Egan-Jones Proxy Services

Research Report

Company		Ticker Symbol	CUSIP
INTERLINK ELECTRONICS, INC.		LINK	458751302
Guideline	**Meeting Date**	**Record Date**	**Date Published**
Standard	06/20/16	04/26/16	06/09/16

Meeting Information

Meeting Type	Annual
Meeting Date	06/20/16
Record Date	04/26/16

Items & Recommendations

We recommend that clients holding shares of INTERLINK ELECTRONICS, INC. vote:

Item	Egan-Jones Recommendation	Management Recommendation
1 – Election of Directors	FOR ALL	FOR ALL
2 – Adoption of the 2016 Omnibus Incentive Plan	AGAINST	FOR
3 – Advisory Vote on Executive Compensation	FOR	FOR
4 – Advisory Vote on the Frequency of Holding an Advisory Vote on Executive Compensation	1 YEAR	1 YEAR
5 – Ratification of Auditor	FOR	FOR

Considerations and Recommendations

Egan-Jones' review centered on the Proposals in the context of maximizing shareholder value, based on publicly available information.

Ticker	**LINK**
Company name	**Interlink Electronics, Inc.**

Board Rating Score

Item	**TRUE/FALSE**
CEO and Chairman Separate	FALSE
Annual Director Elections	TRUE
One Class of Voting Stock Only	TRUE
Compensation Committee with All Independents	TRUE
Audit Committee with All Independents	TRUE
Nominating Committee with All Independents	TRUE
Non-binding Compensation Vote on Agenda	TRUE
Majority Independent Directors on Board	TRUE
Over-boarded CEO Director	FALSE
Over-boarded Non-CEO Director	FALSE
Major cyber security breach	FALSE
Failure to implement sufficient carbon risk plan	FALSE
Other financial or operational risk control failure	FALSE
Other serious reputational risk failure by the Board	FALSE
Version	VER 1.02 2/21/2015
Sub Total	80.00
Performance Adjustment	47.55
Total	127.55
Final Board Score	***Superior***

Compensation Rating Score

CEO Total Comp($)	661,150
CEO Salary ($)	268,750
TSR (%)	100.1
Market Capitalization ($M)	52.6
Wealth Creation ($M)	52.6
Wealth Creation/CEOPAY	79.6
Raw Score (pre adjustments)	Superior
Final Score	***Superior***
Rating Model Version	VER 2.41 4/1/2016
High CEO Total Compensation	Not Relevant
CEO Salary Under $1 Million Limit	Positive Adjustment
Other Adjustments:	No Adjustment

Item 1

Election of Directors

There is a single slate of nominees, the nominees appear qualified**and we recommend a vote "FOR" this Proposal.**

We note the presence of the key Board committees namely Audit, Compensation and Nominating/Corporate Governance committees, comprised solely of Independent outside directors. Also, each director attended at least 75% of all the meetings of the Board and of the committees during fiscal year 2015.

DIRECTOR NOMINEES

Nominee	Age	Company Position
Steven N. Bronson	50	Chairman of the Board, Chief Executive Officer, and President
Mark Bailey	67	Director
Angela Blatteis	55	Director
Frank Levinson	63	Director

Steven N. Bronson. Mr. Bronson has over 30 years of business and entrepreneurial experience. His successful background in investment banking and principal investing has led to him taking executive positions in several companies. Mr. Bronson became the Chief Executive Officer and Chairman of the board of directors in July 2010. In March 2011, he also took on the role of President, bringing both his operational and financial expertise to the company. Since successfully turning around Interlink's business to profitability, Mr. Bronson has focused on strategic matters, mission-critical decisions, and identification of potential acquisitions and business partnership opportunities.

In July 2013, Mr. Bronson assumed the positions of President and Chief Executive Officer of Qualstar Corporation (NASDAQ: QBAK), a high quality tape library manufacturer, and its subsidiary N2Power, a manufacturer of high efficiency power supplies for diverse electronics industries. From 1996 until November 2014, Mr. Bronson served as Chief Executive Officer and Chairman of Bronson & Co., LLC, an investment banking firm. Since October 2008, Mr. Bronson also has served as Chief Executive Officer and Chairman of BKF Capital Group, Inc. (OTCMKTS: BKFG), a publicly traded company operating through its wholly-owned subsidiaries, BKF Investment Group, Inc. and BKF Asset Holdings, Inc. since October 2008. Mr. Bronson currently holds series 4, 7, 24, 53, 55, 63, 65, 66 and 79 licenses.

Mr. Bronson was selected to serve on the board of directors because of the perspective and experience he brings as the largest stockholder, his extensive experience with technology companies, and his experience serving as a senior executive officer of a public company.

Mark Bailey. Mr. Bailey has served as a member of the board of directors since January 2016, and brings to Interlink more than 42 years of experience in public accounting. He began his public accounting career with Arthur Young & Company, advancing to supervisor in the bank audit division. He then became an audit partner in a firm on the central coast of California. He opened his accounting firm, Mark Bailey & Company, in 1984, which he rebranded to Excelsis in 2012. Excelsis specializes in small to mid-sized companies and offers diverse services including, audit, tax, strategic planning, internal control evaluation and testing, business valuation and management consulting and is registered with the Public Company Accounting Oversight Board. Mr. Bailey is the managing partner of the firm and consults extensively on business valuations, mergers and acquisitions, tax planning, accounting and management. He holds a bachelor's degree with a concentration in accounting from California Polytechnic State University, San Luis Obispo and is accredited in business valuation and certified in financial forensics. He is a member of the American Institute of Certified Public Accounts, the California Society of Certified Public Accountants, and the Nevada Society of Certified Public Accountants. Mr. Bailey was selected to serve on the board of directors because of his extensive experience in public accounting.

Angela Blatteis. Ms. Blatteis has served as a member of the board of directors since July 2014, and brings to Interlink over 30 years of experience in investment banking, bankruptcy, private equity, and mergers and acquisitions. Ms. Blatteis presently is an Ambassador to The Gores Group, a Los Angeles based private equity firm, and remains a consultant to The Gores Group in addition to providing consulting services to various companies and management teams. From 1996 through December 2011, Ms. Blatteis worked with The Gores Group, serving as Managing Director beginning in 2004, where she was responsible for key aspects of mergers and acquisitions and divestitures for the firm's portfolio companies. From July 2007 through July 2011, Ms. Blatteis co-founded Global Equity Capital (GEC), an affiliate of The Gores Group, to focus on acquiring businesses in the small capitalization market and held the title Managing Director. In August 2014, Ms. Blatteis launched Soupure, a soup company which uses science and research to develop soup for health conscious individuals by leveraging the power of proteins and smart energy nutrients, and serves as the company's chief executive officer and chief financial officer. Ms. Blatteis received an MBA from the University of Chicago, Booth School of Business and a Bachelor of Arts from the University of California, Berkeley.

Through her experience in various senior level investment banking positions with The Gores Group, Ms. Blatteis has developed a substantial financial and accounting background and expertise, which she contributes to the board of directors. Ms. Blatteis' financia expertise and acumen in private equity, mergers and acquisition, portfolio company management and investment banking in general assists the board in providing oversight to management on these matters. Ms. Blatteis' senior leadership experience also enables her to provide strategic input to the board, in addition to her financial expertise, discipline and oversight.

Frank Levinson. Dr. Levinson has served as a member of the board of directors since July 2014. Presently he is a General Partner with Phoenix Venture Partners, a venture capital firm focused on advanced materials innovations, and a Managing Director of the Small World Group (SWG) Incubator, a technology incubator focusing on clean tech, optical systems and advanced material technologies active in both Singapore and the United States. Dr. Levinson has an exceptional 30-year track record of starting and building companies. Most notably, Dr. Levinson was the founder, Chief Technology Officer, and Chairman of Finisar Corporation (NASDAQ:FNSR),which he built into a multibillion dollar optical components and subsystems supplier and grew revenue from zero to over $500 million in annual sales. During his tenure at Finisar, Dr. Levinson built the company's manufacturing operations in Asia and oversaw the implementation of more than 12 corporate partnerships, including those with Honeywell, Sensors Unlimited, and

Infineon. He is currently on the board of directors of Fabrinet (NYSE:FN). Dr. Levinson earned his Ph.D. in Astronomy from the University of Virginia and his Bachelor of Science in physics and mathematics from Butler University.

Dr. Levinson was selected to serve on the board of directors because of his extensive experience in growing technology companies, including companies with substantial operations in Asia where a significant amount of the operations occur.

KEY COMMITTEES OF THE BOARD:

Audit Committee:

- Mark Bailey (Chairman)
- Frank Levinson
- Angela Blatteis

Compensation Committee:

- Mark Bailey
- Frank Levinson (Chairman)
- Angela Blatteis

Nominating/Corporate Governance Committee:

- Mark Bailey
- Frank Levinson
- Angela Blatteis (Chairman)

CERTAIN RELATED PARTY TRANSACTIONS:

Catalyst Financial

The company paid fees of $75,000 to Catalyst Financial in 2014 to assist the company in identifying potential merger and acquisition opportunities. The agreement for consulting services was terminated in December 2014. Steven N. Bronson the Chairman and CEO was also Chairman and CEO of Catalyst Financial.

Qualstar Corporation

At the end of 2013, the company agreed to reimburse, or be reimbursed by, Qualstar Corporation ("Qualstar"), for IT support and other expenses paid on behalf of the Company. In 2015, the company also entered into a sublease agreement for the occupation and use of a portion of Qualstar's Simi Valley manufacturing location. Steven N. Bronson, the CEO and Chairman, is the Chairman and CEO of Qualstar. Transactions with Qualstar are as follows:

	For the year ended December 31,	
	2015	**2014**
	(in thousands)	
Paid to Qualstar	$ 61	$ 49
Reimbursed from Qualstar	$ 15	$ 157

Indemnification Agreements

The company have entered into indemnification agreements with each of the current directors and executive officers. The indemnification agreements and the articles of incorporation and by-laws require the company to indemnify the directors and officers to the fullest extent permitted by Nevada law.

Item 2

Adoption of the 2016 Omnibus Incentive Plan

The shareholders are being asked to approve the Interlink Electronics, Inc. 2016 Omnibus Incentive Plan (the "2016 Plan").

Summary of the 2016 Plan

Shares Available. A total of 1,551,561 shares of the common stock have been reserved for issuance pursuant to the 2016 Plan. Any shares of common stock that are subject to awards shall be counted against this limit on a one-for-one basis. If any shares of common stock subject to an award under the 2016 Plan are forfeited, expire or are settled for cash, the shares subject to the award may be used again for awards under the 2016 Plan to the extent of the forfeiture, expiration or cancellation on a one-for-one basis.

In the event that any option or other award granted under the 2016 Plan is exercised through the tendering of shares of common stock (either actually or by attestation) or by the withholding of shares of common stock by the Company, then in each such case the shares so tendered or withheld shall again be available for awards under the 2016 Plan on a one-for-one basis. In addition, in the event that withholding tax liabilities arising from any option or other award under the 2016 Plan are satisfied by the tendering of shares of common stock (either actually or by attestation) or by the withholding of shares of common stock by the Company, then in each such case the shares of common stock so tendered or withheld shall again be available for awards under the 2016 Plan on a one-for-one basis.

Plan Administration. The 2016 Plan will be administered by the compensation committee of the board of directors which shall consist of at least two members of the board, each of whom must qualify as a "non-employee director" under Rule 16b-3 under the Securities Exchange Act of 1934, as amended, or Rule 16b-3, an "outside director" under Section 162(m) of the Code and an "independent director" under NASDAQ rules.

Stock Options. Stock options may be granted under the 2016 Plan. The exercise price of options granted under the 2016 Plan must at least be equal to the fair market value of the common stock on the date of grant. The term of an incentive stock option may not exceed 10 years, except that with respect to any participant who owns more than 10% of the voting power of all classes of the outstanding stock, the term must not exceed five years and the exercise price must equal at least 110% of the fair market value on the grant date. The compensation committee will determine the methods of payment of the exercise price of an option, which may include cash, shares or other property acceptable to the compensation committee, as well as other types of consideration permitted by applicable law. After the termination of service of an employee, director or consultant, he or she may exercise his or her option for the period of time stated in his or her option agreement. Generally, if termination is due to death or disability, the option will remain exercisable for 12 months. In all other cases, the option will generally remain exercisable for three months following the termination of service. However, in no event may an option be exercised later than the expiration of its term. Subject to the provisions of the 2016 Plan, the compensation committee determines the other terms of options.

Stock Appreciation Rights. Stock appreciation rights may be granted under the 2016 Plan. Stock appreciation rights allow the recipient to receive the appreciation in the fair market value of the common stock between the exercise date and the date of grant. Stock appreciation rights may not have a term exceeding 10 years. After the termination of service of an employee, director or consultant, he or she may exercise his or her stock appreciation right for the period of time stated in his or her option agreement. However, in no event may a stock appreciation right be exercised later than the expiration of its term. Subject to the provisions of the 2016 Plan, the compensation committee determines the other terms of stock appreciation rights, including when such rights become exercisable and whether to pay any increased appreciation in cash or with shares of the common stock, or a combination thereof, except that the per share exercise price for the shares to be issued pursuant to the exercise of a stock appreciation right will be no less than 100% of the fair market value per share on the date of grant.

Restricted Stock. Restricted stock may be granted under the 2016 Plan. Restricted stock awards are grants of shares of the common stock that vest in accordance with terms and conditions established by the compensation committee. The compensation committee will determine the number of shares of restricted stock granted to any employee, director or consultant and, subject to the provisions of the 2016 Plan, will determine the terms and conditions of such awards. The compensation committee may impose whatever conditions to vesting it determines to be appropriate (for example, the compensation committee may set restrictions based on the achievement of specific performance goals or continued service to the Company); provided, however, that the compensation committee, in its sole discretion, may accelerate the time at which any restrictions will lapse or be removed. Recipients of restricted stock awards generally will have voting and dividend rights with respect to such shares upon grant without regard to vesting, unless the compensation committee provides otherwise. Shares of restricted stock that do not vest are subject to the right of repurchase or forfeiture.

Restricted Stock Units. Restricted stock units may be granted under the 2016 Plan. Restricted stock units are bookkeeping entries representing an amount equal to the fair market value of one share of the common stock. Subject to the provisions of the 2016 Plan, the compensation committee will determine the terms and conditions of restricted stock units, including the vesting criteria (which may include accomplishing specified performance criteria or continued service to the Company) and the form and timing of payment. Notwithstanding the foregoing, the compensation committee, in its sole discretion, may accelerate the time at which any restrictions will lapse or be removed.

Performance Units and Performance Shares. Performance units and performance shares may be granted under the 2016 Plan. Performance units and performance shares are awards that will result in a payment to a participant only if performance goals established by the compensation committee are achieved or the awards otherwise vest. The compensation committee will establish organizational or individual performance goals or other vesting criteria in its discretion, which, depending on the extent to which they are met, will determine the number and/or the value of performance units and performance shares to be paid out to participants. After the grant of a performance unit or performance share, the compensation committee, in its sole discretion, may reduce or waive any performance criteria or other vesting provisions for such performance units or performance shares. Performance units shall have an initial dollar value established by the compensation committee prior to the grant date. Performance shares shall have an initial value equal to the fair market value of the common stock on the grant date. The compensation committee, in its sole discretion, may pay earned performance units or performance shares in the form of cash, in shares or in some combination thereof.

Outside Directors. The 2016 Plan provides that all non-employee directors are eligible to receive all types of awards (except for incentive stock options) under the 2016 Plan.

No Repricing. The 2016 Plan prohibits repricing of options and stock appreciation rights (other than to reflect stock splits, spin-offs or similar corporate events) unless stockholder approval is obtained. A “repricing” means a reduction in the exercise price of an option or the grant price of a stock appreciation right, the cancellation of an option or stock appreciation right in exchange for cash or another award under the 2016 Plan, or any other action with respect to an option or stock appreciation right that may be treated as a repricing under the rules of the principal U.S. national securities exchange on which the common stock is traded.

Non-transferability of Awards. Unless the compensation committee provides otherwise, the 2016 Plan generally does not allow for the transfer of awards and only the recipient of an award may exercise an award during his or her lifetime.

Certain Adjustments. In the event of certain changes in the capitalization, to prevent diminution or enlargement of the benefits or potential benefits available under the 2016 Plan, the compensation committee will adjust the number and class of shares that may be delivered under the 2016 Plan and/or the number, class and price of shares covered by each outstanding award and the numerical share limits set forth in the 2016 Plan. In the event of the proposed liquidation or dissolution, the compensation committee will notify participants as soon as practicable and all awards will terminate immediately prior to the consummation of such proposed transaction.

Merger or Change in Control. The 2016 Plan provides that in the event of a merger or change in control, as defined under the 2016 Plan, each outstanding award will be treated as provided for in the individual award agreement, except that the compensation committee in its discretion, may determine that, upon the occurrence of a merger or change in control, each option and stock appreciation right shall terminate within a specified number of days after notice to the participant, or that the participant shall receive, with respect to each share of common stock subject to such option or stock appreciation right, an amount equal to the excess of the fair market value of such share immediately prior to the occurrence of the merger or change in control over the exercise price per share of such option or stock appreciation right.

Amendment, Termination. The board of directors will have the authority to amend, suspend or terminate the 2016 Plan provided such action does not require stockholder approval and will not impair the existing rights of any participant. the 2016 Plan will automatically terminate in 2026, unless the Company terminates it sooner.

Recommendation:

At Egan-Jones Proxy Services we review a number of factors both qualitative and quantitative in nature before issuing a recommendation on any stock equity or bonus plan. Factors we look at include but are not limited to, the maximum shareholder equity dilution the plan could enable, total CEO compensation, overall company performance and any past issues with compensation.

Our quantitative look at compensation and much of our qualitative review is distilled into the Relative Compensation rating earned by this company. This company has earned a score of "Superior" for its compensation rating. The better a company's rating, in general, the greater maximum shareholder equity dilution allowed.

Our qualitative review of this company has found that the CEO salary is within the limits prescribed for compliance with 162m, or under $1,000,000. The resulted in a positive increase to the overall Relative Compensation score for this company. Note that we only evaluate CEO salary payments for compliance with this limit.

All Plans

CEO Total Compensation:	661,150
New shares available for grant:	1,551,561
Prior Plan/s (remaining shares available for grant)	0
**if available*	
Total Available Shares:	1,551,561
(total of row 2 and 3)	
Total Shares Outstanding:	7,300,000
Shareholder Equity Dilution:	21.25%
Allowed Dilution:	21.01%

**Egan-Jones does not include granted but unexercised shares in its dilution calculation since these options are already held by grantees and often can be exercised at any time including prior to the publication of this report.*

We note however, after taking into account the maximum amount of shareholder equity dilution this proposal could cause, as well as both the quantitative and qualitative measures outlined above, we believe that shareholders should not support the passage of this plan as proposed by the board of directors. We recommend the board seek to align CEO pay more closely with the performance of the company and work to reduce the cost of any similar plan that may be proposed in the future. Therefore, **we recommend a vote "AGAINST" this Proposal.**

Item 3

Advisory Vote on Executive Compensation

At Egan-Jones Proxy Services we review a number of factors, both qualitative and quantitative in nature, before issuing a recommendation regarding the advisory vote on executive compensation. These include total CEO compensation, company performance, and any past issues with compensation.

The sum total of our quantitative look at compensation can be found in the compensation corporate governance grade we give this company. Generally and absent other negative factors, we suggest a score of "Good" or higher in compensation merits a positive "say-on-pay" vote. This Company has earned a grade of "Superior" in compensation and thus passes our quantitative tests.

Given the disclosure on its executive compensation practices, and based on our qualitative review of the Company's compensation, we do not find any issues, positive or negative, that would be relevant enough for Egan-Jones to change our recommendation determined by the compensation rating for this Company.

This advisory vote is not binding. Although non-binding, the Compensation Committee will consider the outcome of the advisory vote when making future decisions regarding the executive compensation programs.

Taking into account both the quantitative and qualitative measures outlined above, we believe that shareholders should support the current compensation policies put in place by the Company's directors. Furthermore, we believe that the Company's compensation policies and procedures are centered on a competitive pay-for-performance culture, strongly aligned with the long-term interest of its shareholders and necessary to attract and retain experienced, highly qualified executives critical to the Company's long-term success and the enhancement of shareholder value. **Therefore, we recommend a vote "FOR" this Proposal.**

See scoring details on top of the report.

Item 4

Advisory Vote on the Frequency of Holding an Advisory Vote on Executive Compensation

The shareholders are being asked to provide an advisory vote on the frequency of the advisory vote on executive compensation.

The Dodd Frank Act requires that, at least every six years at the annual meeting of shareholders, companies must submit a separate resolution subject to a non-binding shareholder advisory vote to determine whether shareholders believe the Company should submit a resolution relating to the compensation of the named executive officers at the annual meeting every year, every two years, or every three years.

Board Recommendation: 1 Year

We believe that allowing shareholders to express their opinion about senior executive compensation will provide the Company with useful information about shareholders' views on the company's senior executive compensation and will facilitate constructive dialogue between shareholders and the board. As such, *as the board recommends*, shareholdersshould have the opportunity to vote on the compensation of the named executive officers and CEO every year. **We recommend a vote "FOR" the option of annual (every year) as the frequency with which shareholders will be provided as advisory vote on executive compensation.**

Item 5

Ratification of Auditor

While ratification of auditors is one of the most common proposals submitted to shareholders it is fundamentally one of the most important. Reliable auditors are critical to ensure shareholders receive accurate and timely reports of the Company's financial performance. Important elements to look at are the auditor's disciplinary history as well as the nature and magnitude of the auditor's compensation.

Exhibit 1 – Audit Fees

	Current Fiscal Year		Prior Fiscal Year	
Audit Fees	$	125,748	$	82,021
Audit Related Fees	$	-	$	-
Non Audit and Tax Fees	$	6,500	$	4,800
Total Fees	$	132,248	$	86,821

Exhibit 2 – Audit Fee Ratios

	Relevant Ratios	Note
Total Fee Increase/Decrease	52.3%	
Non-Audit Related Fees divided by Total Fees (Current FY):	4.9%	Should not be higher than 50%

Board Auditor Choice: **MARCUM LLP**

We have seen no evidence that this auditor's integrity, professionalism or independence is on question.**We recommend a vote “FOR” this Proposal.**

Disclaimer

While Egan-Jones Proxy Services ("EJP"), a unit of Egan-Jones Ratings Co. ("EJR"), exercised due care in compiling this analysis, it makes no warranty, express or implied, regarding the accuracy, completeness or usefulness of this information and assumes no liability with respect to the consequences of relying on this information for investment or other purposes. In particular, the research and voting recommendations provided are not intended to constitute an offer, solicitation or advice to buy or sell securities nor are they intended to solicit votes or proxies.

EJR has established policies and procedures which prohibit the involvement of any of EJR-affiliated persons who are involved as analysts in EJR's credit ratings business in the content of EJP's analyses and vote recommendations. None of such EJR personnel are informed of the contents of any of EJP's analyses or recommendations prior to their publication or dissemination.

One or more of the proponents of a shareholder proposal at an upcoming meeting may be a client of Egan-Jones. Egan-Jones may in some circumstances afford issuers the right to review draft research analyses so that factual inaccuracies may be corrected before the report and recommendations are finalized. Control of research analyses and voting recommendations remains, at all times, with Egan-Jones.

Those wishing to purchase Egan-Jones Proxy reports should contact proxy@egan-jones.com

Interested in learning more about Egan-Jones Proxy? See our website at http://www.ejproxy.com