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

Form 10-Q/A
(Amendment No. 1)

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 30, 2021

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission file number: 001-11993

OPTION CARE HEALTH, INC.

(Exact name of registrant as specified in its charter)

Delaware	**05-0489664**
(State of incorporation)	*(I.R.S. Employer Identification No.)*
3000 Lakeside Dr. Suite 300N, Bannockburn, IL	**60015**
(Address of principal executive offices)	*(Zip Code)*

Registrant's telephone number, including area code:
312-940-2443

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

Title of each Class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.0001 par value per share	OPCH	Nasdaq Global Select Market

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

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

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

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

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

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

On July 30, 2021, there were 179,868,880 shares of the registrant's Common Stock outstanding.

Explanatory Note

Option Care Health, Inc. (the "Company") is filing this Amendment No. 1 on Form 10-Q/A (the "Form 10-Q/A") to amend its Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2021 filed with the Securities and Exchange Commission on August 3, 2021 (the "Original Report"). The purpose of this Form 10-Q/A is to amend our disclosure in Part I, Item 1 "Notes to Unaudited Condensed Consolidated Financial Statements" to correct for a clerical error within note 4 "Revenue". In conjunction with the immaterial error correction disclosure discussed in Part I, Item 1 "Notes to Unaudited Condensed Consolidated Financial Statements", note 2 "Summary of Significant Accounting Policies", the Company inadvertently omitted to update note 4 "Revenue" to present that note in a consistent manner. As a result, the Original Report resulted in an understatement of commercial payers revenue and an overstatement of government payers revenue for the three and six months ended June 30, 2021. There was no impact to net revenue as a result of this clerical error. Part I, Item 1 "Notes to Unaudited Condensed Consolidated Financial Statements", note 4 "Revenue" has been corrected in this Form 10-Q/A. In addition, the immaterial error correction disclosure in Part I, Item 1 "Notes to Unaudited Condensed Consolidated Financial Statements", note 2 "Summary of Significant Accounting Policies" was updated to reflect the properly stated commercial and government revenues for the three and six months ended June 30, 2021. No other changes were made to the "Original Report", and the entire revised financial statements are included within this Form 10-Q/A.

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PART I
FINANCIAL INFORMATION

Item 1. Financial Statements

OPTION CARE HEALTH, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARES AND PER SHARE AMOUNTS)

	(unaudited) June 30, 2021	December 31, 2020
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 157,526	$ 99,265
Accounts receivable, net	338,206	328,340
Inventories	173,853	158,601
Prepaid expenses and other current assets	66,179	70,806
Total current assets	735,764	657,012
NONCURRENT ASSETS:		
Property and equipment, net	110,662	121,149
Operating lease right-of-use asset	68,638	68,795
Intangible assets, net	351,675	351,052
Goodwill	1,428,610	1,428,610
Other noncurrent assets	23,409	20,821
Total noncurrent assets	1,982,994	1,990,427
TOTAL ASSETS	$ 2,718,758	$ 2,647,439
LIABILITIES AND STOCKHOLDERS’ EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 309,445	$ 282,913
Accrued compensation and employee benefits	57,992	58,899
Accrued expenses and other current liabilities	62,127	64,075
Current portion of operating lease liability	18,177	18,886
Current portion of long-term debt	11,775	9,250
Total current liabilities	459,516	434,023
NONCURRENT LIABILITIES:		
Long-term debt, net of discount, deferred financing costs and current portion	1,119,458	1,115,103
Operating lease liability, net of current portion	69,953	70,776
Deferred income taxes	4,246	3,339
Other noncurrent liabilities	8,974	8,474
Total noncurrent liabilities	1,202,631	1,197,692
Total liabilities	1,662,147	1,631,715
STOCKHOLDERS’ EQUITY:		
Preferred stock; $0.0001 par value; 12,500,000 shares authorized, no shares outstanding as of June 30, 2021 and December 31, 2020, respectively	—	—
Common stock; $0.0001 par value: 250,000,000 shares authorized, 180,251,351 shares issued and 179,867,629 shares outstanding as of June 30, 2021; 180,178,308 shares issued and 179,794,586 shares outstanding as of December 31, 2020	18	18
Treasury stock; 383,722 shares outstanding, at cost, as of June 30, 2021 and December 31, 2020, respectively	(2,403)	(2,403)
Paid-in capital	1,132,964	1,129,312
Accumulated deficit	(71,076)	(100,031)
Accumulated other comprehensive loss	(2,892)	(11,172)
Total stockholders’ equity	1,056,611	1,015,724
TOTAL LIABILITIES AND STOCKHOLDERS’ EQUITY	$ 2,718,758	$ 2,647,439

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

OPTION CARE HEALTH, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
NET REVENUE	$ 860,272	$ 740,848	$ 1,619,509	$ 1,446,288
COST OF REVENUE	661,304	574,528	1,255,068	1,121,939
GROSS PROFIT	198,968	166,320	364,441	324,349
OPERATING COSTS AND EXPENSES:				
Selling, general and administrative expenses	134,257	124,918	254,297	254,198
Depreciation and amortization expense	16,619	18,194	32,958	38,295
Total operating expenses	150,876	143,112	287,255	292,493
OPERATING INCOME	48,092	23,208	77,186	31,856
OTHER INCOME (EXPENSE):				
Interest expense, net	(17,236)	(31,432)	(36,717)	(59,519)
Equity in earnings of joint ventures	1,686	1,012	2,891	1,574
Other, net	5	14	(12,396)	22
Total other expense	(15,545)	(30,406)	(46,222)	(57,923)
INCOME (LOSS) BEFORE INCOME TAXES	32,547	(7,198)	30,964	(26,067)
INCOME TAX EXPENSE	731	470	2,009	1,511
NET INCOME (LOSS)	$ 31,816	$ (7,668)	$ 28,955	$ (27,578)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:				
Change in unrealized gains (losses) on cash flow hedges, net of income tax expense (benefit) of $0, $0, $0 and $0, respectively	4,199	4,576	8,280	(12,056)
OTHER COMPREHENSIVE INCOME (LOSS)	4,199	4,576	8,280	(12,056)
NET COMPREHENSIVE INCOME (LOSS)	$ 36,015	$ (3,092)	$ 37,235	$ (39,634)
EARNINGS (LOSS) PER COMMON SHARE:				
Earnings (loss) per share, basic	$ 0.18	$ (0.04)	$ 0.16	$ (0.16)
Earnings (loss) per share, diluted	$ 0.18	$ (0.04)	$ 0.16	$ (0.16)
Weighted average common shares outstanding, basic	179,843	176,711	179,826	176,686
Weighted average common shares outstanding, diluted	181,037	176,711	180,975	176,686

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

OPTION CARE HEALTH, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 28,955	$ (27,578)
Adjustments to reconcile net income (loss) to net cash provided by operations:		
Depreciation and amortization expense	35,705	41,813
Non-cash operating lease costs	5,766	11,240
Deferred income taxes - net	907	598
Loss on extinguishment of debt	12,403	—
Amortization of deferred financing costs	2,512	2,764
Loss on interest rate swaps upon discontinuing hedge accounting	—	3,746
Equity in earnings of joint ventures	(2,891)	(1,574)
Stock-based incentive compensation expense	3,730	1,418
Other adjustments	261	(769)
Changes in operating assets and liabilities:		
Accounts receivable, net	(9,866)	4,194
Inventories	(14,651)	(33,239)
Prepaid expenses and other current assets	4,627	1,199
Accounts payable	26,532	36,422
Accrued compensation and employee benefits	(907)	1,977
Accrued expenses and other current liabilities	6,425	13,767
Operating lease liabilities	(8,277)	(9,382)
Other noncurrent assets and liabilities	803	6,794
Net cash provided by operating activities	92,034	53,390
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(6,808)	(9,269)
Other investing cash flows	—	541
Business acquisitions, net of cash acquired	(18,852)	—
Net cash used in investing activities	(25,660)	(8,728)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Exercise of stock options, vesting of restricted stock, and related tax withholdings	(78)	(645)
Proceeds from issuance of debt	355,200	—
Repayments of debt	(5,888)	(4,625)
Retirement of debt	(352,009)	—
Deferred financing costs	(2,880)	—
Debt prepayment fees	(2,458)	—
Other financing cash flows	—	11,651
Net cash (used in) provided by financing activities	(8,113)	6,381
NET INCREASE IN CASH AND CASH EQUIVALENTS	58,261	51,043
Cash and cash equivalents - beginning of the period	99,265	67,056
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 157,526	$ 118,099
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 37,405	$ 53,199
Cash paid for income taxes	$ 1,168	$ 1,887
Cash paid for operating leases	$ 12,909	$ 13,388

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

OPTION CARE HEALTH, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS’ EQUITY
(IN THOUSANDS)

	Preferred Stock	Common Stock	Treasury Stock	Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Total Stockholders’ Equity
Balance - December 31, 2019	$ —	$ 18	$ (2,403)	$ 1,008,362	$ (91,955)	$ (7,195)	$ 906,827
Exercise of stock options, vesting of restricted stock and related tax withholdings	—	—	—	(549)	—	—	(549)
Stock-based incentive compensation	—	—	—	757	—	—	757
Net loss	—	—	—	—	(19,910)	—	(19,910)
Other comprehensive loss	—	—	—	—	—	(16,632)	(16,632)
Balance - March 31, 2020	$ —	$ 18	$ (2,403)	$ 1,008,570	$ (111,865)	$ (23,827)	$ 870,493
Exercise of stock options, vesting of restricted stock and related tax withholdings	—	—	—	(96)	—	—	(96)
Stock-based incentive compensation	—	—	—	661	—	—	661
Net loss	—	—	—	—	(7,668)	—	(7,668)
Other comprehensive income	—	—	—	—	—	4,576	4,576
Balance - June 30, 2020	$ —	$ 18	$ (2,403)	$ 1,009,135	$ (119,533)	$ (19,251)	$ 867,966
Balance - December 31, 2020	$ —	$ 18	$ (2,403)	$ 1,129,312	$ (100,031)	$ (11,172)	$ 1,015,724
Exercise of stock options, vesting of restricted stock, and related tax withholdings	—	—	—	(69)	—	—	(69)
Stock-based incentive compensation	—	—	—	1,205	—	—	1,205
Net loss	—	—	—	—	(2,861)	—	(2,861)
Other comprehensive income	—	—	—	—	—	4,081	4,081
Balance - March 31, 2021	$ —	$ 18	$ (2,403)	$ 1,130,448	$ (102,892)	$ (7,091)	$ 1,018,080
Exercise of stock options, vesting of restricted stock, and related tax withholdings	—	—	—	(9)	—	—	(9)
Stock-based incentive compensation	—	—	—	2,525	—	—	2,525
Net income	—	—	—	—	31,816	—	31,816
Other comprehensive income	—	—	—	—	—	4,199	4,199
Balance - June 30, 2021	$ —	$ 18	$ (2,403)	$ 1,132,964	$ (71,076)	$ (2,892)	$ 1,056,611

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

OPTION CARE HEALTH, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND PRESENTATION OF FINANCIAL STATEMENTS

Corporate Organization and Business — HC Group Holdings II, Inc. ("HC II") was incorporated under the laws of the State of Delaware on January 7, 2015, with its sole shareholder being HC Group Holdings I, LLC. ("HC I"). On April 7, 2015, HC I and HC II collectively acquired Walgreens Infusion Services, Inc. and its subsidiaries from Walgreen Co., and the business was rebranded as Option Care ("Option Care").

On March 14, 2019, HC I and HC II entered into a definitive agreement (the "Merger Agreement") to merge with and into a wholly-owned subsidiary of BioScrip, Inc. ("BioScrip"), a national provider of infusion and home care management solutions, along with certain other subsidiaries of BioScrip and HC II. The merger contemplated by the Merger Agreement (the "Merger") was completed on August 6, 2019 (the "Merger Date"). The Merger was accounted for as a reverse merger under the acquisition method of accounting for business combinations with Option Care being considered the accounting acquirer and BioScrip being considered the legal acquirer. Following the close of the transaction, BioScrip was rebranded as Option Care Health, Inc. ("Option Care Health", or the "Company"). The combined Company's stock is listed on the Nasdaq Global Select Market as of June 30, 2021. See Note 15, *Stockholders' Equity*, for further discussion of HC I's ownership as of June 30, 2021.

Option Care Health, and its wholly-owned subsidiaries, provides infusion therapy and other ancillary health care services through a national network of 97 full service pharmacies. The Company contracts with managed care organizations, third-party payers, hospitals, physicians, and other referral sources to provide pharmaceuticals and complex compounded solutions to patients for intravenous delivery in the patients' homes or other nonhospital settings. The Company operates in one segment, infusion services.

Basis of Presentation — The accompanying unaudited condensed consolidated financial statements have been prepared in conformity with generally accepted accounting principles ("GAAP") in the United States and contain all adjustments, including normal recurring adjustments, necessary to present fairly the Company's financial position, results of operations and cash flows for interim financial reporting. The results of operations for the interim periods presented are not necessarily indicative of the results of operations for the entire year. These unaudited condensed consolidated financial statements do not include all of the information and notes to the financial statements required by GAAP for complete financial statements and should be read in conjunction with the 2020 audited consolidated financial statements, including the notes thereto, as presented in the Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 11, 2021.

Principles of Consolidation — The Company's unaudited condensed consolidated financial statements include the accounts of Option Care Health, Inc. and its subsidiaries. All intercompany transactions and balances are eliminated in consolidation.

The Company has investments in companies that are 50% owned and are accounted for as equity-method investments. The Company's share of earnings from equity-method investments is included in the line entitled "Equity in earnings of joint ventures" in the unaudited condensed consolidated statements of comprehensive income (loss). See Equity-Method Investments within Note 2, *Summary of Significant Accounting Policies*, for further discussion of the Company's equity-method investments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents — The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

In April 2020, the Company received $11.7 million in Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") grant funds from the federal government, which was reflected in the second quarter 2020 as a cash inflow from financing activities within other financing cash flows in the unaudited condensed consolidated statements of cash flows. During the third quarter 2020, the Company returned the funds as unused to the federal government.

Prepaid expenses and other current assets — Included in prepaid expenses and other current assets are rebates receivable from pharmaceutical and medical supply manufacturers of $39.9 million and $35.2 million as of June 30, 2021 and December 31, 2020, respectively. There were no other items included in prepaid expenses and other current assets that comprised 5% or more of total current assets.

Equity Method Investments — The Company's investments in certain unconsolidated entities are accounted for under the equity method. The balance of these investments is included in other noncurrent assets in the accompanying condensed consolidated balance sheets. As of June 30, 2021 and December 31, 2020, the balance of the investments were $19.9 million and $17.0 million, respectively. The investments are increased to reflect the Company's capital contributions and equity in earnings of the investees. The investments are decreased to reflect the Company's equity in losses of the investees and for distributions received that are not in excess of the carrying amount of the investments. The Company's proportionate share of earnings or losses of the investees are recorded in equity in earnings of joint ventures in the accompanying unaudited condensed consolidated statements of comprehensive income (loss). The Company's proportionate share of earnings was $1.7 million and $2.9 million for the three and six months ended June 30, 2021. The Company's proportionate share of earnings was $1.0 million and $1.6 million for the three and six months ended June 30, 2020. Distributions from the investees are treated as cash inflows from operating activities within other adjustments in the unaudited condensed consolidated statements of cash flows. During the three and six months ended June 30, 2021, the Company did not received any distributions from the investees. During the three and six months ended June 30, 2020, the Company received distributions from the investees of $0 and $0.5 million, respectively. See Footnote 16, *Related-Party Transactions*, for discussion of related-party transactions with these investees.

Immaterial Error Correction — During the three months ended June 30, 2021, the Company identified prior period misstatements related to the net revenue earned by category of payer for the periods ended September 30, 2020, December 31, 2020, March 31, 2021, and June 30, 2021. Certain individual payers were improperly classified as direct government and instead should have been classified as commercial payers. This error over-stated the Company's government revenues and under-stated the Company's commercial revenues in those periods. The Company assessed the materiality of these misstatements both quantitatively and qualitatively and determined the correction of these errors to be immaterial to the prior consolidated financial statements taken as a whole. As a result, the Company has corrected the misstatements as disclosed in the following tables:

	Three Months ended September 30, 2020				Nine Months ended September 30, 2020				Three Months ended December 31, 2020				Twelve Months ended December 31, 2020			
		Amount	% of Revenue			Amount	% of Revenue			Amount	% of Revenue			Amount	% of Revenue	
Commercial:																
As Previously Reported	$	644,385	82.4	%	$	1,893,105	85.0	%	$	649,880	80.8	%	$	2,542,985	83.9	%
Adjustment		34,321	4.4	%		34,321	1.5	%		40,806	5.1	%		75,127	2.5	%
As Revised		678,706	86.8	%		1,927,426	86.5	%		690,686	85.9	%		2,618,112	86.4	%
Government:																
As Previously Reported		127,435	16.3	%		308,830	13.9	%		141,237	17.6	%		450,067	14.8	%
Adjustment		(34,321)	(4.4)	%		(34,321)	(1.5)	%		(40,806)	(5.1)	%		(75,127)	(2.5)	%
As Revised		93,114	11.9	%		274,509	12.4	%		100,431	12.5	%		374,940	12.3	%

	Three Months ended March 31, 2021		Three Months ended June 30, 2021		Six Months ended June 30, 2021	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
Commercial:						
As Previously Reported	$ 611,434	80.5 %	$ 703,429	81.8 %	$ 1,314,862	81.2 %
Adjustment	37,073	4.9 %	43,218	5.0 %	80,292	4.9 %
As Revised	648,507	85.4 %	746,647	86.8 %	1,395,154	86.1 %
Government:						
As Previously Reported	134,914	17.8 %	145,799	16.9 %	280,714	17.3 %
Adjustment	(37,073)	(4.9) %	(43,218)	(5.0) %	(80,292)	(4.9) %
As Revised	97,841	12.9 %	102,581	11.9 %	200,422	12.4 %

There was no impact to the Company’s consolidated balance sheets, consolidated statements of comprehensive income (loss) or the consolidated statements of cash flows for any of these periods.

Concentrations of Business Risk — The Company generates revenue from managed care contracts and other agreements with commercial third-party payers. Revenue related to the Company’s largest payer was approximately 16% and 16% for the three and six months ended June 30, 2021. Revenue related to the Company’s largest payer was approximately 16% and 15% for the three and six months ended June 30, 2020, respectively. In December 2019, the Company renewed and expanded its multi-year contract with this payer. The contract renewal was effective in February 2020 for a two-year term and auto-renews annually thereafter unless notice is provided. There were no other managed care contracts that represent greater than 10% of revenue for the periods presented.

For the three and six months ended June 30, 2021, approximately 12% and 12%, respectively, of the Company’s revenue was reimbursable through direct government healthcare programs, such as Medicare and Medicaid. For the three and six months ended June 30, 2020, approximately 12% and 12%, respectively, of the Company’s revenue was reimbursable through direct government healthcare programs, such as Medicare and Medicaid. As of June 30, 2021 and December 31, 2020, respectively, approximately 13% and 15%, respectively, of the Company’s accounts receivable was related to these programs. Governmental programs pay for services based on fee schedules and rates that are determined by the related governmental agency. Laws and regulations pertaining to government programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change in the near term.

The Company does not require its patients nor other payers to carry collateral for any amounts owed for goods or services provided. Other than as discussed above, concentration of credit risk relating to trade accounts receivable is limited due to the Company’s diversity of patients and payers. Further, the Company generally does not provide charity care, however, Option Care Health offers a financial assistance program for patients that meet certain defined hardship criteria.

For the three and six months ended June 30, 2021, approximately 64% and 65%, respectively, of the Company’s pharmaceutical and medical supply purchases were from three vendors. For the three and six months ended June 30, 2020, approximately 72% and 72%, respectively, of the Company’s pharmaceutical and medical supply purchases were from three vendors. Although there are a limited number of suppliers, the Company believes that other vendors could provide similar products on comparable terms. However, a change in suppliers could cause delays in service delivery and possible losses in revenue, which could adversely affect the Company’s financial condition or operating results. Although there remains some uncertainty regarding the COVID-19 pandemic, as of June 30, 2021 the Company has been able to maintain adequate levels of supplies and pharmaceuticals to support its operations.

3. BUSINESS COMBINATIONS AND ASSET ACQUISITIONS

BioCure Asset Acquisition — In April 2021, pursuant to the Asset Purchase Agreement dated April 7, 2021, the Company completed the acquisition of certain assets of BioCure, LLC ("BioCure") for a purchase price of $18.9 million.

The allocation of the purchase price of BioCure was accounted for as an asset acquisition in accordance with ASC Topic 805, *Business Combinations*, with the total purchase price being allocated to the assets acquired based on the relative fair value of each asset. The purchase price was allocated to the assets acquired as follows:

	Amount
Inventories	$ 601
Intangible assets, net	18,251
Total consideration transferred	$ 18,852

Intangibles assets, net consists of referral sources which were assigned a useful life of 15 years.

4. REVENUE

The following table sets forth the net revenue earned by category of payer for the three and six months ended June 30, 2021 and 2020 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Commercial payers	$ 746,647	$ 642,726	$ 1,395,154	$ 1,248,720
Government payers	102,581	95,124	200,422	181,395
Patients	11,044	2,998	23,933	16,173
Net revenue	$ 860,272	$ 740,848	$ 1,619,509	$ 1,446,288

5. INCOME TAXES

During the three and six months ended June 30, 2021, the Company recorded tax expense of $0.7 million and $2.0 million, respectively, which represents an effective tax rate of 2.2% and 6.5%, respectively. During the three and six months ended June 30, 2020 the Company recorded a tax expense of $0.5 million and $1.5 million, respectively, which represents an effective tax rate of (6.5)% and (5.8)%, respectively.

The Company maintains a full valuation allowance of $105.4 million against all of its net U.S. federal and state deferred tax assets with the exception of $0.4 million of estimated state net operating losses (“NOL”). In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not that some or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets depends on the generation of future taxable income during the periods in which those temporary differences are deductible. The Company considers the scheduled reversal of deferred tax liabilities, including the effect in available carryback and carryforward periods, projected taxable income and tax-planning strategies, in making this assessment. On a quarterly basis, the Company evaluates all positive and negative evidence in determining if the valuation allowance is fairly stated.

Based on the Company’s full valuation allowance, as noted above, the Company’s tax expense for the three and six months ended June 30, 2021 of $0.7 million and $2.0 million consists of quarterly tax liabilities attributable to specific state taxing authorities as well as recognized deferred tax expense.

The Company has accumulated U.S. federal net operating loss carryovers that are subject to one or more Section 382 limitations. This may limit the Company’s ability to utilize its U.S. federal net operating losses.

The Company recorded no income tax expense or benefit for the three or six months ended June 30, 2020 associated with the tax provisions of the CARES Act.

6. EARNINGS (LOSS) PER SHARE

The Company presents basic and diluted earnings (loss) per share for its common stock. Basic earnings (loss) per share is calculated by dividing the net income (loss) of the Company by the weighted average number of shares of common stock outstanding during the period. Diluted earnings (loss) per share is determined by adjusting the profit or loss and the weighted average number of shares of common stock outstanding for the effects of all potentially dilutive securities.

The earnings (loss) is used as the basis of determining whether the inclusion of common stock equivalents would be anti-dilutive. The computation of diluted shares for the three and six months ended June 30, 2021 includes the effect of shares that would be issued in connection with warrants, stock options and restricted stock awards, as these common stock equivalents are dilutive to the earnings per share recorded in those periods. The computation of diluted shares for the three and six months ended June 30, 2020 excludes the effect of these common stock equivalents as their inclusion would be anti-dilutive to the loss per share recorded in those periods. For the three months ended June 30, 2021 there were 915,507 warrants and 547,310 stock option awards outstanding that were excluded from the calculation of earnings per share as they would be anti-dilutive. For the six months ended June 30, 2021 there were 915,507 warrants and 433,440 stock option awards outstanding that were excluded from the calculation of earnings per share as they would be anti-dilutive. For the three and six months ended June 30, 2020, there were 2,328,120 warrants, 497,517 stock options and 562,575 restricted stock awards outstanding that were excluded from the calculation of loss per share as they would be anti-dilutive.

The following table presents the Company’s basic earnings (loss) per share and shares outstanding (in thousands, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Numerator:				
Net income (loss)	$ 31,816	$ (7,668)	$ 28,955	$ (27,578)
Denominator:				
Weighted average number of common shares outstanding	179,843	176,711	179,826	176,686
Earnings (loss) per common share:				
Earnings (loss) per common share, basic	$ 0.18	$ (0.04)	$ 0.16	$ (0.16)

The following table presents the Company’s diluted earnings (loss) per share and shares outstanding (in thousands, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Numerator:				
Net income (loss)	$ 31,816	$ (7,668)	$ 28,955	$ (27,578)
Denominator:				
Weighted average number of common shares outstanding	179,843	176,711	179,826	176,686
Effect of dilutive securities	1,194	—	1,149	—
Weighted average number of common shares outstanding, diluted	181,037	176,711	180,975	176,686
Earnings (loss) per common share:				
Earnings (loss) per common share, diluted	$ 0.18	$ (0.04)	$ 0.16	$ (0.16)

7. LEASES

During the three and six months ended June 30, 2021, the Company incurred operating lease expenses of $6.9 million and $14.5 million, respectively, including short-term lease expense, which were included as a component of selling, general and administrative expense in the unaudited condensed consolidated statements of comprehensive income (loss). During the three and six months ended June 30, 2020, the Company incurred operating lease expense of $7.6 million and $15.3 million, respectively, including short-term lease expenses, which were included as a component of selling, general and administrative expenses in the unaudited condensed consolidated statements of comprehensive income (loss). As of June 30, 2021, the weighted-average remaining lease term was 6.5 years and the weighted-average discount rate was 5.24%.

Operating leases mature as follows (in thousands):

Fiscal Year Ending December 31,	Minimum Payments
2021	$ 13,669
2022	20,344
2023	16,921
2024	11,697
2025	9,290
Thereafter	31,886
Total lease payments	$ 103,807
Less: Interest	15,677
Present value of lease liabilities	$ 88,130

During the three and six months ended June 30, 2020, the Company did not enter into any significant new operating or financing leases. During the three and six months ended June 30, 2021, the Company commenced new leases, extensions and amendments, resulting in non-cash investing and financing activities in the unaudited condensed consolidated statements of cash flow of $5.7 million related to increases in the operating lease right-of-use asset and operating lease liabilities, respectively. As of June 30, 2021, the Company did not have any significant operating or financing leases that had not yet commenced.

8. PROPERTY AND EQUIPMENT

Property and equipment was as follows as of June 30, 2021 and December 31, 2020 (in thousands):

	June 30, 2021	December 31, 2020
Infusion pumps	$ 31,165	$ 31,678
Equipment, furniture and other	52,605	47,886
Leasehold improvements	91,448	87,483
Computer software, purchased and internally developed	29,086	27,799
Assets under development	8,535	10,793
	212,839	205,639
Less: accumulated depreciation	102,177	84,490
Property and equipment, net	$ 110,662	$ 121,149

Depreciation expense is recorded within cost of revenue and operating expenses within the unaudited condensed consolidated statements of comprehensive income (loss), depending on the nature of the underlying fixed assets. The depreciation expense included in cost of revenue relates to revenue-generating assets, such as infusion pumps. The depreciation expense included in operating expenses is related to infrastructure items, such as furniture, computer and office equipment, and leasehold improvements. The following table presents the amount of depreciation expense recorded in cost of revenue and operating expenses for the three and six months ended June 30, 2021 and 2020 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Depreciation expense in cost of revenue	$ 1,369	$ 1,747	$ 2,747	$ 3,489
Depreciation expense in operating expenses	7,589	9,412	15,188	20,731
Total depreciation expense	$ 8,958	$ 11,159	$ 17,935	$ 24,220

9. GOODWILL AND OTHER INTANGIBLE ASSETS

There was no change in the carrying amount of goodwill for the three or six months ended June 30, 2021.

Changes in the carrying amount of goodwill consists of the following activity for the three and six months ended June 30, 2020 (in thousands):

Balance at December 31, 2019	$	1,425,542
Merger purchase accounting adjustments		2,341
Balance at March 31, 2020	$	1,427,883
Merger purchase accounting adjustments		727
Balance at June 30, 2020	$	1,428,610

The carrying amount and accumulated amortization of intangible assets consists of the following as of June 30, 2021 and December 31, 2020 (in thousands):

	June 30, 2021		December 31, 2020	
Gross intangible assets:				
Referral sources	$	456,372	$	438,121
Trademarks/names		44,536		44,536
Other amortizable intangible assets		402		402
Total gross intangible assets		501,310		483,059
Accumulated amortization:				
Referral sources		(123,903)		(110,498)
Trademarks/names		(25,347)		(21,146)
Other amortizable intangible assets		(385)		(363)
Total accumulated amortization		(149,635)		(132,007)
Total intangible assets, net	$	351,675	$	351,052

Amortization expense for intangible assets was $9.0 million and $17.6 million for the three and six months ended June 30, 2021, respectively. Amortization expense for intangible assets was $8.8 million and $17.6 million for the three and six months ended June 30, 2020, respectively.

10. INDEBTEDNESS

Long-term debt consisted of the following as of June 30, 2021 (in thousands):

	Principal Amount	Discount	Debt Issuance Costs	Net Balance
ABL facility	$ —	$ —	$ —	$ —
First lien term loan	1,159,862	(9,149)	(19,480)	1,131,233
Second lien notes	—	—	—	—
	$ 1,159,862	$ (9,149)	$ (19,480)	1,131,233
Less: current portion				(11,775)
Total long-term debt				$ 1,119,458

Long-term debt consisted of the following as of December 31, 2020 (in thousands):

	Principal Amount	Discount	Debt Issuance Costs	Net Balance
ABL facility	$ —	$ —	$ —	$ —
First lien term loan	915,750	(7,253)	(19,710)	888,787
Second lien notes	245,781	(6,102)	(4,113)	235,566
	$ 1,161,531	$ (13,355)	$ (23,823)	1,124,353
Less: current portion				(9,250)
Total long-term debt				$ 1,115,103

In January 2021, the Company entered into an amendment on the First Lien Term Loan (the “First Lien Credit Agreement Amendment”). The First Lien Credit Agreement Amendment resulted in an additional $250.0 million of incremental First Lien Term Loan indebtedness being issued and reduced the interest rate on all outstanding First Lien Term Loan indebtedness from LIBOR plus 4.25% to LIBOR plus 3.75%. The proceeds of the $250.0 million incremental First Lien Term Loan indebtedness were used to prepay the remaining $245.8 million outstanding balance of the Second Lien Notes. Following the First Lien Credit Agreement Amendment, the First Lien Term Loan is repayable in quarterly installments of $2.9 million plus interest, with a final payment of all remaining outstanding principal due on August 6, 2026.

The Company assessed whether the repayment of the Second Lien Notes by issuing incremental First Lien Term Loan indebtedness resulted in an insubstantial modification or an extinguishment of the existing debt for each loan in the syndication by grouping lenders as follows: (i) Lenders participating in both the First Lien Term Loan and Second Lien Notes; (ii) previous lenders that exited; and (iii) new lenders. The Company determined that $161.2 million of the First Lien Term Loan was extinguished and $122.9 million of the Second Lien Term Loan was extinguished, which is disclosed as an outflow from financing activities in the condensed consolidated statements of cash flows. The First Lien Term Loan and Second Lien Notes had insubstantial modifications for lenders that participated in both debt instruments, which resulted in a cash outflow from financing activities of $352.0 million in the condensed consolidated statements of cash flows. The Company determined that $356.2 million of new debt was issued related to the First Lien Term Loan, which is disclosed as an inflow from financing activities in the condensed consolidated statements of cash flows. In connection with the prepayment of the Second Lien Notes and incremental First Lien Term Loan indebtedness, the Company incurred $7.2 million in debt issuance costs and third-party fees, of which $3.7 million was capitalized, $0.9 million was expensed as a component of other expense and $2.6 million was expensed as a loss on extinguishment as a component of other expense in the condensed consolidated statements of comprehensive income (loss) for the six months ended June 30, 2021. Further, $1.0 million of the total fees incurred of $7.2 million was netted against the $356.2 million of proceeds from debt as a component of the cash flows from financing activities, $2.9 million was presented as deferred financing costs as a component of cash flows from financing activities, $2.4 million was presented as debt prepayment fees as a component of cash flows from financing activities, and the remaining $0.9 million was included in cash flows from operating activities in the condensed consolidated statements of cash flows.

The Company recognized a loss on extinguishment of debt of $12.4 million included in the line entitled “Other, net” in the unaudited condensed consolidated statements of comprehensive income (loss) for the six months ended June 31, 2021, of which $2.6 million related to debt issue costs incurred with the incremental First Lien Term Loan indebtedness and prepayment of the Second Lien Notes, as discussed above, and $9.8 million related to existing deferred financing fees that were written off upon extinguishment. All remaining deferred financing fees that existed prior to the First Lien Credit Agreement Amendment were attributed to modified loans, and were capitalized and amortized over the remaining term of the First Lien Term Loan.

The interest rate on the First Lien Term loan was 3.85% and 4.40% as of June 30, 2021 and December 31, 2020, respectively. The weighted average interest rate incurred on the First Lien Term Loan was 3.85% and 3.91% for the three and six months ended June 30, 2021. The weighted average interest rate incurred on the previous First Lien Term Loan was 5.02% and 5.60% for the three and six months ended June 30, 2020, respectively. The interest rate on the Second Lien Notes was 8.98% as of December 31, 2020. The weighted average interest rate incurred on the Second Lien Notes was 8.98% for the period January 1, 2021 through January 20, 2021, prior to the repayment of the outstanding balance. The weighted average interest rate incurred on the Second Lien Notes was 10.33% and 10.44% for the three and six months ended June 30, 2020.

Long-term debt matures as follows (in thousands):

Year Ending December 31,	Minimum Payments	
2021	$	5,888
2022		11,775
2023		11,775
2024		11,775
2025		11,775
Thereafter		1,106,874
Total	$	1,159,862

During the three and six months ended June 30, 2021 and 2020, the Company engaged in hedging activities to limit its exposure to changes in interest rates. See Note 11, *Derivative Instruments*, for further discussion.

The following table presents the estimated fair values of the Company's debt obligations as of June 30, 2021 (in thousands):

Financial Instrument	Carrying Value as of June 30, 2021		Markets for Identical Item (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)	
First lien term loan	$	1,131,233	$	—	$	1,159,862	$	—
Second lien notes		—		—		—		—
Total debt instruments	$	1,131,233	$	—	$	1,159,862	$	—

The following table sets forth the changes in Level 3 measurements for the three months ended March 31, 2021 (in thousands). As the Second Lien Notes were prepaid in Q1, there was no change in the fair value for the three months ended June 30, 2021.

	Level 3 Measurements	
Second lien notes fair value as of January 1, 2021	$	266,438
Principal prepayment		(245,781)
Change in fair value		(20,657)
Second lien notes fair value as of March 31, 2021	$	—

See Note 12, *Fair Value Measurements*, for further discussion.

11. DERIVATIVE INSTRUMENTS

The Company uses derivative financial instruments for hedging and non-trading purposes to limit the Company's exposure to increases in interest rates related to its variable interest rate debt. Use of derivative financial instruments in hedging programs subjects the Company to certain risks, such as market and credit risks. Market risk represents the possibility that the value of the derivative financial instrument will change. In a hedging relationship, the change in the value of the derivative financial instrument is offset to a great extent by the change in the value of the underlying hedged item. Credit risk related to a derivative financial instrument represents the possibility that the counterparty will not fulfill the terms of the contract. The notional, or contractual, amount of the Company's derivative financial instruments is used to measure interest to be paid or received and does not represent the Company's exposure due to credit risk. Credit risk is monitored through established approval procedures, including reviewing credit ratings when appropriate.

In August 2019, the Company entered into interest rate swap agreements that reduce the variability in the interest rates on the newly-issued debt obligations following the Merger with BioScrip. The first interest rate swap for $925.0 million notional was effective in August 2019 with $911.1 million designated as a cash flow hedge against the underlying interest rate on the first lien term loan interest payments indexed to one-month London Interbank Offered Rate ("LIBOR") through August 2021. In accordance with ASU 2017-12, Targeted Improvements to Accounting for Hedges, the Company has determined that the $911.1 million designated cash flow hedge is perfectly effective. The remaining $13.9 million notional amount of the interest rate swap is not designated as a hedging instrument. The second interest rate swap of $400.0 million notional was effective in November 2019 and was designated as a cash flow hedge against the underlying interest rate on the second lien notes interest payments indexed to three-month LIBOR through November 2020.

In May 2020, the Company elected to PIK the second lien note's quarterly interest payment due in August 2020. Upon making the PIK election, the Company determined that the hedged interest payment would no longer occur, resulting in an ineffective hedge, so the Company discontinued hedge accounting on its $400.0 million notional interest rate swap. As a result, the Company reclassified accumulated comprehensive loss of $3.7 million to interest expense, net in the unaudited condensed consolidated statements of comprehensive income (loss). The gains and losses associated with the $400.0 million notional swap were recognized in net income (loss) through interest expense until the swap expired in November 2020.

The following table summarizes the amount and location of the Company's derivative instruments in the condensed consolidated balance sheets (in thousands):

		Fair value - Derivatives in liability position	
Derivative	**Balance Sheet Caption**	**June 30, 2021**	**December 31, 2020**
Interest rate swaps designated as cash flow hedges	Accrued expenses and other current liabilities	$ 2,892	$ 11,172
Interest rate swaps not designated as cash flow hedges	Accrued expenses and other current liabilities	44	170
Total derivatives		$ 2,936	$ 11,342

The gain and loss associated with the changes in the fair value of the effective portion of the hedging instrument are recorded into other comprehensive (loss) income. The gain and loss associated with the changes in the fair value of the $13.9 million notional amount not designated as a hedging instrument is recognized in net income (loss) through interest expense. The following table presents the pre-tax gains (losses) from derivative instruments recognized in other comprehensive (loss) income in the Company's unaudited condensed consolidated statements of comprehensive income (loss) (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
Derivative	**2021**	**2020**	**2021**	**2020**
Interest rate swaps designated as cash flow hedges	$ 4,199	$ 830	$ 8,280	$ (15,802)
Interest rate swaps that discontinued hedge accounting	—	3,746	—	3,746
	$ 4,199	$ 4,576	$ 8,280	$ (12,056)

The following table presents the amount and location of pre-tax income (loss) recognized in the Company's unaudited condensed consolidated statement of comprehensive income (loss) related to the Company's derivative instruments (in thousands):

		Three Months Ended June 30,		Six Months Ended June 30,	
Derivative	**Income Statement Caption**	**2021**	**2020**	**2021**	**2020**
Interest rate swaps designated as cash flow hedges	Interest expense	$ (4,246)	$ (3,654)	$ (8,395)	$ (4,453)
Interest rate swaps not designated as hedges	Interest expense	(1)	244	(2)	9
Interest rate swaps that discontinued hedge accounting	Interest expense	—	(3,746)	—	(3,746)
		$ (4,247)	$ (7,156)	$ (8,397)	$ (8,190)

The Company expects to reclassify $2.9 million of total interest rate costs from accumulated other comprehensive loss against interest expense during the next 12 months.

12. FAIR VALUE MEASUREMENTS

Fair value measurements are determined by maximizing the use of observable inputs and minimizing the use of unobservable inputs. The hierarchy places the highest priority on unadjusted quoted market prices in active markets for identical assets or liabilities (Level 1 measurements) and gives the lowest priority to unobservable inputs (Level 3 measurements). The categories within the valuation hierarchy are described as follows:

- Level 1 — Inputs to the fair value measurement are quoted prices in active markets for identical assets or liabilities.
- Level 2 — Inputs to the fair value measurement include quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.
- Level 3 — Inputs to the fair value measurement are unobservable inputs or valuation techniques.

While the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

First lien term loan: The fair value of the first lien term loan is derived from a broker quote on the loans in the syndication (Level 2 inputs). See Note 10, *Indebtedness*, for further discussion of the carrying amount and fair value of the first lien term loan.

Second lien notes: Prior to the January 2021 debt refinancing, the fair value of the second lien notes was derived from a cash flow model that discounted the cash flows based on market interest rates (Level 3 inputs). See Note 10, *Indebtedness*, for further discussion of the carrying amount and fair value of the second lien notes.

Interest rate swaps: The fair values of interest rate swaps are derived from the interest rates prevalent in the market and future expectations of those interest rates (Level 2 inputs). The Company determines the fair value of the investments based on quoted prices from third-party brokers. See Note 11, *Derivative Instruments*, for further discussion of the fair value of interest rate swaps.

There were no other assets or liabilities measured at fair value at June 30, 2021 and December 31, 2020.

13. COMMITMENTS AND CONTINGENCIES

The Company is involved in legal proceedings and is subject to investigations, inspections, audits, inquiries, and similar actions by governmental authorities, arising in the normal course of the Company’s business. Some of these suits may purport or may be determined to be class actions and/or involve parties seeking large and/or indeterminate amounts, including punitive or exemplary damages, and may remain unresolved for several years. From time to time, the Company may also be involved in legal proceedings as a plaintiff involving antitrust, tax, contract, intellectual property, and other matters. Gain contingencies, if any, are recognized when they are realized. The results of legal proceedings are often uncertain and difficult to predict, and the costs incurred in litigation can be substantial, regardless of the outcome. The Company believes that its defenses and assertions in pending legal proceedings have merit and does not believe that any of these pending matters, after consideration of applicable reserves and rights to indemnification, will have a material adverse effect on the Company’s condensed consolidated balance sheets. However, substantial unanticipated verdicts, fines, and rulings may occur. As a result, the Company may from time to time incur judgments, enter into settlements, or revise expectations regarding the outcome of certain matters, and such developments could have a material adverse effect on its results of operations in the period in which the amounts are accrued and/or its cash flows in the period in which the amounts are paid.

14. STOCK-BASED INCENTIVE COMPENSATION

Equity Incentive Plans — Under the Company's 2018 Equity Incentive Plan (the "2018 Plan"), approved at the annual meeting by the BioScrip stockholders on May 3, 2018, the Company may issue, among other things, incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock units, stock grants, and performance units to key employees and directors. The 2018 plan is administered by the Company's Compensation Committee, a standing committee of the Board of Directors. A total of 4,101,735 shares of common stock were initially authorized for issuance under the 2018 Plan. In May 2021, an additional 4,999,999 shares were authorized for issuance under the 2018 Plan, resulting in a total of 9,101,734 shares of common stock authorized for issuance. The Company had stock options, restricted stock and performance stock units outstanding related to the 2018 Plan as of June 30, 2021. As of June 30, 2021, the Company also had incentive units outstanding related to the HC I equity incentive plan, which was implemented in October 2015, for certain officers and employees of the Company. During the three and six months ended June 30, 2021, total stock-based incentive compensation expense recognized by the Company related to these plans was $2.5 million and $3.7 million, respectively. During the three and six months ended June 30, 2020, total stock-based incentive compensation expense recognized by the Company related to these plans was $0.7 million and $1.4 million, respectively.

15. STOCKHOLDERS' EQUITY

During the three and six months ended June 30, 2021, HC I completed secondary offerings of 17,250,000 and 46,500,000 shares of common stock, respectively. Following these offerings, HC I holds approximately 37.7% of the common stock of the Company.

2017 Warrants — During the three and six months ended June 30, 2021, warrant holders did not elect to exercise any warrants to purchase shares of common stock. During the three and six months ended June 30, 2020, warrant holders did not elect to exercise any warrants to purchase shares of common stock. As of June 30, 2021 and December 31, 2020, the remaining warrant holders are entitled to purchase 1.4 million shares of common stock, respectively.

2015 Warrants — During the three and six months ended June 30, 2021, warrant holders did not elect to exercise any warrants to purchase shares of common stock. During the three and six months ended June 30, 2020, warrant holders did not elect to exercise any warrants to purchase shares of common stock. As of June 30, 2021 and December 31, 2020, warrant holders are entitled to purchase 0.9 million shares of common stock, respectively.

16. RELATED-PARTY TRANSACTIONS

Transactions with Equity-Method Investees — The Company provides management services to its joint ventures such as accounting, invoicing and collections in addition to day-to-day managerial support of the operations of the businesses. The Company recorded management fee income of $0.9 million and $1.7 million for the three and six months ended June 30, 2021, respectively. The Company recorded management fee income of $0.7 million and $1.4 million for the three and six months ended June 30, 2020, respectively. Management fees are recorded in net revenues in the accompanying unaudited condensed consolidated statements of comprehensive income (loss).

The Company had amounts due from its joint ventures of $0.4 million and amounts due to its joint ventures of $1.5 million as of June 30, 2021. The Company also had amounts due from its joint ventures of $2.4 million as of December 31, 2020. These receivables were included in prepaid expenses and other current assets in the accompanying condensed consolidated balance sheets. These balances primarily relate to cash collections received by the Company on behalf of the joint ventures, offset by certain pharmaceutical inventories and other expenses paid for by the Company on behalf of the joint ventures.

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

Unless the context requires otherwise, references in this report to "Option Care Health," the “Company,” “we,” “us” and “our” refer to Option Care Health, Inc. and its consolidated subsidiaries. The following discussion and analysis of the financial condition and results of operations of Option Care Health, Inc. (“Option Care Health”, or the “Company”) should be read in conjunction with the audited consolidated financial statements and related notes, as presented in the Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 11, 2021, as well as the Company’s unaudited condensed consolidated financial statements and the related notes thereto included elsewhere in this report.

Forward-Looking Statements

This Quarterly Report on Form 10-Q (this “Quarterly Report”) contains statements not purely historical and which may be considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act’), including statements regarding our expectations, beliefs, future plans and strategies, anticipated events or trends concerning matters that are not historical facts or that necessarily depend upon future events. In some cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “could,” “would,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “project,” “predict,” “potential,” and similar expressions. Such forward-looking statements include, but are not limited to, the effect of the novel coronavirus (“COVID-19”) on our business, financial condition and results of operations. This Quarterly Report contains, among others, forward-looking statements based upon current expectations that involve numerous risks and uncertainties, including those described in Item 1A “Risk Factors”.

Investors are cautioned that any such forward-looking statements are not guarantees of future performance, involve risks and uncertainties and that actual results may differ materially from those possible results discussed in the forward-looking statements as a result of various factors.

Do not place undue reliance on such forward-looking statements as they speak only as of the date they are made. Except as required by law, the Company assumes no obligation to publicly update or revise any forward-looking statement even if experience or future changes make it clear that any projected results expressed or implied therein will not be realized.

Business Overview

Option Care Health, and its wholly-owned subsidiaries, provides infusion therapy and other ancillary health care services through a national network of 144 locations around the United States. The Company contracts with managed care organizations, third-party payers, hospitals, physicians, and other referral sources to provide pharmaceuticals and complex compounded solutions to patients for intravenous delivery in the patients’ homes or other nonhospital settings. Our services are provided in coordination with, and under the direction of, the patient’s physician. Our multidisciplinary team of clinicians, including pharmacists, nurses, dietitians and respiratory therapists, work with the physician to develop a plan of care suited to each patient’s specific needs. We provide home infusion services consisting of anti-infectives, nutrition support, bleeding disorder therapies, immunoglobulin therapy, and other therapies for chronic and acute conditions.

HC Group Holdings II, Inc. (“HC II”) was incorporated under the laws of the State of Delaware on January 7, 2015, with its sole shareholder being HC Group Holdings I, LLC. (“HC I”). On April 7, 2015, HC I and HC II collectively acquired Walgreens Infusion Services, Inc. and its subsidiaries from Walgreen Co., and the business was rebranded as Option Care, Inc. (“Option Care”).

Update on the Impact of the COVID-19 Pandemic

The primary operations of the Company focus on providing infusion therapy services and based on the recent impact of the pandemic across the healthcare ecosystem, the Company began experiencing a related impact across a number of facets beginning in March 2020.

The Company relies upon patient referrals from multiple sources, including but not limited to patients discharged from acute care settings (e.g., hospitals) and patients requiring treatment for chronic conditions from specialty physicians. As expected, the pandemic has negatively affected new patient referrals for both acute and chronic conditions; however, the Company did experience an increase in patient transfers from hospital and outpatient settings which positively affected revenues. For the three and six months ended June 30, 2021, the revenue results reflect acute revenue that had high and mid-single digit growth, respectively, relative to the prior year while chronic revenue grew in the mid-teens. Option Care Health continues to collaborate with payers and health systems to transition patients into the home or one of our alternate treatment sites to receive vital infusion therapy.

The Company continued to experience cost inefficiencies during the three and six months ended June 30, 2021 with respect to clinical labor and other staffing challenges. Integration-related initiatives that were accelerated during the year ended December 31, 2020 continue to offset the negative impacts resulting from the COVID-19 pandemic. Further, to date, the Company has experienced no material deceleration in cash collections and collaboration with payers continues to be productive. The Company anticipates that the pandemic could affect its operations for an extended period; however, at this time cannot confidently forecast the duration nor the ultimate financial impact on its operations. See Item 1A. “Risk Factors” under the caption “The COVID-19 pandemic could adversely impact our business, results of operations, cash flows and financial position” included in our Annual Report on Form 10-K for the year ended December 31, 2020 for further discussion of risks.

Composition of Results of Operations

The following results of operations include the accounts of Option Care Health and our subsidiaries for the three and six months ended June 30, 2021 and 2020.

Gross Profit

Gross profit represents our net revenue less cost of revenue.

Net Revenue. Infusion and related health care services revenue is reported at the estimated net realizable amounts from third-party payers and patients for goods sold and services rendered. When pharmaceuticals are provided to a patient, revenue is recognized upon delivery of the goods. When nursing services are provided, revenue is recognized when the services are rendered.

Due to the nature of the health care industry and the reimbursement environment in which the Company operates, certain estimates are required to record revenue and accounts receivable at their net realizable values at the time goods or services are provided. Inherent in these estimates is the risk that they will have to be revised or updated as additional information becomes available. Specifically, the complexity of many third-party billing arrangements and the uncertainty of reimbursement amounts for certain services from certain payers may result in adjustments to amounts originally recorded.

Cost of Revenue. Cost of revenue consists of the actual cost of pharmaceuticals and other medical supplies dispensed to patients. In addition to product costs, cost of revenue includes warehousing costs, purchasing costs, depreciation expense relating to revenue-generating assets, such as infusion pumps, shipping and handling costs, and wages and related costs for the pharmacists, nurses, and all other employees and contracted workers directly involved in providing service to the patient.

The Company receives volume-based rebates and prompt payment discounts from some of its pharmaceutical and medical supplies vendors. These payments are recorded as a reduction of inventory and are accounted for as a reduction of cost of revenue when the related inventory is sold.

Operating Costs and Expenses

Selling, General and Administrative Expenses. Selling, general and administrative expenses consist principally of salaries for administrative employees that directly and indirectly support the operations, occupancy costs, marketing expenditures, insurance, and professional fees.

Depreciation and Amortization Expense. Depreciation within this caption includes infrastructure items such as computer hardware and software, office equipment and leasehold improvements. Depreciation of revenue-generating assets, such as infusion pumps, is included in cost of revenue.

Other Income (Expense)

Interest Expense, Net. Interest expense consists principally of interest payments on the Company's outstanding borrowings under the ABL Facility, the first lien term loan and second lien notes, amortization of discount and deferred financing fees, and changes in derivatives not designated as hedging instruments related to the interest rate swaps. Refer to the "Liquidity and Capital Resources" section below for further discussion of these outstanding borrowings.

Equity in Earnings of Joint Ventures. Equity in earnings of joint ventures consists of our proportionate share of equity earnings or losses from equity investments in two infusion joint ventures with health systems.

Other, Net. Other income (expense) primarily includes loss on extinguishment of debt incurred in connection with the 2021 debt refinancing and miscellaneous non-operating expenses.

Income Tax Expense. The Company is subject to taxation in the United States and various states. The Company's income tax expense is reflective of the current federal and state tax rates.

Change in unrealized gains (losses) on cash flow hedges, net of income tax expense (benefit). Change in unrealized gains (losses) on cash flow hedges, net of income taxes, consists of the gains and losses associated with the changes in the fair value of derivatives designated as hedging instruments related to the interest rate caps and interest rate swaps, net of income taxes.

Results of Operations

The following table presents Option Care Health's consolidated results of operations for the three and six months ended June 30, 2021 and 2020 (in thousands):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021 (unaudited)		2020 (unaudited)		2021 (unaudited)		2020 (unaudited)	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
NET REVENUE	$ 860,272	100.0 %	$ 740,848	100.0 %	$ 1,619,509	100.0 %	$ 1,446,288	100.0 %
COST OF REVENUE	661,304	76.9 %	574,528	77.6 %	1,255,068	77.5 %	1,121,939	77.6 %
GROSS PROFIT	198,968	23.1 %	166,320	22.4 %	364,441	22.5 %	324,349	22.4 %
OPERATING COSTS AND EXPENSES:								
Selling, general and administrative expenses	134,257	15.6 %	124,918	16.9 %	254,297	15.7 %	254,198	17.6 %
Depreciation and amortization expense	16,619	1.9 %	18,194	2.5 %	32,958	2.0 %	38,295	2.6 %
Total operating expenses	150,876	17.5 %	143,112	19.3 %	287,255	17.7 %	292,493	20.2 %
OPERATING INCOME	48,092	5.6 %	23,208	3.1 %	77,186	4.8 %	31,856	2.2 %
OTHER INCOME (EXPENSE):								
Interest expense, net	(17,236)	(2.0)%	(31,432)	(4.2)%	(36,717)	(2.3)%	(59,519)	(4.1)%
Equity in earnings of joint ventures	1,686	0.2 %	1,012	0.1 %	2,891	0.2 %	1,574	0.1 %
Other, net	5	— %	14	— %	(12,396)	(0.8)%	22	— %
Total other expense	(15,545)	(1.8)%	(30,406)	(4.1)%	(46,222)	(2.9)%	(57,923)	(4.0)%
INCOME (LOSS) BEFORE INCOME TAXES	32,547	3.8 %	(7,198)	(1.0)%	30,964	1.9 %	(26,067)	(1.8)%
INCOME TAX EXPENSE	731	0.1 %	470	0.1 %	2,009	0.1 %	1,511	0.1 %
NET INCOME (LOSS)	$ 31,816	3.7 %	$ (7,668)	(1.0)%	$ 28,955	1.8 %	$ (27,578)	(1.9)%
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:								
Change in unrealized gains (losses) on cash flow hedges, net of income tax expense (benefit) of $0, $0, $0 and $0, respectively	4,199	0.5 %	4,576	0.6 %	8,280	0.5 %	(12,056)	(0.8)%
OTHER COMPREHENSIVE INCOME (LOSS)	4,199	0.5 %	4,576	0.6 %	8,280	0.5 %	(12,056)	(0.8)%
NET COMPREHENSIVE INCOME (LOSS)	$ 36,015	4.2 %	$ (3,092)	(0.4)%	$ 37,235	2.3 %	$ (39,634)	(2.7)%

Three Months Ended June 30, 2021 Compared to Three Months Ended June 30, 2020

The following tables present selected consolidated comparative results of operations from Option Care Health’s unaudited condensed consolidated financial statements for the three month periods ended June 30, 2021 and June 30, 2020.

Gross Profit

	Three Months Ended June 30,			
	2021 (unaudited)	2020 (unaudited)	Variance	
	(in thousands, except for percentages)			
Net revenue	$ 860,272	$ 740,848	$ 119,424	16.1 %
Cost of revenue	661,304	574,528	86,776	15.1 %
Gross profit	$ 198,968	$ 166,320	$ 32,648	19.6 %
Gross profit margin	23.1 %	22.4 %		

The increase in net revenue was primarily driven by organic growth in the Company’s portfolio of therapies, consisting of acute revenue that had high single digit growth relative to the prior year while chronic revenue grew in the mid-teens. The increase in cost of revenue was driven by the growth in revenue. The increase in gross profit was primarily related to contribution margin from the increase in net revenue. The slight increase in gross profit margin was driven by mix shift toward higher profit therapies.

Operating Expenses

	Three Months Ended June 30,			
	2021 (unaudited)	2020 (unaudited)	Variance	
	(in thousands, except for percentages)			
Selling, general and administrative expenses	$ 134,257	$ 124,918	$ 9,339	7.5 %
Depreciation and amortization expense	16,619	18,194	(1,575)	(8.7)%
Total operating expenses	$ 150,876	$ 143,112	$ 7,764	5.4 %

Selling, general and administrative expenses increased for the three months ended June 30, 2021 primarily due to salaries and benefits, but has decreased as a percentage of revenue to 15.6% for the three months ended June 30, 2021 as compared to 16.9% for the three months ended June 30, 2020, as our revenue has grown at a faster pace than our selling, general and administrative expenses.

The decrease in depreciation and amortization was primarily related to a reduction in capital expenditures corresponding with the completion of Merger integration activities during the year ended December 31, 2020.

Other Income (Expense)

	Three Months Ended June 30,			
	2021 (unaudited)	2020 (unaudited)	Variance	
	(in thousands, except for percentages)			
Interest expense, net	$ (17,236)	$ (31,432)	$ 14,196	(45.2)%
Equity in earnings of joint ventures	1,686	1,012	674	66.6 %
Other, net	5	14	(9)	(64.3)%
Total other expense	$ (15,545)	$ (30,406)	$ 14,861	(48.9)%

The decrease in interest expense was primarily attributable to the debt refinancing of the first lien term loan and prepayment of the second lien notes in January 2021, as well as the reduction in the outstanding debt balance due to retirement of debt obligations which were completed during 2020. See Note 10, *Indebtedness*, of the unaudited condensed consolidated financial statements.

Income Tax Expense

	Three Months Ended June 30,			
	2021 (unaudited)	2020 (unaudited)	Variance	
	(in thousands, except for percentages)			
Income tax expense	$ 731	$ 470	$ 261	55.5 %

The Company maintains a full valuation allowance, established at the time of Merger, against all of its net U.S. federal and state deferred tax assets with the exception of approximately $0.4 million of estimated state net operating losses (“NOL”). Because of the Company’s full valuation allowance, the Company’s tax expense for the three months ended June 30, 2021 only consists of quarterly tax liabilities attributable to separate company state tax returns as well as recognized deferred tax expense. These tax expense items resulted in an effective tax rate of 2.2% during the three months ended June 30, 2021. During the three months ended June 30, 2020, the effective tax rate was negative 6.5%. The variance in the year-over-year effective tax rates is primarily attributable to changes in the valuation allowance combined with year-over-year variances in income (loss) before income taxes for the Company. The quarterly tax rates of both periods differ from the Company’s 21% federal statutory rate primarily due to changes in valuation allowance, certain state and local taxes, non-deductible costs and resolution of certain tax matters.

Net Income (Loss) and Other Comprehensive Income (Loss)

	Three Months Ended June 30,			
	2021 (unaudited)	2020 (unaudited)	Variance	
	(in thousands, except for percentages)			
Net income (loss)	$ 31,816	$ (7,668)	$ 39,484	(514.9)%
Other comprehensive income (loss), net of tax:				
Changes in unrealized gains (losses) on cash flow hedges, net of income taxes	4,199	4,576	(377)	(8.2)%
Other comprehensive income (loss)	4,199	4,576	(377)	(8.2)%
Net comprehensive income (loss)	$ 36,015	$ (3,092)	$ 39,107	(1,264.8)%

The change in net income (loss) was primarily attributed to contribution margin from additional revenue related to organic growth and realization of Merger-related integration savings that resulted in total operating expenses decreasing as a percentage of revenue.

Net comprehensive income was $36.0 million for the three months ended June 30, 2021, compared to net comprehensive loss of $3.1 million for the three months ended June 30, 2020, primarily as a result of the changes in net income (loss), discussed above.

Six Months Ended June 30, 2021 Compared to Six Months Ended June 30, 2020

The following tables present selected consolidated comparative results of operations from the Company’s unaudited condensed consolidated financial statements for the six month periods ended June 30, 2021 and June 30, 2020.

Gross Profit

	Six Months Ended June 30,			
	2021 (unaudited)	2020 (unaudited)	Variance	
	(in thousands, except for percentages)			
Net revenue	$ 1,619,509	$ 1,446,288	$ 173,221	12.0 %
Cost of revenue	1,255,068	1,121,939	$ 133,129	11.9 %
Gross profit	364,441	324,349	$ 40,092	12.4 %
Gross profit margin	22.5 %	22.4 %		

The increase in net revenue was primarily driven by organic growth in the Company’s portfolio of therapies. The increase in cost of revenue was driven by the growth in revenue. The increase in gross profit was primarily related to contribution margin from the increase in net revenue. The slight increase in gross profit margin was driven by mix shift toward higher profit therapies.

Operating Expenses

	Six Months Ended June 30,			
	2021 (unaudited)	2020 (unaudited)	Variance	
	(in thousands, except for percentages)			
Selling, general and administrative expenses	$ 254,297	$ 254,198	$ 99	— %
Depreciation and amortization expense	32,958	38,295	(5,337)	(13.9)%
Total operating expenses	$ 287,255	$ 292,493	$ (5,238)	(1.8)%

Selling, general and administrative expenses increased slightly for the six months ended June 30, 2021 primarily due to salaries and benefits, but has decreased as a percentage of revenue to 15.7% for the six months ended June 30, 2021 as compared to 17.6% for the six months ended June 30, 2020 due to Merger synergy realization.

The decrease in depreciation and amortization was primarily related to a reduction in capital expenditures corresponding with the completion of Merger integration activities during the year ended December 31, 2020.

Other Income (Expense)

	Six Months Ended June 30,			
	2021 (unaudited)	2020 (unaudited)	Variance	
	(in thousands, except for percentages)			
Interest expense, net	$ (36,717)	$ (59,519)	$ 22,802	(38.3)%
Equity in earnings of joint ventures	2,891	1,574	1,317	83.7 %
Other, net	(12,396)	22	(12,418)	(56445.5)%
Total other expense	$ (46,222)	$ (57,923)	$ 11,701	(20.2)%

The decrease in interest expense was primarily attributable to the debt refinancing of the first lien term loan and prepayment of the second lien notes in January 2021, as well as the reduction in the outstanding debt balance due to retirement of debt obligations which were completed during 2020. See Note 10, *Indebtedness*, of the unaudited condensed consolidated financial statements.

The increase in other, net relates to the loss on extinguishment of debt of $12.4 million incurred in the first quarter of 2021 in conjunction with the refinancing of the first lien term loan and prepayment of all outstanding principal of the second lien notes.

Income Tax Expense

	Six Months Ended June 30,			
	2021 (unaudited)	2020 (unaudited)	Variance	
	(in thousands, except for percentages)			
Income tax expense	$ 2,009	$ 1,511	$ 498	33.0 %

The Company maintains a full valuation allowance, established at the time of Merger, against all of its net U.S. federal and state deferred tax assets with the exception of approximately $0.4 million of estimated state net operating losses (“NOL”). Because of the Company’s full valuation allowance, the Company’s tax expense for the six months ended June 30, 2021 only consists of quarterly tax liabilities attributable to separate company state taxing authorities as well as recognized deferred tax expense. These tax expense items created an effective tax rate of 6.5% during the six months ended June 30, 2021. During the six months ended June 30, 2020, the effective tax rate was negative 5.8%. The variance in the year-over-year effective tax rates is primarily attributable to changes in the valuation allowance combined with year-over-year variances in income (loss) before income taxes for the Company. The effective tax rates of both periods differ from the Company’s 21% federal statutory rate primarily due to changes in valuation allowance, certain state and local taxes, non-deductible costs and resolution of certain tax matters.

Net Income (Loss) and Other Comprehensive Income (Loss)

	Six Months Ended June 30,			
	2021 (unaudited)	2020 (unaudited)	Variance	
	(in thousands, except for percentages)			
Net income (loss)	$ 28,955	$ (27,578)	$ 56,533	(205.0)%
Other comprehensive income (loss), net of tax:				
Changes in unrealized gains (losses) on cash flow hedges, net of income taxes	8,280	(12,056)	20,336	(168.7)%
Other comprehensive income (loss)	8,280	(12,056)	20,336	(168.7)%
Net comprehensive income (loss)	$ 37,235	$ (39,634)	$ 76,869	(193.9)%

The change in net income (loss) was primarily attributed to contribution margin from additional revenue related to organic growth and realizing Merger-related integration savings that resulted in total operating expenses decreasing as a percentage of revenue.

The change in unrealized gains (losses) on cash flow hedges, net of income taxes, primarily related to the increase in fair value on the $925.0 million notional swap as the swap nears maturity in August 2021. The change in unrealized loss for the six months ended June 30, 2020 related to the decrease in the variable interest rates during 2020, partially offset by the $3.7 million reclassification from accumulated other comprehensive income to interest expense upon discontinuing hedge accounting on the $400.0 million notional interest rate swap.

The change in net comprehensive income (loss) was the result of the change in net income (loss), described above, further increased by the impact of the fair value of the interest rate swaps.

Liquidity and Capital Resources

For the six months ended June 30, 2021 and the twelve months ended December 31, 2020, the Company's primary sources of liquidity were cash on hand of $157.5 million and $99.3 million, respectively, as well as the $165.4 million of borrowings available under its credit facilities. During the six months ended June 30, 2021 and the year ended December 31, 2020, the Company's positive cash flows from operations enabled investments in pharmacy and information technology infrastructure to support growth and create additional capacity in the future, as well as pursue acquisitions.

The Company's primary uses of cash include supporting our ongoing business activities and investing in various acquisitions and our infrastructure to support additional business volumes. Ongoing operating cash outflows are primarily associated with procuring and dispensing prescription drugs, personnel and other costs associated with servicing patients, as well as paying cash interest on the outstanding debt. Ongoing investing cash flows are primarily associated with capital projects related to business acquisitions, the improvement and maintenance of our pharmacy facilities and investment in our information technology systems. Ongoing financing cash flows are primarily associated with the quarterly principal payments on our outstanding debt.

Our business strategy includes the selective acquisition of additional infusion pharmacies and other related healthcare businesses. We continue to evaluate acquisition opportunities and view acquisitions as a key part of our growth strategy. The Company historically has funded its acquisitions with cash with the exception of the Merger. The Company may require additional capital in excess of current availability in order to complete future acquisitions. It is impossible to predict the amount of capital that may be required for acquisitions, and there is no assurance that sufficient financing for these activities will be available on acceptable terms.

Short-Term and Long-Term Liquidity Requirements

The Company's ability to make principal and interest payments on any borrowings under our credit facilities and our ability to fund planned capital expenditures will depend on our ability to generate cash in the future, which, to a certain extent, is subject to general economic, financial, competitive, regulatory and other conditions. Based on our current level of operations and planned capital expenditures, we believe that our existing cash balances and expected cash flows generated from operations will be sufficient to meet our operating requirements for at least the next 12 months. We may require additional borrowings under our credit facilities and alternative forms of financings or investments to achieve our longer-term strategic plans.

Credit Facilities

The Company's asset-based-lending ("ABL") revolving credit facility provides for borrowings up to $175.0 million, which matures on August 6, 2024. The ABL facility bears interest at a per annum rate that is determined by the Company's periodic selection of rate type, either the Base Rate or the Eurocurrency Rate. The Base Rate is charged between 1.25% and 1.75% and the Eurocurrency Rate is charged between 2.25% and 2.75% based on the historical excess availability as a percentage of the Line Cap, as defined in the ABL facility credit agreement. The revolving credit facility contains commitment fees payable on the unused portion of the ABL facility ranging from 0.25% to 0.375%, depending on various factors including the Company's leverage ratio, type of loan and rate type, and letter of credit fees of 2.5%. The Company had no outstanding borrowings under the ABL facility at June 30, 2021. The Company had $9.6 million of undrawn letters of credit issued and outstanding, resulting in net borrowing availability under the ABL facility of $165.4 million as of June 30, 2021.

The principal balance of the first lien term loan was initially repayable in quarterly installments of $2.3 million plus interest, with a final payment of all remaining outstanding principal due on August 6, 2026. The quarterly principal payments commenced in March of 2020. Interest on the first lien term loan was initially payable monthly on Base Rate loans at Base Rate, as defined, plus 3.25% to 3.50%, depending on the Company's leverage ratio. Interest was initially charged on Eurocurrency Rate loans at the Eurocurrency Rate, as defined, plus 4.25% to 4.50%, depending on the Company's leverage ratio. The interest rate on the first lien term loan was 3.85% as of June 30, 2021.

The second lien notes initially matured on August 6, 2027. Interest on the second lien notes was initially payable quarterly at London Interbank Offered Rate ("LIBOR"), plus 8.75%. The Company paid the second and third quarterly interest payments, due in February 2020 and May 2020. The Company elected to pay-in-kind the quarterly interest payment due in August 2020, which resulted in the Company capitalizing the interest payment to the principal balance on the interest payment date. In August 2020, the Company prepaid $125.0 million of the outstanding principal balance. In December 2020, the Company utilized available cash on hand to prepay an additional $49.0 million of the outstanding principal balance, reducing the outstanding principal balance to $245.8 million as of December 31, 2020.

During the three months ended March 31, 2021, the Company entered into an amendment on the first lien term loan (the "First Lien Credit Agreement Amendment"). The First Lien Credit Agreement Amendment resulted in an additional $250.0 million of incremental first lien term loan indebtedness being issued and reduced the interest rate on all outstanding first lien term loan indebtedness from LIBOR plus 4.25% to LIBOR plus 3.75%. The proceeds of the $250.0 million incremental first lien term loan indebtedness were used to prepay the remaining $245.8 million outstanding balance of the second lien notes. Following the First Lien Credit Agreement Amendment, the first lien term loan is repayable in quarterly installments of $2.9 million plus interest, with a final payment of all outstanding principal due on August 6, 2026. See Note 10, *Indebtedness*, of the unaudited condensed consolidated financial statements included in Item 1 of this report for further discussion. The interest rate on the first lien term loan was 3.85% as of June 30, 2021.

Cash Flows

Six Months Ended June 30, 2021 Compared to Six Months Ended June 30, 2020

The following table presents selected data from Option Care Health's unaudited condensed consolidated statements of cash flows:

	Six Months Ended June 30,		
	2021 (unaudited)	2020 (unaudited)	Variance
		(in thousands)	
Net cash provided by operating activities	$ 92,034	$ 53,390	$ 38,644
Net cash used in investing activities	(25,660)	(8,728)	(16,932)
Net cash (used in) provided by financing activities	(8,113)	6,381	(14,494)
Net increase in cash and cash equivalents	58,261	51,043	7,218
Cash and cash equivalents - beginning of period	99,265	67,056	32,209
Cash and cash equivalents - end of period	$ 157,526	$ 118,099	$ 39,427

Cash Flows from Operating Activities

The increase in cash flows provided by operating activities is primarily due to higher net income, working capital efficiencies and timing of vendor payments during the six months ended June 30, 2021 as compared to the six months ended June 30, 2020.

Cash Flows from Investing Activities

The increase in cash flows used in investing activities is primarily due to the BioCure asset acquisition in the current year.

Cash Flows from Financing Activities

The increase in cash used in financing activities is related to the current year debt refinancing, which resulted in proceeds of debt of $355.2 million, retirement of debt obligations of $352.0 million, deferred financing costs of $2.9 million and debt prepayment penalties of 2.5 million. The remaining change in financing activities was related to receipt of $11.7 million of CARES Act funds in Q2 2020 with no comparable activity in the six months ended June 30, 2021.

Commitments and Contractual Obligations

The following table presents Option Care Health's commitments and contractual obligations as of June 30, 2021, as well as its long-term obligations that changed materially from the Company's annual report on form 10-K (in thousands):

		Payments Due by Period				
		Total	**Less than 1 year**	**1 - 3 years**	**3 - 5 years**	**More than 5 years**
				(in thousands)		
ng-term debt obligations [(1)]	$	1,159,862	$ 11,775	$ 23,550	$ 23,550	$ 1,100,987
erest payments on long-term debt obligations [(2)]		227,563	48,052	88,849	87,008	3,654
Total	$	1,387,425	$ 59,827	$ 112,399	$ 110,558	$ 1,104,641

(1) Includes aggregate principal payment from the first lien term loan.

(2) Interest payments calculated based on LIBOR rate as of June 30, 2021. Actual payments are based on changes in LIBOR. Calculated interest payments exclude interest rate swap agreements the Company entered into in connection with the long-term debt obligations.

The contractual commitment amounts in the table above are associated with agreements that are enforceable and legally binding.

Off-Balance Sheet Arrangements

As of June 30, 2021, Option Care Health did not have any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K.

Critical Accounting Policies and Estimates

The Company prepares its unaudited condensed consolidated financial statements in accordance with United States generally accepted accounting principles ("GAAP"), which requires the Company to make estimates and assumptions. The Company evaluates its estimates and judgments on an ongoing basis. Estimates and judgments are based on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the period presented. The Company's actual results may differ from these estimates, and different assumptions or conditions may yield different estimates.

The company's critical accounting policies and estimates as presented in our Annual report on 10-K for the year ended December 31, 2020 are hereby incorporated by reference.

In addition, the following critical accounting policy should be considered:

Income Taxes

The Company accounts for income taxes using the asset and liability method. Deferred tax assets and liabilities are reported for book-tax basis differences and are measured based on currently enacted tax laws using rates expected to apply to taxable income in the years in which the differences are expected to reverse. The effect of a change in tax rate on deferred taxes is recognized in income tax expense in the period that includes the enactment date of the change.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts more likely than not to be realized. The ultimate realization of deferred tax assets depends on the generation of future taxable income during the periods in which those temporary differences are deductible. The Company considers the scheduled reversal of deferred tax liabilities, including the effect in available carryback and carryforward periods, projected taxable income and tax-planning strategies, in making this assessment. Changes in projected future earnings could affect the recorded valuation allowance in the future. On a quarterly basis, the Company evaluates all positive and negative evidence in determining if the valuation allowance is fairly stated.

The Company recognizes income tax positions that are more likely than not to be sustained on their technical merits. The Company measures recognized income tax positions at the maximum benefit that is more likely than not, based on cumulative probability, realizable upon final settlement of the position. Interest and penalties related to unrecognized tax benefits are reported in income tax expense.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There have been no material changes to our exposure to market risk from those included in our Annual Report on Form 10-K for the year ended December 31, 2020, hereby incorporated by reference.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures (as such term is defined under Rule 13a-15(e) promulgated under the Exchange Act) that are designed to ensure that information required to be disclosed by the Company in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, management evaluated the effectiveness of the Company's disclosure controls and procedures as of June 30, 2021. Based on that evaluation, the Company's Chief Executive Officer and its Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2021.

Changes in Internal Controls over Financial Reporting

There were no changes in our internal control over financial reporting during the three months ended June 30, 2021 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II
OTHER INFORMATION

Item 1. Legal Proceedings

For a summary of legal proceedings, refer to Note 13, *Commitments and Contingencies*, of the unaudited condensed consolidated financial statements included in Item 1 of this report.

Item 1A. Risk Factors

There have been no material changes to the risk factors affecting our business, financial condition or results of operations from those set forth in Part I, Item 1A. “Risk Factors” in our Annual Report on form 10-K for the Year ended December 31, 2020. Additional risks and uncertainties not currently known to us that we currently deem to be immaterial may also materially adversely affect our business, financial condition and/or operating results.

Item 6. *Exhibits*

(a) Exhibits.

Exhibit Number	Description
10.1	Option Care Health, Inc. 2018 Equity Incentive Plan updated as of May 19, 2021 (filed herewith).
31.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S. C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S. C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	XBRL Formatted Cover Page

SIGNATURES

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

OPTION CARE HEALTH, IN

Date: August 3, 2021

/s/ Michael Shapi
Michael Shapi

Chief Financial Officer (Principal Financial Officer and Duly Authorized Offic option care health™

Option Care Health, Inc.

2018 Equity Incentive Plan

Amended and Restated as of May 19, 2021

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SECTION 1.
BACKGROUND AND PURPOSE

The purpose of this Plan is to promote the interest of Option Care Health, Inc. (the "Company"), a Delaware corporation, by authorizing the Committee to grant Awards to Key Employees and Directors in order (1) to attract and retain Key Employees and Directors, (2) to provide an additional incentive to each Key Employee and Director to work to increase the value of Stock and (3) to provide each Key Employee and Director with a stake in the future of the Company which corresponds to the stake of each of the Company's stockholders.

SECTION 2. DEFINITIONS

2.1. Affiliate — means any organization (other than a Subsidiary) that would be treated as under common control with the Company under § 414(c) of the Code if "50 percent" were substituted for "80 percent" in the income tax regulations under § 414(c) of the Code.

2.2. Award — means any Option, Stock Appreciation Right, Restricted Stock Unit, Stock Grant or Performance Unit made pursuant to the provisions of the Plan.

2.3. Award Agreement — means any Option Certificate, Restricted Stock Unit Certificate, Stock Appreciation Right Certificate, or Stock Grant Certificate.

2.4. Board — means the Board of Directors of the Company.

2.5. Change in Control — means unless otherwise provided in an Award Agreement, the occurrence of any one of the following events:

(a) During any twenty-four (24) month period, individuals who, as of the beginning of such period, constitute the Board (the "Incumbent Directors") cease for any reason to constitute at least a majority of the Board, provided that any person becoming a director subsequent to the beginning of such period whose election or nomination for election was approved by a vote of at least a majority of the Incumbent Directors then on the Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without written objection to such nomination) shall be an Incumbent Director; provided, however, that no individual initially elected or nominated as a director of the Company as a result of an actual or threatened election contest with respect to directors or as a result of any other actual or threatened solicitation of proxies by or on behalf of any person other than the Board shall be deemed to be an Incumbent Director;

(b) Any "person" or "group" (within the meaning of Sections 13(d) and 14(d) of the Securities Exchange Act of 1934 (the "Exchange Act")) is or becomes a "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of the Company's then outstanding securities eligible to vote for the election of the Board (the "Company Voting Securities"); provided, however, that the event described in this paragraph (b) shall not be deemed to be a Change in Control by virtue of any of the following acquisitions: (i) by the Company or any Affiliate or Subsidiary, (ii) by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Affiliate or Subsidiary, (iii) by any underwriter temporarily holding securities pursuant to an offering of such securities, (iv) pursuant to a Non-Qualifying Transaction, as defined in paragraph (c), or (v) by any person of or group of Voting Securities from the Company, if a majority of the Incumbent Board approves in advance the acquisition of beneficial ownership of 50% or more of Company Voting Securities by such person or group;

(c) The consummation of a merger, consolidation, statutory share exchange or similar form of corporate transaction involving the Company or any of its subsidiaries that requires the approval of the Company's stockholders, whether for such transaction or the issuance of securities in the transaction (a "Business Combination"), unless immediately following such Business Combination: (i) more than 50% of the total voting power of (A) the corporation resulting from such Business Combination (the "Surviving Corporation"), or (B) if applicable, the ultimate parent corporation that directly or indirectly has beneficial ownership of 100% of the voting securities eligible to elect directors of the Surviving Corporation (the "Parent Corporation"), is represented by Company Voting Securities that were outstanding immediately prior to such Business Combination (or, if applicable, is represented by shares into which such Company Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Company Voting Securities among the holders thereof immediately prior to the Business Combination, (ii) no person (other than any employee benefit plan (or related trust) sponsored or maintained by the Surviving Corporation or the Parent Corporation), is or becomes the beneficial owner, directly or indirectly, of 30% or more of the total voting power of the outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation) and (iii) at least a majority of the members of the board of directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation) following the consummation of the Business Combination were Incumbent Directors at the time of the Board's approval of the execution of the initial agreement providing for such Business Combination (any Business Combination which satisfies all of the criteria specified in (i), (ii) and (iii) above shall be deemed to be a "Non- Qualifying Transaction");

(d) The stockholders of the Company approve a plan of complete liquidation or dissolution of the Company;

(e) The consummation of a sale of all or substantially all of the Company's assets.

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any person acquires beneficial ownership of more than 50% of the Company Voting Securities as a result of the acquisition of Company Voting Securities by the Company which reduces the number of Company Voting Securities outstanding; provided, that if after such acquisition by the Company such person becomes the beneficial owner of additional Company Voting Securities that increases the percentage of outstanding Company Voting Securities beneficially owned by such person, a Change in Control of the Company shall then occur.

Unless otherwise provided in an applicable Award Agreement, solely for the purpose of determining the timing of any payments pursuant to any Awards constituting a “deferral of compensation” subject to Section 409A of the Code, (i) a Change in Control shall be limited to a “change in the ownership of the Company,” a “change in the effective control of the Company,” or a “change in the ownership of a substantial portion of the assets of the Company” as such terms are defined in Section 1.409A-3(i)(5) of the U.S. Treasury Regulations. No Award Agreement shall define a Change in Control in such a manner that a Change in Control would be deemed to occur prior to the actual consummation of the event or transaction that results in a change of control of the Company (e.g., upon the announcement, commencement, or stockholder approval of any event or transaction that, if completed, would result in a change in control of the Company).

2.6. Code — means the Internal Revenue Code of 1986, as amended.

2.7. Committee — means the Management Development & Compensation Committee, or such other committee appointed by the Board, which shall have at least 2 members, each of whom shall come within the definition of a “non-employee director” under Rule 16b-3 and an “outside director” under § 162(m) of the Code.

2.8. Covered Officer — means at any date (i) any individual who, with respect to the previous taxable year of the Company, was a “covered employee” of the Company within the meaning of Section 162(m) of the Code as it existed prior to being amended by Public Law No: 115-97 (the Tax Cuts and Jobs Act); provided, however, that the term “Covered Officer” shall not include any such individual who is designated by the Committee, in its discretion, at the time of any Award or at any subsequent time, as reasonably expected not to be such a “covered employee” with respect to the current taxable year of the Company or the taxable year of the Company in which the applicable Award will be paid or vested, and (ii) any individual who is designated by the Committee, in its discretion, at the time of any Award or at any subsequent time, as reasonably expected to be such a “covered employee” with respect to the current taxable year of the Company or with respect to the taxable year of the Company in which any applicable Award will be paid or vested.

2.9. Director — means a non-employee member of the Board.

2.10. Ending Value — means, a value for each Performance Unit or a formula for determining the value of each Performance Unit at the time of payment.

2.11. Fair Market Value — means (1) the closing price on any date for a share of Stock on the principal securities exchange on which the Stock is traded or listed or, if no such closing price is available on such date, (2) such closing price as so reported in accordance with clause (1) for the immediately preceding business day, or, if the Stock is not traded or listed on any securities exchange, (3) the price which the Committee acting in good faith determines through any reasonable valuation method that a share of Stock might change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of the relevant facts.

2.12. ISO — means an Option which is intended to satisfy the requirements of § 422 of the Code.

2.13. Key Employee — means an employee of the Company or any Subsidiary or Parent or Affiliate designated by the Committee who, in the judgment of the Committee acting in its absolute discretion, is key directly or indirectly to the success of the Company.

2.14. 1933 Act — means the Securities Act of 1933, as amended.

2.15. 1934 Act — means the Securities Exchange Act of 1934, as amended.

2.16. Non-ISO — means an Option which is not intended to satisfy the requirements of § 422 of the Code.

2.17. Option — means an option to purchase Stock which is granted under § 7.

2.18. Option Certificate — means the written certificate which sets forth the terms and conditions of an Option granted under this Plan.

2.19. Option Price — means the price which shall be paid to purchase one share of Stock upon the exercise of an Option granted under this Plan.

2.20. Parent — means any corporation which is a parent corporation (within the meaning of § 424(e) of the Code) of the Company.

2.21. Performance Goal — means a performance goal described in § 11.3.

2.22. Performance Period — means a performance period as described in § 11.4.

2.23. Performance Unit — means an Award granted under § 11.

2.24. Plan — means this Option Care Health, Inc. 2018 Equity Incentive Plan as adopted by the Board and as amended from time to time thereafter.

2.25. Prior Plan — means the Company's 2008 Incentive Stock Plan, as the same was amended and/or restated from time to time.

2.26. Restricted Stock Unit — means an Award granted under § 9.

2.27. Restricted Stock Unit Certificate — means the written certificate which sets forth the terms and conditions of a Restricted Stock Unit.

2.28. Rule 16b-3 — means the exemption under Rule 16b-3 to Section 16(b) of the 1934 Act or any successor to such rule.

2.29. SAR Value — means the value assigned by the Committee to a share of Stock in connection with the grant of a Stock Appreciation Right under § 8.

2.30. Stock — means the common stock, $.0001 par value per share, of the Company.

2.31. Stock Appreciation Right — means a right to receive the appreciation in a share of Stock which is granted under § 8.

2.32. Stock Appreciation Right Certificate — means the written certificate which sets forth the terms and conditions of a Stock Appreciation Right which is not granted to a Key Employee as part of an Option.

2.33. Stock Grant — means Stock granted under § 10.

2.34. Stock Grant Certificate — means the written certificate which sets forth the terms and conditions of a Stock Grant.

2.35. Subsidiary — means a corporation which is a subsidiary corporation (within the meaning of § 424(f) of the Code) of the Company.

2.36. Substitute Awards — Awards granted or shares of Stock issued by the Company in assumption of, or in substitution or exchange for, awards previously granted, or the right or obligation to make future awards, in each case by a company acquired by the Company or any Affiliate or Subsidiary or with which the Company or any Affiliate or Subsidiary combines.

2.37. Ten Percent Shareholder — means a person who owns (after taking into account the attribution rules of § 424(d) of the Code) more than ten percent of the total combined voting power of all classes of stock of either the Company, a Subsidiary or Parent.

SECTION 3.
SHARES RESERVED UNDER PLAN

3.1. Number of Shares

(a) Subject to adjustment as provided in § 16, a total of 9,101,734 shares of Stock shall be authorized for issuance under the Plan, all of which may be subject to ISOs, less one (1) share of Stock for every one (1) share of Stock that was subject to an Option or Stock Appreciation Right granted after December 31, 2017 under the Prior Plan and one and 18/100 (1.18) shares of Stock for every one (1) share of Stock that was subject to an Award other than an Option or Stock Appreciation Right granted after December 31, 2017 under the Prior Plan. Any shares of Stock that are subject to Awards of Options or Stock Appreciation Rights shall be counted against this limit as one (1) share of Stock for every one (1) share of Stock issued. Any shares of Stock that are subject to Awards other than Options or Stock Appreciation Rights shall be counted against this limit as one and 18/100 (1.18) shares of Stock for every one (1) share of Stock issued. As of the Effective Date, no further grants or awards will be made under the Prior Plan.

(b) If any shares of Stock subject to an Award, or after December 31, 2017 an award under the Prior Plan, are forfeited or expire, or any Award, or after December 31, 2017 an award under the Prior Plan, is settled for cash (in whole or in part), the shares of Stock subject to such Award or such award under the Prior Plan shall, to the extent of such forfeiture, expiration or cash settlement, again be available for Awards under the Plan, in accordance with § 3.1(d) below. Notwithstanding anything to the contrary contained herein, the following shares of Stock shall not be added to the shares of Stock authorized for issuance under paragraph (a) of this Section: (i) shares of Stock tendered by the Key Employee or Director or withheld by the Company in payment of the purchase price of an Option, (ii) shares of Stock tendered by the Key Employee or withheld by the Company to satisfy any tax withholding obligation with respect to an Award, and (iii) shares of Stock subject to a Stock Appreciation Right that are not issued in connection with the stock settlement of the Stock Appreciation Right on exercise thereof.

(c) Substitute Awards shall not reduce the shares of Stock authorized for issuance under the Plan or authorized for grant to a Participant under § 6. Additionally, in the event that a company acquired by the Company or any Affiliate or Subsidiary or with which the Company or any Affiliate or Subsidiary combines has shares available under a pre-existing plan approved by stockholders and not adopted in contemplation of such acquisition or combination, the shares available for issuance pursuant to the terms of such pre-existing plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used in such acquisition or combination to determine the consideration payable to the holders of common stock of the entities party to such acquisition or combination) may be used for Awards under the Plan and shall not reduce the shares of Stock authorized for issuance under the Plan; provided that Awards using such available shares shall not be made after the date awards or grants could have been made under the terms of the pre-existing plan, absent the acquisition or combination, and shall only be made to individuals who were not employees or directors of the Company, an Affiliate or a Subsidiary prior to such acquisition or combination.

(d) Any shares of Stock that again become available for issuance pursuant to this § 3 shall be added back as one (1) share of Stock if such shares of Stock were subject to Options or Stock Appreciation Rights granted under the Plan or options or stock appreciation rights granted under the Prior Plan, and as one and 18/100 (1.18) shares of Stock if such shares of Stock were subject to Awards other than Options or Stock Appreciation Rights granted under the Plan or awards other than options or stock appreciation rights granted under the Prior Plan.

3.2. <u>Character of Shares</u>. Any Shares issued hereunder may consist, in whole or in part, of authorized and unissued shares, treasury shares or shares purchased in the open market or otherwise.

SECTION 4.
EFFECTIVE DATE

The effective date of this Plan shall be the date of its approval by the shareholders of the Company at a duly called meeting (the “Effective Date”).

SECTION 5. COMMITTEE

5.1. Committee Powers. This Plan shall be administered by the Committee. The Committee shall have full power and authority, subject to the provisions of the Plan and subject to such orders or resolutions not inconsistent with the provisions of the Plan as may from time to time be adopted by the Board, to: (i) select the Key Employees and Directors to whom Awards may from time to time be granted hereunder; (ii) determine the type or types of Awards, not inconsistent with the provisions of the Plan, to be granted to each Participant hereunder; (iii) determine the number of shares of Stock to be covered by each Award granted hereunder; (iv) determine the terms and conditions, not inconsistent with the provisions of the Plan, of any Award granted hereunder; (v) determine whether, to what extent and under what circumstances Awards may be settled in cash, shares of Stock or other property; (vi) determine whether, to what extent, and under what circumstances cash, shares of Stock, other property and other amounts payable with respect to an Award made under the Plan shall be deferred either automatically or at the election of the Key Employee or Director; (vii) determine whether, to what extent and under what circumstances any Award shall be canceled or suspended; (viii) interpret and administer the Plan and any instrument or agreement entered into under or in connection with the Plan, including any Award Agreement; (ix) correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award in the manner and to the extent that the Committee shall deem desirable to carry it into effect; (x) establish such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; (xi) determine whether any Award, other than an Option or Stock Appreciation Right, will have dividend equivalents; and (xii) make any other determination and take any other action that the Committee deems necessary or desirable for administration of the Plan. The Committee shall have the full power and authority to determine the terms and conditions that shall apply to any Award upon a separation from service with the Company, its Subsidiaries and Affiliates, including a separation from the Company with or without Cause, by a Participant voluntarily, or by reason of death, disability, or retirement, and may provide such terms and conditions in the Award Agreement or in such rules and regulations as it may prescribe.

5.2. Committee Decisions and Meetings. Decisions of the Committee shall be final, conclusive and binding on all persons or entities, including the Company, any Affiliate or Subsidiary, and any Participant employed by any of the foregoing. A majority of the members of the Committee may determine its actions, including fixing the time and place of its meetings. Notwithstanding the foregoing, any action or determination by the Committee specifically affecting or relating to an Award to a Director shall require the prior approval of the Board.

5.3. Delegation. To the extent not inconsistent with applicable law, including Section 162(m) of the Code, or the rules and regulations of the principal securities exchange on which the Stock is traded or listed, the Committee may delegate, by means of an express resolution that sets forth the requirements and limitations relating to the delegation and the procedures to be followed to grant any Awards, to (i) a committee of one or more directors of the Company any of the authority of the Committee under the Plan, including the right to grant, cancel or suspend Awards and (ii) to the extent permitted by law, to one or more executive officers or a committee of executive officers the right to grant Awards to Key Employees who are not Directors or executive officers of the Company and the authority to take action on behalf of the Committee pursuant to the Plan to cancel or suspend Awards to Key Employees who are not Directors or executive officers of the Company.

SECTION 6.
ELIGIBILITY, ANNUAL GRANT CAPS AND DEFAULT VESTING

6.1. Eligibility, Annual Grant Caps. Any Key Employee or Director shall be eligible to be designated a Participant; provided, however, that Directors shall only be eligible to receive Awards granted consistent with § 12. Only Key Employees who are employed by the Company or a Subsidiary or Parent shall be eligible for the grant of ISOs under this Plan. No Key Employee in any calendar year shall be granted more than 750,000 shares of Stock (subject to adjustment under § 16) with respect to the following (i) Options to purchase shares of Stock, (ii) Stock Appreciation Rights (based on the appreciation with respect to shares of Stock); and (iii) Stock Grants and Restricted Stock Units that are intended to comply with the requirements of § 11 of the Plan.

6.2. Default Vesting. Except as otherwise provided below, any Award that: (a) is not a Performance Unit Award shall have a minimum vesting period of one year from the date of grant (a "Minimum Vesting Period"); or (b) is a Performance Unit Award shall have a minimum performance period of one year from the date of grant (a "Minimum Performance Period"). The foregoing notwithstanding, five percent (5%) of the total number of Shares available for issuance under this Plan may be granted without regard to any Minimum Vesting Period or Minimum Performance Period, as applicable, described in this § 6.2.

SECTION 7. OPTIONS

7.1. Committee Action. The Committee acting in its absolute discretion shall have the right to grant Options to Key Employees and Directors under this Plan from time to time to purchase shares of Stock. Each grant of an Option shall be evidenced by an Option Certificate, and each Option Certificate shall set forth whether the Option is an ISO or a Non-ISO and shall set forth such other terms and conditions of such grant as the Committee acting in its absolute discretion deems consistent with the terms of this Plan; however, if the Committee grants an ISO and a Non-ISO to a Key Employee on the same date, the right of the Key Employee to exercise the ISO shall not be conditioned on his or her failure to exercise the Non-ISO.

7.2. $100,000 Limit. No Option shall be treated as an ISO to the extent that the aggregate Fair Market Value of the Stock subject to the Option which would first become exercisable in any calendar year exceeds $100,000. Any such excess shall instead automatically be treated as a Non-ISO. The Committee shall interpret and administer the ISO limitation set forth in this § 7.2 in accordance with § 422(d) of the Code, and the Committee shall treat this § 7.2 as in effect only for those periods for which § 422(d) of the Code is in effect.

7.3. Option Price. The Option Price for each share of Stock subject to an Option (other than with respect to a Substitute Award) shall be no less than the Fair Market Value of a share of Stock on the date the Option is granted; provided, however, if the Option is an ISO granted to a Key Employee who is a Ten Percent Shareholder, the Option Price for each share of Stock subject to such ISO shall be no less than 110% of the Fair Market Value of a share of Stock on the date such ISO is granted. Except for adjustments under § 16, without the approval of the

Company’s stockholders, the Option Price shall not be reduced after the Option is granted, an Option (with a fair market value less than the Option Price) may not be cancelled in exchange for cash or another Award (other than in connection with a Change in Control or a Substitute Award), and no other action may be with respect to an Option that would be treated as a repricing under the rules and regulations of the principal securities exchange on which the Stock is traded.

7.4. Payment. The Option Price shall be payable in full upon the exercise of any Option, and at the discretion of the Committee an Option Certificate can provide for the payment of the Option Price either in cash, by check or in Stock and which is acceptable to the Committee or in any combination of cash, check and such Stock. The Option Price in addition may be paid (i) through any cashless exercise procedure which is acceptable to the Committee or its delegate and which is facilitated through a sale of Stock, (ii) with the consent of the Committee, by withholding Stock otherwise issuable in connection with the exercise of the Option, and (iii) through any other method specified in an Award agreement. Any payment made in Stock (including withholding of Stock) shall be treated as equal to the Fair Market Value of such Stock on the exercise date.

7.5. Exercise Period. Each Option granted under this Plan shall be exercisable in whole or in part at such time or times as set forth in the related Option Certificate, but in no event may an Option granted to an employee of the Company or any Subsidiary be exercisable before the expiration of one year from the date the Option is granted, except as otherwise permitted with respect to Substitute Awards, under circumstances contemplated by § 16, or under § 6.2 hereof. No Option Certificate shall make an Option exercisable on or after the earlier of (1) the date which is the fifth anniversary of the date the Option is granted, if the Option is an ISO and the Key Employee is a Ten Percent Shareholder on the date the Option is granted, or (2) the date which is the tenth anniversary of the date the Option is granted, if the Option is (a) a Non-ISO or (b) an ISO which is granted to a Key Employee who is not a Ten Percent Shareholder on the date the Option is granted. An Option Certificate may provide for the exercise of an Option after the employment of a Key Employee or service of a Director has terminated for any reason whatsoever, including death or disability.

7.6. Reload Option Grants, Dividends Prohibited. The Committee may not, as part of the grant of an Option, provide in the related Option Certificate for “reload” Option grants (i.e., the automatic grant of an additional Option to pay all or a part of the Option Price or using Stock to satisfy all or a part of any related tax withholding requirement). The Committee may not, as part of the grant of an Option, provide that dividends or dividend equivalents be paid with respect to such Option.

SECTION 8.
STOCK APPRECIATION RIGHTS

8.1. Committee Action. The Committee acting in its absolute discretion shall have the right to grant Stock Appreciation Rights to Key Employees and Directors under this Plan from time to time, and each Stock Appreciation Right grant shall be evidenced by a Stock Appreciation Right Certificate or, if such Stock Appreciation Right is granted as part of an Option, shall be evidenced by the Option Certificate for the related Option.

8.2. Terms and Conditions.

(a) Stock Appreciation Right Certificate. If a Stock Appreciation Right is evidenced by a Stock Appreciation Right Certificate, such certificate shall set forth the number of shares of Stock on which the Key Employee's or Director's right to appreciation shall be based and the SAR Value of each share of Stock. Such SAR Value shall be no less than the Fair Market Value of a share of Stock on the date that the Stock Appreciation Right is granted. Except for adjustments under § 16, without the approval of the Company's stockholders the SAR Value shall not be reduced after the Stock Appreciation Right is granted, a Stock Appreciation Right may not be cancelled in exchange for cash or another Award (other than in connection with a Change in Control or a Substitute Award), and no other action may be taken with respect to a Stock Appreciation Right that would be treated as a repricing under the rules and regulations of the principal securities exchange on which the Stock is traded. The Stock Appreciation Right Certificate shall set forth such other terms and conditions for the exercise of the Stock Appreciation Right as the Committee deems appropriate under the circumstances, but in no event may Stock Appreciation Right granted to an employee of the Company or any Subsidiary be exercisable before the expiration of one year from the date the Stock Appreciation Right is granted, except as otherwise permitted with respect to Substitute Awards, under circumstances contemplated by § 16, or under § 6.2 hereof. No Stock Appreciation Right Certificate shall make a Stock Appreciation Right exercisable on or after the date which is the tenth anniversary of the date such Stock Appreciation Right is granted.

(b) Option Certificate. If a Stock Appreciation Right is evidenced by an Option Certificate, the number of shares of Stock on which the Key Employee's or Director's right to appreciation shall be based shall be the same as the number of shares of Stock subject to the related Option and the SAR Value for each such share of Stock shall be no less than the Option Price under the related Option. Each such Option Certificate shall provide that the exercise of the Stock Appreciation Right with respect to any share of Stock shall cancel the Key Employee's or Director's right to exercise his or her Option with respect to such share and, conversely, that the exercise of the Option with respect to any share of Stock shall cancel the Key Employee's or Director's right to exercise his or her Stock Appreciation Right with respect to such share. A Stock Appreciation Right which is granted as part of an Option shall be exercisable only while the related Option is exercisable. The Option Certificate shall set forth such other terms and conditions for the exercise of the Stock Appreciation Right as the Committee deems appropriate under the circumstances, but in no event may Stock Appreciation Right granted to an employee of the Company or any Subsidiary be exercisable before the expiration of one year from the date the Stock Appreciation Right is granted, except as otherwise permitted with respect to Substitute Awards, under circumstances contemplated by § 16, or under § 6.2 hereof.

8.3. Exercise. A Stock Appreciation Right shall be exercisable only when the Fair Market Value of a share of Stock on which the right to appreciation is based exceeds the SAR Value for such share, and the payment due on exercise shall be based on such excess with respect to the number of shares of Stock to which the exercise relates. A Key Employee or Director upon the exercise of his or her Stock Appreciation Right shall receive a payment from the Company in cash or in Stock issued under this Plan, or in a combination of cash and Stock, and the number of shares of Stock issued shall be based on the Fair Market Value of a share of Stock on the date the

Stock Appreciation Right is exercised. The Committee acting in its absolute discretion shall have the right to determine the form and time of any payment under this § 8.3. The Committee may not, as part of the grant of a Stock Appreciation Right, provide that dividends or dividend equivalents be paid with respect to such Stock Appreciation Right.

SECTION 9.
RESTRICTED STOCK UNITS

9.1. Committee Action. The Committee acting in its absolute discretion shall have the right from time to time to grant to Key Employees and Directors under this Plan Restricted Stock Units, the value of each of which corresponds to the Fair Market Value of a share of Stock. Each Restricted Stock Unit grant shall be evidenced by a Restricted Stock Unit Certificate that shall set forth the number of Restricted Stock Units granted to the Key Employee or Director, the vesting schedule applicable to such Restricted Stock Units and such other terms and conditions of such grant as the Committee acting in its absolute discretion deems consistent with the terms of this Plan. Restricted Stock Units subject solely to continued service with the Company or a Subsidiary shall not become vested over a period of less than one (1) year from the date of grant; provided that such restrictions shall not be applicable to the extent that a shorter vesting period is permitted in accordance with § 6.2 hereof. Notwithstanding § 6.2 hereof, Restricted Stock Units subject to the achievement of performance objectives shall not become vested over a period of less than one (1) year.

9.2. No Adjustment for Cash Dividends. Except for dividend equivalent adjustments made by the Committee in accordance with § 16.1, unless otherwise determined by the Committee, there shall be no adjustment to Restricted Stock Units for dividends paid by the Company. In no event shall dividend equivalent rights be paid on Restricted Stock Units that are not vested unless and only to the extent the underlying Restricted Stock Units vest.

9.3. Payment for Restricted Stock Units. Unless a Key Employee or Director has made a deferral election in accordance with § 9.4, a Key Employee or Director shall receive upon the vesting of a Restricted Stock Unit payment from the Company in Stock issued under this Plan, and the number of shares of Stock issued to the Key Employee or Director shall be equal to the number of Restricted Stock Units that have at such time become vested. At the time a Key Employee or Director receives shares of stock equal in number to such Key Employee's or Director's vested Restricted Stock Units, such vested Restricted Stock Units shall automatically be cancelled and shall give the Key Employee or Director no further rights to payment of any kind.

9.4. Deferrals. The Committee, in its absolute discretion, may permit a Key Employee or Director to elect to defer such Key Employee's or Director's receipt of the delivery of shares of Stock that would otherwise be due to such Key Employee or Director by virtue of the vesting of a Restricted Stock Unit; provided such deferral election is made in accordance with the requirements of Section 409A of the Code. If any such deferral election is permitted by the Committee, the Committee shall, in its absolute discretion, establish additional rules and procedures for such payment deferrals. However, notwithstanding the preceding provisions of this § and notwithstanding any other provision of this Plan to the contrary, the Committee shall not, (1) in establishing the terms and provisions of any grant of Restricted Stock Units, or (2) in exercising its powers under this § 9.4, create any arrangement which would constitute an employee pension benefit plan as defined in § 3(2) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), unless the arrangement provides benefits solely to one or more individuals who constitute members of a select group of management or highly compensated employees (within the meaning of ERISA §§ 201(2), 301(a)(3), 401(a)(1) and 4021(b)(6)).

9.5. Performance-Based Vesting. Notwithstanding anything contained in § 9.1 hereof, the Committee may, at the time of grant of Restricted Stock Units to Key Employees, prescribe that vesting of all or any the Restricted Stock Units shall be subject to the achievement of one or more performance objectives and to such other provisions of § 11 as the Committee determines shall apply, including the Performance Goals set forth in § 11.3.

SECTION 10.
STOCK GRANTS

10.1. Committee Action. The Committee acting in its absolute discretion shall have the right to make Stock Grants to Key Employees and Directors. Each Stock Grant shall be evidenced by a Stock Grant Certificate, and each Stock Grant Certificate shall set forth the conditions, if any, under which Stock will be issued under the Stock Grant and the conditions under which the Key Employee’s or Director’s interest in any Stock which has been issued will become non-forfeitable.

10.2. Conditions.

(a) Conditions to Issuance of Stock. The Committee acting in its absolute discretion may make the issuance of Stock under a Stock Grant subject to the satisfaction of one, or more than one, condition which the Committee deems appropriate under the circumstances for Key Employees or Directors generally or for a Key Employee or Director in particular, and the related Stock Grant Certificate shall set forth each such condition and the deadline for satisfying each such condition. Stock subject to a Stock Grant shall be issued in the name of a Key Employee or Director only after each such condition, if any, has been timely satisfied, and any Stock which is so issued shall be held by the Company pending the satisfaction of the forfeiture conditions, if any, under § 10.2(b) for the related Stock Grant.

(b) Forfeiture Conditions. The Committee acting in its absolute discretion may make Stock issued in the name of a Key Employee or Director subject to one, or more than one, objective employment, performance or other forfeiture condition that the Committee acting in its absolute discretion deems appropriate under the circumstances for Key Employees or Directors generally or for a Key Employee or Director in particular, and the related Stock Grant Certificate shall set forth each such forfeiture condition, if any, and the deadline, if any, for satisfying each such forfeiture condition. A Stock Grant Certificate may not provide for vesting of the Stock Grant subject solely to continued service with the Company or a Subsidiary over a period of less than one (1) year from the date of grant; provided that such restrictions shall not be applicable to the extent that a shorter vesting period is permitted in accordance with § 6.2 hereof. Notwithstanding § 6.2 hereof, Stock Grants subject to the achievement of performance conditions shall not become vested over a period of less than one (1) year. A Key Employee’s or Director’s non-forfeitable interest in the shares of Stock underlying a Stock Grant shall depend on the extent to which he or she timely satisfies each such condition.

10.3. Dividends and Voting Rights. If a cash dividend is paid on a share of Stock after such Stock has been issued under a Stock Grant but before the first date that a Key Employee's or Director's interest in such Stock (1) is forfeited completely or (2) becomes completely non-forfeitable, the Company shall pay such cash dividend directly to such Key Employee or Director except as otherwise be provided in the Award agreement. If a Stock dividend is paid on such a share of Stock during such period, such Stock dividend shall be treated as part of the related Stock Grant, and a Key Employee's or Director's interest in such Stock dividend shall be forfeited or shall become non-forfeitable at the same time as the Stock with respect to which the Stock dividend was paid is forfeited or becomes non-forfeitable. In no event shall any cash dividends or dividend equivalents be paid with respect to an Award of Restricted Stock Unit, Stock Grant or Performance Unit until such Award is vested and non-forfeitable, it being understood that dividends or dividend equivalents may be credited with respect to such Award, with payment subject to such Award actually vesting (if any). The disposition of each other form of dividend which is declared on such a share of Stock during such period shall be made in accordance with such rules as the Committee shall adopt with respect to each such dividend. A Key Employee or Director also shall have the right to vote the Stock issued under his or her Stock Grant during such period.

10.4. Satisfaction of Forfeiture Conditions. A share of Stock shall cease to be subject to a Stock Grant at such time as a Key Employee's or Director's interest in such Stock becomes non- forfeitable under this Plan, and the certificate representing such share shall be transferred to the Key Employee or Director as soon as practicable thereafter.

10.5. Performance-Based Vesting. The Committee may, at the time a Stock Grant is made, prescribe that vesting of all or any portion of the shares subject to the Stock Grant shall be subject to the achievement of one or more performance conditions and to such other provisions of § 11 as the Committee determines shall apply, including the Performance Goals set forth in § 11.3.

SECTION 11.
PERFORMANCE UNITS

11.1. Committee Action. The Committee (acting in its sole discretion) may from time to time grant Performance Units to Key Employees under the Plan representing the right to receive in cash an amount determined by reference to certain performance measurements, subject to such restrictions, conditions and other terms as the Committee may determine. Use of the term "Performance Unit" in this § 11 shall also include "Restricted Stock Unit" or "Stock Award" if the Committee has applied §§ 9.5 or 10.5 to such Award.

11.2. Conditions. The written agreement covering Performance Units shall specify Performance Goals (as defined in § 11.3), a Performance Period (as defined in § 11.5)) and an Ending Value. Performance Units granted to a Key Employee shall be credited to a bookkeeping account established and maintained for such Key Employee.

11.3. Performance Goals. With respect to each Award of Performance Units, the Committee (acting in its sole discretion) shall specify as Performance Goals the corporate, division, segment, business unit, and/or individual performance goals which must be satisfied in order for the Key Employee to be entitled to payment to such Performance Units. Performance Goals for an Award of Performance Units to a Covered Officer shall be based on achieving specified levels of one or any combination of the following with respect to the Company on a consolidated basis, by division, segment, and/or business unit: net sales; revenue; revenue growth or product revenue growth; operating income (before or after taxes); pre- or after-tax income (before or after allocation of corporate overhead and bonus); earnings per share; net income (before or after taxes); return on equity; total stockholder return; return on assets or net assets; appreciation in and/or maintenance of the price of the Shares or any other publicly-traded securities of the Company; market share; gross profits; earnings (including earnings before taxes, earnings before interest and taxes, earnings before interest, taxes, depreciation and amortization or earnings before interest, taxes, depreciation, amortization and option expense); economic value-added models or equivalent metrics; comparisons with various stock market indices; cost reductions, savings, controls or objectives; cash flow or cash flow per share (before or after dividends); return on capital (including return on total capital or return on invested capital); cash flow return on investment; improvement in or attainment of expense levels or working capital levels; operating margins, gross margins or cash margin; operating efficiencies; year-end cash; debt reductions; stockholder equity; specific and objectively determinable regulatory achievements; and implementation, completion or attainment of specific and objectively determinable objectives with respect to research, development, products or projects, production volume levels, acquisitions and divestitures and recruiting and maintaining personnel. The Performance Goals also may be based solely by reference to the Company's performance or the performance of a Subsidiary, division, business segment or business unit of the Company, or based upon the relative performance of other companies or upon comparisons of any of the indicators of performance relative to other companies. The Committee may express any goal in alternatives, such as including or excluding (a) any acquisitions or dispositions, restructurings, discontinued operations, extraordinary items, and other unusual or non-recurring charges, (b) any event either not directly related to the operations of the Company or not within the reasonable control of the Company's management, or (c) the cumulative effects of tax or accounting changes in accordance with U.S. generally accepted accounting principles. The Committee may appropriately adjust any evaluation of performance under criteria set forth in this § 11.3 to exclude any of the following events that occur during a performance period: (i) asset impairments or write-downs, (ii) litigation or claim judgments or settlements, (iii) the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results, (iv) accruals for reorganization and restructuring programs, (v) any items that are "unusual in nature" or "infrequently occurring" within the meaning of generally accepted accounting principles or other extraordinary items that are included within management's discussion and analysis of financial condition and results of operations appearing in the Company's annual report to shareholders for the applicable year, (vi) the effect of adverse federal, governmental or regulatory action, or delays in federal, governmental or regulatory action, and (vii) any other event that the Committee determines is not directly related to the operations of the Company or not within the reasonable control of the Company's management.

11.4. Performance Period. The Committee (acting in its sole discretion) shall determine the Performance Period, which shall be the period of time during which the Performance Goals must be satisfied in order for the Key Employee to be entitled to payment of Performance Units granted to such Key Employee. Different Performance Periods may be established for different Performance Units. Performance Periods may run consecutively or concurrently.

11.5. Payment for Performance Units. As soon as practicable following the end of a Performance Period, the Committee shall determine whether the Performance Goals for the Performance Period have been achieved. As soon as reasonably practicable after such determination, or at such later date or in such installments as the Committee shall determine at the time of grant, the Company shall pay to the Key Employee an amount in cash equal to the Ending Value of each Performance Unit as to which the Performance Goals have been satisfied.

SECTION 12.
DIRECTOR AWARDS

12.1. Awards. The Board may provide that all or a portion of a Director's annual retainer, meeting fees and/or other awards or compensation as determined by the Board, be payable (either automatically or at the election of a Director) in the form of Non-Qualified Stock Options, Restricted Share Units and/or Stock-Based Awards, including unrestricted Shares. The Board shall determine the terms and conditions of any such Awards, including the terms and conditions which shall apply upon a termination of the Director's service as a member of the Board, and shall have full power and authority in its discretion to administer such Awards, subject to the terms of the Plan and applicable law. Subject to applicable legal requirements, the Board may also grant Awards to Directors pursuant to the terms of the Plan, including any Award described in §§ 7, 8, 9 or 10 above.

12.2. Applicable Limit. Notwithstanding anything herein to the contrary, the aggregate value of all compensation paid or granted, as applicable, to any individual for service as a Director with respect to any calendar year, including equity Awards granted and cash fees paid by the Company to such Director, shall not exceed five hundred thousand dollars ($500,000) in value, calculating the value of any equity Awards granted during such calendar year based on the grant date fair value of such Awards for financial reporting purposes.

SECTION 13.
NON-TRANSFERABILITY

Except as provided below, no Award shall be transferable by a Key Employee or Director other than by will or by the laws of descent and distribution. Any Option or Stock Appreciation Right shall (absent the Committee's consent) be exercisable during a Key Employee's or Director's lifetime only by the Key Employee or Director. To the extent and under such terms and conditions as determined by the Committee, a Key Employee or Director may assign or transfer an Award (each transferee thereof, a "Permitted Assignee") to (i) the Key Employee's or Director's spouse, children or grandchildren (including any adopted and step children or grandchildren), parents, grandparents or siblings, (ii) to a trust for the benefit of one or more of the Key Employee or Director or the persons referred to in clause (i), (iii) to a partnership, limited liability company or corporation in which the Key Employee or Director or the persons referred to in clause (i) are the only partners, members or stockholders or (iv) for charitable donations; provided that such Permitted Assignee shall be bound by and subject to all of the terms and conditions of the Plan and the Award Agreement relating to the transferred Award and shall execute an agreement satisfactory to the Company evidencing such obligations; and provided further that such Key Employee or Director shall remain bound by the terms and conditions of the Plan. The person or persons to whom an Award is transferred by will or by the laws of descent and distribution (or with the Committee's consent) thereafter shall be treated as the Key Employee or Director with respect to such Award.

SECTION 14.
SECURITIES REGISTRATION

As a condition to the receipt of shares of Stock under this Plan, the Key Employee or Director shall, if so requested by the Company, agree to hold such shares of Stock for investment and not with a view toward resale or distribution to the public and, if so requested by Company, shall deliver to Company a written statement satisfactory to Company to that effect. Furthermore, if so requested by the Company, the Key Employee or Director shall make a written representation to Company that he or she will not sell or offer for sale any of such Stock unless a registration statement shall be in effect with respect to such Stock under the 1933 Act and any applicable federal or state securities law or he or she shall have furnished to Company an opinion in form and substance satisfactory to Company or its legal counsel satisfactory to Company that such registration is not required. Certificates representing the Stock transferred upon the exercise of an Option, Stock Appreciation Right or Restricted Stock Unit or upon the lapse of the forfeiture conditions, if any, on any Stock Grant may at the discretion of Company bear a legend to the effect that such Stock has not been registered under the 1933 Act or any applicable state securities law and that such Stock cannot be sold or offered for sale in the absence of an effective registration statement as to such Stock under the 1933 Act and any applicable state securities law or an opinion in form and substance satisfactory to the Company of legal counsel satisfactory to the Company that such registration is not required.

SECTION 15. LIFE OF PLAN

No Award shall be made under this Plan on or after the earlier of (1) the tenth anniversary of the effective date of this Plan (as determined under § 4), in which event this Plan otherwise thereafter shall continue in effect until all outstanding Options and Stock Appreciation Rights have been exercised in full or no longer are exercisable, all Stock issued under any Stock Grants under this Plan have been forfeited or have become non-forfeitable, all Restricted Stock Units have vested and all Performance Periods have ended, or (2) the date on which all of the Stock reserved under § 3 has (as a result of the exercise of Options or Stock Appreciation Rights granted under this Plan the satisfaction of the forfeiture conditions, if any, on Stock Grants, or the payment of shares upon the vesting of Restricted Stock Units) been issued or no longer is available for use under this Plan, in which event this Plan also shall terminate on such date.

SECTION 16. ADJUSTMENT

16.1. Capital Structure. The number, kind or class (or any combination thereof) of shares of Stock reserved under § 3, the annual grant caps described in § 6, the number, kind or class (or any combination thereof) of shares of Stock subject to Options, Restricted Stock Units or Stock Appreciation Rights granted under this Plan, the Option Price of such Options, the SAR Value of such Stock Appreciation Rights as well as the number, kind or class (or any combination thereof) of shares of Stock subject to Stock Grants granted under this Plan shall be adjusted by the Committee in an equitable manner to reflect any change in the capitalization of the Company, including, but not limited to, an unusual or non-recurring dividend or other distribution (whether in the form of an extraordinary cash dividend or a dividend of Stock, other securities or other property), recapitalization, stock split, reverse stock split, split-up, spin-off, repurchase or exchange of Stock or other securities of the Company, issuance of warrants or other rights to purchase Stock or other securities of the Company, or other similar corporate transaction

16.2. Mergers. The Committee as part of any corporate transaction described in § 424(a) of the Code shall have the right to adjust (in any manner which the Committee in its discretion deems consistent with § 424(a) of the Code) the number, kind or class (or any combination thereof) of shares of Stock reserved under § 3 and the annual grant caps described in § 6. Furthermore, the Committee as part of any corporate transaction described in § 424(a) of the Code shall have the right to adjust (in any manner which the Committee in its discretion deems consistent with § 424(a) of the Code) the number, kind or class (or any combination thereof) of shares of Stock subject to any outstanding Stock Grants under this Plan and any related grant conditions and forfeiture conditions, and the number, kind or class (or any combination thereof) of shares subject to Option, Restricted Stock Unit and Stock Appreciation Right grants previously made under this Plan and the related Option Price and SAR Value for each such Option Stock Appreciation Right and, further, shall have the right (in any manner which the Committee in its discretion deems consistent with § 424(a) of the Code and without regard to the annual grant caps described in § 6 of this Plan) to make any Stock Grants and Option Stock Appreciation Right and Restricted Stock Unit grants to effect the assumption of, or the substitution for, stock grants and option, restricted stock unit and stock appreciation right grants previously made by any other corporation to the extent that such corporate transaction calls for such substitution or assumption of such stock grants and stock option, restricted stock unit and stock appreciation right grants.

16.3. Fractional Shares. If any adjustment under this § 16 would create a fractional share of Stock or a right to acquire a fractional share of Stock, such fractional share shall be disregarded and the number of shares of Stock reserved under this Plan and the number subject to any Options, Restricted Stock Unit or Stock Appreciation Right grants and Stock Grants shall be the next lower number of shares of Stock, rounding all fractions downward. An adjustment made under this § 16 by the Committee shall be conclusive and binding on all affected persons.

SECTION 17.
CHANGE IN CONTROL

17.1. Assumption or Substitution of Certain Awards. Unless otherwise provided in an Award Agreement, in the event of a Change in Control in which the successor company assumes or substitutes for an Option, Restricted Stock Unit, Stock Appreciation Right, or Stock Grant, if a Key Employee’s employment with such successor company (or a subsidiary thereof) terminates under the circumstances specified in the Award Agreement within 12 months following such Change in Control (or such other period set forth in the Award Agreement, including prior thereto if applicable): (i) Options and Stock Appreciation Rights outstanding as of the date of such termination of employment will immediately vest, become fully exercisable, and may thereafter be exercised for 12 months (or the period of time set forth in the Award Agreement), and (ii) restrictions, limitations and other conditions applicable to Restricted Stock Units and Stock Grants shall lapse and the Restricted Stock Units and Stock Grants shall become free of all restrictions and limitations and become fully vested. For the purposes of this § 17.1, an Option, Restricted Stock Unit, Stock Appreciation Right, Award or Stock Grant shall be considered assumed or substituted for if following the Change in Control the Award confers the right (on the same terms and conditions and consistent with the first sentence of this § 17.1) to purchase or receive, for each share of Stock subject to the Option, Restricted Stock Unit, Stock Appreciation Right, or Stock Grant immediately prior to the Change in Control, the consideration (whether stock, cash or other securities or property) received in the transaction constituting a Change in Control by holders of shares of Stock for each share of Stock held on the effective date of such transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares); provided, however, that if such consideration received in the transaction constituting a Change in Control is not solely common stock of the successor company, the Committee may, with the consent of the successor company, provide that the consideration to be received upon the exercise or vesting of an Option, Restricted Stock Unit, Stock Appreciation Right or Stock Grant, for each share of Stock subject thereto, will be solely common stock of the successor company substantially equal in fair market value to the per share consideration received by holders of shares of Stock in the transaction constituting a Change in Control. The determination of such substantial equality of value of consideration shall be made by the Committee in its sole discretion and its determination shall be conclusive and binding.

17.2. Non-Assumption or Substitution of Certain Awards. Unless otherwise provided in an Award Agreement in the event of a Change in Control, to the extent the successor company does not assume or substitute for an Option, Restricted Stock Unit, Stock Appreciation Right, or Stock Grant: (i) those Options and Stock Appreciation Rights outstanding as of the date of the Change in Control that are not assumed or substituted for shall immediately vest and become fully exercisable, and (ii) restrictions and deferral limitations on Restricted Stock Units and Stock Grants that are not assumed or substituted for shall lapse and the Restricted Stock Units and Stock Grants shall become free of all restrictions and limitations and become fully vested.

17.3. Impact on Certain Awards. Award Agreements may provide that in the event of a Change in Control: (i) Options and Stock Appreciation Rights outstanding as of the date of the Change in Control shall be cancelled and terminated without payment therefor if the Fair Market Value of one share of Stock as of the date of the Change in Control is less than the Option Price or SAR Value, and (ii) all Performance Units and other performance-based Awards shall be considered to be earned and payable (either in full based on actual performance or pro rata based on actual performance or based on the portion of Performance Period completed as of the date of the Change in Control), and any limitations or other restriction shall lapse and such Performance Units shall be immediately settled or distributed.

SECTION 18.
AMENDMENT OR TERMINATION

This Plan may be amended by the Board from time to time to the extent that the Board deems necessary or appropriate; provided, however, (1) no amendment shall be made absent the approval of the stockholders of the Company to the extent such approval is required under applicable law or exchange rule and (2) no amendment shall be made to § 17 on or after any date described in § 17 which might adversely affect any rights which otherwise vest on such date. The Board also may suspend granting Awards under this Plan at any time and may terminate this Plan at any time; provided, however, the Board shall not have the right unilaterally to modify, amend or cancel any Award made before such suspension or termination unless (x) the Key Employee or

Director consents in writing to such modification, amendment or cancellation or (y) there is a dissolution or liquidation of the Company or a transaction described in § 16 or § 17.

SECTION 19.
MISCELLANEOUS

19.1. Stockholder Rights. No Key Employee or Director shall have any rights as a stockholder of the Company as a result of the grant of an Option or a Restricted Stock Unit or Stock Appreciation Right pending the actual delivery of the Stock subject to such Option, Restricted Stock Unit or Stock Appreciation Right to such Key Employee or Director. Subject to § 10.3, a Key Employee's or Director's rights as a stockholder in the shares of Stock underlying a Stock Grant which is effective shall be set forth in the related Stock Grant Certificate.

19.2. No Contract of Employment or Service. The grant of an Award to a Key Employee or Director under this Plan shall not constitute a contract of employment or service and shall not confer on a Key Employee or Director any rights upon his or her termination of employment or service in addition to those rights, if any, expressly set forth in the related Option Certificate, Restricted Stock Unit Certificate, Stock Appreciation Right Certificate, Stock Grant Certificate, or Performance Unit agreement.

19.3. Withholding. A Participant may be required to pay to the Company or any Subsidiary or Affiliate and the Company or any Subsidiary or Affiliate shall have the right and is hereby authorized to withhold from any Award, from any payment due or transfer made under any Award or under the Plan, or from any compensation or other amount owing to a Participant the amount (in cash, Shares, other securities, other Awards or other property) of any applicable withholding or other tax-related obligations in respect of an Award, its exercise or any other transaction involving an Award, or any payment or transfer under an Award or under the Plan and to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes. The Committee may provide for additional cash payments to holders of Options to defray or offset any tax arising from the grant, vesting, exercise or payment of any Award. Without limiting the generality of the foregoing, the Committee may in its discretion permit a Participant to satisfy or arrange to satisfy, in whole or in part, the tax obligations incident to an Award by: (a) electing to have the Company withhold Shares or other property otherwise deliverable to such Participant pursuant to the Award (provided, however, that the amount of any Shares so withheld shall not exceed the amount necessary to satisfy required federal, state local and foreign withholding obligations using the maximum statutory withholding rates for federal, state, local and/or foreign tax purposes, including payroll taxes, that are applicable to supplemental taxable income) and/or (b) tendering to the Company Shares owned by such Participant (or by such Participant and his or her spouse jointly) and purchased or held for the requisite period of time as may be required to avoid the Company's or the Affiliates' or Subsidiaries' incurring an adverse accounting charge, based, in each case, on the Fair Market Value of the Shares on the payment date as determined by the Committee. All such elections shall be irrevocable, made in writing, signed by the Participant, and shall be subject to any restrictions or limitations that the Committee, in its sole discretion, deems appropriate.

19.4. Construction. All references to sections (§) are to sections (§) of this Plan unless otherwise indicated. This Plan shall be construed under the laws of the State of Delaware. Finally, each term set forth in § 2 shall have the meaning set forth opposite such term for purposes of this Plan and, for purposes of such definitions, the singular shall include the plural and the plural shall include the singular.

19.5. Other Laws. The Committee may refuse to issue or transfer any Shares or other consideration under an Award if, acting in its sole discretion, it determines that the issuance or transfer of such Shares or such other consideration might violate any applicable law or regulation (including applicable non-U.S. laws or regulations) or entitle the Company to recover the same under Exchange Act Section 16(b), and any payment tendered to the Company by a Participant, other holder or beneficiary in connection with the exercise of such Award shall be promptly refunded to the relevant Participant, holder or beneficiary.

19.6. Compliance with Section 409A of the Code. No Award (or modification thereof) shall provide for deferral of compensation that does not comply with Section 409A of the Code unless the Committee, at the time of grant, specifically provides that the Award is not intended to comply with Section 409A of the Code. Notwithstanding any provision of this Plan to the contrary, if one or more of the payments or benefits received or to be received by a Participant pursuant to an Award would cause the Participant to incur any additional tax or interest under Section 409A of the Code, the Committee may reform such provision to maintain to the maximum extent practicable the original intent of the applicable provision without violating the provisions of Section 409A of the Code. In addition, if a Participant is a Specified Employee at the time of his or her Separation from Service, any payments with respect to any Award subject to Section 409A of the Code to which the Participant would otherwise be entitled by reason of such Separation from Service shall be made on the date that is six months after the Participant's Separation from Service (or, if earlier, the date of the Participant's death). Although the Company intends to administer the Plan so that Awards will be exempt from, or will comply with, the requirements of Section 409A of the Code, the Company does not warrant that any Award under the Plan will qualify for favorable tax treatment under Section 409A of the Code or any other provision of federal, state, local or foreign law. The Company shall not be liable to any Participant for any tax, interest, or penalties that Participant might owe as a result of the grant, holding, vesting, exercise, or payment of any Award under the Plan. Any capitalized term in this § 19.6 not otherwise defined herein shall have such meaning as ascribed to it under Section 409A of the Code.

19.7. Award Agreements. Each Award hereunder shall be evidenced by an Award Agreement that shall be delivered to the Participant and may specify the terms and conditions of the Award and any rules applicable thereto. In the event of a conflict between the terms of the Plan and any Award Agreement, the terms of the Plan shall prevail. The Committee shall, subject to applicable law, determine the date an Award is deemed to be granted. The Committee or, except to the extent prohibited under applicable law, its delegate(s) may establish the terms of agreements or other documents evidencing Awards under this Plan and may, but need not, require as a condition to any such agreement's or document's effectiveness that such agreement or document be executed by the Participant, including by electronic signature or other electronic indication of acceptance, and that such Participant agree to such further terms and conditions as specified in such agreement or document. The grant of an Award under this Plan shall not confer any rights upon the Participant holding such Award other than such terms, and subject to such conditions, as are specified in this Plan as being applicable to such type of Award (or to all Awards) or as are expressly set forth in the agreement or other document evidencing such Award. Subject to the restrictions otherwise found in this Plan, the Committee may waive any conditions or rights under, amend any terms of or alter, suspend, discontinue, cancel or terminate, any Award theretofore granted, prospectively or retroactively (and in accordance with Section 409A of the Code with regard to Awards subject thereto); provided that any such waiver, amendment, alteration, suspension, discontinuance, cancellation or termination that would materially and adversely affect the rights of any Participant or any holder or beneficiary of any Award theretofore granted shall not to that extent be effective without the consent of the affected Participant, holder or beneficiary.

19.8. No Limit on Other Compensation Arrangements. Nothing contained in the Plan shall prevent the Company or any Subsidiary or Affiliate from adopting or continuing in effect other compensation arrangements, which may, but need not, provide for the grant of Options, Restricted Shares, Restricted Share Units, Stock-Based Awards or other types of Awards provided for hereunder.

19.9. Severability. If any provision of the Plan or any Award is, or becomes, or is deemed to be invalid, illegal or unenforceable in any jurisdiction or as to any Person or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to the applicable laws, or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, Person or Award and the remainder of the Plan and any such Award shall remain in full force and effect.

19.10. Awards to Non-U.S. Participants. The Committee shall have the power and authority to determine which service providers outside the United States shall be eligible to participate in the Plan. Without amending the Plan, the Committee may grant Awards to eligible persons who are foreign nationals and/or reside outside the United States on such terms and conditions different from those specified in this Plan as may in the judgment of the Committee be necessary or desirable to foster and promote achievement of the purposes of this Plan. The Committee may adopt, amend or rescind rules, procedures or sub-plans relating to the operation and administration of the Plan to accommodate the specific requirements of local laws, procedures, and practices.

19.11. Company Clawback Policy. Any Award granted pursuant to this Plan shall be subject to mandatory repayment by the Participant to the Company to the extent that such Participant is, or in the future becomes, subject to (a) any “clawback” or recoupment policy adopted by the Company or any Affiliate thereof to comply with the requirements of any applicable laws, rules or regulations, including pursuant to final rules adopted by the SEC pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, or otherwise, or (b) any applicable laws which impose mandatory recoupment, under circumstances set forth in such applicable laws, including the Sarbanes-Oxley Act of 2002.

19.12. No Trust or Fund Created. Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Subsidiary or Affiliate and a Participant or any other Person. To the extent that any Person acquires a right to receive payments from the Company or any Subsidiary or Affiliate pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company or any Subsidiary or Affiliate.

19.13. Headings. Headings are given to the sections and subsections of the Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof.

[*signature page follows*]

IN WITNESS WHEREOF, Option Care Health, Inc. has caused its duly authorized officer to execute this Plan to evidence its adoption of this Plan.

OPTION CARE HEALTH, INC.

By: /s/ Michael Shapiro

Date: May 19, 2021

EXHIBIT 31.1

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, John Rademacher, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Option Care Health, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f))for the registrant and have:
    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2021

/s/ John Rademacher
John Rademacher
President, Chief Executive Officer and Principal Executive Officer

EXHIBIT 31.2

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael Shapiro, certify that:

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

Date: August 3, 2021

/s/ Michael Shapiro
Michael Shapiro
Chief Financial Officer and Principal Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Option Care Health, Inc. (the “Company”) on Form 10-Q for the quarter ended June 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, John Rademacher, Chief Executive Officer of the Company, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

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

Date: August 3, 2021

/s/ John Rademacher
John Rademacher
President, Chief Executive Officer and Principal Executive Officer

EXHIBIT 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Option Care Health, Inc. (the “Company”) on Form 10-Q for the quarter ended June 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Michael Shapiro, Chief Financial Officer of the Company, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

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

Date: August 3, 2021

/s/ Michael Shapiro
Michael Shapiro
Chief Financial Officer and Principal Financial Officer