



ALTIGEN COMMUNICATIONS, INC.  
670 N McCarthy Blvd, Suite 200  
Milpitas, California 95035

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON THURSDAY, OCTOBER 24, 2019**

To Our Stockholders:

NOTICE IS HEREBY GIVEN that the 2019 Annual Meeting of Stockholders (the “Annual Meeting”) of Altigen Communications, Inc. (“Altigen”), a Delaware corporation, will be held on Thursday, October 24, 2019 at 10:00 a.m., local time, at our principal executive offices, located at 670 N McCarthy Blvd, Suite 200, Milpitas, California 95035. The purpose of the Annual Meeting is to consider and vote on the following proposals:

- Proposal 1:** To elect two Class II directors to serve for a three-year term;
- Proposal 2:** To ratify the appointment of Moss Adams LLP as our independent registered public accounting firm for the fiscal year ending September 30, 2020;
- Proposal 3:** To approve the Company’s 2019 Equity Incentive Plan; and
- Proposal 4:** To transact such other business as may properly come before the Annual Meeting or at any and all adjournments or postponements thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice.

**Stockholders at the close of business September 17, 2019 and their proxies are entitled to notice of and vote at the Annual Meeting and any and all adjournments, continuations or postponements thereof.**

You are cordially invited to attend the Annual Meeting in person. Whether or not you expect to attend the meeting, please complete, date, sign and return the enclosed proxy card, or vote by telephone or over the internet as promptly as possible, in order to ensure your representation at the meeting. If you have received printed proxy materials, a return envelope (which is postage prepaid if mailed in the United States) is enclosed for your convenience. Your shares will be voted in accordance with the instructions you give on the proxy. **You can attend the Annual Meeting and vote in person even if you have returned a proxy. Please note, however, that if your shares are held in street name by a broker, bank or other nominee and you wish to attend the Annual Meeting and vote in person, you must obtain a proxy issued in your name from the holder of record.**

On behalf of the Board of Directors, I would like to express our appreciation for your continued interest in the affairs of Altigen Communications, Inc.

By Order of the Board of Directors,

A handwritten signature in cursive script that reads 'Jeremiah J. Fleming'.

Jeremiah J. Fleming  
President, Chief Executive Officer, and  
Chairman of the Board

Milpitas, California  
September 26, 2019



ALTIGEN COMMUNICATIONS, INC.

**PROXY STATEMENT**  
**ANNUAL MEETING OF STOCKHOLDERS**  
**to be held at 10:00 a.m. on October 24, 2019**  
**670 N McCarthy Blvd, Suite 200**  
**Milpitas, California 95035**

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2019 ANNUAL MEETING TO BE HELD ON OCTOBER 24, 2019: The Proxy Statement and our Annual Report for the Fiscal Year Ended September 30, 2018 are available at: <http://www.proxyvote.com>.**

**INFORMATION ABOUT THE ANNUAL MEETING OF STOCKHOLDERS**

**Introduction**

The enclosed proxy is solicited on behalf of the Board of Directors of Altigen Communications, Inc. (“Altigen,” the “Company,” “we,” “us” or “our”) for use at the 2019 Annual Meeting of Stockholders to be held on Thursday, October 24, 2019 at 10:00 a.m., local time (the “Annual Meeting”), or at any and all adjournments or postponements thereof, for the purposes set forth in this proxy statement and in the accompanying Notice of Annual Meeting of Stockholders. The Annual Meeting will be held at our principal executive offices located at 670 N McCarthy Blvd, Suite 200, Milpitas, California 95035. Our telephone number is (408) 597-9000.

These proxy solicitation materials were mailed on or about September 26, 2019 to all stockholders of record entitled to vote at the Annual Meeting.

**Purposes of the Annual Meeting**

The purpose of the Annual Meeting is: (1) elect two Class II directors to serve for a three-year term (Proposal One); (2) ratify the appointment of Moss Adams LLP as our independent registered public accounting firm for the fiscal year ending September 30, 2020 (Proposal Two); (3) approve the Company’s 2019 Equity Incentive Plan (“EIP”) (Proposal Three); and (4) transact such other business as may properly come before the Annual Meeting or any postponement or adjournment thereof. The Board of Directors knows of no other matters to be brought before the Annual Meeting.

**Record Date and Voting Securities**

Only stockholders of record on the close of business on September 17, 2019 (the “Record Date”) are entitled to notice of, and to vote at the Annual Meeting. As of the close of business on the Record Date, 22,914,996 shares of our common stock were issued and outstanding. No shares of our preferred stock were outstanding as of the Record Date. A list of those stockholders will be available for inspection by any stockholder for any purpose germane to the Annual Meeting for ten (10) days before the Annual Meeting, during ordinary business hours, at our headquarters located at 670 N McCarthy Blvd, Suite 200, Milpitas, California 95035.

**How to Vote**

If your shares are registered directly in your name with our transfer agent, Computershare Trust Company, N.A., you are considered the stockholder of record with respect to those shares, and the proxy materials are being sent directly to you by us. You may authorize your proxy by filling out the proxy card included with the proxy materials and returning it in the self-addressed, enclosed envelope, which requires no postage if mailed in the United States.

If your shares are held in an account at a brokerage firm, bank, broker-dealer, trust or other similar organization, then you are the beneficial owner of shares held in “street name,” and the proxy materials were forwarded to you by that organization. The organization holding your account is considered the stockholder of record for purposes of voting at the Annual Meeting. As a beneficial owner, you have the right to instruct that organization on how to vote the shares held in your account. You should instruct your broker, trustee or nominee how to vote your shares by following the voting instructions provided by your broker or nominee.

In addition, you may vote in person at the Annual Meeting as described under the heading “Attending and Voting at the Annual Meeting” below.

### **Attending and Voting at the Annual Meeting**

Only stockholders as of the Record Date, or their duly appointed proxies, may attend the Annual Meeting. Stockholders may be asked to present valid picture identification such as a driver’s license or passport and proof of stock ownership as of the Record Date. If you are not a stockholder of record but hold shares through a broker, trustee or nominee (i.e., in street name), you should provide proof of beneficial ownership on the Record Date, such as your most recent account statement, a copy of the voting instruction card provided by your broker, trustee or nominee, or other similar evidence of ownership. The use of cell phones, smartphones, recording and photographic equipment and/or computers is not permitted in the meeting rooms at the Annual Meeting.

Shares held in your name as the stockholder of record may be voted in person at the Annual Meeting. If you are not a stockholder of record but hold shares through a broker, trustee or nominee (i.e., in street name), you may vote your shares in person only if you obtain a legal proxy from the broker, trustee or nominee that holds your shares authorizing you to vote the shares. Even if you plan to attend the Annual Meeting, we recommend that you also authorize your proxy or submit voting instructions prior to the Annual Meeting as described herein so that your vote will be counted if you later decide not to attend the Annual Meeting.

### **Revocability of Proxies**

Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before its use:

- by delivering to our Secretary a written notice of revocation of the proxy;
- by delivering to our Secretary a duly executed proxy bearing a later date; or
- by attending the Annual Meeting and voting in person.

Attendance at the Annual Meeting will not, in and of itself, revoke a duly executed proxy.

### **Voting and Discretionary Voting**

Properly executed proxies received prior to the Annual Meeting, and not subsequently revoked in the manner described above, will be voted in accordance with the instructions on such proxies. Where no instructions are given, proxies will be voted “FOR” the director nominees approved by the Board of Directors as described herein, “FOR” the ratification of Moss Adams LLP as our independent registered public account firm for the fiscal year ending September 30, 2020, “FOR” the Company’s 2019 Equity Incentive Plan, and with respect to any other matter that may properly be brought before the Annual Meeting, in accordance with the judgment of the proxy holder.

You are entitled to one vote for each share of common stock held on all matters presented at the Annual Meeting. You do not have the right to cumulate votes in the election of directors. Voting instructions are included on the proxy or voting instruction card.

### **Cost of Solicitation**

This solicitation of proxies is made by the Board of Directors, and all costs associated with soliciting proxies will be borne by Altigen. In addition, we will reimburse brokerage firms and other persons representing beneficial owners of shares for their expenses in forwarding solicitation material to such beneficial owners. Proxies may be solicited by certain of our directors, officers and regular employees, without additional compensation, personally or by telephone, facsimile, email or other electronic transmission.

## Quorum

The required quorum for the transaction of business at the Annual Meeting is a majority of the shares of common stock issued and outstanding and entitled to vote at the Annual Meeting as of the Record Date. All shares represented at the Annual Meeting, whether in person or by proxy, will be counted for the purpose of establishing a quorum. Broker non-votes and abstentions are counted for purposes of determining whether a quorum is present. Only “FOR” and “AGAINST” votes are counted for purposes of determining the votes received in connection with each proposal. A broker non-vote occurs when a broker returns a proxy card but does not vote on one or more matters because the broker does not have the authority to do so without instructions from the beneficial owner.

There were 22,914,996 shares of Altigen common stock issued and outstanding on the Record Date. A majority of the issued and outstanding shares, 11,457,498 shares, present or represented by proxy at the meeting, constitutes a quorum. A quorum must exist to conduct business at the Annual Meeting.

## Required Vote

If a quorum is present, the vote required to approve each of the proposals is as follows:

Election of Directors. With respect to Proposal One (election of directors), you may vote “FOR,” “AGAINST” or “ABSTAIN” for each nominee. A properly executed proxy marked “ABSTAIN” with respect to the election of one or more directors will not be voted with respect to the director or directors indicated. Members of the Board of Directors are elected by a plurality of the votes cast. This means that the two director nominees who receive the greatest number of “FOR” votes cast will be elected. Cumulative voting is not permitted. Abstentions and broker non-votes will not be treated as votes “FOR” or votes “AGAINST” with respect to the election of directors and, therefore, will have no effect on the outcome of the votes.

Ratification of Auditors and Other Matters. You may vote “FOR,” “AGAINST” or “ABSTAIN” with respect to the ratification of the appointment of Moss Adams LLP as our independent registered public accounting firm for the fiscal year ending September 30, 2020, or any other matter properly brought before the Annual Meeting. Approval of Proposal Two (ratification of independent registered public accounting firm) or any other matter properly brought before the Annual Meeting requires the affirmative vote of a majority of the shares present in person or represented by proxy at the Annual Meeting. Because an abstention is not treated as a vote “FOR” or “AGAINST,” it will have no effect on the outcome of the vote for this proposal. Broker non-votes, if any, will have no effect on the outcome of these proposals.

2019 Equity Incentive Plan. With respect to the vote to approve our 2019 Equity Incentive Plan, you may vote “FOR,” “AGAINST” or “ABSTAIN” on Proposal Three. The affirmative vote of a majority of shares entitled to vote that are present in person or by represented by proxy is required to approve this proposal. Abstentions will not be counted as votes cast for purposes of this proposal and thus will have no effect on the result of the vote on this proposal. Broker non-votes will not be counted as a vote “FOR” or “AGAINST” this proposal, although it will be counted as present for purposes of establishing a quorum.

## Multiple Proxy Cards

If you receive multiple proxy cards, this indicates that your shares are held in more than one account, such as two brokerage accounts, and are registered in different names. You should vote each of the proxy cards to ensure that all of your shares are voted.

## Stockholder Nominations and Proposals

Our Bylaws provide that nominations for the election of directors and business proposed to be brought before any stockholder meeting may be made by the Board of Directors or proxy committee appointed by the Board of Directors, or by any stockholder entitled to vote in the election of directors generally if such nomination or proposed business is properly brought before the meeting. Any stockholder may nominate one or more persons for election to the Board of Directors at a meeting or propose business to be brought before a meeting of the stockholders, or both, only if such stockholder has given timely notice in proper written form of its intent to make such nomination or nominations or to propose such business. To be timely, a stockholder’s notice must be delivered to or mailed and received at our principal executive offices not less than one hundred twenty (120) calendar days prior to the anniversary of the date our proxy statement for the previous year’s annual meeting was first mailed to stockholders; *provided, however*, that in the event that no annual meeting was held in the previous year or the date of the annual meeting has been changed by more than thirty (30) days from the date contemplated at

the time of the previous year's proxy statement, notice by the stockholder to be timely must be so received a reasonable time before the solicitation is made. The notice must also contain the information set forth in Section 2.13 of our Bylaws.

Stockholders will be able to obtain copies of the annual meeting materials, including the proxy statement, notice of annual meeting, form of proxy and annual report to stockholders for future annual stockholder meetings by visiting <http://www.altigen.com> or sending an e-mail to [ir@altigen.com](mailto:ir@altigen.com). The information contained on our website is not part of, or incorporated by reference in, this proxy statement.

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## PROPOSAL NO. 1: ELECTION OF DIRECTORS

### Nominees

Pursuant to our Bylaws, our Board of Directors is divided into three (3) classes. The directors are elected to serve staggered three-year terms, such that the term of one class of directors expires each year. We currently have five (5) directors divided among the three classes as follows: Class I – Simon Chouldjian and Ken Epps, Class II—Jeremiah J. Fleming and Philip M. McDermott, and Class III—Keith A. Midkiff. The current term of the Class II directors expires at the Annual Meeting. Two (2) Class II directors are to be elected at the Annual Meeting for a three-year term ending at the 2022 Annual Meeting of Stockholders or when his successor is duly elected and qualified.

Unless otherwise instructed, the proxy holders will vote the proxies received by them “FOR” nominees Jeremiah J. Fleming and Philip M. McDermott for the two (2) Class II directors. Mr. Fleming and Mr. McDermott have been recommended by our Nominating and Corporate Governance Committee and their nomination has been approved by the Board of Directors.

In the event that any nominee is unable or declines to serve as a director at the time of the Annual Meeting, the proxies will be voted for a nominee who shall be designated by the remaining members of the Board of Directors to fill the vacancy. Each person nominated below has consented to be named in this proxy statement and the Board of Directors is not aware of any nominees who are unable or unwilling to serve as a director.

### Class II Director Nominees

Listed below are the names, ages and certain information relating to the director nominees.

| Name of Nominee                 | Age | Position with the Company                                     | Term Expires      |
|---------------------------------|-----|---|-------------------|
| Jeremiah J. Fleming.....        | 61  | President, Chief Executive Officer, and Chairman of the Board | 2022 (if elected) |
| Philip M. McDermott (1)(2)..... | 73  | Director  | 2022 (if elected) |

- (1) Member of the Audit Committee
- (2) Member of the Compensation Committee

**Jeremiah J. Fleming.** Mr. Fleming is our President, Chief Executive Officer, and Chairman of the Board of Directors. He has served as a member of our Board of Directors since July 2007. Mr. Fleming has over 25 years of experience in the software and communications industries, primarily with smaller fast-growing companies, and has a strong background in sales, marketing and business development. Prior to joining Altigen, Mr. Fleming was at Interactive Intelligence, Inc. where he served in an executive management capacity for 10 years, including international responsibilities, culminating in his role as president of the Vonexus subsidiary launched in 2004. Prior to that, Mr. Fleming spent five years at Software Artistry in various management positions, including Vice President, Domestic Sales, and five years at Computer Associates in various sales and sales management capacities. Mr. Fleming holds both B.A and M.B.A. degrees from the University of Missouri.

**Philip M. McDermott.** Mr. McDermott has served as a member of the Board of Directors since 2014. From June 1999 to May 2017, Mr. McDermott served as Altigen’s Chief Financial Officer. His knowledge of financial accounting, accounting principles and financial reporting rules and regulations, and his experience in evaluating financial results provide substantial insights in his role as a member of our Audit Committee. His extensive experience in the communications industry includes positions at 3Com Corporation where he served as Director of Finance America Sales from 1995 to June 1999. Mr. McDermott has also held the position of Vice President of Finance, Operations, and Administration for Chipcom Corporation. Prior to Chipcom, Mr. McDermott served as Chief Financial Officer for four years at David Systems Inc. and has also held executive positions with Prentice Corporation and Northern Telecom. Mr. McDermott received certified Management Account accreditation from the Society of Management Accounting in Montreal, Canada.

## Continuing Directors

Listed below are the names, ages and certain information relating to our continuing directors whose terms expire at future annual meetings of stockholders.

| Name of Nominee                 | Age | Position with the Company | Director Since | Term Expires |
|---------------------------------|-----|---------------------------|----------------|--------------|
| <b>Class I:</b>                 |     |                           |                |              |
| Simon S. Chouldjian (1)(2)..... | 66  | Director                  | 2017           | 2020         |
| Ken Epps (1)(2) .....           | 63  | Director                  | 2017           | 2020         |
| <b>Class III:</b>               |     |                           |                |              |
| Keith A. Midkiff (1)(3) .....   | 57  | Director                  | 2015           | 2021         |

(1) Member of the Compensation Committee.

(2) Member of the Nominating and Corporate Governance Committee.

(3) Member of the Audit Committee.

### Class I Directors

**Simon S. Chouldjian.** Mr. Chouldjian, age 66, has served as an independent director of the Company since 2017. Mr. Chouldjian is currently an independent investor. Prior to his retirement in April 2015, Mr. Chouldjian served as Vice President of Hardware Engineering of Altigen. Mr. Chouldjian served as Altigen’s Vice President of Manufacturing from June 1997 to November 2001. From July 1984 to June 1997, Mr. Chouldjian was the founder and Vice President of Engineering of Luxcom, Inc., a manufacturer of communication hub equipment. Mr. Chouldjian has held management and project leadership positions at Hewlett Packard Corporation and TRW, Inc. Mr. Chouldjian earned a Bachelor of Science degree in Electrical Engineering from the University of California – Berkeley and a Master of Science degree in Electrical Engineering from Stanford University.

**Ken Epps.** Mr. Epps, age 63, has served as an independent director of the Company since 2017. Mr. Epps has extensive experience in telecom, healthcare, SaaS and Cloud technologies. Prior to his retirement in April 2019, Mr. Epps was co-founder, President and Chief Executive Officer of Agnity HealthCare Inc., a leading provider of patient centric secure mobile communications and collaboration solutions for healthcare providers. Prior to that, Mr. Epps was Chief Executive Officer of U4EA Technologies, preceded by his position as CEO of BayPackets. Mr. Epps also held senior leadership positions at Williams Communications and AT&T. Mr. Epps holds a Bachelor of Science degree in Mechanical Engineering Technology from South Carolina State University, a Master of Science degree in Engineering Administration from the University of Tennessee, and Master of Business Administration degree from the Stanford University Graduate School of Business.

### Class III Director

**Keith A. Midkiff.** Mr. Midkiff, age 57, has served as an independent director of the Company since 2015. Mr. Midkiff is Partner and Chief Financial Officer of Pacific Rim Constructors (PRC), a company helping to construct and maintain infrastructure at remotely located oil, natural gas, and precious mineral projects and installations in challenging environments around the world, including sites in Africa, Asia, and Central America. Mr. Midkiff has worked with PRC since 2008. Mr. Midkiff previously served as Chief Financial Officer from 2003 until 2008 at Angie’s List, a solutions company helping to connect home owners with trustworthy home service providers, where he was instrumental in successfully placing multiple debt and equity offerings totaling over \$50 million. Prior to Angie’s List, he held a number of senior financial positions at Interactive Intelligence, Inc., where he served as Controller, Vice President of Finance, and finally as Chief Financial Officer. Mr. Midkiff helped guide Interactive Intelligence, a firm providing local and cloud-based telephony and other communications solutions to businesses, through its initial public offering (IPO) on the NASDAQ in 1999. Mr. Midkiff also previously worked as Controller for Software Artistry Inc., a customer relationship management company that also successfully executed an IPO on NASDAQ during Mr. Midkiff’s tenure. Mr. Midkiff received a Bachelor of Science degree in accounting and finance from Ohio State University and an MBA degree with concentrations in entrepreneurship and finance from Indiana University.

No family relationship exists between any director, executive officer, significant employee or person nominated or chosen by the Company to become a director or executive officer. There are no arrangements or understandings between any director and any other person pursuant to which any director was nominated as a director. None of our directors have been involved during the last ten years in any legal proceedings that is required to be disclosed under Item 401(f) of Regulation S-K.

### **Director Independence Standards**

The Board of Directors has approved a set of standards to measure the independence of each of its directors (the “Altigen Independence Standards”). Under the Altigen Independence Standards, an “independent director” means a person other than:

(A) a director who is, or has a Family Member who is, or was, or has a Family Member who was, at any time during the past twelve months, employed by Altigen as an executive officer;

(B) a director who accepted, or who has a Family Member who accepted, any compensation from Altigen in excess of \$100,000 during the past twelve months, other than the following:

(i) compensation for board or board committee service;

(ii) compensation paid to a Family Member who is an employee (other than an executive officer) of Altigen; or

(iii) benefits under a tax-qualified retirement plan, or non-discretionary compensation;

(C) a director who is, or has a Family Member who is, a partner in, or a controlling shareholder or an executive officer of, any organization to which the company made, or from which Altigen received, payments for property or services in the past twelve months that exceed 5% of the recipient's consolidated gross revenues for that year, or \$200,000, whichever is more, other than the following:

(i) payments arising solely from investments in Altigen’s securities; or

(ii) payments under non-discretionary charitable contribution matching programs;

(D) a director who is, or has a Family Member who is, or was, or has a Family Member who was, at any time during the past twelve months, a partner of Altigen’s outside auditor or an employee of the company's outside auditor who worked on Altigen’s audit.

“Family Member” means a person's spouse, children and siblings, whether by blood, marriage or adoption, or anyone residing in such person's home.

### **Director Independence**

With the exception of Jeremiah J. Fleming, our Board of Directors determined that all of the current directors and one director nominee are independent in accordance with standards under the Altigen Independence Standards. The Board of Directors determined that as a result of being employed as an executive officer, Mr. Fleming is not independent under the Altigen Independence Standards.

### **Director Nomination**

*Criteria for Board Membership.* The Nominating and Corporate Governance Committee has the responsibility to nominate director candidates to serve on our Board of Directors. In selecting candidates for appointment or re-election to the Board of Directors, the Nominating and Corporate Governance Committee considers the appropriate balance of experience, skills and characteristics required of the Board of Directors and seeks to ensure that directors meet certain minimum financial literacy requirements. Nominees for director are selected on the basis of their depth and breadth of experience, integrity, ability to make independent analytical inquiries, understanding of the Company’s business environment, and willingness to devote adequate time to Board duties. Although we do not have a separate policy regarding consideration of diversity in identifying director nominees, the Nominating and Corporate Governance Committee strives to nominate directors with a

variety of complementary skills and backgrounds so that, as a group, the Board of Directors will possess a broad perspective and the appropriate talent, skills and expertise to oversee our business.

*Process for Identifying and Evaluating Nominees.* In the ordinary course, absent special circumstances or a material change in the criteria for Board membership, the Nominating and Corporate Governance Committee will re-nominate incumbent directors who continue to qualify for Board service and remain willing to serve as directors. If an incumbent director chooses not to stand for re-election, or if a vacancy on the Board of Directors occurs between annual stockholder meetings, the Nominating and Corporate Governance Committee will seek out potential candidates for Board appointment who meet the criteria for selection as a nominee. Director candidates will be selected based on input from members of the Board of Directors, senior management and, if the committee deems it appropriate, a third-party search firm. The Nominating and Corporate Governance Committee will evaluate each candidate's qualifications and check relevant references. In addition, such candidates will be interviewed by at least one member of the Nominating and Corporate Governance Committee. Candidates meriting serious consideration will meet with all members of the Board of Directors. Based on this input, the Nominating and Corporate Governance Committee will evaluate which of the prospective candidates is qualified to serve as a director and whether the committee should recommend to the Board of Directors that this candidate be appointed to fill a current vacancy on the Board of Directors, or presented for the approval of the stockholders, as appropriate. We have not paid any fees to any third party to assist in identifying or evaluating director candidates. The Nominating and Corporate Governance Committee evaluates nominees recommended by stockholders in the same manner.

## **Board Meetings and Committees**

The committees of the Board of Directors include the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee.

### *Board Meetings*

The Board of Directors held a total of five regular meetings during fiscal year 2018, one of which focused primarily on reviewing our strategic plan with management.

### *Meeting Attendance*

During 2018, each member of the Board of Directors attended or participated in at least 75% or more of the aggregate of (i) the total number of meetings of the Board of Directors held during the period for which such person served as a director, and (ii) the total number of meetings held by all committees of the Board of Directors on which such person served as a director. While members of the Board of Directors are not required to attend our annual meeting of stockholders, they are encouraged to attend. Jeremiah J. Fleming and Philip McDermott attended our 2017 Annual Meeting of Stockholders.

### *Executive Sessions*

Our non-employee directors frequently meet in executive session without management to discuss corporate business and governance. The independent directors meet separately at least once per year.

### *Audit Committee*

The Audit Committee is currently composed of two independent directors: Keith A. Midkiff and Philip M. McDermott. The Audit Committee is responsible for retaining our independent auditors, pre-approving all audit and non-audit services provided by the Company's auditors, reviewing and discussing with management the results and scope of audit and other services provided by the independent auditors and reviewing the accounting principles and auditing practices and procedures to be used in our financial statements. The Audit Committee held a total of four meetings during fiscal year 2018.

### *Compensation Committee*

The Compensation Committee is currently composed of four independent directors: Keith A. Midkiff, Philip M. McDermott, Simon S. Chouldjian and Ken Epps. The Compensation Committee reviews and makes recommendations concerning salaries of executive officers and other managerial employees to the Board of Directors. The Compensation Committee also administers the Company's equity plans. The Compensation Committee held one meeting in fiscal year 2018.

## Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee is currently composed of two independent directors: Simon S. Chouldjian and Ken Epps. The Nominating and Corporate Governance Committee assists the Board of Directors in identifying qualified individuals to become directors, monitors the process to assess Board effectiveness and helps develop and implement the Company's corporate governance guidelines. The Nominating and Corporate Governance Committee also considers nominees proposed by stockholders. The Nominating and Corporate Governance Committee held one meeting during fiscal year 2018.

We have written charters for the Audit Committee, the Compensation Committee, and the Nominating and Corporate Governance Committee, copies of each are available on our website, free of charge, at [www.altigen.com](http://www.altigen.com). You can also obtain copies of the charters, free of charge, by writing to us at Altigen Communications, Inc., 670 N McCarthy Blvd, Suite 200, Milpitas, CA 95035.

### Communication between Stockholders and Directors

Although we do not have a formal policy regarding communications with the Board, stockholders or other interested parties may communicate with any director or committee of the Board of Directors by writing to us at Altigen Communications, Inc., 670 N McCarthy Blvd, Suite 200, Milpitas, CA 95035, Attention: Investor Relations, or by sending an e-mail to [ir@altigen.com](mailto:ir@altigen.com), or by calling the Investor Relations department at (408) 597-9000 ext. 413. Comments or questions regarding the Company's accounting, internal controls or auditing matters will be referred to members of the Audit Committee. Comments or questions regarding the nomination of directors will be referred to members of the Nominating and Corporate Governance Committee. All appropriate communications will be compiled by our Secretary and submitted to the Board of Directors as a whole or an individual director, as appropriate.

### Director Compensation

The table below summarizes compensation earned by or paid or awarded to each of our directors during the fiscal year ended September 30, 2018.

| Name                      | Fees Earned or Paid in Cash (\$) | Option Awards (\$ (1)) | Total (\$) |
|---------------------------|----------------------------------|------------------------|------------|
| Jeremiah J. Fleming ..... | 4,000                            | —                      | 4,000      |
| Philip M. McDermott ..... | 7,000                            | —                      | 7,000      |
| Keith A. Midkiff.....     | 16,000                           | —                      | 16,000     |
| Simon S. Chouldjian ..... | 16,000                           | —                      | 16,000     |
| Ken Epps .....            | 16,000                           | —                      | 16,000     |

(1) Option awards are reported at grant date fair value in the year granted, as determined under applicable accounting standards. The Company did not grant stock option awards to directors in fiscal year 2018.

### Required Vote and Board of Directors' Recommendation

Directors are elected by a plurality of the affirmative votes cast by those shares present in person, or represented by proxy, and entitled to vote at the Annual Meeting. The two Class II nominees receiving the highest number of affirmative votes of the shares entitled to be voted shall be elected to the Board of Directors.

**THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE  
"FOR" THE ELECTION OF EACH CLASS II DIRECTOR NOMINEE.**

\* \* \* \* \*

## PROPOSAL NO. 2: RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has appointed Moss Adams LLP as the Company’s independent registered public accounting firm and as auditors of the Company’s financial statements for the fiscal year ending September 30, 2020. Moss Adams LLP has served as the Company’s independent registered public accounting firm since its appointment in July 2006.

At the Annual Meeting, the stockholders are being asked to ratify the appointment of Moss Adams LLP as the Company’s independent registered public accounting firm for the fiscal year ending September 30, 2020. In the event of a negative vote on such ratification, the Audit Committee will reconsider its selection. Representatives of Moss Adams LLP will be present at the Annual Meeting and will have the opportunity to respond to appropriate questions and to make a statement if they so desire.

### Audit and Non-Audit Fees

The following table presents fees for professional audit services rendered by Moss Adams LLP for the audit of our annual financial statements for the fiscal years ended September 30, 2018 and 2017, and fees billed for other services rendered by Moss Adams LLP during those periods. All services provided by Moss Adams LLP in fiscal years ended September 30, 2018 and 2017 were pre-approved by the Audit Committee in accordance with the pre-approval policy described below.

|                             | Fiscal Year Ended<br>September 30, |               |
|-----------------------------|------------------------------------|---------------|
|                             | 2018                               | 2017          |
|                             | (In thousands)                     |               |
| Audit Fees (1) .....        | \$ 65                              | \$ 73         |
| Audit-Related Fees (2)..... | 4                                  | 2             |
| Tax Fees (3).....           | 27                                 | 26            |
| Total.....                  | <u>\$ 96</u>                       | <u>\$ 101</u> |

- (1) *Audit Fees*: These are fees for professional services rendered for the audit of the Company’s consolidated annual financial statements and audit services provided in connection with other statutory and regulatory filings.
- (2) *Audit-Related Fees*: Consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company’s consolidated financial statements and are not reported under “Audit Fees.” These services include consultations concerning financial accounting and reporting standards.
- (3) *Tax Fees*: Consist of fees related to professional services rendered for tax compliance and tax planning (domestic and international). These services include assistance regarding federal, state and international tax compliance and tax planning.

### Pre-Approval Policy

The Audit Committee pre-approves all audit and other services provided by the independent auditors. These services may include audit services, audit-related services, tax services and other services. The Audit Committee has adopted a policy for the pre-approval of services provided by the independent auditors. Under the policy, pre-approval generally is provided for up to one (1) year and any pre-approval is detailed as to the particular service or category of services and is subject to a specific budget. In addition, the Audit Committee may also pre-approve particular services on a case-by-case basis. For each proposed service, the independent auditor is required to provide detailed back-up documentation at the time of approval. The Audit Committee may delegate pre-approval authority to one or more of its members. Such member must report any decisions to the Audit Committee at the next scheduled meeting. All services provided by Moss Adams LLP in fiscal years ended September 30, 2018 and 2017 were pre-approved by the Audit Committee pursuant to this policy.

**Required Vote and Board of Directors' Recommendation**

The affirmative vote of a majority of the shares present in person or by proxy and entitled to vote on the proposal, assuming that a quorum has been established, will be required to ratify the appointment of Moss Adams LLP as the Company's independent registered public accounting firm for the fiscal year ending September 30, 2020.

**THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE "FOR" RATIFICATION OF THE APPOINTMENT OF MOSS ADAMS LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2020.**

\* \* \* \* \*

## PROPOSAL NO. 3: APPROVAL OF THE 2019 EQUITY INCENTIVE PLAN

On July 23, 2019, the Board of Directors (the “Board”) adopted the 2019 Equity Incentive Plan (the “EIP”), subject to approval by our stockholders at the Annual Meeting.

The Board believes that the adoption of the EIP is in the best interests of the Company and its stockholders. As a key element of our compensation program, the equity grants are designed to provide selected management, employees and directors of the Company with additional incentives to promote the growth and performance of the Company. Most of the companies that we compete with for directors and management-level employees offer equity compensation as part of their overall director and officer compensation programs. By approving the EIP, our stockholders will give us the flexibility we need to continue to attract and retain highly qualified candidates for positions of substantial responsibility by offering a competitive compensation program.

Our prior equity incentive plan, the 2009 Equity Incentive Plan (the “2009 Plan”), has expired and no additional awards may be granted under the 2009 Plan. If shareholders do not approve the EIP, the Company will have no shares available for the award of equity compensation, resulting in the loss of an important compensation tool designed to align stockholder interests and attract, motivate and retain highly qualified talent. The 2009 Plan will continue to govern options previously granted under it.

In adopting the EIP, the Compensation Committee and the Board considered the number of shares required to continue making equity awards at levels consistent with past practice as well as the dilutive impact that the issuance of shares under the Equity Incentive Plan could have on our stockholders.

The EIP’s share reserve, which the stockholders will be asked to approve, includes (i) 1,000,000 Shares, plus (ii) 2,277,873 Shares which have been reserved but not issued pursuant to any awards under the 2009 Plan, plus (iii) the number of Shares subject to outstanding awards under the 2009 Plan that expire or otherwise terminate without having been exercised in full, or are forfeited to or repurchased by the Company, up to a maximum of 3,774,635 shares of the Company’s common stock (the “Shares”). If the stockholders approve the EIP as proposed, the Company will only initially have 3,277,873 Shares available for new grants and, only if awards under the 2009 Plan are forfeited, cancelled or otherwise terminated, will any portion of the additional 3,774,635 Shares be available for issuance under the EIP.

### **Description of the 2019 Equity Incentive Plan**

A description of the provisions of the 2019 Equity Incentive Plan is set forth below. This summary is qualified in its entirety by the detailed provisions of the 2019 Equity Incentive Plan, a copy of which is attached as Appendix A to this proxy statement.

#### *Purpose of the Plan*

The purpose of the EIP is to provide the Company with the ability to grant incentives that are designed to attract and retain the types of employees and consultants who will contribute to our Company’s long-term success, provide incentives that align the interests of our employees and consultants with those of our shareholders, and promote the success of our Company’s business. These incentives are provided through the grant of stock options, stock appreciation rights, restricted stock awards, restricted stock units, performance shares and performance units.

#### *Authorized Shares*

The EIP Share reserve will include (i) 1,000,000 Shares, plus (ii) 2,277,873 Shares which have been reserved but not issued pursuant to any awards under the 2009 Plan, plus (iii) the number of Shares subject to outstanding awards under the 2009 Plan that expire or otherwise terminate without having been exercised in full, or are forfeited to or repurchased by the Company, up to a maximum of 3,774,635 Shares. If the EIP is approved by the stockholders, this will result in a total maximum of 7,052,508 Shares reserved for issuance pursuant to the EIP. Stockholders are being asked to approve only a small increase of 1,000,000 Shares in the total number of Shares previously approved by stockholders for grant by the Company. This is because the Shares that may be available for grant under the EIP will be derived primarily from 7,052,508 Shares of common stock previously approved for grant under the 2009 Plan, with only an additional 1,000,000 Shares being requested above that number. If any award granted under the EIP expires, lapses or becomes unexercisable without having been exercised in full, is surrendered pursuant to an exchange program (as defined below), or if Shares subject to forfeiture or

repurchase are forfeited or repurchased by the Company due to failure to vest, any such Shares that are reacquired or subject to such a terminated award will again become available for issuance under the EIP.

With respect to stock appreciation rights, only the net Shares actually issued will cease to be available under the EIP. If Shares issued pursuant to restricted stock, restricted stock units, performance shares or performance units are repurchased by or forfeited to the Company due to failure to vest, such Shares will become available for future grant under the EIP. Shares used to pay the exercise price or purchase price of an award and/or to satisfy the tax withholding obligations of an award will remain available for issuance under the EIP. Payment of cash rather than Shares pursuant to an award will not result in reducing the number of Shares available for issuance under the EIP.

#### *Adjustments to Shares Subject to the EIP*

In the event of any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, exchange of Shares or other securities of the Company, or other change in the corporate structure affecting the Company's common stock, the Administrator (as defined below), in order to prevent diminution or enlargement of the benefits or potential benefits intended to be available under the EIP, will adjust the number and class of shares that may be delivered under the EIP, and/or the number, class and price of shares of stock subject to outstanding awards, and the award grant limitations.

#### *Administration*

The EIP will be administered by the Compensation Committee of the Board, the Board itself or another committee designated by the Board (the Board or committee administering the EIP is referred to as the "Administrator"). To make grants to certain Company officers and key employees, the members of the committee making such grants must qualify as "non-employee directors" under Rule 16b-3 of the Securities Exchange Act of 1934.

Subject to the terms of the EIP, the Administrator has the sole discretion to select the employees, consultants, and directors who will receive awards, to determine the terms and conditions of awards, to modify or amend each award (subject to the restrictions of the EIP), including to accelerate vesting or waive forfeiture restrictions, and to interpret the provisions of the EIP and outstanding awards. The Administrator may implement an "exchange program," which is a program under which (i) outstanding awards may be surrendered or cancelled in exchange for awards of the same type, awards of a different type, and/or cash, (ii) participants would have the opportunity to transfer any outstanding awards to a financial institution or other person or entity selected by the Administrator, and/or (iii) the exercise price of an outstanding award could be reduced or increased. The Administrator may allow a participant to defer the receipt of payment of cash or delivery of Shares that otherwise would be due to such participant. The Administrator may make rules and regulations relating to sub-plans established for the purpose of satisfying applicable foreign laws or qualifying for favorable tax treatment under applicable foreign laws and may make all other determinations deemed necessary or advisable for administering the EIP.

#### *Eligibility*

The EIP allows us, under the direction of our Board of Directors or an authorized committee, to make grants of stock options, restricted and unrestricted stock awards and other stock-based awards to employees, consultants and directors who, in the opinion of the Compensation Committee, are in a position to make a significant contribution to our long-term success. All employees, directors and consultants of the Company and its affiliates are eligible to participate in the 2019 EIP. Incentive stock options ("ISOs") may be granted only to employees who, as of the time of grant, are Altigen employees or employees of any parent or subsidiary of the Company. As of September 17, 2019, there were approximately 59 individuals eligible to participate in the EIP.

#### *Maximum Term*

Stock options granted under the EIP will terminate not more than ten years from the date of the grant or at such earlier time as the option agreement may provide.

## *Stock Options*

Stock options granted under the EIP may either be Incentive Stock Options (“ISOs”), which are intended to satisfy the requirements of Section 422 of the Code, or Non-Qualified Stock Options (“NSOs”), which are not intended to meet those requirements. Incentive stock options may be granted to employees of the Company and its affiliates, non-qualified options may be granted to employees, directors and consultants of the Company and its affiliates and the term of the option may not be longer than ten years. The exercise price per Share of each option may not be less than the fair market value of a Share on the date of grant. However, any incentive stock option granted to a person who, at the time of grant, owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any parent or subsidiary of Altigen (a “Ten Percent Stockholder”) must have an exercise price per Share equal to at least 110% of the fair market value of a Share on the date of grant. Generally, the fair market value of the common stock is the closing price per share on the date of grant as quoted over the counter on the OTCQB market tier of the OTC Markets Group under the symbol “ATGN.” On September 17, 2019, the closing price of the Company’s common stock on the OTC Markets Group was \$1.15 per share.

The EIP provides that the option exercise price may be paid, as determined by the Administrator, in cash, by check, by tender of Shares having a fair market value not less than the exercise price, by the assignment of the proceeds of a sale with respect to some or all of the Shares being acquired upon the exercise of the option (a “cashless exercise”), by a net exercise, by a reduction in any liability owed by the Company to the participant, by any combination of the foregoing, or by such other consideration and method of payment for the issuance of Shares to the extent permitted by applicable laws. An option will be deemed exercised when the Company receives the notice of exercise and full payment for the Shares to be exercised, together with applicable tax withholdings.

Options will be exercisable at such times or under such conditions as determined by the Administrator and set forth in the award agreement. The maximum term of an option will be specified in the award agreement, provided that options will have a maximum term of 10 years and provided further that an incentive stock option granted to a Ten Percent Stockholder must have a term not exceeding 5 years.

The Administrator will determine and specify in each written award agreement, and solely in its discretion, the period of post-termination exercise applicable to each option. Award agreements for stock options include rules for exercise of the stock options after termination of service. Options may not be exercised unless they are vested, and no option may be exercised after the end of the term set forth in the award agreement. Generally, stock options will be exercisable for three months after termination of service for any reason other than death or total and permanent disability, and for 12 months after termination of service on account of death or total and permanent disability but will not be exercisable if the termination of service was due to cause. In no event can an option be exercised after the expiration of the term of the option.

The Administrator may at any time offer to buy out for a payment in cash an option based on the terms and conditions that the Administrator determines and communicates to the participant at the time of such offer.

Each option granted under the EIP will be evidenced by a written agreement between the Company and the optionee specifying the number of Shares subject to the option and the other terms and conditions of the option, consistent with the requirements of the EIP.

## *Stock Appreciation Rights*

A stock appreciation right gives a participant the right to receive the appreciation in the fair market value of the Company’s common stock between the date of grant of the award and the date of its exercise. Each stock appreciation right granted under the EIP will be evidenced by a written agreement between the Company and the participant specifying the exercise price and the other terms and conditions of the award, consistent with the requirements of the EIP.

The exercise price per Share of each stock appreciation right may not be less than the fair market value of a Share on the date of grant. The Company may pay the appreciation in cash, in Shares, or in some combination thereof. The term of a stock appreciation right will be no more than 10 years from the date of grant. A stock appreciation right will be deemed exercised when the Company receives the notice of exercise and full payment for the Shares to be exercised, together with applicable tax withholdings. Additionally, the terms and conditions relating to the period of post-termination exercise with respect to options described above also apply to stock appreciation rights.

### *Restricted Stock Awards*

Awards of restricted stock are rights to acquire or purchase Shares, which vest in accordance with the terms and conditions established by the Administrator in its sole discretion. Restricted stock awards will be evidenced by a written agreement between the Company and the participant specifying the number of Shares subject to the award and the other terms and conditions of the award, consistent with the requirements of the EIP. Restricted stock awards may be subject to vesting conditions as the Administrator specifies, and the Shares acquired may not be transferred by the participant until vested. Unless otherwise provided by the Administrator, a participant will forfeit any Shares of restricted stock as to which the restrictions have not lapsed prior to the participant's termination of service. Participants holding restricted stock will have the right to vote the Shares and to receive any dividends paid, except that dividends or other distributions paid in Shares will be subject to the same restrictions as the original award. The Administrator may, in its sole discretion, reduce or waive any restrictions and may accelerate the time at which any restrictions will lapse or be removed.

### *Restricted Stock Units*

The Administrator may award restricted stock units which represent a right to receive Shares at a future date as set forth in the participant's award agreement. Each restricted stock unit awarded under the EIP will be evidenced by a written agreement between the Company and the participant specifying the number of Shares subject to the award and other terms and conditions of the award, consistent with the requirements of the EIP. Restricted stock units will result in a payment to a participant only if the performance goals or other vesting criteria the Administrator may establish are achieved or the awards otherwise vest. Earned restricted stock units will be paid, in the sole discretion of the Administrator, in the form of cash, Shares, or in a combination thereof. The Administrator may establish vesting criteria in its discretion, which may be based on company-wide, divisional or individual goals, or any other basis and which may include the performance goals listed below, and which, depending on the extent to which they are met, will determine the number of restricted stock units to be paid out to participants.

After the grant of a restricted stock unit award, the Administrator, in its sole discretion, may reduce or waive any vesting criteria that must be met to receive a payout and may accelerate the time at which any restrictions will lapse or be removed. A participant will forfeit any unearned restricted stock units as of the date set forth in the award agreement.

### *Performance Units and Performance Shares*

Performance units and performance shares may also be granted under the EIP. Each award of performance shares or units granted under the EIP will be evidenced by a written agreement between the Company and the participant specifying the performance period and other terms and conditions of the award, consistent with the requirements of the EIP. Performance units and performance shares will result in a payment to a participant only if the performance goals or other vesting criteria the Administrator may establish are achieved or the awards otherwise vest. Earned performance units and performance shares will be paid, in the sole discretion of the Administrator, in the form of cash, Shares, or in a combination thereof. The Administrator may establish performance objectives in its discretion, which may be based on company-wide, divisional or individual goals, applicable federal or state securities laws, or any other basis and which may include the performance goals listed below, and which, depending on the extent to which they are met, will determine the number and/or the value of performance units and performance shares to be paid out to participants.

After the grant of a performance unit or performance share, the Administrator, in its sole discretion, may reduce or waive any performance objectives or other vesting provisions for such performance units or shares and accelerate the time at which any restrictions will lapse or be removed. Performance units will have an initial value established by the Administrator on or before the date of grant. Performance shares will have an initial value equal to the fair market value of a Share on the grant date. A participant will forfeit any performance shares or units that are unearned or unvested as of the date set forth in the award agreement.

### *Transferability of Awards*

Awards granted under the EIP generally are not transferable, and all rights with respect to an award granted to a participant generally will be available during a participant's lifetime only to the participant.

### *Exchange Programs*

The EIP permits exchange programs. An “exchange program” is a program under which (i) outstanding awards may be surrendered or cancelled in exchange for awards of the same type, awards of a different type, and/or cash, (ii) participants would have the opportunity to transfer any outstanding awards to a financial institution or other person or entity selected by the Administrator, and/or (iii) the exercise price of an outstanding award could be reduced or increased.

### *Dissolution or Liquidation*

In the event of the Company’s proposed dissolution or liquidation, the Administrator will notify each participant in writing as soon as practicable prior to the effective date of such proposed transaction. An award will terminate immediately prior to consummation of such proposed action to the extent the award has not been previously exercised.

### *Change in Control*

The Plan provides that, in the event of a merger or our “change in control” (as defined in the EIP), the Administrator will have authority to determine the treatment of outstanding awards, including, without limitation, that:

- awards be assumed or substantially equivalent award substituted by the acquiring or succeeding corporation or its affiliate;
- awards will terminate upon or immediately prior to consummation of such transaction, upon providing written notice to the participant;
- outstanding awards will vest and become exercisable, realizable, or payable, or restrictions applicable to an award will lapse, in whole or in part prior to or upon such transaction and, to the extent the Administrator determines, terminate upon or immediately prior to the effectiveness of the transaction;
- the termination of an award in exchange for an amount of cash and/or property, if any, equal to the amount that would have been attained upon exercise of the award or realization of the participant’s rights as of the date of the transaction, or an award be replaced with other rights or property selected by the Administrator in its sole discretion; or
- any combination of the foregoing.

If the successor corporation does not assume or substitute outstanding awards, the options and stock appreciation rights will become fully vested and exercisable, all restrictions on restricted stock, restricted stock units, performance shares and performance units will lapse, and, with respect to awards with performance-based vesting, all performance goals or other vesting criteria will be deemed achieved at 100% of target levels and all other terms and conditions met. The Administrator will not be required to treat all outstanding awards the same in the transaction. In addition, if an option or stock appreciation right is not assumed or substituted for in the event of a change in control, the Administrator will notify the participant in writing or electronically that the option or stock appreciation right will be fully vested and exercisable for a period of time determined by the Administrator in its sole discretion, and the option or stock appreciation right will terminate upon the expiration of such period.

### *Termination or Amendment*

The EIP will automatically terminate 10 years from the date of its adoption by the Administrator, unless terminated at an earlier time by the Administrator. The Administrator may terminate or amend the EIP at any time, provided that no amendment may be made without stockholder approval to the extent approval is necessary or desirable to comply with any applicable laws. No termination or amendment may impair the rights of any participant unless mutually agreed otherwise between the participant and the Administrator.

### **Summary of U.S. Federal Income Tax Consequences**

The following summary is intended only as a general guide to the material U.S. federal income tax consequences of participation in the EIP. The summary is based on existing U.S. laws and regulations, and there can be no assurance that

those laws and regulations will not change in the future. The summary does not purport to be complete and does not discuss the tax consequences upon a participant's death, or the provisions of the income tax laws of any municipality, state or foreign country in which the participant may reside. As a result, tax consequences for any particular participant may vary based on individual circumstances.

### *Incentive Stock Options*

An optionee recognizes no taxable income for regular income tax purposes as a result of the grant or exercise of an incentive stock option qualifying under Section 422 of the Code. Optionees who neither dispose of their shares within two years following the date the option was granted nor within one year following the exercise of the option normally will recognize a capital gain or loss equal to the difference, if any, between the sale price and the purchase price of the shares. If an optionee satisfies such holding periods upon a sale of the shares, the Company will not be entitled to any deduction for federal income tax purposes. If an optionee disposes of shares within two years after the date of grant or within one year after the date of exercise (a "disqualifying disposition"), the difference between the fair market value of the shares on the determination date (see discussion under "Nonstatutory Stock Options" below) and the option exercise price (not to exceed the gain realized on the sale if the disposition is a transaction with respect to which a loss, if sustained, would be recognized) will be taxed as ordinary income at the time of disposition. Any gain in excess of that amount will be a capital gain. If a loss is recognized, there will be no ordinary income, and such loss will be a capital loss. Any ordinary income recognized by the optionee upon the disqualifying disposition of the shares generally should be deductible by the Company for federal income tax purposes, except to the extent such deduction is limited by applicable provisions of the Code.

The difference between the option exercise price and the fair market value of the shares on the determination date of an incentive stock option (see discussion under "Nonstatutory Stock Options" below) is treated as an adjustment in computing the optionee's alternative minimum taxable income and may be subject to an alternative minimum tax which is paid if such tax exceeds the regular tax for the year. Special rules may apply with respect to certain subsequent sales of the shares in a disqualifying disposition, certain basis adjustments for purposes of computing the alternative minimum taxable income on a subsequent sale of the shares and certain tax credits which may arise with respect to optionees subject to the alternative minimum tax.

### *Nonstatutory Stock Options*

Options not designated or qualifying as incentive stock options will be nonstatutory stock options having no special tax status. An optionee generally recognizes no taxable income as the result of the grant of such an option. Upon exercise of a nonstatutory stock option, the optionee normally recognizes ordinary income in the amount of the difference between the option exercise price and the fair market value of the shares on the determination date (as defined below). If the optionee is an employee, such ordinary income generally is subject to withholding of income and employment taxes. The "determination date" is the date on which the option is exercised unless the shares are subject to a substantial risk of forfeiture (as in the case where an optionee is permitted to exercise an unvested option and receive unvested shares which, until they vest, are subject to forfeiture or repurchase upon the optionee's termination of service) and are not transferable, in which case the determination date is the earlier of (1) the date on which the shares become transferable or (2) the date on which the shares are no longer subject to a substantial risk of forfeiture. If the determination date is after the exercise date, the optionee may elect, pursuant to Section 83(b) of the Code, to have the exercise date be the determination date by filing an election with the Internal Revenue Service no later than 30 days after the date the option is exercised. Upon the sale of stock acquired by the exercise of a nonstatutory stock option, any gain or loss, based on the difference between the sale price and the fair market value on the determination date, will be taxed as capital gain or loss. No tax deduction is available to the Company with respect to the grant of a nonstatutory stock option or the sale of the stock acquired pursuant to such grant. The Company generally should be entitled to a deduction equal to the amount of ordinary income recognized by the optionee as a result of the exercise of a nonstatutory stock option, except to the extent such deduction is limited by applicable provisions of the Code.

### *Stock Appreciation Rights*

In general, no taxable income is reportable when a stock appreciation right is granted to a participant. Upon exercise, the participant will recognize ordinary income in an amount equal to the fair market value of any shares of our common stock received. Any additional gain or loss recognized upon any later disposition of the shares would be capital gain or loss. The Company generally should be entitled to a deduction equal to the amount of ordinary income recognized by the optionee as a result of the exercise of a stock appreciation right, except to the extent such deduction is limited by applicable provisions of the Code.

### *Restricted Stock Awards*

A participant acquiring restricted stock generally will recognize ordinary income equal to the fair market value of the shares on the “determination date” (as defined above under “Nonstatutory Stock Options”). If the participant is an employee, such ordinary income generally is subject to withholding of income and employment taxes. If the determination date is after the date on which the participant acquires the shares, the participant may elect, pursuant to Section 83(b) of the Code, to have the date of acquisition be the determination date by filing an election with the Internal Revenue Service no later than 30 days after the date the shares are acquired. Upon the sale of shares acquired pursuant to a restricted stock award, any gain or loss, based on the difference between the sale price and the fair market value on the determination date, will be taxed as capital gain or loss. The Company generally should be entitled to a deduction equal to the amount of ordinary income recognized by the participant on the determination date, except to the extent such deduction is limited by applicable provisions of the Code.

### *Restricted Stock Unit Awards*

There are no immediate tax consequences of receiving an award of restricted stock units. A participant who is awarded restricted stock units will be required to recognize ordinary income in an amount equal to the fair market value of shares issued to such participant at the end of the applicable vesting period or, if later, the settlement date elected by the Administrator or a participant. Any additional gain or loss recognized upon any later disposition of any shares received would be capital gain or loss. The Company generally should be entitled to a deduction equal to the amount of ordinary income recognized by the participant on the determination date, except to the extent such deduction is limited by applicable provisions of the Code.

### *Performance Shares and Performance Unit Awards*

A participant generally will recognize no income upon the grant of a performance share or a performance unit award. Upon the settlement of such awards, participants normally will recognize ordinary income in the year of receipt in an amount equal to the cash received and the fair market value of any cash or nonrestricted shares received. If the participant is an employee, such ordinary income generally is subject to withholding of income and employment taxes. If the participant receives shares of stock, the participant generally will be taxed in the same manner as described above (see discussion under “Restricted Stock Awards”). Upon the sale of any shares received, any gain or loss, based on the difference between the sale price and the fair market value on the “determination date” (as defined above under “Nonstatutory Stock Options”), will be taxed as capital gain or loss. The Company generally should be entitled to a deduction equal to the amount of ordinary income recognized by the participant on the determination date, except to the extent such deduction is limited by applicable provisions of the Code.

### *Section 409A*

Section 409A of the Code provides certain new requirements for non-qualified deferred compensation arrangements with respect to an individual’s deferral and distribution elections and permissible distribution events. Awards granted under the EIP with a deferral feature will be subject to the requirements of Section 409A of the Code. If an award is subject to and fails to satisfy the requirements of Section 409A of the Code, the recipient of that award may recognize ordinary income on the amounts deferred under the award, to the extent vested, which may be prior to when the compensation is actually or constructively received. Also, if an award that is subject to Section 409A fails to comply with Section 409A’s provisions, Section 409A imposes an additional 20% federal income tax on compensation recognized as ordinary income, as well as interest on such deferred compensation.

### *Tax Effect for Company*

The Company generally will be entitled to a tax deduction in connection with an award under the EIP in an amount equal to the ordinary income realized by a participant and at the time the participant recognizes such income (for example, the exercise of a nonqualified stock option).

### *Tax Advice.*

The preceding discussion is based on federal tax laws and regulations currently in effect, which are subject to change, and the discussion does not purport to be a complete description of the federal income tax aspects of the 2019 Equity Incentive Plan. A participant may also be subject to state and local taxes in connection with the grant of awards under the

2019 Equity Incentive Plan. The Company suggests that participants consult with their individual tax advisors to determine the applicability of the tax rules to the awards granted to them in their personal circumstances.

### Equity Compensation Plan Information

The following table sets forth, as of September 30, 2018, the end of the Company’s last fiscal year, (a) the number of securities that could be issued upon exercise of outstanding options under the Company’s equity compensation plans, (b) the weighted-average exercise price of outstanding options under such plans and (c) the number of securities remaining available for future issuance under such plans, excluding securities that could be issued upon exercise of outstanding options.

| Plan Category   | Number of Securities<br>to be Issued Upon<br>Exercise of<br>Outstanding Options,<br>Warrants and Rights<br><br>(a) | Weighted-Average<br>Exercise Price of<br>Outstanding<br>Options, Warrants<br>and Rights<br><br>(b) | Number of Securities<br>Remaining Available for<br>Future Issuance Under<br>Equity Compensation<br>Plans (Excluding<br>Securities in Column (a))<br><br>(c) |
|---|--|--|---|
| Equity Compensation Plans Approved<br>by Security Holders .....     | 4,088,124  | \$ 0.28  | 3,308,255 <sup>(1)</sup>  |
| Equity Compensation Plans Not<br>Approved by Security Holders ..... | —  | —  | —   |
| <b>Total.....</b>   | <b>4,088,124</b>   | <b>\$ 0.28</b>   | <b>3,308,255</b>  |

(1) Includes 1,278,871 shares of common stock reserve for issuance under the Company’s 2009 Employee Stock Purchase Plan.

### Required Vote and Board of Directors’ Recommendation

The affirmative vote of the holders of a majority of the shares of common stock present in person or represented by proxy and voting on the matter is required to approve the adoption of the EIP. The Board believes that the adoption of the EIP is in the best interests of the Company and its stockholders for the reasons stated above.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE “FOR” APPROVAL OF ALTIGEN’S 2019 EQUITY INCENTIVE PLAN.**

\* \* \* \* \*

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS, MANAGEMENT AND MEMBERS OF THE BOARD OF DIRECTORS**

The following tables set forth certain information, as of September 17, 2019, with respect to the beneficial ownership of our common stock by: (1) each person or entity known by the Company to beneficially own 5% or more of the Company's common stock; (2) each of the Company's directors; (3) each of the Company's executive officers; (4) each nominee for director, if such person is not currently a director or executive officer; and (5) all of the Company's directors, executive officers and director nominees as a group.

The number of shares beneficially owned by each person or group as of September 17, 2019, includes shares of common stock that such person or group had the right to acquire on or within 60 days after September 17, 2019, including, but not limited to, upon the exercise of options. For each individual and group included in the below table, percentage ownership is calculated by dividing the number of shares beneficially owned by such person or group by the sum of the 22,914,996 shares of common stock outstanding and entitled to vote on September 17, 2019, plus the number of shares of common stock that such person or group had the right to acquire on or within 60 days after September 17, 2019.

Unless otherwise indicated, the principal address of each of the stockholders below is: c/o Altigen Communications, Inc., 670 N McCarthy Blvd, Suite 200, Milpitas, California 95035. Each of the persons named below has sole voting power and sole investment power with respect to the shares set forth opposite his or her name.

| Name of Beneficial Owner   | Number of<br>Shares Held | Options   | Total Number<br>of Shares<br>Beneficially<br>Owned | Percentage<br>of Shares<br>Beneficially<br>Owned |
|--|--------------------------|-----------|--|--|
| <b>Directors and Executive Officers:</b>                             |                          |           |  |  |
| Jeremiah J. Fleming <sup>(1)</sup> .....                             | 3,433,409                | 1,100,003 | 4,533,412  | 18.9%  |
| Philip M. McDermott <sup>(2)</sup> .....                             | 376,273                  | 652,941   | 1,029,214  | 4.4%   |
| Keith A. Midkiff .....   | 51,888                   | 18,750    | 70,638   | *  |
| Simon S. Chouldjian .....  | 889,574                  | 11,250    | 900,824  | 3.9%   |
| Ken Epps .....   | —                        | 11,250    | 11,250   | *  |
| All directors and executive officers as a<br>group (5 persons) ..... | 4,751,144                | 1,794,194 | 6,545,338  | 27.2%  |

\* Less than 1%.

(1) Mr. Fleming is our Chairman of the Board and Chief Executive Officer, and a Class II Director Nominee.

(2) Currently a Director of the Company and a Class II Director Nominee.

## COMPENSATION DISCUSSION AND ANALYSIS

### Overview

The Compensation Committee (the “Committee”) acts on behalf of the Board of Directors to establish, implement and continually monitor adherence with the Company’s compensation philosophy. The Compensation Committee ensures that the total compensation paid to the Company’s executive officers is competitive and consistent with the Company’s compensation philosophy and the Compensation Committee’s charter, a copy of which may be obtained on the Company’s website at [www.altigen.com](http://www.altigen.com). The Compensation Committee generally relies upon management but may also consider outside compensation consultants to provide information and recommendations to establish specific compensation packages for executives.

### Fiscal 2018 Business Performance

The Company completed another profitable year in fiscal 2018. The following table illustrates the Company’s growth in fiscal 2018 in terms of revenues, income from operations and stock price relative to fiscal 2018 and 2017.

| <b>(amounts in thousands, except stock price)</b>  | <b>2018 <sup>(1)</sup></b> | <b>2017</b> | <b>Percent Increase<br/>2017 to 2018</b> |
|--|----------------------------|-------------|--|
| Revenues .....                                     | \$ 10,002                  | \$ 8,388    | 19.2%                                    |
| Income from Operations .....                       | \$ 1,148                   | \$ 379      | 202.9%                                   |
| Stock Price (Fiscal Year End) <sup>(2)</sup> ..... | \$ 0.51                    | \$ 0.28     | 183.3%                                   |

- (1) Income from operations excludes the reversal of a one-time income tax benefit of approximately \$8.7 million in connection with the deferred tax asset valuation allowance. For additional information regarding deferred tax asset valuation, refer to the Company’s Annual Report for the fiscal year ended September 30, 2018, filed through the OTC Disclosure and News Services on December 31, 2018.
- (2) Percent increase is calculated from the Company’s closing stock price on the first trading day of the 2017 fiscal year (\$0.18) in order to capture the two-year change.

The Company’s performance during fiscal 2018 demonstrated improved financial results and a corresponding growth in the Company’s stock price.

### Philosophy and Objectives

The key objective of our compensation philosophy is to reward management based upon their success in increasing shareholder value and achieving operational results. With a focus on achieving this overarching goal, the overall executive compensation program is designed to provide a compensation package that will enable us to attract and retain highly talented executives and maintain a performance-oriented culture. The Compensation Committee believes that strong financial performance, on a sustained basis, is the most certain avenue through which Altigen can positively affect long-term stockholder return. Furthermore, the Compensation Committee believes that, in order to attract and retain the most qualified executives in the industry, Altigen’s compensation policies must be competitive with other companies of comparable size and in similar industries and must reinforce strategic performance objectives through the use of incentive compensation programs. In order to provide incentives to executive officers, a portion of their annual compensation is paid as a bonus. The amount of the bonus for each person is determined on the basis of several indicators of corporate performance as outlined below.

### Role of Executive Officers in Compensation Decisions

The Compensation Committee makes all compensation decisions for its executive officers and approves recommendations regarding equity awards to all employees.

The Chief Executive Officer annually reviews the performance of each other executive officer and makes recommendations to the Compensation Committee regarding salary adjustments, annual bonus targets and amounts and annual stock option grants. The Compensation Committee reviews the performance of the Chief Executive Officer. The Compensation Committee decisions are based in part, on these annual performance reviews, including with respect to salary

adjustments, annual bonus amounts and annual stock option grants. The Compensation Committee can exercise its discretion to modify any recommendations of the Chief Executive Officer.

### **Setting Executive Compensation**

Based on the foregoing goals, the Compensation Committee has structured the Company's overall executive compensation in order to make the Company competitive from a compensation standpoint when compared to its peers and to reward strong performance. In order to aid the Compensation Committee in obtaining its objectives, the Compensation Committee relies upon management and may engage an outside compensation consulting firm to provide it with information and recommendations with respect to compensation matters. The Compensation Committee did not engage an outside compensation consulting firm to review or advise on the Company's compensation plans or arrangements during the last fiscal year. The Compensation Committee also considers the Company's overall performance as well as the individual performance of its executive officers when determining cash bonuses and salary adjustments.

In making compensation decisions, the Compensation Committee gathers and analyzes data and suggestions, including data on the compensation peer group of publicly-traded and privately-held technology companies. This peer group consists of companies against which the Compensation Committee believes the Company must compete for talent and for stockholder investment.

While Altigen typically competes with many larger companies for executive talent, the Compensation Committee maintains total compensation at levels appropriate for a company of its size. The Compensation Committee believes that the potential for increase in the value of the equity underlying the Company's stock option grants creates a powerful incentive for its employees when compared to the awards issued by larger companies.

### **2018 Executive Compensation Components**

For the fiscal year ended September 30, 2018, the principal components of compensation for executive officers were:

- Base salary;
- Cash bonus;
- Stock option grants; and
- Retirement and other benefits.

#### *Base Salary*

The Compensation Committee reviews each executive officer's base salary annually. The Compensation Committee believes that executive salaries must be sufficiently competitive to attract and retain key executives. Base pay and annual increases are determined (A) primarily through an analysis of each individual's salary and total target compensation relative to salaries for similar positions within Altigen and peer companies and (B) to a lesser extent, through a subjective analysis of each individual's contributions to Altigen's success. Traditionally, we set the salaries of our executive officers at the beginning of each fiscal year.

Salary levels are typically considered annually as part of Altigen's performance review process. Stock price performance has not been a factor in determining annual base salary compensation because the price of the Company's common stock is subject to a variety of factors outside our control.

#### *Cash Bonus*

Cash bonuses are designed to drive our financial results and to incentivize individual contributions toward operational and other strategic initiatives. Altigen's bonus plan provides for incentive compensation to our executive officers and other key employees. Individual performance is measured based on goals related to each person's function within the organization. Bonuses generally are awarded to executives if the Company meets or exceeds prescribed revenue and profitability objectives. If the Company fails to meet these objectives, awards may be significantly reduced or even eliminated if minimum thresholds are not achieved. Conversely, if the Company overachieves these objectives, awards may be significantly increased above target thresholds. Bonus targets are established at the beginning of each fiscal year.

### *Long-Term Incentive Compensation—Stock Option Grants*

The Company has maintained an equity incentive plan as a vehicle to encourage the continued employment of key employees of the Company and to align their interests with those of the Company's shareholders by facilitating the employees' ownership of a stock interest in Altigen. The Committee believes that an equity plan is in the best interests of the Company and its shareholders since it enhances the Company's ability to continue to attract and retain qualified Directors, officers and other key employees.

Altigen currently grants equity awards to executive officers in the form of stock options. The Compensation Committee continues to choose stock options as Altigen's equity compensation vehicle because stock options provide high incentives to build stockholder value. Stock options have value only if the fair market value of the Company's common stock increases, thereby aligning the interests of executive officers and stockholders and providing incentives to maximize stockholder value. Further, stock options granted to executive officers generally vest over four years. This vesting schedule not only encourages the executive officers to remain with the Company over that period of time, but also encourages the executive officers to build value that can be sustained over time.

Stock option awards are granted at the Compensation Committees' meetings throughout the year and are determined by the Compensation Committee in its sole discretion. Continuing executive officers generally receive annual stock option grants at the meeting in the second quarter of the year; however, when appropriate throughout the year, the Compensation Committee grants new hire options, promotion options and, if it feels it is appropriate, additional supplemental option grants. The Compensation Committee considers recommendations by management with respect to grants to newly hired or promoted executives at the first meeting following such employee's hire or promotion, as the case may be. The Compensation Committee may make grants at other times in connection with employee retention or otherwise.

Stock options are awarded at an exercise price equal to the closing price of the Company's common stock on the date of the grant. The Compensation Committee has never granted options with an exercise price that is less than the closing price of the Company's common stock on the grant date. Altigen has no program or practice to time option grants in connection with the release of material non-public information.

Options generally vest over multiple years, which provides incentives for the executive officers to remain with Altigen. The number of options the Compensation Committee grants to each officer and each option's vesting schedule are determined based on a variety of factors, including (1) the executive's position at Altigen, (2) his or her individual performance as assessed by the Chief Executive Officer in his annual review and by the Compensation Committee with respect to the Chief Executive Officer's performance, and (3) other factors, including independent equity compensation survey data.

Vesting ceases upon termination of employment, and the vested stock options may generally be exercised for three months following the date of termination. Prior to the exercise of an option, the holder has no rights as a stockholder with respect to the shares subject to such option, including voting rights and the right to receive dividends or dividend equivalents. At this time, Altigen has not adopted stock ownership guidelines with respect to the executive officers or otherwise. Altigen has an insider trading policy that prohibits, among other things, short sales, hedging of stock ownership positions, and transactions involving derivative securities relating to Altigen's common stock.

### *Retirement and Other Benefits*

All employees in the United States, including our executive officers, are eligible to participate in our 401(k) plan, medical, dental and vision insurance, as well as our life and disability insurance policy. The 401(k) plan and other generally available benefit programs allow Altigen to remain competitive for employee talent, and we believe that the availability of such benefit programs enhances employee loyalty and productivity. The benefit programs are primarily intended to provide all eligible employees with competitive and quality healthcare and financial protection for retirement. These benefit programs typically do not factor into decisions regarding executive compensation packages.

### *Compensation of the Chief Executive Officer*

The Compensation Committee determines the compensation of the Chief Executive Officer following criteria similar to those used to determine the compensation for our other executive officers.

## Summary Compensation Table

The following table summarizes the total compensation paid during fiscal years 2018 and 2017 to our named executive officer.

| <b>Name and Principal Position</b>  | <b>Fiscal Year</b> | <b>Salary (\$)</b> | <b>Bonus (\$)</b> | <b>Option Awards (\$)</b> | <b>All Other Compensation (\$)(1)</b> | <b>Total (\$)</b> |
|---|--------------------|--------------------|-------------------|---------------------------|---------------------------------------|-------------------|
| Jeremiah J. Fleming<br>President, Chief Executive Officer,<br>and Chairman of the Board | 2018               | 275,000            | 58,114            | —                         | 4,000                                 | 337,114           |
|   | 2017               | 248,000            | 29,138            | —                         | 4,000                                 | 281,138           |

(1) Represents cash fees earned for service on the Board of Directors. Each management director receives an annual cash retainer of \$4,000. All retainers are paid in quarterly installments.

## Grants of Plan-Based Awards

We did not grant any option awards to our named executive officers during fiscal years 2018 and 2017.

## Outstanding Equity Awards at Fiscal Year-End

The following table discloses certain information regarding outstanding equity held by the named executive officer as of September 30, 2018, the last day of our fiscal year.

| <b>Name</b>               | <b>Option Grant Date <sup>(1)</sup></b> | <b>Number of Securities Underlying Unexercised Options (#) Exercisable</b> | <b>Number of Securities Underlying Unexercised Options (#) Unexercisable</b> | <b>Option Exercise Price (\$)</b> | <b>Option Expiration Date</b> |
|---------------------------|---|--|--|-----------------------------------|-------------------------------|
| Jeremiah J. Fleming ..... | 2/19/2015                               | 450,003  | —  | 0.35                              | 2/19/2025                     |
|                           | 12/19/2014                              | 650,000  | —  | 0.16                              | 12/19/2024                    |

(1) Options reported in this column are vested and currently exercisable.

## Option Exercises and Value Realized on Exercise

During fiscal years 2018 and 2017, our named executive officer did not exercise any of his vested options.

## Code of Business Conduct and Ethics

The Board of Directors adopted a Code of Conduct for all of directors, officers and employees on July 26, 2004. Our Code of Conduct is posted on our website at <http://www.altigen.com>. A copy of this Code of Conduct can be obtained free of charge through our investor relations department.

## ANNUAL REPORT

A copy of the Company's Annual Report filed with the OTC Disclosure and News Services is available without charge at [www.otcm Markets.com](http://www.otcm Markets.com), or by writing to: Altigen Communications, Inc., ATTN: Carolyn David, Vice President of Finance, 670 N McCarthy Blvd, Suite 200, Milpitas, CA 95035. In addition, the Annual Report is available at our website: [www.altigen.com](http://www.altigen.com).

## HOUSEHOLDING

Any stockholder, including both stockholders of record and beneficial holders who own their shares through a broker, bank or other nominee, who share an address with another holder of our common stock are only being sent one set of proxy materials, unless such holders have provided contrary instructions. We will deliver promptly upon written or oral request a separate copy of these materials to any holder at a shared address to which a single copy of the proxy materials was delivered. If you wish to receive a separate copy of these materials in the future or if you are receiving multiple copies and would like to receive a single copy, please contact our Secretary in writing, at 670 N McCarthy Blvd, Suite 200, Milpitas, CA 95035, or by telephone at (408) 597-9000.

## OTHER MATTERS

We do not know of any other matters to be submitted to the Annual Meeting. If any other matters properly come before the Annual Meeting, or at any and all adjournments or postponements thereof, it is the intention of the persons named in the enclosed proxy to vote the shares they represent as the Board of Directors may recommend.

BY ORDER OF THE BOARD OF DIRECTORS,



Jeremiah J. Fleming  
*President, Chief Executive Officer, and  
Chairman of the Board*

Dated: September 26, 2019  
Milpitas, California

**STOCKHOLDERS ARE REQUESTED TO MARK, DATE AND SIGN THE ENCLOSED PROXY AND RETURN IT IN THE ENCLOSED, SELF-ADDRESSED ENVELOPE. NO POSTAGE IS REQUIRED IF MAILED IN THE UNITED STATES. YOUR PROMPT RESPONSE WILL BE HELPFUL, AND YOUR COOPERATION WILL BE APPRECIATED.**



ALTIGEN COMMUNICATIONS, INC.  
670 N McCarthy Blvd, Suite 200  
Milpitas, California 95035

ALTIGEN COMMUNICATIONS, INC.  
2019 EQUITY INCENTIVE PLAN

1. Purposes of the Plan. The purposes of this Plan are:

- to attract and retain the best available personnel for positions of substantial responsibility,
- to provide incentives to individuals who perform services to the Company, and
- to promote the success of the Company's business.

The Plan permits the grant of Incentive Stock Options, Nonstatutory Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Units and Performance Shares.

2. Definitions. As used herein, the following definitions will apply:

(a) "Administrator" means the Board or any of its Committees as will be administering the Plan, in accordance with Section 4 of the Plan.

(b) "Affiliate" means a Parent, a Subsidiary or any corporation or any other entity (including, but not limited to, partnerships and joint ventures) controlling, controlled by, or under common control with the Company.

(c) "Applicable Laws" means the requirements relating to the administration of equity-based awards under U.S. state corporate laws, U.S. federal and state securities laws, the Code, any stock exchange or quotation system on which the Common Stock is listed or quoted and the applicable laws of any foreign country or jurisdiction where Awards are, or will be, granted under the Plan.

(d) "Award" means, individually or collectively, a grant under the Plan of Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Units or Performance Shares.

(e) "Award Agreement" means the written or electronic agreement setting forth the terms and provisions applicable to each Award granted under the Plan. The Award Agreement is subject to the terms and conditions of the Plan.

(f) "Board" means the Board of Directors of the Company.

(g) "Cause," unless otherwise defined in an Award Agreement or in a written employment, services or other agreement between the Participant and the Company or an Affiliate, means, with respect to a Participant, the occurrence of any of the following events: (i) such Participant's commission of any felony; (ii) such Participant's commission of a crime involving fraud, dishonesty or moral turpitude under the laws of the United States or any state or jurisdiction thereof that is reasonably likely to result in material adverse effects on the Company or an Affiliate; (iii) such Participant's intentional, material violation of any contract or agreement between the Participant and the Company or an

Affiliate or of any statutory duty owed to the Company or an Affiliate; (iv) such Participant's unauthorized use or disclosure of the confidential information or trade secrets of the Company or an Affiliate; or (v) such Participant's gross misconduct that is reasonably likely to result in material adverse effects on the Company or an Affiliate. The determination that a termination of the Participant is either for Cause or without Cause for purposes of an Award will be made by the Administrator, in its sole discretion. Any determination by the Administrator that a Participant was terminated with or without Cause for the purposes of outstanding Awards held by such Participant will have no effect on any determination of the rights or obligations of the Company or an Affiliate or such Participant for any other purpose.

(h) "Change in Control" means the occurrence of any of the following events:

(i) Change in Ownership of the Company. A change in the ownership of the Company which occurs on the date that any one person, or more than one person acting as a group ("Person"), acquires ownership of the outstanding stock of the Company that, together with the stock held by such Person, constitutes more than fifty percent (50%) of the total voting power of the stock of the Company; provided, however, that for purposes of this subsection (i), the acquisition of additional stock by any one Person, who is considered to own more than fifty percent (50%) of the total voting power of the stock of the Company will not be considered a Change in Control;

(ii) Change in Effective Control of the Company. If the Company has a class of securities registered pursuant to Section 12 of the Exchange Act, a change in the effective control of the Company which occurs on the date that a majority of the members of the Board is replaced during any twelve (12) month period by Directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election. For purposes of this subsection (ii), if any Person is considered to be in effective control of the Company, the acquisition of additional control of the Company by the same Person will not be considered a Change in Control; or

(iii) Change in Ownership of a Substantial Portion of the Company's Assets. A change in the ownership of a substantial portion of the Company's assets which occurs on the date that any Person acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than fifty percent (50%) of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions; provided, however, that for purposes of this subsection (iii), the following will not constitute a change in the ownership of a substantial portion of the Company's assets: (A) a transfer to an entity that is controlled by the Company's stockholders immediately after the transfer, or (B) a transfer of assets by the Company to: (1) a stockholder of the Company (immediately before the asset transfer) in exchange for or with respect to the Company's stock, (2) an entity, fifty percent (50%) or more of the total value or voting power of which is owned, directly or indirectly, by the Company, (3) a Person that owns, directly or indirectly, fifty percent (50%) or more of the total value or voting power of all the outstanding stock of the Company, or (4) an entity, at least fifty percent (50%) of the total value or voting power of which is owned, directly or indirectly, by a Person described in this subsection (iii)(B)(3). For purposes of this subsection (iii), gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

For purposes of this Section 2(g), persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Company.

Further and for the avoidance of doubt, a transaction will not constitute a Change in Control if (i) its sole purpose is to change the state of the Company's incorporation, or (ii) its sole purpose is to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction.

Notwithstanding the foregoing, if necessary for compliance with Section 409A of the Code, a transaction will not be deemed a Change in Control unless the transaction qualifies as a "change in control event" within the meaning of Section 409A of the Code, as it has been and may be amended from time to time, and any proposed or final Treasury Regulations and Internal Revenue Service guidance that has been promulgated or may be promulgated thereunder from time to time.

(i) "Code" means the U.S. Internal Revenue Code of 1986, as amended. Reference to a specific section of the Code or Treasury Regulation thereunder will include such section or regulation, any valid regulation or other official applicable guidance promulgated under such section, and any comparable provision of any future legislation or regulation amending, supplementing or superseding such section or regulation.

(j) “Committee” means a committee of one (1) or more Directors or of other individuals satisfying Applicable Laws appointed by the Board in accordance with Section 4 hereof.

(k) “Common Stock” means the common stock of the Company.

(l) “Company” means Altigen Communications, Inc., a Delaware corporation, or any successor thereto.

(m) “Consultant” means any person, including an advisor, engaged by the Company or its Affiliates to render services to such entity other than as an Employee; provided that (i) the consultant or advisor renders bona fide services to the Company or any Affiliate and (ii) the services rendered by the consultant or advisor are not in connection with the offer or sale of the securities in a capital-raising transaction and do not directly or indirectly promote or maintain a market for the Company’s securities.

(n) “Director” means a member of the Board.

(o) “Disability” means total and permanent disability as defined in Section 22(e)(3) of the Code, provided that in the case of Awards other than Incentive Stock Options, the Administrator in its discretion may determine whether a permanent and total disability exists in accordance with uniform and non-discriminatory standards adopted by the Administrator from time to time.

(p) “Employee” means any person, including Officers and Directors, employed by the Company or its Affiliates. Neither service as a Director nor payment of a Director’s fee by the Company will be sufficient to constitute “employment” by the Company.

(q) “Exchange Act” means the U.S. Securities Exchange Act of 1934, as amended.

(r) “Exchange Program” means a program under which (i) outstanding Awards are surrendered or cancelled in exchange for Awards of the same type (which may have higher or lower exercise prices and different terms), Awards of a different type, and/or cash, (ii) Participants would have the opportunity to transfer for value any outstanding Awards to a financial institution or other person or entity selected by the Administrator, and/or (iii) the exercise price of an outstanding Award is reduced or increased. The Administrator will determine the terms and conditions of any Exchange Program in its sole discretion.

(s) “Fair Market Value” means, as of any date, the value of Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the Nasdaq Global Market, the Nasdaq Global Select Market or the Nasdaq Capital Market, its Fair Market Value will be the closing sales price for such stock (or, if no closing sales price was reported on that date, as applicable, on the last trading date such closing sales price is reported) as quoted on such exchange or system on the day of determination, as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable;

(ii) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, its Fair Market Value will be the mean between the high bid and low asked prices for the Common Stock on the day of determination (or, if no bids and asks were reported on that date, as applicable, on the last trading date such bids and asks are reported); or

(iii) In the absence of an established market for the Common Stock, the Fair Market Value will be determined in good faith by the Administrator.

(t) “Family Member” means any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law (including adoptive relationships) of the Service Provider, any person sharing the Service Provider’s household (other than a tenant or employee), a trust in which these persons (or the Service Provider) have more than 50% of the beneficial interest, a foundation in which these persons (or the Service Provider) control the management of assets, and any other entity in which these persons (or the Service Provider) own more than 50% of the voting interests.

- (u) “Fiscal Year” means the fiscal year of the Company.
- (v) “Incentive Stock Option” means an Option that by its terms qualifies and is otherwise intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.
- (w) “Nonstatutory Stock Option” means an Option that by its terms does not qualify or is not intended to qualify as an Incentive Stock Option.
- (x) “Officer” means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.
- (y) “Option” means a stock option granted pursuant to the Plan.
- (z) “Option Expiration Date” means last day of the term of an Option.
- (aa) “Parent” means a “parent corporation,” whether now or hereafter existing, as defined in Section 424(e) of the Code.
- (bb) “Participant” means the holder of an outstanding Award.
- (cc) “Performance Period” means any Fiscal Year of the Company or such other period as determined by the Administrator in its sole discretion.
- (dd) “Performance Share” means an Award denominated in Shares which may be earned in whole or in part upon attainment of performance goals or other vesting criteria as the Administrator may determine pursuant to Section 10.
- (ee) “Performance Unit” means an Award which may be earned in whole or in part upon attainment of performance goals or other vesting criteria as the Administrator may determine and which may be settled for cash, Shares or other securities or a combination of the foregoing pursuant to Section 10.
- (ff) “Period of Restriction” means the period during which the transfer of Shares of Restricted Stock are subject to restrictions and, therefore, the Shares are subject to a substantial risk of forfeiture. Such restrictions may be based on the passage of time, the achievement of target levels of performance, or the occurrence of other events as determined by the Administrator.
- (gg) “Plan” means this 2019 Equity Incentive Plan.
- (hh) “Restricted Stock” means Shares issued pursuant to an Award of Restricted Stock under Section 8 of the Plan or issued pursuant to the early exercise of an Option.
- (ii) “Restricted Stock Unit” means a bookkeeping entry representing an amount equal to one Share, granted pursuant to Section 9. Each Restricted Stock Unit represents an unfunded and unsecured obligation of the Company.
- (jj) “Rule 16b-3” means Rule 16b-3 of the Exchange Act or any successor to Rule 16b-3.
- (kk) “Section 16(b)” means Section 16(b) of the Exchange Act.
- (ll) “Securities Act” means the U.S. Securities Act of 1933, as amended.
- (mm) “Service Provider” means an Employee, Director or Consultant.
- (nn) “Share” means a share of the Common Stock, as adjusted in accordance with Section 14 of the Plan.

(oo) “Stock Appreciation Right” means an Award, granted alone or in connection with an Option, that pursuant to Section 7 is designated as a Stock Appreciation Right.

(pp) “Subsidiary” means a “subsidiary corporation,” whether now or hereafter existing, as defined in Section 424(f) of the Code.

### 3. Stock Subject to the Plan.

(a) Share Reserve. Subject to the provisions of Section 14 of the Plan, the maximum aggregate number of Shares that may be subject to Awards and sold under the Plan is equal to the sum of

(i) 3,277,873 Shares (of which 2,277,873 Shares were previously reserved but not issued or subject to outstanding awards under the Company’s 2009 Equity Incentive Plan (the “2009 Plan”) as of the expiration date of the 2009 Plan and 1,000,000 Shares are newly authorized under the Plan), and

(ii) any Shares subject to stock options or similar awards granted under the 2009 Plan that, on or after the expiration date of the 2009 Plan, expire or otherwise terminate without having been exercised or settled in full and Shares issued pursuant to awards granted under the 2009 Plan that, on or after the expiration date of the 2009 Plan, are forfeited to or repurchased by the Company (up to a maximum of 3,774,635 Shares pursuant to this subsection (ii)).

The Shares may be authorized, but unissued, or reacquired Common Stock.

(b) Lapsed Awards. If an Award expires or becomes unexercisable without having been exercised in full, is surrendered pursuant to an Exchange Program, or, with respect to Restricted Stock, Restricted Stock Units, Performance Units or Performance Shares, is forfeited to or repurchased by the Company due to failure to vest, the unpurchased Shares (or for Awards other than Options or Stock Appreciation Rights the forfeited or repurchased Shares) which were subject thereto will become available for future grant or sale under the Plan (unless the Plan has terminated). With respect to Stock Appreciation Rights, only Shares actually issued (i.e., the net Shares issued) pursuant to a Stock Appreciation Right will cease to be available under the Plan; all remaining Shares under Stock Appreciation Rights will remain available for future grant or sale under the Plan (unless the Plan has terminated). Shares that have actually been issued under the Plan under any Award will not be returned to the Plan and will not become available for future distribution under the Plan; provided, however, that if Shares issued pursuant to Awards of Restricted Stock, Restricted Stock Units, Performance Shares or Performance Units are repurchased by the Company or are forfeited to the Company due to failure to vest, such Shares will become available for future grant under the Plan. Shares used to pay the exercise or purchase price of an Award and/or to satisfy the tax withholding obligations related to an Award will become available for future grant or sale under the Plan. To the extent an Award under the Plan is paid out in cash rather than Shares, such cash payment will not result in reducing the number of Shares available for issuance under the Plan. Notwithstanding the foregoing and, subject to adjustment as provided in Section 14, the maximum number of Shares that may be issued upon the exercise of Incentive Stock Options will equal the aggregate Share number stated in Section 3(a), plus, to the extent allowable under Section 422 of the Code and the Treasury Regulations promulgated thereunder, any Shares that become available for issuance under the Plan under this Section 3(b).

(c) Maintenance of Share Reserve. The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as will be sufficient to satisfy the requirements of the Plan.

### 4. Administration of the Plan.

(a) Procedure.

(i) Multiple Administrative Bodies. Different Committees with respect to different groups of Service Providers may administer the Plan.

(ii) Rule 16b-3. If an Officer or Director is subject to Section 16 of the Exchange Act, to the extent desirable to qualify transactions hereunder as exempt under Rule 16b-3, the transactions contemplated hereunder will be structured to satisfy the requirements for exemption under Rule 16b-3.

(iii) Other Administration. Other than as provided above, the Plan will be administered by (A) the Board or (B) a Committee, which committee will be constituted to satisfy Applicable Laws.

(b) Powers of the Administrator. Subject to the provisions of the Plan, and in the case of a Committee, subject to the specific duties delegated by the Board to such Committee, the Administrator will have the authority, in its discretion:

- (i) to determine the Fair Market Value;
- (ii) to select the Service Providers to whom Awards may be granted hereunder;
- (iii) to determine the number of Shares to be covered by each Award granted hereunder;
- (iv) to approve forms of Award Agreements for use under the Plan;
- (v) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any Award granted hereunder. Such terms and conditions include, but are not limited to, the exercise price, the time or times when Awards may be exercised (which may be based on performance criteria), any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding any Award or the Shares relating thereto, based in each case on such factors as the Administrator will determine;
- (vi) to determine whether to institute, to institute and to determine the terms and conditions of any Exchange Program;
- (vii) to construe and interpret the terms of the Plan and Awards granted pursuant to the Plan;
- (viii) to prescribe, amend and rescind rules and regulations relating to the Plan, including rules and regulations relating to sub-plans established for the purpose of satisfying applicable foreign laws or for qualifying for favorable tax treatment under applicable foreign laws;
- (ix) to modify or amend each Award (subject to Section 20(c) of the Plan), including but not limited to the discretionary authority to extend the post-termination exercisability period of Awards and to extend the maximum term of an Option (subject to Section 6(b));
- (x) to allow Participants to satisfy withholding tax obligations in such manner as prescribed in Section 15;
- (xi) to authorize any person to execute on behalf of the Company any instrument required to affect the grant of an Award previously granted by the Administrator;
- (xii) to allow a Participant to defer the receipt of the payment of cash or the delivery of Shares that would otherwise be due to such Participant under an Award pursuant to such procedures as the Administrator may determine, in a manner consistent with Applicable Laws;
- (xiii) to delegate ministerial duties to Employees for the proper administration of the Plan;
- and
- (xiv) to make all other determinations deemed necessary or advisable for administering the Plan.

(c) Effect of Administrator's Decision. The Administrator's decisions, determinations and interpretations will be final and binding on all Participants, Service Providers and any other holders of Awards.

(d) No Liability. Under no circumstances will the Company, its Affiliates, the Administrator, or the Board incur liability for any indirect, incidental, consequential or special damages (including lost profits) of any form incurred by any person, whether or not foreseeable and regardless of the form of the act in which such a claim may be brought, with respect to the Plan or the Company's, its Affiliates', the Administrator's or the Board's roles in connection with the Plan.

5. Eligibility. Nonstatutory Stock Options, Restricted Stock, Restricted Stock Units, Stock Appreciation Rights, Performance Units, and Performance Shares may be granted to Service Providers. Incentive Stock Options may be granted only to Employees of the Company or any Parent or Subsidiary of the Company.

6. Stock Options.

(a) Grant of Options. Each Option will be evidenced by an Award Agreement that, subject to the provisions of the Plan, will specify the terms and conditions thereof and designate the Option as either an Incentive Stock Option or a Nonstatutory Stock Option. However, notwithstanding such designation, to the extent that the aggregate Fair Market Value of the Shares with respect to which Incentive Stock Options are exercisable for the first time by the Participant during any calendar year (under all plans of the Company and any Parent or Subsidiary) exceeds one hundred thousand U.S. dollars (\$100,000) (or any different limitation then applicable under the Code), such Options will be treated as Nonstatutory Stock Options. For purposes of this Section 6(a), Incentive Stock Options will be taken into account in the order in which they were granted. The Fair Market Value of the Shares will be determined as of the time the Option with respect to such Shares is granted.

(b) Term of Option. The term of each Option will be stated in the Award Agreement; provided, however, that the term will be no more than ten (10) years from the date of grant thereof. In the case of an Incentive Stock Option granted to a Participant who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary, the term of the Incentive Stock Option will be five (5) years from the date of grant or such shorter term as may be provided in the Award Agreement.

(c) Waiting Period and Exercise Dates. At the time an Option is granted, the Administrator will specify the period within which the Option may be exercised, any conditions that must be satisfied before the Option may be exercised, and such other terms and conditions for exercise of the Option as the Administrator, in its sole discretion, will determine. Notwithstanding the foregoing, the Administrator may restrict exercise of the Option to those times when the Administrator has a reasonable basis to determine Fair Market Value and may prohibit exercise in anticipation of a material corporate event (including a financing or a Change in Control).

(d) Option Exercise Price and Consideration.

(i) The per Share exercise price for the Shares to be issued pursuant to the exercise of an Option will be determined by the Administrator but will be no less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant. In addition, in the case of an Incentive Stock Option granted to an Employee of the Company or any Parent or Subsidiary of the Company who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price will be no less than one hundred ten percent (110%) of the Fair Market Value per Share on the date of grant. Notwithstanding the foregoing provisions of this Section 6(c)(i), Options may be granted with a per Share exercise price of less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant pursuant to a transaction described in, and in a manner consistent with, Section 424(a) of the Code.

(ii) Form of Consideration. The Administrator will determine the acceptable form(s) of consideration for exercising an Option, including the method of payment, to the extent permitted by Applicable Laws. In the case of an Incentive Stock Option, the Administrator will determine the acceptable form of consideration at the time of grant. Such consideration, to the extent permitted by Applicable Laws, may include, but is not limited to:

- (1) cash;
- (2) check or wire transfer;
- (3) other Shares which have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Option will be exercised and provided that accepting such Shares, in the sole discretion of the Administrator, will not result in any adverse accounting consequences to the Company;
- (4) by net exercise pursuant to which the Company withholds Shares which have a Fair Market Value equal to the aggregate exercise price of the Shares as to which said Option will be exercised (other than for Incentive Stock Options);

(5) consideration received by the Company under a cashless exercise program (whether through a broker or otherwise) implemented by the Company in connection with the Plan;

(6) such other consideration and method of payment for the issuance of Shares to the extent permitted by Applicable Laws; or

(7) any combination of the foregoing methods of payment.

(e) Exercise of Option.

(i) Procedure for Exercise; Rights as a Stockholder. Any Option granted hereunder will be exercisable according to the terms of the Plan and at such times and under such conditions as determined by the Administrator and set forth in the Award Agreement. An Option may not be exercised for a fraction of a Share.

An Option will be deemed exercised when the Company receives: (A) notice of exercise (in such form as the Administrator specifies from time to time) from the person entitled to exercise the Option, (B) full payment for the Shares with respect to which the Option is exercised (together with applicable tax withholding), and (C) such representations and documents as the Administrator, in its sole discretion, deems necessary or advisable, including to effect compliance with Applicable Laws. Full payment may consist of any consideration and method of payment authorized by the Administrator and permitted by the Award Agreement and the Plan. Shares issued upon exercise of an Option will be issued in the name of the Participant or, if requested by the Participant, in the name of the Participant and his or her spouse. Until the Shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a stockholder will exist with respect to the Shares subject to an Option, notwithstanding the exercise of the Option. The Company will issue (or cause to be issued) such Shares promptly after the Option is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 14 of the Plan.

(ii) Termination of Relationship as a Service Provider. If a Participant ceases to be a Service Provider, other than upon the Participant's termination as the result of the Participant's death or Disability or other than for Cause, the Participant may exercise his or her Option within such period of time as is specified in the Award Agreement to the extent that the Option is vested on the date of termination (but in no event later than the Option Expiration Date set forth in the Award Agreement). In the absence of a specified time in the Award Agreement, the Option will remain exercisable until the earlier of (A) three (3) months following the Participant's termination and (B) the Option Expiration Date. If after termination the Participant does not exercise his or her Option within the time specified herein, the Option will terminate.

(iii) Disability of Participant. If a Participant ceases to be a Service Provider as a result of the Participant's Disability, the Participant may exercise his or her Option within such period of time as is specified in the Award Agreement to the extent the Option is vested on the date of termination (but in no event later than the Option Expiration Date set forth in the Award Agreement). In the absence of a specified time in the Award Agreement, the Option will remain exercisable until the earlier of (A) twelve (12) months following the Participant's termination and (B) the Option Expiration Date. If after termination the Participant does not exercise his or her Option within the time specified herein, the Option will terminate.

(iv) Death of Participant. If a Participant dies while a Service Provider, the Option may be exercised following the Participant's death within such period of time as is specified in the Award Agreement to the extent that the Option is vested on the date of death (but in no event may the Option be exercised later than the Option Expiration Date set forth in the Award Agreement), by the Participant's designated beneficiary, provided such beneficiary has been designated prior to Participant's death in a form acceptable to the Administrator. If no such beneficiary has been designated by the Participant, then such Option may be exercised by the personal representative of the Participant's estate or by the person(s) to whom the Option is transferred pursuant to the Participant's will or in accordance with the laws of descent and distribution. In the absence of a specified time in the Award Agreement, the Option will remain exercisable until the earlier of (A) twelve (12) months following the Participant's death (or if the Participant dies after termination as a Service Provider for reasons other than Disability or for Cause while the Option remains exercisable, twelve (12) months after the date of such death) and (B) the Option Expiration Date. If the Option is not so exercised within the time specified herein, the Option will terminate.

(v) Termination of Relationship as a Service Provider by Reason of Cause. Notwithstanding the foregoing, if a Participant ceases to be a Service Provider as a result of termination for Cause, all Options granted to the Participant, whether vested or unvested, will automatically expire and terminate upon first notification to the Participant of such termination, unless the Administrator determines otherwise. If a Participant's Service Provider relationship is suspended pending an investigation of whether the Participant will be terminated for Cause, all the Participant's rights under any Option will likewise be suspended during the period of investigation. If any facts that would constitute termination for Cause are discovered after a Participant ceases to be a Service Provider, any Option then held by the Participant may be immediately terminated by the Administrator, in its sole discretion.

(vi) Other Termination. A Participant's Award Agreement may also provide that if the exercise of the Option following the termination of the Participant's status as a Service Provider (other than upon the Participant's death or Disability) would be prohibited at any time solely because the issuance of Shares would violate the registration requirements under the Securities Act, then the Option will terminate on the earlier of (A) the Option Expiration Date for the Option, or (B) the expiration of a period of three (3) months after the termination of the Participant's status as a Service Provider during which the exercise of the Option would not be in violation of such registration requirements.

(vii) Buyout Provisions. The Administrator may at any time offer to buy out for a payment in cash an Option previously granted based on such terms and conditions as the Administrator will establish and communicate to the Participant at the time that such offer is made.

## 7. Stock Appreciation Rights.

(a) Grant of Stock Appreciation Rights. Subject to the provisions of the Plan, a Stock Appreciation Right may be granted to Service Providers at any time and from time to time as will be determined by the Administrator, in its sole discretion.

(b) Exercise Price and Other Terms. The exercise price of Stock Appreciation Rights will not be less than one hundred percent (100%) of the Fair Market Value of a Share on the date of grant. Notwithstanding the foregoing provision of this Section 7(b), Stock Appreciation Rights may be granted with a per Share exercise price of less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant pursuant to a transaction described in, and in a manner consistent with, Section 424(a) of the Code. The Administrator, subject to the provisions of the Plan, will otherwise have complete discretion to determine the terms and conditions of Stock Appreciation Rights granted under the Plan.

(c) Stock Appreciation Right Agreement. Each Stock Appreciation Right grant will be evidenced by an Award Agreement that will specify the exercise price, the term of the Stock Appreciation Right, the acceptable forms of consideration for exercise (which may include any form of consideration permitted by Section 6(d)(ii)), the conditions of exercise, and such other terms and conditions as the Administrator, in its sole discretion, will determine.

(d) Expiration of Stock Appreciation Rights. A Stock Appreciation Right granted under the Plan will expire upon the date determined by the Administrator, in its sole discretion, and set forth in the Award Agreement; provided, however, that the term will be no more than ten (10) years from the date of grant thereof. Notwithstanding the foregoing, the rules of Section 6(e) relating to exercise also will apply to Stock Appreciation Rights.

(e) Payment of Stock Appreciation Right Amount. Upon exercise of a Stock Appreciation Right, a Participant will be entitled to receive payment from the Company in an amount determined by multiplying:

(i) The difference between the Fair Market Value of a Share on the date of exercise over the exercise price; times

(ii) The number of Shares with respect to which the Stock Appreciation Right is exercised.

At the discretion of the Administrator, the payment upon a Stock Appreciation Right exercise may be in cash, in Shares of equivalent value, or in some combination thereof.

8. Restricted Stock.

(a) Grant of Restricted Stock. Subject to the provisions of the Plan, the Administrator, at any time and from time to time, may grant Shares of Restricted Stock to Service Providers in such amounts as the Administrator, in its sole discretion, will determine.

(b) Restricted Stock Agreement. Each Award of Restricted Stock will be evidenced by an Award Agreement that will specify the Period of Restriction, the number of Shares granted, and such other terms and conditions as the Administrator, in its sole discretion, will determine. Unless the Administrator determines otherwise, the Company as escrow agent will hold Shares of Restricted Stock until the restrictions on such Shares have lapsed.

(c) Transferability. Except as provided in this Section 8, Shares of Restricted Stock may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until the end of the applicable Period of Restriction.

(d) Other Restrictions. The Administrator, in its sole discretion, may impose such other restrictions on Shares of Restricted Stock as it may deem advisable or appropriate.

(e) Removal of Restrictions. Except as otherwise provided in this Section 8, Shares of Restricted Stock covered by each Restricted Stock grant made under the Plan will be released from escrow as soon as practicable after the last day of the Period of Restriction or at such other time as the Administrator may determine. The Administrator, in its sole discretion, may reduce or waive any restrictions for such Award and may accelerate the time at which any restrictions will lapse or be removed.

(f) Voting Rights. During the Period of Restriction, Service Providers holding Shares of Restricted Stock granted hereunder may exercise full voting rights with respect to those Shares, unless the Administrator determines otherwise.

(g) Dividends and Other Distributions. During the Period of Restriction, Service Providers holding Shares of Restricted Stock will be entitled to receive all dividends and other distributions paid with respect to such Shares, unless the Administrator provides otherwise. If any such dividends or distributions are paid in Shares, the Shares will be subject to the same restrictions on transferability and forfeitability as the Shares of Restricted Stock with respect to which they were paid.

(h) Return of Restricted Stock to Company. On the date set forth in the Award Agreement, the Restricted Stock for which restrictions have not lapsed will revert to the Company.

9. Restricted Stock Units.

(a) Grant of Restricted Stock Units. Subject to the provisions of the Plan, Restricted Stock Units may be granted to Service Providers at any time and from time to time as determined by the Administrator. Each Award of Restricted Stock Units will be evidenced by an Award Agreement that will contain the terms, conditions, and restrictions related to the grant, including the number of Restricted Stock Units.

(b) Vesting Criteria and Other Terms. The Administrator will set vesting criteria in its discretion, which, depending on the extent to which the criteria are met, will determine the number of Restricted Stock Units that will be paid out to the Participant. The Administrator may set vesting criteria based upon the achievement of Company-wide, business unit, divisional, or individual goals (including, but not limited to, continued employment), or any other basis determined by the Administrator in its discretion.

(c) Earning Restricted Stock Units. Upon meeting the applicable vesting criteria, the Participant will be entitled to receive a payout as determined by the Administrator. Notwithstanding the foregoing, at any time after the grant of Restricted Stock Units, the Administrator, in its sole discretion, may reduce or waive any vesting criteria that must be met to receive a payout and may accelerate the time at which any restrictions will lapse or be removed.

(d) Form and Timing of Payment. Payment of earned Restricted Stock Units will be made as soon as practicable after the date(s) set forth in the Award Agreement or as otherwise provided in the applicable Award

Agreement or as required by Applicable Laws. The Administrator, in its sole discretion, may pay earned Restricted Stock Units in cash, Shares, or a combination thereof.

(e) Cancellation. On the date set forth in the Award Agreement, all unearned Restricted Stock Units will be forfeited to the Company.

10. Performance Units and Performance Shares.

(a) Grant of Performance Units/Shares. Subject to the provisions of the Plan, Performance Units and Performance Shares may be granted to Service Providers at any time and from time to time, as will be determined by the Administrator, in its sole discretion. Each Award of Performance Units and Performance Shares will be evidenced by an Award Agreement that will contain the terms, conditions, and restrictions related to the grant, including the number of Performance Units and Performance Shares.

(b) Value of Performance Units/Shares. Each Performance Unit will have an initial value that is established by the Administrator on or before the date of grant. Each Performance Share will have an initial value equal to the Fair Market Value of a Share on the date of grant.

(c) Performance Objectives and Other Terms. The Administrator will set performance objectives or other vesting provisions (including, without limitation, continued status as a Service Provider) in its discretion which, depending on the extent to which they are met, will determine the number or value of Performance Units/Shares that will be paid out to the Service Providers. The time period during which the performance objectives or other vesting provisions must be met will be called the "Performance Period." Each Award of Performance Units/Shares will be evidenced by an Award Agreement that will specify the Performance Period, and such other terms and conditions as the Administrator, in its sole discretion, will determine. The Administrator may set performance objectives based upon the achievement of Company-wide, business unit, divisional, or individual goals, or any other basis determined by the Administrator in its discretion.

(d) Earning of Performance Units/Shares. After the applicable Performance Period has ended, the holder of Performance Units/Shares will be entitled to receive a payout of the number of Performance Units/Shares earned by the Participant over the Performance Period, to be determined as a function of the extent to which the corresponding performance objectives or other vesting provisions have been achieved. After the grant of a Performance Unit/Share, the Administrator, in its sole discretion, may reduce or waive any performance objectives or other vesting provisions for such Performance Unit/Share and may accelerate the time at which any restrictions will lapse or be removed.

(e) Form and Timing of Payment of Performance Units/Shares. Payment of earned Performance Units/Shares will be made as soon as practicable after the expiration of the applicable Performance Period, or as otherwise provided in the applicable Award Agreement or as required by Applicable Laws. The Administrator, in its sole discretion, may pay earned Performance Units/Shares in the form of cash, in Shares (which have an aggregate Fair Market Value equal to the value of the earned Performance Units/Shares at the close of the applicable Performance Period), or in a combination thereof.

(f) Cancellation of Performance Units/Shares. On the date set forth in the Award Agreement, all unearned or unvested Performance Units/Shares will be forfeited to the Company.

11. Compliance with Section 409A of the Code. The Plan and Awards granted under the Plan are intended to be exempt from the requirements of Section 409A of the Code to the maximum extent possible, whether pursuant to the short-term deferral exception described in Treasury Regulation Section 1.409A-1(b)(4), the exclusion applicable to stock options, stock appreciation rights and certain other equity-based compensation under Treasury Regulation Section 1.409A-1(b)(5), or otherwise. To the extent Section 409A of the Code is applicable to the Plan or any Award granted under the Plan, it is intended that the Plan and any Awards granted under the Plan comply with the deferral, payout, plan termination and other limitations and restrictions imposed under Section 409A of the Code. Notwithstanding any other provision of the Plan or any Award granted under the Plan to the contrary, the Plan and any Award granted under the Plan will be interpreted, operated and administered in a manner consistent with such intentions; provided, however, that the Administrator makes no representations that Awards granted under the Plan will be exempt from or comply with Section 409A of the Code and makes no undertaking to preclude Section 409A of the Code from applying to Awards granted under the Plan. Without limiting the generality of the foregoing, and notwithstanding any other provision of the Plan or any Award granted under the Plan to the contrary, with respect to any payments and benefits under the Plan or any Award granted under the Plan to which Section 409A of the Code applies, all references in the Plan or any Award granted under

the Plan to the termination of the Participant's employment or service are intended to mean the Participant's "separation from service," within the meaning of Section 409A(a)(2)(A)(i) to the extent necessary to avoid subjecting the Participant to the imposition of any additional tax under Section 409A of the Code. In addition, if the Participant is a "specified employee," within the meaning of Section 409A of the Code, then to the extent necessary to avoid subjecting the Participant to the imposition of any additional tax under Section 409A of the Code, amounts that would otherwise be payable under the Plan or any Award granted under the Plan during the six-month period immediately following the Participant's "separation from service," within the meaning of Section 409A(a)(2)(A)(i) of the Code, will not be paid to the Participant during such period, but will instead be accumulated and paid to the Participant (or, in the event of the Participant's death, the Participant's estate) in a lump sum on the first business day after the earlier of the date that is six months following the Participant's separation from service or the Participant's death. Notwithstanding any other provision of the Plan to the contrary, the Administrator, to the extent it deems necessary or advisable in its sole discretion, reserves the right, but will not be required, to unilaterally amend or modify the Plan and any Award granted under the Plan so that the Award qualifies for exemption from or complies with Section 409A of the Code.

12. Leaves of Absence/Transfer Between Locations. Unless the Administrator provides otherwise and except as required by Applicable Laws, vesting of Awards granted hereunder will be suspended during any unpaid leave of absence. A Participant will not cease to be an Employee in the case of (i) any leave of absence approved by the Company or (ii) transfers between locations of the Company or between the Company, its Parent, or any Subsidiary. For purposes of Incentive Stock Options, no such leave may exceed three (3) months, unless reemployment upon expiration of such leave is guaranteed by statute or contract. If reemployment upon expiration of a leave of absence approved by the Company is not so guaranteed, then six (6) months following the first (1<sup>st</sup>) day of such leave, any Incentive Stock Option held by the Participant will cease to be treated as an Incentive Stock Option and will be treated for tax purposes as a Nonstatutory Stock Option.

13. Transferability of Awards. Unless determined otherwise by the Administrator, an Award may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Participant, only by the Participant. If the Administrator permits an Award to be transferable, including, without limitation, by instrument to an inter vivos or testamentary trust in which the Awards are to be passed to beneficiaries upon the death of the trustor (settlor) or by gift to Family Members, such Award will contain such additional terms and conditions as the Administrator deems appropriate.

14. Adjustments; Dissolution or Liquidation; Merger or Change in Control.

(a) Adjustments. In the event that any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Shares or other securities of the Company, or other change in the corporate structure of the Company affecting the Shares occurs, the Administrator, in order to prevent diminution or enlargement of the benefits or potential benefits intended to be made available under the Plan, will adjust (i) the number and class of Shares that may be delivered under the Plan, (ii) the number, class, and price of Shares covered by each outstanding Award, and (iii) the numerical Share limits set forth in Section 3 of the Plan.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the Administrator will notify each Participant as soon as practicable prior to the effective date of such proposed transaction. To the extent an Award has not been previously exercised, or a vesting condition or forfeiture provision applicable to an Award has not been waived by the Administrator, the Award will terminate immediately prior to the consummation of such proposed action.

(c) Change in Control. In the event of a merger or Change in Control, each outstanding Award will be treated as the Administrator determines without a Participant's consent, including, without limitation, that (i) Awards will be assumed, or substantially equivalent Awards will be substituted, by the acquiring or succeeding corporation (or an affiliate thereof) with appropriate adjustments as to the number and kind of shares and prices; (ii) upon written notice to a Participant, that the Participant's Awards will terminate upon or immediately prior to the consummation of such merger or Change in Control; (iii) outstanding Awards will vest and become exercisable, realizable, or payable, or restrictions applicable to an Award will lapse, in whole or in part prior to or upon consummation of such merger or Change in Control, and, to the extent the Administrator determines, terminate upon or immediately prior to the effectiveness of such merger or Change in Control; (iv) (A) the termination of an Award in exchange for an amount of cash and/or property, if any, equal to the amount that would have been attained upon the exercise of such Award or realization of the Participant's rights as of the date of the occurrence of the transaction (and, for the avoidance of doubt, if as of the date of the occurrence of the transaction the Administrator determines in good faith that no amount would have been attained upon the exercise

of such Award or realization of the Participant's rights, then such Award may be terminated by the Company without payment), or (B) the replacement of such Award with other rights or property selected by the Administrator in its sole discretion; or (v) any combination of the foregoing. In taking any of the actions permitted under this subsection 14(c), the Administrator will not be obligated to treat all Awards (including portions thereof), all Awards held by a Participant, or all Awards of the same type, similarly.

Notwithstanding the foregoing, in the event that the successor corporation does not assume or substitute for the Award (or portion thereof), the Participant will fully vest in and have the right to exercise all of his or her outstanding Options and Stock Appreciation Rights that are not assumed or substituted for, including Shares as to which such Awards would not otherwise be vested or exercisable, all restrictions on Restricted Stock, Restricted Stock Units, and Performance Shares/Units not assumed or substituted for will lapse, and, with respect to Awards with performance-based vesting not assumed or substituted for, all performance goals or other vesting criteria will be deemed achieved at one hundred percent (100%) of target levels and all other terms and conditions met. In addition, if an Option or Stock Appreciation Right is not assumed or substituted for in the event of a Change in Control, the Administrator will notify the Participant in writing or electronically that the Option or Stock Appreciation Right will be fully vested and exercisable for a period of time determined by the Administrator in its sole discretion, and the Option or Stock Appreciation Right will terminate upon the expiration of such period.

For the purposes of this subsection (c), an Award will be considered assumed if, following the Change in Control, the Award confers the right to purchase or receive, for each Share subject to the Award immediately prior to the Change in Control, the consideration (whether stock, cash, or other securities or property) or, in the case of a Stock Appreciation Right upon the exercise of which the Administrator determines to pay cash or a Restricted Stock Unit, Performance Share or Performance Unit which the Administrator can determine to pay in cash, the fair market value of the consideration received in the merger or Change in Control by holders of Common Stock for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the Change in Control is not solely common stock of the successor corporation or its Parent, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of an Option or Stock Appreciation Right or upon the payout of a Restricted Stock Unit, Performance Unit or Performance Share, for each Share subject to such Award (or in the case of an Award settled in cash, the number of implied shares determined by dividing the value of the Award by the per share consideration received by holders of Common Stock in the Change in Control), to be solely common stock of the successor corporation or its Parent equal in fair market value to the per share consideration received by holders of Common Stock in the Change in Control.

Notwithstanding anything in this Section 14(c) to the contrary, an Award that vests, is earned or paid out upon the satisfaction of one or more performance goals will not be considered assumed if the Company or its successor modifies any of such performance goals without the Participant's consent; provided, however, a modification to such performance goals only to reflect the successor corporation's post-Change in Control corporate structure will not be deemed to invalidate an otherwise valid Award assumption.

Notwithstanding anything in this Section 14(c) to the contrary, if a payment under an Award Agreement is subject to Section 409A of the Code and if the change in control definition contained in the Award Agreement or other agreement related to the Award does not comply with the definition of "change in control" for purposes of a distribution under Section 409A of the Code, then any payment of an amount that is otherwise accelerated under this Section 14(c) will be delayed until the earliest time that such payment would be permissible under Section 409A of the Code without triggering any penalties applicable under Section 409A of the Code.

#### 15. Tax Withholding.

(a) Withholding Requirements. Prior to the delivery of any Shares or cash pursuant to an Award (or exercise thereof), the Company will have the power and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy federal, state, local, foreign or other taxes (including the Participant's FICA obligation) required to be withheld with respect to such Award (or exercise thereof). The Company has no duty or obligation to minimize the tax consequences of an Award to a Participant.

(b) Withholding Arrangements. The Administrator, in its sole discretion and pursuant to such procedures as it may specify from time to time, may permit a Participant to satisfy such tax withholding obligation, in whole or in part by (without limitation) (a) paying cash, (b) electing to have the Company withhold otherwise deliverable cash or Shares having a Fair Market Value equal to the statutory amount required to be withheld, (c) delivering to the

Company already-owned Shares having a Fair Market Value equal to the statutory amount required to be withheld, provided the delivery of such Shares will not result in any adverse accounting consequences as the Administrator determines in its sole discretion, (d) selling a sufficient number of Shares otherwise deliverable to the Participant through such means as the Administrator may determine in its sole discretion (whether through a broker or otherwise) equal to the amount required to be withheld, or (e) retaining from salary or other amounts payable to the Participant cash having a sufficient value to satisfy the amount required to be withheld. The amount of the withholding requirement will be deemed to include any amount which the Administrator agrees may be withheld at the time the election is made, not to exceed the amount determined by using the maximum federal, state or local marginal income tax rates applicable to the Participant with respect to the Award on the date that the amount of tax to be withheld is to be determined, provided such maximum amount will not result in any adverse accounting consequences to the Company as the Administrator determines in its sole discretion. The Fair Market Value of the Shares to be withheld or delivered will be determined as of the date that the taxes are required to be withheld.

16. Market Standoff. In the event of an underwritten public offering by the Company of its equity securities pursuant to an effective registration statement filed under the Securities Act, including the Company's initial public offering, a Participant will not sell, make any short sale of, loan, hypothecate, pledge, grant any option for the purchase of, or otherwise dispose of or transfer for value or otherwise agree to engage in any of the foregoing transactions with respect to any securities of the Company however or whenever acquired (except for those being registered) without the prior written consent of the Company or the underwriters. Such limitations will be in effect for such period of time as may be requested by the Company or such underwriters; provided, however, that in no event will such period exceed (a) 180 days after the effective date of the registration statement for such public offering or (b) such longer period requested by the underwriters as is necessary to comply with regulatory restrictions on the publication of research reports (including, but not limited to, FINRA Rule 2241, or any amendments or successor rules thereto). The Participant will execute an agreement reflecting the limitation of this Section 16 as may be requested by the underwriters at the time of such public offering. The limitations of this Section 16 will in all events terminate two years after the effective date of the registration statement for the Company's initial public offering pursuant to an effective registration statement filed under the Securities Act.

In the event of any stock split, stock dividend, recapitalization, combination of shares, exchange of shares or other change affecting the Company's outstanding Common Stock effected as a class without the Company's receipt of consideration, any new, substituted or additional securities distributed with respect to the Shares issued under the Plan will be immediately subject to the provisions of this Section 16, to the same extent the Shares issued under the Plan are at such time covered by such provisions.

In order to enforce the limitations of this Section 16, the Company may impose stop-transfer instructions with respect to the Shares until the end of the applicable standoff period.

17. No Individual Rights; No Effect on Employment or Service. No individual or Participant will have any claim to be granted any Award under the Plan, and the Company has no obligation for uniformity of treatment among Participants under the Plan. Neither the Plan nor any Award will confer upon a Participant any right with respect to continuing the Participant's relationship as a Service Provider with the Company or an Affiliate, nor will they interfere in any way with the Participant's right or the Company's or an Affiliate's right to terminate such relationship at any time, with or without cause, to the extent permitted by Applicable Laws.

18. Date of Grant. The date of grant of an Award will be, for all purposes, the date on which the Administrator makes the determination granting such Award, or such other later date as is determined by the Administrator. Notice of the determination will be provided to each Participant within a reasonable time after the date of such grant.

19. Term of Plan. Subject to Section 27 of the Plan, the Plan will become effective upon its adoption by the Board. It will continue in effect for a term of ten (10) years from the date adopted by the Board, unless terminated earlier under Section 20 of the Plan.

20. Amendment and Termination of the Plan.

(a) Amendment and Termination. The Administrator may at any time amend, alter, suspend or terminate the Plan. Termination of the Plan will not affect the Administrator's ability to exercise the powers granted to it hereunder with respect to Awards granted under the Plan prior to the date of such termination.

(b) Stockholder Approval. The Company will obtain stockholder approval of any Plan amendment to the extent necessary and desirable to comply with Applicable Laws.

(c) Effect of Amendment of the Plan or Awards. No amendment, alteration, suspension or termination of the Plan or an Award will impair the rights of any Participant, unless mutually agreed otherwise between the Participant and the Administrator, which agreement must be in writing and signed by the Participant and the Company. Notwithstanding the foregoing, the Administrator will have broad authority to authority to amend the Plan or any outstanding Award without the consent of any Participant to the extent the Administrator deems necessary or advisable to comply with, or take into account, changes in applicable tax laws, securities rules, accounting rules or other Applicable Laws.

21. Conditions Upon Issuance of Shares.

(a) Legal Compliance. Shares will not be issued under an Award unless the issuance and delivery of such Shares will comply with Applicable Laws and will be further subject to the approval of counsel for the Company with respect to such compliance. The Company will be under no obligation to any Participant to register for offering or resale or to qualify for exemption under the Securities Act, or to register or qualify under the laws of any state or foreign jurisdiction, any Shares, security or interest in a security paid or issued under, or created by, the Plan, or to continue in effect any such registrations or qualifications if made. At the option of the Company, a stop-transfer order against any Shares may be placed on the official stock books and records of the Company, and a legend indicating that such Shares may not be pledged, sold or otherwise transferred, unless an opinion of counsel is provided (concurrent in by counsel for the Company) stating that such transfer is not in violation of any Applicable Laws or regulation, may be stamped on stock certificates to ensure exemption from registration.

(b) Investment Representations. As a condition to the exercise or receipt of an Award, the Company may require the person exercising or acquiring such Award to represent and warrant at the time of any such exercise or acquisition that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required.

22. Inability to Obtain Authority. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, will relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority will not have been obtained.

23. Participants in Other Countries or Jurisdictions. The Administrator may grant Awards to Service Providers who are foreign nationals on such terms and conditions different from those specified in the Plan, as may, in the judgment of the Administrator, be necessary or desirable to foster and promote the purposes of the Plan. The Administrator has the authority to adopt Plan modifications, administrative procedures, subplans and the like as may be necessary or desirable to comply with provisions of the laws or regulations of other countries or jurisdictions in which the Company or any Affiliate may operate or have Service Providers.

24. No Trust or Fund. The Plan is intended to constitute an "unfunded" plan. Nothing contained herein will require the Company to segregate any monies or other property, or Shares, or to create any trusts, or to make any special deposits for any immediate or deferred amounts payable to any Participant, and no Participant will have any rights that are greater than those of a general unsecured creditor of the Company.

25. Recoupment. Awards are subject to recoupment in accordance with any clawback policy that the Company is required to adopt pursuant to the listing standards of any national securities exchange or association on which the Company's securities are listed or as is otherwise required by the Dodd-Frank Wall Street Reform and Consumer Protection Act or other Applicable Laws. In addition, the Administrator may impose such other clawback, recovery or recoupment provisions in an Award Agreement as the Administrator determines necessary or appropriate, including but not limited to a reacquisition right in respect of previously acquired Shares or other cash or property upon the occurrence of any event constituting cause.

26. Severability. If any provision of the Plan or any Award is determined to be invalid, illegal or unenforceable in any jurisdiction, or as to any person, or would disqualify the Plan or any Award under any Applicable Laws deemed applicable by the Administrator, such provision will be construed or deemed amended to conform to Applicable Laws, or, if it cannot be so construed or deemed amended without, in the Administrator's determination,

materially altering the intent of the Plan or the Award, such provision will be stricken as to such jurisdiction, person or Award, and the remainder of the Plan and any such Award will remain in full force and effect.

27. Stockholder Approval. The Plan will be subject to approval by the stockholders of the Company within twelve (12) months after the date the Plan is adopted by the Board. Such stockholder approval will be obtained in the manner and to the degree required under Applicable Laws.

28. California Appendix Provisions. To the extent required by Applicable Laws, Participants who are residents of the State of California will be subject to the additional terms and conditions set forth in Appendix A to the Plan until such time as the Shares become a “listed” security under the Securities Act.