

IMMERSION CORP  
Form DEF 14A  
April 21, 2011  
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

**Schedule 14A Information (Rule 14a-101)**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Rule § 240.14a-12

IMMERSION CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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April 21, 2011

TO THE STOCKHOLDERS OF IMMERSION CORPORATION

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders (the Annual Meeting ) of Immersion Corporation, which will be held at the Techmart Network Meeting Center, 5201 Great America Parkway, Santa Clara, California 95054, on June 3, 2011, at 9:30 a.m. California time.

At the Annual Meeting, stockholders will be asked to vote on each of the five proposals set forth in the Notice of Annual Meeting of Stockholders and the Proxy Statement, which describe the formal business to be conducted at the Annual Meeting and follow this letter.

It is important that your shares be represented and voted at the Annual Meeting regardless of the size of your holdings. WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING, PLEASE VOTE ELECTRONICALLY VIA THE INTERNET OR BY TELEPHONE, IF PERMITTED BY THE BROKER OR OTHER NOMINEE THAT HOLDS YOUR SHARES. IF YOU RECEIVE A PAPER COPY OF THE PROXY MATERIALS, PLEASE COMPLETE, SIGN, DATE AND RETURN THE ACCOMPANYING PROXY CARD IN THE ENCLOSED POSTAGE-PAID ENVELOPE. Voting electronically, by telephone, or by returning your proxy card in advance of the Annual Meeting does not deprive you of your right to attend the Annual Meeting.

On behalf of the Board of Directors, I would like to express our appreciation for your continued support for and interest in the affairs of your company. We look forward to seeing you at the Annual Meeting.

Sincerely,

JACK SALTICH

*Chairman of the Board*

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**IMMERSION CORPORATION**

**801 Fox Lane**

**San Jose, California 95131**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**To Be Held June 3, 2011**

The Annual Meeting of Stockholders (the Annual Meeting ) of Immersion Corporation will be held at the Techmart Network Meeting Center, 5201 Great America Parkway, Santa Clara, California 95054, on June 3, 2011, at 9:30 a.m. California time for the following purposes:

1. To elect two (2) Class III directors to hold office for a three-year term and until their successors are elected and qualified;
2. To hold an advisory vote on executive compensation;
3. To hold an advisory vote on the frequency of holding an advisory vote on executive compensation;
4. To adopt the 2011 Equity Incentive Plan;
5. To ratify the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2011; and
6. To transact such other business as may properly come before the meeting or any adjournments or postponements thereof.

The proxy statement more fully describes these proposals.

Only stockholders of record at the close of business on April 12, 2011 are entitled to notice of, and to vote at, the Annual Meeting and at any adjournments or postponements thereof.

On or about April 21, 2011, we will mail a Notice of Internet Availability of Proxy Materials to stockholders at the close of business on April 21, 2011, other than those stockholders who previously requested electronic or paper delivery of communications from us. The Notice contains instructions on how to access an electronic copy of our proxy materials, including this proxy statement and our Annual Report. The Notice also contains instructions on how to request a paper copy of the proxy statement.

The vote of each eligible stockholder is important. Please vote as soon as possible to ensure that your vote is recorded promptly even if you plan to attend the Annual Meeting.

BY ORDER OF THE BOARD OF DIRECTORS,

JACK SALTICH

*Chairman of the Board*

San Jose, California

April 21, 2011

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**IMMERSION CORPORATION**

**801 Fox Lane**

**San Jose, California 95131**

**PROXY STATEMENT**

**FOR ANNUAL MEETING OF STOCKHOLDERS**

**To Be Held June 3, 2011**

We are providing you with these proxy materials in connection with the solicitation by the board of directors of Immersion Corporation of proxies to be used at our 2011 Annual Meeting of Stockholders. The Annual Meeting will be held at the Techmart Network Meeting Center, 5201 Great America Parkway, Santa Clara, California 95054 on June 3, 2011 at 9:30 a.m. California Time. This proxy statement contains important information regarding our Annual Meeting, the proposals on which you are being asked to vote, information you may find useful in determining how to vote, and information about voting procedures. As used herein, we, us, our, Immersion or the Company refers to Immersion Corporation, a Delaware corporation.

A Notice of Internet Availability of Proxy Materials, this proxy statement, any accompanying proxy card or voting instruction form, and our 2010 Annual Report to Stockholders will be made available to our stockholders on or about April 21, 2011.

**QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND THESE PROXY MATERIALS**

***What matters will be voted on at the Annual Meeting?***

The following matters will be voted on at the Annual Meeting:

Proposal 1: To elect two (2) Class III directors to hold office for a three-year term and until their successors are elected and qualified;

Proposal 2: To hold an advisory vote on executive compensation;

Proposal 3: To hold an advisory vote on the frequency of holding an advisory vote on executive compensation;

Proposal 4: To adopt the 2011 Equity Incentive Plan;

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Proposal 5: To ratify the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2011; and

Proposal 6: To transact such other business as may properly come before the meeting or any adjournments or postponements thereof.

### ***How does the board of directors recommend that I vote?***

The board of directors recommends that you vote:

FOR the election of the two (2) Class III directors nominated by our board of directors and named in this proxy statement;

FOR the approval, on an advisory basis, of the compensation of our named executive officers;



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FOR the approval, on an advisory basis, of an advisory vote on executive compensation every three years;

FOR the adoption of the 2011 Equity Incentive Plan; and

FOR the ratification of the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2011.

### ***Who is entitled to vote at the Annual Meeting?***

Holders of our common stock at the close of business on April 12, 2011, or the Record Date, may vote at the Annual Meeting. Each stockholder is entitled to one vote for each share of common stock held as of the Record Date.

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

**Stockholders of Record.** You are a stockholder of record if at the close of business on the Record Date your shares were registered directly in your name with Computershare Trust, our transfer agent.

**Beneficial Owner.** You are a beneficial owner if at the close of business on the Record Date your shares were held by a brokerage firm or other nominee and not in your name. Being a beneficial owner means that, like most of our stockholders, your shares are held in street name. As the beneficial owner, you have the right to direct your broker or nominee how to vote your shares by following the voting instructions your broker or other nominee provides. If you do not provide your broker or nominee with instructions on how to vote your shares, your broker or nominee will be able to vote your shares with respect to some of the proposals, but not all. Please see *What if I did not specify how my shares are to be voted?* for additional information.

### ***Do I have to do anything in advance if I plan to attend the Annual Meeting in person?***

You must bring with you a form of government-issued photo identification, such as a driver's license, state-issued ID card, or passport to gain entry to the Annual Meeting. Individuals who are the beneficial owners of their common stock must also bring with them to the Annual Meeting a legal proxy from the organization that holds their shares or a brokerage statement showing ownership of shares as of the close of business on the Record Date. Representatives of institutional stockholders must bring a legal proxy or other proof that they are representatives of a firm that held shares as of the close of business on the Record Date and are authorized to vote on behalf of the institution.

### ***Why did I receive a Notice in the mail regarding the Internet availability of proxy materials instead of a full set of printed proxy materials?***

Pursuant to rules adopted by the Securities and Exchange Commission, or the SEC, we are making this proxy statement available to our stockholders electronically via the Internet. On or about April 21, 2011, we will mail the Notice of Internet Availability of Proxy Materials to stockholders of our common stock at the close of business on the Record Date, other than those stockholders who previously requested electronic or paper delivery of communications from us. The Notice contains instructions on how to access an electronic copy of our proxy materials, including this proxy statement and our Annual Report. The Notice also contains instructions on how to request a paper copy of the proxy statement. We believe that this process will allow us to provide you with the information you need in a timely manner, while conserving natural resources and lowering the costs of printing and distributing our proxy materials.

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### ***Can I vote my shares by filling out and returning the Notice of Internet Availability of Proxy Materials?***

No. The Notice only identifies the items to be voted on at the Annual Meeting. You cannot vote by marking the Notice and returning it. The Notice provides instructions on how to cast your vote. For additional information please see *How do I vote and what are the voting deadlines?*

### ***How do I vote and what are the voting deadlines?***

**Stockholders of Record.** If you are a stockholder of record, there are several ways for you to vote your shares.

*By Mail.* If you received printed proxy materials, you may submit your vote by completing, signing and dating each proxy card received and returning it in the prepaid envelope. Sign your name exactly as it appears on the proxy card. Proxy cards submitted by mail must be received no later than June 2, 2011 to be voted at the Annual Meeting.

*By telephone or over the Internet.* You may vote your shares by telephone or via the Internet by following the instructions provided in the Notice. If you vote by telephone or via the Internet, you do not need to return a proxy card by mail. Internet and telephone voting are available 24 hours a day. Votes submitted by telephone or through the Internet must be received by 11:59 p.m. Eastern Time on June 2, 2011.

**Beneficial Owners.** If you are a beneficial owner of your shares, you should have received a Notice of Internet Availability of Proxy Materials or voting instructions from the broker or other nominee holding your shares. You should follow the instructions in the Notice or voting instructions provided by your broker or nominee in order to instruct your broker or other nominee on how to vote your shares. The availability of telephone and internet voting will depend on the voting process of the broker or nominee. Shares held beneficially may be voted in person at the Annual Meeting only if you obtain a legal proxy from the broker or nominee giving you the right to vote the shares.

### ***Can I revoke or change my vote after I submit my proxy?***

**Stockholders of Record.** If you are a stockholder of record, you may revoke your vote at any time before the final vote at the Annual Meeting by:

Signing and returning a new proxy card with a later date;  
Submitting a later-dated vote by telephone or via the Internet since only your latest Internet or telephone proxy received by 11:59 p.m. Eastern Time on June 2, 2011 will be counted;  
Attending the Annual Meeting in person and voting again; or  
Delivering a written revocation to our Corporate Secretary at Immersion Corporation, 801 Fox Lane, San Jose, California 95131, before the Annual Meeting.

**Beneficial Owners.** If you are a beneficial owner of your shares, you must contact the broker or other nominee holding your shares and follow their instructions for changing your vote.

### ***What will happen if I do not vote my shares?***

**Stockholders of Record.** If you are the stockholder of record of your shares and you do not vote by proxy card, by telephone, via the Internet or in person at the Annual Meeting, your shares will not be voted at the Annual Meeting.

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**Beneficial Owners.** If you are the beneficial owner of your shares, your broker or nominee may vote your shares only on those proposals on which it has discretion to vote. Under the Nasdaq Stock Market Rules, your broker or nominee does not have discretion to vote your shares on non-routine matters. However, your broker or nominee does have discretion to vote your shares on routine matters such as Proposal 5.

*What if I do not specify how my shares are to be voted?*

**Stockholders of Record.** If you are a stockholder of record and you submit a proxy, but you do not provide voting instructions, your shares will be voted:

FOR the election of two Class III directors nominated by our board of directors and named in this proxy statement (Proposal 1);  
FOR the approval of the compensation of our named executive officers (Proposal 2);  
FOR the approval of an advisory vote on executive compensation every three years (Proposal 3);  
FOR the adoption of the 2011 Equity Incentive Plan (Proposal 4);  
FOR the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2011 (Proposal 5); and  
In the discretion of the named proxies regarding any other matters properly presented for a vote at the Annual Meeting.

**Beneficial Owners.** If you are a beneficial owner and you do not provide the broker or other nominee that holds your shares with voting instructions, the broker or other nominee will determine if it has the discretionary authority to vote on the particular matter. Under the Nasdaq Stock Market Rules, brokers and other nominees have the discretion to vote on routine matters such as Proposal 5. Therefore, if you do not provide voting instructions to your broker or other nominee, your broker or other nominee may only vote your shares on Proposal 5 and any other routine matters properly presented for a vote at the Annual Meeting.

*What constitutes a quorum, and why is a quorum required?*

We need a quorum of stockholders to hold our Annual Meeting. A quorum exists when at least a majority of the outstanding shares entitled to vote at the close of business on the Record Date at the Annual Meeting either in person or by proxy. As of the close of business on the Record Date, we had 28,517,035 shares of common stock outstanding and entitled to vote at the Annual Meeting, meaning that 14,258,518 shares of common stock must be presented in person or by proxy to have a quorum.

Your shares will be counted towards the quorum if you submit a proxy or vote at the Annual Meeting. Abstentions and broker non-votes will also count towards the quorum requirement. If there is not a quorum, a majority of the shares present at the Annual Meeting may adjourn the meeting to a later date.

*What is the effect of a broker non-vote?*

Brokers or other nominees who hold shares of our common stock for a beneficial owner have the discretion to vote on routine proposals when they have not received voting instructions from the beneficial owner at least ten days prior to the Annual Meeting. A broker non-vote occurs when a broker or other nominee does not receive voting instructions from the beneficial owner and does not have the discretion to direct the voting of the shares. Broker non-votes will be counted for purposes of calculating whether a quorum is present at the Annual Meeting, but will not be counted for purposes of determining the number of votes present in person or represented by proxy and entitled to vote with respect to a particular proposal. Thus, a broker non-vote will not impact our ability to obtain a quorum and will not otherwise affect the outcome of the vote on a proposal that requires a plurality of votes cast (Proposals 1 and 3) or the approval of a majority of the votes present in person or represented by proxy and entitled to vote (Proposals 2, 4 and 5).

**Table of Contents*****What is the vote required for each proposal?***

<b>Proposal</b>	<b>Vote Required</b>	<b>Broker Discretionary Voting Allowed</b>
Proposal 1 Election of two Class III directors	Plurality of Votes Cast	No
Proposal 2 Advisory vote on executive compensation	Majority of the Shares Entitled to Vote and Present in Person or Represented by Proxy	No
Proposal 3 Advisory vote on frequency of advisory vote on executive compensation	Plurality of Votes cast	No
Proposal 4 Approval of 2011 Equity Incentive Plan	Majority of the Shares Entitled to Vote and Present in Person or Represented by Proxy	No
Proposal 5 Ratification of auditors for year ended December 31, 2011	Majority of the Shares entitled to vote and Present in Person or Represented by Proxy	Yes

With respect to Proposal 1, you may vote FOR both nominees, WITHHOLD your vote as to both nominees, or FOR one nominee and WITHHOLD your vote for the other. The two nominees receiving the most FOR votes will be elected. A properly executed proxy marked WITHHOLD with respect to the election of one or more directors will not be voted with respect to the director or directors indicated. Proxies may not be voted for more than two directors and stockholders may not cumulate votes in the election of directors.

With respect to Proposals 2, 4 and 5, you may vote FOR, AGAINST or ABSTAIN. If you ABSTAIN from voting on any of these Proposals, the abstention will have the same effect as an AGAINST vote.

With respect to Proposal 3, you may vote FOR every year, FOR every two years FOR every three years or ABSTAIN.

If you abstain from voting on Proposals 1, 3, 4 and 5, the abstention will not have an effect on the outcome of the vote.

***Who will count the votes?***

Broadridge Financial Solutions, Inc. has been engaged as our independent agent to receive and tabulate stockholder votes. Broadridge will separately tabulate FOR, AGAINST and WITHHOLD votes, votes on the frequency of holding an advisory vote on executive compensation, abstentions and broker non-votes.

***What happens if the Annual Meeting is adjourned or postponed?***

Your proxy will still be effective and will be voted at the rescheduled Annual Meeting. You will still be able to change or revoke your proxy until it is voted.

***Who is paying for the costs of this proxy solicitation?***

We will bear the expense of soliciting proxies. We have engaged MacKenzie Partners to assist us in the solicitation of proxies and to provide related advice and information support at an estimated cost of \$12,500, plus

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expenses and disbursements. Proxies may also be solicited in person, by telephone or electronically by Immersion personnel who will not receive additional compensation for such solicitation. Copies of proxy materials and the Annual Report will be supplied to brokers and other nominees for the purpose of soliciting proxies from beneficial owners, and we will reimburse such brokers or other nominees for their reasonable expenses.

## **CORPORATE GOVERNANCE**

### **Board of Directors**

#### *Board Structure*

Our board has determined that having an independent director serve as Chairman of the Board is in our best interests and those of our stockholders. Mr. Saltich, a non-executive director, serves as our Chairman of the Board and presides over meetings of the stockholders, our board and the non-executive members of our board and holds such other powers and carries out such other duties as are customarily carried out by the Chairman of our Board. This structure ensures a greater role for the independent directors in the oversight of our company and active participation of the independent directors in setting agendas and establishing priorities and procedures for the work of our board. Generally, every regular meeting of our board includes a meeting of our independent non-executive directors without management present.

#### *Risk Management*

Our board recognizes the importance of effective risk oversight in running a successful business and in fulfilling its fiduciary responsibilities to Immersion and its stockholders. While the Chief Executive Officer and other members of the executive team are responsible for the day-to-day management of risk, our board is responsible for ensuring that an appropriate culture of risk management exists within the company and for setting the right tone at the top, overseeing our aggregate risk profile, and assisting management in addressing specific risks.

Our board exercises its oversight responsibility for risk both directly and through its standing committees. Throughout the year, our board and each committee spend a portion of their time reviewing and discussing specific risk topics. The full board is kept informed of the committee's risk oversight and related activities through regular reports from the committee chairs. Strategic, operational and competitive risks also are presented and discussed at our board's quarterly meetings, and more often as needed. On at least an annual basis, our board conducts a review of our long-term strategic plans and members of our executive team report on our top risks and the steps management has taken or will take to mitigate these risks. On a regular basis between board meetings, our Chief Executive Officer provides updates to the board on the critical issues we face and recent developments in our principal markets.

Our Audit Committee is responsible for reviewing our risk management framework and programs, as well as the framework by which management discusses our risk profile and risk exposures with the full board and its committees. Our Audit Committee meets regularly with our Chief Financial Officer, our independent auditor, our General Counsel, and other members of senior management to discuss our major financial risk exposures, financial reporting, internal controls, credit and liquidity risk, compliance risk, key operational risks, and our risk management framework and programs. Other responsibilities include at least annually reviewing the implementation and effectiveness of our compliance and ethics program and our business continuity plan and test results. Our Audit Committee meets regularly in separate executive session with the independent auditor, as well as with committee members only, to facilitate a full and candid discussion of risk and other issues.

Our Compensation Committee is responsible for overseeing human capital and compensation risks, including evaluating and assessing risks arising from our compensation policies and practices for all employees and ensuring executive compensation is aligned with performance. Our Compensation Committee also is charged

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with monitoring our incentive and equity-based compensation plans, including employee benefit plans. For additional information regarding the Compensation Committee's review of compensation-related risk, please see the section of this proxy statement entitled *Executive Compensation Risk Assessment of Compensation Programs*.

Our Nominating and Corporate Governance Committee oversees risks related to our overall corporate governance, including board and committee composition, board size and structure, director independence, and our corporate governance profile and ratings. Our Nominating and Corporate Governance Committee also is actively engaged in overseeing risks associated with succession planning for our board and management.

### *Independence of Directors*

In accordance with the standards for independence set forth in Nasdaq Marketplace Rule 5605, our board has determined that, except for Mr. Viegas, our Chief Executive Officer, each of the members of our board has no relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and is otherwise independent in accordance with the applicable listing standards of the Nasdaq Stock Market as currently in effect.

### *Nomination of Directors*

#### *Criteria for Nomination to the Board of Directors and Diversity*

Our Nominating and Corporate Governance Committee evaluates all directors whose terms will expire at the next annual meeting of stockholders and are willing to continue in service in order to determine whether to recommend to the board such directors for election at the annual meeting. Our Nominating and Corporate Governance Committee considers the following factors in any such evaluation:

the appropriate size of the board and its committees;

the perceived needs of the board for particular skills, background, and business experience;

the relevant skills, background, reputation, and business experience of nominees compared to the skills, background, reputation, and business experience already possessed by other members of the board;

nominees' independence from management;

applicable regulatory and listing requirements, including independence requirements and legal considerations, such as antitrust compliance;

the benefits of a constructive working relationship among directors; and

the desire to balance the considerable benefit of continuity with the periodic injection of the fresh perspective provided by new members.

Our Nominating and Corporate Governance Committee also focuses on issues of diversity, such as diversity of gender, race and national origin, education, professional experience and differences in viewpoints and skills. Our Nominating and Corporate Governance Committee does not have a formal policy with respect to diversity; however, the board and the Nominating and Corporate Governance Committee believe that it is essential that the board members represent diverse viewpoints. Our Nominating and Corporate Governance Committee's goal is to assemble a board that brings to the company a variety of perspectives and skills derived from high quality business and professional experience. Directors should possess the highest personal and



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professional ethics, integrity, and values, and be committed to representing the best interests of our stockholders. They must also have an inquisitive and objective perspective and mature judgment. Director candidates must have sufficient time available in the judgment of our Nominating and Corporate Governance Committee to perform all board and committee responsibilities. Board members are expected to prepare for, attend, and participate in all board and applicable committee meetings.

Other than the foregoing, there are no stated minimum criteria for director nominees, although our Nominating and Corporate Governance Committee may also consider such other factors as it may deem, from time to time, are in the best interests of Immersion and its stockholders. Our Nominating and Corporate Governance Committee believes that to comply with The Nasdaq Stock Market and SEC rules, at least one member of the board meets the criteria for an audit committee financial expert, and at least a majority of the members of the board meet the definition of independent director. Our Nominating and Corporate Governance Committee also believes it is appropriate for one or more key members of management to participate as members of the board.

Our Nominating and Corporate Governance Committee will consider the criteria and policies set forth above in determining if the board requires additional candidates for director. Our Nominating and Corporate Governance Committee will consider candidates for directors proposed by directors or management, may poll directors and management for suggestions, or conduct research to identify possible candidates, and may engage, if our Nominating and Corporate Governance Committee believes it is appropriate, a third party search firm to assist in identifying qualified candidates. All such candidates will be evaluated against the criteria and pursuant to the policies and procedures set forth above. All director nominees, including incumbents, must submit a completed form of directors and officers questionnaire as part of the nominating process. The evaluation process may also include interviews and additional background and reference checks for non-incumbent nominees at the discretion of our Nominating and Corporate Governance Committee.

Our board may perform the delegated duties of our Nominating and Corporate Governance Committee.

### *Stockholder Proposed Nominees*

Our Nominating and Corporate Governance Committee will also evaluate any recommendation for director nominee proposed by a stockholder, provided that such recommendation is sent in writing to the Corporate Secretary at 801 Fox Lane, San Jose, California 95131 at least 120 days prior to the anniversary of the date proxy statements were mailed to stockholders in connection with the prior year's annual meeting of stockholders. The recommendation must also contain the following information:

the candidate's name, age, contact information, and present principal occupation or employment; and

a description of the candidate's qualifications, skills, background, and business experience during, at a minimum, the last five years, including his/her principal occupation and employment and the name and principal business of any corporation or other organization in which the candidate was employed or served as a director.

Our Nominating and Corporate Governance Committee will evaluate any candidates recommended by stockholders against the same criteria and pursuant to the same policies and procedures applicable to the evaluation of all other proposed candidates, including incumbents, and will select the nominees that in our Nominating and Corporate Governance Committee's judgment best suit the needs of the board at that time. However, if the Nominating and Corporate Governance Committee determines that a recommendation does not satisfy the above-described requirements, the committee will not consider such recommendation.

As an alternative for stockholders to recommend director nominees to our Nominating and Corporate Governance Committee, a stockholder may nominate directors for consideration at our 2012 annual meeting by



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delivering or mailing a nomination submission to our Corporate Secretary by December 23, 2011. However, if we increase the number of directors to be elected at our 2012 annual meeting and there is no public announcement by us naming the nominees for additional directorships by December 23, 2011, we must receive standing nominations no later than the close of business on the tenth (10<sup>th</sup>) day following the day on which such public announcement is made.

Each such submission shall set forth: (a) the name and address of the stockholder who intends to make the nomination, of the beneficial owner, if any, on whose behalf the nomination is being made and of the person or persons to be nominated; (b) a representation that the stockholder is a holder of record of stock of Immersion entitled to vote for the election of directors on the date of such notice and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (c) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder; (d) such other information regarding each nominee proposed by such stockholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the SEC had the nominee been nominated or intended to be nominated by the Board; and (e) the consent of each nominee to serve as a director of Immersion if so elected.

For additional information about the stockholder nominee submission process, please see our Bylaws which are available on the SEC's website at [www.sec.gov](http://www.sec.gov).

### *Board of Directors and Committee Self-Evaluations*

Our board and each of the Audit, Compensation and Nominating and Corporate Governance committees conducts an annual self-evaluation, which includes a qualitative assessment by each director of the performance of our board and the committee or committees on which the director sits. Our board also conducts an annual evaluation of its Chairman of the Board. Our Nominating and Corporate Governance Committee oversees the evaluation processes and reports the results to the committees and full board of directors following the completion of such evaluations.

### *Code of Business Conduct and Ethics*

Our board has adopted a Code of Business Conduct and Ethics that outlines the principles of legal and ethical business conduct. The code, which is applicable to all of our directors, employees, and officers, is available on our website at <http://ir.immersion.com/governance.cfm>. Any substantive amendment or waiver of this code may be made only by our board upon a recommendation of the Audit Committee and will be disclosed on our website.

### *Communications by Stockholders with Directors*

Stockholders may communicate with any and all directors by transmitting correspondence by mail, facsimile, or e-mail, addressed as follows: Board or individual director, c/o Corporate Secretary, 801 Fox Lane, San Jose, California 95131; Fax: (408) 350-8761; E-mail Address: [corporate.secretary@immersion.com](mailto:corporate.secretary@immersion.com). Our Corporate Secretary will maintain a log of such communications and transmit as soon as practicable such communications to the identified director addressee(s), unless there are safety or security concerns that mitigate against further transmission of the communication, as determined by the Corporate Secretary. Our board or individual directors so addressed will be advised of any communication withheld for safety or security reasons as soon as practicable. The acceptance and forwarding of a communication to any director does not imply that the director owes or assumes any fiduciary duty to the person submitting the communication, all such duties being only as prescribed by applicable law.

**Table of Contents****BOARD OF DIRECTORS AND COMMITTEES OF THE BOARD***Structure of the Board of Directors*

Pursuant to our current Certificate of Incorporation (the "Certificate of Incorporation"), our board is divided into three classes—Class I, II, and III directors. Each director is elected for a three-year term of office, with one class of directors being elected at each annual meeting of stockholders. Each director holds office until his or her successor is elected and qualified or until his or her earlier death, resignation, or removal. In accordance with the Certificate of Incorporation, the Class III directors are to be elected at the 2011 Annual Meeting, Class I directors are to be elected at the annual meeting in 2012, and the Class II director is to be elected at the annual meeting in 2013.

The information below sets forth the current members of the board:

Name	Age	Class of Director	Principal Occupation	Director Since
Anne DeGheest	56	I	Founder and Principal, Medstars	2007
Jack Saltich	67	I	Chairman and Chief Executive Officer, Vitex Systems, Inc.	2002
Victor Viegas	54	I	Chief Executive Officer, Immersion Corporation	2002
David Sugishita	63	II	Board member of Atmel Corp and Ditech Networks, Inc.	2010

**Directors Serving for a Term Expiring at the 2012 Annual Meeting of Stockholders (Class I Directors):***Anne DeGheest*

Ms. DeGheest joined Immersion's board of directors on March 1, 2007. Ms. DeGheest has served since August 1986 as founder and principal of MedStars, an investment and executive management firm specializing in starting and developing new life sciences companies with innovative products and services, which have included Pyxis, Aspect Medical Systems, Visicu, Thermage, and Pixel Optics. She also is the founder and managing director of Health Tech Capital, an investment group focused on healthcare companies using mobility and other IT based technology. From March through November 1998, she was an entrepreneur in residence at Institutional Venture Partners, a venture capital firm. From November 1998 to September 2002, Ms. DeGheest founded and served as president and chief executive officer of medpool.com, Inc., an e-commerce hospital procurement company. Previously, she was vice president of marketing at OmniCell Technologies, a leader in automated point-of-use management systems for medical supplies, and marketing director for Nellcor, a manufacturer of pulse oximetry and critical care solutions. Ms. DeGheest also held a sales and marketing management position in Raychem's Computer and Telecommunication Division. She has a master's degree in general engineering and business from the University of Brussels, Belgium, and an MBA from Harvard University.

Ms. DeGheest has extensive experience with medical simulation and medical devices with over 30 years of experience working in the medical industry and advising medical companies. In 2007, the medical product line represented a significant portion of the company's business and the board at that time had limited experience with medical devices and products. The addition of Ms. DeGheest to the board elevated the board's expertise in medical simulation and medical devices to a level commensurate with the company's business. Ms. DeGheest also brought with her a robust number of contacts in the medical industry and in depth knowledge of regulatory processes applicable to medical devices. Although the company has transitioned out of the medical product business, the company is still actively licensing its portfolio into the medical market and Ms. DeGheest's expertise in the medical arena remains an important contribution to the board.

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*Jack Saltich*

Mr. Saltich has served as Chairman of the Board since February 2009 and as member of the board since January 2002. Mr. Saltich also served as Lead Independent Director from October 2007 to February 2009. Since February 2006, Mr. Saltich has served as the Chairman and Chief Executive Officer of Vitex Systems, Inc., a developer of transparent ultra-thin barrier films for use in the manufacture of next-generation flat panel displays. From July 1999 to August 2005, he served as the President and Chief Executive Officer of Three-Five Systems, Inc., a technology company specializing in the design, development, and manufacturing of customer displays and display systems. Three-Five Systems, Inc. filed a voluntary petition for bankruptcy under Chapter 11 of the U.S. Bankruptcy Code on September 8, 2005. From 1993 to 1999 Mr. Saltich served as a Vice President with Advanced Micro Devices, where his last position was General Manager of AMD's European Microelectronics Center in Dresden, Germany. Mr. Saltich also serves on the Board of Directors of Leadis Technology, Ramtron International Corporation as a member of the audit committee and the chair of the compensation committee, and Atmel Corporation as a member of the audit committee and the chair of the compensation committee. He also serves on the Manufacturing Advisory Board for Cypress Semiconductor Corporation. Mr. Saltich received both a B.S. and an M.S. in electrical engineering from the University of Illinois.

Mr. Saltich has over 18 years of experience with semiconductor companies and companies specializing in display systems. In 2002, the company was moving towards integrating haptics into displays and exploring the idea of partnering with integrated circuit manufacturers to embed haptics in integrated circuits as a method of distribution. Mr. Saltich's executive level experience at Three-Five Systems, a display company, and his experience with AMD and other semiconductor companies as well as his many years of service on public company boards and committees made him a strong candidate for the board. The integration of haptics into displays and partnering with integrated circuit companies remain key strategies of Immersion and Mr. Saltich's experience continues to be invaluable to the company.

*Victor Viegas*

Mr. Viegas was named our Chief Executive Officer in April 2010, he has served as our Interim Chief Executive Officer since October 2009 and as a member of the board since October 2002. Mr. Viegas was our Chief Executive Officer from October 2002 through April 2008, and President from February 2002 through April 2008. Mr. Viegas was also Chairman of the Board of Directors from October 2007 to February 2009. Mr. Viegas also served as Chief Financial Officer until February 2005, having joined the Company in August 1999 as Chief Financial Officer, Vice President, Finance. From June 1996 to August 1999, he served as Vice President, Finance and Administration and Chief Financial Officer of Macrovision Corporation, a developer and licensor of video and software copy protection technologies. From October 1986 to June 1996, he served as Vice President of Finance and Chief Financial Officer of Balco Incorporated, a manufacturer of advanced automotive service equipment. He holds a B.S. in Accounting and an M.B.A. from Santa Clara University. Mr. Viegas is also a Certified Public Accountant in the State of California, on inactive status.

Mr. Viegas was appointed to the board when he became the chief executive officer of the company. He has more than fifteen years of intellectual property and licensing experience and has a comprehensive knowledge of our company and its operations. He has had the benefit of viewing Immersion from many perspectives, including as the former Chief Financial Officer, as Chief Executive Officer and as a board member. He led the company through its litigation with Sony and Microsoft, through the conclusion of the financial investigation and restatement and the transition away from a medical products business to a licensing model. Mr. Viegas is responsible for managing all facets of Immersion's businesses, a role that provides him with critical insight into our operations and the challenges and opportunities we face and thus he is a key contributor to the board's oversight of risk, strategic and financial planning and other critical management functions.

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**Director Serving for a Term Expiring at the 2013 Annual Meeting of Stockholders (Class II Director):**

*David Sugishita*

Mr. Sugishita joined our board in June 2010. Mr. Sugishita has served as the non-executive Chairman of the Board of Atmel Corporation since August 2006 and as a director of Atmel since February 2004. In addition, Mr. Sugishita is Chairman of the Audit Committee of Atmel. Mr. Sugishita also serves as a director and Chairman of the Audit Committee for Ditech Networks, Inc. and a director of Magma Design Automation. Mr. Sugishita previously served on the board of directors of Micro Component Technology, Inc. from 1994 to 2009. Since 2000, Mr. Sugishita has taken various short-term assignments including Executive Vice President of Special Projects at Peregrine Systems from December 2003 to July 2004 and Executive Vice President/Chief Financial Officer at SONICblue, Inc. from January 2002 to April 2002. Prior to 2000, Mr. Sugishita held various senior financial management positions at Synopsys (Senior Vice President/Chief Financial Officer) from 1997 to 2000; Actel (Senior Vice President/Chief Financial Officer) from 1995 to 1997; Micro Component Technology (Senior Vice President/Chief Financial Officer) from 1994 to 1995; Applied Materials (Vice President/Corporate Controller) from 1991 to 1994; and National Semiconductor (Vice President/Finance) from 1978 to 1991. Mr. Sugishita holds a B.S. degree in business administration from San Jose State University and an M.B.A. from Santa Clara University.

Mr. Sugishita brings to the Board over two decades of experience as a financial executive officer and member of the boards of directors of public high technology companies, specifically in the semiconductor industry, which is an important vertical market for our company, as well as many years of service on public company boards, including as chairman, and service on audit and nomination and corporate governance committees. In early 2010, we had just completed our financial investigation and restatement and we were looking to bolster the board's expertise in financial oversight and public board experience. As chair of our Audit Committee, Mr. Sugishita's experience was invaluable in helping us to remediate our material weaknesses last year and continues to provide strong financial oversight at the board level.

**Director Nominees for a Term Expiring at the 2014 Annual Meeting of Stockholders (Class III Director Nominees):**

At the 2011 Annual Meeting, two Class III directors are to be elected to the board to serve until the annual meeting of stockholders to be held in 2014 and until their successors have been elected and qualified, or until their earlier death, resignation, or removal.

The following is information about each of the nominees as of the date of this proxy statement, including their business experience, director positions held currently or at any time during the last five years, involvement in certain legal or administrative proceedings, if applicable, and the experiences, qualifications, attributes or skills that caused the board to determine that the nominees should serve as one of our directors.

*Carl Schlachte*

Carl Schlachte is chairman, president and CEO of Ventiva, Inc., which designs and develops thermal management technologies for consumer applications in mobile computing, power electronics and LED lighting. Mr. Schlachte also serves as chairman of Mosaid Technologies Inc., a leading intellectual property (IP) company, which focuses on licensing and development of semiconductor and communications technologies. He is also a director at Peregrine Semiconductor, a global provider of RF semiconductor solutions. From 2004 to 2009, Mr. Schlachte was President and CEO of ARC International, a leading provider of multimedia solutions to semiconductor companies worldwide. He has more than 25 years of experience in the semiconductor industry, including CEO roles at global fabless semiconductor and IP companies and executive positions at Motorola and ARM Holdings plc. Mr. Schlachte received a B.S. from Clemson University.

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In early 2010, we transitioned to a licensing model focusing on the mobile market and as a result, we are looking to add a director to the board with strong IP and licensing skills and experience in relevant markets. Mr. Schlachte's significant experience in the IP and licensing arena as well as his many years of experience at Motorola make him an ideal candidate for the board.

### *John Fichthorn*

John Fichthorn is a co-founder of Dialectic Capital Management, LLC, an investment management firm, and has been a portfolio manager of the firm since 2003. He served as a director of California Micro Devices from September 2009 until the company's sale in February 2010. From 2000 to 2003, he was employed by Maverick Capital, most recently as Managing Director of the technology group. From 1999 to 2000, he was an analyst at Alliance Capital working across multiple hedge fund products and as a member of the technology team. From 1997 to 1999, he was an analyst at Quilcap Corporation, a short biased hedge fund where he covered all sectors, with a focus on technology. From 1985 to 1997, John worked at Ganek & Orwicz Partners where his responsibilities included small cap research, international closed-end fund arbitrage and operations. After graduating from college, he briefly worked at Aviation Week and Space Technology. Mr. Fichthorn holds a B.A. in Astronomy from the University of North Carolina at Chapel Hill. Mr. Fichthorn graduated from Deerfield Academy in 1991.

In late 2010, we received letters from two of our larger stockholders notifying us of their nominations of director candidates. Although both of these stockholders have subsequently withdrawn these nominations, we recognize the benefits of having a stockholder representative on our board. As of March 31, 2011, Dialectic Capital Management through its affiliates owns approximately 8.2% of our common stock. Pursuant to an agreement between us and Dialectic Capital Management and its affiliates, Mr. Fichthorn has been nominated to be a Class III director. This, in addition to Mr. Fichthorn's technology experience, led us to determine that he should serve as one of our directors.

### *Attendance at Board of Directors, Committee and Annual Stockholders Meetings*

Our board of directors and its committees meet throughout the year on a set schedule, hold special meetings as needed, and act by written consent from time to time. The board of directors met ten times during fiscal year 2010. Each director attended at least 75% of the meetings of the board and any committees of the board on which he or she serves. The total number of meetings held by each committee is set forth below under *Committees of the Board of Directors*.

We make every effort to schedule our annual meeting of stockholders at a time and date to accommodate attendance by directors, taking into account the directors' schedules. All directors are encouraged to attend the annual meeting of stockholders. Three non-employee directors attended our 2010 annual meeting of stockholders.

### *Executive Sessions of the Board of Directors*

The non-executive members of our board of directors and all committees of our board of directors meet in executive session without management present at each regularly scheduled in-person board and committee meeting.

### *Committees of the Board of Directors*

The board has a standing Audit Committee, Compensation Committee, and a Nominating and Corporate Governance Committee.

The board has also adopted a written charter for each of the board committees. Each charter is available on our website at <http://ir.immersion.com/governance.cfm>

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In each case, our board has delegated the responsibilities set forth below to the respective committee, however, our board may from time to time, perform the duties itself.

The table below provides current membership (M) and chairmanship (C) information for each standing committee.

Name	Audit	Compensation	Nominating and Corporate Governance
Anne DeGheest			M
John Hodgman	M	C	
Emily Liggett			C
Jack Saltich	M	M	
David Sugishita	C	M	

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*Audit Committee and Audit Committee Financial Expert*

Members:

David Sugishita (Chairman)

Jack Saltich

John Hodgman

Number of Meetings in Fiscal Year 2010:

Nine

Independence:

Our board has determined that each member of the Audit Committee meets the independence criteria set forth in the applicable rules of Nasdaq and the SEC for audit committee membership.

Financial Expert:

Our board has determined that all members of the Audit Committee possess the level of financial literacy required by applicable Nasdaq and SEC rules and that in accordance with section 407 of the Sarbanes-Oxley Act of 2002, at least one member of the Audit Committee, Mr. Sugishita, is an audit committee financial expert, as defined in the rules of the SEC.

Responsibilities:

Our Audit Committee provides assistance to our board of directors in various matters, including fulfilling its responsibilities with respect to the following:

retaining our independent registered public accounting firm;

reviewing the scope of audit and pre-approving permissible non-audit services by our independent registered public accounting firm;

reviewing the accounting principles and auditing practices and procedures to be used for our financial statements;

reviewing the results of the audits of our financial statements;  
and

reviewing related party transactions.





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*Compensation Committee*

Members:

John Hodgman (Chairman)

Jack Saltich

Number of Meetings in Fiscal Year 2010:

David Sugishita

Eight

Independence:

Our board has determined that each member of the Compensation Committee meets the criteria for independent board members set forth in the applicable Nasdaq rules.

Responsibilities:

Our Compensation Committee provides assistance to our board of directors in various matters, including with respect to the following:

overseeing our general compensation structure, policies and programs, and assessing whether our compensation structure establishes appropriate incentives for management and employees and properly aligning executive compensation with stockholder interests and business performance;

making recommendations to the board with respect to and administration of our equity-based compensation plans, including our equity incentive plans and employee stock purchase plan;

reviewing and approving compensation packages for our executive officers;

reviewing and approving employment and retention agreements and severance arrangements for executive officers, including change-in-control provisions, plans or agreements; and

reviewing the compensation of directors for service on the board of directors and its committees and recommending changes in compensation to the board of directors.

Other than the delegation to the Chief Executive Officer of the authority to grant awards under certain equity plans pursuant to guidelines set by the board, our Compensation Committee has not delegated any of its duties under its charter.

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*Nominating and Corporate Governance Committee*

Members:

Emily Liggett

Number of Meetings in Fiscal Year 2010:

Anne DeGheest

Independence:

Six

Our board has determined that each member of the Nominating and Corporate Governance Committee meets the criteria for independent board members set forth in the applicable Nasdaq rules.

Responsibilities:

Our Nominating and Corporate Governance Committee provides assistance to our board of directors in various matters, including fulfilling its responsibilities with respect to the following:

identifying, evaluating and recommending candidates for board positions to the board and recommending to the board policies on board and committee composition and criteria for board membership;

recommending to the board, and reviewing on a periodic basis, our succession plan, including policies and principles for selection and succession of the Chief Executive Officer in the event of an emergency or the resignation or retirement of our Chief Executive Officer;

periodically reviewing policies and the compliance of senior executives with respect to these policies;

reviewing our compliance with corporate governance listing requirements of Nasdaq; and

assisting the board in developing criteria for the annual evaluation of the Chief Executive Officer, director and committee performance.

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**Table of Contents****Director Compensation**

The following table sets forth information concerning the compensation earned during 2010 by each person who served as a director during the year ended December 31, 2010:

Name (1)	Fees Earned or Paid in Cash (2) (\$)	Stock Awards (3) (5) (\$)	Option Awards (3) (4) (\$)	Total (\$)
Anne DeGheest	\$ 27,000	\$ 25,155	\$ 27,539	\$ 79,694
John Hodgman	36,500	25,155	27,539	89,194
Emily Liggett	29,500	25,155	27,539	82,194
Jack Saltich	39,250	25,155	27,539	91,944
David Sugishita	20,875	-	127,152	148,027
Robert Van Naarden(6)	16,144	25,155	27,539	68,838

- (1) In 2010, Mr. Viegas was our only employee director and he did not receive any additional compensation for his services as a member of our board of directors while he was an employee.
- (2) Consists of meeting fees for service as members of the board of directors. Fees earned by directors vary depending on the number of committees on which the director served and whether the director was Chair of the Board or certain committees. See *Cash Compensation* below for more information.
- (3) Represents the grant date fair value of stock options or restricted stock, as applicable, granted in 2010 in accordance with ASC 718, disregarding for this purposes the estimate of forfeitures related to service-based vesting conditions. For a discussion of assumptions used to calculate the ASC 718 grant date fair value, refer to Note 10 (Stock-based Compensation) to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2010. See *Stock Options* below for more information.
- (4) For each member of our board of directors who was not an employee at the time of grant, below is the grant date fair value of each option granted in 2010 computed in accordance with ASC 718 and the aggregate number shares subject to options outstanding on December 31, 2010. Assumptions used in the calculation of the grant date fair value are included in Note 10 (Stock-based Compensation) to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2010.

Name (1)	Option Awards Granted in 2010 (#)	Option Awards Outstanding at December 31, 2010 (#)
Anne DeGheest	8,500	67,000
John Hodgman	8,500	87,000
Emily Liggett	8,500	62,001
Jack Saltich	8,500	97,000
David Sugishita	40,000	40,000
Robert Van Naarden (6)	8,500	58,500

- (5) For each member of our board of directors who was not an employee at the time of grant, below is the grant date fair value of each restricted stock award granted in 2010 computed in accordance with ASC 718 and the aggregate number of restricted stock awards outstanding on December 31, 2010. Assumptions used in the calculation of the grant date fair value are included in Note 10 (Stock-based Compensation) to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2010.

Name (1)	Awards Granted in 2010 (#)	Awards Outstanding at December 31, 2010 (#)
Anne DeGheest	4,500	4,500
John Hodgman	4,500	4,500
Emily Liggett	4,500	4,500
Jack Saltich	4,500	4,500

Robert Van Naarden (6)	4,500	-
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(6) Mr. Van Naarden did not stand for re-election at our 2010 annual stockholder meeting. The board extended Mr. Van Naarden's post-termination exercise period for his options to purchase common stock to twelve months. For a more complete discussion of Mr. Van Naarden's compensation, see *Stock Options* below.

*Cash Compensation*

In 2010, non-employee directors each received retainer fees of \$25,000 per year, typically paid in quarterly installments on the date of each quarterly board meeting. In addition, the Chairman of the Board received an additional retainer fee of \$10,000 per year. The Chair of the Audit Committee received a \$10,000 annual committee fee, the Chair of the Compensation Committee received a \$7,000 annual committee fee, and the Chair of the Nominating and Corporate Governance Committee received a \$3,000 annual committee fee. Members of the Audit and Compensation Committees each received \$3,000 annual committee fees and members of the Nominating and Corporate Governance Committee each received \$2,000 annual committee fees. These annual committee fees are typically paid quarterly on the date of the quarterly board meetings. Directors are entitled to reimbursement of reasonable travel expenses they incur in connection with attending board and committee meetings.

*Stock Options*

Non-employee directors are granted an option to purchase 40,000 shares of common stock on the date the director joins the board. This initial option, like those received by other individuals newly-joining Immersion, is granted with an effective date of the tenth business day of the month following the month the director joins the board. In 2009, following a review with its independent compensation consultant Compensia, the annual grants to non-employee directors were set at 4,500 shares of restricted stock and options to purchase 8,500 shares. Subject to continued service, 100% of the options and restricted stock vest on the first anniversary of their grant date. Options granted to non-employee directors accelerate in full and become completely vested upon a change of control. For options that would otherwise be granted prior to our release of results of operations, the effective date of such option grants is the second business day after our earnings release and the exercise price per share equals the closing price per share on the Nasdaq Global Market on the effective date of the option grants; the exercise price per share for all other options equals the closing price per share on the Nasdaq Global Market on the tenth business day of the month following the month in which the option was granted. Each option has or will have a maximum term of ten years, subject to earlier termination should the optionee cease to serve as a member of the board of directors.

On June 4, 2010, the board accelerated the vesting of 10,375 shares subject to options and 4,500 shares of restricted stock held by Mr. Van Naarden and extended the post termination exercise period on all of his outstanding options until June 4, 2011.

*Review of Non-Management Director Compensation*

During fiscal year 2010, the board engaged Compensia to conduct a review of the compensation of its non-management directors. This review included an analysis of the director compensation practices of certain peer companies, including the forms of equity compensation used, the mix of cash and equity compensation, and total compensation.

The peer group included the following companies:

ActiveIdentity Corporation  
Digimarc Corp.  
MIPS Technologies,  
OPENTV Corp.  
Ramtron International Corp.  
Zilog Inc.

Authentec Inc.  
DIVX Inc.  
MOSYS Inc.  
Pixelworks Inc.  
SRS Labs Inc.

CEVA, Inc.  
DTS INC.  
ON2 TECHNOLOGIES INC.  
Quicklogic Corp.  
Virage Logic Corp.

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Although the review resulted in a determination that Immersion's current board pay program was low to market, at approximately 30% percent compared to its peer level, the board elected to make no changes to its compensation until early 2011. In early 2011, the board elected to change the compensation of its non-management directors to the following:

General Board Service	Cash	Board Cash Retainer: \$25,000
General Board Service	Equity	Meeting Fees: None Initial Equity Grant: Option for 40,000 shares  Annual equity Grant: Option for 10,000 shares and 6,000 shares of restricted stock
Committee Chair Service		Annual Cash Retainer:  Audit: \$10,000  Compensation: \$8,000  Nominating: \$3,000
Committee Member Service		Meeting Fees: None Annual Cash Retainer:  Audit: \$3,000  Compensation: \$3,000  Nominating: \$2,000
Non-Executive Board Chair		Meeting Fees: None Annual Cash Retainer: \$20,000

**PROPOSAL NO. 1**

**ELECTION OF DIRECTORS**

The board's nominees for election as Class III directors are Carl Schlachte and John Fichthorn. For information regarding each nominee, see *Board of Directors and Committees of the Board* above. Shares represented by all proxies received by the board and not so marked as to withhold authority to vote for Mr. Schlachte and Mr. Fichthorn (by writing Mr. Schlachte and Mr. Fichthorn's names where indicated on the proxy) will be voted (unless Mr. Schlachte and Mr. Fichthorn are unable or unwilling to serve) FOR the election of Mr. Schlachte and Mr. Fichthorn. The board knows of no reason why Mr. Schlachte and Mr. Fichthorn would be unable or unwilling to serve.

**Vote Required**

If a quorum is present and voting, the two nominees for Class III director receiving the greatest number of votes will be elected as Class III directors. Abstentions and broker non-votes have no effect on the vote.

***THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE***

***FOR THE CLASS III DIRECTOR NOMINEES LISTED HEREIN.***

**RELATED PERSON TRANSACTIONS**

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In accordance with our Audit Committee charter, our Audit Committee is responsible for reviewing and approving the terms and conditions of any related party transactions. Review of any related party transaction would include reviewing each such transaction for potential conflicts of interests and other improprieties. Except as described below and in [Director Compensation](#) above and [Executive Compensation](#) below, since January 1, 2010, there has not been, nor is there currently proposed, any transaction or series of similar transactions, to which Immersion is or was a party, in which the amount involved exceeds \$120,000 and in which any of its directors, executive officers, or holders of more than 5% of our capital stock had or will have a direct or indirect material interest.



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In addition to indemnification provisions in our bylaws, we have entered into agreements to indemnify our directors and executive officers. These agreements provide for indemnification of our directors and executive officers for some types of expenses, including attorney's fees, judgments, fines, and settlement amounts incurred by persons in any action or proceeding, including any action by or in the right of Immersion, arising out of their services as our director or executive officer. We believe that these provisions and agreements are necessary to attract and retain qualified persons as directors and executive officers.

**PRINCIPAL STOCKHOLDERS AND STOCK OWNERSHIP BY MANAGEMENT**

The following table sets forth as of March 31, 2011, certain information with respect to the beneficial ownership of our common stock by (1) each stockholder who is known by us to be the beneficial owner of more than 5% of our outstanding shares of common stock, (2) each of our directors and nominees for director, (3) the named executive officers, and (4) all directors and executive officers as a group. Beneficial ownership has been determined in accordance with Rule 13d-3 under the Exchange Act. Under this rule, certain shares may be deemed to be beneficially owned by more than one person (if, for example, persons share the power to vote or the power to dispose of the shares). In addition, shares are deemed to be beneficially owned by a person if the person has the right to acquire shares (for example, upon exercise of an option) within 60 days of the date as of which the information is provided; in computing the percentage ownership of any person, the amount of shares outstanding is deemed to include the amount of shares beneficially owned by such person (and only such person) by reason of such acquisition rights. As a result, the percentage of outstanding shares of any person as shown in the following table does not necessarily reflect the person's actual voting power at any particular date.

<b>Beneficial Owner</b>	<b>Amount and Nature of Beneficial Ownership(1)</b>	<b>Shares Subject to Options Included in Beneficial Ownership(2)</b>	<b>Percent of Class(3) (%)</b>
Capital Research Global Investors (4)	2,605,000		9.2
Dialectic Capital Management, LLC (5)	2,326,702		8.2
Black Rock Inc.(6)	1,620,735		5.7
Mazama Capital Management, Inc. (7)	1,485,525		5.3
<b>Executive Officers, Directors and Nominees for Director</b>			
Victor Viegas	881,576	844,125	3.0*
Shum Mukherjee	58,667	50,000	*
Craig Vachon	186,529	80,208	*
Joe LaValle	46,990	21,656	*
Anne DeGheest(8)	102,000	67,000	*
John Hodgman	102,000	87,000	*
Emily Liggett	79,001	62,001	*
Jack Saltich(9)	112,000	97,000	*
David Sugishita			*
All executive officers and directors as a group (9 persons)(10)	1,568,763	1,308,990	5.3

\* Less than 1% of the outstanding shares of common stock.

(1) Except as indicated in the footnotes to this table and pursuant to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all shares of common stock. To our knowledge, and except as indicated in the footnotes to this table, the entities named in the table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them. Except as otherwise indicated, the address of each of the persons in this table is as follows: c/o Immersion Corporation, 801 Fox Lane, San Jose, California 95131.

(2) Only shares issuable upon exercise of options within 60 days of March 31, 2011 are included for purposes of determining beneficial ownership.

(3) Calculated on the basis of 28,282,144 shares of common stock outstanding as of March 31, 2011, provided that any additional shares of common stock that a stockholder has the right to acquire within 60 days after March 31, 2011 are deemed to be outstanding for the purpose of calculating that stockholder's

percentage of beneficial ownership.

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- (4) Based solely on Schedule 13G filed with the SEC on February 11, 2011. Capital Research Global Investors holds the shares on behalf of SMALLCAP World Fund, Inc. The address of Capital Research Global Investors is 333 South Hope Street, Los Angeles, California 90071.
- (5) Based solely on Schedule 13D/A Amendment No. 2 filed with the SEC on March 18, 2011, Dialectic Capital Management, LLC, John Fichthorn and Luke Fichthorn have shared voting and dispositive power with respect to the shares, Dialectic Capital Partners, LP has shared voting and dispositive power with respect to 270,042 shares, Dialectic Offshore, Ltd has shared voting and dispositive power as to 195,852 shares, Dialectic Antithesis Partners, LP has shared voting and dispositive power as to 688,538 shares, Dialectic Antithesis Offshore, Ltd has shared voting and dispositive power as to 647,322 shares and Dialectic Offshore L2, Ltd. Has shared voting and dispositive power as to 524,948 shares. The address of these entities and persons is 875 Third Avenue, 15<sup>th</sup> Floor, New York, New York 10022.
- (6) Based solely on a Schedule 13G/A filed with the SEC on February 4, 2011. The address of Black Rock Inc. is 55 East 52<sup>nd</sup> Street, New York, New York 10055.
- (7) Based solely on a Schedule 13F filed with the SEC on February 15, 2011. The address of Mazama Capital Management, Inc. is One SW Columbia, Suite 1500, Portland, Oregon 97258.
- (8) 20,000 shares are held in the DeGheest Living Trust dated June 8, 2005.
- (9) 10,000 shares are held in the Saltich Trust dated 12/17/1991.
- (10) Total includes executive officers and directors as of March 31, 2011. Includes 1,308,990 shares subject to options that are currently exercisable or will become exercisable within 60 days after March 31, 2011 beneficially owned by executive officers and directors.

**EXECUTIVE COMPENSATION**

**Compensation Discussion and Analysis**

This section describes the compensation programs for our Chief Executive Officer and Chief Financial Officer in fiscal year 2010 as well as our other executive officers employed at the end of fiscal year 2010, all of whom we refer to collectively as our named executive officers or NEOs. Our named executive officers for fiscal year 2010 are:

Chief Executive Officer, Victor Viegas  
Chief Financial Officer, Shum Mukherjee  
Chief Commercial Officer (formerly Senior Vice President and General Manager of the Touch Line of Business), Craig Vachon  
Vice President, Sales, Joseph LaValle

Additionally, we describe the compensation of our former Interim Chief Financial Officer, Henry Hirvela, who left Immersion and received compensation in accordance with his consulting agreement.

***Executive Summary***

Our compensation programs are designed to align our named executive officers' interests with those of our stockholders by rewarding performance that meets or exceeds the goals the Compensation Committee establishes with the objective of increasing stockholder value. In line with our performance philosophy, the total compensation received by our named executive officers will vary based on individual and corporate performance measured against annual performance goals. Our named executive officers' total compensation is comprised of a mix of base salary, annual incentive compensation and long-term incentive awards.



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Despite a challenging economic environment, we delivered strong financial results for fiscal year 2010 as seen in the year over year comparison set forth below. Please see Management's Discussion and Analysis of Financial Conditions and Results of Operations in our Annual Report on Form 10-K for a more detailed description of our fiscal year 2010 financial results.

	<b>Fiscal Year 2010</b>	<b>Fiscal Year 2009</b>	<b>Change %</b>
<b>Total Revenues</b>	\$31.1 million	\$27.7 million	12%
<b>Royalty and Licensing Revenue</b>	\$23.3 million	\$14.2 million	64%
<b>Net loss</b>	\$(5.9) million or \$(0.21) per share	\$(28.3) million or \$(1.01) per share	
<b>Adjusted EBITDA</b>	\$2.6 million	\$(16.8) million	

Our fiscal year 2010 corporate performance was a key factor in the compensation decisions and outcomes for the fiscal year:

Due to a heavier emphasis on cost controls and the state of the company's transition in early 2010, base salaries of named executive officers were adjusted only where necessary to bring the named executive officer in line with similar situated executive officers in our peer group or in connection with a promotion.

Revenue and Adjusted EBITDA were the key metrics for executive incentive plans. Performance with respect to each of these metrics was above target and resulted in short-term cash incentive awards between target and maximum for the named executive officers.

Long-term incentives make up a significant portion of each of the NEO's compensation and the value of their option awards is directly linked to the performance of our stock.

***Compensation Philosophy and Objectives***

Our compensation programs are designed to align compensation with our annual and long-term business objectives and performance, enabling us to attract, retain, and reward executive officers and other key employees who contribute to our long-term success and motivate executive officers to enhance long-term stockholder value. We also strive to design programs to position Immersion competitively among the companies against which we recruit and compete for talent. We recognize that compensation programs must be understandable to be effective and that program administration and decision making must be fair and equitable. We also consider the financial obligations created by our compensation programs and design them to be cost effective. To meet these objectives, we target base salary at the 50<sup>th</sup> percentile, total cash compensation for named executive officers, including base salary and short-term cash incentive awards at the 65<sup>th</sup> to 75<sup>th</sup> percentile and total compensation, including total cash compensation and equity at the 75<sup>th</sup> to 80<sup>th</sup> percentile of compensation paid to similarly situated executive officers of the companies comprising our compensation peer group. The actual level of total compensation is determined by individual or corporate performance and can differ from the targeted percentiles of our compensation peer group's compensation depending on key executive officers experience, skills, competencies and performance.

The Compensation Committee reviews and recommends to the board for approval all compensation programs (including equity compensation) applicable to our executive officers and directors, our overall strategy for employee compensation, and the specific compensation of our Chief Executive Officer. The Compensation Committee approves the compensation of all other executive officers. The Compensation Committee has the sole authority to select, retain, and terminate special counsel and other experts (including compensation consultants), as the committee deems appropriate.

Our Compensation Committee believes that the most effective executive compensation program is one that is designed to reward the achievement of specific annual and strategic goals, and that aligns executive officers' interests with those of our stockholders by rewarding performance that meets or exceeds established

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goals, with the ultimate objective of increasing stockholder value. Our Compensation Committee also considers potential risks when reviewing and approving compensation programs and takes steps to prevent incentives that would encourage excessive levels of risk. Our Compensation Committee annually evaluates both the performance and compensation of our executives to ensure that:

Compensation levels remain competitive relative to our peer companies;

Compensation provided is consistent with the level of performance delivered; and

The mix of cash and equity-based incentives provides the proper incentive without encouraging excessive risk taking.

### ***Role of Chief Executive Officer in Compensation Decisions***

While the Compensation Committee determines our overall compensation philosophy, the board sets the compensation for our Chief Executive Officer and the committee sets the compensation of the other executive officers and looks to the Chief Executive Officer to make recommendations to the committee with respect to both overall guidelines and specific compensation decisions. Our Chief Executive Officer also provides the board and the Compensation Committee with his perspective on the performance of our executive officers as part of the determination of the individual portion payable under the executive incentive plans (as described below) and the annual personnel review as well as a self-assessment of his own performance. Our Chief Executive Officer is not present during any discussions of the Compensation Committee or the board relating to his own compensation. Our Chief Executive Officer recommends to the committee specific compensation amounts for executive officers other than himself, and the committee considers those recommendations and information provided by its compensation consultant concerning peer group comparisons and industry trends and makes the ultimate compensation decisions. Our Chief Executive Officer, Vice President of Human Resources, and General Counsel regularly attend the Compensation Committee's meetings to provide perspectives on the competitive landscape and the needs of the business, information regarding Immersion's performance, and technical advice. Members of the committee also participate in the board's annual review of the Chief Executive Officer's performance and its setting of annual performance goals, in each case led by our independent chairman of the board. See *Board Structure* above for further details.

### ***Setting Executive Compensation***

The Compensation Committee initially engaged Compensia as its independent consultant in July 2008. The selection of Compensia was made without input or influence of management. Under the terms of its agreement with the Compensation Committee, Compensia will not provide any other service to us, unless directed to do so by the Compensation Committee. Compensia has provided no services to us other than its advice to the Compensation Committee on executive and board compensation issues.

In the fall of 2008 in preparation for 2009, Compensia conducted a total direct compensation review for our executive officers relative to market norms, assessed the pay and performance relationship of our executive compensation program on an absolute basis and relative to peers and identified gaps, improvements, opportunities and offered recommendations to ensure the pay program is aligned with competitive practices, our business strategy and both individual and company performance. In addition, at that time, Compensia evaluated our equity use as compared to current competitive levels and developed a proposed long-term incentive strategy.

At the end of 2009 and the beginning of 2010, we were in transition, concluding our financial investigation and restatement, transitioning away from the medical products business to a licensing model and under new leadership. Rather than re-engage Compensia to perform another total compensation review for our executive officers relative to market norms at this time, the Compensation Committee reviewed the executives compensation against the percentiles of our peer group as stated above as a reference point of competitive

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