INTEVAC

2020 ANNUAL REPORT | 2021 PROXY STATEMENT

INTEVAC, INC.

LETTER TO OUR STOCKHOLDERS

INTEVAC, INC.

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Letter to our Stockholders

2020 was a year of important progress in our strategic growth initiatives, with momentum and a number of milestones achieved in both Photonics and our Thin-Film Equipment or TFE business. Cash generation was a highlight for 2020, adding $7.5 million to the balance sheet to end the year with $50.4 million in total cash and investments, an 18% increase over 2019. Even though we had an overall decline in year-over-year revenue, given the unexpected and difficult operating environment we experienced due to the COVID-19 pandemic, we are very proud to have delivered profitable results, strong cash flow generation, and a record year for our Photonics business in 2020.

PHOTONICS

Photonics achieved an all-time record year, with revenues growing 30% to $45.7 million, and $10.1 million in operating profit. This growth was due to record contract R&D revenues of $23 million, driven primarily by continued strength in the IVAS night vision camera development program for the U.S. Army.

Our IVAS development program deliveries include both the high-performance CMOS cameras and the CMOS with gain cameras, the latter of which are based on our ISIE-19 EBAPS technology. These cameras with gain provide visual acuity at the lowest light levels: no moon, overcast skies. This is the same level of technology we provide for the Joint Strike Fighter, the Apache helicopter, and the U.S. Navy's Enhanced Visual Acuity (EVA) program. That being said, the game-changing aspect of IVAS is that it's a U.S. Military program planned for over 100,000+ units, and is the first program that requires digital night vision cameras for our ground soldiers.

We anticipate the IVAS development programs to complete in the early part of 2021, after which we will continue to work on system-level integration and image optimization, specifically leveraging Intevac's digital night vision acumen in high dynamic range operation. This is an important program for Intevac Photonics, and, given the large volume of camera deliveries required for a roll-out to our ground soldiers, represents the largest revenue growth opportunity for Photonics over the next several years. The completion of this program and subsequent follow-on activities will require increased internal investments by Intevac in 2021.

In our volume production programs, we continue to execute well on the Joint Strike Fighter contract at full production rates on this multiyear contract. Our financial results and forecast are also supported by the continued deliveries for Delta-I coalition goggle development and the EVA program.

The key takeaway for Photonics is that we have increased confidence that Intevac will be a meaningful supplier for the critical all-digital IVAS platform for our ground soldiers. Success in this program as well as the multiple other key night vision programs underway with the U.S. Military will become the major drivers of revenue growth for Photonics for years to come.

THIN-FILM EQUIPMENT

In our core TFE market, the hard disk drive (HDD) media market, underlying fundamentals improved significantly over the course of 2020. Demand in the Cloud data centers, which utilize mass-capacity drives, remains very healthy within an increasingly work-from-home and learn-from-home environment as a result of COVID. We have also witnessed greater demand for mass-capacity storage, which requires numerous disks in every drive, due to the accelerating pace of digital transformation and high-performance computing. Analysts project continued growth in Cloud data center investments, which bodes well for our HDD business with the expectation of media unit growth continuing from 2020 levels.

We witnessed a record year in 2020 for HDD technology upgrades, as our customers continued to invest in system enhancements and added capability of the 200 Lean systems already in the field. Late in 2020, our customers also commenced discussions with us in order to begin to plan on significant expansions of the industry's media manufacturing capacity, for the first time in more than a decade. We believe we will participate in a significant way in support of all media capacity expansions that address the growth in mass capacity drives with our industry-leading 200 Lean system.

Our market leadership position supports the beginning of a multi-year growth period beginning late in 2021, setting the stage for continued sustained growth of our HDD business. The takeaway here is that we are incrementally more positive about the longer-term growth trajectory for our HDD business.

Outside of our core HDD media market, there is no doubt that the COVID pandemic and the related disruptions to the global electronics manufacturing and supply chain, as well as the restrictions on international travel, significantly impeded our efforts to achieve more progress in our TFE growth initiatives in 2020.

As each of our TFE growth initiatives are focused outside the U.S., the pandemic impacted our ability to travel, develop customer relationships, and secure new bookings in 2020. We continued to make good progress with both our INTEVAC VERTEX and INTEVAC MATRIX evaluation programs, albeit on a longer time schedule than initially expected due to the impacts of COVID. These systems currently out in the field will soon be approaching the end of their evaluation periods. Our primary objectives for the coming year are to drive adoption of our DiamondClad protective coating and to convert the systems under evaluation into orders and revenue. This would result in our

TFE growth initiatives contributing once again to our overall revenues in 2021 and establishing a foundation across multiple markets that can be part of our longer-term growth story.

SUMMARY

While 2020 was an incredibly challenging year in many respects, our core businesses in HDD and Photonics delivered solid results that exceeded our expectations entering the year and, on a combined basis, HDD and Photonics revenues increased 5% over 2019. At the same time, 2020 brought increased confidence in the longer-term growth trajectories for both of these businesses. We also generated strong cash flows and profitable results. On the flip side, our TFE growth initiatives were significantly hampered by the impacts of COVID-19 in 2020, and one of our key focus areas this year is recovering our momentum in those markets.

As we enter 2021, our focus is squarely on booking multiple new orders, in both TFE and Photonics, that will significantly build backlog and return to our revenue growth path. While both of our businesses will experience a soft patch in the first half as we receive orders and build backlog, we expect to significantly ramp revenues as we exit the year, setting the stage for a strong growth year ahead in 2022. We have a strong balance sheet that allows us to weather any soft patches, while providing the capital and flexibility to significantly ramp our business as new orders are booked. Once we have orders in backlog and the visibility for a return to growth in 2022, we believe we will be on a solid path for sustainable, profitable growth.

I'd like to thank the employees for their hard work, dedication and success as we grow the company, and to our customers and stockholders, I thank you for your ongoing commitment.

Sincerely,

Wendell T. Blonigan

President & CEO

NOTICE OF 2021 ANNUAL STOCKHOLDERS MEETING AND PROXY STATEMENT

INTEVAC, INC.

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INTEVAC

April 14, 2021

Dear Stockholder:

You are cordially invited to attend the 2021 Annual Meeting of Stockholders of Intevac, Inc., a Delaware corporation, which will be held Wednesday, May 19, 2021 at 3:30 p.m., Pacific daylight time, by means of a live webcast. There will be no physical location for stockholders to attend. The accompanying notice of Annual Meeting, proxy statement and form of proxy card are being distributed to you on or about April 14, 2021.

As a precaution regarding the coronavirus, or COVID-19, we have decided to hold the Annual Meeting over the web in a virtual meeting format. You will be able to attend and participate in the Annual Meeting online, vote your shares electronically and submit your questions prior to and during the meeting by visiting: www.meetingcenter.io/245316177. The password for the meeting is IVAC2021.

Details regarding how to participate in the Annual Meeting and the business to be conducted are described in the accompanying proxy materials. Also included is a copy of our 2020 Annual Report. We encourage you to read this information carefully.

Your vote is important. Whether or not you plan to participate in the Annual Meeting, we hope you will vote as soon as possible. You may vote over the Internet, by telephone or by mailing a proxy card. Voting over the Internet, by telephone or by written proxy will ensure your representation at the Annual Meeting regardless of whether or not you join the live webcast. Please review the instructions on the proxy card regarding each of these voting options.

Thank you for your ongoing support of Intevac.

Sincerely yours,

Wendell Blonigan
President and Chief Executive Officer

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INTEVAC, INC.

3560 Bassett Street
Santa Clara, California 95054

NOTICE OF ANNUAL MEETING
FOR 2021 ANNUAL MEETING OF STOCKHOLDERS

Time and Date: Wednesday, May 19, 2021 at 3:30 p.m., Pacific daylight time.

Location: www.meetingcenter.io/245316177

The password for the meeting is IVAC2021. As a precaution regarding the coronavirus or COVID-19, we have decided to hold the Annual Meeting over the web in a virtual meeting format. We expect that we will revert to holding an in-person meeting next year if appropriate.

Items of Business:

(1) To elect eight directors to serve for the ensuing year or until their respective successors are duly elected and qualified.

(2) To approve an amendment to the Intevac 2003 Employee Stock Purchase Plan to increase the number of shares reserved for issuance thereunder by 500,000 shares.

(3) To ratify the appointment of BPM LLP as Intevac's independent public accountants for the fiscal year ending January 1, 2022.

(4) To approve, on a non-binding, advisory basis, compensation paid to Intevac's Named Executive Officers ("NEOs").

(5) To transact such other business as may properly come before the Annual Meeting or any postponement, adjournment or other delay thereof.

These items of business are more fully described in the proxy statement accompanying this notice.

Adjournments and Postponements: Any action on the items of business described above may be considered at the Annual Meeting at the time and on the date specified above or at any time and date to which the Annual Meeting may be properly adjourned or postponed.

Record Date: You are entitled to vote if you were a stockholder of record as of the close of business on March 30, 2021.

Voting: **Your vote is very important. Whether or not you plan to attend the Annual Meeting, we encourage you to read the proxy statement and submit your proxy card or vote on the Internet or by telephone as soon as possible. For specific instructions on how to vote your shares, please refer to the section entitled "Questions and Answers About Procedural Matters" and the instructions on the enclosed proxy card.**

All stockholders are cordially invited to participate in the Annual Meeting.

By Order of the Board of Directors,

JAMES MONIZ
Executive Vice President, Finance and Administration, Chief Financial Officer, Secretary and Treasurer

This notice of Annual Meeting, proxy statement and accompanying form of proxy card are first being distributed on or about April 14, 2021.

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INTEVAC, INC.

3560 Bassett Street
Santa Clara, California 95054

PROXY STATEMENT
FOR 2021 ANNUAL MEETING OF STOCKHOLDERS

QUESTIONS AND ANSWERS ABOUT PROCEDURAL MATTERS

Annual Meeting

Q: Why am I receiving these proxy materials?

A: The Board of Directors (the "Board") of Intevac, Inc. ("we," "us," "Intevac" or the "Company") is providing these proxy materials to you in connection with the solicitation by the Board of proxies for use at the 2021 Annual Meeting of Stockholders (the "Annual Meeting") to be held Wednesday, May 19, 2021 at 3:30 p.m. Pacific daylight time, or at any adjournment or postponement thereof for the purpose of considering and acting upon the matters set forth herein. The notice of Annual Meeting, this proxy statement and accompanying form of proxy card are being distributed to you on or about April 14, 2021.

Q: Where is the Annual Meeting?

A: As a precaution regarding the coronavirus or COVID-19, we have decided to hold the Annual Meeting over the web in a virtual meeting format. There is no physical location for the Annual Meeting. We expect that we will revert to holding an in-person meeting next year if appropriate.

You will be able to attend and participate in the Annual Meeting online, vote your shares electronically and submit your questions prior to and during the meeting by visiting www.meetingcenter.io/245316177. You will need the control number which appears on your proxy card. The password for the meeting is IVAC2021.

Q: Can I attend the Annual Meeting?

A: You are invited to attend the Annual Meeting if you were a stockholder of record or a beneficial owner as of March 30, 2021 (the "Record Date"). The meeting will begin promptly at 3:30 p.m. Pacific daylight time.

Q: How can I attend the Annual Meeting?

A: The Annual Meeting will be a completely virtual meeting of stockholders, which will be conducted exclusively by webcast. You are entitled to participate in the Annual Meeting only if you were a stockholder of record as of the close of business on the Record Date, or if you hold a valid proxy for the Annual Meeting. No physical meeting will be held.

You will be able to attend the Annual Meeting online and submit your questions during the meeting by visiting www.meetingcenter.io/245316177. You also will be able to vote your shares online by attending the Annual Meeting by webcast.

To participate in the Annual Meeting, you will need to review the information included on your proxy card or on the instructions that accompanied your proxy materials. The password for the meeting is IVAC2021.

If you hold your shares through an intermediary, such as a bank or broker, you must register in advance using the instructions below.

The online meeting will begin promptly at 3:30 p.m., Pacific daylight time. We encourage you to access the meeting prior to the start time leaving ample time for check in procedures. Please follow the registration instructions as outlined in this proxy statement.

Q: How can I register to attend the Annual Meeting virtually on the Internet?

A: If you are a registered holder, a 15-digit secure control number that will allow you to attend the Annual Meeting electronically can be found on your proxy card.

If you hold your shares in the name of a broker, bank or other holder of record, you may either: (i) vote in advance of the Annual Meeting by contacting your broker and attend the virtual meeting as a guest; or (ii) register to attend the virtual meeting as a stockholder in advance (allowing you to both vote and ask questions during the meeting). To register to attend the Annual Meeting online, you must submit proof of your proxy power (legal proxy) reflecting your holdings in the Company along with your name and email address to Computershare. Requests for registration must be labeled as "Legal Proxy" and be received no later than 5:00 p.m., Eastern daylight time, on May 18, 2021. You will receive a confirmation of your registration by email after Computershare receives your registration materials. Requests for registration should be directed to Computershare at the following:

By email: Forward the email from your broker, or attach an image of your legal proxy, to legalproxy@computershare.com.

By mail: Computershare, Intevac, Inc. Legal Proxy, P.O. Box 43001, Providence, RI 02940-3001.

Stock Ownership

Q: What is the difference between holding shares as a stockholder of record and as a beneficial owner?

A: *Stockholders of record* – If your shares are registered directly in your name with Intevac's transfer agent, Computershare Trust Company, N.A., you are considered, with respect to those shares, the "stockholder of record." These proxy materials have been sent directly to you by Intevac, and we will have a list of all such stockholders accessible during the meeting on the meeting site.

Beneficial owners – Many Intevac stockholders hold their shares through a broker, trustee or other nominee, rather than directly in their own name. If your shares are held in a brokerage account or by a bank or another nominee, you are considered the "beneficial owner" of shares held in "street name." In this case the proxy materials will have been forwarded to you by your broker, trustee or nominee, who is considered, with respect to those shares, the stockholder of record.

As the beneficial owner, you have the right to direct your broker, trustee or other nominee on how to vote your shares, and if you do not do so then most of the proposals will not receive the benefit of your vote. For directions on how to vote shares beneficially held in street name, please refer to the voting instruction card provided by your broker, trustee or nominee. Since a beneficial owner is not the stockholder of record, you may not vote these shares in person at the Annual Meeting unless you obtain a "legal proxy" from the broker, trustee or nominee that holds your shares, giving you the right to vote those shares at the Annual Meeting.

Quorum and Voting

Q: How many shares must be present in person (virtually) or represented by proxy to conduct business at the Annual Meeting?

A: The presence of the holders of a majority of the shares of Intevac's common stock, par value $0.001 per share (the "Common Stock") entitled to vote at the Annual Meeting is necessary to constitute a quorum at the Annual Meeting. Such stockholders are counted as present at the meeting if they (1) are present in person at the Annual Meeting or (2) have properly submitted a proxy.

Under the General Corporation Law of the State of Delaware, abstentions and broker "non-votes" are counted as present and entitled to vote and are, therefore, included for purposes of determining whether a quorum is present at the Annual Meeting.

A broker non-vote on a proposal occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received instructions from the beneficial owner.

Q: Who is entitled to vote at the Annual Meeting?

A: Holders of record of Intevac's Common Stock at the close of business on the Record Date are entitled to receive notice of and to vote their shares at the Annual Meeting. Such stockholders are entitled to cast one vote for each share of Common Stock held as of the Record Date.

At the Record Date, there were 24,095,965 shares of our Common Stock outstanding and entitled to vote at the Annual Meeting, held by 73 stockholders of record. We believe that approximately 4,026 beneficial owners hold shares through brokers, fiduciaries and nominees. No shares of Intevac's preferred stock were outstanding.

Q: What shares may I vote?

A: You may vote all of the Intevac shares owned by you as of the close of business on the Record Date. Each stockholder is entitled to one vote for each share held as of the Record Date on all matters presented at the Annual Meeting. Stockholders are not entitled to cumulate their votes in the election of directors.

Q: How many directors may I vote for?

A: Stockholders may vote for up to eight nominees for director. The Board recommends that you vote "FOR" all eight of the Board's nominees for director.

Q: How can I vote my shares during the Annual Meeting?

A: Shares held in your name as the stockholder of record may be voted over the Internet during the Annual Meeting by visiting www.meetingcenter.io/245316177 and using your 15-digit control number (included on your proxy card) to access the meeting. The password for the meeting is IVAC2021. Shares held beneficially in street name may be voted over the Internet during the Annual Meeting only if you obtain a legal proxy from the broker, trustee or other nominee that holds your shares giving you the right to vote the shares in accordance with the instructions set forth above. Even if you plan to participate in the Annual Meeting, we recommend that you also submit your proxy card or voting instructions as described below, so that your vote will be counted if you later decide not to join the virtual meeting.

Q: How can I vote my shares without participating in the Annual Meeting?

A: Whether you hold shares directly as the stockholder of record or beneficially in street name, you may direct how your shares are voted without participating in the Annual Meeting. If you are a stockholder of record, you may vote by submitting a proxy. If you hold shares beneficially in street name, you may vote by submitting voting instructions to your broker, trustee or nominee. For instructions on how to vote, please refer to the instructions below and those included on your proxy card or, for shares held beneficially in street name, the voting instructions provided to you by your broker, trustee or nominee.

By mail – Stockholders of record of Intevac Common Stock may submit proxies by completing, signing and dating their proxy cards and mailing them in the accompanying pre-addressed envelopes. Proxy cards submitted by mail must be received by the time of the meeting in order for your shares to be voted. Intevac stockholders who hold shares beneficially in street name may vote by mail by following the voting instructions provided by their brokers, trustees or nominees and mailing them in the accompanying pre-addressed envelopes.

By Internet – Stockholders of record of Intevac Common Stock with Internet access may submit proxies by following the "Vote by Internet" instructions on their proxy cards until 11:59 p.m., Eastern daylight time, on Tuesday, May 18, 2021. Most Intevac stockholders who hold shares beneficially in street name may vote by accessing the website specified in the voting instructions provided by their brokers, trustees or nominees. Please check the voting instructions for Internet voting availability.

By telephone – Stockholders of record of Intevac Common Stock who live in the United States, Puerto Rico or Canada may submit proxies by following the "Vote by Phone" instructions on their proxy cards until 11:59 p.m., Eastern daylight time, on Tuesday, May 18, 2021. Most Intevac stockholders who hold shares beneficially in street name may vote by phone by calling the number specified in the voting instructions provided by their brokers, trustees or nominees. Please check the voting instructions for telephone voting availability.

Q: What proposals will be voted on at the Annual Meeting?

A: At the Annual Meeting, stockholders will be asked to vote on:

(1) The election of eight directors to serve for the ensuing year or until their respective successors are duly elected and qualified;

(2) An amendment to the Intevac 2003 Employee Stock Purchase Plan to increase the number of shares reserved for issuance thereunder by 500,000 shares;

(3) The ratification of the appointment of BPM LLP as independent public accountants of Intevac for the fiscal year ending January 1, 2022; and

(4) The approval, on a non-binding, advisory basis, of the compensation paid to Intevac's Named Executive Officers ("NEOs").

Q: What is the voting requirement to approve each of the proposals?

A: Election of Directors (Proposal One): Under our Bylaws and our corporate governance guidelines, each director in an uncontested election will be elected if the number of votes cast "FOR" such director nominee exceeds the number of votes cast "AGAINST" such director nominee. You may vote "FOR," "AGAINST" or "ABSTAIN" on each of the eight nominees for election as director. The Board will nominate for election or reelection only those candidates who agree to tender, promptly following such candidate's election or reelection, an irrevocable resignation effective upon (i) such candidate's failure to receive the required vote for election at the next meeting at which they would stand for election and (ii) acceptance of such resignation by the Board. In an uncontested election, if an incumbent director does not receive more votes cast "FOR" than "AGAINST" his or her election, the Nominating and Governance Committee is then required to make a recommendation to the Board as to whether it should accept such resignation. Thereafter, the Board is required to decide whether to accept such resignation. In contested elections, the required vote would be a plurality of votes cast. Nominees elected as directors of Intevac shall serve for a term of one year or until their respective successors have been duly elected and qualified

Equity Plan Proposal (Proposal Two): Approval of an amendment to Intevac's 2003 Employee Stock Purchase Plan (Proposal Two) requires the affirmative vote of holders of a majority of the shares of Common Stock present in person or represented by proxy at the meeting and entitled to vote on the proposal. You may vote "FOR," "AGAINST" or "ABSTAIN" on this proposal.

Ratification of BPM LLP (Proposal Three): Although stockholder ratification of the selection of BPM LLP as Intevac's independent public accountants is not required by our Bylaws or other applicable legal requirements, the Board is submitting the selection of BPM LLP to the stockholders for ratification as a matter of good corporate practice. If the stockholders fail to ratify the selection, the Audit Committee will reconsider whether or not to retain that firm. Even if the selection is ratified, the Audit Committee in its discretion may direct the appointment of a different independent accounting firm at any time during the year, if it determines that such a change would be in the best interests of Intevac and its stockholders. Ratification of the selection of BPM LLP requires the affirmative vote of a majority of the shares of Common Stock present in person or represented by proxy at the meeting and entitled to vote on the proposal. You may vote "FOR," "AGAINST" or "ABSTAIN" on this proposal.

Advisory Vote on Executive Compensation (Proposal Four) – The affirmative vote of a majority of the shares of Common Stock present in person or represented by proxy at the meeting and entitled to vote on the proposal is required to approve, on a non-binding, advisory basis, the compensation of the NEOs. You may vote "FOR," "AGAINST" or "ABSTAIN" on this proposal. Because your vote is advisory, it will not be binding on us or the Board. However, the Board will review the voting results and take them into consideration when making future decisions regarding executive compensation.

Q: What effect do abstentions and broker non-votes have on the proposals?

A: Shares voted "ABSTAIN" and shares not represented at the meeting will have no effect on the election of directors. For each of the other proposals, abstentions have the same effect as "AGAINST" votes.

If you are a beneficial holder and do not provide specific voting instructions to your broker or other nominee, the broker or other nominee that holds your shares will not be able to vote your shares, which will result in "broker non-votes" on proposals other than the ratification of the appointment of BPM LLP as Intevac's independent auditor for Fiscal 2021. Consequently, if you do not submit any voting instructions to your broker or other nominee, your broker or other nominee may exercise its discretion to vote your shares on Proposal Three to ratify the appointment of BPM LLP. Broker non-votes will not be counted in the tabulation of the voting results on any of the proposals.

Q: How does the Board recommend that I vote?

A: The Board unanimously recommends that you vote your shares:

- "FOR" the election of all of the nominees as director listed in Proposal One;
- "FOR" the adoption of the amendment to add an additional 500,000 shares to the Intevac 2003 Employee Stock Purchase Plan;

- “FOR” the proposal to ratify the selection of BPM LLP as Intevac’s independent public accountants for the fiscal year ending January 1, 2022; and
- “FOR” the approval, on a non-binding, advisory basis, of the compensation of Intevac’s NEOs.

Q: If I sign a proxy, how will it be voted?

A: All shares entitled to vote and represented by properly executed proxy cards received prior to the applicable deadlines described above (and not revoked) will be voted at the Annual Meeting in accordance with the instructions indicated on those proxy cards. If no instructions are indicated on a properly executed proxy card, the shares represented by that proxy card will be voted as recommended by the Board.

Q: What happens if additional matters are presented at the Annual Meeting?

A: If any other matters are properly presented for consideration at the Annual Meeting, including, among other things, consideration of a motion to adjourn the Annual Meeting to another time or place (including, without limitation, for the purpose of soliciting additional proxies), the persons named in the enclosed proxy card and acting thereunder will have discretion to vote on those matters in accordance with their best judgment. Intevac does not currently anticipate that any other matters will be raised at the Annual Meeting.

Q: Can I change or revoke my vote?

A: Subject to any rules and deadlines your broker, trustee or nominee may have, you may change your proxy instructions at any time before your proxy is voted at the Annual Meeting.

If you are a stockholder of record, you may change your vote by (1) filing with Intevac’s Secretary, prior to your shares being voted at the Annual Meeting, a written notice of revocation or a duly executed proxy card, in either case dated later than the prior proxy card relating to the same shares, or (2) participating in the Annual Meeting and voting your shares electronically during the meeting. Participating in the Annual Meeting will not cause your previously granted proxy to be revoked unless you specifically make that request. A stockholder of record that has voted on the Internet or by telephone may also change his or her vote by making a timely and valid later Internet or telephone vote.

If you are a beneficial owner of shares held in street name, you may change your vote (1) by submitting new voting instructions to your broker, trustee or other nominee or (2) if you have obtained a legal proxy from the broker, trustee or other nominee that holds your shares giving you the right to vote the shares in accordance with the instructions set forth above, by participating in the Annual Meeting and voting your shares electronically during the meeting.

Any written notice of revocation or subsequent proxy card must be received by Intevac’s Secretary prior to the taking of the vote at the Annual Meeting. Such written notice of revocation or subsequent proxy card should be sent so as to be delivered to Intevac’s principal executive offices, Attention: Secretary, by May 18, 2021.

Q: Who will bear the cost of soliciting votes for the Annual Meeting?

A: Intevac will bear all expenses of this solicitation, including the cost of preparing and mailing these proxy materials. Intevac may reimburse brokerage firms, custodians, nominees, fiduciaries and other persons representing beneficial owners of Common Stock for their reasonable expenses in forwarding solicitation material to such beneficial owners. Directors, officers and employees of Intevac may also solicit proxies in person or by other means of communication. Such directors, officers and employees will not be additionally compensated but may be reimbursed for reasonable out-of-pocket expenses in connection with such solicitation. Intevac may engage the services of a professional proxy solicitation firm to aid in the solicitation of proxies from certain brokers, bank nominees and other institutional owners. Our costs for such services, if retained, will not be significant.

Q: Where can I find the voting results of the Annual Meeting?

A: We intend to announce preliminary voting results at the Annual Meeting and will publish final results in a Form 8-K within four business days after the Annual Meeting.

Stockholder Proposals and Director Nominations

Q: What is the deadline to propose actions for consideration at next year's Annual Meeting of stockholders or to nominate individuals to serve as directors?

A: You may submit proposals, including director nominations, for consideration at future stockholder meetings.

Requirements for stockholder proposals to be considered for inclusion in Intevac's proxy materials – Stockholders may present proper proposals for inclusion in Intevac's proxy statement and for consideration at the next annual meeting of its stockholders by submitting their proposals in writing to Intevac's Secretary in a timely manner. Assuming a mailing date of April 14, 2021 for this proxy statement, in order to be included in the proxy statement for the 2022 annual meeting of stockholders, stockholder proposals must be received by Intevac's Secretary no later than December 15, 2021, and must otherwise comply with the requirements of Rule 14a-8 of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

Requirements for stockholder proposals to be brought before an annual meeting – In addition, Intevac's Bylaws establish an advance notice procedure for stockholders who wish to present certain matters before an annual meeting of stockholders. In general, nominations for the election of directors may be made by or at the direction of the Board or by any stockholder entitled to vote in the election of directors at the meeting who has delivered written notice to Intevac's Secretary that is received no later than the Notice Deadline (as defined below), which notice must contain specified information concerning the nominees and concerning the stockholder proposing such nominations.

Intevac's Bylaws also provide that the only business that may be conducted at an annual meeting is business that is (1) specified in the notice of meeting given by or at the direction of the Board, (2) properly brought before the meeting by or at the direction of the Board or (3) properly brought before the meeting by a stockholder who has delivered written notice to the Secretary of Intevac that is received no later than the Notice Deadline (as defined below).

The "Notice Deadline" is defined as that date which is 120 days prior to the one-year anniversary of the date on which Intevac first mailed its proxy materials to stockholders for the previous year's annual meeting of stockholders; provided, however, that if 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 of the prior year's meeting, notice must be received not later than the close of business on the later of 120 days prior to such annual meeting and ten calendar days following the date on which public announcement of the date of the meeting is first made. As a result, assuming a mailing date of April 14, 2021 for this proxy statement, the Notice Deadline for the 2022 annual meeting of stockholders is December 15, 2021.

If a stockholder who has notified Intevac of his, her or its intention to present a proposal at an annual meeting does not appear to present his, her or its proposal at such meeting, Intevac need not present the proposal for a vote at such meeting.

Q: How may I obtain a copy of the bylaw provisions regarding stockholder proposals and director nominations?

A: A copy of the full text of the bylaw provisions discussed above may be obtained by writing to the Secretary of Intevac. All notices of proposals by stockholders, whether or not to be included in Intevac's proxy materials, should be sent to Intevac's principal executive offices, Attention: Secretary.

Additional Information about the Proxy Materials

Q: What should I do if I receive more than one set of proxy materials?

A: You may receive more than one set of proxy materials, including multiple copies of this proxy statement and multiple proxy cards or voting instruction cards. For example, if you hold your shares in more than one brokerage account, you may receive a separate voting instruction card for each brokerage account in which you hold shares. If you are a stockholder of record and your shares are registered in more than one name, you will receive more than one proxy card. Please complete, sign, date and return each Intevac proxy card or voting instruction card that you receive to ensure that all your shares are voted.

Q: How may I obtain a separate set of proxy materials or the 2020 Annual Report?

A: If you share an address with another stockholder, it is possible that each stockholder may not receive a separate copy of the proxy materials and 2020 Annual Report.

Stockholders who do not receive a separate copy of the proxy materials and 2020 Annual Report may request to receive a separate copy of the proxy materials and 2020 Annual Report by calling 408-986-9888 or by writing to Investor Relations at Intevac's principal executive offices. Upon such an oral or written request, we will promptly deliver the requested materials. Alternatively, stockholders who share an address and receive multiple copies of our proxy materials and 2020 Annual Report can request to receive a single copy by following the instructions above, although each stockholder of record or beneficial owner must still submit a separate proxy card.

Q: What is the mailing address for Intevac's principal executive offices?

A: Intevac's principal executive offices are located at 3560 Bassett Street, Santa Clara, California 95054.

Any written requests for additional information, additional copies of the proxy materials and 2020 Annual Report, notices of stockholder nominations or proposals, recommendations of candidates to the Board, communications to the Board or any other communications should be sent to this address.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDERS' MEETING TO BE HELD ON MAY 19, 2021.

The proxy statement and the 2020 Annual Report are available at www.intevac.com.

PROPOSAL ONE

ELECTION OF DIRECTORS

At the Annual Meeting, eight directors (constituting the entire board) are to be elected to serve until the next Annual Meeting of Stockholders and until a successor for any such director is elected and qualified, or until the earlier death, resignation or removal of such director.

It is intended that the proxies will be voted for the eight nominees named below unless authority to vote for any such nominee is withheld. The eight nominees are currently directors of Intevac. Each of the nominees was elected to the Board by the stockholders at the last annual meeting. Each person nominated for election has agreed to serve if elected, and the Board has no reason to believe that any nominee will be unavailable or will decline to serve. In the event, however, 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 any other person who is designated by the current Board to fill the vacancy. The proxies solicited by this proxy statement may not be voted for more than eight nominees.

Majority Voting Standard

Under Intevac's Bylaws, in order to be elected, a nominee must receive the votes of a majority of the votes cast with respect to such nominee in uncontested elections (which is the case for the election of directors at the 2021 Annual Meeting), which means the number of votes "for" a nominee must exceed the number of votes "against" that nominee. Abstentions are not counted as votes cast and, therefore, have no effect on the election of directors. If an incumbent director receives more "against" than "for" votes, he or she is expected to tender his or her resignation in accordance with our corporate governance guidelines.

In accordance with our Bylaws and our corporate governance guidelines, the Board will nominate for election or reelection only those candidates who agree to tender, promptly following such candidate's election or reelection, an irrevocable resignation effective upon (i) such candidate's failure to receive the required vote for election at the next meeting at which they would stand for election and (ii) acceptance of such resignation by the Board. In addition, the Board will fill director vacancies and new directorships only with candidates who agree to tender the same form of resignation promptly following their election to the Board.

If an incumbent director fails to receive the required vote for reelection, then the Nominating and Governance Committee will consider the offer of resignation and recommend to the Board the action to be taken, and the Board will publicly disclose its decision as to whether to accept or reject the offered resignation.

Any director whose resignation is under consideration shall abstain from participating in any decision of the Nominating and Governance Committee or the Board itself regarding that resignation.

Nominees

Set forth below is information regarding the nominees to the Board.

Name of Nominee	Position(s) with Intevac	Age	Director Since	Committees	Other Reporting Company Boards
David S. Dury	Chairman of the Board	72	2002	NGC (Chair)	—
Wendell T. Blonigan	President and Chief Executive Officer	59	2013		—
Kevin D. Barber	Director	60	2018	CC (Chair), AC	—
Dorothy D. Hayes	Director	70	2019	AC (Chair)	1
Stephen A. Jamison	Director	72	2018	CC	—
Michele F. Klein	Director	71	2019	CC, NGC	—
Mark P. Popovich	Director	58	2018	AC, NGC	—
Thomas M. Rohrs	Director	70	2010	AC, CC	2

AC — Audit Committee, CC — Compensation Committee, NGC — Nominating and Governance Committee

The Board unanimously recommends a vote "FOR" all the nominees listed above.

Business Experience and Qualifications of Nominees for Election as Directors

Each nominee brings a strong and unique background and set of skills to the Board, giving the Board as a whole competence and experience in a wide variety of areas, including corporate governance and board service, executive management, financial management and operations. Set forth below are the conclusions reached by the Board with regard to each of its directors.

As described elsewhere in this proxy statement under the heading "Policy Regarding Board Nominees", the Company believes that Board members should possess a balance of knowledge, experience and capability, and considers the following issues: the current size and composition of the Board and the needs of the Board and the respective committees of the Board, such factors as issues of character, judgment, diversity, age, expertise, business experience, length of service, independence, other commitments and the like, the relevance of the candidate's skills and experience to the business, and such other factors as the Nominating and Governance Committee may consider appropriate. In addition to fulfilling the above criteria, the Board has determined that each of the directors named above, other than Mr. Blonigan, is independent under applicable Nasdaq rules.

Mr. Dury has served as Chairman of the Board since August 2017 and as a director of Intevac since July 2002 and previously served as the Lead Independent Director from 2007 to 2017. Mr. Dury has served as the Chairman of the Nominating and Governance Committee since February 2018. Mr. Dury has previously served on the Audit Committee both as a member and as the Chairman from 2002 to 2017 and on the Compensation Committee both as a member and as the Chairman from 2013 to 2017. Mr. Dury served as a co-founder of Mentor Capital Group, a venture capital firm from July 2000 until his retirement in May 2009. From 1996 to 2000, Mr. Dury served as Senior Vice President and Chief Financial Officer ("CFO") of Aspect Development, a software development firm. Mr. Dury holds a BA in psychology from Duke University and an MBA from Cornell University. The Board believes Mr. Dury's qualifications to sit on our Board include his executive experience as a partner in a venture capital firm, his experience with financial accounting matters as a previous CFO, as well as his operational, management and corporate governance expertise working on other companies' boards of directors.

Mr. Blonigan joined Intevac in July 2013 as President and Chief Executive Officer ("CEO") and has served as a director of Intevac since August 2013. Prior to joining Intevac, Mr. Blonigan co-founded Orbotech LT Solar in 2009 and served as the company's CEO until 2013. From 2006 until 2009, he was the Chief Operating Officer at Photon Dynamics, an electronics company. In 1991, Mr. Blonigan joined Applied Materials' AKT display subsidiary. During his tenure at AKT, he held various positions. In 2003, he was appointed President and served in this role until 2006; from 1999 through 2003 he was Vice President, and prior to that time he was Director of Engineering and New Product Development. Mr. Blonigan holds a BS in electronic engineering technology from DeVry University Missouri Institute of Technology. The Board believes Mr. Blonigan's qualifications to sit on our Board include his years of executive experience for a large multinational company in the high technology display and solar industries, including as our CEO, his strong leadership abilities, management skills and technical expertise.

Mr. Barber was appointed as a director of Intevac in February 2018. Mr. Barber currently serves as the Chairman of the Compensation Committee and as member of the Audit Committee and previously served as a member of the Compensation Committee through February 2019. Mr. Barber currently serves as the CEO and Director of Thin Film Electronics ASA, a publicly traded Norwegian company and a manufacturer of solid state lithium batteries. Prior to joining Thin Film Electronics, Mr. Barber served from 2011 until 2018 as the Senior Vice President and General Manager of the Mobile Division of Synaptics, a provider of interface technologies. From 2008 until 2010, Mr. Barber served as CEO and president of ACCO Semiconductor, Inc., a fabless semiconductor company serving the mobile communications market. From 2006 to 2008, Mr. Barber served as a consultant for PRTM Management Consultants Inc. From 2003 until 2006, Mr. Barber served in various roles at Skyworks Solutions, a provider of analog semiconductors, including senior vice president and general manager, mobile platforms, and earlier, RF solutions, and senior vice president, operations. From 1997 to 2002, Mr. Barber served as senior vice president of operations for Conexant Systems. Mr. Barber holds a Bachelor of Science degree in Electrical Engineering from San Diego State University and a Master's degree in Business Administration from Pepperdine University. The Board believes Mr. Barber's qualifications to sit on our Board include his experience as a CEO of a solid state lithium battery company, his years of operational and management experience in the mobile display and handset, tablet, and semiconductor device industries.

Ms. Hayes was appointed as a director of Intevac in June 2019. Ms. Hayes currently serves as the Chairman of the Audit Committee. Ms. Hayes served from 2003 until her retirement in 2008 as Corporate Controller and Chief Accounting Officer and later as Chief Audit Executive at Intuit, a business and financial software company. From 1999 until 2003, Ms. Hayes served as Vice President, Corporate Controller and Chief Accounting Officer of Agilent Technologies, a public research, development and manufacturing company. From 1989 until 1999, Ms. Hayes served as Assistant Corporate Controller, financial executive of the Measurement Systems Organization and Chief Audit Executive of Hewlett Packard, a multinational information technology company. From 1980 until 1989, Ms. Hayes served in various management functions including Vice President, Corporate Controller of Apollo Computer, a computer hardware and software company. Ms. Hayes currently serves as nonexecutive Chairman of the Board of Directors at First Tech Federal Credit Union, a cooperative financial institution. Ms. Hayes currently serves as a strategic advisor to GigCapital Global and on the Board of Directors of four of their publicly traded special-purpose acquisition companies, GigCapital4, Inc., GigCapital5, Inc., GigCapital6, Inc., and GigInternational1, Inc., that were formed to invest in technology, media, and telecommunications companies. She previously chaired the Audit Committee of the Vantagepoint Funds, a captive mutual fund series of ICMA Retirement Corporation, and the Audit Committee for Range Fuels, a privately-held biofuels company. Ms. Hayes currently serves as a board member or trustee of various non-profit and philanthropic organizations including: Encore.org, Center for Excellence in Nonprofits and the Computer History Museum. Ms. Hayes holds an MS in Finance from Bentley University, and received both a MS in Business Administration and a BA in Elementary Education from the University of Massachusetts, Amherst. The Board believes Ms. Hayes's qualifications to sit on our Board include her expertise in internal audit and controllership with large global technology companies and corporate governance expertise working on other companies' boards of directors.

Dr. Jamison was appointed as a director of Intevac in August 2018. Dr. Jamison currently serves as a member of the Compensation Committee. From 2011 until 2018, Dr. Jamison served as a senior program consultant for night vision technology at Fibertek, a developer of laser and electro-optics, assigned to U.S. Army Night Vision Lab (NVESD). From 2009 until 2011, Dr. Jamison served as a technology fellow with Rand Corporation also at NVESD. From 2001 until 2008, Dr. Jamison served as a vice president and general manager of BAE Systems, a defense contractor. Prior posts include vice president of engineering and vice president of operations at Lockheed Martin, a defense and aeronautics company, Director and Chief Engineer at Loral, a defense electronics company, and Manager and Section Head at Honeywell, a defense contractor. Dr. Jamison holds a PhD in physics from Brown University. The Board believes Dr. Jamison's qualifications to sit on our Board include his years of operational and management experience in the defense electronics industry.

Ms. Klein was appointed as a director of Intevac in June 2019. Ms. Klein currently serves as a member of the Compensation Committee and the Nominating and Governance Committee. In 2017 she was elected a director of Photon Control, a publicly-listed Canadian company and a provider of optical sensors and systems to the semiconductor equipment industry, where she chairs the Mergers and Acquisitions Committee and is a member of the Audit Committee. Ms. Klein currently serves as the CEO of Jasper Ridge Inc., a privately-held company developing technology to improve vision. She is a director of Gridtential Energy, a privately-held energy storage company. From 2005 until 2010 Ms. Klein served as Senior Director of Applied Ventures LLC, the venture capital arm of Applied Materials, where she recommended and managed investments in energy storage and solar energy, and represented Applied Materials on the boards of seven technology companies. Ms. Klein co-founded Boxer Cross Inc., a semiconductor equipment manufacturer, and served as CEO and Director from 1997 until its acquisition by Applied Materials in 2003. She previously co-founded and led High Yield Technology Inc., a semiconductor metrology company, from 1986 until its acquisition by Pacific Scientific in 1996. Ms. Klein earned an MBA from the Stanford Graduate School of Business and a Bachelor of Science degree from the University of Illinois. The Board believes Ms. Klein's qualifications to sit on our Board include her experience as a CEO of a semiconductor equipment manufacturing company and years of operational, management and corporate governance expertise working on other companies' boards of directors in the semiconductor equipment and solar energy industries.

Mr. Popovich was appointed as a director of Intevac in February 2018. Mr. Popovich has served as a member of the Nominating and Governance Committee since his appointment to the Board in 2018 and on the Audit Committee since March 2019. Mr. Popovich currently serves as the CEO of 3D Glass Solutions, a privately-held company producing glass-based system-on-chip and system-in-package. Prior to 3D Glass, in 2017, Mr. Popovich was Chief Strategy Officer of Semblant, Inc., a start-up specializing in waterproof nano-coatings for consumer electronics products. From 2013 until 2017, Mr. Popovich held corporate vice president positions at Henkel Corporation, a multi-national chemical and consumer goods company. From 2002 until 2013, Mr. Popovich served as general manager, vice president at Amkor Technology, an outsourced provider in the semiconductor assembly and packaging industry. From 1996 until 2002, Mr. Popovich served as a director at ChipPAC Inc, a semiconductor company. From 2015 to 2017 Mr. Popovich served on the Boards of Directors of Vitriflex Inc., a private company and Dropwise Technology Corporation, a private company. Mr. Popovich holds a Bachelor of Science degree in Ceramic Science & Engineering from Pennsylvania State University. The Board believes Mr. Popovich's qualifications to sit on our Board include his years of operational and management experience in the semiconductor advanced packaging industry.

Mr. Rohrs has served as a director of Intevac since October 2010. Mr. Rohrs has served as a member of both the Audit Committee and the Compensation Committee since 2010. Mr. Rohrs has held executive positions at leading Silicon Valley technology companies. Mr. Rohrs currently serves as the Executive Chairman of Ichor Systems, a turnkey manufacturer of fluid delivery systems for the semiconductor industry. Mr. Rohrs was CEO of Ichor from 2014 to 2020. Mr. Rohrs was the CEO of Skyline Solar, a consumer solar electricity company, from 2010 through 2013, the CEO of Electroglas, a semiconductor equipment company, from 2006 through 2009, Senior Vice President of Global Operations for Applied Materials, a semiconductor, solar and display equipment company, from 1997 through 2002 and Vice President of Worldwide Operations for Silicon Graphics, a manufacturer of computer hardware and software, from 1992 through 1997. Mr. Rohrs currently serves as the Executive Chairman of the Board of Ichor Systems and as a member of the Board of Directors of Advanced Energy and was a director of Magma Design Automation from 2003 to 2012. He received a BS in mechanical engineering from the University of Notre Dame and an MBA from Harvard Business School. The Board believes Mr. Rohrs' qualifications to sit on our Board include his experience as a CEO of a semiconductor equipment manufacturing company, his operational, management and corporate governance expertise working on other companies' boards of directors and his years of experience in the semiconductor, solar photovoltaic and electronics industries.

The table below summarizes key qualifications, skills and attributes of members of the Board. A mark indicates a specific area of focus or experience; the lack of a mark does not mean the director nominee does not possess that qualification or skill.

	Leadership	Technology	Financial Experience	Government Relations and Regulatory	Global Business	Sales and Marketing	Additional U.S. Public Company Board
David S. Dury	✓		✓		✓		✓
Wendell T. Blonigan	✓	✓	✓		✓	✓	
Kevin D. Barber	✓	✓	✓		✓	✓	
Dorothy D. Hayes	✓		✓		✓		✓
Stephen A. Jamison	✓	✓		✓		✓	
Michele F. Klein	✓	✓	✓		✓	✓	
Mark P. Popovich	✓	✓			✓	✓	
Thomas M. Rohrs	✓	✓	✓		✓	✓	✓

PROPOSAL TWO

APPROVAL OF AN AMENDMENT TO THE INTEVAC 2003 EMPLOYEE STOCK PURCHASE PLAN TO INCREASE THE NUMBER OF SHARES RESERVED THEREUNDER BY 500,000 SHARES

The Intevac 2003 Employee Stock Purchase Plan (the "2003 ESPP") was originally adopted by our Board and approved by our stockholders in 2003, and was last approved by our stockholders in 2020. Employees have participated in the 2003 ESPP or its predecessor plan, the 1995 Employee Stock Purchase Plan, since 1995. We are asking our stockholders to approve an amendment to the 2003 ESPP to increase the number of shares of our Common Stock that may be issued under the 2003 ESPP by 500,000 shares. We expect that this increase to the number of shares available for issuance under the 2003 ESPP to be sufficient to meet the plan's needs for at least another year.

The 2003 ESPP provides us an important incentive tool for our employees and helps us to attract, retain and motivate our employees whose skills and performance are critical to our success. We strongly believe that the 2003 ESPP is essential for us to compete for talent in the labor markets in which we operate and our Board has determined that it is in our best interests and the best interests of our stockholders to make an additional 500,000 shares of our Common Stock available for purchase under the 2003 ESPP. As such, the Board has put forth for approval of our stockholders an amendment to the 2003 ESPP to increase the number of shares reserved thereunder by 500,000 shares of our Common Stock. If our stockholders approve this Proposal Two, the aggregate number of shares available for issuance under the 2003 ESPP since its inception will be 6,058,000, and the total number of shares of Common Stock that remain available to be issued in the future under such plan will be approximately 955,000 shares. The requested increase represents approximately 2.1% of the outstanding shares of our Common Stock as of March 31, 2021, and the total number of shares available for issuance under the 2003 ESPP would be approximately 4.0% of the outstanding shares of our Common Stock as of March 31, 2021.

The Board unanimously recommends a vote "FOR" the amendment to the 2003 Employee Stock Purchase Plan to increase the number of shares of Common Stock reserved for issuance thereunder by 500,000 shares.

Summary of the 2003 Employee Stock Purchase Plan

The following paragraphs provide a summary of the principal features of the 2003 ESPP and its operation. The following summary is qualified in its entirety by reference to the 2003 ESPP as set forth in Appendix A.

General

The 2003 ESPP was originally adopted by our Board in January 2003 and approved by our stockholders in May 2003. The purpose of the 2003 ESPP is to provide employees with an opportunity to purchase our Common Stock through payroll deductions.

Administration

Our Board or a committee appointed by the Board administers the 2003 ESPP. All questions of construction, interpretation or application of the 2003 ESPP are determined by the Board or the committee, and its decisions are final, conclusive and binding upon all participants.

Eligibility

Each of our employees, or the employees of our designated subsidiaries, whose customary employment is for at least twenty (20) hours per week and more than five (5) months per calendar year is eligible to participate in the 2003 ESPP; except that no employee may be granted a purchase right under the 2003 ESPP (i) to the extent that, immediately after the grant, such employee (or any person whose stock would be attributable to such employee) would own our stock or the stock of our parent corporation or any of our subsidiaries and/or hold outstanding options to purchase stock possessing 5% or more of the total voting power or total value of all classes of our stock or our parent corporation or any of our subsidiaries, or (ii) to the extent that his or her rights to purchase stock under all of our employee stock purchase plans or those of our parent corporation or any of our subsidiaries accrues at a rate which exceeds $25,000 worth of stock (determined at the fair market value of the shares at the time such purchase right is granted) for each calendar year in which such purchase right is outstanding. As of March 31, 2021, approximately 243 employees were eligible to participate in the 2003 ESPP. Eligible employees have the opportunity to elect to participate in the 2003 ESPP approximately twice per year.

Offering Period

Shares of our Common Stock are offered for purchase under the 2003 ESPP through a series of successive offering periods, each with a maximum duration of approximately twenty-four (24) months, with each new offering period starting on a date determined by the plan administrator. The plan administrator has the authority to change the duration of the offering periods, including the commencement dates thereof, with respect to future offerings without stockholder approval if such change is announced prior to the start of the first offering period affected, except with respect to automatic transfers to lower price offering periods, as described below. Each offering period is comprised of a series of one or more successive purchase intervals. Purchase intervals within each offering period last approximately six (6) months and run from the first trading day in February to the last trading day in July each year and from the first trading day in August each year to the last trading day in January of the following year. Should the fair market value of our Common Stock on any semi-annual purchase date within an offering period be less than the fair market value per share on the start date of that offering period, then that offering period automatically terminates immediately after the purchase of shares on such purchase date, and such participants are automatically re-enrolled in a new offering period that commences on the next trading day following the purchase date. The plan administrator may shorten the duration of such new offering period within five (5) business days following the start date of such new offering period.

Purchase Price

The purchase price of our Common Stock acquired under the 2003 ESPP is equal to 85% of the lower of (i) the fair market value per share of our Common Stock on the first day of the offering period or, if different, on the participant's entry date into the offering period or (ii) the fair market value on the semi-annual purchase date. The fair market value of our Common Stock on any relevant date will be the closing sales price per share as reported on the Nasdaq National Market (or the closing bid, if no sales were reported), or the mean of the closing bid and asked prices if our Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, as quoted on such exchange or reported in the Wall Street Journal or such other source as the plan administrator deems reliable.

Payment of Purchase Price; Payroll Deductions

Each participant's purchase price of the shares is accumulated by payroll deductions throughout each purchase interval. For offering periods beginning on or after August 1, 2020, a participant may elect to have up to 50% of his or her eligible compensation deducted each payroll period. The number of shares of our Common Stock a participant may purchase in each purchase interval during an offering period is determined by dividing the total amount of payroll deductions withheld from the participant's compensation during that purchase interval by the purchase price; provided, however, that a participant may not purchase more than 2,500 shares each purchase interval.

Withdrawal

Generally, a participant may withdraw from an offering period at any time by written notice or following an electronic or other withdrawal procedure without affecting his or her eligibility to participate in future offering periods. However, once a participant withdraws from a particular offering period, that participant may not participate again unless he or she re-enters the 2003 ESPP at an entry date or semi-annual entry date in accordance with the terms of the 2003 ESPP. To participate again in the 2003 ESPP, the participant must deliver to us a new subscription agreement in accordance with the terms of the 2003 ESPP. Once a participant withdraws from the 2003 ESPP, the payroll deductions credited to the participant's account, but not used to make a purchase will be returned to him or her as provided pursuant to the 2003 ESPP.

Termination of Employment

Upon termination of a participant's employment for any reason, including disability or death, his or her participation in the 2003 ESPP will immediately cease. The payroll deductions credited to the participant's account, but not used to make a purchase will be returned to him or her or, in the case of death, to the person or persons entitled thereto as provided pursuant to the 2003 ESPP.

Adjustments; Merger or Change in Control

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 or exchange of Common Stock or other securities of the Company or other change in our capital structure, such that an adjustment is determined by the plan administrator (in its sole discretion) to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the 2003 ESPP, adjustments will be made, in the manner the plan administrator deems equitable, in the number and class of shares available for purchase under the 2003 ESPP (including per person purchase interval limitations) and the purchase price and number of shares covered by each purchase right under the 2003 ESPP .

In the event of the Company's proposed dissolution or liquidation, the offering period then in progress shall be shortened by setting a new purchase date before the dissolution or liquidation, and such offering period shall terminate immediately prior to the consummation of such proposed liquidation or dissolution, unless provided otherwise by the Board. The Board shall notify each participant of the new purchase date at least ten (10) business days prior to such date, and the participant's purchase right shall be exercised on such new purchase date, unless the participant withdraws prior to such date. In the event of any merger of the Company with or into another corporation or "change of control," as defined in the 2003 ESPP, the successor corporation or a parent or subsidiary of such successor corporation shall assume or substitute an equivalent purchase right for each outstanding purchase right. In the event the successor corporation refuses to do so, the purchase interval then in progress shall be shortened by setting a new purchase date before the merger or change of control, and the current purchase interval and offering period shall end on the new purchase date. The plan administrator shall notify each participant of the new purchase date at least ten (10) business days prior to such date, and the participant's purchase right shall be exercised on such new purchase date, unless the participant withdraws prior to such date.

Federal Income Tax Aspects

The following brief summary of the effect of U.S. federal income taxation upon the participant and Intevac with respect to the shares purchased under the 2003 ESPP does not purport to be complete, and does not discuss the tax consequences of a participant's death or the income tax laws of any state or non-U.S. country in which the participant may reside.

The 2003 ESPP, and the right of participants to make purchases thereunder, is intended to qualify under the provisions of Section 423 of the Internal Revenue Code. Under these provisions, no income will be taxable to a participant until the shares purchased under the 2003 ESPP are sold or otherwise disposed of. Upon the sale or other disposition of the shares, the participant will generally be subject to tax in an amount that depends upon the holding period. If the shares are sold or otherwise disposed of more than (i) two (2) years from the first day of the applicable offering period (or, if later, from the first day the participant entered the offering period) and (ii) one (1) year from the applicable date of purchase, the participant will recognize ordinary income measured as the lesser of (a) the excess of the fair market value of the shares at the time of such sale or disposition over the purchase price, or (b) an amount equal to 15% of the fair market value of the shares as of the first day the participant entered the applicable offering period. Any additional gain will be treated as long-term capital gain. If the shares are sold or otherwise disposed of before the expiration of these holding periods, the participant will recognize ordinary income generally measured as the excess of the fair market value of the shares on the date the shares were purchased over the purchase price. Any additional gain or loss on such sale or disposition will be long-term or short-term capital gain or loss, depending on how long the shares have been held from the date of purchase. In addition, a participant's annual "net investment income", as defined in Section 1411 of the Internal Revenue Code, may be subject to a 3.8% federal surtax. Net investment income may include capital gain and/or loss arising from the disposition of shares purchased under the 2003 ESPP. Whether a participant's net investment income will be subject to this surtax will depend on the participant's level of annual income and other factors.

Intevac generally is not entitled to a deduction for amounts taxed as ordinary income or capital gain to a participant, except to the extent of ordinary income recognized by participants upon a sale or disposition of shares prior to the expiration of the holding periods described above.

Amendment and Termination of the 2003 ESPP

The 2003 ESPP will continue in effect until terminated in accordance with the terms of the 2003 ESPP. Our Board or the committee administering the 2003 ESPP may at any time terminate or amend the 2003 ESPP. The termination of the 2003 ESPP cannot affect purchase rights previously granted under the plan except as provided by the 2003 ESPP, provided that an offering period may be terminated by the plan administrator on any purchase date if the plan administrator determines that the termination of the 2003 ESPP is in the best interests of the Company and its stockholders. To the extent necessary to comply with Section 423 of the Internal Revenue Code or other applicable law or stock exchange rule, the Company will obtain stockholder approval of an amendment or termination in a manner and to the degree required. Without stockholder approval, and without regard to whether any participant rights may be considered to have been adversely affected, the plan administrator is entitled to change the offering periods, limit the frequency and/or number of changes in the amount withheld during an offering period, establish the exchange ratio applicable to the amounts withheld in a currency other than U.S. dollars, permit payroll withholding in excess of the amount designated by a participant in order to adjust for delays or mistakes in the Company's processing of properly completed withholding elections, establish reasonable waiting and adjustment periods and/or accounting and crediting procedures to ensure that amounts applied toward the purchase of Common Stock for each participant properly correspond with amounts withheld from the participant's compensation, and establish such other limitations or procedures as the plan administrator determines in its sole discretion advisable which are consistent with the 2003 ESPP. In addition, in the event the plan administrator determines the ongoing operation of the 2003 ESPP may result in unfavorable financial accounting consequences, the Board may, in its discretion, modify or amend the 2003 ESPP to reduce or eliminate such accounting consequences.

2003 ESPP Transactions for Certain Individuals and Groups

Given that the number of shares that may be purchased under the 2003 ESPP is determined, in part, by our Common Stock's value on the enrollment date of each participant and the last day of the purchase interval and given that participation in the 2003 ESPP is voluntary on the part of employees, the actual number of shares that may be purchased by an individual under the 2003 ESPP is not determinable.

The table below shows, as to each of Intevac's NEOs included in the 2020 Summary Compensation Table and the various indicated groups, the number of shares of Common Stock purchased under the 2003 ESPP during the last fiscal year, together with the weighted average purchase price paid per share.

Name and Position or Group	Number of Purchased Shares	Weighted Average Purchase Price
Wendell Blonigan, President and Chief Executive Officer	—	N/A
James Moniz, Executive Vice President and Chief Financial Officer	5,000	$3.95
Jay Cho, Executive Vice President and General Manager, Thin Film Equipment	4,756	$3.95
Timothy Justyn, Executive Vice President and General Manager, Photonics	5,000	$3.95
Non-employee directors, as a group	—	N/A
All executive officers, as a group	14,756	$3.95
All employees who are not executive officers, as a group	377,332	$4.01

Required Vote

The affirmative vote of the holders of a majority of the shares presented in person or represented by proxy at the Annual Meeting and entitled to vote on the proposal will be required for approval of the amendment to add an additional 500,000 shares of Common Stock to the 2003 ESPP.

Summary

We believe strongly that approval of the amendment to the 2003 ESPP is essential to our continued success and ability to compete for talent in the labor markets in which we operate. Our employees are one of our most valuable assets. Awards such as those provided under the 2003 ESPP constitute an important incentive for our employees and help us to attract, retain and motivate people whose skills and performance are critical to our success.

PROPOSAL THREE

RATIFICATION OF INDEPENDENT PUBLIC ACCOUNTANTS

The Audit Committee of the Board has selected BPM LLP as our independent public accountants for the fiscal year ending January 1, 2022. BPM LLP began auditing our financial statements in 2015. Its representatives are expected to be present at the Annual Meeting, will have an opportunity to make a statement if they desire to do so, and will be available to respond to appropriate questions.

The Board unanimously recommends a vote "FOR" ratification of the selection of BPM LLP as Intevac's independent registered public accounting firm for the fiscal year ending January 1, 2022.

Required Vote

The affirmative vote of the holders of a majority of the shares present in person or represented by proxy at the Annual Meeting and entitled to vote on the proposal will be required to ratify the selection of BPM LLP as Intevac's independent registered public accounting firm for the fiscal year ending January 1, 2022.

Principal Accountant Fees and Services

The following table presents fees billed for professional audit services and other services rendered to us by BPM LLP for the fiscal years ended January 2, 2021 and December 28, 2019.

	BPM LLP	
	2020	**2019**
Audit Fees (1)	$740,890	$730,505
Audit-Related Fees (2)	—	—
Tax Fees (3)	—	—
All Other Fees (4)	—	—
Total Fees	$740,890	$730,505

(1) Audit fees consist of fees billed for professional services rendered for the audit of our annual consolidated financial statements and review of the interim consolidated financial statements included in our Quarterly Reports on Form 10-Q and fees for services that are normally provided in connection with statutory and regulatory filings or engagements. In addition, audit fees include those fees related to the audit of the effectiveness of our internal controls over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act. This category also includes advice on accounting matters that arose during, or as a result of, the audit or the review of the interim consolidated financial statements. The 2020 and 2019 audit fees do not include $46,217 and $46,797 paid to firms other than our independent registered public accounting firm, BPM LLP, for statutory engagements.

(2) Audit related fees consist of assurance and related services that are reasonably related to the performance of the audit of our consolidated financial statements and are not reported under "Audit Fees". There were no services provided under this category in fiscal 2020 and fiscal 2019.

(3) Tax fees consist of fees billed for tax compliance, consultation and planning services. There were no services provided under this category in fiscal 2020 and fiscal 2019.

(4) All other fees consist of fees for other corporate related services. There were no services provided under this category in fiscal 2020 and fiscal 2019.

In making its recommendation to ratify the appointment of BPM LLP as our independent auditor for the fiscal year ending January 1, 2022, the Audit Committee has considered whether services other than audit and audit-related services provided by BPM LLP are compatible with maintaining the independence of BPM LLP and noted that no such services were provided by BPM LLP during the fiscal years ended January 2, 2021 and December 28, 2019.

Pre-Approval of Audit and Permissible Non-Audit Services

Our Audit Committee approves in advance all engagements with BPM LLP, including the audit of our annual financial statements, the review of the financial statements included in our Quarterly Reports on Form 10-Q and tax compliance services. Fees billed by BPM LLP are reviewed and approved by the Audit Committee on a quarterly basis.

PROPOSAL FOUR

ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION

The Company asks that you indicate your support for its executive compensation policies and practices as described in the Company's Compensation Discussion and Analysis, accompanying tables and related narrative contained in this proxy statement. This proposal is required by Section 14A of the Exchange Act and is commonly known as a "say-on-pay" proposal, and gives our stockholders the opportunity to express their views on the compensation of our NEOs. Your vote is advisory and so will not be binding on the Board. However, the Board will review the voting results and take them into consideration when making future decisions regarding executive compensation. We currently hold "say-on-pay" votes annually, and expect that the next "say-on-pay" vote will be held at our 2022 annual meeting of stockholders.

Compensation Program and Philosophy

As described in detail under the headings "Executive Compensation and Related Information" and "Compensation Discussion and Analysis," our NEO compensation program is designed to attract, retain, motivate and reward high-caliber executives who are critical to our success while maintaining strong and direct links between executive pay, individual performance, the Company's financial performance and performance for our stockholders. The Compensation Committee believes that the Company's executive compensation programs should support the Company's objective of creating value for its stockholders.

Accordingly, the Compensation Committee believes that NEOs should have a significant interest in the Company's stock performance, and compensation programs should link executive compensation to stockholder value. One of the ways that the Company has sought to accomplish these goals is by making a significant portion of individual NEO compensation performance-based, such as through a performance-based annual bonus dependent on each NEO's performance relative to financial and other strategic objectives. In addition, the Company makes annual grants of time-based restricted stock units, which promote retention of key leadership talent. In 2020, a portion of the NEOs annual renewal grants were performance-based RSUs (PRSUs). The PRSUs were issued collectively in four separate tranches with individual one-year performance periods beginning in May 2020, 2021, 2022 and 2023, respectively. Vesting of the PRSUs is based on the performance of our common stock relative to the performance of a peer group. Finally, the Company generally pays NEOs compensation that will be above peer company executive compensation when Company performance is above its peer companies and below peer company executive compensation when the Company's financial performance is below that of its peer companies.

The Compensation Committee will continue to emphasize compensation arrangements that align the financial interests of Intevac's NEOs with the long-term interests of stockholders. Please refer to the section of this proxy statement entitled "Executive Compensation and Related Information" for a detailed discussion of Intevac's executive compensation practices and philosophy.

We are asking our stockholders to indicate their support for our NEO compensation as described in this proxy statement. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our NEOs and the philosophy, policies and practices described in this proxy statement. Accordingly, we ask our stockholders to vote "FOR" the following resolution at the 2021 Annual Meeting:

> "RESOLVED, that the Company's stockholders approve, on a non-binding, advisory basis, the compensation of the named executive officers, as disclosed in the Company's Proxy Statement for the 2021 Annual Meeting of Stockholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the tabular disclosure regarding such compensation and the accompanying narrative disclosure."

The Board unanimously recommends a vote "FOR" the approval, on a non-binding, advisory basis, of the compensation of the Company's executives named in the 2020 Summary Compensation Table, as disclosed in this proxy statement pursuant to the executive compensation disclosure rules of the Securities and Exchange Commission, which disclosure includes the Compensation Discussion and Analysis, the compensation tables and other executive compensation disclosures.

Required Vote

The affirmative vote of the holders of a majority of the shares present in person or represented by proxy at the Annual Meeting and entitled to vote on the proposal will be required to approve, on a non-binding, advisory basis, the compensation of the Company's NEOs.

CORPORATE GOVERNANCE MATTERS

Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics that applies to all of our employees, including our principal executive officer, principal financial officer, principal accounting officer or controller, and persons performing similar functions. We have also adopted a Director Code of Ethics that applies to all of our directors. You can find both our Code of Business Conduct and Ethics and our Director Code of Ethics on our website at www.intevac.com. We post any amendments to the Code of Business Conduct and Ethics and the Director Code of Ethics, as well as any waivers, which are required to be disclosed by the rules of either the SEC or Nasdaq on our website.

Corporate Governance Guidelines

We have adopted a set of Corporate Governance Guidelines and periodically updates these guidelines. The guidelines set forth the practices our board follows with respect to, among other things, the composition of the board and board committees, director responsibilities, director continuing education and performance evaluation of the board. The guidelines are posted on our website at www.intevac.com.

Environment, Social and Governance

We are committed to being a responsible corporate citizen in advancing environmental, social and governance initiatives. We endeavor to protect the environment by conserving energy and material resources. Our social commitment is reflected through our employees and our corporate culture. We strive to advance diversity and inclusion through talent acquisition programs to attract, retain and develop a diverse, highly skilled work force. We endeavor to create a culture of innovation and inspiration where employees feel a strong sense of community and collective pride in the Company’s success. With respect to governance, our strong corporate governance policies are noted throughout this proxy statement.

Environment

We are committed to operate our business sustainably, recognizing our environmental responsibility to our customers, stockholders, suppliers, employees and society at large. We strive to act in an environmentally responsible manner by promoting and managing recycling programs to reduce waste in our offices, retrofitting our office spaces for energy efficiency, using energy efficient lighting, enabling our employees to work from home, as well as promoting video conferencing to reduce work-related travel. We recognize that this is a constant commitment, and we endeavor to improve the environmental sustainability of our operations continually.

Social

We recognize that our employees and other key stakeholders are vital to our success. Our organizational culture is open, interactive and team-oriented. We strive to advance diversity and inclusion through various talent acquisition programs to attract, retain and develop a diverse, highly-skilled work force. Particularly, we are committed to equal opportunity employment and strive to reflect the diversity of the communities where we do business. We invest in building diverse talent pools and providing training to improve skill levels, where appropriate.

We are committed to fair and decent workplace values and treating our employee and non-employee workers with dignity, fairness and respect. Elements of this philosophy are:

- Fair and Transparent Business Ethics: Pursuant to our Code of Business Conduct and Ethics, we strive to ensure that all of our employees and those acting on our behalf are aware of the standards of ethical behavior and integrity that are expected of them in their business dealings with us to ensure, among other things, the ethical handling of actual or apparent conflicts of interest, compliance with applicable governmental laws, rules and regulations, and accountability for adherence with the code.
- Non-Discrimination: We uphold a strict policy of non-discrimination in the workplace, including ensuring a workplace that is free of harassment. We do not engage in any forms of discrimination based on race, color, age, gender, sexual orientation, gender identity and expression, ethnicity or national origin, disability, pregnancy, religion, political affiliation, veteran status, protected genetic information or marital status in our hiring and employment practices, including wages, promotions, rewards and access to training. All of our employees are provided with reasonable accommodations for exercising their religious practices.

- Compliance with Labor Laws: We are committed to upholding for our employees and suppliers all relevant labor laws in our countries of operation.
- Employee Safety: We are also committed to a respectful work environment free of physical and verbal harassment. We work to minimize the risks associated with the tasks our employees perform, and we take our responsibility for our employees' health and safety very seriously. We work to identify, assess and prepare for any emergency situation in order to minimize impact to our employees and improve response times.

Community Involvement

We recognize and welcome our obligation to be a responsible member of our community. We strive to align with employees on initiatives that matter most. Initiatives have included fund-raising for cancer research, military outreach, food drives, family giving trees, and school back packs for local children's charities. Our employees are committed to making a difference in the community by actively volunteering and fundraising for many charities. In 2020, as part of our paid time off donation program, our employees donated over $31,000 to various charities including American Cancer Society, Second Harvest, Human Society, Make a Wish, and Salvation Army.

Human Capital Management

Company culture is critical to our business and long-term success. Our engagement with our employees, as well as the reward principles we apply to compensation and promotion decisions and our various talent development initiatives, reinforce our commitment to a positive company culture. We conduct employee surveys to provide on-going feedback on how we are doing against our commitment to treat all employees fairly and provide equal opportunity in an environment free of discrimination. Our Board periodically reviews management succession. More broadly, the board is regularly updated and consulted on key talent hires, as well as the Company's human capital strategy. This strategy is continuously refined based on business initiatives and the overall environment for talent in the United States, Singapore and China.

Cybersecurity

We take various measures to ensure the integrity of our systems, including implementation of security controls and regular training of our employees with respect to measures we can take to thwart cybersecurity attacks. While the full board has the ultimate oversight responsibility for risk management, our audit committee reviews our risk management processes relating to cybersecurity on a regular basis. Further, all of our employees are trained at least annually on our information security procedures.

Independence of the Board

The Board has determined that, with the exception of Mr. Blonigan, all of its members are "independent directors" as that term is defined in the listing standards of Nasdaq.

Board Meetings and Committees

During 2020, the Board held a total of 4 meetings (including regularly scheduled and special meetings) and also took certain actions by written consent. All members of the Board during fiscal 2020 attended at least seventy-five percent of the aggregate of the total number of meetings of the Board held during the fiscal year and the total number of meetings held by all committees of the Board on which each such director served (based on the time that each member served on the Board and the committees). The Board has an Audit Committee, a Compensation Committee and a Nominating and Governance Committee.

Audit Committee

The Audit Committee, which has been established in accordance with Section 3(a)(58)(A) of the Exchange Act, currently consists of Ms. Hayes (chairman), Mr. Barber, Mr. Popovich, and Mr. Rohrs, each of whom is "independent" as such term is defined for audit committee members by the rules of the SEC and Nasdaq listing standards. The Board has determined that Ms. Hayes, Mr. Barber and Mr. Rohrs are each "audit committee financial experts" as defined under the rules of the SEC and are "financially sophisticated" for purposes of the Nasdaq listing standards. The Audit Committee met 8 times during 2020.

The Audit Committee is responsible for:

- Appointing, approving the compensation of, and assessing the independence of our independent registered public accounting firm;
- Overseeing our accounting and financial reporting processes and audits of our financial statements;
- Overseeing the work of our independent registered public accounting firm, including through the receipt and consideration of reports from such firm;
- Reviewing and discussing with management and the independent registered public accounting firm our annual and quarterly financial statements and related disclosures;
- Monitoring our internal controls over financial reporting, disclosure controls and procedures, and Code of Business Conduct and Ethics;
- Reviewing our risk-management policies, data security programs and procedures as well as monitoring cybersecurity risks and the Company's compliance with its data privacy obligations;
- Establishing policies and procedures for the receipt and resolution of accounting-related complaints and concerns;
- Meeting independently with our independent registered public accounting firm and management;
- Reviewing and approving or ratifying any related-person transactions;
- Preparing the report that the rules of the SEC require be included in this proxy statement;
- Periodically providing the Board with the results of its monitoring and recommendations derived therefrom;
- Oversight of our environmental, social and governance, or "ESG," programs; and
- Providing to the Board additional information and materials as it deems necessary to make the Board aware of significant financial matters that require the attention of the Board.

The Audit Committee has adopted a written charter approved by the Board, which is available on Intevac's website at www.intevac.com under "Investors — Corporate Governance."

The Audit Committee Report is included in this proxy statement on page 49.

Compensation Committee

The Compensation Committee currently consists of Mr. Barber (chairman), Dr. Jamison, Ms. Klein and Mr. Rohrs, each of whom is "independent" as such term is defined by the Nasdaq listing standards and the rules of the SEC. The Compensation Committee met 4 times during 2020.

The Compensation Committee is responsible for:

- Overseeing the entirety of our compensation and benefit policies, plans and programs;
- Overseeing the annual report on executive compensation for inclusion in our proxy statement;
- Annually reviewing and approving corporate goals and objectives used to set Chief Executive Officer compensation, and reviewing the performance of the Chief Executive Officer relative to such goals and objectives;
- Making recommendations to our Board with respect to our Chief Executive Officer's compensation;
- Reviewing and approving, or making recommendations to our Board with respect to, the compensation of our other executive officers;
- Overseeing the evaluation of the competitiveness of the compensation of our senior executives;
- Administering our equity incentive plans, including approving equity awards granted to employees, overseeing the Company's annual equity budget and monitoring equity metrics and performance relative to that of our peer group and the market;
- Overseeing and administering our short and long-term incentive programs;
- Reviewing and making recommendations to our Board with respect to director compensation;
- Reviewing and discussing annually with management our "Compensation Discussion and Analysis" disclosure required by SEC rules; and

- Overseeing executive succession planning.

See “Executive Compensation — Compensation Discussion and Analysis” and “Executive Compensation — Compensation of Directors” below for a description of Intevac’s processes and procedures for the consideration and determination of executive and director compensation.

The Compensation Committee has adopted a written charter approved by the Board, a copy of which is available on Intevac’s website at www.intevac.com under “Investors — Corporate Governance.”

Nominating and Governance Committee

The Nominating and Governance Committee currently consists of Mr. Dury (chairman), Mr. Popovich and Ms. Klein, each of whom is “independent” as such term is defined by the Nasdaq listing standards. The Nominating and Governance Committee met 3 times during 2020.

The primary focus of the Nominating and Governance Committee is on the broad range of issues surrounding the composition and operation of the Board. The Nominating and Governance Committee provides assistance to the Board, the Chairman and the CEO in the areas of membership selection, committee selection and rotation practices, evaluation of the overall effectiveness of the Board, and review and consideration of developments in corporate governance practices. The Nominating and Governance Committee’s goal is to ensure that the composition, practices, and operation of the Board contribute to value creation and effective representation of Intevac stockholders.

The Nominating and Governance Committee will consider recommendations of candidates for the Board submitted by the stockholders of Intevac; for more information, see “Policy Regarding Board Nominees” below.

The Nominating and Governance Committee has adopted a written charter approved by the Board, a copy of which is available on Intevac’s website at www.intevac.com under “Investors — Corporate Governance.”

The Nominating and Governance Committee is responsible for:

- Identifying individuals qualified to become members of our Board;
- Recommending to our Board of Directors the persons to be nominated for election as directors and to each Board committee;
- Reviewing and making recommendations to our Board with respect to management succession planning;
- Developing and recommending corporate governance principles to our Board; and
- Overseeing an annual evaluation of our Board.

Attendance at Annual Stockholder Meetings by the Board

Intevac encourages members of the Board to attend the annual meeting of stockholders, but does not have a policy requiring attendance. Mr. Dury (our Chairman of the Board), Mr. Blonigan, Mr. Barber, Ms. Hayes, Mr. Jamison, Ms. Klein, Mr. Popovich and Mr. Rohrs attended Intevac’s 2020 annual meeting of stockholders.

Board Leadership Structure

Our Company is led by Mr. Blonigan, our CEO. Mr. Dury, who was formerly our lead independent director, currently serves as the Chairman of our Board. The Company believes the stockholders are best served by this structure, which provides us with a dynamic leader and a strong independent voice.

As further discussed above under “Board Meetings and Committees”, the Board has three standing committees—Audit, Compensation and Nominating and Governance. Each of the Board committees is comprised solely of independent directors, with each of the three committees having a separate chair. Our corporate governance guidelines provide that our non-employee directors meet in an executive session at each Board meeting. We also have a mechanism for stockholders to communicate directly with independent directors as a group or with any individual director. See “Contacting the Board” below.

Our directors bring a broad range of leadership experience to the Board and regularly contribute to the oversight of the Company’s business and affairs. We believe that all Board members are well engaged in their responsibilities and that all Board members express their views and consider the opinions expressed by other directors. On an annual basis as part of our governance review, the Board (led by the Nominating and Governance Committee) evaluates our leadership structure to ensure that it remains the optimal structure for our company and our stockholders.

We believe that our leadership structure has been effective for the Company. We believe that having an independent chairman and independent chairs for each of our Board committees provides the right amount of independence for our company. We have a strong leader and independent chairman, and oversight of company operations by experienced independent directors who have appointed committee chairs.

Lead Independent Director

If we have a chairman of the board that is not independent in the future, the Board will appoint a lead independent director to schedule and chair meetings of the independent directors and execute any other duties that the independent directors designate.

Policy Regarding Board Nominees

It is the policy of the Nominating and Governance Committee of the Company to consider recommendations for candidates to the Board from stockholders. Stockholder recommendations of candidates for election to the Board should be directed in writing to: Intevac, Inc., 3560 Bassett Street, Santa Clara, California, 95054, and must include the candidate's name, home and business contact information, detailed biographical data and qualifications, information regarding any relationships between the candidate and the Company within the last three years, and evidence of the nominating person's ownership of Company stock. Stockholder nominations to the Board must also meet the requirements set forth in the Company's Bylaws. The Nominating and Governance Committee also reviews materials provided by professional search firms and other parties in connection with a nominee who is not proposed by a stockholder. In evaluating such nominations, the Nominating and Governance Committee seeks to achieve a balance of knowledge, experience and capability on the Board.

The Nominating and Governance Committee's criteria and process for identifying and evaluating the candidates that it selects, or recommends to the full Board for selection, as director nominees are as follows:

- The Nominating and Governance Committee regularly reviews the current composition, size and effectiveness of the Board.
- In its evaluation of director candidates, including the members of the Board eligible for re-election, the Committee seeks to achieve a balance of knowledge, experience and capability on the Board and considers (1) the current size and composition of the Board and the needs of the Board and the respective committees of the Board, (2) such factors as issues of character, judgment, diversity, age, expertise, business experience, length of service, independence, other commitments and the like, (3) the relevance of the candidate's skills and experience to our businesses and (4) such other factors as the Nominating and Governance Committee may consider appropriate.
- While the Nominating and Governance Committee has not established specific minimum qualifications for director candidates, the Nominating and Governance Committee believes that candidates and nominees must reflect a Board that is comprised of directors who (1) are predominantly independent, (2) are of high integrity, (3) have broad, business-related knowledge and experience at the policy-making level in business, government or technology, including an understanding of our industry and our business in particular, (4) have qualifications that will increase overall Board effectiveness and (5) meet other requirements that may be required by applicable rules, such as financial literacy or financial expertise with respect to Audit Committee members.
- The Board will nominate for election or reelection only those candidates who agree to tender, promptly following such candidate's election or reelection, an irrevocable resignation effective upon (i) such candidate's failure to receive the required vote for election at the next meeting at which they would stand for election and (ii) acceptance of such resignation by the Board. In addition, the Board will fill director vacancies and new directorships only with candidates who agree to tender the same form of resignation promptly following their election to the Board.
- With regard to candidates who are properly recommended by stockholders or by other means, the Nominating and Governance Committee will review the qualifications of any such candidate, which review may, in the Nominating and Governance Committee's discretion, include interviewing references for the candidate, direct interviews with the candidate, or other actions that the Committee deems necessary or proper.
- In evaluating and identifying candidates, the Nominating and Governance Committee has the authority to retain or terminate any third party search firm used to identify director candidates, and has the authority to approve the fees and retention terms of any search firm.

- The Nominating and Governance Committee will apply these same principles when evaluating Board candidates who may be elected initially by the full Board to fill vacancies or to expand the Board prior to the annual meeting of stockholders at which directors are elected.
- After completing its review and evaluation of director candidates, the Nominating and Governance Committee selects, or recommends to the full Board for selection, the director nominees.
- The Nominating and Governance Committee, after considering all factors, will decide whether or not to nominate and recommend a nominee to the full Board.

Director Qualifications and Review of Director Nominees

The Nominating and Governance Committee makes recommendations to the Board regarding the size and composition of the Board. The Committee reviews annually with the Board the composition of the Board as a whole. The Committee is responsible for ensuring that the composition of the Board accurately reflects the needs of the Company's business and, in furtherance of this goal, proposing the addition of members and the necessary resignation of members for purposes of obtaining the appropriate members and skills. The specific qualifications of each director are set forth along with their biographical information under "Business Experience and Qualifications of Nominees for Directors" starting on page 9 of this proxy statement.

Intevac does not maintain a formal diversity policy with respect to its Board. As noted above, however, Intevac does consider diversity to be a relevant consideration, among others, in the process of evaluating and identifying director candidates. Intevac believes each director brings a strong and unique background and set of skills to the Board that contributes to the Board's competence and experience in a wide variety of areas. When identifying director candidates, we take into account the present and future needs of the Board and the committees of the Board. For instance, depending on the composition of the Board at a given time, a candidate capable of meeting the requirements of an audit committee financial expert might be a more attractive candidate than a candidate with significantly more technology industry expertise, or vice versa. We also consider the character, judgment and integrity of director candidates, which we evaluate through reference checks, background verification and reputation in the business community. We believe all of our directors to be of high character, good judgment and integrity. Our principal goal with respect to director qualifications is to seat directors who are able to increase the overall effectiveness of the Board and increase stockholder value. The Nominating and Governance Committee and Board are currently examining ways to enhance the representation of individuals from underrepresented communities on our Board.

Contacting the Board

Any stockholder who desires to contact our Chairman of the Board or the other members of our Board may do so by writing to: Board of Directors, c/o the Nominating and Governance Committee Chairman, Intevac, Inc., 3560 Bassett Street, Santa Clara, California, 95054. Communications received by the Nominating and Governance Committee Chairman will be communicated to the Chairman of the Board or the other members of the Board as appropriate depending on the facts and circumstances outlined in the communication received.

Risk Assessment

Our Board is responsible for overseeing enterprise risk in general, while our Audit Committee is responsible for overseeing risk management of financial matters and the adequacy of our risk-related internal controls and our Compensation Committee oversees risk related to compensation policies. Both the Audit and Compensation Committees report their findings to the full Board. In addition, at each of its meetings, the Board discusses the risks that we are currently facing. We believe that our directors provide effective oversight of the risk management function.

Compensation Consultant

The Compensation Committee has engaged Radford, an Aon Hewitt Company ("Radford") to provide independent advice and recommendations on the amount and form of executive and director compensation. In 2020, the cost of Radford's consulting services directly related to compensation committee support was approximately $119,000. In addition, in 2020, our human resources department participated in various human resources and compensation surveys and obtained general benchmarking survey data from Radford at a cost of approximately $25,400 and engaged Radford to provide valuation services for our PRSU awards at a cost of $6,400. The decision to engage the compensation consultant or its affiliates for these other services was made by management.

EXECUTIVE COMPENSATION AND RELATED INFORMATION

Compensation Discussion and Analysis

The following Compensation Discussion & Analysis ("CD&A") describes the philosophy, objectives and structure of our executive compensation program for fiscal year 2020 (the year ending January 2, 2021). This CD&A is intended to be read in conjunction with the tables following this section which provide further historical compensation information for our named executive officers ("NEOs") as identified below. Because the Company is a smaller reporting company ("SRC"), only Messrs. Blonigan, Moniz and Justyn are currently NEOs within the meaning of SEC rules and regulations. However, we have elected to provide voluntary disclosure as to Mr. Cho's compensation in order to provide our stockholders with additional information regarding the Company's executive compensation practices. Throughout this proxy statement, the use of the term NEO should be understood to include our three NEOs (within the meaning of SEC rules and regulations) as well as Mr. Cho. Intevac is a SRC under the rules promulgated by the SEC and complies with the disclosure requirements specifically applicable to SRCs. Based on these scaled requirements, the tables in this CD&A and after reflect the scaled disclosure available to SRCs. We have identified the following four executives as our NEOs for 2020:

Name	Position
WENDELL BLONIGAN	President and Chief Executive Officer
JAMES MONIZ	Executive Vice President and Chief Financial Officer
JAY CHO	Executive Vice President and GM, TFE
TIMOTHY JUSTYN	Executive Vice President and GM, Photonics

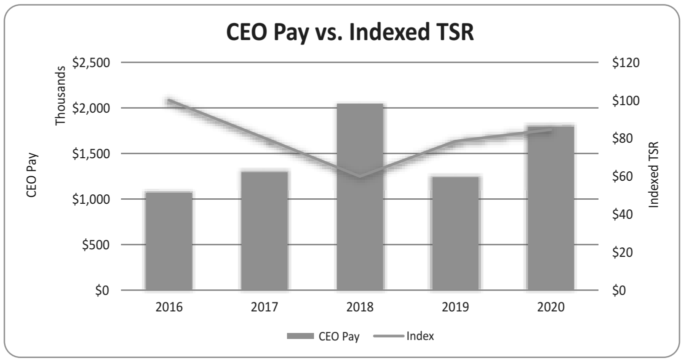
This CD&A is not required to be included in this proxy statement under the scaled disclosure requirements applicable to SRCs. However, we have chosen to include this section to provide our stockholders with robust information regarding the NEO compensation decisions made for fiscal year 2020 and to outline the reasoning behind these decisions.

Executive Summary*

Fiscal 2020 was a profitable year for our business with strong cash flow generation for the year as we continued to execute on our short-term and long-term strategy despite the immense challenges we faced in 2020. We generated significant cash flow in 2020, ending the year with $50.4 million in total cash, restricted cash and investments, an increase of $7.5 million over year-end 2019. Our profitable results were driven primarily by our Photonics business, which reported strong growth and a record year as a result of significant development revenues for the IVAS (Integrated Visual Augmentation System) program with the U.S. Army, the first all-digital solution for the ground soldier. In our Thin-film Equipment ("TFE") business, we achieved strong gross margin performance, primarily as a result of record sales of Hard Disk Drive ("HDD") upgrades. The HDD market continues to be a profitable market for us, given the growth in nearline cloud storage demand. While total sales declined year-over-year as a result of COVID-related delays in our TFE growth initiatives, our combined Photonics and HDD businesses actually grew 5% for the year, exceeding our expectations entering 2020. Intevac must continue to be focused strategically, as our businesses will continue to be characterized by rapidly changing technology and customer requirements, intense competition, fluctuating revenues and significant competition for management talent.

* Actual results for revenue and backlog are reported on a U.S. GAAP basis and are set forth in the Consolidated Statements of Income and under Note 2 of the notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for fiscal 2020 filed with the SEC on February 17, 2021.

How Our Recent Performance Has Affected Pay



Our plans, and our pay levels, reflect our performance. Our stock price performance and other recent operational challenges have underscored the fact that our pay program has properly aligned executive pay and performance, in both the short-term and the longer-term.

2020 Pay Decisions and Outcomes

In 2020, the Compensation Committee worked diligently with management to make prudent decisions with regards to our executive compensation throughout the year that was considerate and reflective of strongly supportive stockholder feedback, including the support of 98% of votes cast for our say-on-pay proposal last year. The key decisions and outcomes included:

- **New Performance-based Equity Program**: In 2020, all of our NEOs, including our CEO, received performance-based equity as part of their long-term incentive award.
- **Annual Incentive Cap:** In 2020, the Compensation Committee increased the cap on the short-term cash incentive program AIP bonus to 2 times target to drive growth and reward performance in our strategic business. Additionally, as in previous years, an executive's individual performance is a key component in the calculation of his or her incentive award.
- **Equity Grant Determination:** In 2020, the Compensation Committee changed the equity grant determination methodology to be based on target dollar values, as opposed to the previous practice of a fixed number of shares. The Compensation Committee determined that this aligned better with market expectations and peer practices.
- Please see below for a summary of paid compensation as reflected in our Summary Compensation Table:

	2019 Base	2020 Base (*)	2019 AIP	2020 AIP	2019 Equity	2020 Equity	2019 Total Direct Compensation	2020 Total Direct Compensation	Change
Wendell Blonigan	$547.9	$586.5	$313.0	$484.5	$377.6	$637.0	$1,240.5	$1,710.2	***37.8%***
James Moniz	$328.2	$360.8	$128.9	$186.9	$203.8	$217.4	$ 663.0	$ 767.1	***15.7%***
Jay Cho	$297.2	$329.6	$ 82.0	$147.3	$152.9	$176.6	$ 534.2	$ 655.6	***22.7%***
Timothy Justyn	$294.9	$319.2	$ 89.6	$172.6	$152.9	$176.6	$ 539.4	$ 670.4	***24.3%***

All numbers in thousands

(*) Because 2020 was a 53-week fiscal year, the 2020 salary amounts reflect an extra two weeks of pay.

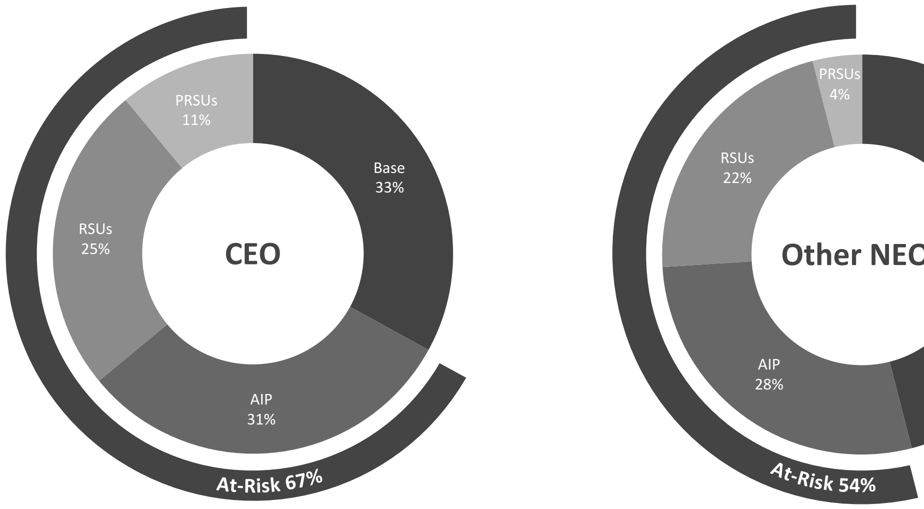
Compensation Program Highlights

The Compensation Committee has structured our executive compensation program to ensure that our NEOs are compensated in a manner consistent with stockholder interests, competitive pay practices and applicable requirements of regulatory bodies. The following are important features of the design and operation of our executive compensation program:

Element	Performance Period	Objective	Performance Measured/Rewarded
Base Salary	Annual	Recognizes an individual's role and responsibilities and serves as an important retention vehicle	• Reviewed annually and set based on market competitiveness, individual performance and internal equity considerations.
Annual Bonus	Annual	Rewards achievement of annual financial objectives and individual performance goals As the Company was profitable in FY 2020, a portion of the Corporate Financial Performance bonus was paid	• Corporate Financial Performance • Individual Performance Goals
Time-based RSUs	Long-Term	Aligns the interests of management and stockholders and serves as an important retention vehicle	• Vest annually over 4 years based on continued service.
Performance-based RSUs	Long-Term	Aligns the interests of management and stockholders, rewarding key contributors for significant stock price appreciation and the creation of stockholder value	• Granted in 2020 to all NEOs, including our CEO, the PRSUs were issued collectively in 4 separate tranches with individual 1-year performance periods beginning in May 2020, 2021, 2022 and 2023, respectively. • Vesting is based on stock price performance relative to the performance of a peer group.
Performance-based Stock Options	Long-Term	Aligns the interests of management and stockholders by encouraging sustained stock price appreciation	• Granted to Mr. Blonigan in 2019, PSOs vest on achievement of challenging stock price hurdles, set between 25% and 75% above grant date stock price, with a 4 - year performance period running through the end of 2023. Two of the 4 performance goals have been satisfied, and 50% of the PSOs have been earned to date.

2020 Target Pay Mix

Our executive compensation program is predominantly performance-based. As an executive's ability to impact operational performance increases, so does the proportion of his or her at-risk compensation. Target long-term incentive compensation grows proportionately as job responsibilities increase, which encourages our officers to focus on the Company's long-term success and aligns with the long-term interests of our stockholders. The graphics below illustrate the mix of fixed, annual and long-term target incentive compensation we provided to our CEO and other NEOs for 2020:



Compensation Governance

The Compensation Committee regularly reviews and incorporates best practices in executive compensation to competitively pay our executives while ensuring alignment of management and stockholder interests. Some highlights include:

- Pay-for-performance philosophy and culture
- Compensation mix of base salary, short-term and long-term incentives provides a variety of time horizons to balance our near-term and long-term strategic goals
- Anti-hedging policies
- Responsible use of shares under our long-term incentive program
- No supplemental executive retirement plans
- No perquisites

Say on Pay Vote

At our 2020 Annual Meeting of Stockholders, 98% of the votes cast by our stockholders supported our advisory vote on executive compensation (the "say-on-pay") proposal. While the "say-on-pay" vote is non-binding, the Compensation Committee pays close attention to the results and given the strong level of support evidenced by last year's say-on-pay vote, the Compensation Committee determined that our stockholders were overwhelmingly supportive of our current executive compensation philosophy and program. The Company and the Compensation Committee generally believe that our existing executive compensation program properly encourages and rewards the achievement of financial results that promote long-term stockholder value creation and is appropriate for a company of our size and in our industry, and, in line with the exceptionally high level of support shown by stockholders for our current approach, has continued to take meaningful steps toward further cementing this alignment between stockholder interests and executive compensation, as summarized in the table below.

We conduct an ongoing stockholder outreach program to maintain an open and regular dialogue with our institutional stockholders to understand their views and concerns regarding our executive compensation program. In January and February 2021, we invited our top 19 institutional stockholders, representing nearly 70% of our outstanding shares to discuss their views. As a result, we engaged in discussions with 11 institutional stockholders, representing nearly 55% of our outstanding shares to listen to their views with respect to our executive compensation program and disclosures. Topics discussed with stockholders included the level of CEO compensation, our compensation disclosure, performance-based vesting criteria and metrics, board composition and ESG initiatives. Our stockholder outreach was performed by our CFO. The Company and the Compensation Committee intend to continue to expand this outreach program by increasing the frequency of its outreach efforts.

Recent Actions Taken Based on Stockholder and Proxy Advisor Feedback

The following table summarizes various concerns that have been expressed by stockholders and proxy advisors and how we have addressed the issues:

What We Heard	How We Have Responded
• ***Emphasis on performance-based equity awards***	• In 2020, a portion of the NEO's equity grant was issued in PRSUs. • In 2019, a portion of the CEO's equity grant was issued in PSOs.
• ***Importance of stockholder engagement*** The majority of investors surveyed commented that stockholder engagement was important to them and they appreciated our reaching out to them for their input.	• We continued to perform shareholder outreach in the 2020 - 2021 timeframe.
• ***Importance of Board diversity***	• We added two women as board members in 2019. • We intend to add a Board member from an underrepresented community no later than December 31, 2021 and an additional member from an underrepresented community no later than December 31, 2022.

Executive Compensation Philosophy and Objectives

Our compensation structure is designed to attract, retain, motivate, and reward high-performing executives. The guiding principles of our executive compensation plan are as follows:

- Provide a total compensation opportunity that is competitive with our peer group, but that also takes into account the need to compete for talent with much larger equipment and imaging companies.
- Align compensation with the Company's performance by:
  - Providing a significant portion of total compensation in the form of a performance-based annual bonus dependent on each executive's performance relative to predetermined financial and other strategic objectives set at the beginning of each fiscal year.
  - Providing long-term, significant equity incentives. In 2020 these incentives were in the form of a combination of time-based RSUs and from time to time performance-based RSUs, in order to retain those individuals with the leadership abilities necessary for increasing long-term stockholder value while aligning the interests of our NEOs with those of our long-term stockholders.
  - Our 2020 PRSUs contain four individual one-year performance periods, with the performance goals based on Intevac's stock price appreciation over each one-year performance period relative to the companies in our peer group, and requires sustained measurable performance over each performance interval. In the event that Intevac's stock performance does not meet or achieve the performance of the peer group, no shares will be awarded, meaning our NEOs will be rewarded only when Intevac's stock is performing adequately relative to the market.
  - Setting challenging performance goals for our NEOs and providing a short-term incentive through an incentive compensation plan that is based upon achievement of these goals.
- Increase the portion of total compensation based on performance-based annual bonuses and stock-based awards relative to base salary with increasing executive responsibility level.
- Align each executive's goals with those of other executives to encourage a team approach to problem solving.
- Provide clear guidelines for each compensation element relative to market practices (base salary, performance-based annual incentives and annual equity grants), while allowing the Compensation Committee flexibility to make final decisions based on management recommendations (other than decisions for the CEO, which are made by the independent members of the Board), and other factors such as performance, experience, contribution to business success and retention needs.

Compensation Determination Process

Role of the Compensation Committee

The Compensation Committee oversees, reviews and approves the compensation and benefit policies, plans and programs for the entire Company, including our NEOs. The Compensation Committee develops goals and objectives for the CEO and reviews his performance relative to his established goals and objectives. The Compensation Committee recommended the principal elements of Mr. Blonigan's annual compensation as CEO to the Board for approval. The Compensation Committee reviewed with Mr. Blonigan and approved the principal elements of compensation for the NEOs (other than Mr. Blonigan). The Compensation Committee also reviewed with Mr. Blonigan and approved merit increases, as well as bonuses and equity grants for non-NEO employees. The Compensation Committee also annually reviews the compensation of the members of the Board and recommends any changes to the Board. Final approval of compensation for Mr. Blonigan and the members of the Board was given by the independent members of the Board in executive session. The Compensation Committee also reviews and approves executive succession planning, incentive compensation plans, and equity compensation plans.

Role of the CEO

During 2020, Mr. Blonigan provided recommendations to the Compensation Committee with respect to base salary amounts, target bonus percentages, goals and objectives, bonus payments, and stock-based awards for each NEO (other than himself). These compensation recommendations were based on market data reviewed by the Compensation Committee and a review by Mr. Blonigan of each executive officer's overall performance and contribution to the Company during the prior year. While the Compensation Committee considered the recommendations of Mr. Blonigan with respect to these elements of compensation, the Compensation Committee independently evaluated the recommendations and made all final compensation decisions. Mr. Blonigan did not make any recommendations as to his own compensation and such decisions are made solely by the independent members of the Board (without Mr. Blonigan present), after recommendations were made to the Board by the Compensation Committee.

Role of Our Independent Advisor

The Compensation Committee retained Radford to assist it in evaluating 2020 executive compensation programs and to provide advice and recommendations on the amount and form of executive compensation, and the allocation of compensation across the compensation components described below. The instructions provided to Radford included assessing target compensation levels for our executives relative to market practices and evaluating the overall design of our executive compensation program. At least once annually, at the Compensation Committee's request, Radford attends Compensation Committee meetings. Radford reported directly to the Compensation Committee and not to management. The Compensation Committee assessed the independence of Radford pursuant to SEC rules and concluded that the work of Radford has not raised any conflict of interest.

Use of a Peer Group

Executive compensation data was drawn from the Radford Executive Benchmark Survey for companies in the semiconductor equipment, imaging, electronic equipment and instruments industries, that design and manufacture equipment related to the manufacturing process of technology products, that have 3-year average revenues generally under $300 million and market capitalization between $60 million and $500 million and from publicly available proxy filings for the peer companies identified below (the "Peer Companies"). In the case of the data from the proxy filings of the Peer Companies, only data for the CEO and CFO positions was obtained, as these are the only two positions reported with sufficient frequency among the Peer Companies to draw meaningful conclusions on competitive pay. The market compensation levels for comparable positions were examined by Radford and the Compensation Committee as part of the process to determine overall program design, base salary, target incentives and annual stock-based awards, including the total equity pool for allocation to all employees.

The Peer Companies we used to evaluate market compensation positioning for executives in making 2020 compensation decisions were selected in December 2019 based on the selection criteria discussed above, which the Compensation Committee deemed relevant at that time, and resulted in the removal of four companies through acquisition and three additions. As a result, the 2020 Peer Companies include the following companies:

- Adesto Technologies Corporation *
- Amtech Systems, Inc. *
- AXT Inc. *
- Clearfield, Inc. *
- CyberOptics Corporation *
- DSP Group Inc. *
- EMCORE Corporation *
- Immersion Corporation *
- In TEST Corporation *
- Kopin Corporation *
- Luna Innovations
- NeoPhotonics Corporation *
- Park Aerospace Corp. *
- PCTEL, Inc.
- PDF Solutions, Inc.
- Perceptron, Inc. *
- Pixelworks Inc. *

* Included in the 2019 peer group

At the time these peers were chosen, Intevac was at or near the median market capitalization of the peer group, while it is within the top quartile of its peer companies with regards to revenues as well as year-over-year growth in revenues.

In early 2020, the base salary, total target cash compensation (base salary plus performance-based annual cash bonus) and total target compensation (including stock-based awards) for each of Intevac's five most senior executives, including our NEOs, were compared to market pay levels for executives with similar levels of responsibility.

In setting compensation for our executive officers, including our NEOs, the Compensation Committee uses competitive compensation data from an annual total compensation study of selected peer companies and other relevant survey sources to inform its decisions about overall compensation opportunities and specific compensation elements. Additionally, the Compensation Committee uses multiple reference points when establishing targeted compensation levels. The Compensation Committee applies judgment and discretion in establishing targeted pay levels, considering not only competitive market data, but also factors such as company, business unit and individual performance, scope of responsibility, critical needs and skill sets, experience, leadership potential and succession planning.

For 2020, the Compensation Committee concluded that Intevac's executive compensation:

- Was appropriate considering the available competitive data, the Company's strong financial performance, and the Company's need to retain key employees; and
- Continued to provide strong incentives to management to optimize Intevac's financial performance in each year and over time.

The Compensation Committee believes that the Company's program to compensate NEOs and other employees is consistent with the intent and design of the Company's variable pay programs, which link actual pay directly to improved operating results, and result in reduced compensation in years in which financial results do not meet expectations.

Elements of Executive Compensation

The primary components of executive compensation are:

- Base salary;
- Performance-based annual cash bonus; and
- Annual grants of long-term, equity-based incentives, which in 2020, consisted of time-based RSUs; and PRSUs.

We allocate total potential and target compensation among these components based on the goals of our compensation program, including the need to offer competitive compensation and our focus on paying for performance. We also provide our executives the same benefits and perquisites that we offer our other U.S. employees. These standard employee benefits include participation in our 401(k) plan and employee stock purchase plan, and health and welfare and life insurance benefits, each with the same terms and conditions available to employees.

Base Salary

We provide our NEOs and other employees with base salary to compensate them for services rendered during the fiscal year. The purpose of base salary is to reward effective fulfillment of the assigned job responsibilities, and to reflect the position's relative value to the Company and competitiveness of the executive job market.

The Compensation Committee approves any changes to base salaries on an annual basis. To determine any annual changes to base salary; the committee utilizes the competitive market data provided by our independent compensation consultant in addition to an assessment of each executive's responsibilities and performance against goals and objectives. These factors are evaluated at the Compensation Committee's discretion.

2020 Base Salaries

2020 base salaries for the NEOs were approved by the Compensation Committee (with the exception of Mr. Blonigan, whose base salary was approved by the independent members of the Board, upon recommendation of the Compensation Committee).

The annual base salaries for the NEOs in 2019 and 2020, were as follows:

Executive	2019	2020	Percentage Increase
Wendell Blonigan	$550,000	$570,000	**3.6%**
James Moniz	$340,000	$350,000	**2.9%**
Jay Cho	$310,000	$320,000	**3.2%**
Timothy Justyn	$300,000	$310,000	**3.3%**

Performance-based Annual Incentives

We provide the opportunity to earn performance-based annual bonuses to our NEOs and other management employees under our AIP. The objective of the AIP is to align our executive compensation with actual short-term business performance and with our strategic business objectives.

The AIP consists of two performance measures:

- **Corporate Financial Performance**, which is based on Intevac's financial performance (profitability); and
- **Individual Performance**, which is based on each NEO's performance against goals and objectives set at the beginning of the year.

Having an incentive program which is based half on individual performance is important in order to provide our NEOs with incentives to achieve goals and objectives which are specific to their individual functional areas and to maximize the Company's value, as well as for retention considerations, while having half based on Company profitability focuses the NEOs on the common goal of continuing to drive overall Company performance.

Annual incentives can be paid in cash or time-based RSUs at the discretion of the Compensation Committee. In early 2020, the Compensation Committee determined that the 2020 AIP would be paid entirely in cash.

Target Bonus Opportunities

Each participating NEO is assigned an annual incentive opportunity, computed by multiplying each executive's base salary times his or her Target Bonus Percentage. Based on the program set up by the Compensation Committee for 2020, the NEO's Target Bonus is half based on individual performance and half based on Company financial performance. For 2020 AIP participants, payout under the Individual Performance component was capped at a maximum of two times half of the Target Bonus attributed to that component and payout under the Corporate Financial Performance was capped at a maximum of two times half of the Target Bonus. The total bonus payout is therefore capped at a maximum of 200% of the Target Bonus for 2020.

Target Bonus Percentages are determined based on competitive market data, internal equity considerations, and the degree of difficulty associated with achieving performance levels. Each factor is evaluated by the Compensation Committee based on data and input provided by management as well as our independent compensation consultant. Typically, the pay philosophy is to target annual cash compensation with reference to the 50th percentile of the peer group, with the opportunity to earn annual incentives in excess of that level based on achieving performance superior to the objectives the Compensation Committee has determined to reward.

For 2020, Target Bonus Percentages for our NEOs were not increased from prior year opportunities (as a percentage of base salary):

Executive	Target AIP (as % of base salary)	Target AIP ($)
Wendell Blonigan	100%	$570,000
James Moniz	65%	$227,500
Jay Cho	60%	$192,000
Timothy Justyn	60%	$186,000

Corporate Financial Performance Goals

In January 2020, the Compensation Committee established a bonus pool equal to $1.7 million or 26.0% of Proforma Pretax Income to fund the 2020 Corporate Financial Performance bonus component. Proforma Pretax Income is equal to pretax income and adding back stock compensation expense.

Calculation of Proforma Pretax Income	2020 Annual Operating Plan ($ millions)	2020 Actual ($ millions)
Net income	$1.8	$1.1
Income tax	1.8	1.7
Pre-tax income	3.6	2.8
Addback		
Stock compensation expense	2.9	3.4
Proforma pretax income	**$6.5**	**$6.2**

The bonus pool of $1.7 million would have funded the bonus at 100% of target. At the actual level of achievement, the Corporate Financial Performance Bonus was earned at 75% of target.

Performance Level	Proforma Pre-Tax ($ millions)	Award Percentage
Maximum	Greater than $21.0	200%
Target	Between $9.0 and $12.0	100%
Annual Operating Plan	$6.5	75%
Minimum	Between $0 and $3.0	25%

Individual Performance Goals

Each NEO received a comprehensive set of individual performance goals for 2020. These goals were established at the beginning of the fiscal year and approved by the Compensation Committee. The individual performance goals are considered aggressive and deemed difficult to achieve, and if achieved at 100% would have exceeded the Company's operational expectations for the measurement period.

The following tables show 2020 individual performance goals and their relative weightings for each NEO:

Wendell Blonigan, CEO

Fiscal 2020 Goals	Weighting	Achieved
• **Corporate Financial Plan** Achieve quarterly objectives related to Company financial performance in orders, revenue and operating profitability 1. Orders: $52.4 M; goal of $86.8 M 2. Consolidated revenue: $97.8 M*; goal of $110.7 M 3. Consolidated operating income: $2.6 M*; goal of $3.1 M	20%	38%
• **Balance Sheet Management** Achieve objectives related to balance sheet management. Cash flow positive for FY 2020 (less stock buyback and/or strategic capital allocations)	5%	100%
• **Corporate Management** Achieve objectives related to corporate management including financial controls, investor relations, hiring and board of director communications	10%	100%
• **Thin-film Equipment Business Operations** Achieve objectives related to TFE new product plans including display cover panel, solar implant and semiconductor fan-out	35%	60%
• **Photonics Business Operations** Achieve objectives related to the strategic direction, growth and profitability of the Photonics business	25%	85%
• **HR Safety and Compliance** Achieve objectives related to employee engagement and safety	5%	100%
	Score	***70%***

James Moniz, CFO

Fiscal 2020 Goals	Weighting	Achieved
• **Corporate Financial Plan** Achieve quarterly objectives related to Company financial performance in orders, revenue and operating profitability 1. Orders: $52.4 M; goal of $86.8 M 2. Consolidated revenue: $97.8 M*; goal of $110.7 M 3. Consolidated operating income: $2.6 M*; goal of $3.1 M	20%	38%
• **Business FY 2020 Financial Targets** Achieve objectives related to corporate spending	25%	100%
• **Management of Financial and IT Operations** Achieve objectives related to internal controls, working capital management, global information systems, and investor relations	25%	67%
• **Management of Financial Performance of the Company, Internally and Externally** Achieve objectives related to financial planning, forecasting and internal and external reporting	25%	100%
• **Safety, Compliance, Employee Development** Achieve strategic initiatives including organizational and leadership development, employee engagement, quality, and safety	5%	100%
	Score	***79%***

Jay Cho, TFE GM

Fiscal 2020 Goals	Weighting	Achieved
• **Corporate Financial Plan** Achieve quarterly objectives related to Company financial performance in orders, revenue and operating profitability 1. Orders: $52.4 M; goal of $86.8 M 2. Consolidated revenue: $97.8 M*; goal of $110.7 M 3. Consolidated operating income: $2.6 M*; goal of $3.1 M	20%	38%
• **Business / Organizational Unit FY 2020 Financial Targets** Achieve TFE business objectives in orders, revenue and profits 1. TFE orders: $30.4 M; goal of $69.5 M 2. TFE revenue: $52.1 M*; goal of $64.8 M 3. TFE operating loss: $2.0 M*; goal of $0.2 M operating income	20%	10%
• **HDD / New Business Development** Achieve objectives related to hard disk drive equipment Manage factory operations and supply chain through the COVID-19 crisis	10%	100%
• **Vertex Business Development** Achieve objectives related to display cover panel business including orders and product development	35%	30%
• **New Business Development** Achieve objectives related to solar implant and semiconductor fan-out products including orders and product development	10%	100%
• **Safety, Compliance, Employee Development** Achieve strategic initiatives including employee engagement, quality, and safety	5%	67%
	Score	***44%***

Timothy Justyn, Photonics GM

Fiscal 2020 Goals	Weighting	Achieved
• **Corporate Financial Plan** Achieve quarterly objectives related to Company financial performance in orders, revenue and operating profitability 1. Orders: $52.4 M; goal of $86.8 M 2. Consolidated revenue: $97.8 M*; goal of $110.7 M 3. Consolidated operating income: $2.6 M*; goal of $3.1 M	20%	38%
• **Business / Organizational Unit FY 2020 Financial Targets** Achieve objectives related to Photonics financial performance including orders, revenue and operating profitability 1. Photonics orders: $16.0 M; goal of $17.3 M 2. Photonics revenue: $45.7 M*; goal of $45.8 M 3. Photonics operating income: $10.1 M*; goal of $8.0 M	20%	96%
• **New Business Development** Achieve objectives related to new business development and market penetration	10%	100%
• **Funded Development Programs** Achieve objectives related to funded research and development programs	40%	75%
• **Organizational Development** Achieve objectives related to organizational and leadership development	5%	75%
• **Safety, Compliance, Employee Development** Achieve strategic initiatives including employee engagement, quality, and safety	5%	100%
	Score	***76%***

* Actual results for revenue and operating income are reported on a U.S. GAAP basis and are set forth in the Consolidated Statements of Income and under Note 14 of the notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for fiscal 2020 filed with the SEC on February 17, 2021.

2020 Performance Against Individual Goals

In order to determine the payout associated with the Individual Performance measures, the Compensation Committee analyzed each NEO’s performance versus their individual goals. The specific performance versus objectives for each of the goals are not disclosed as the disclosure of these goals would potentially reveal confidential information regarding our business strategy and operations, which could result in substantial competitive harm.

The NEOs’ performance against each of the 2020 Goals was evaluated at the end of the year by the CEO for all NEOs other than himself. The performance and evaluation were then reviewed and approved by the Compensation Committee. The Compensation Committee evaluated the CEO’s performance which was then reviewed and approved by the independent members of the Board. Discretion was applied to the scoring of the 2020 Goals in recognition that the NEOs demonstrated excellent leadership and outstanding achievements during these unprecedented and unpredictable times. The CEO recommended raising Mr. Moniz’s final score to 89% due to executive leadership in a pandemic. The CEO recommended raising Mr. Cho’s final score to 79% due to executive leadership in a pandemic and as well as outstanding performance in new business development. Further, the CEO recommended raising Mr. Justyn’s final score to 111% due to executive leadership in a pandemic and because performance in our Photonics segment exceeded his financial profitability goals. The performance and evaluation were then reviewed and approved by the Compensation Committee. The Compensation Committee evaluated the CEO’s performance which was then reviewed and approved by the independent members of the Board. The Compensation Committee recommended raising the CEO’s final score to 95% due to executive leadership in a pandemic and as well as outstanding performance in new business development and strategic customer wins in both the TFE and Photonics business.

2020 earned incentives were as follows:

Executive	Opportunity		Actual	
	Target AIP (as % of base salary)	Target AIP ($)	2020 Earned Award	As a % of Target
Wendell Blonigan	100%	$570,000	$484,500	85.0%
James Moniz	65%	$227,500	$186,948	82.2%
Jay Cho	60%	$192,000	$147,312	76.7%
Timothy Justyn	60%	$186,000	$172,562	92.8%

Long-Term Incentives

We grant equity-based compensation to our NEOs to align their interests with the long-term interests of our stockholders and to provide our executives with incentives to manage Intevac from the perspective of an owner with an equity stake in the business.

In 2020, we utilized two incentive vehicles:

- Time-based RSUs and
- Performance-based RSUs (PRSUs)

For 2020 annual grants, the Company granted time-based RSUs to all equity plan participants. For 8 executives including our NEOs the Company granted a combination of RSUs and PRSUs. The Compensation Committee believes that including PRSU awards in the total direct compensation opportunities of those executives whose individual performances and decisions have a direct impact on our Company's performance helps to strengthen our overall pay-for-performance alignment by ensuring that a substantial portion of their compensation is aligned with the creation of value for our stockholders. For 2020 annual grants, the number of time-based RSUs and PRSUs were determined with reference to market data, including the median of our peer group. The ratio of time-based RSUs to PRSUs for the NEOs, except for Mr. Blonigan was 3:1. The ratio of time-based RSUs to PRSUs for Mr. Blonigan, was 1.5:1.

The Compensation Committee believes that the time-based RSU awards provide a valuable retention component to our annual compensation program Further, RSUs are potentially less dilutive to the Company's earnings per share than options. The 2020 annual RSU grants vest in four equal annual installments.

Individual Grant Determinations

Annually, the Compensation Committee approves the annual stock-based awards to be granted to all grant recipients taking into consideration the total dilutive impact of all shares to be granted, the burn rate (the total number of shares to be granted as a percentage of shares outstanding), and projected compensation expense related to employee stock-based awards. In 2020, the Compensation Committee changed the methodology to determine the level of annual equity grants to be based on a target dollar value for the long-term incentive award, rather than as a fixed number of shares, in order to align better with market expectations and peer practices. Each year, the Compensation Committee sets guidelines for the size and mix of each grant to each NEO and other exempt employees. Actual stock-based award grants to the NEOs are made within the ranges set forth in these guidelines, based on the factors discussed below. For the NEOs, the guidelines reflect each NEO's position within the Company and are set at a level that the Compensation Committee considers appropriate to create a meaningful opportunity for reward predicated on increasing stockholder value, and appropriate to meet our retention goals. In determining the appropriate grant levels, the Compensation Committee reviews competitive market practices, taking into consideration both the potential value to individual participants compared to executives at other companies with similar responsibilities. The Compensation Committee also evaluated the mix of equity awards to be granted.

Actual 2020 annual renewal grants to the NEOs, except for Mr. Blonigan, were proposed by Mr. Blonigan and reviewed and approved at a Compensation Committee meeting. In determining the number of time-based RSUs and PRSUs to grant to each individual, including Mr. Blonigan, the Compensation Committee took into account factors such as each executive's recent performance, level of responsibility, job assignment, the competitive climate, internal equity considerations, market data, and retention considerations. Each of these factors was considered by the Compensation Committee, in its judgment, and no formal weighting of these factors was used.

The number of time-based RSUs and PRSUs granted to the NEOs in 2020 and the number of stock options, PSOs and time-based RSUs granted to the NEOs in 2019 is shown in the table below.

	2019			2020	
NEO	Stock Options (#)	PSO (#)	RSU (#)	RSU (#)	PRSU (#)
Wendell Blonigan	37,500	37,500	40,000	88,757	59,171
James Moniz	40,000	—	20,000	35,502	11,834
Jay Cho	30,000	—	15,000	28,846	9,615
Timothy Justyn	30,000	—	15,000	28,846	9,615

For 2020, the grant date fair value of equity awards for all NEOs, other than our CEO, was similar to the grant date fair value of 2019 awards. The Compensation Committee determined to increase the size of Mr. Blonigan's grant after an analysis of equity grants to CEOs at peer companies showed Mr. Blonigan's grants to be significantly below median levels.

The grant date fair value of time-based RSUs and PRSUs granted to the NEOs in 2020 and the grant date fair value of stock options, PSOs and time-based RSUs granted as to the NEOs in 2019 is shown in the table below.

	2019				2020		
NEO	StockOptions ($)	PSO ($)	RSU ($)	Total ($)	RSU ($)	PRSU ($)	Total ($)
Wendell Blonigan	84,607	65,813	227,200	377,620	449,998	186,980	636,978
James Moniz	90,248	—	113,600	203,848	179,995	37,395	217,390
Jay Cho	67,686	—	85,200	152,886	146,249	30,383	176,632
Timothy Justyn	67,686	—	85,200	152,886	146,249	30,383	176,632

In 2020, the NEOs were granted performance-based RSUs (PRSUs), issued collectively in four separate tranches with individual one-year performance periods beginning in May 2020, 2021, 2022 and 2023, respectively. Vesting of the PRSUs is based on the performance of our common stock relative to the performance of a peer group. The peer group is comprised of the "Peer Companies" listed in the Company's "Compensation Discussion and Analysis" section in this proxy statement. At the end of each performance period, the Compensation Committee will determine the achievement against the performance objectives.

On each performance assessment date, Intevac's stock price growth for the applicable performance period will be compared against the peer group stock price growth for the applicable performance period (each expressed as a growth rate percentage) to result in a growth rate (the "Growth Rate Delta") for the performance period equal to Intevac's stock price growth minus the peer group stock price growth, both for the applicable performance period. A new Growth Rate Delta will be calculated for each performance period on the related performance assessment date. Any earned PRSU awards will vest 100% after the end of the applicable performance period. On each performance assessment date, 25% of the total number of PRSUs originally subject to the award (and no more) will vest upon achievement of a Growth Rate Delta greater than or equal to zero. If, on a performance assessment date, the Growth Rate Delta is less than 0%, no portion of the PRSUs will vest on such performance assessment date and 25% of the total number of PRSUs originally subject to the award will immediately terminate. In addition, in order to vest, the participant must remain in service to Intevac through the end of the applicable performance period.

In 2019, Mr. Blonigan's equity grant was comprised of a mix of time-vesting options, time-vesting RSUs and PSOs. In 2019 one half (37,500 shares) of the CEO's annual renewal stock option grant was made in PSOs. The PSOs vest only upon the attainment of rigorous stock price performance goals over a four-year performance period. Under the terms of the arrangement:

Vesting Schedule	Closing Share Price Performance Criteria (30 Consecutive Trading Day Average Closing Share Price)	Required Share Price Improvement (as Measured from the June 7, 2019 Closing Price of $4.82)
The PSOs become exercisable as follows if the applicable share price performance criteria is met at any time during the performance period as follows*:		
25% of PSOs (became exercisable on December 13, 2019)	$6.03 or higher	25%
25% of PSOs (became exercisable on January 8, 2020)	$6.51 or higher	35%
25% of PSOs	$7.95 or higher	65%
25% of PSOs	$8.44 or higher	75%

* In addition, in order to vest, Mr. Blonigan must remain in service to Intevac through the applicable performance achievement date.

Although these stock options were not granted in 2020, the unvested portion of each PSO continues to provide performance incentives due to the remaining challenging price hurdle, and retention benefits due to the continued service requirement.

In 2016, Mr. Blonigan and Mr. Cho were granted PRSUs covering 100,000 and 25,000 shares, respectively. These awards are scheduled to vest based on achievement of challenging stock price hurdles, set between 81% and 240% above grant date stock price, over the performance period running from the March 2016 grant date through December 31, 2020, subject to continued service with Intevac. 75% of each award has vested. The final 25% of each award expired unvested on December 31, 2020 as the vesting condition requiring Intevac's closing stock price to be $15.00 or higher for three consecutive trading days was not achieved during the performance period. Although these awards were not granted in 2020, until their expiration, the unvested portion of each RSU continued to provide performance incentives due to the remaining challenging price hurdle, and retention benefits due to the continued service requirement.

Additional Policies and Practices

Ownership Guidelines

We do not currently have a stock ownership policy for our executive officers. However, all of our NEOs own shares of the Company's common stock or vested, but unexercised, equity awards. Mr. Blonigan as a member of the Company's Board is subject to the director stock ownership guidelines of the Company.

Anti-Hedging Policies

The Company has an insider trading policy which, among other things, prohibits insiders from short sales of Intevac common stock.

Compensation Recovery Policy

Under the AIP, if it is determined after a bonus is paid under the plan that the individual and corporate performance upon which the bonus award was based was fraudulently represented, the Company has the right to require the return of the bonus. Outside of this provision, at this time, we have not implemented fraudulent misrepresentation policies or a policy regarding retroactive adjustments to any cash or equity-based incentive compensation paid to our executive officers and other employees where the payments were predicated upon the achievement of financial results that were subsequently the subject of a financial restatement.

Severance and Change in Control Arrangements

The Company has a severance agreement with Mr. Blonigan. Benefits under the severance agreement are described under *"Potential Payments Upon Termination of Employment or Change in Control"* beginning on page 41. The Company does not intend to enter into new severance agreements.

The Company has change in control employment agreements with Mr. Cho, Mr. Moniz and Mr. Justyn. Benefits under the change in control employment agreements, as well as an offer letter with Mr. Blonigan that provides for certain acceleration of vesting of his equity awards in connection with a change in control of the Company, are described under *"Potential Payments Upon Termination of Employment or Change in Control"* beginning on page 41. These agreements were entered into with Messrs. Blonigan, Moniz and Cho in connection with the negotiation of their employment agreements in order to attract the executives to the Company and with Mr. Justyn in connection with his promotion to Executive Vice President.

Impact of Accounting and Tax Treatment

The Compensation Committee considers the deductibility of executive compensation under Section 162(m) of the Code in designing, establishing and implementing our executive compensation policies and practices. Section 162(m) generally prohibits us from deducting any compensation over $1 million per taxable year paid to certain of our named executive officers. Under tax laws in effect prior to January 1, 2018, compensation treated as "performance-based compensation" within the meaning of

Section 162(m) of the Code was not counted towards the $1 million limit. The Tax Cuts and Jobs Act (the "Tax Act") among other changes, repealed the exception from the deduction limit under Section 162(m) for performance-based compensation effective for taxable years beginning after December 31, 2017, such that compensation paid to our covered executive officers in excess of $1 million will not be deductible unless it qualifies for transition relief applicable to certain arrangements in place as of November 2, 2017 that are not materially modified after that date. However, because of ambiguities and uncertainties as to the application and interpretation of Section 162(m) as revised by the Tax Act, including the uncertain scope of the transition relief adopted in connection with repealing Section 162(m)'s performance-based compensation exception, no assurance can be given that previously granted compensation intended to satisfy the requirements for performance-based compensation will in fact qualify for such exception. The Compensation Committee may administer any awards granted prior to November 2, 2017 which qualify as performance-based compensation under Section 162(m), as amended by the Tax Act, in accordance with the transition rules applicable to binding contracts in effect on November 2, 2017 and will have the sole discretion to revise compensation arrangements to conform with the Tax Act and our Compensation Committee's administrative practices.

The Compensation Committee balanced the desirability of having compensation qualify for deductibility with our need to maintain flexibility in compensating executive officers in a manner designed to promote our goals. As a result, the Compensation Committee has not adopted a policy that all compensation must be deductible.

In addition to considering the tax consequences, the Compensation Committee considers the accounting consequences of its decisions, including the impact of expenses being recognized in connection with equity-based awards, in determining the size and form of different equity-based awards.

2020 Summary Compensation Table

The following table presents information concerning the total compensation of Intevac's President and CEO, the two most highly compensated executive officers at the end of the last fiscal year, as well as Mr. Cho (the "NEOs") for services rendered to Intevac in all capacities for the fiscal years ended January 2, 2021 (fiscal 2020) and December 28, 2019 (fiscal 2019). Because the Company is a SRC, only Messrs. Blonigan, Moniz and Justyn are currently NEOs within the meaning of SEC rules and regulations. However, we have elected to provide voluntary disclosure as to Mr. Cho's compensation in order to provide our stockholders with additional information regarding the Company's executive compensation practices. Throughout this proxy statement, the use of the term NEO should be understood to include our three named executive officers (within the meaning of SEC rules and regulations) as well as Mr. Cho.

Name and Principal Position	Year	Salary ($) (1)	Stock Awards ($) (2)	Option Awards ($) (2)	Non-Equity Incentive Plan Compensation ($) (3)	All Other Compensation ($) (4)	Total ($)
Wendell Blonigan,	2020	586,542	636,978	—	484,500	2,000	1,710,020
President and CEO	2019	547,899	227,200	150,420	313,012	2,000	1,240,531
James Moniz,	2020	360,774	217,390	—	186,948	2,000	767,112
EVP and CFO	2019	328,209	113,600	90,248	128,922	2,000	662,979
Jay Cho,	2020	329,616	176,632	—	147,312	2,000	655,560
EVP and GM, TFE	2019	297,246	85,200	67,686	82,037	2,000	534,169
Timothy Justyn,	2020	319,236	176,632	—	172,562	2,000	670,430
EVP and GM, Photonics	2019	294,880	85,200	67,686	89,638	2,000	539,404

(1) Because 2020 was a 53-week fiscal year, the 2020 salary amounts reflect an extra two weeks of pay.

(2) Amounts shown do not reflect compensation actually received by the NEO. Instead, the amounts shown are the grant date fair value of time-based RSUs, PRSUs and stock option awards granted in fiscal 2020 and fiscal 2019 for all NEOs as determined pursuant to ASC 718. The assumptions used to calculate the value of stock and option awards are set forth under Note 3 of the notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for fiscal 2020 filed with the SEC on February 17, 2021.

(3) The amounts shown in this column represent the value of cash bonuses earned during the year indicated and paid in the first quarter of the subsequent year.

(4) Amounts in 2020 and 2019 include matching contributions we made under our tax-qualified 401(k) plan, which provides for broad-based employee participation.

Outstanding Equity Awards at 2020 Fiscal Year-End

The following table shows all outstanding option and stock awards held by each of the NEOs at the end of fiscal 2020.

	Option Awards (1)					Stock Awards (1)			
Name	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) Unexercisable**	**Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)**	**Option Exercise Price ($)**	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested (#)**	**Market Value of Shares or Units of Stock That Have Not Vested ($)(2)**	**Equity Incentive Plan Awards: Number of Unearned Shares, Units, or Other Rights That Have Not Vested (#)**	**Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units, or Other Rights That Have Not Vested ($)(2)**
Wendell Blonigan	60,000	—	—	7.09	05/15/2021	—	—	—	—
	75,000	—	—	5.62	06/04/2022	—	—	—	—
	75,000	—	—	4.80	05/19/2023	—	—	—	—
	56,250	18,750(3)	—	12.75	05/18/2024	10,000(4)	72,100	—	—
	37,500	37,500(5)	—	4.70	05/17/2025	20,000(6)	144,200	—	—
	9,375	28,125(7)	—	5.68	05/16/2026	30,000(8)	216,300	—	—
	18,750	18,750(9)	—	4.82	06/07/2026	—	—	—	—
	—	—	—	—	—	88,757(10)	639,938	59,171(11)	426,623
James Moniz	50,000	—	—	7.22	11/20/2021	—	—	—	—
	30,000	—	—	5.42	05/21/2022	—	—	—	—
	30,000	—	—	4.80	05/19/2023	—	—	—	—
	21,000	7,000(12)	—	12.75	05/18/2024	3,500(13)	25,235	—	—
	15,000	15,000(14)	—	4.70	05/17/2025	7,500(15)	54,075	—	—
	10,000	30,000(16)	—	5.68	05/16/2026	15,000(17)	108,150	—	—
	—	—	—	—	—	35,502(18)	255,969	11,834(19)	85,323
Jay Cho	45,000	—		8.50	01/16/2021	—	—		
	30,000	—	—	5.42	05/21/2022	—	—	—	—
	30,000	—	—	4.80	05/19/2023	—	—	—	—
	21,000	7,000(12)	—	12.75	05/18/2024	3,500(13)	25,235	—	—
	15,000	15,000(14)	—	4.70	05/17/2025	7,500(15)	54,075	—	—
	7,500	22,500(20)	—	5.68	05/16/2026	11,250(21)	81,183	—	—
	—	—	—	—	—	28,846(22)	207,980	9,615(23)	69,324
Timothy Justyn	6,000	—	—	4.49	05/09/2020	—	—	—	—
	8,000	—	—	7.09	05/15/2021	—	—	—	—
	16,250	—	—	5.42	05/21/2022	—	—	—	—
	16,250	—	—	4.80	05/19/2023	—	—	—	—
	11,250	3,750(24)	—	12.75	05/18/2024	1,875(25)	13,519	—	—
	14,000	14,000(26)	—	6.25	03/15/2025	7,000(27)	50,470	—	—
	1,000	1,000(28)	—	4.70	05/17/2025	500(29)	3,605	—	—
	7,500	22,500(20)	—	5.68	05/16/2026	11,250(21)	81,113	—	—
	—	—	—	—	—	28,846(22)	207,980	9,615(23)	69,324

(1) Reflects options, PSOs, RSUs and PRSUs granted under the 2012 Equity Incentive Plan and the 2020 Equity Incentive Plan.

(2) Reflects the fair value of outstanding stock awards as of January 2, 2021 at the closing market price of $7.21 per share.

(3) Assuming continued employment with Intevac, 18,750 shares will become exercisable on May 18, 2021.

(4) Assuming continued employment with Intevac, 10,000 shares will vest on May 15, 2021.

(5) Assuming continued employment with Intevac, 18,750 shares will become exercisable on May 17 of each of 2021 and 2022.

(6) Assuming continued employment with Intevac, 10,000 shares will vest on May 15 of each of 2021 and 2022.

(7) Assuming continued employment with Intevac, 9,375 shares will become exercisable on May 16 of each of 2021 2022 and 2023.

(8) Assuming continued employment with Intevac, 10,000 shares will vest on May 15 of each of 2021 2,022 and 2023.

(9) Assuming continued employment with Intevac, 9,375 shares become exercisable on the first day when the 30-day moving average of Intevac's closing stock price is $7.95 or higher; and 9,375 shares become exercisable on the first day when the 30-day moving average of Intevac's closing stock price is $8.44 or higher.

(10) Assuming continued employment with Intevac, 22,189 shares will vest on May 15 of each of 2021, 2022 2,023 and 2024.

(11) Assuming continued employment with Intevac, 14,792 shares will vest in May 2021 if the 2020 performance goal is achieved, 14,793 shares will vest in May 2022 if the 2021 performance goal is achieved, 14,793 shares will vest in May 2023 if the 2022 performance goal is achieved, and 14,793 shares will vest in May 2024 if the 2023 performance goal is achieved.

(12) Assuming continued employment with Intevac, 7,000 shares will become exercisable on May 18, 2021.

(13) Assuming continued employment with Intevac, 3,500 shares will vest on May 15, 2021.

(14) Assuming continued employment with Intevac, 7,500 shares will become exercisable on May 17 of each of 2021 and 2022.

(15) Assuming continued employment with Intevac, 3,750 shares will vest on May 15 of each of 2021 and 2022.

(16) Assuming continued employment with Intevac, 10,000 shares will become exercisable on May 16 of each of 2021, 2022 and 2023.

(17) Assuming continued employment with Intevac, 5,000 shares will vest on May 15 of each of 2021, 2022 and 2023.

(18) Assuming continued employment with Intevac, 8,876 shares will vest on May 15 of each of 2021, 2022 2,023 and 2024.

(19) Assuming continued employment with Intevac, 2,958 shares will vest in May 2021 if the 2020 performance goal is achieved, 2,958 shares will vest in May 2022 if the 2021 performance goal is achieved, 2,959 shares will vest in May 2023 if the 2022 performance goal is achieved, and 2,959 shares will vest in May 2024 if the 2023 performance goal is achieved.

(20) Assuming continued employment with Intevac, 7,500 shares will become exercisable on May 16 of each of 2021, 2022 and 2023.

(21) Assuming continued employment with Intevac, 3,750 shares will vest on May 15 of each of 2021, 2022 and 2023.

(22) Assuming continued employment with Intevac, 7,212 shares will vest on May 15 of each of 2021, 2022 2,023 and 2024.

(23) Assuming continued employment with Intevac, 2,404 shares will vest in May 2021 if the 2020 performance goal is achieved, 2,404 shares will vest in May 2022 if the 2021 performance goal is achieved, 2,404 shares will vest in May 2023 if the 2022 performance goal is achieved, and 2,403 shares will vest in May 2024 if the 2023 performance goal is achieved.

(24) Assuming continued employment with Intevac, 3,750 shares will become exercisable on May 18, 2021.

(25) Assuming continued employment with Intevac, 1,875 shares vest on May 15, 2021.

(26) 7,000 shares became exercisable on March 15, 2021. Assuming continued employment with Intevac, 7,000 shares will become exercisable on March 15, 2022.

(27) Assuming continued employment with Intevac, 3,500 shares vest on May 15 of each of 2020, 2021 and 2022.

(28) Assuming continued employment with Intevac, 500 shares will become exercisable on May 17 of each of 2021 and 2022.

(29) Assuming continued employment with Intevac, 250 shares vest on May 15 of each of 2021 and 2022.

Potential Payments upon Termination of Employment or Change in Control

Severance Agreements

The Company entered into a severance agreement with Mr. Blonigan when he was hired in June 2013. If the Company terminates Mr. Blonigan's employment for a reason other than cause (as such term is defined in the severance agreement) that also is not due to his death or disability, or if Mr. Blonigan resigns for good reason (as such term is defined in the agreement), Mr. Blonigan will receive as severance from the Company: (i) continuing payments of his base salary in effect on the date of the his termination for twelve months from the date of such termination, plus (ii) continuing payments of $2,000 per month for twelve months from the date of such termination. Additionally, if Mr. Blonigan resigns from the Company for good reason, as a result of the change of control of the Company, he will receive his bonus amount for the fiscal year in which the change of control occurs, prorated based on time and performance. The receipt of severance under the agreement is contingent upon: (i) Mr. Blonigan signing and not revoking a release of claims in favor of the Company, and (ii) Mr. Blonigan's continued compliance with the terms of his confidentiality agreement entered into with the Company.

Change in Control Agreements

Pursuant to their hiring, the Company entered into a change in control agreement with both Mr. Cho in December 2013 and with Mr. Moniz in October 2014. As per the terms of the agreements, if within twelve months following a change of control (as such term is defined in the change in control agreement), the Company terminates the executive's employment for a reason other than cause (as such term is defined in the change in control agreement) or if the executive resigns for good reason (as such term is defined in the change in control agreement) (each, a "qualifying termination"), the executive will receive severance from the Company in the amount of twelve months of the executive's base salary in effect on the date of the executive's termination, payable at the Company's discretion either in a lump sum or at equal intervals over a period of time not longer than twelve months. In addition, all stock options and restricted stock units held by the executive shall have their vesting fully accelerated. The receipt of severance under the change in control agreement is contingent upon the executive signing and not revoking a release of claims in favor of the Company.

Pursuant to his promotion to Executive Vice President and General Manager Photonics, the Company entered into a change of control agreement with Mr. Justyn in March 2018. As per the terms of the agreement, if, in the event of a division sale (as such term is defined in the change of control agreement, but generally relating to the sale, including the sale of substantially all of the assets of the division in which Mr. Justyn works), Mr. Justyn experiences either a no-offer/non-comparable offer termination (as such term is defined in the change of control agreement, but generally meaning he has not been offered a position with the buyer on comparable terms, declines any employment offer by the buyer, and terminates his employment with the Company) or a buyer involuntary termination (as such term is defined in the change of control agreement, but generally meaning that Mr. Justyn's employment with the buyer is terminated without cause or for good reason (each as defined in his change of control agreement), in each case, by the earlier of the 3-month anniversary of the sale of the division, or March 1 of the year following the sale of the division), Mr. Justyn will receive severance from the Company. Such severance from the Company will consist of: (i) continuing payments of his base salary with the Company as in effect immediately prior to the closing date of the division sale (the "division sale closing date") for twelve months from the division sale closing date; (ii) continuing payments of $2,000 per month for twelve months from the division sale closing date; (iii) if Mr. Justyn's annual bonus payment, if any, for an applicable year has not been paid as of the division sale closing date, the Company may choose, in the CEO's sole discretion, to pay Mr. Justyn an amount equal to the annual bonus amount for such year, based on actual performance (but not to exceed 100% of Mr. Justyn's target bonus amount for that year), that Mr. Justyn would have received had he remained an employee of the Company through the date such bonus payments were made, paid in a lump sum at the same time that annual bonuses for that year are paid to other executives at the Company; and (iv) Mr. Justyn's then-outstanding Company equity awards will vest in full, both with respect to time-based Company equity awards and Company equity awards with performance-based vesting. The receipt of severance under the change of control agreement is contingent upon the executive signing and not revoking a release of claims in favor of the Company and satisfying the terms of the change of control agreement and includes a provision for the forfeiture of the severance amounts if Mr. Justyn receives benefits under his change of control agreement but, within twelve months following the division sale closing date, commences or re-commences, as applicable, employment with the buyer.

Excise Tax.

Under each of the Company's severance and change of control agreements in the event the severance payments and other benefits payable to an executive constitute "parachute payments" under Section 280G of the U.S. Internal Revenue Code and would be subject to the applicable excise tax, then the executive's severance benefits will be either (i) delivered in full or (ii) delivered to such lesser extent which would result in no portion of such benefits being subject to the excise tax, whichever results in the receipt by executive on an after-tax basis of the greatest amount of benefits.

Change in Control Acceleration

In the event of a change in control (as defined in Mr. Blonigan's offer letter) Mr. Blonigan will fully vest in and, if applicable, have the right to exercise, all of Mr. Blonigan's then-outstanding Company equity awards and, with respect to Company equity awards with performance-based vesting, 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.

As described above, pursuant to their change in control agreements, in the event of a qualifying termination within twelve months after a change of control (as defined in Mr. Cho's and Mr. Moniz's change of control agreements), then, subject to the execution and non-revocation of a release of claims in favor of the Company, Mr. Cho's and Mr. Moniz's then-outstanding Company equity awards will vest in full, both with respect to time-based Company equity awards and Company equity awards with performance-based vesting. Please see above for a description of the treatment of equity awards under Mr. Justyn's Change of Control Agreement.

Estimated Payments Pursuant to Severance and Change in Control Agreements

The following table estimates potential payments upon termination as if our NEOs had terminated on January 2, 2021, in connection with a change in control or other termination covered by the severance and change in control agreements and potential payments relating to the changed vesting schedule of outstanding equity awards under our 2020 Equity Incentive Plan and our 2012 Equity Incentive Plan in connection with a change in control. The table reflects termination scenarios covered by the various agreements and the benefits receivable thereunder, as well as under our equity plans. The closing market price per share of our common stock on January 2, 2021 was $7.21.

Name of Executive Officer	Termination Without Cause or Resignation for Good Reason ($)	Change in Control With Qualifying Termination ($)	Change in Control Without Termination ($)
Base Salary			
Wendell Blonigan	570,000	570,000	—
James Moniz	—	350,000	—
Jay Cho	—	320,000	—
Timothy Justyn	—	310,000	—
Annual Cash Incentive			
Wendell Blonigan	—	570,000(1)	—
James Moniz	—	—	—
Jay Cho	—	—	—
Timothy Justyn	—	186,000	—
Health Coverage			
Wendell Blonigan	24,000	24,000	—
James Moniz	—	—	—
Jay Cho	—	—	—
Timothy Justyn	—	24,000	—
Acceleration Of Equity Awards			
Wendell Blonigan	—	1,681,130	1,681,130
James Moniz	—	612,303	—
Jay Cho	—	509,801	—
Timothy Justyn	—	476,385	—
Total			
Wendell Blonigan	594,000	2,485,130	1,681,130
James Moniz	—	962,303	—
Jay Cho	—	829,801	—
Timothy Justyn	—	996,385	—

(1) The amount shown includes a bonus of $570,000, which Mr. Blonigan would have been eligible to receive if he had resigned from the Company for good reason as a result of a change in control of the Company, and met the other terms and conditions of his severance agreement. This bonus would be pro-rated based on time and performance. For purposes of this table, we have assumed Mr. Blonigan worked the full year and achieved performance at 100% of target levels.

Equity Incentive Plans

Under the 2020 Equity Incentive Plan and the 2012 Equity Incentive Plan, all unvested options, RSUs and other equity awards vest in full and, if applicable, become exercisable and performance-based awards would be deemed achieved at 100% of target upon a change in control (as defined in the applicable plan) of Intevac or, with respect to awards under the 2012 Equity Incentive Plan or the 2020 Equity Incentive Plan, a merger of Intevac with or into another corporation or entity, unless the option or award is assumed or substituted for by the acquiring entity, and to the extent exercisable, would terminate if not exercised within the applicable period.

The Board or its Compensation Committee, as administrator of the 2020 Equity Incentive Plan and the 2012 Equity Incentive Plan, has the authority to provide for the accelerated vesting of any or all outstanding equity awards under the 2020 Equity Incentive Plan and the 2012 Equity Incentive Plan, including options held by our directors and executive officers, under such circumstances and at such times as the Compensation Committee deems appropriate, including in the event of termination of the executive or a Change in Control of Intevac.

Compensation of Directors

The following table sets forth summary information concerning compensation paid or accrued for services rendered to the Company in all capacities to the members of the Company's Board for the fiscal year ended January 2, 2021, other than Wendell Blonigan, whose compensation is set forth under the Summary Compensation Table.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($) (1)(2)	Total ($)
Kevin D. Barber	62,500	45,630	108,130
David S. Dury	75,000	45,630	120,630
Dorothy D. Hayes	60,000	45,630	105,630
Stephen A. Jamison	50,000	45,630	95,630
Michele F. Klein	52,500	45,630	98,130
Mark P. Popovich	55,000	45,630	100,630
Thomas M. Rohrs	57,500	45,630	103,130

(1) Amounts shown do not reflect compensation actually received by the director. Instead, the amounts shown are grant date fair value of awards granted during fiscal 2020 as determined pursuant to ASC 718. The assumptions used to calculate the value of stock awards are set forth under Note 3 of the notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for fiscal 2020 filed with the SEC on February 17, 2021.

(2) Mr. Dury, Mr. Barber, Ms. Hayes, Dr. Jamison, Ms. Klein, Mr. Popovich and Mr. Rohrs each received an award of 9,000 restricted stock units on May 15, 2020 with a grant date fair value of $45,630. Mr. Dury, Mr. Barber, Ms. Hayes, Dr. Jamison, Ms. Klein, Mr. Popovich and Mr. Rohrs each had 9,000 restricted stock units outstanding at January 2, 2021.

(3) The directors had options to purchase the following shares of common stock outstanding at January 2, 2021: Mr. Barber: 25,000 shares; Mr. Dury: 66,000 shares; Ms. Hayes: 25,000 shares; Dr. Jamison: 25,000 shares; Ms. Klein: 25,000 shares; Mr. Popovich: 25,000 shares; and Mr. Rohrs: 66,000 shares.

Standard Director Compensation Arrangements

Intevac uses a combination of cash and equity compensation to attract and retain qualified candidates to serve on our Board. The Compensation Committee of the Board conducts an annual review of director compensation in consultation with Radford and, if appropriate, recommends any changes in the type or amount of compensation to the Board. In reviewing director compensation, the Compensation Committee takes into consideration the compensation paid to non-employee directors of comparable companies, including competitive non-employee director compensation data and analyses prepared by compensation consulting firms and the specific duties and committee responsibilities of particular directors. In addition, the Compensation Committee may make recommendations or approve changes in director compensation in connection with the Compensation Committee's administration and oversight of our 2020 Equity Incentive Plan. Any change in director compensation is approved by the Board.

Cash Compensation

Annual cash compensation for non-employee board members are as follows:

	2019	2020
Non-Chair Board Retainer	$45,000	$45,000
Additional Board Chair Retainer	$25,000	$25,000
Audit Committee Chairmanship Compensation	$15,000	$15,000
Compensation Committee Chairmanship Compensation	$10,000	$10,000
Nominating and Governance Committee Chairmanship Compensation	$ 5,000	$ 5,000
Audit Committee Member Compensation	$ 7,500	$ 7,500
Compensation Committee Member Compensation	$ 5,000	$ 5,000
Nominating and Governance Committee Member Compensation	$ 2,500	$ 2,500

Directors do not receive cash compensation for attending meetings of the Board.

Equity Compensation

Our non-employee directors are eligible to receive grants of options to purchase shares of our common stock and other equity awards pursuant to our 2020 Equity Incentive Plan when and as determined by our Board and subject to the 2020 Equity Incentive Plan's limits on annual non-employee director grants. Our 2020 Equity Incentive Plan provides that no non-employee director may be granted, in any fiscal year, equity awards covering more than 25,000 shares, which limit is increased to 40,000 shares in the fiscal year of his or her initial service as a non-employee director; however, any awards granted to an individual while he or she was an employee, or a consultant, will not count for purposes of these limits. During fiscal 2020, Mr. Dury, Mr. Barber, Ms. Hayes, Dr. Jamison, Ms. Klein, Mr. Popovich and Mr. Rohrs each received grant of 9,000 time-based RSUs under the 2020 Equity Incentive Plan. Each grant of RSUs is scheduled to vest on the one-year anniversary of the grant date, subject to continued service with us.

Under our 2020 Equity Incentive Plan, in the event of a change in control, awards granted to non-employee directors vest in full, and, if applicable, become exercisable, as of immediately prior to the change in control. With respect to options previously granted to non-employee directors under our 2012 Equity Incentive Plan, with respect to equity awards that are assumed or substituted for in connection with a change in control or a merger of Intevac with or into another corporation or entity, if on the date of or following such assumption or substitution the individual's status as a member of our board or as a director of the successor corporation, as applicable, is terminated other than upon a voluntary resignation by the director (unless such resignation is at the request of the acquirer), then the director will fully vest in and, if applicable, become exercisable, as of immediately prior to the change in control.

During 2014, the Board established minimum ownership guidelines for Company common stock for directors. Directors must own stock in the Company of at least three times the annual retainer paid to independent directors (exclusive of any compensation for committee service such as meeting fees and leadership roles.) The ownership level must be initially achieved by December 31 in the fourth year after the director is first elected. These ownership guidelines are applicable to all directors of the Company. In the event that a director also serves as an executive officer of the Company, the director will be subject to the same level of requirements as all directors. Mr. Blonigan, Mr. Dury and Mr. Rohrs were in compliance with the ownership guidelines at January 2, 2021. As recently elected members of the Board, Mr. Barber, Dr. Jamison and Mr. Popovich have until December 31, 2022 and Ms. Hayes and Ms. Klein have until December 31, 2023 to achieve compliance with the ownership guidelines.

Other Arrangements

Non-employee directors also have their travel, lodging and related expenses associated with attending Board or committee meetings and for participating in Board-related activities paid or reimbursed by Intevac.

Equity Compensation Plan Information

The following table summarizes the number of outstanding options and RSUs granted to employees and directors, as well as the number of securities remaining available for future issuance, under Intevac's equity compensation plans at January 2, 2021.

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (1)	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (2)
Equity compensation plans approved by security holders (3)	2,716,101	$6.66	2,948,370
Equity compensation plans not approved by security holders	—	$ —	—
Total	2,716,101	$6.66	2,948,370

(1) Calculation of weighted-average exercise price excludes RSUs, for which there is no exercise price.

(2) Excludes securities reflected in column (a).

(3) Included in the column (c) amount are 663,361 shares available for future issuance under Intevac's 2003 Employee Stock Purchase Plan.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the ownership of our common stock as of March 31, 2021, for each person or entity who is known by us to own beneficially more than 5% of the outstanding shares of our common stock, each of the NEOs in the 2020 Summary Compensation Table on page 39, each of our directors, and all directors and current executive officers of Intevac as a group.

	Total Number of Shares (2)	Common Stock	Rights to Acquire (3)	Percentage Beneficially Owned (4)
Principal Stockholders, Executive Officers and Directors (1)				
5% Stockholders:				
Bleichroeder LP (5)	4,949,355	4,949,355	—	20.5%
Royce & Associates LP (6)	1,732,922	1,732,922	—	7.2%
Blackrock Inc. (7)	1,703,592	1,703,592	—	7.1%
Needham Investment Management L.L.C. (8)	1,581,993	1,581,993	—	6.6%
The Vanguard Group (9)	1,381,738	1,381,738	—	5.7%
Dimensional Fund Advisors LP (10)	1,368,155	1,368,155	—	5.7%
NEOs:				
Wendell Blonigan	650,964	205,231	445,733	2.7%
James Moniz	295,854	91,269	204,585	1.2%
Jay Cho	230,600	84,484	146,116	*
Timothy Justyn	188,305	50,875	137,430	*
Non-Employee Directors:				
Kevin D. Barber	43,000	9,000	34,000	*
David S. Dury (11)	208,000	133,000	75,000	*
Dorothy D. Hayes	21,500	—	21,500	*
Stephen A. Jamison	43,000	9,000	34,000	*
Michele F. Klein	21,500	—	21,500	*
Mark P. Popovich	43,000	9,000	34,000	*
Thomas M. Rohrs	112,000	37,000	75,000	*
All directors and executive officers as a group (11 persons)	1,857,722	628,859	1,228,863	7.7%

* Less than 1%

(1) Unless otherwise indicated in their respective footnote, the address for each listed person is c/o Intevac, Inc., 3560 Bassett Street, Santa Clara, CA 95054.

(2) The number and percentage of shares beneficially owned is determined in accordance with Rule 13d-3 of the Exchange Act, and the information is not necessarily indicative of beneficial ownership for any other purpose. Unless otherwise indicated in the footnotes, each person or entity has sole voting and investment power (or shares such powers with his or her spouse) with respect to the shares shown as beneficially owned.

(3) Includes any shares which the individual or entity has the right to acquire within 60 days of March 31, 2021, through the exercise of any vested stock option and the vesting of performance shares and restricted stock units.

(4) The total number of shares of Common Stock outstanding was 24,106,277 as of March 31, 2021.

(5) The address of Bleichroeder LP ("Bleichroeder") is 1345 Avenue of the Americas, New York, NY 10105. This information was obtained from a filing made with the SEC pursuant to Section 13(g) of the Exchange Act on February 12, 2021. Bleichroeder reported sole voting and dispositive power as to all shares of Common Stock beneficially owned. Clients of Bleichroeder have the right to receive and the ultimate power to direct the receipt of dividends from, or the proceeds of the sale of, such securities. 21 April Fund, Ltd. ("21 April"), a Cayman Islands company for which Bleichroeder acts as investment adviser, may be deemed to beneficially own 3,322,615 of these 4,949,355 shares.

(6) The address of Royce & Associates LP is 745 Fifth Avenue, New York, NY 10151. This information was obtained from a filing made with the SEC pursuant to Section 13(g) of the Exchange Act on January 27, 2021. Royce & Associates LP reported sole voting and dispositive power as to all shares of Common Stock beneficially owned.

(7) The address of Blackrock Inc. is 55 East 52nd Street, New York, NY 10055. This information was obtained from a filing made with the SEC pursuant to Section 13(g) of the Exchange Act on February 2, 2021. Blackrock Inc. reported sole

voting power with respect to 1,687,742 shares of common stock and sole dispositive power with respect to 1,703,592 shares of common stock.

(8) The address of Needham Investment Management L.L.C. is 250 Park Avenue, 10th Floor, New York, New York 10117-1099. This information was obtained from a filing made with the SEC pursuant to Section 13(g) of the Exchange Act on February 16, 2021. Needham Investment Management L.L.C. reported shared voting and dispositive power as to all shares of Common Stock beneficially owned.

(9) The address of The Vanguard Group is 100 Vanguard Blvd., Malvern, PA 19355. This information was obtained from a filing made with the SEC pursuant to Section 13(g) of the Exchange Act on February 10, 2021. The Vanguard Group reported shared voting power with respect to 23,006 shares of common stock, sole dispositive power with respect to 1,353,065 shares of common stock and shared dispositive power with respect to 28,673 shares of common stock.

(10) The address of Dimensional Fund Advisors LP. is 6300 Bee Cave Road, Building One, Austin, Texas, 78746. This information was obtained from a filing made with the SEC pursuant to Section 13(g) of the Exchange Act on February 12, 2021. Dimensional Fund Advisors LP, an investment adviser registered under Section 203 of the Investment Advisors Act of 1940, furnishes investment advice to four investment companies registered under the Investment Company Act of 1940, and serves as investment manager or subadviser to certain other commingled funds, group trusts and separate accounts (such investment companies, trusts and accounts, collectively referred to as the “Funds”). In certain cases, subsidiaries of Dimensional Fund Advisors LP may act as an adviser or sub-adviser to certain Funds. In its role as investment advisor, sub-adviser and/or manager, Dimensional Fund Advisors LP or its subsidiaries (collectively, “Dimensional”) may possess voting and/or investment power over the securities of the Issuer that are owned by the Funds, and may be deemed to be the beneficial owner of the shares of the Issuer held by the Funds. However, all securities reported in this schedule are owned by the Funds. Dimensional disclaims beneficial ownership of such securities. Dimensional Fund Advisors LP. reported sole voting power with respect to 1,297,079 shares of common stock and sole dispositive power with respect to 1,368,155 shares of common stock.

(11) Includes 66,000 shares that Mr. Dury holds indirectly through a trust with his spouse.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Review, Approval or Ratification of Related Person Transactions

In accordance with our Code of Business Conduct and Ethics, our Director Code of Ethics and its charter, our Audit Committee reviews and approves in advance in writing any proposed related party transactions. The most significant related party transactions, as determined by the Audit Committee, must be reviewed and approved in writing in advance by our Board. Any related party transaction will be disclosed in the applicable SEC filing as required by the rules of the SEC. For purposes of these procedures, “related person” and “transaction” have the meanings contained in Item 404 of Regulation S-K.

Mr. Thomas Rohrs, who has served on our Board since 2010, serves as the Executive Chairman of Ichor Systems, Inc. (“Ichor”). Intevac has entered into transactions with Ichor for the purchase of goods and services in the ordinary course of business during the past two completed fiscal years. Intevac paid Ichor $193,000 in fiscal 2019 and $76,000 in fiscal 2020.

Since the beginning of fiscal 2019, with the exception of the payments made to Ichor described above, there were no transactions to which Intevac was a party or will be a party, in which the amounts involved exceeded or will exceed $120,000 and in which the following persons had or will have a direct or indirect material interest:

- Any of our directors or executive officers;
- Any nominee for election as one of our directors;
- Any person or entity that beneficially owns more than five percent of our outstanding shares; or
- Any member of the immediate family of any of the foregoing person.

AUDIT COMMITTEE REPORT

The primary role of the Audit Committee is to provide oversight and monitoring of Intevac's management and the independent registered public accounting firm and their activities with respect to Intevac's financial reporting process. In the performance of its oversight function, the Audit Committee has:

- reviewed and discussed the audited financial statements with BPM LLP and management;
- discussed with BPM LLP, Intevac's independent public accountants, the matters required to be discussed under the applicable requirements of the Public Company Accounting Oversight Board ("PCAOB") and the SEC; and
- received from BPM LLP the written disclosures and the letter from the independent auditors required by the applicable requirements of the PCAOB regarding BPM LLP's communications with the Audit Committee concerning independence, and has discussed with BPM LLP their independence; and
- considered whether the provision of services covered by Principal Accountant Fees and Services is compatible with maintaining the independence of BPM LLP.

Based upon the review and discussions described in this report, the Audit Committee recommended to the Board that the audited financial statements be included in Intevac's Annual Report on Form 10-K for the fiscal year ended January 2, 2021.

Respectfully submitted by the members of the Audit Committee of the Board of Directors

Dorothy D. Hayes (Chairman)
Kevin D. Barber
Mark P. Popovich
Thomas M. Rohrs

OTHER BUSINESS

The Board knows of no other business that will be presented for consideration at the Annual Meeting. If other matters are properly brought before the Annual Meeting, however, it is the intention of the persons named in the accompanying proxy to vote the shares represented thereby on such matters in accordance with their best judgment.

BY ORDER OF THE BOARD OF DIRECTORS

JAMES MONIZ
Executive Vice President, Finance and Administration, Chief Financial Officer, Secretary and Treasurer

April 14, 2021

FORM 10-K

FOR THE FISCAL YEAR ENDED JANUARY 2, 2021

INTEVAC, INC.

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

Form 10-K

(Mark One)

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

For the fiscal year ended January 2, 2021

or

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

For the transition period from to

Commission file number 0-26946

INTEVAC, INC.
(Exact name of registrant as specified in its charter)

Delaware	**94-3125814**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

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

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

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

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

Securities registered pursuant to Section 12(g) of the Act:
None.

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

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

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

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

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

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

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

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

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

As of June 27, 2020, the aggregate market value of voting and non-voting stock held by non-affiliates of the registrant was approximately $124,191,554 (based on the closing price for shares of the registrant's Common Stock as reported by the Nasdaq Stock Market for the last trading day prior to that date). Shares of Common Stock held by each executive officer and director have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

On February 12, 2021, 24,089,621 shares of the registrant's Common Stock, $0.001 par value, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE.

Portions of the registrant's Proxy Statement for the 2021 Annual Meeting of Stockholders are incorporated by reference into Part III. Such proxy statement will be filed within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain information in this Annual Report on Form 10-K ("report" or "Form 10-K") of Intevac, Inc. and its subsidiaries ("Intevac" or the "Company"), including "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7, is forward-looking in nature. All statements in this report, including those made by the management of Intevac, other than statements of historical fact, are forward-looking statements. Examples of forward-looking statements include statements regarding Intevac's future financial results, operating results, cash flows and cash deployment strategies, business strategies, costs, products, working capital, competitive positions, management's plans and objectives for future operations, research and development, acquisitions and joint ventures, growth opportunities, customer contracts, investments, liquidity, declaration of dividends, and legal proceedings, as well as market conditions and industry trends. These forward-looking statements are based on management's estimates, projections and assumptions as of the date hereof and include the assumptions that underlie such statements. Forward-looking statements may contain words such as "may," "will," "should," "could," "would," "expect," "plan," "anticipate," "believe," "estimate," "predict," "potential" and "continue," the negative of these terms, or other comparable terminology. Any expectations based on these forward-looking statements are subject to risks and uncertainties and other important factors, including those discussed in Item 1A, "Risk Factors," below and elsewhere in this report. Other risks and uncertainties may be disclosed in Intevac's prior Securities and Exchange Commission ("SEC") filings. These and many other factors could affect Intevac's future financial condition and operating results and could cause actual results to differ materially from expectations based on forward-looking statements made in this report or elsewhere by Intevac or on its behalf. Intevac undertakes no obligation to revise or update any forward-looking statements.

The following information should be read in conjunction with the Consolidated Financial Statements and the accompanying Notes to Consolidated Financial Statements included in this report.

PART I

Item 1. *Business*

Overview

Intevac's business consists of two reportable segments:

Thin-film Equipment ("TFE"): Intevac is a leader in the design and development of high-productivity, thin-film processing systems. Our production-proven platforms are designed for high-volume manufacturing of substrates with precise thin-film properties, such as the hard disk drive ("HDD") media, display cover panel ("DCP"), and solar photovoltaic ("PV") markets we serve currently.

Photonics: Intevac is a leading developer of advanced high-sensitivity digital sensors, cameras and systems that primarily serve the defense industry. We are a leading provider of integrated digital night-vision imaging systems for the U.S. military.

Intevac was incorporated in California in October 1990 and was reincorporated in Delaware in 2007.

TFE Segment

Hard Disk Drive ("HDD") Equipment Market

Intevac designs, manufactures, markets and services complex capital equipment used to deposit thin films and lubricants onto substrates to produce magnetic disks that are used in HDDs. Disk and disk drive manufacturers produce magnetic disks in a sophisticated manufacturing process involving many steps, including plating, annealing, polishing, texturing, sputtering, etching, stripping and lubrication. Intevac believes its systems represent approximately 65% of the installed capacity for disk sputtering worldwide. Intevac's systems are used by manufacturers of magnetic media such as Seagate Technology, Western Digital and its wholly-owned subsidiary HGST, Fuji Electric and Showa Denko.

HDDs are a primary storage medium for digital data including nearline "cloud" applications and are used in products and applications such as personal computers ("PCs"), enterprise data storage, video players and video game consoles. Intevac believes that HDD media shipments will grow over time, driven by continued high growth rates in digitally-stored data, by the slowing of areal density improvements, by the increase in demand for nearline drives for cloud storage, an increasing tie ratio (the average number of disks per hard drive) and by new and emerging applications. The projected growth rates for digitally-stored data on HDDs exceed the rate of areal density improvements, at the same time as the tie ratio is increasing, which results in demand for magnetic disks outpacing HDD units.

In recent years HDD media units have been negatively impacted by declining PC units, primarily resulting from the proliferation of tablets and the transition to centralized storage. Although the HDD industry continues to expect growth in the nearline data storage market segment, the transition to centralized storage combined with the negative growth in PC shipments has resulted in lower HDD shipments in recent years. However, Intevac continues to believe that long-term demand for hard disks required for high capacity HDDs will increase, driven by growth in demand for digital storage, a declining growth rate in areal density improvements, and increased information technology spending to support the transition to cloud storage. The number of disk manufacturing systems needed to support this growth as well as future technology transitions and improvements is expected to vary from year to year depending on the factors noted above.

Intevac expects that HDD manufacturers will extend their utilization of planar perpendicular media with the introduction of new technologies such as Heat Assisted Magnetic Recording ("HAMR") and Energy Assisted Magnetic Recording ("EAMR"). Initial volume shipments of both HAMR and EAMR-based HDDs began in 2020. Intevac believes that leading manufacturers of magnetic media that are using Intevac systems for the development of these new technologies, will create a significant market opportunity for systems upgrades in support of the media evolution required by these new technologies as they are more widely adopted.

Display Cover Panel ("DCP") Market

Intevac develops equipment to deposit optically transparent thin films onto DCPs typically found on consumer and automotive electronic products.

DCPs are found in products including smartphones, tablet PCs, wearable devices, gaming systems, digital cameras, automotive infotainment systems and digital signage. In 2020, approximately 1.55 billion smartphones, 150 million tablet PCs and 91 million smart watches were shipped to consumers worldwide. For smartphones alone, it is forecasted that nearly 1.7 billion units will ship by 2024, representing a CAGR of 2.3% for the 2020 – 2024 time period.

The DCP is typically made of tempered glass, such as soda-lime or aluminosilicate, or other materials such as sapphire, ceramic and colorless polyimide. The primary function of the DCP is to provide a clear protective interface to the display it protects. In many cases, the DCP is treated with various coatings to enhance its protective performance as well as for clarity, readability and touch sensitivity.

The types of coatings typically found on DCPs of electronic devices include: Scratch Protection ("SP") coatings, Anti-Reflection ("AR") coatings, Anti-Fingerprint ("AF") and Non-Conductive Vacuum Metallization ("NCVM") coatings.

SP coatings generally consist of hard thin films deposited onto the surface of the DCP. Their primary function is to provide enhanced protection against the incidence of scratch, but they can also provide greater breakage resistance. Intevac has developed and is currently marketing a SP coating known as Optical Diamond-like-Carbon ("oDLC®") utilizing its production-proven carbon film technology that is also used on HDD media. This coating provides a hard protective layer which significantly improves the DCP's resistance to scratches and breakage. The oDLC coating has demonstrated scratch protection benefits reflecting a greater than 20 times improvement over current standard cover glass under stainless steel ball Taber scratch testing. Furthermore, using a Ring-on-Ring ("RoR") test, cover glass with our oDLC coating provides a greater than 20 percent increase in breakage resistance strength over cover glass without the oDLC coating. Intevac expects that the adoption of AR and NCVM coatings on mobile devices will create an increased need for SP coatings and provide a significant demand opportunity for oDLC.

In 2019, Intevac released DiamondClad® protective coating. DiamondClad is a proprietary multi-step process that improves upon our original single film solution, oDLC. Developed in-house utilizing the ion beam source technology released in 2018, DiamondClad now performs similarly to sapphire in scratch testing at the Mohs scale of material hardness 8 standard, compared to the industry standard glass with anti-fingerprint or AF coatings, which scratches at a Mohs 5 level. DiamondClad coating outperforms standard cover glass by a factor of 4 in Taber wear testing, and by a factor of 4 to 6 times in use-case AF durability testing with sand, denim, and perspiration.

AR coatings enable greater light transmission though the DCP by reducing the light reflected by the surface back to the user's eye. This allows the user to more easily read the display and reduces the required power needed to display the image which results in extending the battery life. A significant drawback to using AR coatings is their susceptibility to scratch. AR coatings are typically soft and must be applied to the outer surface of the DCP. These coatings generally scratch easily, and as such, smartphone manufacturers have been reluctant to implement AR coatings on their products.

AF coatings provide water and oil protection for the surface of the DCP. This coating, which prevents fingerprints, provides greater aesthetics as well as improving readability. AF coatings allow for greater visual acuity when fingerprints are not visible. The drawback to AF coatings is their relatively low resistance to wear. The coating is soft and usually wears off within a few months of product purchase.

With increasing adoption of wireless charging and the 5G standard of wireless communication, smartphone manufacturers are significantly expanding use of DCPs on the backside of devices. This transition is essential to ensure that the backside cover, which previously was metallic, does not interfere with the wireless signals. NCVM coatings are a new type of color film coating, applied for decorative purposes, to the backside DCP. When applied to the exterior, the NCVM coating provides a pleasing aesthetic and gives manufacturers flexibility with color customization. Decorative NCVM coatings have evolved from single color to multiple colors with complex transitions. Intevac has developed a proprietary technology that enables the creation of uniquely patterned NCVM coatings for the phone back cover. Several leading handset manufacturers are currently evaluating this technology for potential incorporation into their upcoming phone models.

When applied to the exterior of the backside DCP, NCVM has a tendency to scratch easily and rub off over time, leading to a poor appearance. To preserve the color film on the backside DCP, manufacturers are reliant on SP coatings for scratch-resistance and a consistent appearance. Intevac expects the adoption of AR and NCVM coatings on mobile devices will create an increased need for SP coatings and provide a significant demand opportunity for oDLC and DiamondClad coatings.

DIAMOND DOG® Screen Protectors

In fiscal 2020, Intevac launched DIAMOND DOG® screen protectors for mobile devices with DiamondClad® tempered glass, a consumer product. DIAMOND DOG provides long-lasting mobile device screen protection and performance. The DIAMOND DOG screen protector features the patented DiamondClad diamond-like carbon coating technology, which is designed to help protect phones and preserve their brand-new look. The screen protector is custom fit for iPhone and Samsung models. Lab tests show DIAMOND DOG screen protectors provide up to 6 times better scratch protection, up to 5 times more abrasion protection, up to 4-6 times longer anti-fingerprint protection, and up to 3 times better breakage protection. During fiscal 2020 sales of DIAMOND DOG screen protectors were not significant.

Solar Market

Intevac designs, manufactures and markets capital equipment for the PV solar manufacturing industry.

A solar cell (also called a PV cell) is a solid state device that converts the energy of sunlight directly into electricity. Assemblies of cells are used to make solar modules, also known as solar panels. Solar panels have broad-based end market applications for utility-scale solar farms; integrated building PV arrays for commercial, retail, and offices; residential rooftop; and for portable devices.

The cost of electricity generated from solar energy, in many cases, remains higher than that of electricity generated from traditional energy sources. However, deployment of photovoltaics is gaining momentum on a worldwide scale, particularly in Asia, North America and other regions, where solar PV is now increasingly competitive with conventional energy sources. Grid parity, whereby solar PV generates power at a levelized cost of electricity (“LCOE”) less than or equal to the price of power purchased from the electrical grid, has already been reached in about thirty countries. In countries or areas where the cost of solar energy generation remains higher than traditional electricity generation sources, some governments have implemented various tax credits and other financial incentives to promote the growth in solar and other alternative energy sources. As a result of solar energy costs having favorably declined due to the increased scale and improved manufacturing efficiencies spurred by these incentive policies, many governments have reduced or are planning to reduce their incentives for solar, a trend which is likely to continue. More than 120 gigawatts of solar capacity were added globally in 2020, rising 7.1% year-on-year, but the rate is expected to taper off to a modest growth of 4.1% in 2021. Intevac expects that 2021 will continue to be challenging for the solar industry due to further declines in solar panel pricing.

The PV industry continues to focus on the development of high-efficiency cell technologies aimed at simultaneously boosting PV efficiency and reducing solar energy production costs. New vacuum process technologies and integrated processing steps are expected to become increasingly important as companies search for lower-cost manufacturing solutions for PV cells.

Intevac offers products for wafer-based crystalline silicon (“c-Si”) solar cell manufacturing processes, the prevailing manufacturing process in the PV industry. Intevac’s products for the solar industry are specifically focused on cell designs with the highest energy conversion efficiency, which are within the n-type mono crystalline portion of the market.

Intevac offers thin-film vacuum process manufacturing solutions for c-Si cell fabrication applications. Intevac offers high-productivity process equipment solutions that enable low-cost solar cell manufacturing with high cell efficiency, consistent with the PV industry's focus and requirements. Intevac has developed two vacuum process application technologies for solar cell manufacturing: one utilizes Physical Vapor Deposition ("PVD") technology for the deposition of thin films onto c-Si wafers, and the other utilizes ion implantation, which selectively changes the electrical characteristics of the c-Si solar cell.

PVD is a process used in multiple ways in the manufacturing of solar cells such as for fabricating electrical contacts and conductor layers, depositing reflective layers of various types, and for growing transparent conductive oxide layers, all of which are critical to the efficiency of solar cells.

Ion implantation is a solar cell processing technology whereby an impurity is added to a PV structure to improve its conductivity. In ion implantation, a beam of ions of a desired dopant element such as phosphorus or boron is electrostatically accelerated and directed toward the target material, introducing the impurity. In a subsequent thermal annealing step, the dopant is electrically activated. The ion implant processes enable precision engineering of the dose and of the depth of dopant elements to form emitter structures in working solar cells. Ion implantation is a technique being introduced to solar cell lines as a means to lower the cost per watt to manufacture the cell. Ion implantation can replace existing diffusion processes in existing solar processing lines for present-day PV cell structures, and is also extendable to new advanced cell structures. In both cases, ion implant-formed emitters are created with fewer processing steps, and therefore at lower cost, than the diffusion processes implant displaces. Intevac's ion implantation products are based upon technology developed by Solar Implant Technologies, Inc. ("SIT") which was acquired by Intevac in November 2010.

Fan-Out Packaging Market

Intevac is bringing to market capital equipment for fan-out packaging applications, fan-out packaging being a specialized part of the overall semiconductor device packaging market.

Semiconductor device packaging technology in general, and fan-out wafer level packaging ("FOWLP")/fan-out panel level packaging ("FOPLP") technology in particular, is being driven by the strong cost advantages these technologies offer over the cost of further implementing continued Moore's Law progress for 10nm and 7nm semiconductor device process nodes. Generally speaking, fan-out packaging provides for increased Input/Output ("I/O") density for a given semiconductor device while simultaneously supporting continued progress in shrinking the individual semiconductor devices, resulting in decreased footprint per device and, by extension, decreases in the amount of space integrated circuit content occupies in handheld consumer electronic products, for example in smartphones, wearables, and in Internet of Things ("IoT") devices.

Fan-out packaging technology consists of a series of operations where known good semiconductor devices from silicon wafers fabricated by an Integrated Device Manufacturer ("IDM"), or by a semiconductor foundry, are singulated and then assembled onto a substrate or temporary carrier, which is then overmolded with epoxy mold compound and cured to create what is known as a reconstituted wafer. The reconstituted wafer then goes through another series of process steps (dielectric deposition, metallization, photolithography), to create a redistributed "fan-out" of the electrical interconnections from the original silicon device area to an expanded area that includes the device (die) surface itself, along with a generous amount of extra surface created from the mold compound area.

A redistribution layer ("RDL") is the "fanned-out" metal layer on a packaged integrated circuit that makes the I/O pads of the integrated circuit available in other locations. PVD processes are essential to RDL fabrication; in fan-out packaging, our INTEVAC MATRIX®PVD system is used to deposit thin layers of Titanium ("Ti"), Titanium Tungsten ("TiW") and Copper ("Cu") to form the barrier/seed layer upon which the full RDL is constructed.

Applications driving the adoption of fan-out packaging include, among others: (1) baseband processors and application processors; (2) radio frequency ("RF") transceivers and switches; (3) power management integrated circuits ("PMIC"); (4) radar modules for automotive; (5) audio codec; and (6) microcontrollers.

Smartphones from OEMs including Apple, Samsung, Xiaomi, OPPO and others incorporate fan-out packaged components, as do most higher-end automobiles. IoT applications in the future are expected to contribute additional significant volume in fan-out packaged devices.

The compelling advantages our INTEVAC MATRIX PVD system brings to fan-out packaging are a much-reduced cost of ownership over the current PVD process tools of record used for RDL barrier/seed layer applications, and also the flexibility to run round wafers, and square or rectangular panels, with no changes to the INTEVAC MATRIX PVD system beyond a simple substrate carrier substitution.

TFE Products

Intevac's TFE product portfolio addressing each of these markets is based around common core technologies and competencies. Intevac believes its TFE product portfolio can be extended to support adjacent markets. Based on its history and market and technology leadership in the HDD industry, Intevac offers superior high-productivity vacuum handling of small substrates at the lowest cost of ownership. Lowest cost of ownership includes various advantages such as high target utilization, high throughput, small footprint, double-sided coating, and reduced materials costs.

Product Table

The following table presents a representative list of the TFE products that we offered during fiscal 2020 and fiscal 2019.

TFE Products	Applications and Features
HDD Equipment Market	
200 Lean® Disk Sputtering System	• Uses PVD and chemical vapor deposition ("CVD") technologies. • Deposits magnetic films, non-magnetic films and protective carbon-based overcoats. • Provides high-throughput for small-substrate processing. • Over 164 units installed.
Upgrades, spares, consumables and services (non-systems business)	• Upgrades to the installed base to support the continued growth in areal density or reduce the manufacturing cost per disk.
DCP Market	
INTEVAC VERTEX® System	• Utilizes vertical sputtering for multiple film types. • Provides high-throughput for small-substrate processing. • Uses patented carbon deposition source. • Modular design enables expandability. • Enables low-temperature processing.
INTEVAC VERTEX® Spectra System	• Extension of the VERTEX system. • Incorporates multiple source technologies in a single system. • Uses proprietary ion beam processing for deposition and etching. • Enables unique patterned NCVM and hard AR coatings.
INTEVAC VERTEX® Marathon System	• Versatile platform for high volume manufacturing of multi-step, multi-layer optical coatings. • Enables diverse coatings — DiamondClad, patterned NCVM and AR films.
DIAMOND DOG®	• Screen protectors for mobile devices, a consumer product line with DiamondClad tempered glass. • Provides long lasting protection against scratches and abrasion. • Preserves screen clarity and anti-fingerprint performance.
Solar PV Market	
INTEVAC MATRIX PVD System	• Deposits electrical contacts and conductor layers, reflective layers, and transparent conductive oxide layers, all of which are critical to the efficiency of solar cells. • Includes patented Linear Scanning Magnetic Array ("LSMA") magnetron source, with industry-leading target utilization rate of over 65 percent. • Provides high-throughput for small-substrate processing.
INTEVAC MATRIX Implant System	• Utilizes the chambers and transport mechanism of the MATRIX platform while using the implant sources from the ENERG*i* system.
ENERG*i*® Implant System	• Supports both phosphorus and boron dopant technologies. • Extendable to new advanced solar cell structures.

TFE Products	Applications and Features
Fan-Out Packaging Market	
INTEVAC MATRIX PVD System	• Deposits barrier/seed layers for fan-out RDL. • Includes LSMA magnetron source, with industry-leading target utilization rate of over 65 percent. • Provides high-throughput and low cost of ownership for small-substrate or large panel processing. • Provides flexibility for handling round, square, or rectangular substrates for fan-out packaging.
Adjacent Markets	
INTEVAC MATRIX System	• Incorporates multiple thin-film deposition techniques such as PVD, CVD, Etch, Implant, heating and cooling. • Consists of high-speed linear transport. • Flexible design enables handling of various different small substrate sizes and shapes. • Performs double-sided coating within vacuum.

Photonics Segment

Photonics Market

Intevac Photonics develops, manufactures and sells compact, high-sensitivity digital-optical products for the capture and display of extreme low-light images. These products incorporate high resolution digital night-image sensors operating in the visible and near infrared ("NIR") light spectrums and are based on Intevac's proprietary EBAPS® (Electron Bombarded Active Pixel Sensor) technology.

Photonics products primarily address the high-performance military night-vision market. Our products provide digital imagery in extremely low-light level conditions. Intevac provides these products for military aircraft including the U.S. Army AH-64 Apache Attack Helicopter and the F-35 Joint Strike Fighter. The Company is developing additional technologies to address soldier head-mounted and weapon-mounted applications.

Military Products

Intevac's EBAPS is incorporated into custom-designed cameras, modules and system products for high performance military applications. Intevac's EBAPS can be integrated at various levels with optics, electronics, software, and displays based upon customer specifications and requirements. Intevac has developed a next-generation, 3.7 mega-pixel resolution Intevac Silicon Imagine Engine ("ISIE") 19 EBAPS which operates at higher resolutions, lower light levels, higher speeds, and lower power consumption for use in next-generation systems. Customization typically occurs in the areas of electronics, near-eye micro-displays and mechanical packaging. Intevac's products by application are:

Helicopter Pilotage

Intevac provides a night-vision camera with a 2.0 mega-pixel resolution EBAPS module which is gimbal turret-mounted on the nose of the Apache helicopter. The low-light level digital video is then viewable by the helicopter pilot on a Head-Mounted Display ("HMD") enabling the pilot to have enhanced night vision and allowing the aircrew to view multiple aircraft-mounted sensor information.

Fixed Wing Aircraft Pilotage

Intevac provides night-vision modules with a 2.0 mega-pixel resolution EBAPS module which are integrated with the F-35 fighter pilot's helmet and enables the pilot to have enhanced night vision incorporating navigational and tactical information. Additionally, a similar integrated night vision camera utilizing a 2.0 mega-pixel resolution EBAPS is being designed into the Striker II helmet for the NATO Eurofighter Typhoon aircraft.

Long-Range Target Identification

Intevac provides the Laser Illuminated Viewing and Ranging ("LIVAR®") shortwave-infrared camera for long range military night-time surveillance systems that can identify targets at distances of up to twenty kilometers. Photonics' LIVAR camera is incorporated into long range target identification systems manufactured by a major defense contractor.

Augmented Reality ("AR") and Wireless HMDs

Intevac provides HMDs for applications in AR and weapon sights. The HMD is a near-eye, high-definition, wide field-of-view ("FOV") micro-display system for portable viewing of video in military and commercial applications. Depending on the application, Intevac provides configuration choices that include monocular or binocular, mono or stereo video, wired or wireless interfaces, and with integral inertial measurement units ("IMU"). An AR HMD overlays symbology and other information on and tracked in a view of the real world, creating the illusion that they occupy the same space. Intevac has developed and demonstrated wide FOV AR displays for use in HMDs.

Soldier Mobility

Intevac is developing a digital-fused binocular night-vision goggle with AR which will integrate the next-generation EBAPS. This goggle will demonstrate superior night-vision capability, with digital advantages, such as zoom, information overlay, and wireless image transmission and reception.

Intevac is developing a digital night-vision camera for the U.S. Army's Integrated Visual Augmentation System ("IVAS") program. The IVAS will incorporate head, body, and weapon technologies on individual soldiers. It is a single platform that soldiers can use to fight, rehearse, and train that provides increased mobility and situational awareness necessary to achieve overmatch against adversaries and includes a squad-level combat training capability.

Commercial Products

Low-Light Cameras

Photonics' MicroVista® product line of commercial compact and lightweight low-light Complementary Metal–Oxide–Semiconductor ("CMOS") cameras provides high sensitivity in the ultraviolet, visible or NIR regions of the spectrum for use in industrial inspection, bio-medical and scientific applications. These cameras are primarily sold through distribution channels and to original equipment manufacturers.

Customer Concentration

Historically, a significant portion of Intevac's revenue in any particular period has been attributable to sales to a limited number of customers.

The following customers accounted for at least 10 percent of Intevac's consolidated net revenues in fiscal 2020 and 2019.

	2020	2019
Seagate Technology	42%	49%
U.S. Government	29%	20%
Elbit Systems of America	12%	*
Jolywood (Hongkong) Industrial Holdings Co., Limited	*	14%

* Less than 10%

Intevac expects that sales of Intevac's products to relatively few customers will continue to account for a high percentage of Intevac's revenues in the foreseeable future.

Foreign sales accounted for 47% of revenue in fiscal 2020 and 67% of revenue in fiscal 2019. The majority of Intevac's foreign sales are to companies in Asia or to U.S. companies for use in their Asian manufacturing or development operations. Intevac anticipates that foreign sales will continue to be a significant portion of Intevac's TFE revenues. Intevac's disk sputtering equipment customers include magnetic disk manufacturers, such as Fuji Electric and Showa Denko, and vertically integrated HDD manufacturers, such as Seagate, Western Digital and HGST. Intevac's PV solar equipment customers include several major solar cell manufacturers. Intevac's DCP equipment customers include DCP manufacturers, such as Truly Opto-electronics. Intevac's customers' manufacturing facilities are primarily located in California, China, Taiwan, Japan, Malaysia, Portugal and Singapore.

Competition

The principal competitive factors affecting the markets for Intevac TFE products include price, product performance and functionality, ease of integration, customer support and service, reputation and reliability. Intevac has one major competitor, Canon Anelva, in the hard disk drive equipment market and has historically experienced intense worldwide competition for magnetic disk sputtering equipment. Intevac primarily faces competition from large established global competitors in the PV equipment market including Centrotherm Photovoltaics, Jusung, Kingstone, Von Ardenne and Belight Technology. Intevac faces competition in the DCP market from optical coating equipment manufacturers such as Optorun, Shincron and Hongda, glass manufacturers that may develop scratch resistant glass, touchscreen manufacturers that may adopt harder substrate materials, or other equipment companies, chemical companies or the display cover plate manufacturers themselves that may offer competing protective coatings including DLC, NCVM and AR. Intevac's competitors for PVD processes in the fan-out packaging market include the companies SPTS Technologies (a KLA company), Evatec AG, ULVAC Technologies, Inc., Tango Systems, Inc. (an Applied Materials company) and ASM NEXX, Inc. These competitors generally have substantially greater financial, technical, marketing, manufacturing and other resources as compared to Intevac. Furthermore, any of Intevac's competitors may develop enhancements to, or future generations of, competitive products that offer superior price or performance features. In addition, new competitors, with enhanced products may enter the markets that Intevac currently serves.

The principal competitive factors affecting Photonics products include price, extreme low-light level performance, power consumption, resolution, size, ease of integration, reliability, spectral band, reputation and customer support and service. Intevac faces substantial competition for Photonics products, and many competitors have substantially greater resources and brand recognition. In the military market for soldier and helicopter night vision goggles, Elbit Systems and L3Harris Technologies are large and well-established defense contractors and are the primary U.S. manufacturers of analog image intensifier tubes used in Generation-III night-vision devices. For long range airborne targeting applications, Intevac competes against camera providers using low light CMOS imagery. Intevac expects that other companies will develop digital night-vision products and aggressively promote their sales.

Marketing and Sales

TFE sales are made primarily through Intevac's direct sales force. Intevac also sells its products through distributors in Japan and China. The selling process for Intevac's TFE products is multi-level and lengthy, involving individuals from marketing, engineering, operations, customer service and senior management.

Installing and integrating new equipment requires a substantial investment by a customer. Sales of Intevac's systems depend, in significant part, upon the decision of a prospective customer to replace obsolete equipment or to increase manufacturing capacity by upgrading or expanding existing manufacturing facilities or by constructing new manufacturing facilities, all of which typically involve a significant capital commitment. Intevac's systems have a lengthy sales cycle, during which Intevac may expend substantial funds and management time and effort with no assurance that a sale will result.

The production of large complex systems requires Intevac to make significant investments in inventory both to fulfill customer orders and to maintain adequate supplies of spare parts to service previously shipped systems. Intevac maintains inventories of spare parts in the United States, Singapore, Malaysia and China to support its TFE customers. Intevac often requires its TFE customers to pay for systems in three installments, with a portion of the system price billed upon receipt of an order, a portion of the price billed upon shipment, and the balance of the price and any sales tax due upon completion of installation and acceptance of the system at the customer's factory.

Intevac provides process and applications support, customer training, installation, start-up assistance and post-installation service support to Intevac's TFE customers. Intevac supports US customers from Intevac headquarters in Santa Clara, California, and has field offices in Singapore, China, and Malaysia to support customers in Asia.

Warranties for Intevac's TFE products typically range between 12 and 24 months from customer acceptance. During the warranty period any necessary non-consumable parts are supplied and installed without charge.

Sales of Photonics products for military applications are primarily made to the end user through Intevac's direct sales force. Intevac sells to the U.S. government and to leading defense contractors such as Lockheed Martin Corporation, Northrop Grumman Corporation, Elbit Systems of America, Raytheon, Leonardo DRS, BAE Systems and Safran Electronics and Defense.

Intevac is subject to long sales cycles in the Photonics segment because many of Intevac's products, such as Intevac's night-vision systems, typically must be designed into Intevac's customers' products, which are often complex and state-of-the-art. These development cycles are generally multi-year, and Intevac's sales are dependent on Intevac's customer successfully integrating Intevac's product into its product, completing development of its product and then obtaining production orders for its product. Sales of these products are also often dependent on ongoing funding of defense programs by the U.S. government and its allies. Additionally, sales to international customers are contingent on issuance of export licenses by the U.S. government.

Photonics generally invoices its research and development customers either as costs are incurred, or as program milestones are achieved, depending upon the particular contract terms. As a government contractor, Intevac invoices customers using estimated annual rates approved by the Defense Contracts Audit Agency ("DCAA").

Research and Development and Intellectual Property

Intevac's long-term growth strategy requires continued development of new products. Intevac works closely with Intevac's customers to design products that meet their planned technical and production requirements. Product development and engineering organizations are located primarily in the United States and Singapore.

Intevac's competitive position significantly depends on Intevac's research, development, engineering, manufacturing and marketing capabilities, and not just on Intevac's patent position. However, protection of Intevac's technological assets by obtaining and enforcing intellectual property rights, including patents, is important. Therefore, Intevac's practice is to file patent applications in the United States and other countries for inventions that Intevac considers important. Although Intevac does not consider Intevac's business materially dependent upon any one patent, the rights of Intevac and the products made and sold under Intevac's patents along with other intellectual property, including trademarks, know-how, trade secrets and copyrights, taken as a whole, are a significant element of Intevac's business.

Intevac enters into patent and technology licensing agreements with other companies when management determines that it is in Intevac's best interest to do so. Intevac pays royalties under existing patent license agreements for use of certain patented technologies in several of Intevac's products.

In the normal course of business, Intevac periodically receives and makes inquiries regarding possible patent infringements. In dealing with such inquiries, it may be necessary or useful for us to obtain or grant licenses or other rights. However, there can be no assurance that such licenses or rights will be available to us on commercially reasonable terms, or at all. If Intevac is not able to resolve or settle claims, obtain necessary licenses and/or successfully prosecute or defend Intevac's position, Intevac's business, financial condition and results of operations could be materially and adversely affected.

Manufacturing

Intevac manufactures its TFE products at its facilities in California and Singapore. Intevac's TFE manufacturing operations include electromechanical assembly, vacuum processing, fabrication of sputter sources, and system assembly, alignment and testing.

Photonics products are manufactured at Intevac's facility in California. Photonics manufactures sensors, cameras, integrated camera systems, and near-eye display systems using advanced manufacturing techniques and equipment. Intevac's operations include vacuum processing, and electromechanical and optical system assembly.

Government Regulations

We are subject to various government regulations in the United States as well as various international locations where we operate. These regulations cover several diverse areas including environmental compliance, import and export controls, economic sanctions, data and privacy protection, transfer pricing rules, anti-bribery, anti-trafficking and anti-trust provisions. Our policies mandate compliance with applicable laws and regulations administered by various state, federal and international agencies. We instituted various training programs to educate our employees on compliance with governmental regulations, as well as applied legal and ethical practices in our everyday work. We are subject to international, federal, state, and local legislation, regulations, and other requirements relating to the use, storage, discharge, handling, emission, generation, manufacture, treatment and disposal of toxic or otherwise hazardous substances, chemicals, materials or waste; recycling and product packaging; worker health and safety; and other activities affecting the environment, our workforce, and the management of our manufacturing operations. We believe that our operations and facilities comply in all material respects with applicable environmental laws and worker health and safety laws. We treat the cost of complying with government regulations and operating a safe workplace as a normal cost of business and allocates the cost of these activities to all functions, except where the cost can be isolated and charged to a specific function. The environmental standards and regulations promulgated by government agencies in California and Singapore are particularly rigorous and set a high standard of compliance. We believe our costs of compliance with these regulations and standards are comparable to other companies operating similar facilities in these jurisdictions. We are also subject to import/export controls, tariffs, and other trade-related regulations and restrictions in the countries in which we have operations or otherwise do business. These controls, tariffs, regulations, and restrictions (including those related to, or affected by, United States-China relations) have had, and we believe may continue to have, a material impact on our business, including our ability to sell products and to manufacture or source components. Our business is affected by numerous laws and regulations relating to the award, administration and performance of U.S. Government contracts. In addition, many federal and state laws materially affect our operations. These laws relate to ethics, labor, tax, and employment matters. As any employer is, we are subject to federal and state statutes and regulations governing their standards of business conduct with the government, including that government contracts typically contain provisions permitting government clients to terminate contracts without cause with limited notice or compensation. The development of additional statutes and regulations and interpretation of existing statutes and regulations with respect to our industry can be expected to evolve over time. As with any commercial enterprise, we cannot predict with certainty the nature or direction of the development of federal statutes and regulations that will affect its business operations.

Human Capital Resources

General Information About Our Human Capital Resources

As of January 2, 2021, we had 269 employees, including 3 contract employees. Approximately 71% of our employees are located in the United States and 29% are located in Asia. Of our total workforce, 86 employees are involved in research and development; 115 employees are involved in operations, manufacturing, service and quality assurance; and 68 employees are involved in sales, order administration, marketing, finance, information technology, general management and other administrative functions.

Core Principles

Our core values are integral to our Company culture. We pride ourselves in providing a safe and positive work environment where mutual respect and ethical conduct is a core value. We believe in continuous learning and professional development and provide employees with opportunities to grow.

Community Involvement

Our employees are committed to making a difference in the community by actively volunteering and fundraising for many charities, including American Cancer Society, Second Harvest, Human Society, Make a Wish, and Salvation Army.

Health and Safety

The health and safety of our employees is of utmost importance to us. We conduct regular self-assessments and audits to ensure compliance with our health and safety guidelines and regulatory requirements. Our ultimate goal is to achieve a level of work-related injuries as close to zero as possible through continuous investment in our safety programs. We provide protective gear (e.g. eye protection, masks and gloves) as required by applicable standards and as appropriate given employee job duties. Annual participation in trainings related to ethics, environment, health and safety, and emergency responses are at or near 100%.

Refer to "Impact of COVID-19" included in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" for information on actions taken by the Company to support its employees in response to the COVID-19 pandemic.

Talent Management

We regularly monitor and review with management human capital metrics that are key to our business, including hiring statistics, promotion rates, turnover rates, career growth and development, and diversity and inclusion.

Hiring Practices

It is our policy to hire and promote the best-qualified person for the job and comply fully with all domestic, foreign and local laws relating to discrimination in the workplace. Our good faith outreach efforts are designed to ensure that there are no barriers for members of any group and to encourage interest by all qualified persons. We believe our actions enhance diversity, including recruiting at venues representing women, minorities and U.S. military veterans.

Turnover

We continually monitor employee turnover rates, both regionally and as a whole, as our success depends upon retaining our highly trained engineering, manufacturing and operating personnel. The average tenure of our employees is 9.8 years in the United States and 9.5 years in Asia.

Diversity and Inclusion

Recognizing and respecting our global presence, we strive to maintain a diverse and inclusive workforce everywhere we operate. We believe that a diverse and motivated workforce is vital to our success. We strive to advance diversity and inclusion through various talent acquisition programs to attract, retain and develop a diverse, highly-skilled work force. We conduct employee surveys to provide on-going feedback on how we are doing against our commitment to treat all employees fairly and provide equal opportunity in an environment free of discrimination. Our diversity and inclusion principles are also reflected in our employee training, in particular by educating employees about our policies against harassment and bullying and about the elimination of bias in the workplace.

Management Team

We believe our management team has the experience necessary to effectively execute our strategy and advance our product and technology leadership. Our chief executive officer and business unit leaders average approximately 25 years of industry experience. They are supported by an experienced and talented professional team.

Training and Talent Development

We are committed to the continued development of our employees. Strategic talent reviews and succession planning occur on a planned cadence annually – globally and across all business areas. We are committed to identifying and developing the talents of our next generation leaders. We have a robust talent and succession planning process and have established specialized programs to support the development of our talent pipeline for critical roles in management, engineering, and operations. We also provide technical, professional and leadership training to our employees. We recognize and support the growth and development of our employees and offer opportunities to participate in internal as well as external learning opportunities.

Compensation and Benefits

We strive to offer employees regionally competitive compensation and benefits that are aligned to our values. All employees receive a base salary, incentive compensation and welfare benefits. Depending on the region, benefits include medical, dental and vision coverage, short and long-term disability income protection, flexible spending plans (health, dependent and limited flexible spending) and basic and supplemental life insurance, accidental death and dismemberment insurance and retirement savings plan. Intevac pays the majority or all of the costs for these benefits.

We have various employee incentive plans. Our profit-sharing plan provides for the distribution of a percentage of pre-tax profits to substantially all of our employees not eligible for other performance-based incentive plans. Our executives and key contributors participate in bonus plans based on the achievement of profitability and other individual performance goals and objectives.

To foster a stronger sense of ownership and align the interests of employees with our stockholders we grant equity-based awards, including restricted stock units ("RSUs") and performance-based restricted stock units ("PRSUs") to eligible employees. We also have an employee stock purchase plan, which provides employees with the opportunity to purchase Intevac common stock at a discount through payroll deductions. See Note 3 to the consolidated financial statements for a description of these plans.

Oversight and Management

As noted in its charter, our Compensation Committee is responsible for periodically reviewing our employee programs and initiatives, including healthcare and other benefits, as well as our management development and succession planning practices and strategies.

Information about our Executive Officers

Certain information about our executive officers as of February 17, 2021 is listed below:

Name	Age	Position
Executive Officers:		
Wendell T. Blonigan	59	President and Chief Executive Officer
James Moniz	63	Executive Vice President, Finance and Administration, Chief Financial Officer, Secretary and Treasurer
Timothy Justyn	58	Executive Vice President and General Manager, Photonics
Jay Cho	56	Executive Vice President and General Manager, TFE
Other Key Officers:		
Verle Aebi	66	Chief Technology Officer, Photonics
Terry Bluck	61	Chief Technology Officer, TFE
Kimberly Burk	55	Senior Vice President, Global Human Resources

Mr. Blonigan joined Intevac in July 2013 as President and Chief Executive Officer. Prior to joining Intevac, Mr. Blonigan co-founded Orbotech LT Solar in 2009 and served as the company's Chief Executive Officer until 2013. From 2006 until 2009, he was the Chief Operating Officer at Photon Dynamics, Inc. In 1991, Mr. Blonigan joined Applied Materials' AKT display subsidiary. During his tenure at AKT, he held various positions. In 2003, he was appointed President and served in this role until 2006; from 1999 through 2003 he was Vice President, and prior to that time he was Director of Engineering and New Product Development. Mr. Blonigan holds a BS in electronic engineering technology from DeVry University Missouri Institute of Technology.

Mr. Moniz joined Intevac as Executive Vice President, Finance and Administration, Chief Financial Officer and Treasurer in November 2014. Mr. Moniz previously served as the Chief Financial Officer of Nanometrics, Inc. from 2009 until his retirement in 2011. During 2008, Mr. Moniz was the Chief Financial Officer at Photon Dynamics, Inc. From 2000 until 2008, Mr. Moniz served as the Chief Financial Officer at Nextest Systems Corporation. Prior to Nextest, Mr. Moniz held senior financial management positions at Millennia Vision Corporation, Lockheed Martin Corporation, Loral Corporation and Varian Associates. Mr. Moniz holds an MBA, a BS in accounting and a BS in marketing from San Jose State University.

Mr. Justyn has served as Executive Vice President and General Manager, Photonics from February 2018. Mr. Justyn served as Senior Vice President of Global Operations from February 2015 to February 2018. Mr. Justyn served as Vice President, Photonics from October 2008 to February 2015. Mr. Justyn served as Vice President, TFE Manufacturing from April 1997 to October 2008. Mr. Justyn joined Intevac in February 1991 and has served in various roles in our TFE Products Division and our former night-vision business. Mr. Justyn holds a BS in chemical engineering from the University of California, Santa Barbara.

Mr. Cho joined Intevac in January 2014 and currently serves as Executive Vice President and General Manager, TFE. Prior to joining Intevac, Mr. Cho was President, Chief Executive Officer and Co-Founder of REEnewal Corporation. From 2006 to 2011, Mr. Cho served as Vice President / General Manager of the Tester and Repair Business Units of Orbotech LTD. From 2005 to 2006, Mr. Cho served as Vice President, Product Development at Metara Inc. From 1992 to 2005, Mr. Cho held various management positions at Novellus Systems, Inc. Prior to Novellus, Mr. Cho worked for Digital Equipment Corporation and Intermec Corporation. Mr. Cho holds a BS in electrical engineering from Washington State University and an MBA from University of Phoenix.

Mr. Aebi has served as Chief Technology Officer of the Photonics business since August 2006. Previously, Mr. Aebi served as President of the Photonics Division from July 2000 to July 2006 and as General Manager of the Photonics Division since May 1995. Mr. Aebi was elected as a Vice President of the Company in September 1995. From 1988 through 1994, Mr. Aebi was the Engineering Manager of the night-vision business Intevac acquired from Varian Associates in 1991, where he was responsible for new product development in the areas of advanced photocathodes and image intensifiers. Mr. Aebi holds a BS in physics and an MS in electrical engineering from Stanford University.

Mr. Bluck rejoined Intevac as Chief Technology Officer of TFE in August 2004. Mr. Bluck had previously worked at Intevac from December 1996 to November 2002 in various engineering positions. The business unit Mr. Bluck worked for was sold to Photon Dynamics in November 2002, and he was employed there as Vice President, Rapid Thermal Process Product Engineering until August 2004. Mr. Bluck holds a BS in physics from San Jose State University.

Ms. Burk joined Intevac in May 2000 and currently serves as Senior Vice President of Global Human Resources. Prior to joining Intevac, Ms. Burk served as Human Resources Manager of Moen, Inc. from 1999 to 2000 and as Human Resources Manager of Lawson Mardon from 1994 to 1999. Ms. Burk holds a BS in sociology from Northern Illinois University.

Available Information

Intevac's website is *http://www.intevac.com.* Intevac makes available free of charge, on or through its website, its annual, quarterly and current reports, and any amendments to those reports, as soon as reasonably practicable after electronically filing such reports with, or furnishing them to, the SEC. This website address is intended to be an inactive textual reference only and none of the information contained on Intevac's website is part of this report or is incorporated by reference herein.

Trademarks

Intevac's trademarks include the following: "200 Lean®," "DiamondClad®," "DIAMOND DOG®," "EBAPS®," "ENERG*i*®," "LIVAR®," "INTEVAC LSMA®," "INTEVAC MATRIX®," "MicroVista®," "NightVista®," "oDLC®," "INTEVAC VERTEX®," "VERTEX Marathon®," and "VERTEX SPECTRA®."

Item 1A. *Risk Factors*

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

Risks Related to Our Business

The industries we serve are cyclical, volatile and unpredictable.

A significant portion of our revenue is derived from the sale of equipment used to manufacture commodity technology products such as disk drives, PV solar cells and cell phones. This subjects us to business cycles, the timing, length and volatility of which can be difficult to predict. When demand for commodity technology products exceeds production capacity, then demand for new capital equipment such as ours tends to be amplified. Conversely, when supply of commodity technology products exceeds demand, then demand for new capital equipment such as ours tends to be depressed. We cannot predict with any certainty when these cycles will begin or end. Our sales of systems for magnetic disk production increased in 2016 as a customer began upgrading the technology level of its manufacturing capacity. Sales of systems and upgrades for magnetic disk production in 2017 and 2018 were higher than in 2016 as this customer's technology upgrade continued. Sales of systems and upgrades for magnetic disk production in 2019 were slightly down from the levels in 2018 as this customer took delivery of four systems. Sales of systems and upgrades for magnetic disk production in 2020 were down from the levels in 2019 as this customer took delivery of only two systems. Intevac expects sales of systems and upgrades for magnetic disk production in 2021 will be at levels lower than the levels in 2020.

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

In recent years the photovoltaic (solar) market has undergone a downturn, which is likely to impact our sales of PV equipment. The solar industry from time to time experiences periods of structural imbalance between supply and demand, and such periods put intense pressure on our customers' pricing. The solar industry is currently in such a period. Competition in solar markets globally and across the solar value chain is intense, and could remain that way for an extended period of time. During any such period, solar module manufacturers may reduce their sales prices in response to competition, even below their manufacturing costs, in order to generate sales and may do so for a sustained period of time. As a result, our customers may be unable to sell their solar modules or systems at attractive prices or for a profit during a period of excess supply of solar modules, which would adversely affect their results of operations and their ability to make capital investments such as purchasing our products.

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

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

The COVID-19 outbreak has severely restricted the level of economic activity around the world, which may impact demand for our products. Our operations and supply chains for certain of our products or services could be negatively impacted by the regional or global outbreak of illnesses, including COVID-19. Any quarantines, labor shortages or other disruptions to our operations, or those of our suppliers or customers, may adversely impact our sales and operating results. In addition, a significant outbreak, epidemic, or pandemic of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, including those in which we operate, resulting in an economic downturn that could affect the supply or demand for our products and services. Our factory in Singapore was given notice by the Singapore government to suspend all on-site activities on April 27, 2020. We appealed this notice and were provided an exemption on May 14, 2020. We were temporarily required to limit the number of employees on site at our Singapore factory but these restrictions were lifted on June 2, 2020. We are unable to accurately predict the possible future effect on the Company, which could be material to our 2021 results, and which is highly dependent on the breadth and duration of the outbreak and could be affected by other factors we are not currently able to predict, including new information which may emerge concerning the severity of COVID-19, the success of actions taken to contain or treat COVID-19, and reactions by consumers, companies, governmental entities and capital markets. Any widespread growth in infections, or travel restrictions, quarantines or site closures imposed as a result of COVID-19, could, among other things, require the Company to extend mandatory work-from-home protocols resulting in additional expenses and strain on the business as well as adversely impact its supply chain.

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

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

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

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

The Photonics business is also subject to long sales cycles because many of its products, such as our military imaging products, often must be designed into the customers' end products, which are often complex state-of-the-art products. These development cycles are typically multi-year, and our sales are contingent on our customers successfully integrating our product into their product, completing development of their product and then obtaining production orders for their product from the U.S. government or its allies.

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

In the market for our disk sputtering systems, we experience competition primarily from Canon Anelva, which has sold a substantial number of systems worldwide. In the PV equipment market, Intevac faces competition from large established competitors including Centrotherm Photovoltaics, Jusung, Kingstone, Von Ardenne and Belight Technology. In the market for our military imaging products we experience competition from companies such as Elbit Systems, L3Harris Technologies and Photonis. Some of our competitors have substantially greater financial, technical, marketing, manufacturing and other resources than we do, especially in the DCP and PV equipment markets. Our competitors may develop enhancements to, or future generations of, competitive products that offer superior price or performance features, and new competitors may enter our markets and develop such enhanced products. Moreover, competition for our customers is intense, and our competitors have historically offered substantial pricing concessions and incentives to attract our customers or retain their existing customers.

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

Historically, a significant portion of our revenue in any particular period has been attributable to sales of our disk sputtering systems to a limited number of customers. This concentration of customers, when combined with changes in the customers' specific capacity plans and market share shifts can lead to extreme variability in our revenue and financial results from period to period.

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

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

Our quarterly revenues and common stock price have fluctuated significantly. We anticipate that our revenues, operating margins and common stock price will continue to fluctuate for a variety of reasons, including: (1) changes in the demand, due to seasonality, cyclicality and other factors in the markets for computer systems, storage subsystems and consumer electronics containing disks as well as cell phones and PV solar cells our customers produce with our systems; (2) delays or problems in the introduction and acceptance of our new products, or delivery of existing products; (3) timing of orders, acceptance of new systems by our customers or cancellation or delay of those orders; (4) new products, services or technological innovations by our competitors or us; (5) changes in our manufacturing costs and operating expense; (6) changes in general economic, political, stock market and industry conditions; and (7) any failure of our operating results to meet the expectations of investment research analysts or investors.

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

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

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

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

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

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

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

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

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

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

Risks Related to Our Intellectual Property

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

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

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

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

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

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

Risks Related to Government Regulation

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

Many of our products, especially Photonics products, require export licenses from U.S. government agencies under the Export Administration Act, the Trading with the Enemy Act of 1917, the Arms Export Act of 1976 or the International Traffic in Arms Regulations. These regulations limit the potential market for some of our products. We can give no assurance that we will be successful in obtaining all the licenses necessary to export our products. Heightened government scrutiny of export licenses for defense related products has resulted in lengthened review periods for our license applications. Exports to countries that are not considered by the U.S. government to be allies are likely to be prohibited, and even sales to U.S. allies may be limited. Failure to comply with export control laws, including identification and reporting of all exports and re-exports of controlled technology or exports made without correct license approval or improper license use could result in severe penalties and revocation of licenses. Failure to obtain export licenses, delays in obtaining licenses, or revocation of previously issued licenses would prevent us from selling the affected products outside the United States and could negatively impact our results of operations.

The Photonics business is dependent on U.S. government contracts, which are subject to fixed pricing, immediate termination and a number of procurement rules and regulations.

We sell our Photonics products and services directly to the U.S. government, as well as to prime contractors for various U.S. government programs. The U.S government is considering significant changes in the level of existing, follow-on or replacement programs. We cannot predict the impact of potential changes in priorities due to military transformations and/or the nature of future war-related activities. A shift of government priorities to programs in which we do not participate and/or reductions in funding for or the termination of programs in which we do participate, unless offset by other programs and opportunities, could have a material adverse effect on our financial position, results of operations, or cash flows.

Funding of multi-year government programs is subject to congressional appropriations, and there is no guarantee that the U.S. government will make further appropriations. Sales to the U.S. government and its prime contractors may also be affected by changes in procurement policies, budget considerations and political developments in the United States or abroad. For example, if the U.S. government is less focused on defense spending or there is a decrease in hostilities, demand for our products could decrease. The loss of funding for a government program would result in a loss of future revenues attributable to that program. The influence of any of these factors, which are beyond our control, could negatively impact our results of operations.

A significant portion of our U.S. government revenue is derived from fixed-price development and production contracts. Under fixed-price contracts, unexpected increases in the cost to develop or manufacture a product, whether due to inaccurate estimates in the bidding process, unanticipated increases in material costs, reduced production volumes, inefficiencies or other factors, are borne by us. We have experienced cost overruns in the past that have resulted in losses on certain contracts, and may experience additional cost overruns in the future. We are required to recognize the total estimated impact of cost overruns in the period in which they are first identified. Such cost overruns could have a material adverse effect on our results of operations.

Generally, government contracts contain provisions permitting termination, in whole or in part, without prior notice at the government's convenience upon the payment of compensation only for work done and commitments made at the time of termination. We cannot ensure that one or more of the government contracts under which we, or our customers, operate will not be terminated under these circumstances. Also, we cannot ensure that we, or our customers, would be able to procure new government contracts to offset the revenues lost as a result of any termination of existing contracts, nor can we ensure that we, or our customers, will continue to remain in good standing as federal contractors.

As a U.S. government contractor we must comply with specific government rules and regulations and are subject to routine audits and investigations by U.S. government agencies.

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

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

General Risk Factors

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

As a defense contractor, we face various cyber and other security threats, including espionage and attempts to gain unauthorized access to sensitive information and networks. Although we utilize various procedures and controls to monitor and mitigate the risk of these threats, there can be no assurance that these procedures and controls will be sufficient. These threats could lead to losses of sensitive information or capabilities; financial liabilities and damage to our reputation. If we are unable to maintain compliance with security standards applicable to defense contractors, we could lose business or suffer reputational harm.

Cyber threats to businesses in general are evolving and include, but are not limited to, malicious software, destructive malware, attempts to gain unauthorized access to data, disruption or denial of service attacks, and other electronic security breaches that could lead to disruptions in our systems, unauthorized release of confidential, personal or otherwise protected information (ours or that of our employees, customers or partners), and corruption of data, networks or systems. In addition, we could be impacted by cyber threats or other disruptions or vulnerabilities found in products we use or in our partners' or customers' systems that are used in connection with our business. These events, if not prevented or effectively mitigated, could damage our reputation, require remedial actions and lead to loss of business, regulatory actions, potential liability and other financial losses.

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

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

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

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

We could be involved in litigation.

From time to time we may be involved in litigation of various types, including litigation alleging infringement of intellectual property rights and other claims and customer disputes. Litigation is expensive, subjects us to the risk of significant damages and requires significant management time and attention and could have a material and adverse effect on our business, financial condition and results of operations.

Business interruptions could adversely affect our operations.

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

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

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

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

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, our management must perform evaluations of our internal control over financial reporting. Beginning in 2004, our Form 10-K has included a report by management of their assessment of the adequacy of such internal control. Additionally, our independent registered public accounting firm must publicly attest to the effectiveness of our internal control over financial reporting. We have completed the evaluation of our internal controls over financial reporting as required by Section 404 of the Sarbanes-Oxley Act. Although our assessment, testing, and evaluation resulted in our conclusion that as of January 2, 2021, our internal controls over financial reporting were effective, we cannot predict the outcome of our testing in future periods. Ongoing compliance with this requirement is complex, costly and time-consuming. If Intevac fails to maintain effective internal control over financial reporting; our management does not timely assess the adequacy of such internal control; or our independent registered public accounting firm does not deliver an unqualified opinion as to the effectiveness of our internal control over financial reporting, then we could be subject to restatement of previously reported financial results, regulatory sanctions and a decline in the public's perception of Intevac, which could have a material and adverse effect on our business, financial condition and results of operations.

Item 1B. *Unresolved Staff Comments*

None.

Item 2. *Properties*

Intevac maintains its corporate headquarters in Santa Clara, California. The location, approximate size and type of facility of the principal properties are listed below. Intevac leases all of its properties and does not own any real estate.

Location	Square Footage	Principal Use
Santa Clara, California	169,583	Corporate Headquarters; TFE and Photonics Marketing, Manufacturing, Engineering and Customer Support
Singapore	31,947	TFE Manufacturing and Customer Support
Malaysia	1,291	TFE Customer Support
Shenzhen, China	2,568	TFE Customer Support

Intevac considers these properties adequate to meet its current and future requirements. Intevac regularly assesses the size, capability and location of its global infrastructure and periodically makes adjustments based on these assessments.

Item 3. *Legal Proceedings*

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

Item 4. *Mine Safety Disclosures*

Not applicable.

PART II

Item 5. *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

Market Information

Intevac common stock is traded on The Nasdaq Stock Market (NASDAQ Global Select) under the symbol "IVAC." As of February 17, 2021, there were 73 holders of record.

Recent Sales of Unregistered Securities

None.

Dividend Policy

We currently anticipate that we will retain our earnings, if any, for use in the operation of our business and do not expect to pay cash dividends on our capital stock in the foreseeable future.

Repurchases of Intevac Common Stock

On November 21, 2013, Intevac's Board of Directors approved a stock repurchase program authorizing up to $30.0 million in repurchases. On August 15, 2018, Intevac's Board of Directors approved a $10.0 million increase to the original stock repurchase program authorizing up to $40.0 million. At January 2, 2021, $10.4 million remains available for future stock repurchases under the repurchase program. Intevac did not make any common stock repurchases during the three months ended January 2, 2021.

Item 6. *Selected Financial Data*

Not applicable for smaller reporting companies.

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

Management's Discussion and Analysis (MD&A) is intended to facilitate an understanding of Intevac's business and results of operations. This MD&A should be read in conjunction with Intevac's Consolidated Financial Statements and the accompanying Notes to Consolidated Financial Statements included elsewhere in this Form 10- K. The following discussion contains forward-looking statements and should also be read in conjunction with the cautionary statement set forth at the beginning of this Form 10-K. MD&A includes the following sections:

- *Overview:* a summary of Intevac's business, measurements and opportunities.
- *Results of Operations:* a discussion of operating results.
- *Liquidity and Capital Resources:* an analysis of cash flows, sources and uses of cash, and financial position.
- *Critical Accounting Policies:* a discussion of critical accounting policies that require the exercise of judgments and estimates.

Overview

Intevac is a provider of vacuum deposition equipment for a wide variety of thin-film applications, and a leading provider of digital night-vision technologies and products to the defense industry. The Company leverages its core capabilities in high-volume manufacturing of small substrates to provide process manufacturing equipment solutions to the HDD, DCP, and solar cell industries. Intevac also provides sensors, cameras and systems for government applications such as night vision and long-range target identification. Intevac's customers include manufacturers of hard disk media, DCPs and solar cells as well as the U.S. government and its agencies, allies and contractors. Intevac reports two segments: TFE and Photonics.

Product development and manufacturing activities occur in North America and Asia. Intevac has field offices in Asia to support its TFE customers. Intevac's products are highly technical and are sold primarily through Intevac's direct sales force. Intevac also sells its products through distributors in Japan and China.

Intevac's results are driven by a number of factors, including success in its equipment growth initiatives in the DCP and solar markets and by worldwide demand for HDDs. Demand for HDDs depends on the growth in digital data creation and storage, the rate of areal density improvements, the end-user demand for PCs, enterprise data storage, nearline "cloud" applications, video players and video game consoles that include such drives. Intevac continues to execute its strategy of equipment diversification into new markets by introducing new products, such as for a thin-film PVD application for protective coating for DCP manufacturing and a thin-film PVD application for PV solar cell manufacturing. Intevac believes that expansion into these markets will result in incremental equipment revenues for Intevac and decrease Intevac's dependence on the HDD industry. Intevac's equipment business is subject to cyclical industry conditions, as demand for manufacturing equipment and services can change depending on supply and demand for HDDs, cell phones, and PV cells as well as other factors such as global economic conditions and technological advances in fabrication processes.

Fiscal Year	**2020**	**2019**	**Change 2020 vs. 2019**
	(in thousands, except percentages and per share amounts)		
Net revenues	$97,824	$108,885	$ (11,061)
Gross profit	$40,545	$ 40,868	$ (323)
Gross margin percent	41.4%	37.5%	3.9 points
Operating income	$ 2,555	$ 3,925	$ (1,370)
Net income	$ 1,056	$ 1,148	$ (92)
Net income per diluted share	$ 0.04	$ 0.05	$ (0.01)

Fiscal 2019 financial results reflected an improved environment as the Company resumed its growth trajectory. Intevac recognized revenue on four 200 Lean HDD systems. In 2019, Intevac recognized revenue on nine solar implant ENERG*i* systems. We also made significant progress in our TFE growth initiatives, placing evaluation tools with leading manufacturers in both the display cover glass market and the advanced semiconductor packaging market. In fiscal 2019, Photonics business levels were higher compared to the prior year due primarily to the $31.6 million U.S. Army IVAS contract award. Photonics continued to deliver production shipments of the night-vision camera modules for the F35 Joint Strike Fighter program in fiscal 2019 and resumed shipments of the Apache camera in the second half of 2019. Fiscal 2019 net income was the result of higher net revenues and higher gross margins. During 2019, the Company received an unfavorable decision on its appeal to a tax audit in Singapore and recorded a charge of $732,000 which was included in the provision for income taxes. During fiscal 2019, the Company did not recognize an income tax benefit on its U.S. net operating loss.

Fiscal 2020 financial results reflected a challenging environment, partially as a result of the COVID-19 pandemic. We continued to be profitable and grew cash, cash equivalents, restricted cash and investments in 2020 by $7.5 million to $50.4 million. Fiscal 2020 HDD equipment sales were lower than 2019 as Intevac recognized revenue on only two 200 Lean HDD systems, and there were no 200 Lean HDD systems in backlog at the end of 2020. Lower HDD systems revenue was offset in part by higher sales of upgrades, spare parts and service. In fiscal 2020, Photonics business levels were higher compared to the prior year due to higher product shipments as Photonics continued to deliver production shipments of the night-vision camera modules for the F35 Joint Strike Fighter program and the Apache camera and due to higher contract research and development ("R&D") primarily from the IVAS contract award. Lower fiscal 2020 net income resulted from lower net revenues and higher operating expenses, offset in part by higher contributions from gross margins. Higher selling general and administrative expenses resulted primarily from higher variable compensation expenses and incremental e-commerce costs to launch our Diamond Dog e-commerce website. During fiscal 2020, the Company received $567,000 in government assistance related to COVID-19 from the government of Singapore of which $328,000 was reported as a reduction of cost of net revenues, $90,000 was reported as a reduction of R&D expenses and $149,000 was reported as a reduction of selling, general and administrative expenses. During fiscal 2020, the Company did not recognize an income tax benefit on its U.S. net operating loss.

We believe fiscal 2021 will be a challenging year and Intevac does not expect be profitable in fiscal 2021, unless new orders are received sooner than anticipated. Intevac expects that 2021 HDD equipment sales will be lower than 2020 levels as although we expect higher 200 Lean HDD systems revenue, upgrade revenue is expected to be lower. In 2021, Intevac expects higher sales of new TFE products as we expect to: (i) convert the two systems under evaluation at customer factories to revenue and (ii) obtain follow on production orders for our VERTEX coating system for DCPs. In 2021, we expect product revenue in Photonics to decline slightly as we continue to deliver product shipments of the night-vision camera modules for the F35 Joint Strike Fighter program. Shipments for the Apache camera under the current contract with the U.S. government concluded in the third quarter of 2020. In 2021, we expect decreased contract R&D revenue as development work on the multi-year IVAS contract award for the development and production of digital night-vision cameras to support the U.S. Army's IVAS program comes to a conclusion in early 2021. During fiscal 2021, the Company expects to receive $108,000 in government assistance related to COVID-19 from the government of Singapore.

The Impact of COVID-19

We are unable to accurately predict the possible future effect of the COVID-19 outbreak on the Company, which could be material to our 2021 results. Our customers may delay or cancel orders due to reduced demand, supply chain disruptions and/or travel restrictions and border closures. As the economic impact of the COVID-19 pandemic becomes clearer as the year progresses, we could see significant changes to our operations. Our factories in California and Singapore remain open as both TFE and Photonics businesses are within the critical infrastructure sectors. We have experienced pandemic-related delays in our TFE evaluation and development work. In response to COVID-19, we have implemented initiatives to safeguard our employees in this time of crisis. We have implemented work-from-home protocols and all employees that can do so are working remotely and will continue to do so until restrictions are lifted by the applicable authorities in the United States, Singapore and China. The following discussion highlights how we are responding and the expected impacts of COVID-19 on our business.

Essential Business

The Company's priorities during the COVID-19 pandemic have been to protect the health and safety of employees while keeping its manufacturing facilities open due to the essential nature of our products. Our factories in California and Singapore remain open as both TFE and Photonics businesses are within critical infrastructure sectors that are exempt from government-mandated closures. On March 16, 2020, multiple counties in the San Francisco bay area of California issued a "shelter-in-place" order (the "State Order") requiring businesses to temporarily cease operations, effective March 17, 2020. The State Order provides that Californians working within 16 identified critical infrastructure sectors may continue with their work because of the importance of these sectors to Californians' health and well-being. Among the identified critical infrastructure sectors listed are Communications and Information Technology ("IT") and the Defense Industrial Base ("DIB"). On March 20, 2020, Intevac received a communication from the Department of Defense stating that the DIB is identified as a Critical Infrastructure Sector by the Department of Homeland Security, and that the Essential Critical Infrastructure Workforce for the DIB includes workers who support the essential products and services required to meet national security commitments to the Federal Government and the U.S. Military.

Our factory in Singapore was given notice by the Singapore government to suspend all on-site activities on April 27, 2020. We appealed this notice and were provided an exemption on May 14, 2020. We were temporarily required to limit the number of employees on site at our Singapore factory, but these restrictions were lifted on June 2, 2020.

Employee Considerations

Our goal has been to support our employees during the present uncertainty while remaining focused on meeting the needs of our customers and business continuity. Early in the crisis, we provided employees with information about best practices to prevent the spread of COVID-19 and other viruses and illnesses. We instituted practices including symptom checks and non-contact monitoring of body temperatures of those on site twice daily; requiring social distancing and face coverings; streamlining onsite personnel to only those required for production; strongly encouraging and, where mandated, requiring remote work for all those who can work from home; and increasing hygiene through disinfecting facilities. In addition, we have limited in-person meetings and non-employee visits to our locations, reduced room occupancies and eliminated non-essential business travel. In the United States, the Company has educated employees on COVID-19-related benefits (including leave benefits) under the Families First Coronavirus Response Act ("FFCRA") and the Coronavirus Aid, Relief, and Economic Security Act ("CARES"). To further protect the health and welfare of our employees, we have also required employees who potentially have been exposed to COVID-19 to self-quarantine for 14 days and have committed to paying these employees their normal wages during that quarantine period. To ease access to medical assistance, we are waiving co-payments for COVID-19 testing and telemedicine for those employees enrolled in our health insurance plans.

Business Continuity Team

We have robust pandemic and business continuity plans that include our business units and technology environments. When COVID-19 was declared a pandemic, we activated our business continuity plan (the "Continuity Plan"). As an element of the Continuity Plan, we activated our Business Continuity Team ("BCT"), a group of senior corporate managers who directed a series of activities to address the health and safety of our workforce, assist employees, sustain business operations, coordinate communication and address our management concerning other ongoing pandemic activities. The BCT monitors guidelines published by the Centers for Disease Control and Prevention ("CDC"), the National Institutes of Health ("NIH"), the Occupational Safety and Health Administration ("OSHA"), the World Health Organization ("WHO") and other state and local authorities, makes assessments of these guidelines and implements the appropriate protocols. The BCT established a COVID-19 policy and continually updates this policy based on the latest guidance. All employees continuing to work on site and visitors were required to complete training on the Company's COVID-19 policy and any employees returning to work at our facilities are provided additional training prior to returning to work. The BCT also updated and revised policies related to visitors and travel to include COVID-19-related health and safety measures related to the pandemic and updated the Continuity Plan to include a pandemic response appendix.

Productivity

There has been a modest decline in productivity for certain departments as our people adjusted to this significant change in work environment. We currently believe our technology infrastructure is sufficient to maintain a remote-working environment for the vast majority of our workforce for the foreseeable future and that productivity improved as our people adjusted to this significant change in work environment. The productivity level and ability of our employees to continue working from home could change, however, as conditions surrounding COVID-19 evolve and infections increase, if there are interruptions in the internet infrastructure where our employees live or if internet service providers are otherwise adversely affected.

Community

We understand that the communities in which our employees live, work, and serve are also suffering distress as a result of COVID-19. Intevac is committed to help source supplies for local healthcare providers fighting COVID-19, and has donated all of its surplus N95 industrial masks and gloves to local hospitals and emergency responders.

Economic Relief

In Singapore, Intevac receives government assistance under the Job Support Scheme ("JSS"). The purpose of the JSS is to provide wage support to employers to help them retain their local employees. Under the JSS, Intevac received $567,000 in JSS grants in fiscal 2020. Intevac expects to receive an additional $108,000 in JSS grants in fiscal 2021. As previously mentioned, under the CARES Act we have elected to defer the payment of the employer portion of payroll taxes and will receive tax benefits from the employee-retention-tax credit.

During fiscal 2020, the Company's expenses included approximately $159,000 due to costs related to actions taken in response to COVID-19.

Results of Operations

Net revenues

	2020	2019	Change 2020 vs. 2019
	(in thousands)		
TFE	$52,128	$ 73,678	$(21,550)
Photonics			
Contract R&D	22,945	19,657	3,288
Products	22,751	15,550	7,201
	45,696	35,207	10,489
Total net revenues	$97,824	$108,885	$(11,061)

Net revenues consist primarily of sales of equipment used to manufacture thin-film disks, PV cells, DCPs and related equipment and system components; sales of low-light imaging products; and revenue from contract R&D related to the development of electro-optical sensors, cameras and systems.

The decrease in TFE revenues in fiscal 2020 versus fiscal 2019 was due primarily to lower systems sales as TFE recognized revenue on two 200 Lean HDD systems, offset in part by increases in revenue recognized on technology upgrades, service and spare parts. In fiscal 2019, TFE revenue recognized four 200 Lean HDD systems and nine solar implant ENERG*i* systems, technology upgrades, service and spare parts.

Photonics revenues increased by 30% to $45.7 million in fiscal 2020 versus fiscal 2019. Photonics product revenue reflected higher unit shipments for the Apache camera shipments and for the F35 Joint Strike Fighter program night-vision camera. Contract R&D revenue in fiscal 2020 increased as a result of development on the IVAS program.

Backlog

	January 2, 2021	December 28, 2019
	(in thousands)	
TFE	$ 5,623	$21,391
Photonics	41,317	71,015
Total backlog	$46,940	$92,406

TFE backlog at January 2, 2021 did not include any 200 Lean HDD systems. TFE backlog at December 28, 2019 included two 200 Lean HDD systems.

Significant portions of Intevac's revenues in any particular period have been attributable to sales to a limited number of customers. The following customers accounted for at least 10 percent of Intevac's consolidated net revenues in fiscal 2020 and 2019.

	2020	2019
Seagate Technology	42%	49%
U.S. Government	29%	20%
Elbit Systems of America	12%	*
Jolywood (Hongkong) Industrial Holdings Co., Limited	*	14%

* Less than 10%

Revenue by geographic region

	2020			2019		
	(in thousands)					
	TFE	Photonics	Total	TFE	Photonics	Total
United States	$ 6,450	$45,363	$51,813	$ 1,306	$34,664	$ 35,970
Asia	45,611	—	45,611	72,372	—	72,372
Europe	67	333	400	—	543	543
Total net revenues	$52,128	$45,696	$97,824	$73,678	$35,207	$108,885

International sales include products shipped to overseas operations of U.S. companies. The increase in sales to the U.S. region in 2020 versus 2019 reflected higher Photonics product sales, higher Photonics contract R&D work and higher HDD upgrade sales to U.S. customers. There were no TFE systems sold to factories in the U.S. in 2020 or 2019.

The decrease in sales to the Asia region in 2020 versus 2019 reflected lower system sales, offset in part by higher technology upgrade, service and spare parts sales. Sales to the Asia region in 2020 included two 200 Lean HDD systems. Sales to the Asia region in 2019 included four 200 Lean HDD systems and nine solar implant ENERG*i* systems.

Sales to the Europe region in 2020 and 2019 were not significant.

Gross margin

	Fiscal Year		Change
	2020	2019	2020 vs. 2019
	(in thousands, except percentages)		
TFE gross profit	$22,417	$27,377	$(4,960)
% of TFE net revenues	43.0%	37.2%	
Photonics gross profit	$18,128	$13,491	$ 4,637
% of Photonics net revenues	39.7%	38.3%	
Total gross profit	$40,545	$40,868	$ (323)
% of net revenues	41.4%	37.5%	

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

TFE gross margin was 43.0% in fiscal 2020 compared to 37.2% in fiscal 2019. Fiscal 2020 gross margins improved over fiscal 2019 as a result of higher margins on upgrades. Fiscal 2019 gross margins reflected lower margins on the sale of nine solar implant ENERG*i* systems. Gross margins in the TFE business vary depending on a number of factors, including product mix, product cost, system configuration and pricing, factory utilization, and provisions for excess and obsolete inventory.

Photonics gross margin was 39.7% in fiscal 2020 compared to 38.3% in fiscal 2019. The improvement in gross margin for fiscal 2020 over fiscal 2019 is due primarily to higher revenue levels and improved margins on product sales, slightly offset by lower margins on contract R&D work. Manufacturing costs for digital night-vision products decreased in fiscal 2020 and 2019 as a result of cost reductions and yield improvements.

Research and development

	Fiscal Year		Change
	2020	2019	2020 vs. 2019
	(in thousands)		
Research and development expense	$14,093	$14,309	$(216)

Research and development expense consists primarily of salaries and related costs of employees engaged in and prototype materials used in ongoing research, design and development activities for PV cell manufacturing equipment, DCP manufacturing equipment, HDD disk sputtering equipment, semiconductor Fan-out equipment and Photonics products.

TFE research and development spending in fiscal 2020 was flat compared to fiscal 2019 due to lower spending on semiconductor Fan-out and DCP development, offset by higher spending on HDD and PV development.

Research and development spending for Photonics decreased during 2020 as compared to fiscal 2019 primarily due to lower spending on the development of the next generation of our low light level CMOS camera. Research and development expenses do not include costs of $15.0 million and $12.3 million in 2020 and 2019, respectively, which are related to customer-funded contract R&D programs and therefore included in cost of net revenues.

Selling, general and administrative

	Fiscal Year		Change
	2020	2019	2020 vs. 2019
	(in thousands)		
Selling, general and administrative expense	$23,897	$22,634	$1,263

Selling, general and administrative expense consists primarily of selling, marketing, customer support, financial and management costs. All domestic sales and the majority of international sales of HDD disk sputtering products in Asia are made through Intevac's direct sales force. Intevac also sells its TFE products through distributors in Japan and China. Intevac has offices in Singapore, Malaysia and China to support Intevac's TFE customers in Asia.

Selling, general and administrative expenses increased in 2020 over the amount spent in 2019 primarily due to higher variable compensation expenses, incremental e-commerce costs to launch our Diamond Dog e-commerce website and higher bid and proposal costs in our Photonics segment, offset in part due to lower spending to support a customer evaluation.

Cost reduction plan

During the third quarter of fiscal 2020, Intevac substantially completed implementation of the 2020 cost reduction plan (the "2020 Plan"), which reduced expenses and reduced its workforce by 1 percent. The total cost of implementing the 2020 Plan was $103,000, of which $16,000 was reported under cost of net revenues and $87,000 was reported under operating expenses. Substantially all cash outlays in connection with the 2020 Plan were completed in fiscal 2020. Implementation of the 2020 Plan reduced salary, wages and other employee-related expenses by approximately $864,000 on an annual basis.

Interest income and other income (expense), net

	Fiscal Year		Change
	2020	2019	2020 vs. 2019
	(in thousands)		
Interest income and other income (expense), net	$212	$582	$(370)

Interest income and other income (expense), net in fiscal 2020 included $284,000 of interest income on investments and $56,000 from the sale of scrap materials offset in part by $139,000 of foreign currency losses. Interest income and other income (expense), net in fiscal 2019 included $574,000 of interest income on investments and $20,000 in earnout income from a divestiture, offset in part by $85,000 of foreign currency losses. The decrease in interest income in 2020 over 2019 reflected lower interest rates on Intevac's investments and lower invested balances.

Provision for income taxes

	Fiscal Year		Change
	2020	2019	2020 vs. 2019
	(in thousands)		
Provision for income taxes	$1,711	$3,359	$(1,648)

Intevac's effective tax rate was 61.8% for fiscal 2020 and 74.5% for fiscal 2019 and we recorded income tax expense of $1.7 million and $3.4 million in 2020 and 2019, respectively. The income tax expense consists primarily of income taxes in foreign jurisdictions in which we conduct business and foreign withholding taxes. We maintain a full valuation allowance for domestic deferred tax assets, including net operating loss carryforwards and certain domestic tax credits. Intevac's effective tax rate differs from the U.S. statutory rate in both 2020 and 2019 primarily due to the Company not recognizing an income tax benefit on the domestic loss.

The income tax expense for 2020 was largely the result of foreign withholding taxes and income taxes in foreign jurisdictions. The income tax expense for 2019 was largely the result of foreign withholding taxes, income taxes in foreign jurisdictions, and fully reserving a contested tax deposit related to a tax audit in Singapore.

During 2019 the Company received an unfavorable decision on its appeal to a tax audit in Singapore. Management determined that the Company could no longer support a more likely than not position. Accordingly, the Company recorded a charge of $732,000 in provision for income taxes. During 2020 the Company appealed the decision to the Singapore High Court, which was denied. Management decided not to pursue additional appeals and the matter is fully settled. Presently, there are no other active income tax examinations in the jurisdictions where Intevac operates.

We assess the likelihood that our deferred tax assets will be recovered based upon our consideration of many factors, including the current economic climate, our expectations of future taxable income, and our ability to project such income. We maintain a full valuation allowance for our U.S. deferred tax assets due to uncertainty regarding their realization as of January 2, 2021.

Liquidity and Capital Resources

At January 2, 2021, Intevac had $50.4 million in cash, cash equivalents, restricted cash and investments compared to $42.8 million at December 28, 2019. During fiscal 2020, cash, cash equivalents, restricted cash and investments increased by $7.5 million due primarily to cash generated by operating activities and cash received from the sale of Intevac common stock to Intevac's employees through Intevac's employee benefit plans, offset in part by cash used for repurchases of common stock, purchases of fixed assets and tax payments related to the net share settlement of restricted stock units.

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

	January 2, 2021	December 28, 2019
	(in thousands)	
Cash and cash equivalents	$29,341	$19,767
Restricted cash	787	787
Short-term investments	14,839	16,720
Long-term investments	5,388	5,537
Total cash, cash-equivalents, restricted cash and investments	$50,355	$42,811

Cash generated by operating activities totaled $8.9 million in 2020 compared to $4.9 million in 2019. Improved operating cash flow in 2020 was a result of net income and improved working capital management.

Accounts receivable totaled $28.6 million at both January 2, 2021 and December 28, 2019. Customer advances for products that had not been shipped to customers and included in accounts receivable were $201,000 at December 28, 2019. The number of days outstanding for Intevac's accounts receivable was 90 at January 2, 2021 compared to 72 at December 28, 2019. Net inventories totaled $21.7 million at January 2, 2021 compared to $24.9 million at December 28, 2019. Net inventories at January 2, 2021 and December 28, 2019 included one VERTEX SPECTRA system for DCP under evaluation in a customer's factory and one MATRIX PVD system for advance semiconductor packaging under evaluation in a customer's factory. Net inventories at January 2, 2021 also included one VERTEX SPECTRA system for DCP at Intevac's factory. Inventory turns were 1.6 in fiscal 2020 and were 2.5 in fiscal 2019. Accounts payable increased to $4.3 million at January 2, 2021 compared to $4.2 million at December 28, 2019. Other accrued liabilities were $3.6 million at both January 2, 2021 and December 28, 2019. Accrued payroll and related liabilities increased to $7.7 million at January 2, 2021 compared to $6.5 million at December 28, 2019 as a result of higher variable compensation accruals and the deferral of payroll tax liabilities under the CARES Act. Customer advances decreased from $4.0 million at December 28, 2019 to $33,000 at January 2, 2021 as a result of recognition of revenue. Other long term liabilities increased to $457,000 at January 2, 2021 compared to $186,000 at December 28, 2019 as a result of the deferral of payroll tax liabilities under the CARES Act.

Investing activities used cash of $599,000 in 2020 and $5.8 million in 2019. Proceeds from sales and maturities of investments net of purchases of investments, totaled $2.0 million in 2020. Purchases of investments net of proceeds from sales and maturities of investments, totaled $1.7 million in 2019. Capital expenditures were $2.6 million in 2020 and $4.1 million in 2019.

Financing activities generated cash of $1.1 million in 2020 and $1.5 million in 2019. The sale of Intevac common stock to Intevac's employees through Intevac's employee benefit plans provided $1.9 million in 2020 and $2.3 million in 2019. Tax payments related to the net share settlement of restricted stock units were $402,000 in 2020 and $404,000 in 2019. In November 2013, Intevac's Board of Directors approved a stock repurchase program authorizing up to $30 million in repurchases. On August 15, 2018, Intevac's Board of Directors approved a $10.0 million increase to the original stock repurchase program authorizing up to $40.0 million in repurchases. Cash used to repurchase common stock totaled $393,000 in 2020 and $111,000 in 2019.

In connection with the acquisition of SIT, Intevac agreed to pay to the selling shareholders in cash a revenue earnout on Intevac's net revenue from commercial sales of certain solar implant products over a specified period up to an aggregate of $9.0 million. The earnout period terminated on June 30, 2019. Payments made associated with the revenue earnout obligation were $230,000 in 2019.

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

As of January 2, 2021, approximately $19.3 million of cash and cash equivalents and $3.4 million of investments were domiciled in foreign tax jurisdictions. Intevac expects a significant portion of these funds to remain offshore in the short term. If the Company chose to repatriate these funds to the United States, it would be required to accrue and pay additional taxes on any portion of the repatriation subject to foreign withholding taxes.

Intevac believes that its existing cash, cash equivalents and investments will be sufficient to meet Intevac's cash requirements for the next 12 months. Intevac intends to undertake between approximately $6.0 million to $8.0 million in capital expenditures during the next 12 months.

Off-Balance Sheet Arrangements

Off-balance sheet firm commitments relating to outstanding letters of credit amounted to approximately $787,000 as of January 2, 2021. These letters of credit and bank guarantees are collateralized by $787,000 of restricted cash. We do not maintain any other off-balance sheet arrangements, transactions, obligations, or other relationships that would be expected to have a material current or future effect on the consolidated financial statements.

Critical Accounting Policies

The preparation of consolidated financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires management to make judgments, assumptions and estimates that affect the amounts reported. Note 1 of Notes to Consolidated Financial Statements describes the significant accounting policies used in the preparation of the consolidated financial statements. Certain of these significant accounting policies are considered to be critical accounting policies.

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

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

Management believes that the following are critical accounting policies:

Revenue Recognition

In our TFE segment, a majority of our equipment sales revenue, which includes systems, technology upgrades, service and spare parts is recognized when products are shipped from our manufacturing facilities. In our TFE segment, we recognize revenue for equipment sales at a point in time following the transfer of control of such products to the customer, which typically occurs upon shipment or delivery depending on the terms of the underlying contracts. Intevac recognizes revenue in certain circumstances before delivery has occurred (commonly referred to as bill and hold transactions). In such circumstances, among other things, risk of ownership has passed to the customer, the customer has made a written fixed commitment to purchase the finished goods, the customer has requested the finished goods be held for future delivery as scheduled and designated by them, and no additional performance obligations exist by Intevac. For these transactions, the finished goods are segregated from inventory and normal billing and credit terms granted. Our contracts with customers may include multiple performance obligations. Under the revenue standard we allocate revenue for such arrangements to each performance obligation based on its relative standalone selling price. We generally determine standalone selling prices based on the prices charged to customers or by using expected cost plus margin. Under the revenue standard, the expected costs associated with our base warranties continue to be recognized as expense when the equipment is sold.

In our Photonics segment, we recognize revenue for cost plus fixed fee ("CPFF") and firm fixed price ("FFP") government contracts over time under the cost-to-cost method for the majority of our government contracts, which is consistent with our historical revenue recognition model. Revenue on the majority of our government contracts is recognized over time because of the continuous transfer of control to the customer. For U.S. government contracts, this continuous transfer of control to the customer is supported by clauses in the contract that allow the customer to unilaterally terminate the contract for convenience, pay us for costs incurred plus a reasonable profit and take control of any work in process. Similarly, for non-U.S. government contracts, the customer typically controls the work in process as evidenced either by contractual termination clauses or by our rights to payment for work performed to date to deliver products or services that do not have an alternative use to the Company. Under the revenue standard, the cost-to-cost measure of progress continues to best depict the transfer of control of assets to the customer, which occurs as we incur costs.

The majority of our contracts in our Photonics segment have a single performance obligation as the promise to transfer the individual goods or services is not separately identifiable from other promises in the contracts and, therefore, not distinct. Some of our contracts have multiple performance obligations, most commonly due to the contract covering multiple phases of the product lifecycle (development and production). For contracts with multiple performance obligations, we allocate the contract's transaction price to each performance obligation using our best estimate of the standalone selling price of each distinct good or service in the contract. The primary method used to estimate standalone selling price is the expected cost plus a margin approach, under which we forecast our expected costs of satisfying a performance obligation and then add an appropriate margin for that distinct good or service.

In our Photonics segment, we recognize revenue for homogenous manufactured military products sold to the U.S. government and its contractors over time under the units-of-delivery method because of the continuous transfer of control to the customer. Intevac believes that the units-of-delivery method is an appropriate measure for measuring progress for the manufactured units as an equal amount of value is individually transferred to the customer upon delivery. The Company previously recognized revenue for substantially all manufactured military products sold to the U.S. government and its contractors when the customers took delivery of the products, which was generally upon shipment.

The nature of our contracts in our Photonics segment gives rise to several types of variable consideration including tiered pricing. Allocation of contract revenues among Photonics military products, and the timing of the recognition of those revenues, is impacted by agreements with tiered pricing or variable rate structures. We include variable consideration in the estimated transaction price when there is a basis to reasonably estimate the amount of the consideration. These estimates are based on historical experience, anticipated performance and our best judgment at the time. Because of our certainty in estimating these amounts, they are included in the transaction price of our contracts and the associated remaining performance obligations.

Accounting for CPFF and FFP contracts and programs involves the use of various techniques to estimate total contract revenue and costs. For these contracts, we estimate the profit on a contract as the difference between the total estimated revenue and expected costs to complete a contract and recognize that profit over the life of the contract. Contract estimates are based on various assumptions to project the outcome of future events. These assumptions include the complexity of the work to be performed; the cost and availability of materials; the performance of subcontractors; and the availability and timing of funding from the customer.

As a significant change in one or more of these estimates could affect the profitability of our contracts, we review and update our contract-related estimates regularly. We recognize adjustments in estimated profit on contracts under the cumulative catch-up method. Under this method, the impact of the adjustment on profit recorded to date on a contract is recognized in the period the adjustment is identified. Revenue and profit in future periods of contract performance are recognized using the adjusted estimate. If at any time the estimate of contract profitability indicates an anticipated loss on the contract, we recognize the total loss in the quarter it is identified.

Inventories

Inventories are valued using average actual costs and are stated at the lower of cost or net realizable value. The carrying value of inventory is reduced for estimated obsolescence by the difference between its cost and the net realizable value based upon assumptions about future demand. Intevac evaluates the inventory carrying value for potential excess and obsolete inventory exposures by analyzing historical and anticipated demand. In addition, inventories are evaluated for potential obsolescence due to the effect of known and anticipated engineering change orders and new products. If actual demand were to be substantially lower than estimated, additional inventory adjustments for excess or obsolete inventory might be required, which could have a material adverse effect on Intevac's business, financial condition and results of operations.

Warranty

Intevac estimates the costs that may be incurred under the warranty it provides and records a liability in the amount of such costs at the time the related revenue is recognized. Estimated warranty costs are determined by analyzing specific product and historical configuration statistics and regional warranty support costs. Intevac's warranty obligation is affected by product failure rates, material usage, and labor costs incurred in correcting product failures during the warranty period. As Intevac's customer service engineers and process support engineers are highly trained and deployed globally, labor availability is a significant factor in determining labor costs. The quantity and availability of critical replacement parts is another significant factor in estimating warranty costs. Unforeseen component failures or exceptional component performance can also result in changes to warranty costs. If actual warranty costs differ substantially from our estimates, revisions to the estimated warranty liability would be required.

Income Taxes

Intevac accounts for income taxes by recognizing deferred tax assets and liabilities using enacted tax rates for the effect of temporary differences between the book and tax bases of recorded assets and liabilities, net operating losses and tax credit carryforwards. Deferred tax assets are also reduced by a valuation allowance if it is more likely than not that a portion of the deferred tax asset will not be realized. Management has determined that it is more likely than not that its future taxable income will not be sufficient to realize its entire deferred tax assets.

In determining whether to establish or maintain a valuation allowance against a deferred tax asset, the Company reviews available evidence to determine whether it is more likely than not that all or a portion of the Company's net deferred tax assets will be realized in future periods. Consideration is given to various positive and negative factors that could affect the realization of the net deferred tax assets. In making such a determination, the Company considers, among other things, future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, historical financial performance, the length of statutory carry forward periods, experience with operating loss and tax credit carry forwards not expiring unused. If the Company determines that it would be able to realize its deferred tax assets in the future in excess of their net recorded amount, the Company would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes.

The effective tax rate is highly dependent upon the geographic composition of worldwide earnings, tax regulations governing each region, non-tax deductible expenses and availability of tax credits. Management carefully monitors the changes in many factors and adjusts the effective income tax rate as required. If actual results differ from these estimates, Intevac could be required to record additional valuation allowances on deferred tax assets or adjust its effective income tax rate, which could have a material adverse effect on Intevac's business, financial condition and results of operations.

The calculation of tax liabilities involves significant judgment in estimating the impact of uncertainties in the application of complex tax laws. Resolution of these uncertainties in a manner inconsistent with Intevac's expectations could have a material impact on Intevac's results of operations and financial condition.

Valuation of Acquisition-Related Contingent Consideration

Contingent consideration related to a business combination is recorded at the acquisition date at the estimated fair value of the contingent payments. The acquisition date fair value is measured based on the consideration expected to be transferred (probability-weighted), discounted back to present value. The discount rate used is determined at the time of the acquisition in accordance with accepted valuation methods. The fair value of the acquisition-related contingent consideration is remeasured at the estimated fair value at each reporting period with the change in fair value recognized as income or expense in the consolidated statements of income.

Equity-Based Compensation

Intevac records compensation expense for equity-based awards using the Black-Scholes option pricing model. This model requires Intevac to estimate the expected volatility of the price of Intevac's common stock and the expected life of the equity-based awards. Estimating volatility and expected life requires significant judgment and an analysis of historical data. Intevac accounts for forfeitures as they occur rather than estimating expected forfeitures. Intevac may have to increase or decrease compensation expense for equity-based awards if actual results differ significantly from Intevac's estimates.

Item 7A. ***Quantitative and Qualitative Disclosures About Market Risk***

Not applicable for smaller reporting companies.

Item 8. ***Financial Statements and Supplementary Data***

INTEVAC, INC.

CONSOLIDATED FINANCIAL STATEMENTS

Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders of
Intevac, Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Intevac, Inc. (a Delaware corporation) and its subsidiaries (the "Company") as of January 2, 2021 and December 28, 2019, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the two years in the period ended January 2, 2021, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of January 2, 2021 and December 28, 2019, and the results of its operations and its cash flows for each of the two years in the period ended January 2, 2021, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of January 2, 2021, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 17, 2021, expressed an unqualified opinion.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

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

Inventory Valuation - Adjustments for Excess or Obsolete Inventories

As described in Notes 1 and 6 to the consolidated financial statements, the Company's consolidated inventories balance was $21.7 million as of January 2, 2021. The Company's inventories are valued using average actual costs and are stated at the lower of cost or net realizable value. The Company adjusts the carrying value of inventories for estimated excess quantities and obsolescence equal to the difference between the costs of inventories and the net realizable value based upon assumptions about future demand, market conditions and product life expectancy. If actual demand were to be substantially lower than estimated, there could be a significant adverse impact on the carrying value of inventories and results of operations.

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

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

Revenue Recognition – Determination of Total Estimated Contract Costs for Fixed-price Contracts

As described in Notes 1 and 2 to the consolidated financial statements, $22.9 million of the Company's total consolidated net revenues for the year ended January 2, 2021 was generated from fixed-price contracts (also known as cost plus fixed-fee and firm fixed-price contracts), as reported under the Photonics segment for technology development revenues. The Company recognizes revenue for these fixed-price contracts over time under the cost-to-cost measure of progress method as it best depicts the transfer of control of assets to the customer, which occurs as it incurs costs. Accounting for these contracts involves the use of various techniques to estimate total contract costs. Contract estimates are based on various assumptions to project the outcome of future events. These assumptions include the complexity of the work to be performed; the cost and availability of materials; and the performance of engineers and subcontractors. As a significant change in one or more of these estimates could affect the profitability of the contracts, the Company reviews and updates its contract-related estimates regularly.

The principal considerations for our determination that performing procedures relating to the determination of the total estimated contract costs for fixed-price contracts is a critical audit matter are the significant amount of judgement required by management in determining the total estimated contract costs for fixed-price contracts, which in turn led to significant auditor judgement, subjectivity, and effort in performing audit procedures and in evaluating audit evidence relating the total estimated contract costs for fixed-price contracts used to calculate the cost-to-cost measure of progress.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of internal controls relating to the revenue recognition process, including internal controls over the determination of total estimated contract costs for fixed-price contracts. These procedures also included, among others, testing management's process for developing the estimate of total estimated contract costs for a sample of contracts, which included evaluating the contract terms and other documents that support those estimates, performing inquiries with the project managers and others directly involved with the contracts to evaluate project status and project needs which may affect total estimated cost to complete, and testing of the underlying contract costs; assessing management's ability to reasonably estimate total contract costs by performing a comparison of the actual total estimated contract costs as compared with prior period estimates, including the timely identification of circumstances that may warrant a modification to the total estimated contract costs; and evaluating, for certain contracts, management's methodologies and assessing the consistency of management's approach over the life of the contract.

/s/ BPM LLP

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

San Jose, California
February 17, 2021

INTEVAC, INC.
CONSOLIDATED BALANCE SHEETS

	January 2, 2021	December 28, 2019
	(In thousands, except par value)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 29,341	$ 19,767
Short-term investments	14,839	16,720
Trade and other accounts receivable, net of allowances of $0 at both January 2, 2021 and December 28, 2019	28,646	28,619
Inventories	21,689	24,907
Prepaid expenses and other current assets	1,893	1,504
Total current assets	96,408	91,517
Property, plant and equipment, net	11,004	11,598
Operating lease right-of-use-assets	8,165	10,279
Long-term investments	5,388	5,537
Restricted cash	787	787
Deferred income taxes and other long-term assets	5,486	6,604
Total assets	$127,238	$126,322
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current operating lease liabilities	$ 2,853	$ 2,524
Accounts payable	4,259	4,199
Accrued payroll and related liabilities	7,679	6,488
Other accrued liabilities	3,598	3,593
Customer advances	33	4,007
Total current liabilities	18,422	20,811
Noncurrent liabilities:		
Noncurrent operating lease liabilities	6,803	9,532
Other long-term liabilities	457	186
Total noncurrent liabilities	7,260	9,718
Commitments and contingencies		
Stockholders' equity:		
Undesignated preferred stock, $0.001 par value, 10,000 shares authorized, no shares issued and outstanding	—	—
Common stock, $0.001 par value :		
Authorized shares — 50,000 issued and outstanding shares — 23,874 and 23,346 at January 2, 2021 and December 28, 2019, respectively	24	23
Additional paid-in capital	193,173	188,290
Treasury stock, 5,087 shares at January 2, 2021 and 4,989 shares at December 28, 2019	(29,551)	(29,158)
Accumulated other comprehensive income	640	424
Accumulated deficit	(62,730)	(63,786)
Total stockholders' equity	101,556	95,793
Total liabilities and stockholders' equity	$127,238	$126,322

See accompanying notes.

INTEVAC, INC.
CONSOLIDATED STATEMENTS OF INCOME

	Year Ended,	
	January 2, 2021	December 28, 2019
	(In thousands, except per share amounts)	
Net revenues:		
Systems and components	$74,879	$ 89,228
Technology development	22,945	19,657
Total net revenues	97,824	108,885
Cost of net revenues:		
Systems and components	42,231	55,678
Technology development	15,048	12,339
Total cost of net revenues	57,279	68,017
Gross profit	40,545	40,868
Operating expenses:		
Research and development	14,093	14,309
Selling, general and administrative	23,897	22,634
Total operating expenses	37,990	36,943
Operating income	2,555	3,925
Interest income	284	574
Other income (expense), net	(72)	8
Income before provision for income taxes	2,767	4,507
Provision for income taxes	1,711	3,359
Net income	$ 1,056	$ 1,148
Net income per share:		
Basic	$ 0.04	$ 0.05
Diluted	$ 0.04	$ 0.05
Weighted average shares outstanding:		
Basic	23,669	23,063
Diluted	24,151	23,340

See accompanying notes.

INTEVAC, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended,	
	January 2, 2021	December 28, 2019
	(In thousands)	
Net income	$1,056	$1,148
Other comprehensive income (loss), before tax		
Change in unrealized net gain on available-for-sale investments	(5)	70
Foreign currency translation gains and (losses)	221	(24)
Other comprehensive income, before tax	216	46
Income tax expense related to items in other comprehensive income	—	—
Other comprehensive income, net of tax	216	46
Comprehensive income	$1,272	$1,194

See accompanying notes.

INTEVAC, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)

	Common Stock		Additional Paid-In Capital	Treasury Stock		Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount		Shares	Amount			
Balance at December 28, 2019	22,700	$ 23	$183,204	4,965	$(29,047)	$378	$(64,934)	$ 89,624
Shares issued in connection with:								
Exercise of stock options	175	—	799	—	—	—	—	799
Settlement of RSUs	199	—	—	—	—	—	—	—
Employee stock purchase plan	370	—	1,466	—	—	—	—	1,466
Shares withheld in connection with net share settlement of RSUs	(74)	—	(404)	—	—	—	—	(404)
Equity-based compensation expense	—	—	3,225	—	—	—	—	3,225
Net income	—	—	—	—	—	—	1,148	1,148
Other comprehensive income	—	—	—	—	—	46	—	46
Common stock repurchases	(24)	—	—	24	(111)	—	—	(111)
Balance at December 28, 2019	23,346	$ 23	$188,290	4,989	$(29,158)	$424	$(63,786)	$ 95,793
Shares issued in connection with:								
Exercise of stock options	67	—	326	—	—	—	—	326
Settlement of RSUs	244	—	—	—	—	—	—	—
Employee stock purchase plan	392	1	1,570	—	—	—	—	1,571
Shares withheld in connection with net share settlement of RSUs	(77)	—	(402)	—	—	—	—	(402)
Equity-based compensation expense	—	—	3,389	—	—	—	—	3,389
Net income	—	—	—	—	—	—	1,056	1,056
Other comprehensive income	—	—	—	—	—	216	—	216
Common stock repurchases	(98)	—	—	98	(393)	—	—	(393)
Balance at January 2, 2021	23,874	$ 24	$193,173	5,087	$(29,551)	$640	$(62,730)	$101,556

See accompanying notes.

INTEVAC, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended	
	January 2, 2021	December 28, 2019
	(In thousands)	
Operating activities		
Net income	$ 1,056	$ 1,148
Adjustments to reconcile net income to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	3,206	2,976
Net amortization (accretion) of investment premiums and discounts	12	(75)
Amortization of intangible assets	274	615
Equity-based compensation	3,389	3,225
Straight-line rent adjustment and amortization of lease incentives	(286)	(289)
Deferred income taxes	917	1,661
Change in the fair value of acquisition-related contingent consideration	—	7
Loss on disposal of equipment	—	120
Changes in assets and liabilities:		
Accounts receivable	(27)	(902)
Inventories	3,218	6,301
Prepaid expenses and other assets	(462)	1,621
Accounts payable	60	(1,850)
Accrued payroll and other accrued liabilities	1,467	694
Customer advances	(3,974)	(10,307)
Total adjustments	7,794	3,797
Net cash and cash equivalents provided by operating activities	8,850	4,945
Investing activities		
Purchase of investments	(23,342)	(23,306)
Proceeds from sales and maturities of investments	25,355	21,642
Purchase of leasehold improvements and equipment	(2,612)	(4,107)
Net cash and cash equivalents used in investing activities	(599)	(5,771)
Financing activities		
Proceeds from issuance of common stock	1,897	2,265
Common stock repurchases	(393)	(111)
Taxes paid related to net share settlement	(402)	(404)
Payment of acquisition-related contingent consideration	—	(230)
Net cash and cash equivalents provided by financing activities	1,102	1,520
Effect of exchange rate changes on cash	221	(24)
Net increase in cash, cash equivalents and restricted cash	9,574	670
Cash, cash equivalents and restricted cash at beginning of period	20,554	19,884
Cash, cash equivalents and restricted cash at end of period	$ 30,128	$ 20,554
Cash paid (received) for:		
Income taxes	$ 850	$ 1,016
Income tax refund	$ (157)	$ (157)

See accompanying notes.

1. Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation

The consolidated financial statements include the accounts of Intevac, Inc. and its subsidiaries (Intevac, the Company or we) after elimination of inter-company balances and transactions.

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

Fiscal Year End Date

Intevac operates under a 52-53 week fiscal year ending on the Saturday nearest to December 31 of each year in order to improve the alignment of financial and business processes and to streamline financial reporting. Each fiscal quarter consists of 13 weeks, with an occasional fourth quarter extending to 14 weeks, if necessary, for the fiscal year to end on the Saturday nearest to December 31. The Company's fiscal 2020 and fiscal 2019 years ended on January 2, 2021 and December 28, 2019, respectively.

Cash, Cash Equivalents and Investments

Intevac considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents. Available-for-sale securities, comprised of certificates of deposit, commercial paper, obligations of the U.S. government and its agencies, corporate debt securities, asset backed securities and municipal bonds, are carried at fair value, with unrealized gains and losses recorded within other comprehensive income (loss) as a separate component of stockholders' equity. Realized gains and losses and declines in value judged to be other than temporary, if any, on available-for-sale securities are included in earnings. Purchases and sales of investment securities are recognized on a trade date basis. The cost of investment securities sold is determined by the specific identification method.

Restricted Cash

Restricted cash of $600,000 as of January 2, 2021 secures a standby letter of credit obligation associated with a lease obligation and the restriction on the cash will be removed when the letter of credit expires. In addition, Intevac pledged $187,000 as collateral for various guarantees with its bank.

Derivative Instruments and Hedging Arrangements

Foreign Exchange Exposure Management — Intevac enters into forward foreign currency contracts that economically hedge the gains and losses generated by the re-measurement of certain recorded assets and liabilities in a non-functional currency and to offset certain operational exposures from the impact of changes in foreign currency exchange rates. Such exposures result from the portion of the Company's operations, assets and liabilities that are denominated in currencies other than the U.S. dollar, primarily the Singapore dollar. These foreign currency exchange contracts are entered into to support transactions made in the normal course of business, and accordingly, are not speculative in nature. The contracts are for periods consistent with the terms of the underlying transactions, generally one year or less. Changes in the fair value of these undesignated hedges are recognized in other income (expense), net immediately as an offset to the changes in the fair value of the asset or liability being hedged.

Fair Value Measurement—Definition and Hierarchy

Intevac reports certain financial assets and liabilities at fair value. Intevac defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurements are classified and disclosed in one of the following three categories:

Level 1—Valuations based on quoted prices in active markets for identical assets or liabilities.

Level 2—Valuations based on other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3—Valuations based on inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability.

Trade Accounts Receivables and Doubtful Accounts

Intevac evaluates the collectibility of trade accounts receivable on an ongoing basis and provides reserves against potential losses when appropriate. Management analyzes historical bad debts, customer concentrations, customer creditworthiness, changes in customer payment tendencies and current economic trends when evaluating the adequacy of the allowance for doubtful accounts. Customer accounts are written off against the allowance when the amount is deemed uncollectible.

Inventories

Inventories are generally stated at the lower of cost or net realizable value, with cost determined on an average cost basis.

Property, Plant and Equipment

Equipment and leasehold improvements are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows: computers and software, 3 years; machinery and equipment, 5 years; furniture, 7 years; vehicles, 4 years; and leasehold improvements, remaining lease term.

Contingent Consideration and Purchased Intangible Assets

Contingent consideration related to a business combination is recorded at the acquisition date at the estimated fair value of the contingent payments. The acquisition date fair value is measured based on the consideration expected to be transferred (probability-weighted), discounted back to present value. The discount rate used is determined at the time of the acquisition in accordance with accepted valuation methods. The fair value of the acquisition-related contingent consideration is remeasured at the estimated fair value at each reporting period with the change in fair value recognized as income or expense in the consolidated statements of income.

Purchased intangible assets other than goodwill were amortized over their useful lives unless these lives were determined to be indefinite. Purchased intangible assets were carried at cost, less accumulated amortization. Amortization was computed over the estimated useful lives of the respective assets, generally one to thirteen years using the straight line method. As of January 2, 2021, all purchased intangible assets had reached the end of their useful lives and did not have any remaining carrying value. In 2012, as a result of its impairment analysis, Intevac wrote off all of the goodwill in both its TFE and Photonics reporting units.

Impairment of Long-Lived Assets

Long-lived assets and certain identifiable finite-lived intangible assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability of long-lived assets is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. Measurement of an impairment loss for long-lived assets and certain identifiable intangible assets that management expects to hold and use is based on the fair value of the asset. When an impairment loss is recognized, the carrying amount of the asset is reduced to its estimated fair value. No impairment charges were recognized in fiscal 2020 and 2019.

Income Taxes

Deferred tax assets and liabilities are recognized using enacted tax rates for the effect of temporary differences between book and tax bases of recorded assets and liabilities. Deferred tax assets are reduced by a valuation allowance if it is more likely than not that a portion of the deferred tax asset will not be realized.

In determining whether to establish or maintain a valuation allowance against a deferred tax asset, the Company reviews available evidence to determine whether it is more likely than not that all or a portion of the Company's net deferred tax assets will be realized in future periods. Consideration is given to various positive and negative factors that could affect the realization of the net deferred tax assets. In making such a determination, the Company considers, among other things, future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, historical financial performance, the length of statutory carry forward periods, experience with operating loss and tax credit carry forwards not expiring unused. If the Company determines that it would be able to realize its deferred tax assets in the future in excess of their net recorded amount, the Company would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes.

On a quarterly basis, Intevac provides for income taxes based upon an annual effective income tax rate. The effective tax rate is highly dependent upon the level of Intevac's projected earnings, the geographic composition of worldwide earnings, tax regulations governing each region, net operating loss carryforwards, availability of tax credits and the effectiveness of Intevac's tax planning strategies. Intevac carefully monitors the changes in many factors and adjust its effective income tax rate on a timely basis. If actual results differ from the estimates, this could have a material effect on Intevac's business, financial condition and results of operations.

The calculation of tax liabilities involves significant judgment in estimating the impact of uncertainties in the application of complex tax laws. Resolution of these uncertainties in a manner inconsistent with Intevac's expectations could have a material effect on Intevac's business, financial condition and results of operations.

Intevac recognizes accrued interest and penalties related to unrecognized tax benefits in the provision for income taxes.

Sales and Value Added Taxes

Taxes collected from customers and remitted to governmental authorities are presented on a net basis in the accompanying consolidated statements of income.

Revenue Recognition

In our TFE segment, a majority of our equipment sales revenue, which includes systems, technology upgrades, service and spare parts is recognized when products are shipped from our manufacturing facilities. In our TFE segment, we recognize revenue for equipment sales at a point in time following the transfer of control of such products to the customer, which typically occurs upon shipment or delivery depending on the terms of the underlying contracts. Intevac recognizes revenue in certain circumstances before delivery has occurred (commonly referred to as bill and hold transactions). In such circumstances, among other things, risk of ownership has passed to the customer, the customer has made a written fixed commitment to purchase the finished goods, the customer has requested the finished goods be held for future delivery as scheduled and designated by them, and no additional performance obligations exist by Intevac. For these transactions, the finished goods are segregated from inventory and normal billing and credit terms granted. Our contracts with customers may include multiple performance obligations. For such arrangements, under the revenue standard we allocate revenue to each performance obligation based on its relative standalone selling price. We generally determine standalone selling prices based on the prices charged to customers or by using expected cost plus margin. Under the revenue standard, the expected costs associated with our base warranties are recognized as expense when the equipment is sold.

In our Photonics segment, we recognize revenue for CPFF and FFP government contracts over time under the cost-to-cost method for the majority of our government contracts, which is consistent with our historical revenue recognition model. Revenue on the majority of our government contracts are recognized over time because of the continuous transfer of control to the customer. For U.S. government contracts, this continuous transfer of control to the customer is supported by clauses in the contract that allow the customer to unilaterally terminate the contract for convenience, pay us for costs incurred plus a reasonable profit and take control of any work in process. Similarly, for non-U.S. government contracts, the customer typically controls the work in process as evidenced either by contractual termination clauses or by our rights to payment for work performed to date to deliver products or services that do not have an alternative use to the Company. Under the revenue standard, the cost-to-cost measure of progress continues to best depict the transfer of control of assets to the customer, which occurs as we incur costs.

The majority of our contracts in our Photonics segment have a single performance obligation as the promise to transfer the individual goods or services is not separately identifiable from other promises in the contracts and, therefore, not distinct. Some of our contracts have multiple performance obligations, most commonly due to the contract covering multiple phases of the product lifecycle (development and production). For contracts with multiple performance obligations, we allocate the contract's transaction price to each performance obligation using our best estimate of the standalone selling price of each distinct good or service in the contract. The primary method used to estimate standalone selling price is the expected cost plus a margin approach, under which we forecast our expected costs of satisfying a performance obligation and then add an appropriate margin for that distinct good or service.

In our Photonics segment, we recognize revenue for homogenous manufactured military products sold to the U.S. government and its contractors over time under the units-of-delivery method because of the continuous transfer of control to the customer. Intevac believes that the units-of-delivery method is an appropriate measure for measuring progress for the manufactured units as an equal amount of value is individually transferred to the customer upon delivery. The Company previously recognized revenue for substantially all manufactured military products sold to the U.S. government and its contractors when the customers took delivery of the products, which was generally upon shipment.

The nature of our contracts in our Photonics segment gives rise to several types of variable consideration including tiered pricing. Allocation of contract revenues among Photonics military products, and the timing of the recognition of those revenues, is impacted by agreements with tiered pricing or variable rate structures. We include variable consideration in the estimated transaction price when there is a basis to reasonably estimate the amount of the consideration. These estimates are based on historical experience, anticipated performance and our best judgment at the time. Because of our certainty in estimating these amounts, they are included in the transaction price of our contracts and the associated remaining performance obligations.

Accounting for CPFF and FFP contracts and programs involves the use of various techniques to estimate total contract revenue and costs. For these contracts, we estimate the profit on a contract as the difference between the total estimated revenue and expected costs to complete a contract and recognize that profit over the life of the contract. Contract estimates are based on various assumptions to project the outcome of future events. These assumptions include the complexity of the work to be performed; the cost and availability of materials; the performance of subcontractors; and the availability and timing of funding from the customer.

As a significant change in one or more of these estimates could affect the profitability of our contracts, we review and update our contract-related estimates regularly. We recognize adjustments in estimated profit on contracts under the cumulative catch-up method. Under this method, the impact of the adjustment on profit recorded to date on a contract is recognized in the period the adjustment is identified. Revenue and profit in future periods of contract performance are recognized using the adjusted estimate. If at any time the estimate of contract profitability indicates an anticipated loss on the contract, we recognize the total loss in the quarter it is identified.

Government Grants and Credits

The Company generally records grants from governmental agencies related to income as a reduction in operating expense. Grants are recognized when there is reasonable assurance that the Company will comply with the conditions attached to the grant arrangement and the grant will be received. Reimbursements of eligible expenditures pursuant to government assistance programs are recorded as reductions of operating costs when the related costs have been incurred and there is reasonable assurance regarding collection of the claim. Grant claims not settled by the balance sheet date are recorded as receivables, provided their receipt is reasonably assured. The determination of the amount of the claim, and accordingly the receivable amount, requires management to make calculations based on its interpretation of eligible expenditures in accordance with the terms of the programs. The reimbursement claims submitted by the Company are subject to review by the relevant government agencies. In Singapore, Intevac receives government assistance under the Job Support Scheme ("JSS"). During fiscal 2020, the Company received $567,000 in JSS grants of which $328,000 is reported as a reduction of cost of net revenues, $90,000 is reported as a reduction of research and development ("R&D") expenses and $149,000 is reported as a reduction of selling, general and administrative expenses on the consolidated statement of income.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs were not material for all periods presented.

Foreign Currency Translation

The functional currency of Intevac's foreign subsidiaries in Singapore and Hong Kong and the Taiwan branch is the U.S. dollar. The functional currency of Intevac's foreign subsidiaries in China, Malaysia and Korea is the local currency of the country in which the respective subsidiary operates. Assets and liabilities recorded in foreign currencies are translated at year-end exchange rates; revenues and expenses are translated at average exchange rates during the year. The effects of foreign currency translation adjustments are included in stockholders' equity as a component of accumulated other comprehensive income in the accompanying consolidated balance sheets. The effects of foreign currency transactions are included in other income (expense), net in the determination of net income. Losses from foreign currency transactions were $139,000 and $85,000 in 2020 and 2019, respectively.

Comprehensive Income

The changes in accumulated other comprehensive income by component, were as follows for the years ended January 2, 2021 and December 28, 2019:

	Foreign currency	Unrealized holding gains (losses) on available-for-sale investments	Total
		(in thousands)	
Balance at December 29, 2018	$ 405	$ (27)	$ 378
Other comprehensive income (loss) before reclassification	(24)	70	46
Amounts reclassified from other comprehensive income (loss)	—	—	—
Net current-period other comprehensive income (loss)	(24)	70	46
Balance at December 28, 2019	$ 381	$ 43	$ 424
Other comprehensive income (loss) before reclassification	221	(5)	216
Amounts reclassified from other comprehensive income (loss)	—	—	—
Net current-period other comprehensive income (loss)	221	(5)	216
Balance at January 2, 2021	$ 602	$ 38	$ 640

Employee Stock Plans

Intevac has equity-based compensation plans that provide for the grant to employees of equity-based awards, including incentive or non-statutory stock options, performance-based stock options ("PSOs"), restricted stock, stock appreciation rights, restricted stock units ("RSUs"), performance-based restricted stock units ("PRSUs") and performance shares. In addition, these plans provide for the grant of non-statutory stock options and RSUs to non-employee directors and consultants. Intevac also has an employee stock purchase plan, which provides Intevac's employees with the opportunity to purchase Intevac common stock at a discount through payroll deductions. See Note 3 for a complete description of these plans and their accounting treatment.

Recent Accounting Pronouncements Not Yet Adopted

In March 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-04, *Reference Rate Reform (Topic 848).* This ASU provides optional expedients and exceptions for applying U.S. generally accepted accounting principles to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. Adoption of the expedients and exceptions is permitted upon issuance of this update through December 31, 2022. The FASB also issued ASU 2021-01, *Reference Rate Reform (Topic 848): Scope* in January 2021. It clarifies that certain optional expedients and exceptions in Topic 848 apply to derivatives that are affected by the discounting transition. The amendments in this ASU affect the guidance in ASU 2020-04 and are effective in the same timeframe as ASU 2020-04. We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, *Simplifying the Accounting for Income Taxes (ASC Topic 740)*. This ASU simplifies accounting for income taxes by removing certain exceptions to the general principles and amending existing guidance to improve consistent application. The Company is required to adopt this guidance in the first quarter of fiscal year 2021. We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326).* This ASU amends the impairment model to utilize an expected loss methodology in place of the currently used incurred loss methodology, which will result in the more-timely recognition of losses. This update becomes effective and will be adopted by Intevac in the first quarter of fiscal 2023. We are currently assessing how the adoption of this standard will impact our consolidated financial statements.

2. Revenue

The following tables represent a disaggregation of revenue from contracts with customers for fiscal 2020 and 2019 along with the reportable segment for each category.

Major Products and Service Lines

TFE	2020				2019			
	(in thousands)							
	HDD	DCP	PV	Total	HDD	DCP	PV	Total
Systems, upgrades and spare parts	$45,620	$—	$426	$46,046	$52,759	$—	$15,653	$68,412
Field service	6,080	—	2	6,082	5,210	2	54	5,266
Total TFE net revenues	$51,700	$—	$428	$52,128	$57,969	$ 2	$15,707	$73,678

Photonics	2020	2019
	(in thousands)	
Products:		
Military products	$20,409	$12,480
Commercial products	395	640
Repair and other services	1,947	2,430
Total Photonics product net revenues	22,751	15,550
Technology development:		
FFP	19,648	12,521
CPFF	3,297	7,134
Time and materials	—	2
Total technology development net revenues	22,945	19,657
Total Photonics net revenues	$45,696	$35,207

Primary Geography Markets

	2020			2019		
	(in thousands)					
	TFE	Photonics	Total	TFE	Photonics	Total
United States	$ 6,450	$45,363	$51,813	$ 1,306	$34,664	$ 35,970
Asia	45,611	—	45,611	72,372	—	72,372
Europe	67	333	400	—	543	543
Total net revenues	$52,128	$45,696	$97,824	$73,678	$35,207	$108,885

Timing of Revenue Recognition

	2020			2019		
	(in thousands)					
	TFE	Photonics	Total	TFE	Photonics	Total
Products transferred at a point in time	$52,128	$ 1,947	$54,075	$73,678	$ 2,430	$ 76,108
Products and services transferred over time	—	43,749	43,749	—	32,777	32,777
Total net revenues	$52,128	$45,696	$97,824	$73,678	$35,207	$108,885

The following table reflects the changes in our contract assets, which we classify as accounts receivable, unbilled or retainage and our contract liabilities which we classify as deferred revenue and customer advances for fiscal 2020:

	January 2, 2021	December 28, 2019	Change
	(In thousands)		
TFE:			
Contract assets:			
Accounts receivable, unbilled	$ 369	$ 760	$ (391)
Contract liabilities:			
Deferred revenue	$ 482	$ 320	$ 162
Customer advances	33	4,007	(3,974)
	$ 515	$4,327	$(3,812)
Photonics:			
Contract assets:			
Accounts receivable, unbilled	$5,439	$3,210	$ 2,229
Retainage	126	99	27
	$5,565	$3,309	$ 2,256
Contract liabilities:			
Deferred revenue	$ 779	$ —	$ 779

Accounts receivable, unbilled in our TFE segment represents a contract asset for revenue that has been recognized in advance of billing the customer. For our system and certain upgrade sales, our TFE customers generally pay in three installments, with a portion of the system price billed upon receipt of an order, a portion of the price billed upon shipment, and the balance of the price due upon completion of installation and acceptance of the system at the customer's factory. Accounts receivable, unbilled in our TFE segment generally represents the balance of the system price that is due upon completion of installation and acceptance less the amount that has been deferred as revenue for the performance of the installation tasks. During fiscal 2020, contract assets in our TFE segment decreased by $391,000 primarily due to the final billing on two systems that were pending acceptance as of December 28, 2019 that completed installation and were accepted by the customer, offset by the accrual of revenue for an additional two systems delivered during fiscal 2020, one of which was pending acceptance as of January 2, 2021.

Customer advances in our TFE segment generally represent amounts billed to the customer prior to transferring goods which represents a contract liability. The Company has elected to use the practical expedient to disregard the effect of the time value of money in a significant financing component when its payment terms are less than one year. These contract advances are liquidated when revenue is recognized. Deferred revenue in our TFE segment generally represents amounts billed to a customer for completed systems at the customer site that are undergoing installation and acceptance testing where transfer of control has not yet occurred as Intevac does not yet have a demonstrated history of meeting the acceptance criteria upon the customer's receipt of product and represents a contract liability. During fiscal 2020, we recognized revenue in our TFE segment of $4.0 million and $203,000 that was included in customer advances and deferred revenue, respectively, at the beginning of the period.

Accounts receivable, unbilled in our Photonics segment represents a contract asset for revenue that has been recognized in advance of billing the customer, which is common for contracts in the defense industry. In our Photonics segment, amounts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals (e.g., monthly) or upon achievement of contractual milestones. Generally, billing occurs subsequent to revenue recognition, resulting in contract assets. Our contracts with the U.S. government may also contain retainage provisions. Retainage represents a contract asset for the portion of the contract price earned by us for work performed, but held for payment by the U.S. government as a form of security until satisfactory completion of the contract. The retainage is billable upon completion of the contract performance and approval of final indirect expense rates by the government. During fiscal 2020, contract assets in our Photonics segment increased by $2.3 million primarily due to the revenue recognized on FFP contracts in advance of billing and the accrual of revenue incurred costs under CPFF contracts, offset in part by the completion of certain CPFF contracts and the final settlement of retainage amounts under certain CPFF contracts.

Deferred revenue in our Photonics segment generally represents a contract liability for amounts billed to the customer upon achievement of contractual milestones. These amounts are liquidated when revenue is recognized.

On January 2, 2021 we had $ 46.9 million of remaining performance obligations, which we also refer to as backlog. Backlog at January 2, 2021 consisted of $5.6 million of TFE backlog and $41.3 million of Photonics backlog. We expect to recognize approximately 61% of our remaining performance obligations as revenue in 2021, 26% in 2022, 12% in 2023 and 1% in 2024.

3. Equity-Based Compensation

Intevac accounts for share-based awards in accordance with the provisions of the accounting guidance which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees, consultants and directors based upon the grant-date fair value of those awards. The estimated fair value of Intevac's equity-based awards is amortized over the awards' service periods using the graded vesting attribution method.

Descriptions of Plans

Equity Incentive Plans

At January 2, 2021, Intevac had equity-based awards outstanding under the 2020 Equity Incentive Plan, the 2012 Equity Incentive Plan and the 2004 Equity Incentive Plan (the "Plans") and the 2003 Employee Stock Purchase Plan (the "ESPP"). Intevac's stockholders approved all of these plans.

The Plans are a broad-based, long-term retention program intended to attract and retain qualified management and employees, and align stockholder and employee interests. The Plans permit the grant of incentive or non-statutory stock options, performance-based stock options ("PSOs"), restricted stock, stock appreciation rights, restricted stock units ("RSUs"), performance-based restricted stock units ("PRSUs") and performance shares. Option price, vesting period, and other terms are determined by the administrator of the Plans, but the option price shall generally not be less than 100% of the fair market value per share on the date of grant. As of January 2, 2021, 5.0 million shares of common stock were authorized for future issuance under the Plans. The 2020 Equity Incentive Plan expires no later than May 13, 2030.

2003 Employee Stock Purchase Plan

The ESPP provides that eligible employees may purchase Intevac's common stock through payroll deductions at a price equal to 85% of the lower of the fair market value at the entry date of the applicable offering period or at the end of each applicable purchase interval. Offering periods are generally two years in length, and consist of a series of six-month purchase intervals. Eligible employees may join the ESPP at the beginning of any six-month purchase interval. Under the terms of the ESPP, employees can choose to have up to 15% of their base earnings withheld to purchase Intevac common stock. Beginning August 1, 2020, under the terms of the ESPP, employees can choose to have up to 50% of their base earnings withheld to purchase Intevac common stock (not to exceed $25,000 per year). As of January 2, 2021, 663,000 shares remained available for issuance under the ESPP.

The effect of recording equity-based compensation for fiscal 2020 and 2019 was as follows (in thousands):

	2020	2019
Equity-based compensation by type of award:		
Stock options	$504	$819
RSUs	1,936	1,657
Employee stock purchase plan	949	749
Total equity-based compensation	$3,389	$3,225

Equity-based compensation expense is based on awards which vest. Intevac accounts for forfeitures as they occur, rather than estimating expected forfeitures.

Stock Options

The exercise price of each stock option equals the market price of Intevac's stock on the date of grant. Most options are scheduled to vest over three and/or four years and expire no later than ten years after the grant date. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model. This model was developed for use in estimating the value of publicly traded options that have no vesting restrictions and are fully transferable. Intevac's employee stock options have characteristics significantly different from those of publicly traded options. The weighted-average assumptions used in the model are outlined in the following table:

	2020	2019
Stock Options:		
Weighted-average fair value of grants per share	$ 1.82	$ 2.06
Expected volatility	46.06%	43.23%
Risk free interest rate	0.44%	1.86%
Expected term of options (in years)	4.39	4.60
Dividend yield	None	None

The computation of the expected volatility assumption used in the Black-Scholes calculations for new grants is based on historical volatility of Intevac's stock price. The risk-free interest rate is based on the yield available on U.S. Treasury Strips with an equivalent remaining term. The expected life of employee stock options represents the weighted-average period that the stock options are expected to remain outstanding and was determined based on historical experience of similar awards, giving consideration to the contractual terms of the stock-based awards and vesting schedules. The dividend yield assumption is based on Intevac's history of not paying dividends and the assumption of not paying dividends in the future.

Performance stock options ("PSOs") vest upon the achievement of certain market conditions (our stock performance) during a set performance period (typically 4 years) subject to the grantee's continued service with Intevac through the date the applicable market condition is achieved. The fair value is based on the values calculated under the Monte Carlo simulation model on the grant date. Compensation cost is not adjusted in future periods for subsequent changes in the expected outcome of market related conditions. The compensation expense is recognized over the derived service period. We granted 37,500 of such stock options to the chief executive officer in 2019. These PSOs have a derived service period of 1.1 years.

Intevac estimated the weighted-average fair value of PSOs using the following weighted-average assumptions:

	2019
Weighted-average fair value of grants per share	$ 1.75
Expected volatility	43.43%
Risk free interest rate	1.96%
Expected term (in years)	4.60
Dividend yield	None

A summary of the stock option activity is as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Options outstanding at December 28, 2019	2,096,610	$6.63	3.75	$2,048,964
Options granted	6,000	$4.88		
Options cancelled and forfeited	(220,971)	$6.88		
Options exercised	(67,172)	$4.85		
Options outstanding at January 2, 2021	1,814,467	$6.66	3.08	$2,520,722
Options exercisable at January 2, 2021	1,372,871	$6.77	2.52	$1,798,938

The total intrinsic value of options exercised during fiscal years 2020 and 2019 was $110,000 and $249,000, respectively. At January 2, 2021, Intevac had $312,000 of total unrecognized compensation expense related to stock option plans that will be recognized over the weighted-average period of 1.03 years.

RSUs

A summary of the RSU activity is as follows:

	Shares	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Non-vested RSUs at December 28, 2019	553,355	$6.15	1.30	$3,713,012
Granted	668,413	$4.87		
Vested	(243,312)	$6.38		
Cancelled	(76,822)	$4.26		
Non-vested RSUs at January 2, 2021	901,634	$5.30	1.50	$6,500,781

Time-based RSUs are converted into shares of Intevac common stock upon vesting on a one-for-one basis. Time-based RSUs typically are scheduled to vest over three and/or four years. Vesting of time-based RSUs is subject to the grantee's continued service with Intevac. The compensation expense related to these awards is determined using the fair market value of Intevac common stock on the date of the grant, and the compensation expense is recognized over the vesting period. At January 2, 2021, Intevac had $2.5 million of total unrecognized compensation expense related to RSUs that will be recognized over the weighted-average period of 1.50 years.

In May 2020, we granted 109,465 performance-based restricted stock units ("PRSUs") to members of our senior management. The PRSUs were issued collectively in four separate tranches with individual one-year performance periods beginning in May 2020, 2021, 2022 and 2023, respectively. Vesting of the PRSUs is based on the performance of our common stock relative to the performance of a peer group. The fair value of each PRSU award was estimated on the date of grant using a Monte Carlo simulation. PRSU activity is included in the above RSU tables. At the end of each performance measurement period, the Compensation Committee will determine the achievement against the performance objectives. Any earned PRSU awards will vest 100% after the end of the applicable performance measurement period.

Intevac estimated the weighted-average fair value of PRSUs using the following weighted-average assumptions:

	2020
Weighted-average fair value of grants per share	$ 3.16
Expected volatility	46.7%
Risk-free interest rate	0.25%
Dividend yield	None

ESPP

The fair value of the employee stock purchase right is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

	2020	2019
Stock Purchase Rights:		
Weighted-average fair value of grants per share	$ 2.20	$ 1.73
Expected volatility	51.49%	45.81%
Risk free interest rate	0.14%	2.28%
Expected term of purchase rights (in years)	1.24	0.91
Dividend yield	None	None

The expected life of purchase rights is the period of time remaining in the current offering period.

The ESPP activity during fiscal 2020 and 2019 is as follows:

	2020	2019
	(in thousands, except per share amounts)	
Shares purchased	392	370
Weighted-average purchase price per share	$4.01	$3.96
Aggregate intrinsic value of purchase rights exercised	$ 765	$ 513

As of January 2, 2021, Intevac had $1.2 million of total unrecognized compensation expense related to purchase rights that will be recognized over the weighted-average period of 1.11 years.

4. Earnings Per Share

Intevac calculates basic earnings per share ("EPS") using net income and the weighted-average number of shares outstanding during the reporting period. Diluted EPS includes the effect from potential issuance of common stock pursuant to the exercise of employee stock options and vesting of RSUs.

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

	2020	2019
	(in thousands, except per share amounts)	
Net income	$ 1,056	$ 1,148
Weighted-average shares – basic	23,669	23,063
Effect of dilutive potential common shares	482	277
Weighted-average shares – diluted	24,151	23,340
Net income per share –basic	$ 0.04	$ 0.05
Net income per share –diluted	$ 0.04	$ 0.05

The potentially dilutive securities were excluded (as common stock equivalents) from the computation of diluted net income per share for the periods presented as their effect would have been antidilutive:

	2020	2019
	(in thousands)	
Stock options to purchase common stock	935	1,235
RSUs	5	5
Employee stock purchase plan	103	3

5. Concentrations

Credit Risk and Significant Customers

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist of cash equivalents, short- and long-term investments, restricted cash, and accounts receivable. Intevac generally invests its excess cash in money market funds, certificates of deposit, commercial paper, obligations of the U.S. government and its agencies, corporate debt securities, asset backed securities and municipal bonds. The Company has adopted an investment policy and established guidelines relating to credit quality, diversification and maturities of its investments in order to preserve principal and maintain liquidity. All investment securities in Intevac's portfolio have an investment grade credit rating.

Intevac's accounts receivable tend to be concentrated in a limited number of customers. The following customers accounted for at least 10 percent of Intevac's accounts receivable at January 2, 2021 and December 28, 2019.

	2020	2019
Seagate Technology	45%	60%
U.S. Government	26%	25%
HGST	14%	*

* Less than 10%

Intevac's largest customers tend to change from period to period. Historically, a significant portion of Intevac's revenues in any particular period have been attributable to sales to a limited number of customers. Intevac performs credit evaluations of its customers' financial condition and generally requires deposits on system orders but does not generally require collateral or other security to support customer receivables.

The following customers accounted for at least 10 percent of Intevac's consolidated net revenues in fiscal 2020 and/or 2019.

	2020	2019
Seagate Technology	42%	49%
U.S. Government	29%	20%
Elbit Systems of America	12%	*
Jolywood (Hongkong) Industrial Holdings Co., Limited	*	14%

* Less than 10%

Products

Disk manufacturing products contributed a significant portion of Intevac's revenues in fiscal 2020 and 2019. Intevac expects that the ability to maintain or expand its current levels of revenues in the future will depend upon continuing market demand for its products; its success in enhancing its existing systems and developing and manufacturing competitive disk manufacturing equipment, such as the 200 Lean; its success in utilizing Intevac's expertise in complex manufacturing equipment to develop and sell new manufacturing equipment products for PV, DCP and advanced semiconductor packaging and Intevac's success in developing military products based on its low-light technology.

6. Balance Sheet Details

Balance sheet details were as follows as of January 2, 2021 and December 28, 2019:

Trade and Other Accounts Receivable, Net

	January 2, 2021	December 28, 2019
	(in thousands)	
Trade receivables and other	$22,712	$24,472
Unbilled costs and accrued profits	5,934	4,069
Income tax receivable	—	78
Less: allowance for doubtful accounts	—	—
	$28,646	$28,619

Inventories

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

	January 2, 2021	December 28, 2019
	(in thousands)	
Raw materials	$ 9,999	$15,286
Work-in-progress	4,832	4,748
Finished goods	6,858	4,873
	$21,689	$24,907

Finished goods inventory at January 2, 2021 and December 28, 2019 included one VERTEX SPECTRA system for DCP under evaluation at a customer's factory and one MATRIX PVD system for advanced semiconductor packaging under evaluation at a customer's factory.

Property, Plant and Equipment

	January 2, 2021	December 28, 2019
	(in thousands)	
Leasehold improvements	$16,323	$15,037
Machinery and equipment	46,846	46,674
	63,169	61,711
Less accumulated depreciation and amortization	52,165	50,113
Total property, plant and equipment, net	$11,004	$11,598

Deferred Income Taxes and Other Long-Term Assets

	January 2, 2021	December 28, 2019
	(in thousands)	
Deferred income taxes	$5,335	$6,252
Prepaid expenses	151	—
Purchased intangible assets, net	—	274
Income tax receivable	—	78
	$5,486	$6,604

Accounts Payable

Included in accounts payable is $84,000 and $512,000 of book overdraft at January 2, 2021 and December 28, 2019, respectively.

Other Accrued Liabilities

	January 2, 2021	December 28, 2019
	(in thousands)	
Deferred revenue	$1,261	$ 320
Other taxes payable	935	1,155
Accrued product warranties	405	846
Income taxes payable	263	403
Other	734	869
Total other accrued liabilities	$3,598	$3,593

Other Long-Term Liabilities

	January 2, 2021	December 28, 2019
	(in thousands)	
Employer payroll taxes	$382	$—
Accrued product warranties	75	176
Accrued income taxes	—	10
Total other long-term liabilities	$457	$186

7. Purchased Intangible Assets, Net

As of January 2, 2021, all acquisition-related intangible assets had reached the end of their useful lives and did not have any remaining carrying value. The carrying value of acquisition-related intangible assets subject to amortization, excluding fully amortized intangible assets, as of December 28, 2019 is set forth in the following table:

	December 28, 2019		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
		(in thousands)	
Customer relationships	$ 560	$ 524	$ 36
Purchased technology	4,000	3,762	238
Total amortizable intangible assets	$4,560	$4,286	$274

Total amortization expense of purchased intangibles was $274,000 for fiscal 2020 and was $615,000 for fiscal 2019.

8. Contingent Consideration

In connection with the acquisition of SIT, Intevac agreed to pay to the selling shareholders in cash a revenue earnout on Intevac's net revenues from commercial sales of certain products over a specified period up to an aggregate of $9.0 million. The earnout period terminated on June 30, 2019. There is no remaining contingent consideration obligation associated with the earnout agreement at January 2, 2021.

The following table represents a reconciliation of the change in the fair value measurement of the contingent consideration liability for fiscal 2019:

	2019
	(in thousands)
Beginning balance	$ 223
Changes in fair value	7
Cash payments made	(230)
Ending balance	$ —

9. Financial Instruments

Cash, Cash Equivalents and Investments

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

	January 2, 2021			
	Amortized Cost	Unrealized Holding Gains	Unrealized Holding Losses	Fair Value
	(in thousands)			
Cash and cash equivalents:				
Cash	$24,729	$—	$—	$24,729
Money market funds	3,612	—	—	3,612
Certificates of deposit	1,000	—	—	1,000
Total cash and cash equivalents	$29,341	$—	$—	$29,341
Short-term investments:				
Certificates of deposit	$ 6,450	$ 2	$—	$ 6,452
Commercial paper	500	—	—	500
Corporate bonds and medium-term notes	2,929	6	—	2,935
Municipal bonds	400	—	—	400
U.S. treasury securities	4,527	25	—	4,552
Total short-term investments	$14,806	$ 33	$—	$14,839
Long-term investments:				
Certificates of deposit	$ 500	$—	$—	$ 500
Corporate bonds and medium-term notes	3,474	4	—	3,478
U.S. treasury securities	1,409	1	—	1,410
Total long-term investments	$ 5,383	$ 5	$—	$ 5,388
Total cash, cash equivalents, and investments	$49,530	$ 38	$—	$49,568

	December 28, 2019			
	Amortized Cost	Unrealized Holding Gains	Unrealized Holding Losses	Fair Value
	(in thousands)			
Cash and cash equivalents:				
Cash	$16,512	$—	$—	$16,512
Money market funds	3,255	—	—	3,255
Total cash and cash equivalents	$19,767	$—	$—	$19,767
Short-term investments:				
Certificates of deposit	$ 3,000	$ 1	$—	$ 3,001
Commercial paper	1,891	2	—	1,893
Corporate bonds and medium-term notes	6,383	25	—	6,408
U.S. treasury securities	5,417	1	—	5,418
Total short-term investments	$16,691	$ 29	$—	$16,720
Long-term investments:				
Certificates of deposit	$ 499	$ 1	$—	$ 500
Corporate bonds and medium-term notes	2,530	12	—	2,542
U.S. treasury securities	2,494	1	—	2,495
Total long-term investments	$ 5,523	$ 14	$—	$ 5,537
Total cash, cash equivalents, and investments	$41,981	$ 43	$—	$42,024

The contractual maturities of available-for-sale securities at January 2, 2021 are presented in the following table.

	Amortized Cost	Fair Value
	(in thousands)	
Due in one year or less	$19,418	$19,451
Due after one through five years	5,383	5,388
	$24,801	$24,839

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

The following table represents the fair value hierarchy of Intevac's available-for-sale securities measured at fair value on a recurring basis as of January 2, 2021.

	Fair Value Measurements at January 2, 2021		
	Total	Level 1	Level 2
		(in thousands)	
Recurring fair value measurements:			
Available-for-sale securities			
Money market funds	$ 3,612	$3,612	$ —
U.S. treasury securities	5,962	5,962	—
Certificates of deposit	7,952	—	7,952
Commercial paper	500	—	500
Corporate bonds and medium-term notes	6,413	—	6,413
Municipal bonds	400	—	400
Total recurring fair value measurements	$24,839	$9,574	$15,265

Derivatives

The Company uses foreign currency forward contracts to mitigate variability in gains and losses generated from the re-measurement of certain monetary assets and liabilities denominated in foreign currencies and to offset certain operational exposures from the impact of changes in foreign currency exchange rates. These derivatives are carried at fair value with changes recorded in interest income and other, net in the consolidated statements of income. Changes in the fair value of these derivatives are largely offset by re-measurement of the underlying assets and liabilities. Cash flows from such derivatives are classified as operating activities. The derivatives have maturities of approximately 30 days.

The following table summarizes the Company's outstanding derivative instruments on a gross basis as recorded in its consolidated balance sheets as of January 2, 2021 and December 28, 2019:

	Notional Amounts		Derivative Liabilities			
Derivative Instrument	January 2, 2021	December 28, 2019	January 2, 2021		December 28, 2019	
			Balance Sheet Line	Fair Value	Balance Sheet Line	Fair Value
	(in thousands)					
Undesignated Hedges:						
Forward Foreign Currency Contracts	$983	1,035	*	$3	*	$4
Total Hedges	$983	1,035		$3		$4

* Other accrued liabilities

10. Equity

Stock Repurchase Program

On November 21, 2013, Intevac's Board of Directors approved a stock repurchase program authorizing up to $30.0 million in repurchases. On August 15, 2018, Intevac's Board of Directors approved a $10.0 million increase to the original stock repurchase program authorizing up to $40.0 million. Under this authorization, Intevac purchases shares of its common stock under a systematic stock repurchase program and may also make supplemental stock repurchases from time to time, depending on market conditions, stock price and other factors.

At January 2, 2021, $10.4 million remains available for future stock repurchases under the repurchase program.

The following table summarizes Intevac's stock repurchases for fiscal 2020 and 2019:

	2020	2019
	(in thousands, except per share amounts)	
Shares of common stock repurchased	98	24
Cost of stock repurchased	$ 393	$ 111
Average price paid per share	$3.97	$4.67

Intevac records treasury stock purchases under the cost method using the first-in, first-out (FIFO) method. Upon reissuance of treasury stock, amounts in excess of the acquisition cost are credited to additional paid-in capital. If Intevac reissues treasury stock at an amount below its acquisition cost and additional paid-in capital associated with prior treasury stock transactions is insufficient to cover the difference between the acquisition cost and the reissue price, this difference is recorded against the accumulated deficit.

11. Income Taxes

The provision for income taxes on income from operations for fiscal 2020 and 2019 consists of the following (in thousands):

	2020	2019
Federal:		
Current	$ (915)	$ —
Deferred	—	—
	(915)	—
State:		
Current	4	4
Deferred	—	—
	4	4
Foreign:		
Current	1,705	1,694
Deferred	917	1,661
	2,622	3,355
Total	$1,711	$3,359

Income (loss) before income taxes for fiscal 2020 and 2019 consisted of the following (in thousands):

	2020	2019
U.S	$(3,293)	$(4,875)
Foreign	6,060	9,382
	$ 2,767	$ 4,507
Effective tax rate	61.8%	74.5%

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for income tax purposes. Significant components of deferred tax assets are as follows (in thousands):

	January 2, 2021	December 28, 2019
Deferred tax assets:		
Vacation, warranty and other accruals	$ 651	$ 635
Depreciation and amortization	—	89
Intangible amortization	551	804
Purchased technology	14	—
Inventory valuation	1,101	1,288
Equity-based compensation	1,494	1,593
Net operating loss, research and other tax credit carryforwards	55,322	54,818
Other	30	43
	59,163	59,270
Valuation allowance for deferred tax assets	(52,088)	(52,099)
Total deferred tax assets	7,075	7,171
Deferred tax liabilities:		
Depreciation and amortization	(341)	—
Purchased technology	—	(45)
Unbilled revenue	(1,399)	(874)
Total deferred tax liabilities	(1,740)	(919)
Net deferred tax assets	$ 5,335	$ 6,252
As reported on the balance sheet:		
Non-current deferred tax assets	$ 5,335	$ 6,252

Intevac accounts for income taxes in accordance with accounting standards for such taxes, which requires that deferred tax assets and liabilities be recognized using enacted tax rates for the effect of temporary differences between the financial reporting and tax bases of recorded assets and liabilities.

Accounting standards also require that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some portion of or all of the deferred tax asset will not be realized. Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. In fiscal 2014, a valuation allowance of $9.4 million was established to record the portion of the Singapore deferred tax asset that more likely than not will not be realized. The Company concluded that, as of December 29, 2018, it is more likely than not that the Company will generate sufficient taxable income in Singapore to realize its deferred tax assets and reversed the valuation allowance during the fourth quarter of 2018. This reversal resulted in the recognition of a non-cash income tax benefit of $7.9 million for fiscal 2018. The Company has considered all positive and negative evidence regarding the ability to fully realize the deferred tax asset, including past operating results and the forecast of future taxable income. This conclusion, and the resulting reversal of the deferred tax asset valuation allowance, was based upon consideration of a number of factors, including the Company's completion of 7 consecutive quarters of profitability and its forecast of future profitability under multiple scenarios that support the utilization of net operating loss carryforwards. After recognizing the reversal, the Company does not have a remaining valuation allowance against the deferred tax assets in Singapore at January 2, 2021.

In fiscal 2012, a valuation allowance of $23.4 million was established to record the portion of the U.S. federal deferred tax asset that more likely than not will not be realized. For fiscal 2020 a valuation allowance decrease of $416,000 and for fiscal 2019 a valuation allowance decrease of $689,000, respectively, were recorded for the U.S. federal deferred tax asset. A valuation allowance is recorded against the entire state deferred tax asset which consists of state income tax temporary differences and deferred research and other tax credits that are not realizable in the foreseeable future.

As of January 2, 2021, our federal, foreign and state net operating loss carryforwards for income tax purposes were approximately $71.0 million, $30.3 million and $70.8 million, respectively. The federal and state net operating loss carryforwards are subject to various limitations under Section 382 of the Internal Revenue Code and applicable state tax laws. If not utilized, the federal net operating loss carryforwards and the state net operating loss carryforwards will begin to expire in 2029 and 2028, respectively. The foreign net operating loss carryforwards do not expire. As of January 2, 2021, our federal and state tax credit carryforwards for income tax purposes were approximately $19.1 million and $16.8 million, respectively. If not utilized, the federal tax credit carryforwards will begin to expire in 2021 and the state tax credits carry forward indefinitely.

We account for Global Intangible Low-Taxed Income ("GILTI") earned by certain foreign subsidiaries in the year the tax is incurred.

The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was enacted on March 27, 2020 in the United States. The CARES Act includes several significant provisions for corporations, including the usage of net operating losses and payroll benefits. Several foreign (non-U.S.) jurisdictions in which we operate have taken similar economic stimulus measures. The Company evaluated the provisions of the CARES Act and other non-U.S. economic measures and determined the impact on our financial position at January 2, 2021 and on the results of operations and cash flows for fiscal 2020 to be as follows.

Under the CARES Act, we elected to defer payment, on an interest-free basis, of the employer portion of social security payroll taxes incurred from March 27, 2020 to December 31, 2020. One-half of such deferral amount will become due on each of December 31, 2021 and December 31, 2022. We elected to utilize this deferral program to delay payment of approximately $764,000 of the employer portion of payroll taxes which were incurred between March 27, 2020 and December 31, 2020. On the consolidated balance sheets, the short-term portion of the deferred payroll tax liability is included in accrued payroll and related liabilities, while the long-term portion is included in other long-term liabilities. The Company also utilized the employee retention tax credit under the CARES Act for certain qualifying employee salary and wage expenditures. Tax benefits under the employee retention tax credit are not significant. Additionally, the CARES Act accelerated the timing of the refund for alternative minimum tax ("AMT") credits. The entire balance of the income tax refund receivable of $157,000 was received in fiscal 2020.

In Singapore, Intevac receives government assistance under the Job Support Scheme ("JSS"). The purpose of the JSS is to provide wage support to employers to help them retain their local employees. During fiscal 2020, the Company received $567,000 in JSS grants, of which $328,000 is reported as a reduction of cost of net revenues, $90,000 is reported as a reduction of R&D expenses and $149,000 is reported as a reduction of selling, general and administrative expenses on the consolidated statement of income.

The difference between the tax provision at the statutory federal income tax rate and the tax provision for fiscal 2020 and 2019 was as follows (in thousands):

	2020	2019
Income tax at the federal statutory rate	$ 581	$ 947
State income taxes, net of federal benefit	4	4
Change in valuation allowance:		
U.S	(416)	(689)
Foreign	—	—
Effect of foreign operations taxed at various rates	(235)	(397)
Research tax credits	(1,306)	(1,710)
Effect of tax rate changes, permanent differences and adjustments of prior deferrals	2,504	3,685
Unrecognized tax benefits	579	1,519
Total	$ 1,711	$ 3,359

Intevac has not provided for foreign withholding taxes on approximately $1.7 million of undistributed earnings from non-U.S. operations as of January 2, 2021 because Intevac intends to reinvest such earnings indefinitely outside of the United States. If Intevac were to distribute these earnings, foreign withholding tax would be payable. For all other undistributed foreign earnings, Intevac also intends to reinvest such earnings indefinitely outside of the United States.

The total amount of gross unrecognized tax benefits was $7.3 million as of January 2, 2021, none of which would affect Intevac's effective tax rate if realized. The aggregate changes in the balance of gross unrecognized tax benefits were as follows for fiscal 2020 and 2019:

	2020	2019
Beginning balance	$7,683	$6,164
Additions based on tax positions related to the current year	589	1,519
Settlements	—	—
Lapse of statute of limitations	(945)	—
Ending balance	$7,327	$7,683

The Company does not anticipate any changes in the amount of unrecognized tax benefits in the next twelve months. It is Intevac's policy to include interest and penalties related to unrecognized tax benefits in the provision for income taxes on the consolidated statements of income. During fiscal 2020 and 2019, Intevac recognized a net tax expense (benefit) for interest of ($2,000) and $0, respectively. As of January 2, 2021 Intevac did not have any accrued interest related to unrecognized tax benefits. Intevac did not accrue any penalties related to these unrecognized tax benefits because Intevac has other tax attributes which would offset any potential taxes due.

Intevac is subject to income taxes in the U.S. federal jurisdiction, and various state and foreign jurisdictions. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. Intevac has certain tax attributes that are subject to adjustment back to 1999. Intevac is subject to potential income tax return examination by tax authorities for tax years after 2009 in the following material jurisdictions: U.S. (Federal and California) and Singapore. Intevac has certain tax attributes that are subject to adjustment back to 1999.

The Inland Revenue Authority of Singapore ("IRAS") conducted a review of the fiscal 2009 through 2010 tax returns of the Company's wholly-owned subsidiary, Intevac Asia Pte. Ltd. IRAS challenged the Company's tax position with respect to certain deductions. The Company paid all contested taxes and the related interest to have the right to defend its position under Singapore tax law. During 2019, the Company received an unfavorable decision on its appeal to the Singapore Income Tax Board of Review. The Company appealed the decision to the Singapore High Court. In October 2020, the Company received an unfavorable decision on its appeal to the Singapore High Court. Management decided not to pursue additional appeals and the matter is fully settled. Presently, there are no other active income tax examinations in the jurisdictions where Intevac operates.

12. Employee Benefit Plans

Employee Savings and Retirement Plan

In 1991, Intevac established a defined contribution retirement plan with 401(k) plan features. The plan covers all United States employees eighteen years and older. Employees may make contributions by a percentage reduction in their salaries, not to exceed the statutorily prescribed annual limit. Intevac made cash contributions of $358,000 for fiscal 2020 and $334,000 for fiscal 2019. Employees may choose among several investment options for their contributions and their share of Intevac's contributions, and they are able to move funds between investment options at any time. Intevac's common stock is not one of the investment options. Administrative expenses relating to the plan are insignificant.

Employee Bonus Plans

Intevac has various employee bonus plans. A profit-sharing plan provides for the distribution of a percentage of pre-tax profits to substantially all of Intevac's employees not eligible for other performance-based incentive plans, up to a maximum percentage of compensation. Other plans award annual cash bonuses to Intevac's executives and key contributors based on the achievement of profitability and other specific performance criteria. Charges to expense under these plans were $3.3 million, and $2.8 million, respectively, for fiscal 2020 and 2019.

13. Commitments and Contingencies

Leases

Intevac leases certain manufacturing facilities, warehouses, office space, and equipment under non-cancelable operating leases that expire at various times up to March 2024 and has options to renew most leases, with rentals to be negotiated. Certain of Intevac's leases contain provisions for rental adjustments. Operating lease rentals are expensed on a straight-line basis over the life of the lease beginning on the date we take possession of the property. At lease inception, we determine the lease term by assuming the exercise of those renewal options that are reasonably assured. The exercise of lease renewal options is at our sole discretion. The lease term is used to determine whether a lease is financing or operating and is used to calculate straight-line rent expense. Additionally, the depreciable life of leasehold improvements is limited by the expected lease term. Leases with an initial term of 12 months or less are not recorded on the balance sheet; we recognize lease expense for these leases on a straight-line basis over the lease term.

The following table reflects our lease assets and our lease liabilities at January 2, 2021 and December 28, 2019.

	January 2, 2021	December 28, 2019
	(in thousands)	
Assets:		
Operating lease right-of-use assets	$8,165	$10,279
Liabilities:		
Current operating lease liabilities	$2,853	$ 2,524
Noncurrent operating lease liabilities	6,803	9,532
	$9,656	$12,056

Lease Costs:

The components of lease costs were as follows:

	2020	2019
	(in thousands)	
Operating lease cost	$2,942	$3,112
Short-term lease cost	93	78
Total lease cost	$3,035	$3,190

As of January 2, 2021 the maturity of operating lease liabilities was as follows:

(In thousands)	
2021	$ 3,388
2022	3,474
2023	3,289
2024	541
Total lease payments	10,692
Less: Interest	(1,036)
Present value of lease liabilities	$ 9,656

Lease Term and Discount Rate:

	January 2, 2021	December 28, 2019
Weighted-average remaining lease term (in years)	3.09	4.08
Weighted-average discount rate	6.39%	6.37%

Other information:

Supplemental cash flow information related to leases was as follows (in thousands):

	2020	2019
	(in thousands)	
Operating cash outflows from operating leases	$3,332	$3,484
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 128	$ 934

Guarantees

Officer and Director Indemnifications

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

Other Indemnifications

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

Letters of Credit

As of January 2, 2021, we had letters of credit and bank guarantees outstanding totaling $787,000, including the standby letter of credit outstanding under the Santa Clara, California facility lease and various other guarantees with its bank. These letters of credit and bank guarantees are collateralized by $787,000 of restricted cash.

Warranty

Intevac provides for the estimated cost of warranty when revenue is recognized. Intevac's warranty is per contract terms and for its HDD, PV and DCP manufacturing systems the warranty typically ranges between 12 and 24 months from customer acceptance. For systems sold through a distributor, Intevac offers a 3-month warranty. The remainder of any warranty period is the responsibility of the distributor. During this warranty period any defective non-consumable parts are replaced and installed at no charge to the customer. Intevac uses estimated repair or replacement costs along with its historical warranty experience to determine its warranty obligation. The provision for the estimated future costs of warranty is based upon historical cost and product performance experience. Intevac exercises judgment in determining the underlying estimates.

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

The following table displays the activity in the warranty provision account for fiscal 2020 and 2019:

	2020	2019
	(in thousands)	
Beginning balance	$1,022	$ 997
Expenditures incurred under warranties	(512)	(625)
Accruals for product warranties	280	955
Adjustments to previously existing warranty accruals	(310)	(305)
Ending balance	$ 480	$1,022

Legal Matters

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

14. Segment and Geographic Information

Intevac's two reportable segments are: TFE and Photonics. Intevac's chief operating decision-maker has been identified as the President and CEO, who reviews operating results to make decisions about allocating resources and assessing performance for the entire Company. Segment information is presented based upon Intevac's management organization structure as of January 2, 2021 and the distinctive nature of each segment. Future changes to this internal financial structure may result in changes to the reportable segments disclosed.

Each reportable segment is separately managed and has separate financial results that are reviewed by Intevac's chief operating decision-maker. Each reportable segment contains closely related products that are unique to the particular segment. Segment operating profit is determined based upon internal performance measures used by the chief operating decision-maker.

Intevac derives the segment results from its internal management reporting system. The accounting policies Intevac uses to derive reportable segment results are substantially the same as those used for external reporting purposes. Management measures the performance of each reportable segment based upon several metrics, including orders, net revenues and operating income. Management uses these results to evaluate the performance of, and to assign resources to, each of the reportable segments. Intevac manages certain operating expenses separately at the corporate level. Intevac allocates certain of these corporate expenses to the segments in an amount equal to 3% of net revenues. Segment operating income excludes interest income/expense and other financial charges and income taxes according to how a particular reportable segment's management is measured. Management does not consider impairment charges, gains and losses on divestitures and sales of intellectual property, and unallocated costs in measuring the performance of the reportable segments.

The TFE segment designs, develops and markets vacuum process equipment solutions for high-volume manufacturing of small substrates with precise thin-film properties, such as for the hard drive, solar cell and DCP industries, as well as other adjacent thin-film markets.

The Photonics segment develops compact, cost-effective, high-sensitivity digital-optical products for the capture and display of low-light images. Intevac provides sensors, cameras and systems for government applications such as night vision.

Information for each reportable segment for fiscal 2020 and 2019 is as follows:

Net Revenues	2020	2019
	(in thousands)	
TFE	$52,128	$ 73,678
Photonics	45,696	35,207
Total segment net revenues	$97,824	$108,885

Operating Profit (Loss)	2020	2019
	(in thousands)	
TFE	$(1,978)	$ 1,747
Photonics	10,064	6,434
Total segment operating profit	8,086	8,181
Unallocated costs	(5,531)	(4,256)
Operating income	2,555	3,925
Interest income	284	574
Other income (expense), net	(72)	8
Income before provision for income taxes	$ 2,767	$ 4,507

Depreciation and Amortization	2020	2019
	(in thousands)	
TFE	$1,817	$1,909
Photonics	1,159	1,310
Total segment depreciation and amortization	2,976	3,219
Unallocated costs	504	372
Total consolidated depreciation and amortization	$3,480	$3,591

Capital Additions	2020	2019
	(in thousands)	
TFE	$1,336	$2,611
Photonics	636	832
Total segment capital additions	1,972	3,443
Unallocated	640	664
Total consolidated capital additions	$2,612	$4,107

Segment Assets	2020	2019
	(in thousands)	
TFE	$ 44,335	$ 51,153
Photonics	22,923	22,071
Total segment assets	67,258	73,224
Cash and investments	49,568	42,024
Restricted cash	787	787
Deferred income taxes	5,335	6,252
Other current assets	1,093	752
Common property, plant and equipment	1,443	1,307
Common operating lease right-of-use assets	1,603	1,898
Other assets	151	78
Consolidated total assets	$127,238	$126,322

Net property, plant and equipment by geographic region at January 2, 2021 and December 28, 2019 was as follows:

	January 2, 2021	December 28, 2019
	(in thousands)	
United States	$10,678	$11,420
Asia	326	178
Net property, plant & equipment	$11,004	$11,598

15. Restructuring Charges

During the third quarter of fiscal 2020, Intevac substantially completed implementation of the 2020 cost reduction plan (the "2020 Plan"), which reduced expenses and reduced its workforce by 1 percent. The cost of implementing the 2020 Plan was reported under cost of net revenues and operating expenses in the consolidated statements of income. Substantially all cash outlays in connection with the 2020 Plan occurred in the third quarter of fiscal 2020. Implementation of the 2020 Plan reduced salary, wages and other employee-related expenses by approximately $864,000 on an annual basis.

As of January 2, 2021, activities related to the 2020 Plan were complete.

The changes in restructuring reserves for severance and other employee-related costs associated with the cost reduction plan for fiscal 2020, are as follows.

	2020
	(in thousands)
Balance at the beginning of the year	$ —
Provision for restructuring charges	103
Cash payments made	(103)
Balance at the end of the year	$ —

Item 9. *Changes In and Disagreements With Accountants on Accounting and Financial Disclosure*

None.

Item 9A. ***Controls and Procedures***

Management's Report on Assessment of Internal Controls Over Financial Reporting

Evaluation of Disclosure Controls and Procedures

Based on Intevac's management's evaluation with the participation of the Chief Executive Officer (the "CEO") and the Chief Financial Officer (the "CFO"), as of the end of the period covered by this report, Intevac's CEO and CFO have concluded that Intevac's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended, (the "Exchange Act") are effective to ensure that information required to be disclosed by Intevac in reports that Intevac files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and is accumulated and communicated to Intevac's management, including Intevac's CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

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

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management (with the participation of the CEO and CFO) conducted an evaluation of the effectiveness of Intevac's internal control over financial reporting based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that Intevac's internal control over financial reporting was effective as of January 2, 2021. BPM LLP, the independent registered public accounting firm that has audited the financial statements included in this report, has issued an attestation report on Intevac's internal control over financial reporting, which is included in their report on the following page.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting during our fourth quarter of fiscal 2020 that has materially affected, or is reasonably likely to materially affect, Intevac's internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders of
Intevac, Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Intevac, Inc. (a Delaware corporation) and its subsidiaries (the "Company") as of January 2, 2021, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the "COSO criteria"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 2, 2021, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets as of January 2, 2021 and December 28, 2019 and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the two years in the period ended January 2, 2021, and the related notes (collectively referred to as the "consolidated financial statements") of the Company, and our report dated February 17, 2021 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Assessment of Internal Controls Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ BPM LLP

San Jose, California
February 17, 2021

Item 9B. ***Other Information***

None.

PART III

Item 10. ***Directors, Executive Officers and Corporate Governance***

The information required by this item relating to the Company's directors and nominees, disclosure relating to compliance with Section 16(a) of the Securities Exchange Act of 1934, and information regarding Intevac's code of ethics, audit committee and stockholder recommendations for director nominees is included under the captions "Election of Directors," "Nominees," "Business Experience of Nominees for Election as Directors," "Board Meetings and Committees," "Corporate Governance Matters," "Section 16(a) Beneficial Ownership Reporting Compliance " and "Code of Business Conduct and Ethics" in the Company's Proxy Statement for the 2021 Annual Meeting of Stockholders and is incorporated herein by reference. The information required by this item relating to the Company's executive officers and key employees is included under the caption "Executive Officers of the Registrant" under Item 1 in Part I of this Annual Report on Form 10-K.

Item 11. ***Executive Compensation***

The information required by this item is included under the caption "Executive Compensation and Related Information" in the Company's Proxy Statement for the 2021 Annual Meeting of Stockholders and is incorporated herein by reference.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

The information required by this item is included under the caption "Ownership of Securities" in the Company's Proxy Statement for the 2021 Annual Meeting of Stockholders and is incorporated herein by reference.

Item 13. ***Certain Relationships and Related Transactions, and Director Independence***

The information required by this item is included under the captions "Certain Transactions" and "Corporate Governance Matters" in the Company's Proxy Statement for the 2021 Annual Meeting of Stockholders and is incorporated herein by reference.

Item 14. ***Principal Accountant Fees and Services***

The information required by this item is included under the caption "Fees Paid To Accountants For Services Rendered During 2020" in the Company's Proxy Statement for the 2021 Annual Meeting of Stockholders and is incorporated herein by reference.

PART IV

Item 15. ***Exhibits and Financial Statements***

(a) The following documents are filed as part of this Annual Report on Form 10-K:

1. Financial Statements:

See “Index to Consolidated Financial Statements” in Part II, Item 8 of this Form 10-K.

All other schedules have been omitted since the required information is not present in amounts sufficient to require submission of the schedule or because the information required is included in the consolidated financial statements or notes thereto.

2. Exhibits

Exhibit Number	Description
3.1 (1)	Certificate of Incorporation of the Registrant
3.2 (2)	Bylaws of the Registrant, as amended
4.1 (4)	Description of the Registrant’s Common Stock
10.1+ (5)	The Registrant’s 2004 Equity Incentive Plan, as amended
10.2+ (6)	The Registrant’s 2003 Employee Stock Purchase Plan, as amended February 12, 2020
10.3+ (7)	The Registrant’s 2012 Equity Incentive Plan, as amended
10.4+ (8)	Form of Restricted Stock Unit Agreement for 2012 Equity Incentive Plan
10.5+ (8)	Form of Restricted Stock Agreement for 2012 Equity Incentive Plan
10.6+ (8)	Form of Stock Option Agreement for 2012 Equity Incentive Plan
10.7+ (9)	Form of Performance Based Stock Option Agreement for 2012 Equity Incentive Plan
10.8+ (9)	Form of Outside Director Restricted Stock Unit Agreement for 2012 Equity Incentive Plan
10.9+ (10)	Lease dated March 20, 2014 regarding the space located at 3544, 3560, 3570 and 3580 Bassett Street, Santa Clara, California
10.10+ (6)	The Registrant’s 2020 Equity Incentive Plan
10.11+ (11)	Form of Restricted Stock Unit Agreement for 2020 Equity Incentive Plan
10.12+ (11)	Form of Performance Based Restricted Stock Unit Agreement for 2020 Equity Incentive Plan
10.13+ (11)	Form of Stock Option Agreement for 2020 Equity Incentive Plan
10.14+ (11)	Form of Outside Director Restricted Stock Unit Agreement for 2020 Equity Incentive Plan
10.15+ (3)	The Registrant’s 401(k) Profit Sharing Plan (P)
10.16 (12)	Director and Officer Indemnification Agreement
10.17+ (6)	The Registrant’s Executive Incentive Plan
10.18+ (13)	Offer Letter with Wendell Blonigan
10.19+ (13)	Severance Agreement with Wendell Blonigan

Exhibit Number	Description
10.20+ (14)	Change in Control Agreement with Jay Cho dated December 10, 2013
10.21+ (15)	Offer Letter with James Moniz
10.22+ (15)	Change in Control Agreement with James Moniz dated October 29, 2014
10.23+ (16)	Change in Control Agreement with Timothy Justyn dated March 2, 2018
10.24+ (17)	Form of Change in Control Agreement
21.1	Subsidiaries of the Registrant
23.1	Consent of Independent Registered Public Accounting Firm
24.1	Power of Attorney (see page 73)
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Vice-President, Finance and Administration, Chief Financial Officer and Treasurer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certifications Pursuant to U.S.C. 1350, adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following financial statements from the Registrant's Annual Report on Form 10-K for the year ended January 2, 2021, formatted in Inline XBRL (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income (Loss), (iv) Consolidated Statements of Stockholders' Equity, (v) Consolidated Statements of Cash Flows, and (vi) Notes to Consolidated Financial Statements.
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

(1) Previously filed as an exhibit to the Company's Report on Form 8-K filed July 23, 2007
(2) Previously filed as an exhibit to the Company's Report on Form 8-K filed March 15, 2012
(3) Previously filed as an exhibit to the Registration Statement on Form S-1 (No. 33-97806)
(4) Previously filed as an exhibit to the Company's Form 10-K filed February 12, 2020
(5) Previously filed as an exhibit to the Company's Form 10-Q filed May 3, 2011
(6) Previously filed as an exhibit to the Company's Definitive Proxy Statement filed April 6, 2020.
(7) Previously filed as an exhibit to the Company's Definitive Proxy Statement filed April 11, 2018
(8) Previously filed as an exhibit to the Company's Form 10-Q filed May 1, 2012
(9) Previously filed as an exhibit to the Company's Form 10-Q filed July 30, 2019
(10) Previously filed as an exhibit to the Company's Form 10-Q filed April 29, 2014
(11) Previously filed as an exhibit to the Registration Statement on Form S-8 filed May 14, 2020 (No. 33-238262)
(12) Previously filed as an exhibit to the Company's Form 10-K filed March 14, 2008
(13) Previously filed as an exhibit to the Company's Report on Form 8-K filed July 9, 2013
(14) Previously filed as an exhibit to the Company's Form 10-Q filed October 28, 2014
(15) Previously filed as an exhibit to the Company's Report on Form 8-K filed October 31, 2014
(16) Previously filed as an exhibit to the Company's Form 10-Q filed May 1, 2018
(17) Previously filed as an exhibit to the Company's Report on Form 8-K filed November 15, 2016
(P) Paper exhibit.
\+ Management compensatory plan or arrangement required to be filed as an exhibit pursuant to Item 15(b) of Form 10-K

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on February 17, 2021.

INTEVAC, INC.

/s/ JAMES MONIZ

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

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Wendell T. Blonigan and James Moniz and each of them, as his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

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

Signature	Title	Date
/s/ WENDELL T. BLONIGAN (Wendell T. Blonigan)	President, Chief Executive Officer and Director (Principal Executive Officer)	February 17, 2021
/s/ JAMES MONIZ (James Moniz)	Executive Vice President, Finance and Administration, Chief Financial Officer, Secretary and Treasurer (Principal Financial and Accounting Officer)	February 17, 2021
/s/ DAVID S. DURY (David S. Dury)	Chairman of Board	February 17, 2021
/s/ KEVIN D. BARBER (Kevin D. Barber)	Director	February 17, 2021
/s/ DOROTHY D. HAYES (Dorothy D. Hayes)	Director	February 17, 2021
/s/ STEPHEN A. JAMISON (Stephen A. Jamison)	Director	February 17, 2021
/s/ MICHELE F. KLEIN (Michele F. Klein)	Director	February 17, 2021
/s/ MARK P. POPOVICH (Mark P. Popovich)	Director	February 17, 2021
/s/ THOMAS M. ROHRS (Thomas M. Rohrs)	Director	February 17, 2021

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