other new media companies and (ii) its semiconductor technologies and associated patent portfolio (“Semiconductor IP licensing”) to memory, sensor, radio frequency component, and foundry companies. The Company licenses its IP portfolios under three revenue models: (i) fixed-fee Media IP licensing, (ii) fixed-fee or minimum guarantee Semiconductor IP licensing, and (iii) per-unit or per-subscriber IP royalty licenses.

Fixed-fee Media IP licensing

The Company's fixed-fee Media IP licensing agreements, which are related to the TiVo businesses following the Mergers, provide its customers with rights to future patented technologies over the term of the agreement that are highly interdependent or highly interrelated to the patented technologies provided at the inception of the agreement. The Company treats these rights as a single performance obligation with revenue recognized on a straight-line basis over the term of the fixed-fee license agreement.

At times, the Company enters into license agreements in which a licensee is released from past patent infringement claims or is granted a license to ship an unlimited number of units or for an unlimited number of subscribers over a future period for a fixed fee. In these arrangements, the Company allocates the transaction price between the release for past patent infringement claims and the future license which requires significant management judgment. In determining the stand-alone selling price of the release for past patent infringement claims and the future license, the Company considers such factors as the number of units shipped in the past or the number of past subscribers and the relevant geographies of the shipped units or subscribers, the future number of subscribers or units, as well as the licensing rate the Company generally receives for per-subscriber or units shipped in the same geographies. As the release from past patent infringement claims is generally satisfied at execution of the agreement, the transaction price allocated to the release from past patent infringement claims is generally recognized in the period the agreement is executed and the amount of transaction price allocated to the future license is recognized ratably over the future license term.

Fixed-fee or minimum guarantee Semiconductor IP licensing

The Company enters into Semiconductor IP licenses that have fixed fee or minimum guarantee arrangements, whereby licensees pay a fixed fee for the right to incorporate the Company's IP technologies in the licensee's products over the license term. In arrangements with a minimum guarantee, the fixed fee component corresponds to a minimum number of units or dollars that the customer must produce or pay, with additional per-unit fees for any units or dollars exceeding the minimum. The Company generally recognizes the full fixed fee as revenue at the beginning of the license term when the customer has the right to use the IP and begins to benefit from the license, net of the effect of any significant financing components calculated using customer-specific, risk-adjusted lending rates, with the related interest income being recognized over time on an effective rate basis. For minimum guarantee agreements where the customer exceeds the minimum, the Company recognizes revenue relating to any additional per-unit fees in the periods it believes the customer will exceed the minimum and adjusts the revenue based on actual usage once that is reported by the customer.

Per-unit or per-subscriber IP royalty licenses

The Company recognizes revenue from per-unit or per-subscriber IP royalty licenses in the period in which the licensee's sales or production are estimated to have occurred, which results in an adjustment to revenue when actual sales or production are subsequently reported by the licensee, which is generally in the month or quarter following usage or shipment. Estimating customers' monthly or quarterly royalties prior to receiving the royalty reports requires the Company to make significant assumptions and judgments related to forecasted trends and growth rates used to estimate quantities shipped or manufactured by customers, which could have a material impact on the amount of revenue it reports on a quarterly basis.

Technology License Arrangements

The Company licenses its audio, digital radio and imaging technology to consumer electronics (“CE”) manufacturers, automotive manufacturers or their supply chain partners.

The Company generally recognizes royalty revenue from licenses based on units shipped or manufactured. Revenue is recognized in the period in which the customer's sales or production are estimated to have occurred. This may result in an adjustment to revenue when actual sales or production are subsequently reported by the customer, generally in the month or quarter following sales or production. Estimating customers' quarterly royalties prior to receiving the royalty reports requires the Company to make significant assumptions and judgments related to forecasted trends and growth rates used to estimate quantities shipped or manufactured by customers, which could have a material impact on the amount of revenue it reports on a quarterly basis.

Certain customers enter into fixed fee or minimum guarantee agreements, whereby customers pay a fixed fee for the right to incorporate the Company's technology in the customer's products over the license term. In arrangements with a minimum guarantee, the fixed fee component corresponds to a minimum number of units or dollars that the customer must produce or pay, with additional per-unit fees for any units or dollars exceeding the minimum. The Company generally recognizes the full fixed fee as revenue at the beginning of the license term when the customer has the right to use the technology and begins to benefit from the license, net of the effect of any significant financing components calculated using customer-specific, risk-adjusted lending rates, with the related interest income being recognized over time on an effective rate basis. For minimum guarantee agreements where the customer exceeds the minimum, the Company recognizes revenue relating to any additional per-unit fees in the periods it believes the customer will exceed the minimum and adjusts the revenue based on actual usage once that is reported by the customer.

Technology Solutions Arrangements

Technology Solutions customers are primarily multi-channel video service providers, CE manufacturers, and end consumers. Technology Solutions revenue is primarily derived from licensing the Company's Pay-TV solutions, Personalized Content Discovery, enriched Metadata, and viewership data; selling TiVo-enabled devices like the Stream 4K; and advertising.

For Technology Solutions, the Company provides on-going media or data delivery, hosting and access to its platform, and software updates. For these solutions, the Company generally receives fees on a per-subscriber per-month basis or as a fixed fee, and revenue is recognized during the month in which the solutions are provided to the customer. For most of the Technology Solutions offerings, substantially all functionality is obtained through the Company's continuous hosting and/or updating of the data and content. In these instances, the Company typically has a single performance obligation related to these ongoing activities in the underlying arrangement. For those arrangements that include multiple performance obligations, the Company allocates the consideration as described above and recognizes revenue for each distinct performance obligation when control of the promised goods or services is transferred to the customer.

The Company also generates revenue from non-recurring engineering ("NRE") services, advertising, and hardware products, each of which was less than 5% of total revenue for all periods presented.

Practical Expedients and Exemptions

The Company applies a practical expedient to not perform an evaluation of whether a contract includes a significant financing component when the timing of revenue recognition differs from the timing of cash collection by one year or less.

The Company applies a practical expedient to expense costs to obtain a contract with a customer as incurred as a component of selling, general and administrative expenses when the amortization period would have been one year or less.

The Company applies a practical expedient when disclosing revenue expected to be recognized from unsatisfied performance obligations to exclude contracts with customers with an original duration of less than one year; amounts attributable to variable consideration arising from (i) a sales-based or usage-based royalty of an intellectual property license or (ii) when variable consideration is allocated entirely to a wholly unsatisfied performance obligation; or to a wholly unsatisfied promise to transfer a distinct good or service that forms part of a single performance obligation.

Revenue Details

The following information depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors by disaggregating revenue by product category/end market and geographic location (presented in “Note 16 - Segment and Geographic Information”).

Revenue disaggregated by product category/end market was as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
IP Licensing revenue	\$ 89,303	\$ 101,647	\$ 335,649	\$ 301,507
Pay-TV	58,378	65,891	182,903	196,795
Consumer Electronics	33,561	21,234	101,145	75,054
Connected Car	20,224	20,449	60,798	65,869
Media Platform	9,475	10,158	21,884	24,022
Total Product revenue	121,638	117,732	366,730	361,740
Total revenue	\$ 210,941	\$ 219,379	\$ 702,379	\$ 663,247

Contract Balances

Contracts Assets

Contract assets primarily consist of unbilled contracts receivable that are expected to be received from customers in future periods, where the revenue recognized to date exceeds the amount billed. The amount of unbilled contracts receivable may not exceed their net realizable value and are classified as long-term assets if the payments are expected to be received more than one year from the reporting date. Contract assets also include the incremental costs of obtaining a contract with a customer, principally sales commissions when the renewal commission is not commensurate with the initial commission, and deferred engineering costs for significant software customization or modification and set-up services to the extent deemed recoverable.

Contract assets were recorded in the Condensed Consolidated Balance Sheets as follows (in thousands):

	September 30, 2022	December 31, 2021
Unbilled contracts receivable (1)	\$ 129,206	\$ 77,677
Other current assets	1,057	1,150
Long-term unbilled contracts receivable (2)	44,715	4,107
Other long-term assets	1,979	2,310
Total contract assets	\$ 176,957	\$ 85,244

- (1) The unbilled contracts receivable increase relates primarily to a change in billing process and to the recognition of revenue from long-term contracts with two customers in the nine months ended September 30, 2022. The change in billing process has no impact on the Company's cash flows or results from operations.
- (2) The long-term unbilled contracts receivable increase relates primarily to the recognition of revenue from a multi-year contract with one customer in the nine months ended September 30, 2022.

Contract Liabilities

Contract liabilities are mainly comprised of deferred revenue related to technology solutions arrangements, multi-period licensing, and other offerings for which the Company is paid in advance while the promised good or service is transferred to the customer at a future date or over time. Deferred revenue also includes amounts received related to professional services to be performed in the future. Deferred revenue arises when cash payments are received, including amounts which are refundable, in advance of performance obligations being completed.

Allowance for Credit Losses

The allowance for credit losses, which includes the allowance for accounts receivable and unbilled contracts receivable, represents the Company's best estimate of lifetime expected credit losses inherent in those financial assets. The Company's lifetime expected credit losses are determined using relevant information about past events (including historical experience), current conditions, and reasonable and supportable forecasts that affect collectability. The Company monitors its credit exposure through ongoing credit evaluations of its customers' financial condition and limits the amount of credit extended when deemed necessary. In addition, the Company performs routine credit management activities such as timely account reconciliations, dispute resolution, and payment confirmations. The Company may employ collection agencies and legal counsel to pursue recovery of defaulted receivables.

The Company's long-term unbilled contracts receivable is derived from fixed-fee or minimum-guarantee arrangements, primarily with large well-capitalized companies. It is generally considered to be of high credit quality due to past collection history and the nature of the customers.

The following table presents the activity in the allowance for credit losses for the three and nine months ended September 30, 2022 and 2021 (in thousands):

	Three Months Ended September 30, 2022		Nine Months Ended September 30, 2022	
	Accounts Receivable	Unbilled Contracts Receivable	Accounts Receivable	Unbilled Contracts Receivable
Beginning balance	\$ 2,740	\$ 480	\$ 3,102	\$ 729
Provision for (reversal of) credit losses	99	7	70	(166)
Recoveries	—	—	(138)	—
Charged-off/other adjustments	(134)	—	(329)	(76)
Balance at end of period	<u>\$ 2,705</u>	<u>\$ 487</u>	<u>\$ 2,705</u>	<u>\$ 487</u>

	Three Months Ended September 30, 2021		Nine Months Ended September 30, 2021	
	Accounts Receivable	Unbilled Contracts Receivable	Accounts Receivable	Unbilled Contracts Receivable
Beginning balance	\$ 4,131	\$ 3,274	\$ 7,336	\$ 2,231
Provision for (reversal of) credit losses	464	(710)	2,213	(197)
Recoveries	(1,146)	—	(2,202)	-
Charged-off/other adjustments	(72)	—	(3,970)	(1) 530
Balance at end of period	<u>\$ 3,377</u>	<u>\$ 2,564</u>	<u>\$ 3,377</u>	<u>\$ 2,564</u>

(1) The charge off of accounts receivable during the nine months ended September 30, 2021 was primarily related to a customer whose account had been substantially reserved for credit losses in 2020 due to deteriorating financial condition and delinquent payment history.

Additional Disclosures

The following table presents additional revenue and contract disclosures (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenue recognized in the period from:				
Amounts included in deferred revenue at the beginning of the period	\$ 6,260	\$ 5,924	\$ 24,126	\$ 24,076
Performance obligations satisfied in previous periods (true ups, licensee reporting adjustments and settlements) (1)	\$ 4,660	\$ 8,382	\$ 31,163 (2)	\$ 41,298 (3)

(1) True ups represent the differences between the Company's quarterly estimates of per-unit royalty revenue and actual production/sales-based royalties reported by licensees in the following period. Licensee reporting adjustments represent corrections or revisions to previously reported per-unit royalties by licensees, generally resulting from the Company's inquiries or compliance audits. Settlements represent resolutions of litigation during the period for past royalties owed pursuant to expired or terminated IP license agreements.

(2) Includes past royalty revenue from the settlement of a contract dispute with a large mobile imaging customer, and the execution of a long-term license agreement with a leading consumer electronics and OTT service provider. The long-term license agreement was effective as of the expiration of the prior agreement. The Company recorded revenue from both the settlement and the license agreement, referred to above, in the second quarter of 2022 and expects to record revenue from both the settlement and the license agreement in future periods.

(3) Includes past royalty revenue from the execution of long-term license agreements with three customers during the nine months ended September 30, 2021.

Remaining revenue under contracts with performance obligations represents the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) under certain of the Company's fixed fee arrangements and engineering services contracts. The Company's remaining revenue under contracts with performance obligations was as follows (in thousands):

	As of	
	September 30, 2022	December 31, 2021
Revenue from contracts with performance obligations expected to be satisfied in:		
2022 (remaining 3 months)	\$ 49,544	\$ 176,646
2023	201,070	153,746
2024	156,173	122,488
2025	146,337	110,703
2026	29,553	10,735
Thereafter	60,761	4,441
Total	\$ 643,438	\$ 578,759

NOTE 4 – COMPOSITION OF CERTAIN FINANCIAL STATEMENT CAPTIONS

Other current assets consisted of the following (in thousands):

	<u>September 30, 2022</u>	<u>December 31, 2021</u>
Prepaid income taxes	\$ 6,331	\$ 6,103
Prepaid expenses	22,232	18,616
Inventory*	9,082	5,101
Other	7,605	6,639
	<u>\$ 45,250</u>	<u>\$ 36,459</u>

*All inventory is finished goods.

Property and equipment, net, consisted of the following (in thousands):

	<u>September 30, 2022</u>	<u>December 31, 2021</u>
Equipment, furniture and other	\$ 90,015	\$ 81,076
Building and improvements	18,331	18,331
Land	5,300	5,300
Leasehold improvements	26,451	25,535
	<u>140,097</u>	<u>130,242</u>
Less: accumulated depreciation and amortization	(83,370)	(69,268)
	<u>\$ 56,727</u>	<u>\$ 60,974</u>

Other long-term assets consisted of the following (in thousands):

	<u>September 30, 2022</u>	<u>December 31, 2021</u>
Long-term deferred tax assets	\$ 3,977	\$ 3,758
Non-current income tax receivable	102,524	118,085
Other assets	35,425	26,122
	<u>\$ 141,926</u>	<u>\$ 147,965</u>

Accrued liabilities consisted of the following (in thousands):

	<u>September 30, 2022</u>	<u>December 31, 2021</u>
Employee compensation and benefits	\$ 44,367	\$ 42,075
Third-party royalties	6,650	4,428
Accrued legal fees	8,668	7,190
Accrued expenses	32,131	30,899
Accrued severance	2,013	1,921
Current portion of operating lease liabilities	17,966	16,467
Accrued income taxes	10,185	2,791
Other	3,941	4,934
	<u>\$ 125,921</u>	<u>\$ 110,705</u>

Other long-term liabilities consisted of the following (in thousands):

	<u>September 30, 2022</u>	<u>December 31, 2021</u>
Long-term income tax payable	\$ 93,459	\$ 91,614
Other	6,422	7,228
	<u>\$ 99,881</u>	<u>\$ 98,842</u>

Accumulated other comprehensive loss consisted of the following (in thousands):

	September 30, 2022	December 31, 2021
Unrealized loss on available-for-sale debt securities, net of tax	\$ (58)	\$ (122)
Foreign currency translation adjustment, net of tax	(5,071)	(630)
	<u>\$ (5,129)</u>	<u>\$ (752)</u>

NOTE 5 – FINANCIAL INSTRUMENTS

The Company has investments in debt securities which include corporate bonds and notes, treasury and agency notes and bills, commercial paper, certificates of deposit, and in equity securities consisting of money market funds. The Company classifies its debt securities as available-for-sale (“AFS”), which are accounted for at fair value with credit related losses recognized as a provision for credit loss expense in its Condensed Consolidated Statements of Operations and all non-credit related unrealized gains and losses recognized in accumulated other comprehensive income or loss on the Condensed Consolidated Balance Sheets. Under ASU 2016-01 (Topic 321), equity securities are measured at fair value with unrealized gains and losses recognized in other income and expense, net, on the Condensed Consolidated Statements of Operations.

The following is a summary of marketable securities at September 30, 2022 and December 31, 2021 (in thousands):

	September 30, 2022				Estimated Fair Values
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	
Marketable securities					
Commercial paper	\$ 27,384	\$ —	\$ (8)	\$ —	\$ 27,376
Total debt securities	<u>27,384</u>	<u>—</u>	<u>(8)</u>	<u>—</u>	<u>27,376</u>
Money market funds	5,457	—	—	—	5,457
Total equity securities	<u>5,457</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>5,457</u>
Total marketable securities	<u>\$ 32,841</u>	<u>\$ —</u>	<u>\$ (8)</u>	<u>\$ —</u>	<u>\$ 32,833</u>
Reported in:					
Cash and cash equivalents					\$ 31,434
Available-for-sale debt securities					1,399
Total marketable securities					<u>\$ 32,833</u>

	December 31, 2021				Estimated Fair Values
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit losses	
Marketable securities					
Corporate bonds and notes	\$ 40,466	\$ —	\$ (53)	\$ —	\$ 40,413
Commercial paper	49,609	—	(18)	—	49,591
Total debt securities	<u>90,075</u>	<u>—</u>	<u>(71)</u>	<u>—</u>	<u>90,004</u>
Money market funds	12,372	—	—	—	12,372
Total equity securities	<u>12,372</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>12,372</u>
Total marketable securities	<u>\$ 102,447</u>	<u>\$ —</u>	<u>\$ (71)</u>	<u>\$ —</u>	<u>\$ 102,376</u>
Reported in:					
Cash and cash equivalents					\$ 41,842
Available-for-sale debt securities					60,534
Total marketable securities					<u>\$ 102,376</u>

At September 30, 2022 and December 31, 2021, the Company had \$272.5 million and \$261.7 million, respectively, in cash, cash equivalents and short-term investments. A significant portion of these amounts was held in marketable securities, as shown above. The remaining balance of \$239.7 million and \$159.3 million at September 30, 2022 and December 31, 2021, respectively, was cash held in operating accounts not included in the tables above.

Debt Securities

The gross realized gains and losses on sales of marketable debt securities were not material during the three and nine months ended September 30, 2022 and 2021, respectively.

Unrealized losses on AFS debt securities were not significant as of September 30, 2022 and December 31, 2021, respectively. The Company evaluated whether the decline in fair value has resulted from credit losses or other factors and concluded these amounts were related to temporary fluctuations in value of AFS securities and were due primarily to changes in interest rates and market conditions of the underlying securities. In addition, the contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost bases of the investments. The Company does not intend to sell the debt securities and it is more-likely-than-not that it will not be required to sell the investments before recovery of their amortized cost bases. The Company did not recognize a provision for credit losses related to its AFS debt securities for the three and nine months ended September 30, 2022 and 2021, respectively.

The following table summarizes the fair value and gross unrealized losses related to individual AFS debt securities at September 30, 2022 and December 31, 2021, which have been in a continuous unrealized loss position, aggregated by investment category and length of time (in thousands):

	Less Than 12 Months		12 Months or More		Total		Fair Value	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Cash and Cash Equivalents	AFS Debt Securities
September 30, 2022								
Commercial paper	\$ 27,376	\$ (8)	\$ —	\$ —	\$ 27,376	\$ (8)	\$ 25,977	\$ 1,399
	Less Than 12 Months		12 Months or More		Total		Fair Value	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Cash and Cash Equivalents	AFS Debt Securities
December 31, 2021								
Corporate bonds and notes	\$ 29,807	\$ (45)	\$ 10,382	\$ (8)	\$ 40,189	\$ (53)	\$ —	\$ 40,189
Commercial paper	48,091	(18)	—	—	48,091	(18)	29,470	18,621
Total	\$ 77,898	\$ (63)	\$ 10,382	\$ (8)	\$ 88,280	\$ (71)	\$ 29,470	\$ 58,810

The estimated fair value of marketable debt securities by contractual maturity at September 30, 2022 is shown below (in thousands). Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations without penalties.

	Estimated Fair Value
Due in one year or less	\$ 27,376

Non-marketable Equity Securities

As of September 30, 2022 and December 31, 2021, other long-term assets included equity securities accounted for under the equity method with a carrying amount of \$4.1 million and \$4.8 million, respectively, and equity securities without a readily determinable fair value with a carrying amount of \$0.1 million and \$0.1 million, respectively. No impairments or adjustments to the carrying amount of the Company's equity securities without a readily determinable fair value were recognized in the three and nine months ended September 30, 2022 and 2021, respectively.

NOTE 6 – FAIR VALUE

The Company follows the authoritative guidance for fair value measurement and the fair value option for financial assets and financial liabilities. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability, or an exit price, in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The established fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

- Level 1* Quoted prices in active markets for identical assets.
- Level 2* Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3* Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

When applying fair value principles in the valuation of assets, the Company is required to maximize the use of quoted market prices and minimize the use of unobservable inputs. The Company calculates the fair value of its Level 1 and Level 2 instruments based on the exchange traded price of similar or identical instruments, where available, or based on other observable inputs. There were no significant transfers into or out of Level 1 or Level 2 that occurred between December 31, 2021 and September 30, 2022. The following sets forth the fair value, and classification within the hierarchy, of the Company's assets required to be measured at fair value on a recurring basis as of September 30, 2022 (in thousands):

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Marketable securities				
Money market funds - equity securities (1)	\$ 5,457	\$ 5,457	\$ —	\$ —
Commercial paper - debt securities (2)	27,376	—	27,376	—
Total Assets	<u>\$ 32,833</u>	<u>\$ 5,457</u>	<u>\$ 27,376</u>	<u>\$ —</u>

- (1) Reported as cash and cash equivalents in the Condensed Consolidated Balance Sheet.
- (2) Reported as cash and cash equivalents if purchased with an original maturity of three months or less at the date of purchase; otherwise reported as AFS debt securities in the Condensed Consolidated Balance Sheet.

The following sets forth the fair value, and classification within the hierarchy, of the Company's assets required to be measured at fair value on a recurring basis as of December 31, 2021 (in thousands):

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Marketable securities				
Money market funds - equity securities (1)	\$ 12,372	\$ 10,372	\$ 2,000	\$ —
Corporate bonds and notes - debt securities (2)	40,413	—	40,413	—
Commercial paper - debt securities (3)	49,591	—	49,591	—
Total Assets	<u>\$ 102,376</u>	<u>\$ 10,372</u>	<u>\$ 92,004</u>	<u>\$ —</u>

- (1) Reported as cash and cash equivalents in the Condensed Consolidated Balance Sheet.
- (2) Reported as AFS debt securities in the Condensed Consolidated Balance Sheet.
- (3) Reported as cash and cash equivalents if purchased with an original maturity of three months or less at the date of purchase; otherwise reported as AFS debt securities in the Condensed Consolidated Balance Sheet.

Financial Instruments Not Recorded at Fair Value

The Company's long-term debt is carried at amortized cost and is measured at fair value on a quarterly basis for disclosure purposes. The carrying amounts and estimated fair values are as follows (in thousands):

	September 30, 2022		December 31, 2021	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Refinanced Term B Loans ⁽¹⁾	\$ 738,437	\$ 712,592	\$ 765,487	\$ 764,530
Senior Unsecured Promissory Note	50,000	49,300	—	—
Total long-term debt, net	<u>\$ 788,437</u>	<u>\$ 761,892</u>	<u>\$ 765,487</u>	<u>\$ 764,530</u>

- (1) Carrying amounts of long-term debt are net of unamortized debt discount and issuance costs of \$20.9 million and \$24.3 million as of September 30, 2022 and December 31, 2021, respectively. See "Note 9 – Debt" for additional information.

If reported at fair value in the Condensed Consolidated Balance Sheets, the Company's debt would be classified within Level 2 of the fair value hierarchy. The fair value of the debt was estimated based on the quoted market prices for the same or similar issues.

NOTE 7 – BUSINESS COMBINATION

MobiTV

On May 31, 2021, the Company completed its acquisition (the "MobiTV Acquisition") of certain assets and assumption of certain liabilities of MobiTV, Inc. ("MobiTV"), a provider of application-based Pay-TV video delivery solutions. The MobiTV Acquisition expanded the Company's IPTV Managed Service capabilities, which is expected to grow the addressable market for the Company's IPTV products and further secure TiVo's position as a leading provider of Pay-TV solutions. The net purchase price for the MobiTV Acquisition was \$17.4 million in cash.

Purchase Price Allocation

The MobiTV Acquisition has been accounted for as a business combination, using the acquisition method. The following table presents the allocation of the purchase price to the identifiable assets acquired and liabilities assumed based on the fair values at the acquisition date, with any excess of the purchase price over the estimated fair value of the identifiable net assets acquired recorded to goodwill, all of which is expected to be deductible for tax purposes. The following table sets forth the final purchase price allocation with no measure period adjustments identified (in thousands):

	Estimated Useful Life (years)	Final Fair Value
Other current assets		\$ 390
Property and equipment		9,223
Operating lease right-of-use assets		1,186
Identifiable intangible assets:		
Patents	10	5,000
Technology	6	3,260
Total identifiable intangible assets		8,260
Goodwill		4,059
Other long-term assets		115
Accrued liabilities		(5,288)
Noncurrent operating lease liabilities		(545)
Total purchase price		<u>\$ 17,400</u>

MobiTV Results of Operations

The results of operations and cash flows relating to the business acquired pursuant to the MobiTV Acquisition have been included in the Company's consolidated financial statements for periods subsequent to May 31, 2021, and the related assets and liabilities were recorded at their estimated fair values in the Company's Consolidated Balance Sheet as of May 31, 2021. The operations acquired in the MobiTV Acquisition are included in the Company's Product segment.

Supplemental Pro Forma Information

The following unaudited pro forma financial information assumes the MobiTV Acquisition was completed as of January 1, 2020. The unaudited pro forma financial information as presented below is for informational purposes only and is based on estimates and assumptions that have been made solely for purposes of developing such pro forma information. This is not necessarily indicative of the results of operations that would have been achieved if the MobiTV Acquisition had taken place on January 1, 2020, nor is it necessarily indicative of future results. Consequently, actual results could differ materially from the unaudited pro forma financial information presented below. The following table presents the pro forma operating results as if the acquired operations of MobiTV had been included in the Company's Condensed Consolidated Statements of Operations as of January 1, 2020 (unaudited, in thousands):

	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2021
Revenue	\$ 219,379	\$ 667,106
Net loss attributable to the Company	\$ (44,990)	\$ (56,628)

The unaudited supplemental pro forma information above includes the following pro forma adjustments: removal of certain elements of the historical MobiTV business that were not acquired, elimination of inter-company transactions between MobiTV and TiVo, adjustments for transaction related costs, and adjustments to reflect the impact of purchase accounting adjustments. The unaudited supplemental pro forma information above does not include any cost saving synergies from operating efficiencies.

On July 1, 2022 (the "Acquisition Date"), the Company completed the acquisition of Vewd Software Holdings Limited ("Vewd" and the acquisition, the "Vewd Acquisition"), a provider of over-the-top ("OTT") and hybrid TV solutions. The acquisition establishes the Company as a leading independent streaming media platform through its TiVo brand and the largest independent provider of smart TV middleware globally. The total consideration was approximately \$102.9 million, consisting of approximately \$52.9 million of cash and \$50 million of debt. See "Note 9 – Debt" for additional information.

Preliminary Purchase Price Allocation

The Vewd Acquisition has been accounted for as a business combination, using the acquisition method. The following table presents the preliminary allocation of the purchase price to the identifiable assets acquired and liabilities assumed based on the fair values at the acquisition date (in thousands):

	<u>Estimated Useful Life (years)</u>	<u>Estimated Fair Value</u>
Cash and cash equivalents		\$ 2,684
Accounts receivable		3,341
Unbilled contracts receivable		2,335
Other current assets		1,208
Property and equipment		443
Operating lease right-of-use assets		2,020
Identifiable intangible assets:		
Technology	7	28,050
Customer relationships - large	7	4,900
Customer relationships - small	4	3,500
Non-compete agreements	2	870
Trade name	5	830
Total identifiable intangible assets		38,150
Goodwill		68,115
Other long-term assets		977
Current liabilities		(6,566)
Long-term deferred tax liabilities		(8,393)
Noncurrent operating lease liabilities		(1,094)
Other long-term liabilities		(307)
Total purchase price		<u>\$ 102,913</u>

The above preliminary purchase price allocation, including the purchase consideration, is based on preliminary valuations and assumptions and is still subject to change within the measurement period as additional information is received, including potential changes to prepaid income taxes, current and non-current income taxes payable, deferred taxes, and other working capital adjustments. The final purchase price allocation is expected to be completed as soon as practicable, but not later than one year from the date of the acquisition.

The following is a description of the method used to determine the fair values of significant assets and liabilities.

Identifiable Intangible Assets

Identifiable intangible assets primarily consist of technology, customer relationships, non-compete agreements and trade name. In determining the fair value, the Company utilized various forms of the income and cost approaches depending on the asset being fair valued. The estimation of fair value required significant judgment related to cash flow forecasts, discount rates reflecting the risk inherent in each cash flow stream, competitive trends, market comparables and other factors. Inputs were generally determined using historical data supplemented by current and anticipated market conditions, and growth rates. The technology was valued using the excess earnings method. Significant assumptions used under this method include forecasted revenues and growth, estimated technology obsolescence, contributory asset charges, and the discount rate. The customer relationships were valued using the cost approach, based on estimated customer acquisition costs.

Goodwill

The excess of the consideration transferred over the fair value of assets acquired and liabilities assumed was recognized as goodwill. The goodwill is generated from operational synergies and cost savings the Company expects to achieve from the combined operations, as well as the expected benefits from future technologies that do not meet the definition of an identifiable intangible asset and Vewd's knowledgeable and experienced workforce. Approximately \$0.4 million of the acquired goodwill is expected to be deductible for tax purposes.

Vewd Results of Operations

The results of operations and cash flows related to the Vewd Acquisition have been included in the Company's condensed consolidated financial statements for periods subsequent to July 1, 2022, and the related assets and liabilities were recorded at their estimated fair values in the Company's Condensed Consolidated Balance Sheet as of July 1, 2022. For the three and nine months ended September 30, 2022, the acquired Vewd business contributed \$2.5 million of revenue and \$10.1 million of operating loss, respectively, to the Company's operating results. The operations acquired in the Vewd Acquisition are included in the Company's Product segment.

Transaction Costs

In connection with the Vewd Acquisition, the Company incurred significant one-time expenses such as transaction related costs and severance and retention costs. For the three and nine months ended September 30, 2022, transaction related costs including transaction bonuses, legal and consultant fees, were \$4.0 million and \$6.1 million, respectively. For the three and nine months ended September 30, 2022, severance and retention costs associated with the Vewd Acquisition were \$2.1 million.

Supplemental Pro forma Information

The following unaudited pro forma financial information assumes the Vewd Acquisition was completed as of January 1, 2021. The unaudited pro forma financial information as presented below is for information purposes only and is based on estimates and assumptions that have been made solely for purposes of developing such pro forma information. This is not necessarily indicative of the results of operations that would have been achieved if the Vewd Acquisition had taken place on January 1, 2021, nor is it necessarily indicative of future results. Consequently, actual results could differ materially from the unaudited pro forma financial information presented below. The following table presents the pro forma operating results as if the acquired operations of Vewd had been included in the Company's Condensed Consolidated Statements of Operations as of January 1, 2021 (unaudited, in thousands):

	Three Months Ended		Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Revenue	\$ 210,941	\$ 223,404	\$ 708,708	\$ 672,959
Net loss attributable to the Company	\$ (382,818)	\$ (49,498)	\$ (377,614)	\$ (62,976)

The unaudited supplemental pro forma information above includes the following pro forma adjustments: adjustments for transaction related costs and severance and retention costs, adjustments for amortization of intangible assets, and elimination of inter-company transactions between Vewd and the Company. The unaudited supplemental pro forma information above does not include any cost saving synergies from operating efficiencies.

NOTE 8 – GOODWILL AND IDENTIFIED INTANGIBLE ASSETS

Goodwill

The changes to the carrying value of goodwill from January 1, 2022 through September 30, 2022 were as follows (in thousands):

December 31, 2021	\$	851,088
Goodwill adjustment related to Mergers in prior periods (1)		(988)
Vewd Acquisition (2)		68,115
Impairment charge (3)		(354,000)
September 30, 2022 (4)	\$	<u>564,215</u>

- (1) Reflects the correction recorded in the period ended March 31, 2022 of an immaterial error in the purchase price allocation for the Mergers to reduce goodwill and revenue.
- (2) In connection with the Vewd Acquisition, the Company recorded \$68.1 million of goodwill, representing the preliminary fair value as of the Acquisition Date. Goodwill relating to the Vewd Acquisition was allocated to the Company's Product segment. See "Note 7 – Business Combinations" for additional details.
- (3) Goodwill at each reporting unit is evaluated for potential impairment annually, as of the beginning of the fourth quarter, and whenever events or changes in circumstances indicate the carrying amount of goodwill may not be recoverable. During the three-months ended September 30, 2022, indicators of potential impairment for the Product reporting unit were identified such that management concluded it was more-likely-than-not that goodwill was impaired and a quantitative interim goodwill impairment assessment should be performed as of September 30, 2022. Indicators of potential impairment included a sustained decline in Xperi Holding Corporation's stock price during the second half of the third quarter of 2022, reflective of rising interest rates and continued decline in macroeconomic conditions. The Company proceeded to perform a fair value analysis of the Product reporting unit using the market capitalization approach. Under this approach, management estimated the fair value of the Product reporting unit as of September 30, 2022 using quoted market prices of the common stock of Xperi Inc., which as of October 1, 2022 comprised the former Product segment of the Company, over its first ten trading days following the Separation, and a control premium representing the synergies a market participant would achieve upon obtaining control of Xperi Inc. As a result of the fair value analysis, the Company recognized a goodwill impairment charge of \$354.0 million during the three months ended September 30, 2022, which was allocated to the Company's Product segment. The Company also assessed the recoverability of indefinite-lived intangible assets related to the Product reporting unit and concluded that no impairment existed as of September 30, 2022, as their estimated fair values exceeded their carrying amounts. No impairment indicators were identified with respect to other long-lived assets. No goodwill impairment charge was recognized related to the Company's IP Licensing segment.
- (4) The Company's reporting units include the IP Licensing segment and the Product segment (defined further in "Note 16 – Segment and Geographic Information"). Of the carrying value of goodwill, approximately \$322.3 million was allocated to the IP Licensing segment and approximately \$241.9 million was allocated to the Product segment as of September 30, 2022.

Identified Intangible Assets

Identified intangible assets consisted of the following (in thousands):

	Average Life (Years)	September 30, 2022			December 31, 2021		
		Gross Assets	Accumulated Amortization	Net	Gross Assets	Accumulated Amortization	Net
Finite-lived intangible assets							
Acquired patents / core technology	3-10	\$ 668,117	\$ (262,397)	\$ 405,720	\$ 672,872	\$ (224,508)	\$ 448,364
Existing technology / content database	5-10	279,377	(222,055)	57,322	251,445	(206,934)	44,511
Customer contracts and related relationships	3-9	657,774	(417,772)	240,002	649,926	(360,543)	289,383
Trademarks/trade name	4-10	40,913	(29,629)	11,284	40,083	(25,825)	14,258
Non-competition agreements	1-2	3,101	(2,340)	761	2,231	(2,231)	—
Total finite-lived intangible assets		1,649,282	(934,193)	715,089	1,616,557	(820,041)	796,516
Indefinite-lived intangible assets							
TiVo Tradename/trademarks	N/A	21,400	—	21,400	21,400	—	21,400
Total intangible assets		\$ 1,670,682	\$ (934,193)	\$ 736,489	\$ 1,637,957	\$ (820,041)	\$ 817,916

As of September 30, 2022, the estimated future amortization expense of total finite-lived intangible assets was as follows (in thousands):

2022 (remaining 3 months)	\$	40,016
2023		151,307
2024		112,149
2025		87,424
2026		84,069
Thereafter		240,124
	<u>\$</u>	<u>715,089</u>

NOTE 9 – DEBT

The outstanding amounts of debt were as follows (in thousands):

	<u>September 30, 2022</u>	<u>December 31, 2021</u>
Refinanced Term B Loans	\$ 759,374	\$ 789,750
Senior Unsecured Promissory	50,000	—
Unamortized debt discount and issuance costs	<u>(20,937)</u>	<u>(24,263)</u>
	788,437	765,487
Less: current portion, net of debt discount and issuance costs	<u>(36,267)</u>	<u>(36,095)</u>
Total long-term debt, net of current portion	<u>\$ 752,170</u>	<u>\$ 729,392</u>

Refinanced Term B Loans

On June 8, 2021, the Company amended that certain Credit Agreement dated June 1, 2020 by and among the Company, the lenders party thereto and Bank of America, N.A., as administrative agent and collateral agent (the “2020 Credit Agreement”). The 2020 Credit Agreement initially provided for a five-year senior secured term B loan facility in an aggregate principal amount of \$1,050 million (the “2020 Term B Loan Facility”). In connection with the amendment (the “Amendment”), the Company made a voluntary prepayment of \$50.6 million of the term loan outstanding under the 2020 Credit Agreement using cash on hand. The Amendment provided for, among other things, (i) a new tranche of term loans (the “Refinanced Term B Loans”) in an aggregate principal amount of \$810.0 million, (ii) a reduction of the interest rate margin applicable to such loans to (x) in the case of base rate loans, 2.50% per annum and (y) in the case of Eurodollar loans, LIBOR plus a margin of 3.50% per annum, (iii) a prepayment premium of 1.00% in connection with any repricing transaction with respect to the Refinanced Term B Loans within six months of the closing date of the Amendment, (iv) an extension of the maturity to June 8, 2028, and (v) certain additional amendments, including amendments to provide the Company with additional flexibility under the covenant governing restricted payments. The Company commenced repaying quarterly installments under the Refinanced Term B Loans in the third quarter of 2021.

The obligations under the 2020 Credit Agreement, inclusive of any changes by the Amendment, continue to be guaranteed by the Company’s wholly-owned material domestic subsidiaries (collectively, the “Guarantors”) and continue to be secured by a lien on substantially all of the assets of the Company and the Guarantors.

The 2020 Credit Agreement, as amended, contains customary events of default, upon the occurrence of which, after any applicable cure period, the lenders will have the ability to accelerate all outstanding loans thereunder. The 2020 Credit Agreement, as amended, also contains customary representations and warranties and affirmative and negative covenants that, among other things and subject to certain exceptions, restrict the ability of the Company and its subsidiaries to create or incur certain liens, incur or guarantee additional indebtedness, merge or consolidate with other companies, transfer or sell assets and make restricted payments. The 2020 Credit Agreement, as amended, requires the Company to maintain a total net leverage ratio of no greater than 3.00x in order access an annual basket from which to make restricted payments (such as dividend payments and share repurchases). The Company was in compliance with all requirements as of September 30, 2022. The 2020 Credit Agreement, as amended, also requires the Company to make additional cash payments on an annual basis beginning in March 2023 based on certain leverage ratios and excess cash flow generated for the immediately preceding fiscal year.

Certain lenders of the 2020 Term B Loan Facility participated in the Amendment and the changes in terms were not considered substantial. Accordingly, the Company accounted for the refinancing event for these lenders as a debt modification under ASC 470-50, "Debt — Modifications and Extinguishments." Under its policy, the Company elected to continue to defer the unamortized debt discount and issuance costs for these continuing lenders related to the partial pay-down of the debt. Certain lenders of the 2020 Term B Loan Facility did not participate in the Amendment. Accordingly, the Company accounted for the refinancing event for these lenders as a debt extinguishment. As a result, the Company recorded an \$8.0 million loss on debt extinguishment in the second quarter of 2021, related to the write-off of unamortized debt discount and issuance costs for the portions of the 2020 Term B Loan Facility considered to be extinguished.

In connection with its entry into the Amendment, the Company incurred \$6.8 million in debt financing costs, of which \$4.2 million were capitalized in accordance with ASC 835-30 "Debt Issuance Costs" and, together with a portion of the unamortized debt discount and issuance costs from the 2020 Term B Loan Facility, are being amortized into interest expense over the term of the Amendment. Under ASC 470-50, the remaining \$2.6 million, primarily related to third-party fees, were recorded as selling, general and administrative expense in the second quarter of 2021. After the Separation, the Company remains the obligor under the Refinanced B Term Loans.

Senior Unsecured Promissory Note

In connection with the Vewd Acquisition as disclosed in "Note 7 – Business Combinations", on July 1, 2022, TiVo Product Holdco LLC, which was subsequently renamed to Xperi Inc., issued a senior unsecured promissory note (the "Promissory Note") to the sellers of Vewd in a principal amount of \$50.0 million. The issuer's obligations under the Promissory Note are guaranteed by the Company prior to the spin-off transaction. Indebtedness outstanding under the Promissory Note bears an interest rate of 6.00% per annum, payable in cash on a quarterly basis. If a certain qualified spin-off transaction occurs, the interest rate will be increased to the greater of (a) 6.00% and (b) the sum of (i) the highest interest rate payable under any credit facility or bonds, debentures, notes or similar instruments where the issuer or any guarantor borrows money or guarantees obligations on a secured basis on or after the date of such spin-off transaction, plus (ii) 2.00%. The Promissory Note will mature on July 1, 2025. The issuer may, at any time and on any one or more occasions, prepay all or any portion of the outstanding principal amount, plus accrued and unpaid interest, if any, under the Promissory Note without premium or penalty. In addition, the Promissory Note has mandatory prepayment provisions upon certain change of control or asset sale events.

The Promissory Note includes certain covenants that restrict the issuer and each guarantor's ability to, among other things, incur certain indebtedness or engage in any material line of business substantially different from those lines of business conducted by such entities on the closing date of the acquisition. The Promissory Note does not contain any financial covenants. After the Separation, Xperi Inc. is the obligor under the Senior Unsecured Promissory Note.

Interest Expense and Expected Principal Payments

At September 30, 2022, \$809.4 million in total debt was outstanding. There were also \$20.9 million of unamortized debt discount and issuance costs recorded as a reduction from the carrying amount of the debt. Interest rate on the Refinanced Term B Loans, including the amortization of debt discount and issuance costs was 6.02% and interest was payable monthly. Interest rate on the Promissory Note was 6.00% and interest was payable quarterly. Interest expense was \$13.2 million and \$31.1 million for the three and nine months ended September 30, 2022, respectively. Interest expense was \$8.5 million and \$30.4 million for the three and nine months ended September 30, 2021, respectively. Amortized debt discount and issuance costs, which were included in interest expense, amounted to \$1.1 million and \$3.3 million for the three and nine months ended September 30, 2022, respectively, and \$1.2 million and \$5.3 million for the three and nine months ended September 30, 2021, respectively.

As of September 30, 2022, future minimum principal payments for long-term debt are summarized as follows (in thousands):

2022 (remaining 3 months)	\$	10,125
2023		40,500
2024		40,500
2025		90,500
2026		40,500
Thereafter		587,249
Total	\$	809,374

NOTE 10 – NET INCOME PER SHARE

The following table sets forth the computation of basic and diluted shares (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Denominator:				
Weighted average shares of common stock outstanding	104,510	104,849	104,066	104,898
Total common shares-basic	104,510	104,849	104,066	104,898
Effect of dilutive securities:				
Options	—	—	—	—
Restricted stock awards and units	—	—	—	—
Total common shares-diluted	104,510	104,849	104,066	104,898

Basic net income per share is computed using the weighted average number of shares of common stock outstanding during the period, excluding any unvested restricted stock awards that are subject to repurchase. Diluted net income per share is computed using the treasury stock method to calculate the weighted average number of shares of common stock and, if dilutive, potential common shares outstanding during the period. Potentially dilutive common shares include unvested restricted stock awards and units and incremental common shares issuable upon the exercise of stock options, less shares repurchased from assumed proceeds. The assumed proceeds calculation includes actual proceeds to be received from the employee upon exercise and the average unrecognized stock compensation cost during the period.

For the three months ended September 30, 2022 and 2021, there was no difference in the weighted average number of common shares used for the calculation of basic and diluted loss per share as the effect of all potentially dilutive shares outstanding was anti-dilutive. A total of 7.2 million shares and 5.5 million shares, respectively, subject to stock options and restricted stock awards and units were excluded from the computation of diluted net loss per share because including them would have been anti-dilutive.

For the nine months ended September 30, 2022 and 2021, there was no difference in the weighted average number of common shares used for the calculation of basic and diluted loss per share as the effect of all potential dilutive shares outstanding was anti-dilutive. A total of 5.9 million and 5.6 million shares, respectively, subject to stock options and restricted stock awards and units were excluded from the computation of diluted net income per share because including them would have been anti-dilutive.

NOTE 11 – STOCKHOLDERS' EQUITY

Equity Incentive Plans

The 2020 EIP

In connection with the Mergers and immediately prior to June 1, 2020, the Company adopted the Xperi Holding Corporation 2020 Equity Incentive Plan (the "2020 EIP"). Under the 2020 EIP, the Company may grant equity-based awards to employees, non-employee directors, and consultants for services rendered to the Company (or any parent or subsidiary) in the form of stock options, stock awards, restricted stock awards, restricted stock units, stock appreciation rights, dividend equivalents and performance awards (or any combination thereof). A total of 16,800,000 shares have been reserved for issuance under the 2020 EIP provided that each share issued pursuant to "full value" awards (i.e., stock awards, restricted stock awards, restricted stock units, performance awards and dividend equivalents) are counted against shares available for issuance under the 2020 EIP on a 1.5 to 1 ratio. At the 2022 Annual Stockholders Meeting on April 29, 2022, the Company's shareholders approved an amendment to the 2020 EIP and increased by 8.8 million the number of shares reserved for issuance.

The 2020 EIP provides for option grants designed as either incentive stock options or nonstatutory options. Options generally are granted with an exercise price not less than the value of the common stock on the grant date and have a term of ten years from the date of grant and vest over a four-year period. The vesting criteria for restricted stock awards and restricted stock units is generally the passage of time or meeting certain performance-based objectives, and continued employment through the vesting period generally over four years for time-based awards.

Assumed Plans

On June 1, 2020, the Company assumed all then-outstanding stock options, awards, and shares available and reserved for issuance under all legacy Equity Incentive Plans of TiVo (collectively, the “Assumed Plans”). Stock options assumed from the Assumed Plans generally have vesting periods of four years and a contractual term of seven years. Awards of restricted stock and restricted stock units assumed from the Assumed Plans are generally subject to a four year vesting period. The number of shares subject to stock options and restricted stock unit awards outstanding under these plans are included in the tables below. Shares reserved under the Assumed Plans will be available for future grants.

As of September 30, 2022, there were 6.1 million shares reserved for future grants under both the 2020 EIP and the Assumed Plans.

A summary of the stock option activity is presented below (in thousands, except per share amounts):

	Options Outstanding	
	Number of Shares Subject to Options	Weighted Average Exercise Price Per Share
Balance at December 31, 2021	447	\$ 25.22
Options granted	—	\$ —
Options exercised	(9)	\$ 14.86
Options canceled / forfeited / expired	(68)	\$ 37.18
Balance at September 30, 2022	<u>370</u>	<u>\$ 23.22</u>

Restricted Stock Awards and Units

Information with respect to outstanding restricted stock awards and units (including both time-based vesting and performance-based vesting) as of September 30, 2022 is as follows (in thousands, except per share amounts):

	Restricted Stock and Restricted Stock Units			
	Number of Shares Subject to Time-based Vesting	Number of Shares Subject to Performance-based Vesting	Total Number of Shares	Weighted Average Grant Date Fair Value Per Share
Balance at December 31, 2021	6,815	1,525	8,340	\$ 19.61
Awards and units granted	4,604	802	5,406	\$ 16.77
Awards and units vested / earned	(2,112)	(340)	(2,452)	\$ 19.18
Awards and units canceled / forfeited	(834)	(174)	(1,008)	\$ 18.71
Balance at September 30, 2022	<u>8,473</u>	<u>1,813</u>	<u>10,286</u>	<u>\$ 18.31</u>

Performance Awards and Units

Performance awards and units may be granted to employees or consultants based upon, among other things, the contributions, responsibilities and other compensation of the particular employee or consultant. The value and the vesting of such performance awards and units are generally linked to one or more performance goals or certain market conditions determined by the Company, in each case on a specified date or dates or over any period or periods determined by the Company, and may range from zero to 200 percent of the grant. For performance awards subject to a market vesting condition (“market-based PSUs”), the fair value per award is fixed at the grant date and the amount of compensation expense is not adjusted during the performance period regardless of changes in the level of achievement of the market condition.

Employee Stock Purchase Plans

Prior to the Mergers, the Company had implemented the Xperi Corporation 2003 Employee Stock Purchase Plan and the International Employee Stock Purchase Plan, both of which were terminated immediately prior to the effective time of the Mergers.

In connection with the Mergers and immediately prior to June 1, 2020, the Company adopted the Xperi Holding Corporation 2020 Employee Stock Purchase Plan (the “2020 ESPP”). The 2020 ESPP is implemented through consecutive overlapping 24-month offering periods, each of which is comprised of four six-month purchase periods. The first offering period commenced on September 1, 2020 and will end on August 31, 2022. Each subsequent offering period under the 2020 ESPP will be twenty-four (24) months long and will commence on each September 1 and March 1 during the term of the plan. Participants may contribute up to 100% of their base earnings and commissions through payroll deductions, and the accumulated deductions will be applied to the purchase of shares on each semi-annual purchase date. The purchase price per share will equal 85% of the fair market value per share on the start date of the offering period or, if lower, 85% of the fair market value per share on the semi-annual purchase date.

An eligible employee’s right to buy the Company’s common stock under the 2020 ESPP may not accrue at a rate in excess of \$25,000 of the fair market value of such shares per calendar year for each calendar year of an offering period. If the fair market value per share of the Company’s common stock on any purchase date during an offering period is less than the fair market value per share on the start date of the 24-month offering period, then that offering period will automatically terminate and a new 24-month offering period will begin on the next business day. All participants in the terminated offering will be transferred to the new offering period.

As of September 30, 2022, there were 5.5 million shares reserved for grant under the Company’s 2020 ESPP. At the 2022 Annual Stockholders Meeting on April 29, 2022, the Company’s shareholders approved an amendment to the 2020 ESPP and increased by 6.0 million the number of shares reserved for issuance.

Stock Repurchase Programs

Following the termination of Xperi’s prior stock repurchase program after the closing of the Mergers, on June 12, 2020 the Board of Directors (the “Board”) of the Company authorized a new stock repurchase program providing for the repurchase of up to \$150.0 million of the Company’s Common Stock dependent on market conditions, share prices and other factors. On April 22, 2021, the Board authorized an additional \$100.0 million of purchases under the existing stock repurchase plan.

As of September 30, 2022, the Company has repurchased a total of approximately 10.0 million shares of common stock, since inception of the plan, at an average price of \$17.24 per share for a total cost of \$172.2 million. As of December 31, 2021, the Company had repurchased a total of approximately 9.0 million shares of common stock, since inception of the plan, at an average price of \$17.29 per share for a total cost of \$155.0 million. The shares repurchased are recorded as treasury stock and are accounted for under the cost method. No expiration date has been specified for this plan. As of September 30, 2022, the total remaining amount available for repurchase under this plan was \$77.8 million. The Company may execute authorized repurchases from time to time under the plan.

The Company issues restricted stock units as part of the equity incentive plans described above. For the majority of restricted awards, shares are withheld to satisfy required withholding taxes at the vesting date. Shares withheld to satisfy required withholding taxes in connection with the vesting of restricted awards are treated as common stock repurchases in the condensed consolidated financial statements because they reduce the number of shares that would have been issued on vesting. However, these withheld shares are not included in common stock repurchases under the Company’s authorized share repurchase plan. During the three months ended September 30, 2022 and 2021, the Company withheld 0.3 million and 0.3 million shares of common stock to satisfy \$3.8 million and \$7.1 million of required withholding taxes, respectively. During the nine months ended September 30, 2022 and 2021, the Company withheld 0.9 million and 0.7 million shares of common stock to satisfy \$15.3 million and \$15.4 million of required withholding taxes, respectively.

NOTE 12 – STOCK-BASED COMPENSATION EXPENSE

The effect of recording stock-based compensation (“SBC”) expense for the three and nine months ended September 30, 2022 and 2021 is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Cost of revenue, excluding depreciation and amortization of intangible assets	\$ 778	\$ 525	\$ 2,180	\$ 1,377
Research, development and other related costs	5,951	5,110	17,499	14,267
Selling, general and administrative	10,269	8,779	29,604	26,824
Total stock-based compensation expense	16,998	14,414	49,283	42,468
Tax effect on stock-based compensation expense	(307)	(174)	(479)	(507)
Net effect on net income (loss)	\$ 16,691	\$ 14,240	\$ 48,804	\$ 41,961

SBC expense categorized by various equity components for the three and nine months ended September 30, 2022 and 2021 is summarized in the table below (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Restricted stock awards and units	\$ 16,060	\$ 12,876	\$ 45,324	\$ 38,206
Employee stock purchase plan	938	1,516	3,959	4,200
Employee stock options	—	22	—	62
Total stock-based compensation expense	\$ 16,998	\$ 14,414	\$ 49,283	\$ 42,468

In connection with termination of employment with a former executive on March 1, 2022, the Company entered into a Separation Agreement and Release with the executive, dated February 18, 2022 (the “Separation Agreement”). Pursuant to the Separation Agreement, the Company approved, among other severance benefits, accelerated vesting of 372,244 of outstanding performance and time-based restricted stock units. As a result of this modification, the Company recorded incremental SBC of approximately \$2.2 million during the first quarter of 2022.

There were no options granted in the three and nine months ended September 30, 2022 and 2021.

There were no restricted stock units subject to market conditions granted during the three months ended September 30, 2022. The following assumptions were used to value the restricted stock units subject to market conditions granted during the nine months ended September 30, 2022:

	June 2022	April 2022	March 2021
Expected life (years)	3.0	3.0	3.0
Risk-free interest rate	2.8%	2.8%	0.3%
Dividend yield	1.2%	1.2%	1.0%
Expected volatility	37.5%	40.9%	47.9%

ESPP grants generally occur in March and September of each calendar year. Due to the anticipated separation of the Product business, there were no ESPP grants during the three months ended September 30, 2022. The following assumptions were used to value the ESPP shares granted during the nine months ended September 30, 2022:

	March 2022	September 2021	March 2021
Expected life (years)	2.0	2.0	2.0
Risk-free interest rate	1.3%	0.2%	0.1%
Dividend yield	1.1%	0.9%	1.2%
Expected volatility	48.5%	52.0%	52.0%

NOTE 13 – INCOME TAXES

For the three months ended September 30, 2022, the Company recorded an income tax expense of \$0.9 million on pretax loss of \$389.0 million, and for the nine months ended September 30, 2022 the Company recorded an income tax expense of \$44.5 million on pretax loss of \$327.8 million, which resulted in an effective tax rate of (13.6)% for the nine months ended September 30, 2022. The income tax expense for the three and nine months ended September 30, 2022 was primarily related to foreign withholding taxes, U.S. federal income tax, state income taxes, and unrealized foreign exchange loss from the prior year South Korea refund claims. The Company's effective tax rate was based on a projected 2022 U.S. GAAP pretax loss and varies from the 21% U.S. federal tax rate. The Company's effective tax rate varies period over period because the most significant components of tax expense, foreign withholding taxes and foreign exchange gains or losses on the Korea withholding tax refund claims, are not directly affected by changes in pre-tax income.

For the three months ended September 30, 2021, the Company recorded an income tax expense of \$42.7 million on pretax loss of \$3.7 million and for the nine months ended September 30, 2021, the Company recorded an income tax expense of \$35.8 million on a pretax loss of \$7.9 million, which resulted in an effective tax rate of (452.3)% for the nine months ended September 30, 2021. The income tax expense for the three and nine months ended September 30, 2021 was primarily related to foreign withholding taxes, base erosion and anti-abuse tax ("BEAT") and unrealized foreign exchange loss from the prior year South Korea refund claims, which have remained relatively fixed on a forecast basis quarter over quarter. The negative tax rate is the result of the relatively fixed tax expense recorded against a small pre-tax loss. The Company's effective tax rate was based on a projected 2021 U.S. GAAP pretax loss and varies significantly from the 21% U.S. federal tax rate.

As of September 30, 2022, gross unrecognized tax benefits, excluding interest and penalties, were \$240.3 million compared to \$240.4 million as of December 31, 2021. This was included in long-term deferred tax and other long-term liabilities on the Condensed Consolidated Balance Sheets. Of this amount, \$89.8 million would affect the effective tax rate if recognized. As of September 30, 2021, unrecognized tax benefits, excluding interest and penalties, of \$229.1 million were included in long-term deferred tax and other long-term liabilities on the Condensed Consolidated Balance Sheets. Of this amount, \$96.3 million would affect the effective tax rate if recognized. The Company is unable to reasonably estimate the timing of the long-term payments or the amount by which the liability will increase or decrease.

It is the Company's policy to classify accrued interest and penalties related to unrecognized tax benefits in the provision for income taxes. The Company recognized interest and penalties related to unrecognized tax benefits of \$0.8 million and \$1.1 million for the nine months ended September 30, 2022 and 2021, respectively. Accrued interest and penalties were \$3.7 million and \$2.8 million as of September 30, 2022 and December 31, 2021, respectively.

As of September 30, 2022, the Company's 2017 through 2021 tax years are generally open and subject to potential examination in one or more jurisdictions. Earlier tax years for the Company and its subsidiaries are also open in certain jurisdictions which are currently subject to examination. In addition, in the U.S., any net operating losses or credits that were generated in prior years but not yet fully utilized in a year that is closed under the statute of limitations may also be subject to examination. The Company has submitted a withholding tax refund claim with the South Korean authorities and the final outcome is not anticipated to be settled within the next twelve months.

NOTE 14 – LEASES

The Company leases office and research facilities, data centers and office equipment under operating leases which expire through 2029. The Company's leases have remaining lease terms of one year to seven years, some of which may include options to extend the leases for five years or longer, and some of which may include options to terminate the leases within the next 7 years or less. Leases with an initial term of 12 months or less are not recorded on the balance sheets; expense for these leases is recognized on a straight-line basis over the lease term. Variable lease payments are expensed as incurred and are not included within the lease liability and right-of-use assets calculation. As a practical expedient, the Company elected, for all office and facility leases, not to separate non-lease components (e.g., common-area maintenance costs) from lease components (e.g., fixed payments including rent) and instead to account for each separate lease component and its associated non-lease components as a single lease component. As most of the leases do not provide an implicit rate, the Company generally, for purposes of discounting lease payments, uses its incremental borrowing rate based on the estimated rate of interest for collateralized borrowing over a similar term of the lease payments at commencement date.

The Company subleases certain real estate to third parties. The sublease portfolio consists of operating leases for previously exited office space. Certain subleases include variable payments for operating costs. The subleases are generally co-terminus with the head lease, or shorter. Subleases do not include any residual value guarantees or restrictions or covenants imposed by the leases. Income from subleases is recognized as a reduction to selling, general and administrative expenses.

The components of operating lease costs were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Fixed lease cost ⁽¹⁾	\$ 5,694	\$ 5,701	\$ 16,683	\$ 11,340
Variable lease cost	1,746	1,347	4,526	2,315
Less: sublease income	(2,294)	(2,051)	(7,105)	(3,295)
Total operating lease cost	<u>\$ 5,146</u>	<u>\$ 4,997</u>	<u>\$ 14,104</u>	<u>\$ 10,360</u>

(1) Includes short-term leases, which were immaterial.

Other information related to leases was as follows (in thousands, except lease term and discount rate):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	\$ 5,547	\$ 5,692	\$ 16,571	\$ 17,008
ROU assets obtained in exchange for new lease liabilities:				
Operating leases	\$ 5,268	\$ 78	\$ 8,371	\$ 3,556

	September 30, 2022	December 31, 2021
Weighted-average remaining lease term (years):		
Operating leases	3.7	4.4
Weighted-average discount rate:		
Operating leases	5.0%	5.0%

Future minimum lease payments and related lease liabilities as of September 30, 2022 were as follows (in thousands):

	Operating Lease Payments (1)	Sublease Income	Net Operating Lease Payments
2022 (remaining 3 months)	\$ 4,444	\$ (1,881)	\$ 2,563
2023	21,658	(7,618)	14,040
2024	19,454	(7,610)	11,844
2025	16,394	(7,386)	9,008
2026	6,714	(935)	5,779
Thereafter	3,123	—	3,123
Total lease payments	<u>71,787</u>	<u>(25,430)</u>	<u>46,357</u>
Less: imputed interest	<u>(6,732)</u>		<u>(6,732)</u>
Present value of lease liabilities:	<u>\$ 65,055</u>	<u>\$ (25,430)</u>	<u>\$ 39,625</u>
Less: current obligations under leases (accrued liabilities)		17,966	
Noncurrent operating lease liabilities	<u>\$ 47,089</u>		

(1) Future minimum lease payments exclude short-term leases as well as payments to landlords for variable common area maintenance, insurance and real estate taxes.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

Purchase and Other Contractual Obligations

In the ordinary course of business, the Company enters into contractual agreements with third parties that include non-cancelable payment obligations, for which it is liable in future periods. These arrangements primarily include unconditional purchase obligations to service providers. As of September 30, 2022, the Company's total future unconditional purchase obligations were approximately \$109.8 million.

Inventory Purchase Commitment

The Company uses contract manufacturers to provide manufacturing services for its products. During the normal course of business, in order to manage manufacturing lead times and help ensure adequate supply, the Company enters into agreements with its contract manufacturers that either allow them to procure inventory based on criteria as defined by the Company or that establish the parameters defining the Company's requirements. A significant portion of the Company's purchase commitments arising from these agreements consist of firm, non-cancelable and unconditional purchase commitments. In certain instances, these agreements allow the Company the option to cancel, reschedule or adjust the Company's requirements based on its business needs prior to firm orders being placed. As of September 30, 2022, the Company had total purchase commitments for inventory of \$3.2 million, of which \$0.7 million was accrued in the Condensed Consolidated Balance Sheet.

Indemnifications

In the normal course of business, the Company provides indemnifications of varying scopes and amounts to certain of its licensees, customers, and business partners against claims made by third parties arising from the use of the Company's products, intellectual property, services or technologies. The Company cannot reasonably estimate the possible range of losses that may be incurred pursuant to its indemnification obligations, if any. Variables affecting any such assessment include, but are not limited to: the nature of the claim asserted; the relative merits of the claim; the financial ability of the party suing the indemnified party to engage in protracted litigation; the number of parties seeking indemnification; the nature and amount of damages claimed by the party suing the indemnified party; and the willingness of such party to engage in settlement negotiations. To date, no such claims have been filed against the Company and no liability has been recorded in the Company's financial statements.

As permitted under Delaware law, the Company has agreements whereby it indemnifies its officers and directors for certain events or occurrences while the officer or director is, or was, serving at the Company's request in such capacity. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, the Company believes, given the absence of any such payments in the Company's history, and the estimated low probability of such payments in the future, that the estimated fair value of these indemnification agreements is immaterial. In addition, the Company has directors' and officers' liability insurance coverage that is intended to reduce its financial exposure and may enable the Company to recover any payments under the indemnification agreements, should they occur.

Contingencies

At each reporting period, the Company evaluates whether or not a potential loss amount or a potential range of losses is probable and reasonably estimable under the provisions of the authoritative guidance that addresses accounting for contingencies.

On June 23, 2017, Adeia Guides Inc. (formerly known as Rovi Guides, Inc.) and Adeia Media Solutions Inc. (formerly known as TiVo Solutions Inc.) (together, "Adeia Media") filed a patent infringement complaint against Videotron Ltd. and Videotron G.P. (together, "Videotron") in Toronto, Canada, alleging infringement of six patents ("Videotron 1"). On June 10, 2022, the Federal Court of Canada issued its decision in the case finding in favor of Videotron and its legacy illico platform. Specifically, the Court found invalid each of the asserted claims of the four remaining patents involved in the case. In Canada, the prevailing party in patent litigation is entitled to reimbursement of certain of its costs and expenses. The Company accrued \$2.2 million for estimated expense reimbursement during the second quarter of 2022. This accrual was included in litigation expense. On September 12, 2022, Adeia Media filed a notice of appeal with the Federal Court of Appeal of Canada appealing the decision of the Federal Court of Canada.

On January 19, 2018, Adeia Media filed a patent infringement complaint against BCE Inc., Bell Canada, Bell Aliant Regional Communications Inc., Bell MTS Inc., and Northerntel, L.P. (collectively, “Bell”) in Toronto, Canada, alleging infringement of six patents (“Bell 1”). On February 2, 2018, Adeia Media filed a patent infringement complaint against Telus Corporation, Telus Communications Inc., and Telus Communications Company (collectively, “Telus”) in Toronto, Canada, alleging infringement of the same six patents asserted in Bell 1 (“Telus 1”). Bell 1 and Telus 1 were heard together for purposes of pre trial and trial proceedings. On October 7, 2022, the Federal Court of Canada issued its confidential decision in the two cases finding in favor of Bell and Telus and their respective IPTV services, Bell Fibe TV and Telus Optik TV. Specifically, the Court found invalid each of the asserted claims of the four remaining patents involved in the case. In Canada, the prevailing party in patent litigation is entitled to reimbursement of certain of its costs and expenses. Accordingly, while the exact reimbursement amount has yet to be determined, the Company has accrued \$2.5 million for estimated expense reimbursement during the third quarter of 2022. This accrual was included in litigation expense.

The Company is currently unable to predict the final outcome of other lawsuits, including other patent infringement lawsuits in Canada, to which it is a party and therefore cannot determine the likelihood of loss nor estimate a range of possible losses. An adverse decision in any of these proceedings could significantly harm the Company’s business and consolidated financial position, results of operations or cash flows.

The Company and its subsidiaries are involved in litigation matters and claims in the normal course of business. In the past, the Company and its subsidiaries have litigated to enforce their respective patents and other intellectual property rights, to enforce the terms of license agreements, to protect trade secrets, to determine the validity and scope of the proprietary rights of others and to defend itself or its customers against claims of infringement or invalidity. The Company expects it or its subsidiaries will be involved in similar legal proceedings in the future, including proceedings regarding infringement of its patents, and proceedings to ensure proper and full payment of royalties by licensees under the terms of its license agreements.

The existing and any future legal actions may harm the Company’s business. For example, legal actions could cause an existing licensee to cease making royalty or other payments to the Company, or to challenge the validity and enforceability of patents owned by the Company’s subsidiaries or the scope of license agreements with the Company’s subsidiaries, or could significantly damage the Company’s relationship with such licensee. Litigation could also severely disrupt or shut down the business operations of licensees, which in turn could significantly harm ongoing relations with them and cause the Company to lose royalty revenue.

The costs associated with legal proceedings are typically high, relatively unpredictable, and not completely within the Company’s control. These costs may be materially higher than expected, which could adversely affect the Company’s operating results and lead to volatility in the price of its common stock. Whether or not determined in the Company’s favor or ultimately settled, litigation diverts managerial, technical, legal, and financial resources from the Company’s business operations. Furthermore, an adverse decision in any of these legal actions could result in a loss of the Company’s proprietary rights, subject the Company to significant liabilities, require the Company to seek licenses from others, limit the value of the Company’s licensed technology or otherwise negatively impact the Company’s stock price or its business and consolidated financial results.

NOTE 16 – SEGMENT AND GEOGRAPHIC INFORMATION

As of September 30, 2022, the Company reports its financial results within two reportable segments: (1) Intellectual Property (“IP”) Licensing and (2) Product. There are certain corporate overhead costs that are not allocated to these reportable segments because these operating amounts are not considered in evaluating the operating performance of the Company’s business segments.

Reportable segments are identified based on the Company’s organizational structure and information reviewed by the Company’s chief operating decision maker (“CODM”) to evaluate performance and allocate resources. The Company’s Chief Executive Officer is also the CODM as defined by the authoritative guidance on segment reporting.

The IP Licensing segment consists primarily of licensing the Company’s innovations to leading companies in the broader entertainment and semiconductor industries, and those developing new technologies that will help drive the industries forward. Licensing arrangements include access to one or more of the Company’s foundational patent portfolios and may also include access to some of its industry-leading technologies and proven know-how.

In its Product segment, the Company derives the majority of its revenue from licensing its technology to customers primarily through Technology License arrangements and Technology Solutions arrangements. For Technology License arrangements, the customer obtains rights to the technology delivered at the commencement of the agreement. For Technology Solutions arrangements, the customer receives access to a platform, media or data that includes frequent updates, where access to such updates is critical to the functionality of the technology.

The Company does not identify or allocate assets by reportable segment, nor does the CODM evaluate reportable segments using discrete asset information. Reportable segments do not record inter-segment revenue and accordingly there are none to report. The Company does not allocate other income and expense to reportable segments. Although the CODM uses operating income to evaluate reportable segments, operating costs included in one segment may benefit other segments.

The following table sets forth the Company's segment revenue, operating expenses and operating income for the three and nine months ended September 30, 2022 and 2021 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenue:				
IP Licensing segment	\$ 89,303	\$ 101,647	\$ 335,649	\$ 301,507
Product segment	121,638	117,732	366,730	361,740
Total revenue	<u>210,941</u>	<u>219,379</u>	<u>702,379</u>	<u>663,247</u>
Operating expenses:				
IP Licensing segment	39,083	34,676	112,849	103,116
Product segment	463,163 (2)	116,813	658,078	330,395
Unallocated operating expenses (1)	84,911	63,964	229,847	202,157
Total operating expenses	<u>587,157</u>	<u>215,453</u>	<u>1,000,774</u>	<u>635,668</u>
Operating income (loss):				
IP Licensing segment	50,220	66,971	222,800	198,391
Product segment	(341,525)	919	(291,348)	31,345
Unallocated operating expenses (1)	(84,911)	(63,964)	(229,847)	(202,157)
Total operating income (loss)	<u>\$ (376,216)</u>	<u>\$ 3,926</u>	<u>\$ (298,395)</u>	<u>\$ 27,579</u>

(1) Unallocated operating expenses consist primarily of selling, marketing, general and administrative expenses, such as administration, human resources, finance, information technology, corporate development and procurement. These expenses are not allocated because these amounts are not considered in evaluating the operating performance of the Company's business segments.

(2) Includes goodwill impairment charge of \$354.0 million that was allocated to the Company's Product segment. See "Note 8 – Goodwill and Identified Intangible Assets" for additional details.

A significant portion of the Company's revenue is derived from licensees headquartered outside of the U.S., and it is expected that this revenue will continue to account for a significant portion of total revenue in future periods. The table below lists the geographic revenue for the periods indicated (in thousands):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2022		2021		2022		2021	
U.S.	\$ 137,395	65 %	\$ 139,964	64 %	\$ 490,998	70 %	\$ 412,972	62 %
Japan	16,243	8	20,151	9	54,647	8	70,854	11
South Korea	9,857	5	14,313	7	25,460	3	48,098	7
Europe and Middle East	19,030	9	16,090	7	40,836	6	47,360	7
Other	28,416	13	28,861	13	90,438	13	83,963	13
	<u>\$ 210,941</u>	<u>100 %</u>	<u>\$ 219,379</u>	<u>100 %</u>	<u>\$ 702,379</u>	<u>100 %</u>	<u>\$ 663,247</u>	<u>100 %</u>

For the three months ended September 30, 2022 and 2021, there were no customers that accounted for 10% or more of total revenue. For the nine months ended September 30, 2022 and 2021, there were no customers that accounted for 10% or more of total revenue. As of September 30, 2022 and December 31, 2021, there were two customers and one customer, respectively, that individually accounted for 10% or more of total accounts receivable.

NOTE 17 - SUBSEQUENT EVENTS

Completion of Separation of Xperi Inc. from Adeia Inc.

On October 1, 2022, the Company completed the Separation of its Product business into a new public company, Xperi Inc. In connection with the Separation, which was structured as a Spin-Off, the Company entered into several agreements with Xperi Inc. on October 1, 2022, that, among other things, effect the Spin-off and provide a framework for the Company's relationship with Xperi Inc. after the Spin-off.

Declaration of Cash Dividends

On October 20, 2022, the Company's Board of Directors declared a cash dividend of \$0.05 per share of common stock, payable on December 21, 2022 to the stockholders of record at the close of business on November 30, 2022.

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

The following discussion is intended to promote understanding of the results of operations and financial condition and should be read in conjunction with the attached unaudited condensed consolidated financial statements and notes thereto, and with our audited financial statements and notes thereto for the year ended December 31, 2021 found in the Form 10-K filed by us on February 24, 2022 (the “Form 10-K”). Except where otherwise indicated, the results of operations discussed herein present the results of Xperi Holding Corporation prior to giving effect to the Separation described herein.

This Quarterly Report contains forward-looking statements, which are subject to the safe harbor provisions created by the Private Securities Litigation Reform Act of 1995. In this context, forward-looking statements often address expected future business, financial performance and financial condition, and often contain words such as “expect,” “anticipate,” “intend,” “plan,” “believe,” “could,” “seek,” “see,” “will,” “may,” “would,” “might,” “potentially,” “estimate,” “continue,” “target,” similar expressions or the negatives of these words or other comparable terminology that convey uncertainty of future events or outcomes. All forward-looking statements by their nature address matters that involve risks and uncertainties, many of which are beyond the Company’s control, and are not guarantees of future results. These and other forward-looking statements are subject to risks, uncertainties and assumptions that could cause actual results to differ materially from those expressed in any forward-looking statements. Accordingly, there are or will be important factors that could cause actual results to differ materially from those indicated in such statements and, therefore, you should not place undue reliance on any such statements and caution must be exercised in relying on forward-looking statements. Important risk factors that may cause such a difference include, but are not limited to: the Company’s ability to implement its business strategy; the Company’s ability to enter into new and renewal license agreements with customers on favorable terms; the Company’s ability to retain and hire key personnel; uncertainty as to the long-term value of the Company’s common stock; legislative, regulatory and economic developments affecting the Company’s business; general economic and market developments and conditions; the Company’s ability to grow and expand its patent portfolios; changes in technology and development of competing technology in the industries in which the Company operates; the evolving legal, regulatory and tax regimes under which the Company operates; unforeseen liabilities and expenses; risks associated with the Company’s indebtedness, unpredictability and severity of catastrophic events, including, but not limited to, acts of terrorism or outbreak of war or hostilities, including Russia’s invasion of Ukraine, and natural disasters; the Company’s ability to achieve the intended benefits of, and its ability to recognize the anticipated tax treatment of, the recent spin-off of its product business; and the extent to which the COVID-19 pandemic continues to have an adverse impact on the Company’s business, results of operations, and financial condition will depend on future developments, including measures taken in response to the pandemic, which are highly uncertain and cannot be predicted.

Although forward-looking statements in this Quarterly Report reflect the good faith judgment of our management, such statements can only be based on facts and factors currently known by us. Consequently, forward-looking statements are inherently subject to risks, uncertainties, and changes in condition, significance, value and effect, including those discussed under the heading “Risk Factors” in Part II, Item 5 hereof and other documents we file from time to time with the Securities and Exchange Commission (the “SEC”), such as our annual report on Form 10-K, our quarterly reports on Form 10-Q and our current reports on Form 8-K. Such risks, uncertainties and changes in condition, significance, value and effect could cause our actual results to differ materially from those expressed herein and in ways not readily foreseeable. Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this Quarterly Report and are based on information currently and reasonably known to us. We undertake no obligation to revise or update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of this Quarterly Report, other than as required by law. Readers are urged to carefully review and consider the various disclosures made in this Quarterly Report, which attempt to advise interested parties of the risks and factors that may affect our business, financial condition, results of operations and prospects.

Business Overview

On December 18, 2019, Xperi Corporation (“Xperi”) entered into a definitive agreement with TiVo Corporation (“TiVo”), to combine in an all-stock merger of equals transaction (the “Mergers”). Following consummation of the Mergers on June 1, 2020, Xperi Holding Corporation became the parent company of both Xperi and TiVo.

On October 1, 2022, Adeia Inc. (formerly known as Xperi Holding Corporation) ("Adeia", "we") completed the previously announced separation ("the Separation") of its product business into an independent publicly traded company, Xperi Inc. ("Xperi Inc."). The Separation was structured as a spin-off, which was achieved through Adeia's distribution of 100 percent of the outstanding shares of Xperi Inc.'s common stock to holders of Adeia's common stock as of the close of business on the record date of September 21, 2022 (the "Record Date"). Each Adeia stockholder of record received four shares of Xperi Inc. common stock for every ten shares of Adeia common stock that it held on the Record Date. Following the Separation, Adeia retains no ownership interest in Xperi Inc., which is now listed under the ticker symbol "XPER" on the New York Stock Exchange. Effective at the open of business on October 3, 2022, Adeia's shares of common stock, par value \$0.001 per share, began trading on the Nasdaq Global Select Market under the new ticker symbol "ADEA".

Following the Separation, we are a leading intellectual property ("IP") licensing platform in the consumer and entertainment space, with a diverse portfolio of media and semiconductor intellectual property and more than 9,500 patents and patent applications worldwide. In order to serve an increasingly connected world, we invent, develop, and license fundamental innovations that enhance billions of devices and shape the way millions of people explore and experience entertainment. Through our IP licensing business, we help enable extraordinary experiences at home and on the go for millions of consumers around the world, with IP that helps elevate content and improves how audiences connect with it in a way that is more intelligent, immersive and personal. Through providing the IP that helps to power smart devices, entertainment experiences and more, we have created a unified ecosystem that reaches highly engaged consumers and uncovered new business opportunities.

Headquartered in Silicon Valley with operations around the world, we have approximately 2,200 employees, including approximately 2,100 employees that will be part of Xperi Inc. after the Separation, and more than 35 years of operating experience.

COVID-19 Impact

The COVID-19 pandemic has had, and may continue to have, an adverse impact on our business. The impact to date has included periods of significant volatility in the markets we serve, in particular the automotive and broad consumer electronics markets. The pandemic has also caused some challenges and delays in acquiring new customers and executing license renewals. These factors have negatively impacted our financial condition and results of operations, and may result in an impairment of our long-lived assets, including goodwill, increased credit losses and impairments of investments in other companies.

Further, our operations and those of our customers have also been negatively impacted by certain trends arising from the COVID-19 pandemic, including labor market constraints, shortages of semiconductor components, decreased manufacturing capacities, and delays in shipments, product development and product launches. Moreover, the COVID-19 pandemic, its related impact, and United States federal, state and foreign government policies enacted to combat the pandemic have contributed to a recent rise of inflation that may increase the cost of our operations and have an adverse effect on demand for its customers' products and services and in turn the Company's licensing revenues, which may adversely affect our financial performance.

Although a significant portion of our anticipated revenue for 2022 is derived from fixed-fee and minimum-guarantee arrangements from large, well-capitalized customers, our per-unit and variable-fee based revenue will continue to be susceptible to the volatility, labor shortages, supply chain disruptions, microchip shortages, and potential market downturns precipitated by the COVID-19 pandemic.

The impact of the pandemic on our overall results of operations remains uncertain for the foreseeable future. Further discussion of COVID-19's potential impact on our business is provided under Part I, Item 1A – Risk Factors of the Form 10-K and in Part II, Item 5 – Risk Factors of this Form 10-Q.

Results of Operations

Revenue

We derive the majority of our revenue from licensing our technologies and IP rights to customers. For our revenue recognition policy, including descriptions of revenue-generating activities, refer to "Note 3 – Revenue" of the Notes to Condensed Consolidated Financial Statements.

The following table presents our historical operating results for the periods indicated as a percentage of revenue:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenue:	100%	100%	100%	100%
Operating expenses:				
Cost of revenue, excluding depreciation and amortization of intangible assets	15	15	12	13
Research, development and other related costs	32	27	27	25
Selling, general and administrative	40	28	32	30
Depreciation expense	3	3	2	3
Amortization expense	19	24	17	24
Litigation expense	1	1	1	1
Goodwill impairment	168	—	51	—
Total operating expenses	278	98	142	96
Operating income (loss)	(178)	2	(42)	4
Interest expense	6	4	5	5
Other income and expense, net	—	—	—	(1)
Loss on debt extinguishment	—	—	—	1
Income (loss) before taxes	(184)	(2)	(47)	(1)
Provision for (benefit from) income taxes	-	19	6	6
Net loss	(184)%	(21)%	(53)%	(7)%

Revenue (in thousands, except for percentages):

	Three Months Ended September 30,		Increase/ (Decrease)	% Change
	2022	2021		
Revenue	\$ 210,941	\$ 219,379	\$ (8,438)	(4)%

The decrease in revenue during the three months ended September 30, 2022, as compared to the same period in the prior year, was primarily due to a decrease in IP licensing revenue as a result of non-recurring revenue from a license agreement recognized during the three months ended September 30, 2021. The overall decrease in IP licensing revenue was partially offset by an increase in Product revenue from the consumer electronics market vertical offset by declines in revenue from consumer hardware and legacy guides within the Pay TV market vertical and revenue from the connected car market vertical.

	Nine Months Ended September 30,		Increase/ (Decrease)	% Change
	2022	2021		
Revenue	\$ 702,379	\$ 663,247	\$ 39,132	6%

The increase in revenue during the nine months ended September 30, 2022, as compared to the same period in the prior year, was primarily due to the recognition of license revenue associated with an IP technology and license agreement with a large semiconductor company, the settlement of a contract dispute with a large mobile imaging customer in the second quarter of 2022, and the execution of a long-term license agreement with a leading consumer electronics and OTT service provider. These increases were partially offset by a decline in Product revenue primarily due to a decrease in revenue from consumer hardware and legacy guides within the Pay TV market vertical, one-time recovery of royalties from a customer in 2021 within Consumer Electronics market vertical, and one-time benefit to revenue in the second quarter of 2021 from a Stream 4K customer within the Media Platform market vertical.

Cost of Revenue, Excluding Depreciation and Amortization of Intangible Assets

Cost of revenue, excluding depreciation and amortization of intangible assets, consists primarily of employee-related costs, royalties paid to third parties, hardware product-related costs, maintenance costs and an allocation of facilities costs, as well as service center and other expenses related to providing our technology solution offerings and non-recurring engineering ("NRE") services.

	Three Months Ended September 30,		Increase/ (Decrease)	% Change
	2022	2021		
Cost of revenue, excluding depreciation and amortization of intangible assets	\$ 31,554	\$ 32,549	\$ (995)	(3)%

Cost of revenue, excluding depreciation and amortization of intangible assets was relatively consistent for the three months ended September 30, 2022, compared to the same period in the prior year.

	Nine Months Ended September 30,		Increase/ (Decrease)	% Change
	2022	2021		
Cost of revenue, excluding depreciation and amortization of intangible assets	\$ 86,324	\$ 87,564	\$ (1,240)	(1)%

The decrease in cost of revenue, excluding depreciation and amortization of intangible assets during the nine months ended September 30, 2022, as compared to the same period in the prior year, was primarily driven by lower hardware product-related costs due to a decline in hardware product sales.

Research, Development and Other Related Costs

Research, development and other related costs ("R&D expense") consist primarily of employee-related costs, stock-based compensation expense, engineering consulting expenses associated with new product and technology development, product commercialization, quality assurance and testing costs, as well as costs related to patent applications and examinations, reverse engineering, materials, supplies, and an allocation of facilities costs.

	Three Months Ended September 30,		Increase/ (Decrease)	% Change
	2022	2021		
Research, development and other related costs	\$ 68,366	\$ 58,766	\$ 9,600	16%

The increase in R&D expense during the three months ended September 30, 2022, as compared to the same period in the prior year, was primarily driven by higher personnel costs including variable compensation programs.

	Nine Months Ended September 30,		Increase/ (Decrease)	% Change
	2022	2021		
Research, development and other related costs	\$ 189,881	\$ 168,369	\$ 21,512	13%

The increase in R&D expense during the nine months ended September 30, 2022, as compared to the same period in the prior year, was primarily driven by higher personnel costs including variable compensation, which was partially offset by a decrease in outside engineering services.

We believe that a significant level of R&D will be required for us to remain competitive in the future.

Selling, General and Administrative

Selling expenses consist primarily of compensation and related costs for sales and marketing personnel engaged in sales and licensee support, reverse engineering personnel and services, marketing programs, public relations, promotional materials, travel, trade show expenses, and stock-based compensation expense. General and administrative expenses consist primarily of compensation and related costs for general management, information technology, finance personnel, legal fees and expenses, facilities, stock-based compensation expense, and professional services. Our general and administrative expenses, other than facilities-related expenses, are not allocated to other expense line items.

	Three Months Ended September 30,		Increase/ (Decrease)	% Change
	2022	2021		
Selling, general and administrative	\$ 83,958	\$ 62,627	\$ 21,331	34%

The increase in selling, general, and administrative ("SG&A") expenses during the three months ended September 30, 2022, as compared to the same period in the prior year, was primarily due to increased variable compensation, increased transaction costs related to the Vewd Acquisition, and an increase in costs related to the Separation.

	Nine Months Ended September 30,		Increase/ (Decrease)	% Change
	2022	2021		
Selling, general and administrative	\$ 226,519	\$ 197,754	\$ 28,765	15%

The increase in SG&A expenses during the nine months ended September 30, 2022, as compared to the same period in the prior year, was primarily due to increased stock-based compensation associated with the accelerated vesting of outstanding restricted stock units upon the separation of a former executive in the first quarter of 2022, an increase in costs related to the Separation, an increase in variable compensation, partially offset by decreases in the provision for credit losses and banker fees.

Depreciation Expense

	Three Months Ended September 30,		Increase/ (Decrease)	% Change
	2022	2021		
Depreciation expense	\$ 5,388	\$ 6,796	\$ (1,408)	(21)%

The decrease in depreciation expense during the three months ended September 30, 2022, as compared to the same period in the prior year, was primarily to certain property and equipment, which became fully depreciated in the third quarter of 2022, partially offset by an increase in depreciation expense associated with property and equipment that was acquired in connection with the Vewd Acquisition.

	Nine Months Ended September 30,		Increase/ (Decrease)	% Change
	2022	2021		
Depreciation expense	\$ 16,759	\$ 17,994	\$ (1,235)	(7)%

The decrease in depreciation expense during the nine months ended September 30, 2022, as compared to the same period in the prior year, was primarily due to certain property and equipment, which became fully depreciated in the third quarter of 2022, partially offset by an increase in depreciation expense associated with property and equipment that was acquired in connection with the Vewd Acquisition.

Amortization Expense

	Three Months Ended September 30,		Increase/ (Decrease)	% Change
	2022	2021		
Amortization expense	\$ 40,808	\$ 52,388	\$ (11,580)	(22)%

The decrease in amortization expense during the three months ended September 30, 2022, as compared to the same period in the prior year, was primarily due to certain acquired intangible assets, which became fully amortized in late 2021, partially offset by an increase in amortization expense due to intangible assets acquired in connection with the Vewd Acquisition.

	Nine Months Ended September 30,		Increase/ (Decrease)	% Change
	2022	2021		
Amortization expense	\$ 119,293	\$ 156,825	\$ (37,532)	(24)%

The decrease in amortization expense during the nine months ended September 30, 2022, as compared to the same period in the prior year, was primarily due to certain acquired intangible assets, which became fully amortized in late 2021, partially offset by an increase in amortization expense due to intangibles assets acquired in connection with the Vewd Acquisition in the third quarter of 2022.

Litigation Expense

	Three Months Ended September 30,		Increase/ (Decrease)	% Change
	2022	2021		
Litigation expense	\$ 3,083	\$ 2,327	\$ 756	32%

Litigation expense was relatively consistent for the three months ended September 30, 2022, compared to the same period in the prior year.

	Nine Months Ended September 30,		Increase/ (Decrease)	% Change
	2022	2021		
Litigation expense	\$ 7,998	\$ 7,162	\$ 836	12%

Litigation expense was relatively consistent for the nine months ended September 30, 2022, compared to the same period in the prior year.

We expect that litigation expense will continue to be a material portion of our operating expenses, as it is used to enforce and protect our IP and contract rights. Litigation expense may fluctuate between periods because of planned or ongoing litigation, as described in Part II, Item 1 – Legal Proceedings.

If our customers' licenses are not renewed upon expiration and those customers continue to use our patented technology, litigation may become necessary to secure payment of reasonable royalties for the use of our patented technology. If we plan for or initiate such litigation, our future litigation expenses may increase.

Goodwill impairment

The increase in goodwill impairment of \$354 million during the three and nine months ended September 30, 2022, as compared to the same period in the prior year, was driven by a goodwill impairment charge recognized related to the Company's Product reporting unit and segment due to changes in the circumstances that indicated the carrying amount of goodwill may not be recoverable.

Stock-based Compensation Expense

The following table sets forth our stock-based compensation ("SBC") expense for the three and nine months ended September 30, 2022 and 2021 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Cost of revenue, excluding depreciation and amortization of intangible assets	\$ 778	\$ 525	\$ 2,180	\$ 1,377
Research, development and other related costs	5,951	5,110	17,499	14,267
Selling, general and administrative	10,269	8,779	29,604	26,824
Total stock-based compensation expense	\$ 16,998	\$ 14,414	\$ 49,283	\$ 42,468

SBC awards include employee stock options, restricted stock awards and units, and employee stock plan purchases. The increase in SBC expense for the three months ended September 30, 2022, as compared to the corresponding period in 2021, was primarily due to the increase in stock award grants made. The increase in SBC expense for the nine months ended September 30, 2022, as compared to the corresponding period in 2021, was primarily a result of the accelerated vesting of outstanding restricted stock units upon the separation of a former executive and from the increase in stock award grants made.

Interest Expense

	Three Months Ended September 30,		Increase/ (Decrease)	% Change
	2022	2021		
Interest expense	\$ 13,198	\$ 8,532	\$ 4,666	55%

The increase in interest expense during the three months ended September 30, 2022, as compared to the same period in the prior year, was primarily due to an increase in interest rates on our variable interest rate debt.

	Nine Months Ended September 30,		Increase/ (Decrease)	% Change
	2022	2021		
Interest expense	\$ 31,066	\$ 30,400	\$ 666	2%

Interest expense during the nine months ended September 30, 2022 was relatively consistent compared with the same period in the prior year.

We anticipate interest expense will increase in 2022 when compared to 2021 as a result of the effect of rising interest rates on our existing variable-rate debt, partially offset by a full year of the lower debt balance and amortization of debt discount and issuance costs. In addition, Xperi Inc. will incur interest expense as a result of the \$50.0 million of debt in connection with the Vewd Acquisition which closed in the third quarter of 2022.

Other Income and Expense, Net

	Three Months Ended September 30,		Increase/ (Decrease)	% Change
	2022	2021		
Other income and expense, net	\$ 460	\$ 927	\$ (467)	(50)%

Other and expense income, net during the three months ended September 30, 2022 was relatively consistent compared to the same period in the prior year.

	Nine Months Ended September 30,		Increase/ (Decrease)	% Change
	2022	2021		
Other income and expense, net	\$ 1,681	\$ 2,916	\$ (1,235)	(42)%

The decrease in other income and expense, net during the nine months ended September 30, 2022, compared to the same period in the prior year, was primarily driven by a decrease in realized loss on marketable investments, partially offset by an increase in interest income.

Loss on Debt Extinguishment

In June 2021, we refinanced the 2020 Term B Loan Facility by, among other things, lowering the interest rate on the debt. Certain lenders of the original loan syndication did not participate in the refinancing. Accordingly, we accounted for the refinancing event for these lenders as a debt extinguishment and recorded, in the second quarter of 2021, a loss on debt extinguishment of \$8.0 million related to the write-off of unamortized debt discount and issuance costs for the portions of the 2020 Term B Loan Facility considered to be extinguished.

Provision for Income Taxes

Our provision for income taxes is based on our worldwide estimated annualized effective tax rate. For jurisdictions in which a loss is forecast but no benefit can be realized for those losses, the tax is estimated separately. In certain circumstances we also record the income tax effects of discrete transactions in the quarter in which the transaction occurred. Foreign withholding taxes, U.S. federal and state income taxes, and unrealized foreign exchange loss from the prior South Korea refund claims are the primary drivers of income tax expense and the primary reasons for cash payments of income taxes. For the three and nine months ended September 30, 2022, our effective tax rate varies significantly from the 21% U.S. federal tax rate due to foreign withholding taxes, state income taxes, and unrealized foreign exchange loss from prior South Korea refund claims.

For the three months ended September 30, 2022, we recorded an income tax expense of \$0.9 million on pretax loss of \$389.0 million, and for the nine months ended September 30, 2022 we recorded an income tax expense of \$44.5 million on pretax loss of \$327.8 million, which resulted in an effective tax rate of (13.6)% for the nine months ended September 30, 2022. The income tax expense for the three and nine months ended September 30, 2022 was primarily related to foreign withholding taxes, U.S. federal and state income taxes, and unrealized foreign exchange loss from the prior year South Korea refund claims.

For the three months ended September 30, 2021, we recorded an income tax expense of \$42.7 million on pretax loss of \$3.7 million and for the nine months ended September 30, 2021, we recorded an income tax expense of \$35.8 million on a pretax loss of \$7.9 million, which resulted in an effective tax rate of (452.3)% for the nine months ended September 30, 2021. The income tax expense for the three and nine months ended September 30, 2021 was primarily related to foreign withholding taxes, base erosion and anti-abuse tax ("BEAT"), and unrealized foreign exchange loss from the prior year South Korea refund claims, which have remained relatively fixed on a forecast basis quarter over quarter.

The year-over-year increase in income tax expense for the quarter ended September 30, 2022 is largely attributable to the application of a negative effective tax rate to the September 30, 2021 year-to-date U.S. pre-tax income.

The need for a valuation allowance requires an assessment of both positive and negative evidence when determining whether it is more-likely-than-not that deferred tax assets are recoverable. Such assessment is required on a jurisdiction-by-jurisdiction basis. In making such assessment, significant weight is given to evidence that can be objectively verified. After considering both positive and negative evidence to assess the recoverability of our net deferred tax assets, we determined that it was not more-likely-than-not that we would realize our federal, certain state, and certain foreign deferred tax assets given the substantial amount of tax attributes that will remain unutilized to offset forecasted future tax liabilities. In the future, we may release our deferred tax asset valuation allowance associated with our federal, state, or foreign deferred tax assets depending on achievement of future profitability in relevant jurisdictions or the implementation of tax planning strategies that enable us to utilize deferred tax assets. There can be no assurance that we will generate profits or implement tax strategies in future periods that will enable us to fully realize our deferred tax assets. The timing of recording a deferred tax asset valuation allowance or the reversal of such valuation allowance is subject to objective and subjective factors that cannot be known in advance. We intend to continue maintaining a full valuation allowance on our federal deferred tax assets until there is sufficient evidence to support the reversal of all or a portion of these allowances. However, given our current earning and anticipated future earnings, we believe that there is a reasonable possibility that within the next 12 months, sufficient positive evidence may become available to allow us to reach a conclusion that a significant portion of our federal valuation allowance will no longer be needed. Release of the valuation allowance would result in the recognition of certain federal deferred tax assets and a decrease to income tax expense for the period the release is recorded.

Segment Operating Results

As of September 30, 2022, we operate in two reportable segments: (1) IP Licensing and (2) Product. There are certain corporate overhead costs that are not allocated to these reportable segments because these operating amounts are not considered in evaluating the operating performance of our business segments.

Our Chief Executive Officer has been determined to be the Chief Operating Decision Maker (“CODM”) in consideration with the authoritative guidance on segment reporting.

In our IP Licensing segment, we primarily license our innovations to leading companies in the broader entertainment and semiconductor industries, and those developing new technologies that will help drive these industries forward. Licensing arrangements include access to one or more of our foundational patent portfolios and may also include access to some of our industry-leading technologies and proven know-how. In our Product segment, we derive the majority of the revenue from licensing our technology to customers primarily through Technology License arrangements and Technology Solutions arrangements. In our Technology License arrangements, the customer obtains rights to the technology delivered at the commencement of the agreement. In our Technology Solutions arrangements, the customer receives access to a platform, media or data that includes frequent updates, where access to such updates is critical to the functionality of the technology.

We do not identify or allocate assets by reportable segment, nor does the CODM evaluate reportable segments using discrete asset information. Reportable segments do not record inter-segment revenue and accordingly there are none to report. Although the CODM uses operating income to evaluate reportable segments, operating costs included in one segment may benefit other segments.

The following table sets forth our segments' revenue, operating expenses and operating income (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenue:				
IP Licensing segment	\$ 89,303	\$ 101,647	\$ 335,649	\$ 301,507
Product segment	121,638	117,732	366,730	361,740
Total revenue	<u>210,941</u>	<u>219,379</u>	<u>702,379</u>	<u>663,247</u>
Operating expenses:				
IP Licensing segment	39,083	34,676	112,849	103,116
Product segment	463,163	116,813	658,078	330,395
Unallocated operating expenses	84,911	63,964	229,847	202,157
Total operating expenses	<u>587,157</u>	<u>215,453</u>	<u>1,000,774</u>	<u>635,668</u>
Operating income (loss):				
IP Licensing segment	50,220	66,971	222,800	198,391
Product segment	(341,525)	919	(291,348)	31,345
Unallocated operating expenses	(84,911)	(63,964)	(229,847)	(202,157)
Total operating income (loss)	<u>\$ (376,216)</u>	<u>\$ 3,926</u>	<u>\$ (298,395)</u>	<u>\$ 27,579</u>

IP Licensing Segment

IP Licensing revenue for the three months ended September 30, 2022 was \$89.3 million as compared to \$101.6 million for the three months ended September 30, 2021, a decrease of \$12.3 million. The decrease was primarily attributable to non-recurring revenue from a license agreement recognized during the three months ended September 30, 2021.

IP Licensing revenue for the nine months ended September 30, 2022 was \$335.6 million as compared to \$301.5 million for the nine months ended September 30, 2021, an increase of \$34.1 million. The increase was primarily attributable to the recognition of license revenue associated with an IP technology and license agreement with a large semiconductor company and the execution of a long-term license agreement with a leading consumer electronics and OTT service provider.

Operating expenses for the IP Licensing segment for the three months ended September 30, 2022 were \$39.1 million, as compared to \$34.7 million for the three months ended September 30, 2021, an increase of \$4.4 million. The increase was primarily due to an increase in R&D costs due to increased headcount and personnel costs as well as investments in both Media and Semiconductor technology and an increase in litigation expense primarily driven by a \$2.5 million reserve recorded for estimated expense reimbursement owed to Bell and Telus as a result of the expected outcome of that litigation matter. The increase in litigation expense was partially offset by reduced case activity.

Operating expenses for the IP Licensing segment for the nine months ended September 30, 2022 were \$112.8 million, as compared to \$103.1 million for the nine months ended September 30, 2021, an increase of \$9.7 million. The increase was primarily due to an increase in R&D costs due to increased headcount and personnel costs as well as investments in both Media and Semiconductor technology and increase in litigation expense. The increase in litigation expense was primarily due to a \$2.2 million reserve recorded in the second quarter of 2022 related to the Videotron matter and a \$2.5 million reserve recorded in the third quarter of 2022 for estimated expense reimbursement owed to the Bell and Telus as a result of the expected outcome of that litigation matter. The increases were partially offset by reduced case activity.

Operating income for for the IP Licensing segment the three months ended September 30, 2022 was \$50.2 million, as compared to \$67.0 million for the three months ended September 30, 2021, a decrease of \$16.8 million. The decrease was primarily due to reasons stated above. Operating income for the nine months ended September 30, 2022 was \$222.8 million, as compared to \$198.4 million for the nine months ended September 30, 2021, an increase of \$24.4 million. The increase was primarily due to reasons stated above.

Product Segment

Product revenue for the three months ended September 30, 2022 was \$121.6 million as compared to \$117.7 million for the three months ended September 30, 2021, an increase of \$3.9 million. The increase was primarily driven by an increase in minimum guarantee (“MG”) revenue in Consumer Electronics partially offset by decreases in revenue from the Pay-TV and Connected Car market verticals.

Product revenue for the nine months ended September 30, 2022 was \$366.7 million as compared to \$361.7 million for the nine months ended September 30, 2021, an increase of \$5.0 million. The increase was primarily driven by increased revenue from the settlement of a contract dispute with a large mobile imaging customer in the second quarter of 2022 and increased revenue from the Consumer Electronics market vertical. The increases were partially offset by decreases in revenue from the Pay-TV and Connected Car market verticals.

Operating expenses for the Product segment for the three months ended September 30, 2022 were \$463.2 million, as compared to \$116.8 million for the three months ended September 30, 2021, an increase of \$346.4 million. The increase was primarily driven by the goodwill impairment charge recognized during the third quarter of 2022, increase in R&D cost primarily due to employees hired in connection the Vewd Acquisition in July 2022 and increase in variable compensation. The increases were partially offset by decreases in depreciation and amortization expense due to certain fixed assets and acquired intangible assets reaching the end of their useful lives over the past twelve months and decrease in litigation expense due to reduced case activity.

Operating expenses for the Product segment for the nine months ended September 30, 2022 were \$658.1 million, as compared to \$330.4 million for the nine months ended September 30, 2021, an increase of \$327.7 million. The increase was primarily driven by the goodwill impairment charge described above, increase in R&D costs primarily due to employees hired in connection with the MobiTV Acquisition in the second quarter of 2021 and the Vewd Acquisition in the third quarter of 2022 and increase in variable compensation. The increases were partially offset by decreases in amortization expense due to certain acquired intangible assets reaching the end of their useful lives over the past twelve and decrease in litigation expense due to reduced case activity.

Operating loss for the Product segment for the three months ended September 30, 2022 was \$341.5 million, as compared to operating income of \$0.9 million for the three months ended September 30, 2021, a decrease of \$342.4 million. Operating loss for the nine months ended September 30, 2022 was \$291.3 million, as compared to operating income of \$31.3 million for the nine months ended September 30, 2021, a decrease of \$322.7 million. The decreases were primarily due to reasons stated above.

Liquidity and Capital Resources

The following table presents selected financial information related to our liquidity and significant sources and uses of cash and cash equivalents as of and for the periods presented.

(in thousands, except for percentages)	As of	
	September 30, 2022	December 31, 2021
Cash and cash equivalents	\$ 271,092	\$ 201,121
Short-term investments	1,399	60,534
Total cash, cash equivalents and short-term investments	<u>\$ 272,491</u>	<u>\$ 261,655</u>
Percentage of total assets	13 %	11 %

	Nine Months Ended September 30,	
	2022	2021
Net cash from operating activities	\$ 142,042	\$ 165,913
Net cash from investing activities	\$ (4,313)	\$ (11,560)
Net cash from financing activities	\$ (64,339)	\$ (157,914)

Our primary sources of liquidity and capital resources are our operating cash flows and our short-term investments. Cash, cash equivalents and short-term investments were \$272.5 million at September 30, 2022, an increase of \$10.8 million from \$261.7 million at December 31, 2021. This increase resulted primarily from \$142.0 million in cash generated from operations, \$28.3 million in proceeds from sales of investments \$35.2 million in proceeds from maturities of investments and \$14.3 million in proceeds from the issuance of common stock under our employee stock grant programs and employee stock purchase plans, which was partially offset by \$50.5 net cash paid for the Vewd Acquisition, \$15.6 million in dividends paid, \$32.6 million in repurchases of common stock, \$30.4 million in repayment of long-term debt, and \$12.6 million of capital expenditures. Cash and cash equivalents totaled \$271.1 million at September 30, 2022, an increase of \$70.0 million from \$201.1 million at December 31, 2021.

The primary objectives of our investment activities are to preserve principal and to maintain liquidity while at the same time capturing a market rate of return. To achieve these objectives, we maintain a diversified portfolio of securities including money market funds and debt securities. Debt securities include corporate bonds and notes, municipal bonds and notes, commercial paper, treasury and agency notes and bills and certificates of deposit. We invest excess cash predominantly in high-quality investment grade debt securities with less than three years to maturity. Our marketable debt securities are classified as available-for-sale (“AFS”) with credit losses recognized as a credit loss expense and non-credit related unrealized gains and losses, net of tax, recorded in accumulated other comprehensive income or loss.

Other than the principal payment of \$30.4 million made by us under the Refinanced Term B Loans during the nine months ended September 30, 2022, our cash requirements have not changed materially since December 31, 2021.

In addition to our cash requirements, we have returned cash to stockholders through both quarterly dividend payments and repurchases of our common stock under our stock repurchase plan.

Quarterly Dividends

In October 2022, our Board of Directors authorized payment of a quarterly dividend of \$0.05 per share, to be paid in December 2022. We anticipate that all quarterly dividends will be paid out of cash, cash equivalents and short-term investments.

Stock Repurchase Plan

On June 12, 2020, our Board of Directors terminated a prior stock repurchase program and approved a new stock repurchase plan (the “Plan”) providing for the repurchase of up to \$150.0 million of our common stock dependent on market conditions, share price and other factors. No expiration has been specified for this Plan. On April 22, 2021, our Board of Directors authorized an additional \$100.0 million of purchases under the Plan. The stock repurchases may be made from time to time, through solicited or unsolicited transactions in the open market, in privately negotiated transactions, or pursuant to a Rule 10b5-1 plan. Since the inception of the Plan, and through September 30, 2022, we have repurchased an aggregate of approximately 10.0 million shares of common stock at a total cost of \$172.2 million at an average price of \$17.24.

We may continue to execute authorized repurchases from time to time under the Plan. The amount and timing of any repurchases under the Plan depend on a number of factors, including but not limited to, the trading price, volume and availability of our common shares. There is no guarantee that such repurchases under the Plan will enhance the value of our common stock.

While we expect to continue to generate cash flows from operating activities in 2022, the COVID-19 pandemic continues to present uncertainties as to the level of such cash flows as compared to prior years. Additionally, transaction costs relating to the Separation of our two business segments are expected to impact operating cash flows for at least the next three months. We have taken actions to manage cash flows by reducing discretionary spending and other variable costs, and closely monitoring receivables and payables.

We believe that based on current levels of operations and anticipated growth, our cash from operations, together with cash, cash equivalents and investments currently available, will be sufficient to satisfy our currently anticipated cash requirements through at least the next twelve months and thereafter for the foreseeable future. Poor financial results, unanticipated expenses, unanticipated acquisitions of technologies or businesses, or unanticipated strategic investments could give rise to additional financing requirements sooner than we expect. There can be no assurance that equity or debt financing will be available when needed or, if available, that such financing will be on terms satisfactory to us. The sale of additional equity securities could result in dilution to our stockholders. The incurrence of indebtedness could result in increased debt service obligations and may include covenants that would restrict our operations.

Cash Flows from Operating Activities

Cash flows provided by operations were \$142.0 million for the nine months ended September 30, 2022, primarily due to our net loss of \$372.3 million being further adjusted for non-cash items of depreciation of \$16.8 million, amortization of intangible assets of \$119.3 million, goodwill impairment charges of \$354.0 million, and stock-based compensation expense of \$49.3 million. These increases were partially offset by \$27.5 million in changes in operating assets and liabilities including payment during the first quarter of employee bonuses earned in 2021.

Cash flows provided by operations were \$165.9 million for the nine months ended September 30, 2021, primarily due to our net loss of \$43.7 million being adjusted for non-cash items of depreciation of \$18.0 million, amortization of intangible assets of \$156.8 million, stock-based compensation expense of \$42.5 million, and a loss on debt extinguishment of \$8.0 million. These increases were partially offset by a reduction of \$7.1 million in deferred income taxes and \$8.3 million in changes in operating assets and liabilities.

Cash Flows from Investing Activities

Net cash used in investing activities was \$4.3 million for the nine months ended September 30, 2022, primarily related to maturities and sales of securities of \$63.4 million, partially offset by net cash paid for the Vewd Acquisition of \$50.5 million, purchases of short-term investments of \$4.5 million and capital expenditures of \$12.6 million. The sales of securities included activity in late June in anticipation of the Vewd Acquisition which closed on July 1, 2022.

Net cash used in investing activities was \$11.6 million for the nine months ended September 30, 2021, primarily related to purchases of short-term investments of \$65.4 million, cash used in the MobiTV Acquisition of \$17.4 million and capital expenditures of \$8.3 million, partially offset by maturities and sales of securities of \$79.7 million.

Capital Expenditures

Our capital expenditures for property, plant, and equipment consist primarily of purchases of computer hardware and software, information systems, production and test equipment. During the nine months ended September 30, 2022 and 2021, we spent \$12.6 million and \$8.3 million on capital expenditures, respectively, and we expect capital expenditures in the fourth quarter of 2022 to be immaterial. These expenditures are expected to be financed with cash from operations, existing cash and cash equivalents, and short-term investments. There can be no assurance that current expectations will be realized and plans are subject to change upon further review of our capital expenditure needs.

Cash Flows from Financing Activities

Net cash used in financing activities was \$64.3 million for the nine months ended September 30, 2022 primarily due to \$30.4 million in repayment of indebtedness, \$15.6 million in dividends paid, and \$32.6 million in repurchases of common stock, partially offset by \$14.3 million in proceeds due to the issuance of common stock under our employee stock grant programs and employee stock purchase plans.

Net cash used in financing activities was \$157.9 million for the nine months ended September 30, 2021 primarily due to \$73.9 million in repayment of indebtedness, \$6.8 million in debt refinancing costs, \$15.8 million in dividends paid, and \$75.2 million in repurchases of common stock, partially offset by \$13.8 million in proceeds from the issuance of common stock under our employee stock grant programs and employee stock purchase plans.

Long-term Debt

On June 8, 2021, we amended (the "Amendment") that certain Credit Agreement dated June 1, 2020 by and among us, the lenders party thereto and Bank of America, N.A., as administrative agent and collateral agent (the "2020 Credit Agreement"). The 2020 Credit Agreement initially provided for a five-year senior secured term B loan facility in an aggregate principal amount of \$1,050 million (the "2020 Term B Loan Facility"). In connection with the Amendment, we made a voluntary prepayment of \$50.6 million of the term loan outstanding under the 2020 Credit Agreement using cash on hand. The Amendment provided for, among other things, (i) a new tranche of term loans (the "Refinanced Term B Loans") in an aggregate principal amount of \$810.0 million, (ii) a reduction of the interest rate margin applicable to such loans to (x) in the case of base rate loans, 2.50% per annum and (y) in the case of Eurodollar loans, LIBOR plus a margin of 3.50% per annum, (iii) a prepayment premium of 1.00% in connection with any repricing transaction with respect to the Refinanced Term B Loans within six months of the closing date of the Amendment, (iv) an extension of the maturity to June 8, 2028, and (v) certain additional amendments, including amendments to provide us with additional flexibility under the covenant governing restricted payments. We commenced repaying quarterly installments under the Refinanced Term B Loans in the third quarter of 2021.

On July 1, 2022, TiVo Product Holdco LLC, which was subsequently renamed to Xperi Inc., issued a senior unsecured promissory note (the "Promissory Note") to the sellers of Vewd in a principal amount of \$50.0 million. The issuer's obligations under the Promissory Note are guaranteed by the Company prior to the Separation. Indebtedness outstanding under the Promissory Note bears an interest rate of 6.00% per annum, payable in cash on a quarterly basis. If a certain qualified spin-off transaction occurs, the interest rate will be increased to the greater of (a) 6.00% and (b) the sum of (i) the highest interest rate payable under any credit facility or bonds, debentures, notes or similar instruments where the issuer or any guarantor borrows money or guarantees obligations on a secured basis on or after the date of such spin-off transaction, plus (ii) 2.00%. The Promissory Note will mature on July 1, 2025. The issuer may, at any time and on any one or more occasions, prepay all or any portion of the outstanding principal amount, plus accrued and unpaid interest, if any, under the Promissory Note without premium or penalty. In addition, the Promissory Note has mandatory prepayment provisions upon certain change of control or asset sale events.

At September 30, 2022, \$759.4 million was outstanding under the Refinanced Term B Loans with an interest rate, including amortization of debt discount and issuance costs, of 6.02%. Interest is payable monthly. Under the existing loan agreements, we have future minimum principal payments for our debt of \$10.1 million for the remainder of 2022, \$40.5 million in each year from 2023 through 2026, with the remaining principal balance of \$587.3 million due in 2028. We are obligated to pay a portion of excess cash flow on an annual basis beginning in March 2023 based on certain leverage ratios and our excess cash flow generated for the immediately preceding calendar year. The Refinanced Term B Loans contain customary covenants, and as of September 30, 2022, we were in full compliance with such covenants.

At September 30, 2022, \$50 million was outstanding under the Promissory Note with an interest rate of 6.00%. Interest is payable quarterly. The Promissory Note will mature on July 1, 2025. The Promissory Note includes certain covenants that restrict the issuer and each guarantor's ability to, among other things, incur certain indebtedness or engage in any material line of business substantially different from those lines of business conducted by such entities on the closing date of the acquisition. The Promissory Note does not contain any financial covenants. As of September 30, 2022, we were in full compliance with such covenants.

After the Separation, we own the debt under the Refinanced B Term Loans and Xperi Inc. owns the debt under the senior unsecured promissory note.

Critical Accounting Policies and Estimates

During the three and nine months ended September 30, 2022, there was a significant change in our critical accounting policies and estimates. See “Note 2 – Summary of Significant Accounting Policies” of Notes to the Condensed Consolidated Financial Statements for additional detail. For a discussion of our critical accounting policies and estimates, see Part II, Item 7 – Management’s Discussion and Analysis of Financial Condition and Results of Operations in the Form 10-K.

Valuation of goodwill and intangible assets

We make judgments about the recoverability of intangible assets whenever events or changes in circumstances indicate that impairment may exist. If such facts and circumstances exist, we assess recoverability by comparing the projected undiscounted net cash flows associated with the related asset or group of assets over their remaining lives against their respective carrying amounts. Impairments, if any, are based on the excess of the carrying amount over the fair value of those assets. If the useful life is shorter than originally estimated, we accelerate the rate of amortization and amortize the remaining carrying value over the new shorter useful life. Such changes could result in impairment charges or higher amortization expense in future periods, which could have a significant impact on our operating results and financial condition.

We perform an annual review of the valuation of goodwill in the fourth quarter, or more often if indicators of impairment exist. Triggering events for impairment reviews may be indicators such as adverse industry or economic trends, restructuring actions, lower projections of profitability, or a sustained decline in our market capitalization. Evaluations of possible impairment and, if applicable, adjustments to carrying values require us to estimate, among other factors, future cash flows, useful lives, and fair market values of our assets. When we conduct our evaluation of goodwill, the fair value of goodwill is assessed using valuation techniques that require significant management estimates and judgment. Should conditions be different from management’s last assessment, significant impairments of goodwill may be required, which would adversely affect our operating results.

In performing the quantitative impairment test for goodwill, the fair value of the reporting unit is compared to its carrying amount. We utilize the market capitalization approach to determine the fair value of a reporting unit. Under the market capitalization approach, the fair value of a reporting unit is estimated based on the trading price of our stock as of the test date, or trading prices over a short period of time immediately prior or subsequent to the test date if such prices more reasonably represent the estimated fair value as of the test date, which is further adjusted by a control premium representing the synergies a market participant would achieve when obtaining control of the business.

Recent Accounting Pronouncements

See “Note 2 – Summary of Significant Accounting Policies” of the Notes to Condensed Consolidated Financial Statements for a full description of recent accounting pronouncements including the respective expected dates of adoption.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

For a discussion of our market risk, see Part II, Item 7A – *Quantitative and Qualitative Disclosures About Market Risk* in the Form 10-K.

Item 4. Controls and Procedures

Attached as exhibits to this Form 10-Q are certifications of Adeia Inc.'s Chief Executive Officer and Chief Financial Officer, which are required in accordance with Rule 13a-14 of the Exchange Act. This "Controls and Procedures" section includes information concerning the controls and controls evaluation referred to in the certifications and it should be read in conjunction with the certifications for a more complete understanding of the topics presented.

Evaluation of Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted pursuant to the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act as of the end of the period covered by this report (the evaluation date). Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded as of the evaluation date that our disclosure controls and procedures were effective to provide reasonable assurance that the information relating to Adeia Inc., including our consolidated subsidiaries, required to be disclosed in our SEC reports (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to Adeia Inc.'s management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act, during the last fiscal quarter covered by this Quarterly Report on Form 10-Q that materially affected or are reasonably likely to materially affect our internal control over financial reporting.

Item 1. Legal Proceedings

In the normal course of our business, we are involved in legal proceedings. In the past, we have litigated to enforce our patents and other intellectual property rights ("IP"), to enforce the terms of license agreements, to protect trade secrets, to determine the validity and scope of the proprietary rights of others and to defend ourselves or our customers against claims of infringement or invalidity. We expect to continue to be involved in similar legal proceedings in the future, including proceedings regarding infringement of our patents and proceedings to ensure proper and full payment of royalties by licensees under the terms of our license agreements.

Other than to the extent the proceedings described below have concluded, we cannot predict the outcome of any of the proceedings described below. An adverse decision in any of these proceedings could significantly harm our business and our consolidated financial position, results of operations, and cash flows.

Patent Infringement Litigation

In the ordinary course of our IP licensing business, we are required to engage in litigation to protect our IP from infringement. While litigation is never our preference and we prefer to reach mutually agreeable commercial licensing arrangements with third parties, it is sometimes a necessary step to effectively protect our investment in our IP. As a result of these lawsuits, defendants have often filed *Inter Partes* Review ("IPR") petitions with the U.S. Patent Office's Patent Trial and Appeal Board (and other similar post-grant proceedings outside of the U.S.) seeking to invalidate one or more of the patents-in-suit. We are currently engaged in multiple lawsuits with several third parties.

Videotron Patent Infringement Litigation

On June 23, 2017, Adeia Guides Inc. (formerly known as Rovi Guides, Inc.) and Adeia Media Solutions Inc. (formerly known as TiVo Solutions Inc.) (together, "Adeia Media") filed a patent infringement complaint against Videotron Ltd. and Videotron G.P. (together, "Videotron") in Toronto, Canada, alleging infringement of six patents ("Videotron 1"). On June 10, 2022, the Federal Court of Canada issued its decision in the case finding in favor of Videotron and its legacy illico platform. Specifically, the Court found invalid each of the asserted claims related to the four remaining patents involved in the case. In Canada, the prevailing party in patent litigation is entitled to reimbursement of certain of its costs and expenses. We accrued \$2.2 million for estimated expense reimbursement in the second quarter of 2022. On September 12, 2022, Adeia Media filed a notice of appeal with the Federal Court of Appeal of Canada appealing the decision of the Federal Court of Canada.

On May 21, 2021, Adeia Media filed a patent infringement complaint against Videotron in Toronto, Canada, alleging infringement of four patents ("Videotron 2"). On July 21, 2021, the Federal Court of Canada held a case management conference in Videotron 2, shortly before which Videotron filed a motion to strike various portions of the statement of claim. On October 22, 2021, the Court held a hearing on Videotron's motion to strike. On March 22, 2022, the Court issued an order on Videotron's motion to strike, dismissing the motion in its entirety. On April 1, 2022, Videotron filed an appeal of the Court's order dismissing Videotron's motion to strike. On June 30, 2022, the Court issued its decision in Videotron's appeal in which it ruled in Adeia Media's favor and dismissed Videotron's appeal. Discovery in the case began in August 2022. The Court has not set the trial date.

Bell and Telus Patent Infringement Litigation

On January 19, 2018, Adeia Media filed a patent infringement complaint against Bell Canada (and four of its affiliates) (collectively, "Bell") in Toronto, Canada, alleging infringement of six patents ("Bell 1"). On February 2, 2018, Adeia Media filed a patent infringement complaint against Telus Corporation (and two of its affiliates) (collectively, "Telus") in Toronto, Canada, alleging infringement of the same six patents ("Telus 1"). Bell 1 and Telus 1 were heard together for purposes of pre-trial and trial proceedings. On October 7, 2022, the Federal Court of Canada issued its confidential decision in the two cases finding in favor of Bell and Telus and their respective IPTV services, Bell Fibe TV and Telus Optik TV. Specifically, the Court found invalid each of the asserted claims of the four remaining patents involved in the case. In Canada, the prevailing party in patent litigation is entitled to reimbursement of certain of its costs and expenses. Accordingly, while the exact reimbursement amount has yet to be determined, we have accrued \$2.5 million for estimated expense reimbursement during the third quarter of 2022.

On July 27, 2021, Rovi filed a patent infringement complaint against Bell Canada and four of its affiliates, Telefonaktiebolaget L M Ericsson, Ericsson Canada Inc., and MK Systems USA Inc. and MK Mediatech Canada Inc. (collectively, “Defendants”) in Toronto, Canada, alleging infringement of four patents (“Bell 2”). The Defendants filed a motion to strike various portions of the statement of claim in Bell 2. On October 22, 2021, the Federal Court of Canada held a hearing on Defendants’ motion to strike. On March 22, 2022, the Court issued an order on Defendants’ motion to strike, dismissing-in-part and granting-in-part. On April 1, 2022, the Defendants filed a Notice of Motion to Appeal the Court’s order on Defendants’ motion to strike. On June 30, 2022, the Court issued its decision in Defendants’ appeal in which it ruled in Rovi’s favor and dismissed Defendants’ appeal. Discovery in the case is set to begin in November 2022. The Court has yet to set the trial date.

NVIDIA Patent Infringement Litigation

On May 8, 2019, Adeia Semiconductor Technologies LLC (formerly known as Invensas Corporation) and Adeia Semiconductor Advanced Technologies, Inc. (formerly known as Tessera Advanced Technologies, Inc.) (together, “Adeia Semiconductor”) filed a complaint against NVIDIA Corporation (“NVIDIA”) in the United States District Court for the District of Delaware, alleging infringement of five patents, and requesting, among other things, that NVIDIA be ordered to pay compensatory damages in an amount no less than a reasonable royalty. NVIDIA answered the complaint on July 1, 2019, and subsequently moved to transfer the case to the United States District Court for the Northern District of California. The court denied NVIDIA’s motion to transfer on September 17, 2019.

In September 2020, the Patent Trial and Appeal Board (“PTAB”) instituted IPRs of several patents-in-suit. The parties stipulated to an order staying the litigation pending resolution of the IPR proceedings and to dismissal of claims relating to two patents. As a result, there are three patents-in-suit remaining. One patent has no IPRs pending against it. Two patents are subject to IPRs. On June 9, 2021, the PTAB held oral arguments in the IPRs. On September 1, 2021, the PTAB issued final written decisions in the IPRs in which it found all challenged claims of the two patents invalid. On November 1, 2021, Adeia Semiconductor filed appeals of each of the IPR decisions with the United States Court of Appeals for the Federal Circuit. Adeia Semiconductor filed its opening brief on March 14, 2022. On June 8, 2022, NVIDIA filed its response brief. On July 22, 2022, Adeia Semiconductor filed its reply brief. No date has been set yet for oral argument. The District Court Litigation will remain stayed pending the outcome of the IPR appeals.

Item 1A. Risk Factors

The following risk factors amend and replace in their entirety the risk factors contained in the Company's Form 10-K for the year ended December 31, 2021 in their entirety. Unless the context otherwise requires, the risk factors identified below relate to the Company after giving effect to the Separation.

Our operations and financial results are subject to various risks and uncertainties, including those described below, that could adversely affect our business, financial condition, results of operations, cash flows, and the trading price of our common stock. Any of the following risks and uncertainties may be exacerbated by the impacts of the COVID-19 pandemic and related events.

Risk Factor Summary

The following is a summary of the principal risks that could adversely affect our business, operations and financial results.

Risks Related to the Separation

We may not be able to achieve the expected benefits of the separation.

If the distribution, together with certain related transactions, were to fail to qualify for non-recognition treatment for U.S. federal income tax purposes, then we could be subject to significant tax liability.

Following the separation and distribution, we rely on Xperi Inc. for certain transition services and following the completion of the transition period, we will need to provide these services internally or obtain them from unaffiliated third parties.

The separation and related transactions may expose us to potential liabilities arising out of state and federal fraudulent conveyance laws and legal distribution requirements.

Following the separation and distribution, we may not enjoy the same benefits of diversity, leverage, and market reputation that we enjoyed as a combined company.

Certain members of our Board of Directors and management may have actual or potential conflicts of interest because of their ownership of our shares and shares of Xperi Inc.

In connection with our separation we assumed, and indemnified Xperi Inc. for, certain liabilities. If we are required to make payments pursuant to these indemnities, we may need to divert cash to meet those obligations and our financial results could be negatively impacted. In addition, Xperi Inc. will assume, and indemnify us for certain liabilities. These indemnities may not be sufficient to insure us against the full amount of liabilities for which we will be allocated responsibility, and Xperi Inc. may not be able to satisfy its indemnification obligations in the future.

Risks Relating to Our Business Operations

The success of our IP licensing business is dependent on the strength of our patent portfolios.

We enter into IP license agreements that have fixed expiration dates and if, upon expiration or termination, we are unable to renew or replace such license agreements on terms favorable to us, our results of operations could be harmed.

If we fail to protect and enforce our IP rights, contract rights, and our confidential information, our business will suffer.

If we fail to use adequate mechanisms to protect our technology and IP, or if a court fails to enforce our IP rights, our business will suffer. We cannot be certain that these protection mechanisms can be successfully asserted in the future or will not be invalidated or challenged.

Due to the nature of our business, we could continue to be involved in a number of costly litigation, arbitration and administrative proceedings to enforce or defend our IP rights and to defend our licensing practices.

Some of our IP license agreements contain "most favored nations" clauses, which may restrict our ability to offer more competitive terms to other customers in the future.

We regularly make strategic decisions about our patent portfolios. Although we seek to focus our operations in areas where we see the potential for growth and to divest assets where we see more limited opportunities, dispositions we decide to undertake may involve risks, and the anticipated benefits of such actions may not be realized.

Our business and results of operations have been, and are expected to continue to be, impacted by the global COVID-19 pandemic.

The structure and timing of our IP license agreements may cause fluctuations in our quarterly or annual financial results.

Some of our IP license agreements may convert to fully paid-up licenses at the expiration of their terms, or upon the occurrence of certain events, and in such event we will not receive fees thereafter.

The long-term success of our business is partially dependent on a royalty-based business model, which is inherently risky.

A portion of our revenue and cash flow is dependent upon our customers' sales and other factors that are beyond our control or are difficult to forecast.

Risks Related to Financial Matters

We have significant indebtedness which could adversely affect our financial position.

Our variable rate indebtedness may expose us to interest rate risk, which could cause our debt costs to increase significantly.

U.S. Federal Reserve Bank monetary policy actions could increase our costs of servicing our variable rate indebtedness and increase our risk of default.

We may not be able to generate sufficient cash to service our debt obligations.

Repayment of debt is dependent on cash flow generated by our subsidiaries and their respective subsidiaries.

If our goodwill and other intangible assets become impaired, we may be required to record a significant charge to earnings.

Changes in, or interpretations of, tax rules and regulations, could adversely affect our effective tax rates and negatively affect our business and financial condition.

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

Risks Related to Regulatory and Legal Matters

New governmental regulations, new interpretations of existing laws, including legislative initiatives, or judicial or regulatory decisions regarding IP rights or the internet could cause uncertainties and result in harm to our business.

Further deterioration of trade relations between the United States and China, other trade conflicts and barriers, economic sanctions, and national security protection policies could limit or prevent existing or potential customers from doing business with us.

Risks Relating to Ownership of our Common Stock

Our financial and operating results may vary, which may cause the price of our common stock to decline.

We may not pay dividends or pay dividends at a consistent rate, and any decrease in or suspension of the dividend could cause our stock price to decline.

Our stock repurchase program could increase the volatility of the price of our common stock, and the program may be suspended or terminated at any time, which may cause the trading price of our common stock to decline.

Provisions of our certificate of incorporation and bylaws or Delaware law might delay or prevent a change of control transaction and depress the market price of our stock.

Risks Related to the Separation

We may not be able to achieve the expected benefits of the separation.

On October 1, 2022, we completed the separation of our product business from our intellectual property (“IP”) licensing business, resulting in two independently traded companies: Xperi Inc., the new holding company for the spun-out product business, and Adeia Inc., our company. We undertook the separation to achieve certain intended benefits including:

- eliminating competing priorities for capital allocation between the product and IP licensing businesses;
- enabling the respective management teams to better focus on strengthening their core businesses and operations;
- enhancing operational flexibility for both businesses, particularly in dealing with suppliers and customers;
- streamlining the investment profiles of both businesses and enhancing their marketability; and
- improving access to talent by allowing each company to capitalize on their distinct cultures and recruitment strategies.

If the separation does not provide the benefits we intend, there could be a disruption of our operations, loss of, or inability to recruit, key personnel needed to operate and grow our business and impairment of our key customer relationships. In addition, the separation continues to require management’s time and effort, which may divert management’s attention from operating and growing our business. Furthermore, as a result of the separation, we may be more susceptible to market fluctuations and other adverse events and our business will be less diversified than our business prior to the separation. If we fail to achieve some or all of the benefits that we expect to achieve from the separation, or do not achieve them in the time we expect, our business, financial condition and results of operations could be materially and adversely affected.

If the distribution, together with certain related transactions, were to fail to qualify for non-recognition treatment for U.S. federal income tax purposes, then we could be subject to significant tax liability.

The distribution was conditioned on a tax opinion from outside counsel, in form and substance reasonably acceptable to us, substantially to the effect that, among other things, the distribution and certain related transactions will qualify as a tax-free transaction for U.S. federal income tax purposes under Section 355 and Section 368(a)(1)(D) of the Code (the “Tax Opinion”). Additionally, we received a private letter ruling from the IRS, substantially to the effect that, among other things, the distribution, together with certain related transactions, will qualify as a tax-free transaction for U.S. federal income tax purposes under Section 355 and Section 368(a)(1)(D) of the Code (the “IRS Ruling”). The IRS Ruling and the Tax Opinion relied on certain facts, assumptions, and undertakings, and certain representations from us and Xperi Inc., regarding the past and future conduct of both respective businesses and other matters. The Tax Opinion also relied on the continued validity of the IRS Ruling. Notwithstanding the Tax Opinion and the IRS Ruling, the IRS could determine on audit that the distribution or certain related transactions should be treated as a taxable transaction if it determines that any of these facts, assumptions, representations or undertakings are not correct or have been violated, or that the distribution should be taxable for other reasons, including if the IRS were to disagree with the conclusions of the Tax Opinion that are not covered by the IRS Ruling.

If the distribution ultimately is determined to be taxable, then our stockholders that received shares of Xperi Inc. common stock in the distribution would be treated as having received a distribution of property in an amount equal to the fair market value of such shares (including any fractional shares sold on behalf of such stockholder) on the distribution date and could incur significant income tax liabilities, and we would recognize corporate level taxable gain on the distribution in an amount equal to the excess, if any, of the fair market value of Xperi Inc. common stock distributed to our stockholders on the distribution date over our tax basis in such stock. In addition, if certain related transactions, including certain transactions undertaken pursuant to our internal reorganization and business realignment, through which we entered into a series of internal reorganization transactions with Xperi Inc. to align our respective product and IP licensing businesses (the “Internal Reorganization and Business Realignment”), that are intended to qualify for tax-free treatment, fail to qualify for tax-free treatment under U.S. federal, state, local tax and/or foreign tax law, we and Xperi Inc. could incur significant tax liabilities and/or lose significant tax attributes under U.S. federal, state, local and/or foreign tax law.

Even if the distribution otherwise constitutes a tax-free transaction to stockholders under Section 355 of the Code, we may be required to recognize corporate level tax on the distribution and certain related transactions under Section 355(e) of the Code if, as a result of the all-stock merger of equals transaction consummated on June 1, 2020 between TiVo Corporation and Xperi Corporation and their respective consolidated subsidiaries (the “Mergers”) or other transactions considered part of a plan with the distribution, there is a 50 percent or greater change of ownership in us or Xperi Inc. Following the Mergers, and in anticipation of the distribution, we sought and received the IRS Ruling, which included a ruling from the IRS regarding the

proper manner and methodology for measuring the common ownership of our stock and the stock of TiVo Corporation and Xperi Corporation for purposes of determining whether there has been a 50 percent or greater change of ownership under Section 355(e) of the Code. The Tax Opinion relied on the continued validity of the IRS Ruling, as well as certain factual representations from us as to the extent of common ownership in the stock of TiVo Corporation and Xperi Corporation immediately prior to the Mergers. Based on the representations made by us as to the common ownership in the stock of TiVo Corporation and Xperi Corporation immediately prior to the Mergers and assuming the continued validity of the IRS Ruling, the Tax Opinion concluded that there was not a 50 percent or greater change of ownership for purposes of Section 355(e) as a result of the Mergers. Notwithstanding the Tax Opinion and the IRS Ruling, the IRS could determine that the distribution or a related transaction should nevertheless be treated as a taxable transaction to us if it determines that any of the facts, assumptions, representations or undertakings provided by us are not correct or that the distribution should be taxable for other reasons, including if the IRS were to disagree with the conclusions in the Tax Opinion that are not covered by the IRS Ruling.

Under the tax matters agreement that we entered into with Xperi Inc. on October 1, 2022 (the “Tax Matters Agreement”), Xperi Inc. is generally obligated to indemnify us against taxes imposed on us that result from the failure of the distribution to qualify for non-recognition treatment for U.S. federal income tax purposes (including any taxes imposed on us due to the application of Section 355(e) to the distribution), to the extent such failure is attributable to actions, events or transactions relating to Xperi Inc. or its affiliates’ stock, assets or business, or any breach of Xperi Inc.’s representations, covenants or obligations under the Tax Matters Agreement (or certain other agreements it entered into in connection with the separation and distribution) or any breach by Xperi Inc. or its affiliates of representations made in any representation letter provided in connection with the Tax Opinion.

If the distribution fails to qualify for non-recognition treatment for U.S. federal income tax purposes for certain reasons relating to the overall structure of the Mergers and the distribution, then under the Tax Matters Agreement, we and Xperi Inc. would share the tax liability resulting from such failure in accordance with our relative market capitalizations as of the distribution date (determined based on the average trading prices of each company’s stock during the ten trading days beginning on the distribution date).

If the distribution or certain related transactions are determined to be taxable for U.S. federal income tax purposes, we could incur significant U.S. federal income tax liabilities. As described above, we may be entitled to indemnification from Xperi Inc. under the Tax Matters Agreement for all or a portion of such tax liabilities. However, if Xperi Inc. fails to indemnify us, as required by the Tax Matters Agreement, or if we are required to recognize tax on the distribution or certain related transactions under circumstances where we are not entitled to indemnification, or if such indemnities are not sufficient to satisfy the full amount of such tax, we could be subject to significant tax liability. Even if we ultimately succeed in recovering from Xperi Inc. any amounts that are subject to indemnification, we may be temporarily required to bear these losses ourselves. Each of these risks could have a material adverse impact on our business, financial condition, results of operations, and cash flows.

Following the separation and distribution, we rely on Xperi Inc. for certain transition services and following the completion of the transition period, we will need to provide these services internally or obtain them from unaffiliated third parties.

We and Xperi Inc. entered into a transition services agreement in connection with the separation pursuant to which Xperi Inc. and its subsidiaries provide us and our subsidiaries various services for an up to 12-month transitional period. The services provided include back office functions and assistance with regard to administrative tasks relating to day-to-day activities as needed, including finance, accounting, and tax activities, IT services, customer support, facilities services, human resources, and general corporate support, as well as pass-through services provided by certain vendors. Our interests and those of Xperi Inc. could differ with respect to the provision of the services during the transitional period, which could negatively impact the scope, duration or effectiveness of the transition services agreement. In addition, if Xperi Inc. or its subsidiaries do not satisfactorily perform their obligations under the transition service agreement, our business, financial condition, results of operations and cash flows could be negatively impacted.

Following the completion of the transition period, we will need to provide internally or obtain from unaffiliated third parties certain services we previously received from the product business now comprising Xperi Inc. and its affiliates. We may be unable to replace these services in a timely manner or on terms and conditions as favorable as the terms of the transition services agreement. If we fail to obtain the quality of administrative services necessary to operate effectively or incur greater costs in obtaining these services, our profitability, financial condition, and results of operations may be materially and adversely affected.

The separation and related transactions may expose us to potential liabilities arising out of state and federal fraudulent conveyance laws and legal distribution requirements.

Although we received a solvency opinion confirming that we and Xperi Inc. will each be adequately capitalized following the distribution, the separation could be challenged under various state and federal fraudulent conveyance laws. Fraudulent conveyances or transfers are generally defined to include transfers made or obligations incurred with the actual intent to hinder, delay or defraud current or future creditors or transfers made or obligations incurred for less than reasonably equivalent value when the debtor was insolvent, or that rendered the debtor insolvent, inadequately capitalized or unable to pay its debts as they become due. Any unpaid creditor could claim that we did not receive fair consideration or reasonably equivalent value in the separation and distribution, and that the separation and distribution left us insolvent or with unreasonably small capital or that we intended or believed we would incur debts beyond our ability to pay such debts as they mature. If a court were to agree with such a plaintiff, then such court could void the separation and distribution as a fraudulent transfer or impose substantial liabilities on us, which could adversely affect our financial condition and our results of operations.

The distribution is also subject to review under state corporate distribution statutes. Under the Delaware General Corporation Law (the “DGCL”), a corporation may only pay dividends to its stockholders either (i) out of its surplus (net assets minus capital) or (ii) if there is no such surplus, out of its net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. Although our board of directors intended to make the distribution out of our surplus and received an opinion that we had adequate surplus under Delaware law to declare the dividend of Xperi Inc. common stock in connection with the distribution, there can be no assurance that a court will not later determine that some or all of the distribution was unlawful.

Following the separation and distribution, we may not enjoy the same benefits of diversity, leverage, and market reputation that we enjoyed as a combined company.

Our business (or portions thereof) has historically benefited from our (and, prior to the Mergers, TiVo Corporation and Xperi Corporation’s) operating diversity and purchasing power, as well as opportunities to pursue integrated strategies with our other businesses, including those businesses that were allocated to Xperi Inc. in connection with the separation. Following the separation and distribution, we will not have similar diversity or integration opportunities and may not have similar purchasing power or access to capital markets.

Additionally, following the separation and distribution, we may become more susceptible to market fluctuations and other adverse events than if Xperi Inc. had remained part of our organizational structure. As part of our business, we (and, prior to the Mergers, as part of TiVo Corporation and Xperi Corporation, as applicable) have been able to leverage our historical market reputation and performance as well as those businesses’ brand identities, which has allowed us to, among other things, recruit and retain key personnel to run our business. Following the separation and distribution, we may not enjoy the same historical market reputation, nor the same performance or brand identity, which may make it more difficult for us to recruit or retain such key personnel.

Certain members of our Board of Directors and management may have actual or potential conflicts of interest because of their ownership of our shares and shares of Xperi Inc.

As a result of the way in which the employee matters agreement addressed equity compensation awards held by our and Xperi Inc.’s directors and executives, certain members of our Board of Directors and management own shares of Xperi Inc. and/or restricted stock units of Xperi Inc., which could create, or appear to create, potential conflicts of interest when our directors and executive officers are faced with decisions that could have different implications for Xperi Inc. and us.

In connection with our separation we assumed, and indemnified Xperi Inc. for, certain liabilities. If we are required to make payments pursuant to these indemnities, we may need to divert cash to meet those obligations and our financial results could be negatively impacted. In addition, Xperi Inc. will assume, and indemnify us for certain liabilities. These indemnities may not be sufficient to insure us against the full amount of liabilities for which we will be allocated responsibility, and Xperi Inc. may not be able to satisfy its indemnification obligations in the future.

Pursuant to the separation and distribution agreement, the employee matters agreement, and the tax matters agreement with Xperi Inc., we agreed to assume, and indemnify Xperi Inc. for certain liabilities for uncapped amounts, which could include, among other items, associated defense costs, settlement amounts and judgments. Payments pursuant to these indemnities could be significant and could negatively impact our business.

Third parties could also seek to hold us responsible for any of the liabilities allocated to Xperi Inc., including those related to Xperi Inc.'s business. Xperi Inc. agreed to indemnify us for such liabilities, but such indemnities may not be sufficient to protect us against the full amount of such liabilities. Even if we ultimately succeed in recovering from Xperi Inc. any amounts for which we are held liable, we may be temporarily required to bear these losses ourselves. Each of these risks could negatively affect our business, financial condition, results of operations and cash flows.

Additionally, we assumed and are responsible for the payment of our share of (i) certain liabilities of Xperi Inc. relating to, arising out of, or resulting from certain general corporate matters of Xperi Inc. and (ii) certain separation expenses not otherwise allocated to Xperi Inc. (or allocated specifically to us) pursuant to the separation and distribution agreement, and third parties could seek to hold us responsible for Xperi Inc.'s share of any such liabilities. Xperi Inc. will indemnify us for their share of any such liabilities; however, such indemnities may not be sufficient to protect us against the full amount of such liabilities, and/or Xperi Inc. may not be able to fully satisfy their respective indemnification obligations. In addition, even if we ultimately succeed in recovering from Xperi Inc. any amounts for which we are held liable in excess of our agreed share, we may be temporarily required to bear these losses ourselves. Each of these risks could negatively affect our business, financial condition, results of operations and cash flows.

Risks Relating to Our Business Operations

The success of our IP licensing business is dependent on the strength of our patent portfolios.

We derive our revenue from patent licenses and technology transfer agreements. The success of our business depends on our ability to continue to develop, acquire, and enforce patents that address the evolving needs of the industries in which our current or future customers operate. We devote significant resources to developing and acquiring such patents and we must continue to do so in the future to remain competitive. Competition for acquiring such patents is intense and there is no assurance that we can continue to acquire such patents on favorable terms or develop such patents in a timely or economical fashion. Furthermore, our patents will expire in the future, the timing of which varies from jurisdiction to jurisdiction. Our current U.S. issued patents expire at various times through the next two decades. Consequently, we need to develop or acquire successful innovations and obtain patents on those innovations, or acquire new patents from third parties, before our current patents expire. Our failure to do so could significantly harm our business, financial position, results of operations, and cash flows.

We enter into IP license agreements that have fixed expiration dates and if, upon expiration or termination, we are unable to renew or replace such license agreements on terms favorable to us, our results of operations could be harmed.

We enter into IP license agreements that have fixed expiration dates. Upon expiration of such agreements we need to renew or replace these agreements in order to maintain our revenue base. If we are unable to replace the revenue from an expiring license, either through a renewal of such license or with licenses from other customers, our results of operations could be adversely impacted as compared to periods prior to such expiration.

In addition, we may not be able to continue entering into licenses on terms that are favorable to us, which could harm our results of operations. While we have expanded our licensable technology portfolio through internal development and third-party acquisitions, there is no guarantee that these measures will lead to continued revenue. If we fail to continue to do business with our current customers, our business would be materially adversely affected.

Furthermore, a small number of our customers may represent a significant percentage of our revenue. Agreements with some of these customers do not require any minimum license fees. Consumer demand for our technologies can shift quickly as many of the markets in which we serve are rapidly evolving. As a result, these customers may lose subscribers, which would reduce our revenue. Accordingly, the possibility that a customer, including a customer that represents a significant portion of our revenue, may reduce or eliminate its use of our technologies, presents a risk to our business.

If we fail to protect and enforce our IP rights, contract rights, and our confidential information, our business will suffer.

We rely primarily on a combination of license, development and nondisclosure agreements and other contractual provisions, as well as IP laws, to protect our technology and IP. If we fail to protect our technology or IP, including by failing to enforce the terms of our contracts or IP rights through litigation, our customers and others may seek to use our technology and IP without a license or without the payment of license fees, which could weaken our competitive position, reduce our operating results and increase the likelihood of costly litigation. Others may also develop technologies that are similar or superior to our technologies, duplicate our technologies or design around our technologies. The growth of our business depends in large part on our ability to secure IP rights in a timely manner, our ability to convince third parties of the applicability of our IP rights to their products and services, and our ability to enforce our IP rights.

We attempt to obtain patent protection for our innovations, and our license agreements typically include both issued patents and pending patent applications. If we fail to file for patents in a timely manner or if the patents issued to us do not cover all of the inventions disclosed in our patent applications, others could use portions of our technology and IP without a license or without the payment of license fees. For example, our business may suffer if we are unable to obtain patent protection in a timely manner from the US Patent and Trademark Office due to processing delays resulting from examiner turnover and a continuing backlog of patent applications.

If we fail to use adequate mechanisms to protect our technology and IP, or if a court fails to enforce our IP rights, our business will suffer. We cannot be certain that these protection mechanisms can be successfully asserted in the future or will not be invalidated or challenged.

Further, the laws and enforcement regimes of certain countries may not protect our technology and IP to the same extent as do the laws and enforcement regimes of the U.S. In certain jurisdictions we may be unable to protect our technology and IP adequately against unauthorized use, which could adversely affect our business.

At times, we are engaged in disputes regarding the licensing of our IP rights, including matters related to our license fees and other terms of our licensing arrangements. These types of disputes can be asserted by our customers, prospective customers, or by other third parties as part of negotiations with us or in private actions seeking monetary damages or injunctive relief, or in regulatory actions. Any such disputes, regardless of their merit, could be difficult and costly to defend or settle. Damages and requests for injunctive relief asserted in disputes like these could be significant, and could be disruptive to our business.

Due to the nature of our business, we could continue to be involved in a number of costly litigation, arbitration and administrative proceedings to enforce or defend our IP rights and to defend our licensing practices.

While some companies seek licenses before they commence manufacturing and/or selling products, services or solutions that use our patented inventions, most do not. Consequently, we proactively approach companies and seek to establish license agreements for using our inventions. We expend significant time and effort identifying users and potential users of our inventions and negotiating license agreements with companies, including those that may be reluctant to pay for licenses to our IP. However, if we believe that a third party is required to take a license to our patents in order to manufacture, sell, offer for sale, import or use products and services, we have in the past commenced, and may in the future, commence legal or administrative action against the third party if they refuse to enter into a license agreement with us. In turn, we have faced, and could continue to face, counterclaims and other legal proceedings that claim that our patents are invalid, unenforceable or not infringed. Litigation adversaries have also filed against us, and other third parties may in the future file, validity challenges such as Inter Partes Review proceedings in the USPTO, which can lead to delays of our patent infringement actions as well as potential findings of invalidity. Further, in certain jurisdictions where we may pursue protections of our IP rights, if we are unsuccessful in litigation we may be liable for the costs of defendants that receive favorable rulings. Given the nature of our business, such proceedings could have a material adverse effect on our business, financial condition, and results of operations.

Some of our IP license agreements contain “most favored nations” clauses, which may restrict our ability to offer more competitive terms to other customers in the future.

Some of our license agreements contain “most favored nation” clauses, which typically provide that if we enter into an agreement with another customer on more favorable terms, we must offer some of those terms to our existing customers. We have entered into a number of license agreements with terms that differ in some respects from those contained in other agreements. These agreements may obligate us to provide different, more favorable, terms to customers, which could, if applied, result in lower revenue or otherwise adversely affect our business, financial condition, and results of operations. While we believe that we have appropriately complied with the most favored nation terms included in our license agreements, these contracts are complex and other parties could reach a different conclusion that, if enforced, could have an adverse effect on our financial condition or results of operations. Disputes over such terms may be costly, difficult and time-consuming to resolve, and could divert our management’s attention and resources.

We regularly make strategic decisions about our patent portfolios. Although we seek to focus our operations in areas where we see the potential for growth and to divest assets where we see more limited opportunities, dispositions we decide to undertake may involve risks, and the anticipated benefits of such actions may not be realized.

From time to time, we intend to make strategic decisions about our patent portfolio, whether through a formal portfolio review or opportunistic dispositions. Cost savings expectations of any portfolio review are inherently uncertain and, therefore, we cannot provide assurance that we will achieve any expected or actual cost savings from any such action. Our portfolio review activities may place substantial demands on our management, which could lead to the diversion of management’s attention from other business priorities. Any assets that we divest could turn out to be more valuable than we had anticipated, and we may not realize the anticipated benefits of any strategic decision about our patent portfolio.

Our business and results of operations have been, and are expected to continue to be, impacted by the global COVID-19 pandemic.

Our business and results of operations have been adversely affected by the global COVID-19 pandemic and related events and we expect its impact to continue. The impact to date has included periods of significant volatility in various markets and industries. The volatility has had, and we anticipate it will continue to have, an adverse effect on our customers and on our business, financial condition and results of operations, and may result in increased credit losses. For example, the consumer electronics industry has been and may continue to be impacted by the pandemic and/or other events beyond our control, and further volatility could have an additional negative impact on this industry, its customers, and on our business operations, which may lead to reduced revenue. In addition, the COVID-19 pandemic has impacted and may continue to impact the financial condition of our customers who may not be able to satisfy their obligations under our agreements timely or at all.

The structure and timing of our IP license agreements may cause fluctuations in our quarterly or annual financial results.

From time to time we enter into IP license agreements that include pricing or payment terms that result in quarter-to-quarter or year-over-year fluctuations in our revenue and cash flows. The effect of these terms may also cause our aggregate annual revenue to grow less rapidly than annual growth in the applicable end market. Additionally, our customers may fail to pay, delay payment of, or underpay what they owe to us under our IP license agreements, which may in turn require us to enforce our contractual rights through legal proceedings, resulting in payment amounts and timing different than expected based on the terms of our license agreements. This also may cause our revenue and cash flows to fluctuate on a quarter-to-quarter or year-over-year basis.

Some of our IP license agreements may convert to fully paid-up licenses at the expiration of their terms, or upon the occurrence of certain events, and in such event we will not receive fees thereafter.

From time to time we enter into semiconductor IP license agreements that automatically convert to fully paid-up licenses upon expiration of a specified term or upon the occurrence of certain events. We may not receive further fees from customers for any licensed technology under those agreements if they convert to fully paid-up licenses because such customers will be entitled to continue using some, if not all, of the relevant IP or technology under the terms of the license agreements without further payment, even if relevant patents or technologies are still in effect. If we cannot find another source of fees to replace the fees from these license agreements converting to fully paid-up licenses, our results of operations following such conversion would be materially adversely affected.

The long-term success of our business is partially dependent on a royalty-based business model, which is inherently risky.

The long-term success of our business is partially dependent on royalties paid to us by customers. Fees under our licenses may be based upon, among other things, the number of subscribers for Pay-TV, a per-unit sold basis, or a fixed quarterly or annual amount. We are dependent upon our ability to structure, negotiate, and enforce agreements for the determination and payment of such fees, as well as upon our customers' compliance with their agreements. We face risks inherent in a license-based business model, many of which are outside of our control, such as the following:

- the number of subscribers our Pay-TV customers have;
- the rate of adoption and incorporation of our technology by semiconductor manufacturers, assemblers, foundries, and manufacturers of consumer and communication electronics;
- the demand for products that incorporate our licensed technology;
- the cyclical nature of supply and demand for products using our licensed technology;
- the impact of economic downturns; and
- the impact of poor financial performance of our customers.

A portion of our revenue and cash flow is dependent upon our customers' sales and other factors that are beyond our control or are difficult to forecast.

A portion of our revenue is dependent on sales by our customers that are outside our control and that could be negatively affected by a variety of factors, including global, regional and/or country-specific economic conditions and/or public health concerns (e.g., the current COVID-19 pandemic), country-specific natural disasters impacting licensee manufacturing and sales, demand and buying patterns of end users, which are often driven by replacement and innovation cycles, the service life of products incorporating our technologies, competition for our customers' products, supply chain disruptions, and any decline in the sale prices our customers receive for their covered products and services. The foregoing factors are difficult to forecast and could adversely affect both our quarterly and annual operating results and financial condition.

Our customers may delay, refuse to or be unable to make payments to us due to financial difficulties or otherwise.

A number of our customers may face severe financial difficulties from time to time, which may result in their inability to make payments to us in a timely manner, or at all. In addition, we have had a history of, and we may in the future experience, customers that delay or refuse to make payments owed to us under IP license or settlement agreements. Our customers may also merge with or may shift the manufacture of licensed products to companies that are not currently customers of our technology. This could make the collection process complex, difficult and costly, which could adversely impact our business, financial condition, results of operations and cash flows.

It is difficult for us to verify royalty amounts owed to us under our IP license agreements, and this may cause us to lose revenue.

The terms of our IP license agreements often require our customers to report on the number of subscribers or unit sales on a periodic basis. However, we may have difficulty independently determining whether our customers are reporting such data accurately. In addition, although our license terms generally give us the right to audit books and records of our customers to verify this information, audits can be expensive, time consuming, potentially detrimental to our ongoing business relationships with our customers and, in some cases, may not be cost justified based on our understanding of our customers' businesses. Further delays in royalty reporting or payment by some of our customers may result due to the continued impact of the COVID-19 pandemic.

We face competitive risks in the provision of IP licenses to the industries that we serve, including the entertainment industry and electronic industries.

Due to the exclusionary nature of patent rights, we do not compete, in a traditional sense, with other patent holders for patent licensing relationships. Other patent holders do not have the same rights to the inventions and technologies encompassed by our patent portfolio. However, our future success depends on our ability to establish and maintain licensing relationships with companies in the industries that we currently serve and may enter in the future, including Pay-TV service providers, consumer electronics manufacturers, semiconductor and equipment manufacturers, and the entertainment and electronics businesses.

Our pursuit of acquisitions and divestitures may adversely affect our business operations or stock price if we cannot successfully execute our strategies.

We have made several acquisitions, domestically and internationally, and it is our current plan to continue to acquire assets, patents or companies that we believe are strategic to our future business. Acquisitions involve challenges in terms of successful integration of IP, technologies, and employees.

Our future success will depend, in part, upon the ability of our management team to manage any growth effectively, requiring our management to:

- recruit, hire, and train additional personnel;
- implement and improve our operational and financial systems, procedures, and controls;
- maintain our cost structure at an appropriate level based on the revenue and cash we forecast and generate;
- manage multiple concurrent IP development projects; and
- manage operations in multiple time zones with different cultures and languages.

We may not realize the anticipated benefits of the other acquisitions we may complete in the future, and we may not be able to incorporate any acquired IP or technologies with our existing operations, or integrate personnel, systems, processes and operations from the acquired businesses, in which case our business could be harmed.

Financing for future acquisitions may not be available on favorable terms, or at all. If we use our equity securities to fund the acquisition, it may result in significant dilution to our existing stockholders. If we identify an appropriate acquisition candidate for any of our businesses, we may not be able to negotiate the terms of the acquisition successfully, finance the acquisition or integrate the acquired technologies or employees into our existing business and operations. Future acquisitions and divestitures may not be well-received by the investment community, which may cause the value of our stock to fall. We cannot ensure that we will be able to successfully complete any acquisition or divestiture in the future. Further, the terms of our indebtedness constrain our ability to make and finance additional acquisitions or divestitures.

We are exposed to the risks related to international sales and operations.

We derive a portion of our total revenue from operations outside of the United States. Therefore, we face exposure to risks of operating in many foreign countries, including:

- difficulties and costs associated with complying with a wide variety of complex laws, treaties, regulations and compliance requirements;
- unexpected changes in political or regulatory environments;
- earnings and cash flows that may be subject to tax withholding requirements or the imposition of tariffs;
- exchange controls or other restrictions;
- political and economic instability and trade conflict;
- import and export restrictions and other trade barriers;
- difficulties in maintaining overseas subsidiaries;
- difficulties in obtaining approval for significant transactions; and
- fluctuations in foreign currency exchange rates.

Any one or more of the above factors could adversely affect our international operations and could significantly affect our results of operations, financial condition and cash flows. The results of our operations will be dependent to a large extent upon the global economy. Geopolitical factors such as terrorist activities, armed conflict or global health conditions that adversely affect the global economy may adversely affect our operating results and financial condition.

We are also subject to risks associated with compliance with applicable anti-corruption laws, including the Foreign Corrupt Practices Act (FCPA), which generally prohibits companies and their employees and intermediaries from making payments to foreign officials for the purpose of obtaining an advantage or benefits, and requires public companies to maintain accurate books and records and a system of internal accounting controls. Under these laws, companies may be held liable for actions taken by directors, officers, employees, agents, or other partners or representatives. If we or our intermediaries fail to comply with the requirements of the FCPA or similar laws, governmental authorities could commence an investigation or seek to impose civil and criminal fines and penalties which could have a material adverse effect on our business, results of operations and financial condition.

Uncertainty and instability resulting from the conflict between Russia and Ukraine could negatively impact our business, financial condition, and operations.

Russia's invasion of Ukraine and the uncertainty surrounding the escalating conflict could negatively impact global and regional economic conditions and financial markets, which may adversely affect our business operations. In response to the conflict, the U.S., European Union and other countries have imposed financial and economic sanctions against Russia and certain businesses and companies associated with Russia, which are creating, and may continue to create, market disruption and volatility and instability in the geopolitical environment. The extent to which this conflict escalates to other countries and the resulting impact of sanctions on the global market, including supply chain disruptions, shortages of energy supplies and raw materials, inflation and rising cost of fuels and transportation, cyberwarfare, consumer confidence, and spending in the United States, and other countries in which we operate, remains uncertain. In addition, continued conflict and the resulting uncertainty would negatively impact certain of our customers who either have operations or derive sales in the region, which could ultimately have an adverse effect on us. If the war continues without resolution, it may lead to further sanctions, embargoes, regional instability, geopolitical shifts and recession in the global economy, any of which may adversely affect our business and financial condition.

Our systems, networks and business activities and those of third parties that we utilize in our operations are subject to cybersecurity and stability risks, including information technology system failures, and security breaches.

Despite our provisions for system redundancy and the implementation of security measures within our internal and external information technology and networking systems, our information technology systems and those of third parties that we utilize in our operations may be subject to security breaches, unauthorized access (malicious or accidental), misuse of information by authorized users, data leaks or unintentional exposure of information, failed processes or other bugs, loss of data, damages from computer viruses or malware, natural disasters, terrorism, telecommunication failures or disruption of service. In addition, our business activities depend on the ability to store and transmit confidential or proprietary information and data securely on our systems and third-party systems and over private, and public networks. Any compromise of our ability to store or transmit such information and data securely or reliably, and any costs associated with preventing or eliminating such problems, could harm our business. Our activities are subject to a number of cybersecurity and stability risks:

- our own or licensed encryption and authentication technology, or access or security procedures, may be compromised, breached or otherwise be insufficient to ensure the security of confidential or proprietary information or data, including customer information;
- we could experience damage from unauthorized access, computer viruses, ransomware, system interference or destruction, "denial of service" attacks and other disruptive problems, whether intentional or accidental, that may inhibit or prevent access to our websites and infrastructure, or cause confidential or proprietary information to be disclosed to a perpetrator, others or the general public;
- hackers could circumvent our security measures and misappropriate our information, or our customers' proprietary information or content, interrupt operations, or jeopardize our licensing arrangements, many of which are contingent on our sustaining appropriate security protections; or
- we could inadvertently disclose confidential or proprietary information.

Each of the foregoing risks also applies to the computer systems of third parties that we rely upon in our operations, including providers of cloud storage and services. The occurrence of any of these or similar events could damage our business, hurt our ability to license IP and collect revenue, threaten the proprietary or confidential nature of our technology, harm our reputation, increase the costs of our ongoing cybersecurity protections and enhancements, require us to incur significant expenses to address, remediate or resolve such issues and expose us to litigation and other liabilities. Because some of our technologies are intended to inhibit use of or restrict access to our customers' IP, we may become the target of hackers or other persons whose use of, or access to, our customers' IP is affected by our technologies. Also, hackers may, for financial gain or other motives, seek to infiltrate or damage our systems, or obtain sensitive business information or customer information. We also may be exposed to customer claims, or other liability, in connection with any security breach or inadvertent disclosure. We may be required to expend significant capital or other resources to protect against the threat of security breaches, hacker attacks or system malfunctions or to alleviate problems caused by such breaches, attacks or failures.

If we lose any of our key personnel or are unable to attract, train and retain qualified personnel, we may not be able to execute our business strategy effectively.

Our success depends, in large part, on the continued contributions of our key management, IP, sales, marketing, legal and finance personnel, many of whom are highly skilled and would be difficult to replace. None of our senior management or key sales personnel are bound by written employment contracts that require them to remain with us for a specified period. In addition, we do not currently maintain key-person life insurance covering our key personnel or have restrictions on their post-employment ability to solicit our employees, contractors or customers if key personnel voluntarily terminate their employment. The loss of any of our senior management or other key personnel could harm our ability to implement our business strategy and respond to the rapidly changing market conditions in which we operate. Our future success will depend to a significant extent on the ability of these executives to effectively drive execution of our business strategy, and on the ability of our management team to work together effectively.

Our success also depends on our ability to attract, train and retain highly skilled managerial, sales, marketing, legal and finance personnel and on the abilities of new personnel to function effectively, both individually and as a group. Competition for qualified personnel is intense, particularly in the technology industry in which we operate, and we may not be successful in attracting and retaining such personnel. If we fail to attract and retain qualified employees, including internationally, our ability to grow our business could be harmed. In order to attract and retain personnel in a competitive marketplace, we believe that we must provide a competitive compensation package, including cash and equity-based compensation. Some of the companies with which we compete for experienced personnel may be able to offer more attractive terms of employment to potential candidates. Volatility in our stock price may from time to time adversely affect our ability to recruit or retain employees.

Risks Related to Financial Matters

We have significant indebtedness which could adversely affect our financial position.

As of October 1, 2022, immediately after giving effect to the separation, we had \$759.4 million of total debt outstanding under our Refinanced Term B Loans. Our Refinanced Term B Loans are guaranteed by us and our wholly-owned material domestic subsidiaries and are secured by substantially all of our and the subsidiary guarantors' assets. Our indebtedness may:

- limit our ability to borrow additional funds for working capital, capital expenditures, acquisitions or other general business purposes;
- limit our ability to use our cash flow or obtain additional financing for future working capital, capital expenditures, acquisitions or other general business purposes;
- require us to use a substantial portion of our cash flow from operations to make debt service payments;
- limit our flexibility to plan for, or react to, changes in our business and industry; and
- increase our vulnerability to the impact of adverse economic and industry conditions.

Our ability to meet our debt service obligations will depend on our future performance, which will be subject to financial, business and other factors affecting our operations, many of which are beyond our control.

Our variable rate indebtedness may expose us to interest rate risk, which could cause our debt costs to increase significantly.

As of October 1, 2022, we had \$759.4 million of outstanding indebtedness that was subject to floating interest rates. Changes in economic conditions outside of our control could result in higher interest rates, thereby increasing our interest expense and reducing the funds available for capital investment, operations or other purposes. At October 1, 2022, a 1% increase in the effective interest rate on our outstanding debt throughout a one-year period would result in an annual increase in our interest expense of approximately \$7.6 million. Any significant increase in our interest expense could negatively impact our results of operations and cash flows and also our ability to pay dividends in the future. If the U.S. Federal Reserve continues to raise its benchmark interest rate through one or more rate hikes, as is currently anticipated by many banking analysts, the increases would likely impact the borrowing rate on our outstanding indebtedness and increase our interest expense.

U.S. Federal Reserve Bank monetary policy actions could increase our costs of servicing our variable rate indebtedness and increase our risk of default.

The recent 75 basis point increase by the Federal Reserve of the Federal Funds rate follows a series of rate hikes over the past several months. As of November 2, 2022, the Federal Reserve has raised its target range for the federal funds rate by 75 basis points to 3.75% to 4.00%, the fourth 75 basis point raise in five months and a 375 basis points increase since March 2022. If rates reach their projected level at the end of this year, they will be at the highest point since 2008. Together with any reduction of securities held on the Federal Reserve's balance sheet ("quantitative tightening"), domestic market interest rates are expected to rise across the yield curve. Higher interest rates resulting from tightening domestic monetary policy are expected to increase our debt servicing costs on our variable rate indebtedness.

If we cannot make scheduled payments on our debt due to increases in interests rates, we will be in default and, as a result: lenders under our existing and future indebtedness could declare (or some of the following could occur automatically) all outstanding principal and interest to be due and payable; lenders under our credit facilities could terminate their commitments to loan money; secured lenders could foreclose against the assets securing such borrowings; and we could be forced into bankruptcy or liquidation, in each case, which could result in any of the holders of our indebtedness and/or our stockholders losing their investments.

We may not be able to generate sufficient cash to service our debt obligations.

Our ability to make payments on and to refinance our indebtedness will depend on our financial and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business, and other factors beyond our control. We may be unable to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal and interest on our indebtedness when due.

If our cash flows and capital resources are insufficient to timely fund our debt service obligations, we may be forced to reduce or delay investments and capital expenditures, or to sell assets, seek additional capital, or restructure or refinance our indebtedness. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. In the absence of cash flows and capital resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. Our credit agreement restricts our ability to dispose of assets, use the proceeds from any disposition of assets and refinance our indebtedness. We may not be able to consummate those dispositions or to maximize the proceeds that we could realize from them and these proceeds may not be adequate to meet any debt service obligations then due.

Repayment of debt is dependent on cash flow generated by our subsidiaries and their respective subsidiaries.

Our subsidiaries own a significant portion of our assets and conduct substantially all of our operations. Each subsidiary is a distinct legal entity, and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries. Our subsidiaries may not be able to, or may not be permitted to, make distributions to enable us to make payments in respect of our indebtedness. Additionally, distributions from our non-U.S. subsidiaries may be subject to foreign withholding taxes and would be subject to U.S. federal and state income tax which could reduce the net cash available for principal and interest payments.

If we fail to maintain proper and effective internal controls, our ability to produce accurate financial statements could be impaired, which could increase our operating costs and affect our ability to operate our business.

Ensuring that we have adequate internal controls and procedures in place to facilitate the production of accurate financial statements on a timely basis is a costly and time-consuming effort that needs to be re-evaluated frequently. We are continually in the process of documenting, reviewing and, if appropriate, improving our internal controls and procedures in connection with Section 404 of the Sarbanes-Oxley Act of 2002, which requires annual management assessments of the effectiveness of our internal control over financial reporting and a report by our independent registered public accountants on the effectiveness of our internal control over financial reporting. If we identify areas for further attention or improvement, implementing any appropriate changes to our internal controls may require specific compliance training of our directors, officers and employees, entail substantial costs in order to modify our existing accounting systems, and take a significant amount of time to complete. We have in the past identified, and may in the future identify, significant deficiencies in the design and operation of our internal controls, which have been or will in the future need to be remediated. For example, we have identified material weaknesses in our internal control over financial reporting relating to the design and operation of controls to review forecast assumptions used in the determination of fair value of intangible assets acquired through business combinations and in the testing of goodwill impairment, and we concluded that our internal controls over financial reporting were not effective as of December 31, 2020. While we implemented remediation plans in response to such material weaknesses and concluded that such material weaknesses were remediated as of December 31, 2021, there is no guarantee that in the future we will be able to remediate any identified material weakness timely or at all, or in a cost effective manner.

Finally, in the event we make a significant acquisition, we may face significant challenges in implementing the required processes and procedures in the acquired operations. This could result in an adverse reaction in the financial markets due to investors' perceptions that our internal controls are inadequate or that we are unable to produce accurate financial statements.

If our goodwill and other intangible assets become impaired, we may be required to record a significant charge to earnings.

In addition to internal development, we intend to acquire additional assets through strategic relationships and transactions. We believe these strategic relationships and transactions will enhance the competitiveness and size of our current businesses and provide diversification into markets and technologies that complement our current businesses. Future transactions could be in the form of asset purchases, equity investments, or business combinations. As a result, we may have significant goodwill from such transactions and other intangible assets which are amortized over their estimated useful lives. We review our amortizable intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable or the useful life is shorter than originally estimated. Factors that may be considered a change in circumstances indicating that the carrying value of our amortizable or other intangible assets may not be recoverable include a decline in future cash flows, fluctuations in market capitalization, slower growth rates in our industry or slower than anticipated adoption of our products by our customers. As we continue to review for factors that may affect our business which may not be in our control, we may be required to record a significant charge to earnings in our financial statements during the period in which any impairment of goodwill and other intangible assets or equity investments is determined, resulting in an adverse impact on our business, financial position, or results of operations.

Changes in, or interpretations of, tax rules and regulations, could adversely affect our effective tax rates and negatively affect our business and financial condition.

We are subject to U.S. federal and state income taxes, as well as taxes in various international jurisdictions. As a result, our effective tax rate is derived from a combination of applicable tax rates in the various jurisdictions where we operate. In preparing our financial statements, we estimate the amount of tax to accrue in each tax jurisdiction. Nevertheless, our effective tax rate may be different than experienced in the past due to numerous factors, including from the passage of new tax laws, changes in the mix of our profitability from state to state and from country to country, the amount of payments from the company's U.S. entities to related foreign entities, the results of examinations and audits of our tax filings, our inability to secure or sustain acceptable agreements with tax authorities and changes in accounting for income taxes. Our future effective tax rates could be unfavorably affected by changes in tax rates, tax laws or the interpretation of tax laws, by changes in the amount of pre-tax income derived from countries with high statutory income tax rates, or by changes in our deferred tax assets and liabilities, including changes in our ability to realize our deferred tax assets. Our effective income tax rate could be unfavorably affected by changes in the amount of sales to customers in countries with high withholding tax rates. Any of these factors could cause us to experience an effective tax rate significantly different from previous periods or our current expectations and may result in tax obligations in excess of amounts accrued in our financial statements.

Further, U.S. federal, U.S. state, and foreign tax jurisdictions may examine our income tax returns, including income tax returns of acquired companies and acquired tax attributes included therein. We regularly assess the likelihood of outcomes resulting from these examinations to determine the adequacy of our provision for income taxes. In making such assessments, we exercise judgment in estimating our provision for income taxes. While we believe our estimates are reasonable, we cannot assure you that the final determination from these examinations will not be materially different from that reflected in our historical income tax provisions and accruals. Any adverse outcome from these examinations may have a material adverse effect on our business and operating results.

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

As of December 31, 2021, we had U.S. federal and state net operating losses of approximately \$0.3 billion and \$1.1 billion (post-apportioned). A portion of the federal and state net operating loss carryforwards will begin to expire, if not utilized, in 2023. Net operating losses that expire unused will be unavailable to offset future income tax liabilities. Under the Tax Cuts and Jobs Act, federal net operating losses incurred in 2018 and in future years may be carried forward indefinitely, but the deductibility of such federal net operating losses is limited. In addition, under Sections 382 and 383 of the Internal Revenue Code (the “Code”) and corresponding provisions of state law, if a corporation undergoes an “ownership change,” which is generally defined as a greater than fifty-percent (50%) change, by value, in its equity ownership over a three (3)-year period, the corporation’s ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes to offset its post-change income or taxes may be limited. We may experience ownership changes in the future as a result of subsequent shifts in our stock ownership, some of which may be outside of our control. If an ownership change occurs and our ability to utilize our net operating loss carryforwards is materially limited, it would harm our future operating results by effectively increasing our future tax obligations. In addition, at the state level, there may be periods during which the use of net operating loss carryforwards is suspended or otherwise limited, which could accelerate or permanently increase state taxes owed by us.

If we fail to comply with the laws and regulations relating to the collection of sales tax and payment of income taxes in the various states and foreign jurisdictions in which we do business, we could be exposed to unexpected costs, expenses, penalties and fees as a result of our noncompliance in which case our business could be harmed.

As our business grows and expands, we have started to do business in an increasing number of states nationally and in new foreign jurisdictions. By engaging in business activities in these states and foreign jurisdictions, we become subject to their various laws and regulations, including possible requirements to collect sales tax from our sales within those states and foreign jurisdictions and the payment of income taxes on revenue generated from activities in those states and foreign jurisdictions.

The laws and regulations governing the collection of sales tax and payment of income taxes are numerous, complex, and vary among states and foreign jurisdictions. If we fail to comply with these laws and regulations requiring the collection of sales tax and payment of income taxes in one or more states and foreign jurisdictions where we do business, we could be subject to significant costs, expenses, penalties and fees in which case our business would be harmed.

Our subsidiaries have in the past recorded, and may in the future record, significant valuation allowances on our deferred tax assets, and the recording and release of such allowances may have a material impact on our results of operations.

The need for a valuation allowance requires an assessment of both positive and negative evidence on a jurisdiction-by-jurisdiction basis when determining whether it is more-likely-than-not that deferred tax assets are recoverable. In making such assessment, significant weight is given to evidence that can be objectively verified. New facts and circumstances, historic profits or losses, and future financial results may require us to reevaluate our valuation allowance positions which could potentially affect our effective tax rate.

We continue to monitor the likelihood that we will be able to recover our deferred tax assets, including those for which a valuation allowance is recorded. There can be no assurance that we will generate profits in future periods enabling us to fully realize our deferred tax assets. We have applied a valuation allowance on U.S. federal, and many state, and foreign deferred tax assets to the extent they are not realizable by utilizing deferred tax liabilities as sources of income. The timing of recording a valuation allowance or the reversal of such valuation allowance is subject to objective factors that cannot be readily predicted in advance. Both the establishment of a valuation allowance and the reversal of a previously recorded valuation allowance may have a material impact on our financial results.

The investment of our cash, cash equivalents and investments in marketable debt and equity securities is subject to risks which may cause losses and affect the liquidity of these investments.

At October 1, 2022, immediately after given effect to the separation, we held approximately \$271.1 million in cash and cash equivalents and \$1.4 million in short-term investments. These investments include various financial securities such as corporate bonds and notes, municipal bonds and notes, commercial paper, treasury and agency notes and bills, and money market funds. Although we invest in high quality securities, ongoing financial events have at times adversely impacted the general credit, liquidity, market and interest rates for these and other types of debt securities. Recent financial market volatility resulting from the COVID-19 pandemic heightens the risk of a potential loss in the value of our investments. Changes in monetary policy by the Federal Reserve, government fiscal policies, and global economic and market conditions may adversely affect the value of our investment portfolio. We may in the future have a need to sell investments before their maturity dates, which could result in losses on the sale of those investments. The financial market and monetary risks associated with our investment portfolio have had and may in the future have a material adverse effect on our financial condition, results of operations or cash flows.

Risks Related to Regulatory and Legal Matters

New governmental regulations, new interpretations of existing laws, including legislative initiatives, or judicial or regulatory decisions regarding IP rights or the internet could cause uncertainties and result in harm to our business.

Our business relies in part on the uniform and historically consistent application of U.S. patent laws, rules, and regulations. The standards that courts use to interpret patents are not always applied predictably or uniformly and may evolve, particularly as new technologies develop. For example, the Supreme Court of the United States has modified some legal standards applied by the U.S. Patent and Trademark Office in the examination of U.S. patent applications, which may decrease the likelihood that we will be able to obtain patents and may increase the likelihood of challenges to patents we obtain or license. For example, our patents continue to face challenges in the U.S. from Inter Partes Review proceeding before the Patent Trial and Appeal Board. Historically these types of proceedings have a high rate of invalidation of patents, and patents we have asserted in litigation have been and may continue to be invalidated in such proceedings. Additionally, there have been and may be bills introduced in the U.S. Congress relating to patent law that could adversely impact our business depending on the scope of any bills that may ultimately be enacted into law. Some of these changes or potential changes may not be advantageous for us and may make it more difficult to obtain adequate patent protection, or to enforce our patents against parties using them without a license or payment of royalties. These changes or potential changes could increase the costs and uncertainties surrounding the prosecution of our patent applications and the enforcement of our patent rights. In addition, potential changes in the law, such as with respect to patent exhaustion and permissible licensing practices, could have a negative effect on our ability to license our patents and, therefore, on the royalties we can collect. We may be required to reevaluate and modify our licensing practices and strategies in response to such changes and, given the nature of our business, any resulting modifications could have a material adverse effect on our business and financial condition.

Many laws and regulations are pending and may be adopted by the U.S. federal government, individual states and local jurisdictions and other countries with respect to the internet. These laws may relate to many areas that impact our business, including IP rights, privacy and taxation. These types of regulations are likely to differ between countries and other political and geographic divisions. Changes to these laws, or the interpretation thereof, could increase our costs, expose us to increased litigation risk, substantial defense costs and other liabilities or require us or our customers to change business practices. It is difficult to anticipate the impact of current or future laws and regulations on our business. We may have significant expenses associated with staying apprised of and in compliance with local, state, federal, and international legislation and regulation of our business and in presenting the Company's positions on proposed laws and regulations.

Further deterioration of trade relations between the United States and China, other trade conflicts and barriers, economic sanctions, and national security protection policies could limit or prevent existing or potential customers from doing business with us.

The increased trade conflicts between the United States and its major trading partners in recent years, evidenced by trade restrictions such as tariffs, taxes, export controls, economic sanctions, and enhanced policies designed to protect national security, have had and may continue to have adverse impact on our revenue if such policies continue. In particular, our business has been impacted due to the increase in trade conflicts between the United States and China. Further United States government actions to protect domestic economic and security interests could lead to further restrictions. Moreover, growing trade conflicts and uncertainties may lead to decreased use of foreign-owned technologies in China and other countries, due to efforts by foreign governments and enterprises to find alternative sources of supply, to develop proprietary domestic technologies, and otherwise to reduce reliance on foreign technology sources. Any such trends could have a material adverse impact on our revenue. In addition, any failure by us to comply with these complex restrictions, or other restrictions that may be imposed in the future, in the United States or internationally, could subject us to fines and penalties, require changes to our business practices and result in reputational harm.

Risks Relating to Ownership of our Common Stock

Our financial and operating results may vary, which may cause the price of our common stock to decline.

Our quarterly operating results have fluctuated in the past and are likely to do so in the future. Because our operating results are difficult to predict, one should not rely on quarterly or annual comparisons of our results of operations as an indication of our future performance. Factors that could cause our operating results to fluctuate during any period or that could adversely affect our ability to achieve our strategic objectives include those listed in this “Risk Factors” section of this report and the following:

- the consequences of the separation transaction;
- the timing of, and compliance with the terms and conditions for, payment by third parties to us of fees (including royalties) under IP license agreements;
- fluctuations in our royalties caused by the pricing terms of certain of our IP license agreements;
- the amount of our revenue;
- changes in the level of our operating expenses;
- the substantial research and development expenses that we have incurred and will continue to incur in connection with the development of new IP, as well as the uncertainty that such new technologies will generate material revenue for the Company;
- our ability to protect or enforce our IP rights or the terms of our agreements;
- legal proceedings affecting our patents, patent applications or IP license agreements;
- the timing of the introduction of new technologies that replace technologies covered by our IP;
- the timing of establishing new IP license agreements and expiration of existing IP license agreements;
- changes in generally accepted accounting principles including new accounting standards which may materially affect our revenue recognition and the comparability between revenue recognition and cash flow from customer royalties;
- cyclical fluctuations in semiconductor and consumer electronics markets generally;
- supply chain constraints, and attendant effects, including but not limited to increased costs or shipping delays that may impact our customers;
- adverse labor market conditions, and any impacts on our ability to attract and retain qualified personnel;
- inflation and/or changes in central bank interest rate policies;
- expenses related to and the financial impact of possible acquisitions of other businesses and the integration of such businesses;
- expenses related to and the financial impact of the disposition of assets, including post-closing indemnification obligations; and

- adverse changes in the level of economic activity in the U.S. or other major economies in which we do business as a result of the threat of terrorism, military actions taken by the U.S. or its allies, civil unrest, pandemics, natural disasters or generally weak and uncertain economic and industry conditions.

Due to fluctuations in our operating results, reports from market and security analysts, litigation-related developments, and other factors including general market conditions, the price at which our common stock will trade is likely to continue to be highly volatile. In future periods, if our revenue, royalties, cash flows or operating results are below the estimates or expectations of public market analysts and investors, our stock price could decline.

We may not pay dividends or pay dividends at a consistent rate, and any decrease in or suspension of the dividend could cause our stock price to decline.

We anticipate that all dividends and stock repurchases will be paid out of our cash, cash equivalents and short-term investments. The payment of future cash dividends is subject to the final determination by our Board of Directors based on a number of factors, including our earnings, financial condition, actual and forecasted cash flows, capital resources and capital requirements, alternative uses of capital including business combinations, economic condition and other factors considered relevant by management and the Board of Directors. Since July 2020, the Board has declared quarterly cash dividends of \$0.05 per share. Any decrease in the amount of the dividend, or suspension or discontinuance of payment of a dividend, could cause our stock price to decline.

Our stock repurchase program could increase the volatility of the price of our common stock, and the program may be suspended or terminated at any time, which may cause the trading price of our common stock to decline.

In June 2020, our Board of Directors authorized a stock repurchase program to repurchase up to \$150 million of our outstanding shares of common stock dependent on market conditions, share price, and other factors. In April 2021 our Board of Directors authorized an additional \$100.0 million of stock repurchases under this program. As of December 31, 2021, the total amount available for repurchase under the plan was \$95 million. The amount of repurchases under our stock repurchase program will vary depending on various factors. The timing of repurchases is at our discretion and the program may be suspended or discontinued at any time. Any suspension or discontinuation could cause the market price of our stock to decline. The timing of repurchases pursuant to our stock repurchase program could affect our stock price and increase its volatility. There can be no assurance that any stock repurchases will enhance stockholder value because the market price of our common stock may decline below the levels at which we effected repurchases. Furthermore, we may engage in mergers, acquisitions, or other activity that could result in us reducing or discontinuing share repurchases for a period of time.

Provisions of our certificate of incorporation and bylaws or Delaware law might delay or prevent a change of control transaction and depress the market price of our stock.

Various provisions of our certificate of incorporation and bylaws might have the effect of making it more difficult for a third party to acquire, or discouraging a third party from attempting to acquire, control of our company. These provisions could limit the price that certain investors might be willing to pay in the future for shares of our common stock. Certain of these provisions eliminate cumulative voting in the election of directors, authorize the board to issue "blank check" preferred stock, prohibit stockholder action by written consent, eliminate the right of stockholders to call special meetings, and establish advance notice procedures for director nominations by stockholders and the submission of other proposals for consideration at stockholder meetings. We are also subject to provisions of Delaware law that could delay or make more difficult a merger, tender offer or proxy contest involving our company. In particular, Section 203 of the Delaware General Corporation Law prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years unless specific conditions are met. Any of these provisions could have the effect of delaying, deferring or preventing a change in control, including without limitation, discouraging a proxy contest or making more difficult the acquisition of a substantial block of our common stock.

Decreased effectiveness of stock-based compensation could adversely affect our ability to attract and retain employees.

We have historically used stock options, restricted stock grants and other forms of stock-based compensation as key components of employee compensation in order to align employees' interests with the interests of our stockholders, encourage employee retention and provide competitive compensation and benefit packages. We incur significant compensation costs associated with our stock-based compensation programs. Failure to obtain stockholder approval of equity compensation plans or changes to the plans could make it harder or more expensive for us to grant stock-based compensation to employees in the future. As a result, we may find it difficult to attract, retain and motivate employees, and any such difficulty could have a materially adverse impact on our business.

Use of our common stock for future acquisitions may be limited.

Our ability to use common stock for future acquisitions without triggering an ownership change for the purposes of Sections 382 and 383 of the Internal Revenue Code will likely be limited for three (3) years following the Mergers. To the extent that we are unable to use our common stock to make future acquisitions, our ability to grow through acquisitions may be limited by the extent to which we are able to raise capital through debt, equity financings or operational growth.

Reliance on internally generated cash or debt to complete acquisitions could substantially limit our operational and financial flexibility. If we are unable to obtain additional capital on acceptable terms, we may be required to reduce the scope of any expansion or redirect resources committed to internal purposes. Inability to use our common stock in acquisitions may hinder our ability to actively make future acquisitions and recruit talent through acquisitions and restricts the flexibility in which we can make acquisition bids.

Stock transfer restrictions in our certificate of incorporation may act as an anti-takeover device.

Our certificate of incorporation includes certain transfer restrictions intended to preserve certain of our tax attributes. Such transfer restrictions will apply to future transfers made by 4.91% stockholders, transferees related to a 4.91% stockholder, transferees acting in coordination with a 4.91% stockholder, or transfers that would result in a stockholder becoming a 4.91% stockholder in order to avoid potential limitation of such tax attributes pursuant to Section 382 of the Code. Such transfer restrictions will expire on the earlier of (i) the repeal of Section 382 or any successor statute if our board of directors determines that such restrictions are no longer necessary or desirable for the preservation of certain tax benefits, (ii) the beginning of a taxable year to which our board of directors determines that no tax benefits may be carried forward, (iii) the third anniversary of the Mergers, or (iv) such other date as our board of directors shall fix in accordance with the certificate of incorporation.

The transfer restrictions described above could make it more difficult for a third party to acquire, or could discourage a third party from acquiring, a large block of our common stock. This may adversely affect the marketability of our common stock by discouraging existing or potential investors from acquiring our stock or additional shares of our stock. It is also possible that the transfer restrictions could delay or frustrate the removal of incumbent directors and could make more difficult a merger, tender offer or proxy contest involving us, or impede an attempt to acquire a significant or controlling interest in us, even if such events might be beneficial to us and our stockholders.

Our certificate of incorporation contains forum limitations for certain disputes between us and our stockholders that could limit the ability of stockholders to bring claims against us and our directors, officers and employees in jurisdictions preferred by stockholders.

Our certificate of incorporation provides that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware is the sole and exclusive forum for (i) any derivative lawsuit brought on our stockholders, (ii) any lawsuit against our current or former directors, officers, employees, stockholders or agents asserting a breach of a duty (including any fiduciary duty) owed by any such current or former director, officer, stockholder, employee or agent to us or our stockholders, (iii) any lawsuit asserting a claim against us or any of our current or former director, officer, employee, stockholder or agent arising out of or relating to any provision of the DGCL, our charter or our bylaws (each, as in effect from time to time), or (iv) any lawsuit asserting a claim against us or any of our current or former director, officer, employee, stockholder or agent governed by the internal affairs doctrine of the State of Delaware. Our certificate of incorporation also provides that, unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States of America are the sole and exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act. The foregoing forum provisions may prevent or limit a stockholder's ability to file a lawsuit in a judicial forum that it prefers for disputes with us or our directors, officers, employees, stockholders or agents, which may discourage such lawsuits, make them more difficult or expensive to pursue, and result in outcomes that are less favorable to such stockholders than outcomes that may have been attainable in other jurisdictions.

In addition, notwithstanding the inclusion of the foregoing forum provisions in the certificate of incorporation, courts may find the foregoing forum provisions to be inapplicable or unenforceable in certain cases that the foregoing forum provisions purport to address, including claims brought under the Securities Act. If this were to occur in any particular lawsuit, we may incur additional costs associated with resolving such lawsuit in other jurisdictions or resolving lawsuits involving similar claims in multiple jurisdictions, all of which could harm our business, results of operations, and financial condition.

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

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

On November 7, 2022, Adeia's Board of Directors adopted a resolution to amend and restate Adeia's bylaws by unanimous written consent. The newly Amended and Restated Bylaws reduce the minimum size of Adeia's board from six (6) to five (5) directors.

Item 6. Exhibits

Exhibit Number	Exhibit Title
3.2	<u>Amended & Restated By-Laws of Adeia Inc., adopted November 7, 2022</u>
31.1	<u>Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934</u>
31.2	<u>Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934</u>
32.1	<u>Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL 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 (formatted as inline XBRL and contained in Exhibit 101)

SIGNATURES

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

Dated: November 9, 2022

ADEIA INC.

By: /s/ Keith A. Jones
Keith A. Jones
Chief Financial Officer

**AMENDED AND RESTATED BYLAWS
OF
ADEIA INC.
(as amended and restated on November 7, 2022)**

TABLE OF CONTENTS

ARTICLE I

CORPORATE OFFICES

1.1	REGISTERED OFFICE	1
1.2	OTHER OFFICES	1

ARTICLE II

MEETINGS OF STOCKHOLDERS

2.1	PLACE OF MEETINGS	1
2.2	ANNUAL MEETING	1
2.3	SPECIAL MEETING	1
2.4	NOTICE OF STOCKHOLDERS' MEETINGS	2
2.5	ADVANCE NOTICE OF STOCKHOLDER NOMINEES	2
2.6	ADVANCE NOTICE OF STOCKHOLDER BUSINESS	6
2.7	MANNER OF GIVING NOTICE; AFFIDAVIT OF NOTICE	8
2.8	QUORUM	9
2.9	ADJOURNED MEETING; NOTICE	9
2.10	CONDUCT OF BUSINESS	9
2.11	VOTING	9
2.12	WAIVER OF NOTICE	10
2.13	NO STOCKHOLDER ACTION BY WRITTEN CONSENT WITHOUT A MEETING	10
2.14	RECORD DATE FOR STOCKHOLDER NOTICE; VOTING	10
2.15	PROXIES	11

ARTICLE III

DIRECTORS

3.1	POWERS	11
3.2	NUMBER OF DIRECTORS	11
3.3	ELECTION, QUALIFICATION AND TERM OF OFFICE OF DIRECTORS	12
3.4	PLACE OF MEETINGS; MEETINGS BY TELEPHONE	13
3.5	REGULAR MEETINGS	13
3.6	SPECIAL MEETINGS; NOTICE	13
3.7	QUORUM	13
3.8	WAIVER OF NOTICE	14
3.9	ORGANIZATION	14
3.10	BOARD ACTION BY WRITTEN CONSENT WITHOUT A MEETING	14

3.11	FEES AND COMPENSATION OF DIRECTORS	14
3.12	REMOVAL AND RESIGNATION OF DIRECTORS	14
3.13	APPROVAL OF LOANS TO OFFICERS	15

ARTICLE IV

COMMITTEES

4.1	COMMITTEES OF DIRECTORS	15
4.2	COMMITTEE MINUTES	16
4.3	MEETINGS AND ACTION OF COMMITTEES	16
4.4	NOMINATING AND CORPORATE GOVERNANCE COMMITTEE	16

ARTICLE V

OFFICERS

5.1	OFFICERS	17
5.2	APPOINTMENT OF OFFICERS	17
5.3	SUBORDINATE OFFICERS	17
5.4	REMOVAL AND RESIGNATION OF OFFICERS	17
5.5	VACANCIES IN OFFICES	17
5.6	CHAIR OF THE BOARD	18
5.7	CHIEF EXECUTIVE OFFICER	18
5.8	PRESIDENT	18
5.9	VICE PRESIDENTS	18
5.10	SECRETARY	18
5.11	CHIEF FINANCIAL OFFICER	19
5.12	TREASURER	19
5.13	AUTHORITY AND DUTIES OF OFFICERS	19

ARTICLE VI

INDEMNITY

6.1	INDEMNIFICATION OF DIRECTORS AND OFFICERS	19
6.2	INDEMNIFICATION OF OTHERS	20
6.3	PAYMENT OF EXPENSES IN ADVANCE	20
6.4	INDEMNITY NOT EXCLUSIVE	20
6.5	INSURANCE	21
6.6	CONFLICTS	21

ARTICLE VII

RECORDS AND REPORTS

7.1	MAINTENANCE AND INSPECTION OF RECORDS	21
7.2	INSPECTION BY DIRECTORS	22

7.3	ANNUAL STATEMENT TO STOCKHOLDERS	22
7.4	REPRESENTATION OF SHARES OF OTHER CORPORATIONS	22

ARTICLE VIII

GENERAL MATTERS

8.1	CHECKS	22
8.2	EXECUTION OF CORPORATE CONTRACTS AND INSTRUMENTS	23
8.3	STOCK CERTIFICATES	23
8.4	SPECIAL DESIGNATION ON CERTIFICATES	23
8.5	LOST CERTIFICATES	24
8.6	CONSTRUCTION; DEFINITIONS	24
8.7	DIVIDENDS	24
8.8	FISCAL YEAR	24
8.9	SEAL	24
8.10	TRANSFER OF STOCK	25
8.11	STOCK TRANSFER AGREEMENTS	25
8.12	REGISTERED STOCKHOLDERS	25

ARTICLE IX

AMENDMENTS

9.1	AMENDMENTS	25
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ARTICLE I

CORPORATE OFFICES

1.1 REGISTERED OFFICE

The registered office of Adeia Inc. (the “*corporation*”) shall be in the City of Wilmington, County of New Castle, State of Delaware. The name of the registered agent of the corporation at such location is The Corporation Trust Company.

1.2 OTHER OFFICES

The board of directors of the corporation (the “*board of directors*”) may at any time establish other offices at any place or places where the corporation is qualified to do business.

ARTICLE II

MEETINGS OF STOCKHOLDERS

2.1 PLACE OF MEETINGS

Meetings of stockholders shall be held at any place, within or outside the State of Delaware, or by means of remote communication, as designated by the board of directors. In the absence of any such designation, stockholders’ meetings shall be held at the registered office of the corporation.

2.2 ANNUAL MEETING

The annual meeting of stockholders shall be held each year on a date and at a time designated by the board of directors. Any previously scheduled annual meeting of the stockholders may be postponed by resolution of the board of directors upon public notice given prior to the date previously scheduled for such annual meeting of the stockholders. At the meeting, directors shall be elected and any other proper business may be transacted.

2.3 SPECIAL MEETING

A special meeting of the stockholders may be called at any time by the board of directors, or by a majority of the members of the board of directors, or by a committee of the board of directors which has been duly designated by the board of directors and whose powers and authority, as provided in a resolution of the board of directors or in these bylaws, include the power to call such meetings, but such special meetings may not be called by any other person or persons. Any previously scheduled special meeting of the stockholders may be postponed by resolution of the board of directors upon public notice given prior to the date previously scheduled for such special meeting of the stockholders. Business transacted at special meetings shall be confined to the purpose or purposes stated in the notice of the meeting.

2.4 NOTICE OF STOCKHOLDERS' MEETINGS

All notices of meetings with stockholders shall be sent or otherwise given in accordance with Section 2.5 of these bylaws not less than ten (10) nor more than sixty (60) days before the date of the meeting (unless a different time is specified by law) to each stockholder entitled to vote at such meeting. The notice shall specify the place, date, and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called.

Notices of meetings to stockholders may be given by mailing the same, addressed to the stockholder entitled thereto, at such stockholder's mailing address as it appears on the records of the corporation and such notice shall be deemed to be given when deposited in the U.S. mail, postage prepaid. Without limiting the manner by which notices of meetings otherwise may be given effectively to stockholders, any such notice may be given by electronic transmission in the manner provided in Section 232 of the General Corporation Law of the State of Delaware.

2.5 ADVANCE NOTICE OF STOCKHOLDER NOMINEES

(a) Proper Nominations; Who May Make Nominations. Only persons who are nominated in accordance with the procedures set forth in this Section 2.5 shall be eligible for election as directors. Nominations of persons for election to the board of directors of the corporation may be made at an annual meeting of stockholders or at a special meeting (but only if the election of directors is a matter specified in the notice of meeting given by or at the direction of the board of directors or other person calling such special meeting in accordance with Section 2.3 hereof) (i) by or at the direction of the board of directors, including by any committee or persons appointed by the board of directors, or (ii) by any stockholder of the corporation who (A) was a stockholder of record (and, with respect to any beneficial owner, if different, on whose behalf such nomination is proposed to be made, only if such beneficial owner was the beneficial owner of shares of the corporation) both at the time of giving the notice provided for in this Section 2.5 and at the time of the meeting, (B) is entitled to vote at the meeting and (C) has complied with this Section 2.5 as to such nomination. The foregoing clause (ii) shall be the exclusive means for a stockholder to make any nomination of a person or persons for election to the board of directors at an annual meeting or a special meeting.

(b) Requirement of Timely Notice of Nominations. Such nominations, other than those made by or at the direction of the board of directors, shall be made pursuant to timely notice in writing and in proper form to the secretary of the corporation.

(i) Timely Notice of Nominations for Annual Meeting. To be timely, a stockholder's notice of nominations to be made at an annual meeting must be delivered to, or mailed and received at, the principal executive offices of the corporation not less than ninety (90) days nor more than one hundred twenty (120) days prior to the one-year anniversary of the preceding year's annual meeting; provided, however, that if the date of the annual meeting is more than thirty (30) days before or more than sixty (60) days after such anniversary date, notice by the stockholder to be timely must be so delivered, or mailed and received, not later than the 90th day prior to such annual meeting or, if

later, the tenth day following the day on which public disclosure of the date of

such annual meeting was first made. Any such notice that is delivered to, or mailed and received at, the principal executive offices of the corporation within any of the time periods set forth in the immediately preceding sentence shall be deemed an “*Annual Meeting Timely Notice*.” In no event shall any adjournment of an annual meeting or the announcement thereof commence a new time period for the giving of Annual Meeting Timely Notice as described above.

(ii) Timely Notice of Nominations for Special Meeting. To be timely, a stockholder’s notice of nominations to be made at a special meeting at which the election of directors is a matter specified in the notice of meeting must be delivered to, or mailed and received at, the principal executive offices of the corporation not earlier than the 120th day prior to such special meeting and not later than the 90th day prior to such special meeting or, if later, the 10th day following the day on which public disclosure (as defined in this Section 2.5) of the date of such special meeting was first made (such notice within such time periods, “*Special Meeting Timely Notice*”). In no event shall any adjournment of a special meeting or the announcement thereof commence a new time period for the giving of Special Meeting Timely Notice as described above.

(c) Definition of Public Disclosure. For purposes of these bylaws, “*public disclosure*” shall mean disclosure in a press release reported by a national news service or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Sections 13, 14 or 15(d) of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (as so amended and inclusive of such rules and regulations, the “*Exchange Act*”).

(d) Requirements for Proper Form of Stockholder Notice of Nominations. To be in proper form for purposes of this Section 2.5, a stockholder’s notice to the secretary shall set forth:

(i) Stockholder Information. As to each Nominating Person (as defined below), (A) the name and address of such Nominating Person (including, if applicable, the name and address that appear on the corporation’s books and records); and (B) the class or series and number of shares of the corporation that are, directly or indirectly, owned of record or beneficially owned (within the meaning of Rule 13d-3 under the Exchange Act) by each Nominating Person as of the date of the stockholder’s notice, except that a Nominating Person shall in all events be deemed to beneficially own any shares of any class or series of the corporation as to which such Nominating Person has a right to acquire beneficial ownership at any time in the future (the disclosures to be made pursuant to the foregoing clauses (A) and (B) are referred to as “*Stockholder Information*”);

(ii) Information About Disclosable Interests. As to each Nominating Person, (A) any derivative, swap or other transaction or series of

transactions engaged in, directly or indirectly, by such Nominating Person, the purpose or effect of which is to give such Nominating Person economic risk

similar to ownership of shares of any class or series of the corporation, including due to the fact that the value of such derivative, swap or other transactions are determined by reference to the price, value or volatility of any shares of any class or series of the corporation, or which derivative, swap or other transactions provide, directly or indirectly, the opportunity to profit from any increase in the price or value of shares of any class or series of the corporation (“*Synthetic Equity Interests*”), which Synthetic Equity Interests shall be disclosed without regard to whether (x) the derivative, swap or other transactions convey any voting rights in such shares to such Nominating Person, (y) the derivative, swap or other transactions are required to be, or are capable of being, settled through delivery of such shares or (z) such Nominating Person may have entered into other transactions that hedge or mitigate the economic effect of such derivative, swap or other transactions, (B) any proxy (other than a revocable proxy or consent given in response to a solicitation made pursuant to, and in accordance with, Section 14(a) of the Exchange Act by way of a solicitation statement filed on Schedule 14A), agreement, arrangement, understanding or relationship pursuant to which such Nominating Person has or shares a right to vote any shares of any class or series of the corporation, (C) any agreement, arrangement, understanding or relationship, including any repurchase or similar so-called “*stock borrowing*” agreement or arrangement, engaged in, directly or indirectly, by such Nominating Person, the purpose or effect of which is to mitigate loss to, reduce the economic risk (of ownership or otherwise) of shares of any class or series of the corporation by, manage the risk of share price changes for, or increase or decrease the voting power of, such Nominating Person with respect to the shares of any class or series of the corporation, or which provides, directly or indirectly, the opportunity to profit from any decrease in the price or value of the shares of any class or series of the corporation (“*Short Interests*”), (D) any rights to dividends on the shares of any class or series of the corporation owned beneficially by such Nominating Person that are separated or separable from the underlying shares of the corporation, (E) any performance related fees (other than an asset based fee) that such Nominating Person is entitled to based on any increase or decrease in the price or value of shares of any class or series of the corporation, or any Synthetic Equity Interests or Short Interests, if any, and (F) any other information relating to such Nominating Person that would be required to be disclosed in a proxy statement or other filing required to be made in connection with solicitations of proxies or consents by such Nominating Person in support of the election of directors at the meeting pursuant to Section 14(a) of the Exchange Act (the disclosures to be made pursuant to the foregoing clauses (A) through (F) are referred to as “*Disclosable Interests*”); provided, however, that Disclosable Interests shall not include any such disclosures with respect to the ordinary course business activities of any broker, dealer, commercial bank, trust company or other nominee who is a Nominating Person solely as a result of being the stockholder directed to prepare and submit the notice required by these bylaws on behalf of a

beneficial owner;

(iii) Information About Nominees. As to each person whom a Nominating Person proposes to nominate for election as a director, (A)

all information with respect to such proposed nominee that would be required to be set forth in a stockholder's notice pursuant to this Section 2.5(d) if such proposed nominee were a Nominating Person, (B) all information relating to such proposed nominee that is required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors in a contested election pursuant to Section 14(a) under the Exchange Act (including such proposed nominee's written consent to being named in the proxy statement as a nominee and to serving as a director if elected), (C) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among any Nominating Person, on the one hand, and each proposed nominee and his or her respective affiliates and associates, on the other hand, including, without limitation, all information that would be required to be disclosed pursuant to Item 404 under Regulation S-K if such Nominating Person were the "registrant" for purposes of such rule and the proposed nominee were a director or executive officer of such registrant (the disclosures to be made pursuant to the foregoing clauses (A) through (C) are referred to as "Nominee Information"); and

(iv) Intention on Proxy Delivery. A representation whether the Nominating Person intends to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the corporation's outstanding capital stock required to approve the nomination and/or otherwise to solicit proxies from stockholders in support of the nomination.

(e) Definition of Nominating Person. For purposes of this Section 2.5, the term "Nominating Person" shall mean (i) the stockholder providing the notice of the nomination proposed to be made at the meeting, (ii) the beneficial owner or beneficial owners, if different, on whose behalf the notice of the nomination proposed to be made at the meeting is made and (iii) any affiliate or associate (each within the meaning of Rule 12b-2 under the Exchange Act for purposes of these bylaws) of such stockholder or beneficial owner.

(f) Other Information to be Furnished by Proposed Nominees. The corporation may require any proposed nominee to furnish such other information (A) as may reasonably be required by the corporation to determine the eligibility of such proposed nominee to serve as an independent director of the corporation in accordance with the corporation's Corporate Governance Guidelines or (B) that could be material to a reasonable stockholder's understanding of the independence or lack of independence of such proposed nominee.

(g) Updates and Supplements. A stockholder providing notice of any nomination proposed to be made at a meeting shall further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice pursuant to this Section 2.5 shall be true and correct as of the record date for the meeting and as of the date that is ten (10) business days prior to the meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered to or mailed and received by the secretary at the principal executive offices of the corporation not later than five (5) business days after the record date for the meeting (in the case of the update and supplement required to be made as of

the record date), and not later than eight (8) business days prior to the date for the meeting or (if practicable or, if not practicable, on the first practicable date prior to) any adjournment or postponement thereof (in the case of the update and supplement required to be made as of ten business days prior to the meeting or any adjournment or postponement thereof).

(h) Defective Nominations. No person shall be eligible for election as a director of the corporation at an annual meeting or a special meeting unless nominated in accordance with this Section 2.5. The chair of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the procedures prescribed by the bylaws, and if he or she should so determine, he or she shall so declare to the meeting and the defective nomination shall be disregarded.

(i) Compliance with Exchange Act. In addition to the requirements of this Section 2.5 with respect to any nomination proposed to be made at a meeting, each Nominating Person shall comply with all applicable requirements of the Exchange Act with respect to any such nominations.

2.6 ADVANCE NOTICE OF STOCKHOLDER BUSINESS

(a) Business Properly Brought Before a Meeting. At the annual meeting of stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be: (i) as specified in the notice of meeting (or any supplement thereto) given by or at the direction of the board of directors, (ii) otherwise properly brought before the meeting by or at the direction of the board of directors, or (iii) otherwise properly brought before the meeting by a stockholder who (A) was a stockholder of record (and, with respect to any beneficial owner, if different, on whose behalf such business is proposed, only if such beneficial owner was the beneficial owner of shares of the corporation) both at the time of giving the notice provided for in this Section 2.6 and at the time of the meeting, (B) is entitled to vote at the meeting, and (C) has complied with this Section 2.6 as to such business. Except for proposals properly made in accordance with Rule 14a-8 under the Exchange Act and included in the notice of meeting given by or at the direction of the board of directors, the foregoing clause (iii) shall be the exclusive means for a stockholder to propose business to be brought before an annual meeting of the stockholders. Stockholders seeking to nominate persons for election to the board of directors at an annual meeting or a special meeting must comply with Section 2.5, and this Section 2.6 shall not be applicable to

nominations.

(b) Requirement of Timely Notice of Stockholder Business. Without qualification, for business to be properly brought before an annual meeting by a stockholder, the stockholder must (i) provide Annual Meeting Timely Notice (as defined in Section 2.5 above) thereof in writing and in proper form to the secretary of the corporation. In no event shall any adjournment of an annual meeting or the announcement thereof commence a new time period for the giving of Annual Meeting Timely Notice.

(c) Requirements for Proper Form of Stockholder Notice of Proposed Business. To be in proper form for purposes of this Section 2.6, a stockholder's notice to the secretary shall set forth:

(i) Stockholder Information. As to each Proposing Person (as defined below), the Stockholder Information (as defined in Section 2.5(d)(i)), except that for the purposes of this Section 2.6 the term "*Proposing Person*" shall be substituted for the term "*Nominating Person*" in all places it appears in Section 2.5(d)(i));

(ii) Information About Disclosable Interests. As to each Proposing Person, any Disclosable Interests (as defined in Section 2.5(d)(ii)), except that for purposes of this Section 2.6 the term "*Proposing Person*" shall be substituted for the term "*Nominating Person*" in all places as it appears in Section 2.5(d)(ii) and the disclosures shall be made with respect to the proposal of business to be brought before the meeting rather than to the nomination of directors to be elected at the meeting); and

(iii) Description of Proposed Business. As to each item of business that the stockholder proposes to bring before the annual meeting, (A) a reasonably brief description of the business desired to be brought before the annual meeting, the reasons for conducting such business at the annual meeting and any material interest in such business of each Proposing Person, (B) the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend these bylaws, the language of the proposed amendment), and (C) a reasonably detailed description of all agreements, arrangements and understandings (x) between or among any of the Proposing Persons or (y) between or among any Proposing Person and any other record or beneficial holder of the shares of any class or series of the corporation (including their names) in connection with the proposal of such business by such stockholder, including any anticipated benefit therefrom to such Proposing Person or their affiliates or associates.

(d) Definition of Proposing Person. For purposes of this Section 2.6, the term "*Proposing Person*" shall mean (i) the stockholder providing the notice of business proposed to be brought before an annual meeting, (ii) the beneficial owner or beneficial owners, if different, on whose behalf the notice of the business proposed to be brought before the annual

meeting is made and (iii) any affiliate or associate of such stockholder or beneficial owner.

(e) Updates and Supplements. A stockholder providing notice of business proposed to be brought before an annual meeting shall further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice pursuant to this Section 2.6 shall be true and correct as of the record date for the meeting and as of the date that is ten (10) business days prior to the meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered to, or mailed and received by, the secretary at the principal executive offices of the corporation not later than five (5) business days after the record date for the meeting (in the case of the update and supplement required to be made as of the record date), and not later than eight (8) business days prior to the date for the meeting or (if practicable or, if not practicable, on the first practicable date prior to) any adjournment or postponement thereof (in the case of the update and supplement required to

be made as of ten (10) business days prior to the meeting or any adjournment or postponement thereof).

(f) Business Not Properly Brought Before a Meeting. Notwithstanding anything in these bylaws to the contrary, no business shall be conducted at any annual meeting except in accordance with this Section 2.6. The chair of the annual meeting shall, if the facts warrant, determine and declare at the meeting that business was not properly brought before the meeting and in accordance with the provisions of this Section 2.6, and if he or she should so determine, he or she so shall so declare at the meeting that any business not properly brought before the meeting shall not be transacted.

(g) Rule 14a-8; Exchange Act Compliance. This Section 2.6 is expressly intended to apply to any business proposed to be brought before an annual meeting of stockholders other than any proposal made pursuant to Rule 14a-8 under the Exchange Act. In addition to the requirements of this Section 2.6 with respect to any business proposed to be brought before an annual meeting, each Proposing Person shall comply with all applicable requirements of the Exchange Act with respect to any such business. Nothing in this Section 2.6 shall be deemed to affect the rights of stockholders to request inclusion of proposals in the corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

2.7 MANNER OF GIVING NOTICE; AFFIDAVIT OF NOTICE

Written notice of any meeting of stockholders, if mailed, is given when deposited in the United States mail, postage prepaid, directed to the stockholder at his address as it appears on the records of the corporation. An affidavit of the secretary or an assistant secretary or of the transfer agent of the corporation that the notice has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein. Without limiting the manner by which notices of meetings otherwise may be given effectively to stockholders, any such notice may be given by electronic transmission in the manner provided in Section 232 of the General Corporation Law of the State of Delaware.

2.8 QUORUM

The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the certificate of incorporation. If, however, such quorum is not present or represented at any meeting of the stockholders, then the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present or represented. At such adjourned meeting at which a quorum is present or represented, any business may be transacted that might have been transacted at the meeting as originally noticed.

2.9 ADJOURNED MEETING; NOTICE

When a meeting is adjourned to another time or place, unless these bylaws otherwise require, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the

corporation may transact any business that might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

2.10 CONDUCT OF BUSINESS

The chair of any meeting of stockholders shall determine the order of business and the procedure at the meeting, including such regulation of the manner of voting and the conduct of business.

2.11 VOTING

The stockholders entitled to vote at any meeting of stockholders shall be determined in accordance with the provisions of Section 2.14 of these bylaws, subject to the provisions of Sections 217 and 218 of the General Corporation Law of the State of Delaware (relating to voting rights of fiduciaries, pledgers and joint owners of stock and to voting trusts and other voting agreements).

Unless otherwise required by law or provided in the certificate of incorporation, each stockholder shall be entitled to one vote, in person or by proxy, for each share of capital stock held by such stockholder.

2.12 WAIVER OF NOTICE

Notice of any meeting need not be given to any stockholder who shall, either before or after the meeting, submit a waiver of notice or who shall attend such meeting, except when the stockholder attends for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Any stockholder waiving notice of a meeting shall be bound by the proceedings of the meeting in all respects as if due notice thereof had been given.

2.13 NO STOCKHOLDER ACTION BY WRITTEN CONSENT WITHOUT
A MEETING

Any action required to be taken at any annual or special meeting of stockholders of the corporation, or any action that may be taken at any annual or special meeting of such stockholders, must be taken at an annual or special meeting of stockholders of the corporation, with prior notice and with a vote, and may not be taken by a consent in writing.

2.14 RECORD DATE FOR STOCKHOLDER NOTICE; VOTING

In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the board of directors may fix, in advance, a record date, which shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting, nor more than sixty (60) days prior to any other action.

If the board of directors does not so fix a record date:

(i) The record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held.

(ii) The record date for determining stockholders for any other purpose shall be at the close of business on the day on which the board of directors adopts the resolution relating thereto.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the board of directors may fix a new record date for the adjourned meeting.

2.15 PROXIES

Each stockholder entitled to vote at a meeting of stockholders may authorize another person or persons to act for him by (i) a written proxy, signed by the stockholder and filed with the secretary of the corporation, or (ii) to the extent permitted by law, a stockholder may authorize another person or persons to act for him or her as proxy by transmitting or authorizing the transmission of an electronic transmission to the person who will be the holder of the proxy or to a proxy solicitation firm, proxy support service organization, or like agent duly authorized by the person who will be the holder of the proxy to receive such transmission, provided that the electronic transmission either sets forth or is submitted with information from which it can be determined that the electronic transmission was authorized by the stockholder, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. A copy, facsimile transmission, or other reliable reproduction of the proxy authorized by this Section 2.15 may be substituted for or used in lieu of the original writing or electronic transmission for any and all purposes for which the original writing or electronic transmission could be used, provided that such copy, facsimile transmission, or other reproduction shall be a complete reproduction of the entire original writing or electronic transmission. A proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power.

ARTICLE III

DIRECTORS

3.1 POWERS

Subject to the provisions of the General Corporation Law of the State of Delaware and any limitations in the certificate of incorporation or these bylaws relating to action required to be approved by the stockholders or by the outstanding shares, the business and affairs of the corporation shall be managed and all corporate powers shall be exercised by or under the direction of the board of directors.

3.2 NUMBER OF DIRECTORS

The board of directors shall consist of not less than five (5) and not more than nine (9) directors as fixed from time to time by resolution of a majority of the total number of directors that the corporation would have if there were no vacancies. Each director shall hold office until a successor is duly elected and qualified or until the director's earlier death, resignation, disqualification, or removal.

No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires.

DIRECTORS

Directors shall be elected at each annual meeting of the stockholders or special meeting in lieu thereof, and shall serve until their successors are duly elected and qualified. Directors need not be stockholders unless so required by the certificate of incorporation or these bylaws, wherein other qualifications for directors may be prescribed.

Each director to be elected by the stockholders shall be elected by the affirmative vote of a majority of the votes cast with respect to such director by the shares represented and entitled to vote therefor at a meeting of the stockholders for the election of directors at which a quorum is present (an "**Election Meeting**"); provided, however, that if the board of directors determines that the number of nominees exceeds the number of directors to be elected at such meeting (a "**Contested Election**"), whether or not the election becomes an uncontested election after such determination, each of the directors to be elected at the Election Meeting shall be elected by the affirmative vote of a plurality of the votes cast by the shares represented and entitled to vote at such meeting with respect to the election of such director.

For purposes of this Section 3.3, a "**majority of the votes cast**" means that the number of votes cast "for" a candidate for director exceeds the number of votes cast "against" that director (with "**abstentions**" and "**broker non-votes**" not counted as votes cast as either "for" or "against" such director's election). In an election other than a Contested Election, stockholders will be given the choice to cast votes "for" or "against" the election of directors or to "abstain" from such vote and shall not have the ability to cast any other vote with respect to such election of directors. In a Contested Election, stockholders will be given the choice to cast "for" or "withhold" votes for the election of directors and shall not have the ability to cast any other vote with respect to such election of directors. In the event an Election Meeting involves the election of directors by separate votes by class or classes or series, the determination as to whether an election constitutes a Contested Election shall be made on a class by class or series by series basis, as applicable. The board of directors has established procedures under which any director who is not elected shall offer to tender his or her resignation to the board of directors.

Newly created directorships resulting from any increase in the authorized number of directors or any vacancies in the board of directors resulting from death, resignation, retirement, disqualification, removal from office or other cause may be filled only by a majority vote of the directors then in office even though less than a quorum, or by a sole remaining director, and not

by the stockholders. In the event of a vacancy in the board of directors, the remaining directors, except as otherwise provided by law, may exercise the powers of the full board of directors until the vacancy is filled. Notwithstanding the foregoing, each director shall serve until his or her successor is duly elected and qualified or until his or her death, resignation or removal.

Elections of directors need not be by written ballot. There shall be no right with respect to shares of stock of the corporation to cumulate votes in the election of directors.

3.4 PLACE OF MEETINGS; MEETINGS BY TELEPHONE

The board of directors of the corporation may hold meetings, both regular and special, either within or outside the State of Delaware.

Unless otherwise restricted by the certificate of incorporation or these bylaws, members of the board of directors, or any committee designated by the board of directors, may participate in a meeting of the board of directors, or any committee, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

3.5 REGULAR MEETINGS

Regular meetings of the board of directors may be held without notice at such time and at such place as shall from time to time be determined by the board.

3.6 SPECIAL MEETINGS; NOTICE

Special meetings of the board for any purpose or purposes may be called at any time by the chair of the board, the president, the secretary or any two directors.

Notice of the time and place of special meetings shall be given in person or by telephone, mail addressed to such director at such director's address as it appears on the records of the corporation, facsimile, email, or by other means of electronic transmission. Notice is to be provided at least twenty-four (24) hours before the time of the holding of the meeting, unless the notice is mailed. If the notice is mailed, it shall be deposited in the United States mail at least four (4) days before the time of the holding of the meeting. Any oral notice given personally or by telephone may be communicated either to the director or to a person at the office of the director who the person giving the notice has reason to believe will promptly communicate it to the director. The notice need not specify the purpose or the place of the meeting, if the meeting is to be held at the principal executive office of the corporation.

3.7 QUORUM

At all meetings of the board of directors, a majority of the authorized number of directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the board of directors, except as may be otherwise specifically provided by statute or by the certificate of incorporation. If a quorum is not present at any meeting of the board of directors, then the directors present

thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present. At least twenty-four (24) hours' notice of any adjourned meeting of the board of directors shall be given to each director whether or not present at the time of the adjournment, unless the notice is mailed, in which case it shall be deposited in the United States mail at least four days before the time of the holding of the meeting.

A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

3.8 WAIVER OF NOTICE

Whenever notice is required to be given under any provision of the General Corporation Law of the State of Delaware or of the certificate of incorporation or these bylaws, a waiver thereof, in writing signed by, or by electronic transmission by, the person entitled to notice, whether before or after such notice is required, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the directors, or members of a committee of directors, need be specified in any waiver of notice unless so required by the certificate of incorporation or these bylaws.

3.9 ORGANIZATION

At each regular or special meeting of the board of directors, the chair of the board or, in his or her absence, the lead independent director or, in his or her absence, another director or officer selected by the board of directors shall preside. The secretary shall act as secretary at each meeting of the board of directors. If the secretary is absent from any meeting of the board of directors, an assistant secretary of the corporation shall perform the duties of secretary at such meeting; and in the absence from any such meeting of the secretary and all assistant secretaries of the corporation, the person presiding at the meeting may appoint any person to act as secretary of the meeting.

3.10 BOARD ACTION BY WRITTEN CONSENT WITHOUT A MEETING

Unless otherwise restricted by the certificate of incorporation or these bylaws, any action required or permitted to be taken at any meeting of the board of directors, or of any committee thereof, may be taken without a meeting if all members of the board or committee, as the case may be, consent thereto in writing or by electronic transmission.

3.11 FEES AND COMPENSATION OF DIRECTORS

Unless otherwise restricted by the certificate of incorporation or these bylaws, the board of directors shall have the authority to fix the compensation of directors. No such compensation shall preclude any director from serving the corporation in any other capacity and receiving compensation therefor.

3.12 REMOVAL AND RESIGNATION OF DIRECTORS

No reduction of the authorized number of directors shall have the effect of removing any

director prior to the expiration of such director's term of office.

Any director may resign at any time by notice given in writing or by electronic transmission to the corporation. Any resignation shall take effect on the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective.

3.13 APPROVAL OF LOANS TO OFFICERS

The corporation may lend money to, or guarantee any obligation of, or otherwise assist any officer or other employee of the corporation or any subsidiary, whenever, in the judgment of the directors, such loan, guaranty or assistance may reasonably be expected to benefit the corporation. The loan, guaranty or other assistance may be with or without interest and may be unsecured, or secured in such manner as the board of directors shall approve, including, without limitation, a pledge of shares of stock of the corporation. Subject to the next sentence, nothing in this Section 3.13 shall be deemed to deny, limit or restrict the powers of guaranty or warranty of the corporation at common law or under any statute. Notwithstanding anything in this Section 3.13 to the contrary, the corporation shall not, directly or indirectly, including through any subsidiary, extend or maintain credit, arrange for the extension of credit, or renew an extension of credit, in the form of a personal loan to or for any director or executive officer in violation of Section 402 of the Sarbanes-Oxley Act of 2002

ARTICLE IV

COMMITTEES

4.1 COMMITTEES OF DIRECTORS

The board of directors may, by resolution passed by a majority of the whole board or as specified in these bylaws, designate one or more committees, with each committee to consist of one or more of the directors of the corporation. The board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. If a member of a committee shall be absent from any meeting, or disqualified from voting thereat, the remaining member or members present at the meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the board of directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the board of directors or in these bylaws, shall have and may exercise all the powers and authority of the board of directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers that may require it; but no such committee shall have the power or authority to (i) amend the certificate of incorporation (except that a committee may, to the extent authorized in the resolution or resolutions providing for the issuance of shares of stock adopted by the board of directors as provided in Section 151(a) of the General Corporation Law of the State of Delaware, fix any of

the preferences or rights of such shares relating to dividends, redemption, dissolution, any

distribution of assets of the corporation or the conversion into, or the exchange of such shares for, shares of any other class or classes or any other series of the same or any other class or classes of stock of the corporation), (ii) adopt an agreement of merger or consolidation under Sections 251 or 252 of the General Corporation Law of the State of Delaware, (iii) recommend to the stockholders the sale, lease or exchange of all or substantially all of the corporation's property and assets, (iv) recommend to the stockholders a dissolution of the corporation or a revocation of a dissolution, or (v) amend these bylaws; and, unless the board resolution establishing the committee, these bylaws or the certificate of incorporation expressly so provide, no such committee shall have the power or authority to declare a dividend, to authorize the issuance of stock or to adopt a certificate of ownership and merger pursuant to Section 253 of the General Corporation Law of the State of Delaware.

4.2 COMMITTEE MINUTES

Each committee shall keep regular minutes of its meetings and report the same to the board of directors when required.

4.3 MEETINGS AND ACTION OF COMMITTEES

Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of Article III of these bylaws, Section 3.4 (Place of Meetings; Meetings by Telephone), Section 3.5 (Regular Meetings), Section 3.6 (Special Meetings; Notice), Section 3.7 (Quorum), Section 3.8 (Waiver of Notice) and Section 3.10 (Board Action by Written Consent Without a Meeting), with such changes in the context of those bylaws as are necessary to substitute the committee and its members for the board of directors and its members; provided, however, that the time of regular meetings of committees may also be called by resolution of the board of directors and that notice of special meetings of committees shall also be given to all alternate members, who shall have the right to attend all meetings of the committee. The board of directors may make, alter and repeal rules and procedures for the conduct of the business of any committee not inconsistent with the provisions of these bylaws.

4.4 NOMINATING AND CORPORATE GOVERNANCE COMMITTEE

Subject to this Article IV, the board of directors shall establish a nominating and corporate governance committee (the "Nominating and Corporate Governance Committee") whose principal duties will be to assist the board of directors by identifying individuals qualified to become members of the board of directors consistent with criteria approved by the board of directors, to recommend to the board of directors for its approval the slate of nominees to be proposed by the board of directors to the stockholders for election to the board of directors, to develop and recommend to the board of directors the governance principles applicable to the corporation, as well as such other duties and responsibilities delegated to it by the board of directors and specified for it under applicable law and the rules and requirements of the Nasdaq Stock Market, LLC (the "*Nasdaq*").

ARTICLE V

OFFICERS

5.1 OFFICERS

The officers of the corporation shall be a chief executive officer, a president, one or more vice presidents, a secretary and a chief financial officer. The corporation may also have, at the discretion of the board of directors, a chair of the board, a treasurer, one or more assistant vice presidents, assistant secretaries and any such other officers as may be appointed in accordance with the provisions of Section 5.3 of these bylaws. Any number of offices may be held by the same person.

5.2 APPOINTMENT OF OFFICERS

The officers of the corporation, except such officers as may be appointed in accordance with the provisions of Sections 5.3 or 5.5 of these bylaws, shall be chosen by the board of directors, subject to the rights, if any, of an officer under any contract of employment.

5.3 SUBORDINATE OFFICERS

The board of directors may appoint, or empower the president to appoint, such other officers and agents as the business of the corporation may require, each of whom shall hold office for such period, have such authority, and perform such duties as are provided in these bylaws or as the board of directors may from time to time determine.

5.4 REMOVAL AND RESIGNATION OF OFFICERS

Subject to the rights, if any, of an officer under any contract of employment, any officer may be removed, either with or without cause, by an affirmative vote of the majority of the board of directors at any regular or special meeting of the board or, except in the case of an officer chosen by the board of directors, by any officer upon whom such power of removal may be conferred by the board of directors.

Any officer may resign at any time by giving written notice to the corporation. Any resignation shall take effect on the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the corporation under any contract to which the officer is a party.

5.5 VACANCIES IN OFFICES

Any vacancy occurring in any office of the corporation shall be filled by the board of directors.

5.6 CHAIR OF THE BOARD

The chair of the board, if such an officer be elected, shall, if present, preside at meetings of the board of directors and exercise and perform such other powers and duties as may from time to time be assigned to him by the board of directors or as may be prescribed by these bylaws. The chair of the board shall be determined by the vote of a majority of the directors who qualify as “independent directors” under the listing standards of the Nasdaq and the applicable rules of the Securities and Exchange Commission.

5.7 CHIEF EXECUTIVE OFFICER

The chief executive officer shall, subject to the provisions of these bylaws and the control of the board of directors, have general supervision, direction, and control over the business of the corporation and over its officers. The chief executive officer shall perform all duties incident to the office of the chief executive officer, and any other duties as may be from time to time assigned to the chief executive officer by the board of directors, in each case subject to the control of the board of directors.

5.8 PRESIDENT

The president shall report and be responsible to the chief executive officer. The president shall have such powers and perform such duties as from time to time may be assigned or delegated to the president by the board of directors or the chief executive officer or that are incident to the office of president.

5.9 VICE PRESIDENTS

Each vice president of the corporation shall have such powers and perform such duties as may be assigned to him or her from time to time by the board of directors, the chief executive officer, or the president, or that are incident to the office of vice president.

5.10 SECRETARY

The secretary shall keep or cause to be kept, at the principal executive office of the corporation or such other place as the board of directors may direct, a book of minutes of all meetings and actions of directors, committees of directors and stockholders. The minutes shall show the time and place of each meeting, whether regular or special (and, if special, how authorized and the notice given), the names of those present at directors’ meetings or committee meetings, the number of shares present or represented at stockholders’ meetings, and the proceedings thereof.

The secretary shall keep, or cause to be kept, at the principal executive office of the corporation or at the office of the corporation’s transfer agent or registrar, as determined by resolution of the board of directors, a share register, or a duplicate share register, showing the names of all stockholders and their addresses, the number and classes of shares held by each, the number and date of certificates evidencing such shares, and the number and date of cancellation of every certificate surrendered for cancellation.

The secretary shall give, or cause to be given, notice of all meetings of the stockholders and of the board of directors required to be given by law or by these bylaws. He or she shall keep the seal of the corporation, if one be adopted, in safe custody and shall have such other powers and perform such other duties as may be prescribed by the board of directors or by these bylaws.

5.11 CHIEF FINANCIAL OFFICER

The chief financial officer shall be the principal financial officer of the corporation and shall have such powers and perform such duties as may be assigned by the board of directors, the chair of the board, or the chief executive officer.

5.12 TREASURER

The treasurer of the corporation shall have the custody of the corporation's funds and securities, except as otherwise provided by the board of directors, and shall keep full and accurate accounts of receipts and disbursements in records belonging to the corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the corporation in such depositories as may be designated by the board of directors. The treasurer shall disburse the funds of the corporation as may be ordered by the board of directors, taking proper vouchers for such disbursements, and shall render to the chief executive officer and the president and the directors, at the regular meetings of the board of directors, or whenever they may require it, an account of all his or her transactions as treasurer and of the financial condition of the corporation.

5.13 AUTHORITY AND DUTIES OF OFFICERS

In addition to the foregoing authority and duties, all officers of the corporation shall respectively have such authority and perform such duties in the management of the business of the corporation as may be designated from time to time by the board of directors or the stockholders.

ARTICLE VI

INDEMNITY

6.1 INDEMNIFICATION OF DIRECTORS AND OFFICERS

The corporation shall, to the maximum extent and in the manner permitted by the General Corporation Law of the State of Delaware, indemnify and hold harmless each of its directors and officers against expenses (including attorneys' fees), judgments, fines, settlements, and other amounts actually and reasonably incurred in connection with any proceeding, whether civil, criminal, administrative, or investigative, arising by reason of the fact that such person is or was an agent of the corporation. For purposes of this Section 6.1, a "**director**" or "**officer**" of the corporation includes any person (i) who is or was a director or officer of the corporation, (ii)

who is or was serving at the request of the corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise or (iii) who was a director or officer of a corporation which was a predecessor corporation of the corporation or of another enterprise at the request of such predecessor corporation. Notwithstanding this Section 6.1, the corporation

shall be required to indemnify a director or officer in connection with a proceeding (or part thereof) commenced by such person only if the commencement of such proceeding (or part thereof) by the person was authorized in the specific case by the board of directors.

6.2 INDEMNIFICATION OF OTHERS

The corporation shall have the power, to the extent and in the manner permitted by the General Corporation Law of the State of Delaware, to indemnify and hold harmless each of its employees and agents (other than directors and officers) against expenses (including attorneys' fees), judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any proceeding, arising by reason of the fact that such person is or was an agent of the corporation. For purposes of this Section 6.2, an "**employee**" or "**agent**" of the corporation (other than a director or officer) includes any person (i) who is or was an employee or agent of the corporation, (ii) who is or was serving at the request of the corporation as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise or (iii) who was an employee or agent of a corporation which was a predecessor corporation of the corporation or of another enterprise at the request of such predecessor corporation.

6.3 PAYMENT OF EXPENSES IN ADVANCE

Expenses incurred in defending any action or proceeding for which indemnification is required pursuant to Section 6.1 or for which indemnification is permitted pursuant to Section 6.2 following authorization thereof by the board of directors shall be paid by the corporation in advance of the final disposition of such action or proceeding upon receipt of an undertaking by or on behalf of the indemnified party to repay such amount if it shall ultimately be determined that the indemnified party is not entitled to be indemnified as authorized in this Article VI.

6.4 INDEMNITY NOT EXCLUSIVE

The indemnification provided by this Article VI shall not be deemed exclusive of any other rights which those seeking indemnification may be entitled under any bylaw, agreement, vote of shareholders or disinterested directors or otherwise, both as to action in an official capacity and as to action in another capacity while holding such office, to the extent that additional rights to indemnification are authorized in the certificate of incorporation. The corporation is specifically authorized to enter into individual contracts with any or all of its directors, officers, employees, or agents respecting indemnification and advances, to the fullest extent not prohibited by the General Corporation Law of the State of Delaware.

6.5 INSURANCE

The corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the corporation would have the power to indemnify him or her against such liability under the provisions of the General Corporation Law of the State of Delaware.

6.6 CONFLICTS

No indemnification or advance shall be made under this Article VI, except where such indemnification or advance is mandated by law or the order, judgment or decree of any court of competent jurisdiction, in any circumstance where it appears:

(i) that it would be inconsistent with a provision of the certificate of incorporation, these bylaws, a resolution of the stockholders or an agreement in effect at the time of the accrual of the alleged cause of the action asserted in the proceeding in which the expenses were incurred or other amounts were paid, which prohibits or otherwise limits indemnification; or

(ii) that it would be inconsistent with any condition expressly imposed by a court in approving a settlement.

ARTICLE VII

RECORDS AND REPORTS

7.1 MAINTENANCE AND INSPECTION OF RECORDS

Any records administered by or on behalf of the Corporation in the regular course of its business, including its stock ledger, books of account, and minute books, may be maintained on any information storage device, method, or one or more electronic networks or databases (including one or more distributed electronic networks or databases); provided that the records so kept can be converted into clearly legible paper form within a reasonable time, and, with respect to the stock ledger, the records so kept comply with Section 224 of the General Corporation Law of the State of Delaware. The Corporation shall so convert any records so kept upon the request of any person entitled to inspect such records pursuant to applicable law.

The officer who has charge of the stock ledger of a corporation shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting: (a) on a

reasonably accessible electronic network; provided that the information required to gain access to such list was provided with the notice of the meeting; or (b) during ordinary business hours, at the principal place of business of the corporation. If the meeting is to be held at a place, the list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. If the meeting is held solely by means of remote communication, the list shall also be open for inspection by any stockholder during the whole time of the meeting as provided by applicable law. Except as provided by applicable law, the stock ledger of the corporation shall be the only evidence as to who are the stockholders entitled to examine the stock ledger and the list of stockholders or to vote in person or by proxy at any meeting of stockholders.

7.2 INSPECTION BY DIRECTORS

Any director shall have the right to examine the corporation's stock ledger, a list of its stockholders and its other books and records for a purpose reasonably related to his position as a director. The Court of Chancery is hereby vested with the exclusive jurisdiction to determine whether a director is entitled to the inspection sought. The Court may summarily order the corporation to permit the director to inspect any and all books and records, the stock ledger and the stock list and to make copies or extracts therefrom. The Court may, in its discretion, prescribe any limitations or conditions with reference to the inspection, or award such other and

7.3 ANNUAL STATEMENT TO STOCKHOLDERS

The board of directors shall present at each annual meeting, and at any special meeting of the stockholders when called for by vote of the stockholders, a full and clear statement of the business and condition of the corporation.

7.4 REPRESENTATION OF SHARES OF OTHER CORPORATIONS

The chair of the board, the president, any vice president, the secretary or assistant secretary of this corporation, or any other person authorized by the board of directors or the president or a vice president, is authorized to vote, represent and exercise on behalf of this corporation all rights incident to any and all shares of any other corporation or corporations standing in the name of this corporation. The authority granted herein may be exercised either by such person directly or by any other person authorized to do so by proxy or power of attorney duly executed by such person having the authority.

ARTICLE VIII

GENERAL MATTERS

8.1 CHECKS

From time to time, the board of directors shall determine by resolution which person or persons may sign or endorse all checks, drafts, other orders for payment of money, notes or other evidences of indebtedness that are issued in the name of or payable to the corporation, and only

the persons so authorized shall sign or endorse those instruments.

8.2 EXECUTION OF CORPORATE CONTRACTS AND INSTRUMENTS

The board of directors, except as otherwise provided in these bylaws, may authorize any officer or officers, or agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the corporation; such authority may be general or confined to specific instances. Unless so authorized or ratified by the board of directors or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

8.3 STOCK CERTIFICATES

The shares of a corporation shall be represented by certificates; provided that the board of directors of the corporation may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall be uncertificated shares that may be evidenced by a book-entry system maintained by the registrar of such stock. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the corporation. Every holder of stock represented by certificates shall be entitled to have a certificate signed by, or in the name of the corporation by the chair or vice chair of the board of directors, or the president or vice president, and by the secretary or an assistant secretary, or the treasurer, if there be one, of such corporation representing the number of shares registered in certificate form. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate has ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

8.4 SPECIAL DESIGNATION ON CERTIFICATES

If the corporation is authorized to issue more than one class of stock or more than one series of any class, then the powers, the designations, the preferences and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate that the corporation shall issue to represent such class or series of stock; provided, however, that, except as otherwise provided in Section 202 of the General Corporation Law of the State of Delaware, in lieu of the foregoing requirements there may be set forth on the face or back of the certificate that the corporation shall issue to represent such class or series of stock a statement that the corporation will furnish without charge to each stockholder who so requests the powers, the designations, the preferences and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

8.5 LOST CERTIFICATES

Except as provided in this Section 8.5, no new certificates for shares shall be issued to replace a previously issued certificate unless the latter is surrendered to the corporation and canceled at the same time. The corporation may issue a new certificate of stock or uncertificated shares in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the corporation may require the owner of the lost, stolen or destroyed certificate, or his legal representative, to give the corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate or uncertificated shares.

8.6 CONSTRUCTION; DEFINITIONS

Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the General Corporation Law of the State of Delaware shall govern the

construction of these bylaws. Without limiting the generality of this provision, the singular number includes the plural, the plural number includes the singular, and the term “*person*” includes both a corporation and a natural person.

8.7 DIVIDENDS

The directors of the corporation, subject to any restrictions contained in the certificate of incorporation, may declare and pay dividends upon the shares of its capital stock pursuant to the General Corporation Law of the State of Delaware. Dividends may be paid in cash, in property or in shares of the corporation’s capital stock.

The directors of the corporation may set apart out of any of the funds of the corporation available for dividends a reserve or reserves for any proper purpose and may abolish any such reserve. Such purposes shall include but not be limited to equalizing dividends, repairing or maintaining any property of the corporation, and meeting contingencies.

8.8 FISCAL YEAR

The fiscal year of the corporation shall be fixed by resolution of the board of directors and may be changed by the board of directors.

8.9 SEAL

The seal of the corporation, if any, shall be such as from time to time may be approved by the board of directors. The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise, as may be prescribed by law or custom or by the board of directors.

8.10 TRANSFER OF STOCK

Upon surrender to the corporation or the transfer agent of the corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto, cancel the old certificate, and record the transaction in its books.

8.11 STOCK TRANSFER AGREEMENTS

The corporation shall have power to enter into and perform any agreement with any number of stockholders of any one or more classes of stock of the corporation to restrict the transfer of shares of stock of the corporation of any one or more classes owned by such stockholders in any manner not prohibited by the General Corporation Law of the State of Delaware.

8.12 REGISTERED STOCKHOLDERS

The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends and to vote as such owner, shall be entitled to hold liable for calls and assessments the person registered on its books as the owner of shares,

and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of another person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of the State of Delaware.

ARTICLE IX

AMENDMENTS

9.1 AMENDMENTS

The original or other bylaws of the corporation may be adopted, amended or repealed by the holders of not less than 66-2/3% of the shares then entitled to vote at an election of directors; provided, however, that the corporation may, in its certificate of incorporation, confer the power to adopt, amend or repeal bylaws upon the directors; and provided further, that any proposal by a stockholder to amend these bylaws will be subject to the provisions of ARTICLE II of these bylaws except as otherwise required by law. The fact that such power has been so conferred upon the directors shall not divest the stockholders of the power, nor limit their power, to adopt, amend or repeal bylaws.

* * *

**Certification of the Chief Executive Officer
Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934**

I, Paul E. Davis, certify that:

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

Date: November 9, 2022

/s/ Paul E. Davis

Paul E. Davis
Chief Executive Officer and President

**Certification of the Chief Financial Officer
Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934**

I, Keith A. Jones, certify that:

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

Date: November 9, 2022

/s/ Keith A. Jones

Keith A. Jones
Chief Financial Officer

**CERTIFICATION PURSUANT TO
RULE 13a-14(b) OF THE SECURITIES EXCHANGE ACT OF 1934
AND 18 U.S.C. SECTION 1350**

In connection with the Quarterly Report of Adeia Inc. (formerly known as Xperi Holding Corporation), a Delaware corporation (the “Company”), on Form 10-Q for the period ended September 30, 2022 as filed with the Securities and Exchange Commission (the “Report”), I, Paul E. Davis, Chief Executive Officer and President, certify, pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Paul E. Davis

Paul E. Davis
Chief Executive Officer and President
November 9, 2022

**CERTIFICATION PURSUANT TO
RULE 13a-14(b) OF THE SECURITIES EXCHANGE ACT OF 1934
AND 18 U.S.C. SECTION 1350**

In connection with the Quarterly Report of Adeia Inc. (formerly known as Xperi Holding Corporation), a Delaware corporation (the “Company”), on Form 10-Q for the period ended September 30, 2022 as filed with the Securities and Exchange Commission (the “Report”), I, Keith A. Jones, Chief Financial Officer of the Company, certify, pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Keith A. Jones

Keith A. Jones
Chief Financial Officer
November 9, 2022

A signed original of this written statement required by Rule 13a-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350 has been provided to the Registrant and will be retained by the Registrant and furnished to the Securities and Exchange Commission or its staff upon request.
