

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2020

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 No. 000-33043

OMNICELL, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

94-3166458
(IRS Employer
Identification No.)

**590 East Middlefield Road
Mountain View, CA 94043**
(Address of registrant's principal executive offices, including zip code)

(650) 251-6100
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, \$0.001 par value	OMCL	NASDAQ Global Select Market

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post 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 emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

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

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

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

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The aggregate market value of the registrant's common stock, \$0.001 par value, held by non-affiliates of the registrant as of June 30, 2020 was \$3.0 billion (based upon the closing sales price of such stock as reported on the NASDAQ Global Select Market on such date) which excludes an aggregate of 571,294 shares of the registrant's common stock held by officers, directors and affiliated stockholders. For purposes of determining whether a stockholder was an affiliate of the registrant at June 30, 2020, the registrant has assumed that a stockholder was an affiliate of the registrant at June 30, 2020 if such stockholder (i) beneficially owned 10% or more of the registrant's common stock and/or (ii) was affiliated with an executive officer or director of the registrant at June 30, 2020. Exclusion of such shares should not be construed to indicate that any such person possesses the power, direct or indirect, to direct or cause the direction of the management or policies of the registrant or that such person is controlled by or under common control with the registrant.

As of February 17, 2021, there were 43,041,554 shares of the registrant's common stock, \$0.001 par value, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for the 2021 Annual Meeting of Stockholders to be filed with the United States Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Form 10-K are incorporated by reference in Part III, Items 10-14 of this Form 10-K.

OMNICELL, INC.
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FORWARD-LOOKING STATEMENTS AND FACTORS THAT MAY AFFECT FUTURE RESULTS

This annual report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). The forward-looking statements are contained throughout this report including in the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." Forward-looking statements include, but are not limited to, statements about:

- our expectations about the continuing impact of the ongoing global novel coronavirus (COVID-19) pandemic (including efforts to contain the spread of the pandemic) on our workforce and operations, as well as the continuing impacts on our customers and suppliers, and the anticipated continuing effects of the pandemic and associated containment measures on our business, financial condition, liquidity, and results of operations;*
- our expectations regarding our future sales pipeline and product bookings;*
- the extent and timing of future revenues, including the amounts of our current backlog;*
- the size or growth of our market or market share;*
- our beliefs about drivers of demand for our solutions, market opportunities in certain product categories, and continued expansion in these product categories, as well as our belief that our technology, services, and solutions within these categories position us well to address the needs of retail, acute, and post-acute pharmacy providers;*
- our ability to acquire companies, businesses, products, or technologies on commercially reasonable terms and integrate such acquisitions effectively;*
- our goal of advancing our platform with new product introductions annually;*
- our ability to deliver on the autonomous pharmacy vision, as well as our plan to integrate our current offerings and technologies on a cloud infrastructure and invest in broadening our solutions across certain key areas as we execute on this vision;*
- continued investment in the autonomous pharmacy vision, our beliefs about the anticipated benefits of such investments, and our expectations regarding continued growth in subscription and cloud-based offerings as we execute on this vision;*
- our belief that our solutions and vision for fully autonomous medication management are strongly aligned with long-term trends in the healthcare market and well-positioned to address the evolving needs of the healthcare institutions;*
- planned new products and services;*
- the bookings, revenue, and margin opportunities presented by new products, emerging markets, and international markets;*
- our ability to align our cost structure and headcount with our current business expectations;*
- the outcome of any legal proceedings to which we are a party;*
- the bookings, revenues, non-GAAP EBITDA, operating margin, or non-GAAP earnings per share goals we may set;*
- our projected target long-term revenues and revenue growth rates, long-term non-GAAP operating margin targets, long-term non-GAAP EBITDA margin targets, and free cash flow conversion;*
- our ability to protect our intellectual property and operate our business without infringing, misappropriating, or otherwise violating the intellectual property rights of others;*
- the expected impacts of new accounting standards or changes to existing accounting standards;*
- our expected future uses of cash, including our expected uses for the remaining proceeds of our convertible senior notes, and the sufficiency of our sources of funding; and*
- our ability to generate cash from operations and our estimates regarding the sufficiency of our cash resources.*

In some cases, you can identify forward-looking statements by terms such as “anticipates,” “believes,” “could,” “estimates,” “expects,” “intends,” “seeks,” “may,” “plans,” “potential,” “predicts,” “projects,” “should,” “will,” “would,” and variations of these terms and similar expressions. Forward-looking statements are based on our current expectations and assumptions, and are subject to known and unknown risks and uncertainties, which may cause our actual results, performance, or achievements to be materially different from those expressed or implied in the forward-looking statements. Such risks and uncertainties include those described throughout this annual report, including in Part I - Section 1A. “Risk Factors” and Part II - Item 7. “Management's Discussion and Analysis of Financial Condition and Results of Operations” below. Given these risks and uncertainties, you should not place undue reliance on these forward-looking statements. You should carefully read this annual report and the documents that we reference in this annual report and have filed as exhibits, as well as other documents we file from time to time with the United States Securities and Exchange Commission, with the understanding that our actual future results may be materially different from what we expect. The forward-looking statements in this annual report represent our estimates and assumptions only as of the date of this annual report. Except as required by law, we assume no obligation to update any forward-looking statements publicly, or to update the reasons actual results could differ materially from those expressed or implied in any forward-looking statements, even if new information becomes available in the future.

All references in this report to “Omnicell,” “our,” “us,” “we,” or the “Company” collectively refer to Omnicell, Inc., a Delaware corporation, and its subsidiaries. The term “Omnicell, Inc.” refers only to Omnicell, Inc., excluding its subsidiaries.

We own various registered and unregistered trademarks and service marks used in our business, some of which appear in this report. The most important of these marks include Omnicell® and the Omnicell logo. This report may also include the trademarks and service marks of other companies. Such trademarks and service marks are the marks of their respective owners.

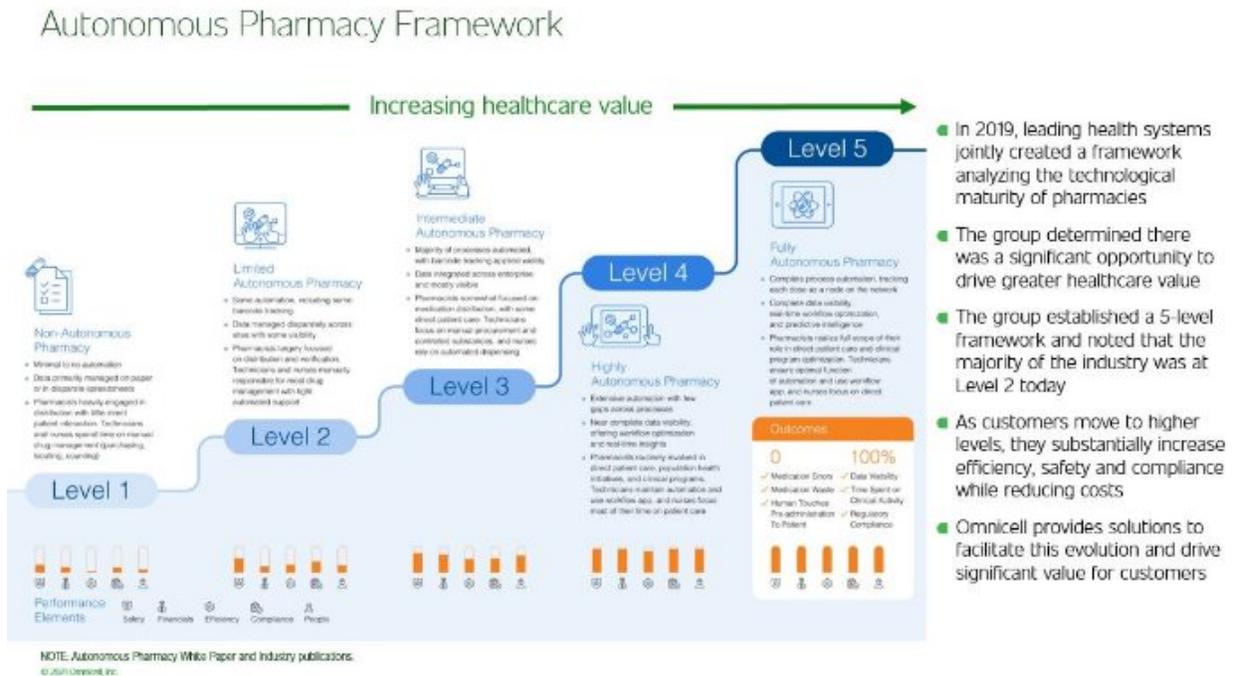
PART I

ITEM 1. BUSINESS

Overview

We are a leader in transforming the pharmacy care delivery model. Our medication management automation solutions and adherence tools empower healthcare systems and pharmacies to focus on clinical care, rather than administrative tasks. Our solutions support the vision of a fully autonomous pharmacy, a roadmap designed to improve operational efficiencies through a fully automated, medication management infrastructure. Our vision is to transform the pharmacy care delivery model through automation designed to replace manual, error-prone processes, combined with a single, cloud-based platform and advanced services offerings. We believe our connected devices, products, and solutions will help our customers harness the power of data and analytics, and deliver improved patient outcomes.

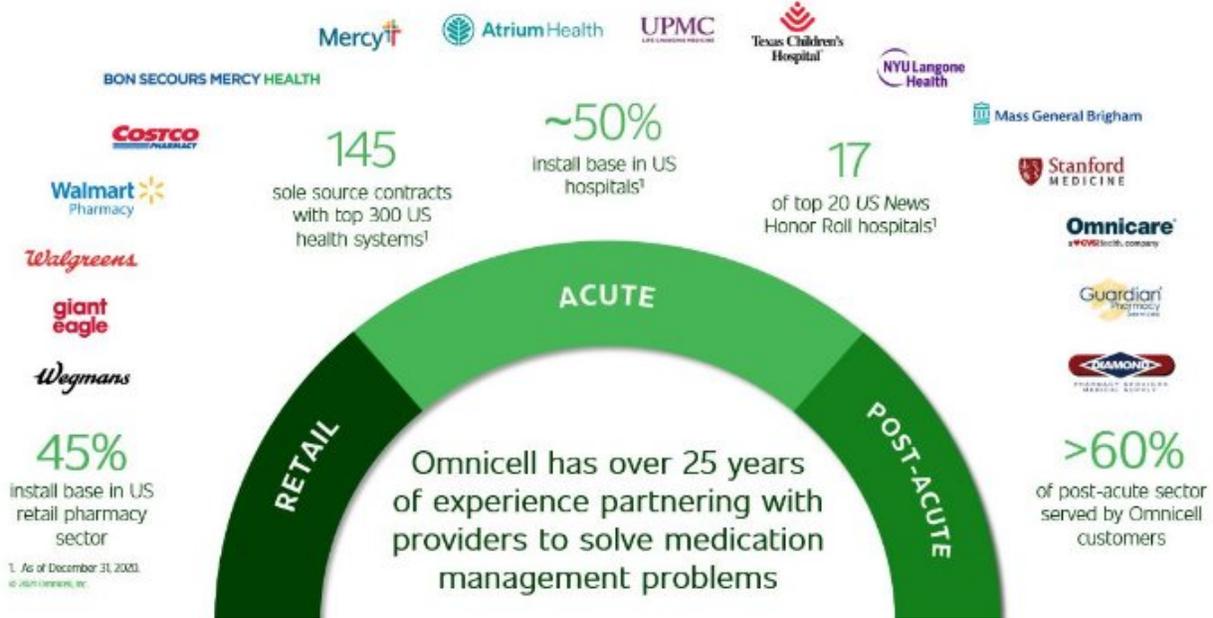
In 2019, several pharmacy leaders published a framework that validates the need for greater automation of pharmacy workflows and outlines the levels to progress towards the fully autonomous pharmacy. Through our medication management automation platform that spans the continuum of care, we are advancing the vision for the autonomous pharmacy. By delivering a combination of automation, intelligence, and advanced services, to be powered by a single, cloud-based platform, we believe we are helping to empower healthcare and pharmacy providers to increase healthcare value and improve patient outcomes.



- In 2019, leading health systems jointly created a framework analyzing the technological maturity of pharmacies
- The group determined there was a significant opportunity to drive greater healthcare value
- The group established a 5-level framework and noted that the majority of the industry was at Level 2 today
- As customers move to higher levels, they substantially increase efficiency, safety and compliance while reducing costs
- Omnicell provides solutions to facilitate this evolution and drive significant value for customers

We believe our robust customer base and channel within the pharmacy automation market enable us to bring new solutions and innovations to market. Over 7,000 facilities worldwide use our automation and analytics solutions which are designed to improve pharmacy workflows, increase operational efficiency, reduce medication errors, deliver actionable intelligence, and improve patient safety. More than 50,000 institutional and retail pharmacies across North America and the United Kingdom leverage our innovative medication adherence and population health solutions to improve patient engagement, and adherence to prescriptions and vaccine scheduling, helping to reduce costly hospital readmissions.

Omnicell Has Great Breadth and Depth of Customer Base That Enables Significant Ability to Bring New Innovations to Market



We believe our broad portfolio of products and services, combined with innovation, align us with the long-term trends of the healthcare market to manage patients across the continuum of care while helping to control costs and improve patient outcomes.

Operating Segments

We manage our operations as a single segment for the purposes of assessing performance and making operating decisions. Our Chief Operating Decision Maker ("CODM") is our Chief Executive Officer. The CODM allocates resources and evaluates the performance of Omnicell at the consolidated level using information about our revenues, gross profit, income from operations, and other key financial data. All significant operating decisions are based upon an analysis of Omnicell as one operating segment, which is the same as our reporting segment.

Business Strategy

We are committed to being the care provider's most trusted partner and executing on the vision of the autonomous pharmacy by delivering automation, intelligence, and advanced services, powered by a single, cloud-based platform. We believe there are significant challenges in pharmacy practice including, but not limited to, medication errors, drug shortages, medication loss due to drug diversion, significant medication waste and expiration costs, a high level of manual steps in the medication management automation process, complexity around compliance requirements, high pharmacy employee turnover rates, hospitalizations from adverse drug events in outpatient settings, high variability in outcomes, and limited inventory visibility. We believe that these significant challenges in pharmacy practice drive the demand for increased digitization and virtualization, and that our solutions enable this and represent large opportunities in four market categories:

- **Point of Care.** As a market leader, we expect to continue expansion of this product category as customers increase use of our dispensing systems in more areas within their hospitals. In addition, we are early in the replacement, upgrade, and expansion cycle of our XT Series automated dispensing systems which we believe is a significant market opportunity and we expect to continue to focus on further penetrating markets through competitive conversions. We believe our current portfolio within the Point of Care market and new innovation and services will continue to drive improved outcomes and lower costs for our customers.
- **Central Pharmacy.** This market represents the beginning of the medication management process in acute care settings, and, we believe, the next big automation opportunity to replace manual and repetitive processes which are common in the pharmacy today. Manual processes are prone to significant errors, and products such as IVX Workflow, our IV sterile compounding solutions, and the XR2 Automated Central Pharmacy system automate

these manual processes and are designed to reduce the risk of error for our healthcare partners. We believe new products and innovations, including Omnicell One™, in the Central Pharmacy market create opportunities to replace prior generation Central Pharmacy robotics and carousels. The Central Pharmacy also represents an opportunity to provide technology-enabled services designed to reduce the administrative burden on the pharmacy and allow clinicians to operate at the top of their license.

- **340B Software-Enabled Services.** This market is targeted to covered entities participating in Section 340B of the Public Health Services Act. The act requires pharmaceutical manufacturers participating in Medicaid to sell outpatient drugs at discounted prices to health care organizations that care for many uninsured and low-income patients and results in a complex compliance environment. We believe that there are significant opportunities for health systems to improve participation benefits and maximize program savings through software-enabled services and solutions. Our Omnicell 340B platform of technology-enabled services includes split billing software, contract pharmacy administration, specialty contract pharmacy administration, and drug discount access solutions.
- **Retail, Institutional, and Payer.** We believe the Retail, Institutional, and Payer market represents a large opportunity as the majority of drugs are distributed in the non-acute sector. New technology and updated state board regulations are leading to innovation at traditional retail providers, which, combined with the move to value-based care, we believe will incentivize the market to adopt solutions to help providers and payers engage patients in new ways that lower the total cost of care. We believe adoption of our EnlivenHealth (formerly Population Health Solutions) portfolio of software products and services, along with medication adherence packaging, will increase adherence performance rates, increase prescription volume for our customers, and reduce hospital and emergency room visits due to improved adherence. As retail pharmacies play an increasingly vital role in population health following the onset of the COVID-19 pandemic, EnlivenHealth has extended solutions to assist with vaccination programs, testing protocols, and patient engagement efforts. There are three main areas of focus:
 - *CareScheduler* is an exclusive digital solution that automates the scheduling, reporting, and patient outreach for administering the COVID-19 vaccine and other vaccines and testing procedures.
 - *Medication Synchronization* is an appointment-based solution that aligns a patient's medications to a single refill date, designed to improve medication adherence and reduce hospital readmissions.
 - *Medication Therapy Management* is a platform that offers intuitive workflow with high-level decision support for efficiently completing CMS-compliant Comprehensive Medication Reviews using pharmacy claims data.

We believe our technology, services, and solutions within these market categories position us well to address the needs of retail, acute, and post-acute pharmacy providers.

Leader in Large and Growing Segments

Omniceil is growing its leadership position across a \$70B+ total addressable market.



1. Represents estimated cumulative TAM over 10 years and includes North America, UK, Germany, France, Spain, Kingdom of Saudi Arabia, UAE & Qatar. © 2021 Omnicell, Inc.

Environmental, Social, and Governance Initiatives

We view Omnicell as a company with a social mission: Our focus on reinventing the pharmacy care delivery model is designed to dramatically improve health outcomes and lower healthcare costs. Our teams are motivated by knowing that our work to improve medication management has a tangible, real-world impact on healthcare workers, patients, and communities.

We recognize that we are accountable not only to our customers and shareholders, but also to the global community. In December 2020, we published initial ESG disclosure and performance information, aligned to Sustainability Accounting Standards Board, Task Force on Climate-related Financial Disclosures, and Global Reporting Initiative guidelines. We are focused on innovating to drive sustainability across our business; ethically and responsibly sourcing materials by adhering to internationally-recognized Organisation for Economic Co-operation and Development guidance; and elevating our diversity and inclusion initiatives.

A Better Way: Omnicell's Strategic Approach to Corporate Responsibility

 ENVIRONMENT: INNOVATING FOR ENERGY EFFICIENCY	 SOCIAL: EVERY VOICE COUNTS	 GOVERNANCE: ACTING WITH INTEGRITY
<ul style="list-style-type: none">■ We design our products to be energy efficient■ Currently working with the EPA to receive Energy Star certification for our products■ Headquarters is LEED Platinum certified and includes a 151 kW solar array	<ul style="list-style-type: none">■ 77% employee satisfaction score (ahead of 73% average score of similarly-sized companies identified by Glint)■ Established head of Diversity & Inclusion in 2020 and Diversity Governance body that will help define and advance our strategy in 2021■ Risk-based supplier management, auditing and oversight to help ensure responsible sourcing	<ul style="list-style-type: none">■ Robust business ethics oversight and compliance■ All of our manufacturing facilities are ISO quality certified and audited■ Robust cybersecurity and data privacy programs■ The Board of Directors' Governance Committee is responsible for ESG, including oversight of setting targets and measuring outcomes

Recently published initial ESG disclosure and performance information, aligned to SASB, TCFD, GRI guidelines; first Corporate Responsibility Report expected to come in spring 2021

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Industry Background and Market

We believe our solutions support the vision for the fully autonomous pharmacy and are strongly aligned with trends in the healthcare market, and well positioned to address the evolving needs of healthcare institutions.

The healthcare industry continues to experience a significant degree of consolidation, with healthcare providers combining to create larger healthcare delivery organizations to achieve greater market power. We believe this trend has increased the market need for more integrated medication management automation solutions on a single platform to help improve patient and financial outcomes for both inpatient and outpatient settings. Our portfolio of connected devices, products, and services, combined with innovation, are designed with this objective in mind.

In addition, healthcare providers and facilities are affected by significant economic pressures. Annual prescription drug expenditures in the United States were approximately \$508 billion in 2019, according to the IQVIA National Sales Perspective database. Also, based on a 2018 report by the Health Care Cost Institute, the largest growth in spending for professional services—defined as payments to physicians and other clinical care team members for services provided in physician offices and hospitals—occurred among administered drugs, which accounted for the biggest share, at 39%, of the total increase in professional services spending from 2014 to 2018. Rising costs of labor, prescription drugs, and new medical technology all contribute to increased spending. Governmental pressures surrounding healthcare reform and compliance have led to increased scrutiny of the cost and efficiency with which healthcare providers deliver their services. These factors, combined with continuing consolidation in the healthcare industry, have increased the need for the efficient delivery of healthcare in order to control costs, and have elevated the strategic importance of medication management and pharmacy automation across the continuum of care.

Furthermore, over time, complexities in medication management have increased along with the volume of patients and medications, but many manual processes are still used, resulting in inefficient tracking and delivery of medications and supplies. Many clinical staff are burdened with administrative tasks. According to a survey conducted by the American Society of Health-System Pharmacists in 2019, approximately 75% of pharmacist activities are non-clinical in nature. In addition, many existing healthcare information systems are unable to support the modernization of healthcare delivery processes or address mandated patient safety initiatives. These factors contribute to medical errors and unnecessary process costs across the healthcare sector including in medication management.

Legislation and industry guidelines, such as those issued by the U.S. Food and Drug Administration (the "FDA"), The Joint Commission, the U.S. Pharmacopeial Convention and the Institute for Safe Medication Practices in the areas of medication management—including storage, security, and labeling—have created an environment of increased patient safety awareness and regulatory control. Against this backdrop, healthcare organizations, desiring to improve quality and avoid

liability, have been driven to prioritize investments in capital equipment, including pharmacy automation, which is a standard of care, to improve patient safety. While the overall storage and security of medications in hospitals have improved, there had been an increased focus on controlled substance management in recent years, particularly in light of the opioid crisis in the United States. According to a research report published by the Butler Center for Research in 2015, studies in the United States have shown that 10% to 15% of healthcare professionals will misuse substances during their lifetime, with significantly higher levels of opioid abuse in particular. Joint Commission surveyors are seeking more documentation from hospitals demonstrating that their medication policies and procedures are adequate.

Medication non-adherence is widely recognized as a common and costly problem. Poor adherence results in increased hospital readmissions, deteriorated treatment outcomes, and avoidable healthcare costs. The estimated annual cost of prescription drug-related morbidity and mortality resulting from non-optimized medication therapy, including medication non-adherence, was \$528 billion in 2016, according to a study published in the *Annals of Pharmacotherapy* in 2018. In addition, a 2017 study published in the *Journal of the American Pharmacists Association* found that medication issues are responsible for 26% of hospital readmissions. With more than 40 million Americans taking five or more maintenance medications routinely (based on statistics published by the National Center for Health Statistics in 2018), pharmacists need ways to support the arduous task of keeping patients compliant. According to a 2011 article by the World Health Organization, “although these medications are effective in combating disease, their full benefits are often not realized because approximately 50% of patients do not take their medications as prescribed.” Medication adherence can be improved through attitudinal and behavioral changes, which pharmacists can encourage and help facilitate by providing interventional support, including adherence tools such as blister cards, reminders, prescription synchronization, and patient engagement tools. We believe our EnlivenHealth portfolio has the potential to reduce hospitalizations and emergency department visits, and improve patient health by increasing medication adherence.

Government Regulation

Our operations are global and are affected by complex state, federal, and international laws and regulations. These laws and regulations relate to healthcare, privacy and security, product compliance, import, export, trade, healthcare fraud and abuse (including anti-kickback and false claims laws), environmental standards, anti-corruption, anti-bribery, labor and employment, as well as other areas.

We receive, store, and process personal information and other data from and about our customers, in addition to our employees and service providers, and our customers use our solutions to obtain and store personal information, including personal health information. As a result, we are subject to various laws and regulations related to privacy, data protection, and information security. In the United States, these include federal health information privacy laws (such as the Health Information Portability and Accountability Act of 1996 ("HIPAA")), various state and federal security breach notification laws, consumer protection laws, as well as state laws addressing privacy and security. Internationally, various foreign jurisdictions in which we operate have established, or are developing, their own data privacy and security legal framework with which we or our customers must comply, including the European Union’s General Data Protection Regulation (“GDPR”).

In addition, while the manufacture and sale of most of our current products are not regulated by the FDA or the Drug Enforcement Administration, through our acquisition of Aesynt Incorporated, we have both Class I and Class II, 510(k) exempt medical devices which are subject to FDA regulation and require compliance with the FDA Quality System Regulation as well as medical device reporting.

Furthermore, our operations are impacted by trade regulations in many countries that govern the import of raw materials and finished products, and we are also subject to laws and regulations that seek to prevent corruption and bribery in the marketplace (including the U.S. Foreign Corrupt Practices Act and the United Kingdom Bribery Act) as well as laws and regulations pertaining to healthcare fraud and abuse, including state and federal anti-kickback and false claims laws in the United States.

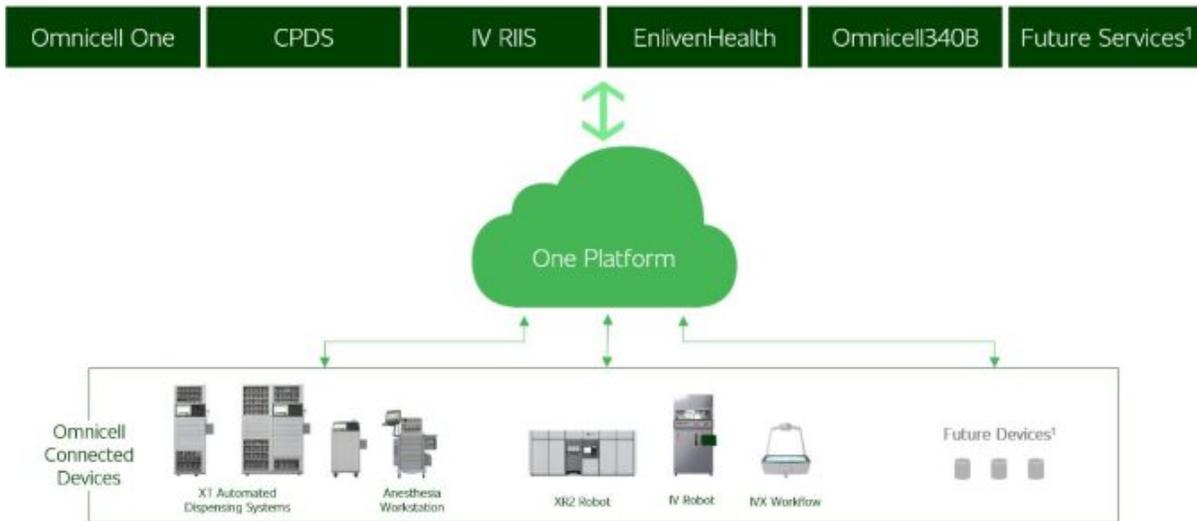
Since we manufacture and sell our products outside of the United States, certain products of a local nature and variations of product lines must also meet other local regulatory requirements. Additional risks are inherent in conducting business outside the United States, including more robust information governance and environmental regulations in the European Union, expropriation, nationalization, and other governmental action. Demand for many of our existing and new products is, and will continue to be, affected by the extent to which local regulatory requirements increase our risk and/or expense to do business in those countries.

Compliance with the laws and regulations applicable to our global operations is costly and requires sufficient resources to actively maintain various governance, risk, and compliance systems in several areas, including FDA, quality, information governance and security, and environmental, health and safety, to enable Omnicell to keep abreast of the constantly evolving

regulatory landscape both in the United States and abroad. Any failure to comply with these laws and regulations could result in a range of fines, penalties, and/or other sanctions.

Products and Services

Omnicell's Autonomous Pharmacy is a New Category of Solutions That Fundamentally Improve Provider Outcomes



1. Future services and future devices represent potential future technology that is under development and may or may not ever become generally available to the commercial marketplace. Omnicell makes no commitment with regard to such potential future technology.
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As we continue to execute on the vision of the autonomous pharmacy, we plan to integrate our current offerings and technologies on a cloud infrastructure, and invest in broadening our solutions across three key areas:

Automation

We provide a range of advanced automation, including robotics designed to digitize and streamline workflows and reduce human error in central pharmacy and clinical areas, and to support medication adherence initiatives in retail pharmacies. Our automation products and technology-enabled services include central pharmacy automation solutions for both dispensing and IV compounding systems, medication and supply dispensing systems at the point of care, as well as medication adherence solutions which are used by retail, community, and outpatient pharmacies to help improve patient engagement and adherence to prescriptions.

Point of Care

Our point of care automation solutions are designed to improve clinician workflows in patient care areas of the healthcare system, such as nursing units, patient wards, operating rooms, and emergency departments. Automated dispensing systems are an essential part of medication management because they safeguard medications - including controlled substances - and automatically track inventory. We strive to continually develop new innovations for our automated dispensing systems to close gaps in safety and help enable clinicians to spend less time managing medications and more time caring for patients.

Our XT Series automated dispensing systems for medications and supplies used in nursing units and other clinical areas of the hospital can be customized with various software and hardware options. Our interoperability solutions integrate our automated dispensing systems with key electronic health record systems to help streamline workflow and increase accuracy. We also offer specialized automated dispensing systems for the operating room.

Central Pharmacy

An efficient central pharmacy operation is vital to delivering exceptional patient care. With pharmacist and technician labor requirements increasing over the years, it is critical for pharmacies to find new ways of increasing productivity. Our broad medication management platform offers a range of automated hardware and software solutions. Our central pharmacy automation solutions are designed to empower healthcare providers to increase staff efficiency, reduce inventory costs, prevent

medication errors, improve compliance, and strengthen security of controlled substances. By automating manual, error-prone processes, our technology helps enable pharmacy staff to work more efficiently and directly contribute to clinical care.

Our central pharmacy automation solutions include: automated storage and retrieval systems, including our XR2 Automated Central Pharmacy System – an important building block of the autonomous pharmacy vision; IV compounding robots and workflow management systems; inventory management software; and controlled substance management systems.

Medication Adherence

Our medication adherence solutions are used by retail, community, and outpatient pharmacies, as well as by institutional pharmacies serving long-term care and other sites outside the acute care hospital, and are designed to improve patient engagement and adherence to prescriptions.

We offer automated systems to aid pharmacies in more accurately and efficiently filling our multimed adherence packaging based on individual patient medication orders. These machines interface with pharmacy information systems to obtain prescription information for each patient receiving the medication blister cards. In addition to robotic automation, we offer software that guides the user through the manual filling process to streamline workflow and increase packing accuracy.

Our single dose automation solutions fill and label a variety of patient-specific, single-dose medication blister packaging based on incoming prescriptions. Our semi-automated filling equipment is designed specifically for the long-term care institutional pharmacy with enough order volume to warrant pre-packaging frequently-used medications. Our automated solutions interface with pharmacy information systems to obtain prescription information.

We also offer a wide range of medication blister card packaging and packaging supplies designed to enhance medication adherence in a variety of non-acute care settings. These products include multimed blister cards (adherence packaging) distributed by retail, community, and outpatient pharmacies to help patients manage their medication regimens at home. These cards organize multiple drugs into a single blister cavity for each dosing time, helping to make it easier for patients on complex regimens to comply with their therapy. For environments where a caregiver is present, institutional and retail pharmacies use our single dose blister cards, which provide up to 90-day doses of a specific single medication.

Other Automation Products and Services

Omnicell® Interface Software provides interface and integration between our medication-use products or our supply products and a healthcare facility's in-house information management systems.

Customer service includes customer education and training, and post-installation technical support with phone support, on-site service, parts, and access to software upgrades. Product support is available through fixed-period service contracts and on a time and materials basis. On-site service is provided by our field service team.

Retail Pharmacy and Hospital Automation Outside the United States

Additional products sold outside the United States include robotic dispensing systems used in hospitals and retail pharmacies for handling the stocking and retrieval of boxed medications. For management of medical supplies, a specialized cabinet that uses radio frequency identification is also available.

Intelligence

Leveraging data analytics and predictive intelligence, we provide actionable insights to help customers better understand their medication usage and improve pharmacy supply chain management. We offer specialized services and analytics software designed to help healthcare facilities improve their bottom line and patient care by harnessing data from automation and other systems. Our Omnicell One (formerly Performance Center) solution, a technology-enabled service, combines a cloud-based predictive intelligence platform with expert services designed to drive enterprise improvements in medication inventory optimization, medication waste reduction, and drug diversion monitoring.

Our comprehensive 340B solution provides a combination of software, deep knowledge of the 340B program, and software-enabled services, to help deliver superior outcomes in both savings and compliance, optimizing the 340B program for eligible entities. The suite of offerings includes split billing software, contract pharmacy administration, specialty contract pharmacy administration, and drug discount access solutions.

EnlivenHealth™ offers a portfolio of medication management tools designed to help improve health outcomes. EnlivenHealth Patient Engagement is a web-based nexus of solutions designed to comprehensively support improvement in health outcomes related to medication use. EnlivenHealth Patient Engagement includes clinical solutions such as Medication Synchronization, Immunization and Scheduling, Targeted Patient Interventions, Medication Therapy Management, and Opioid Mitigation Solution, and patient communications such as hosted Interactive Voice Response (IVR), Outbound

Communications, and Mobile App, which enable tailoring of patient contact to individual preferences. Combined with advanced analytics to stratify populations and prioritize patient interventions, these solutions support improved performance for both pharmacies and health plans, helping them to succeed in value-based healthcare by driving health outcomes - better care, better health, and lower costs.

Technology-Enabled Services

We provide technology-enabled services that serve as an extension of pharmacy operations to support improved efficiency, regulatory compliance, and patient outcomes. Our technology-enabled services provide comprehensive, customer-centric, outcome-based adoption services to help ensure successful adoption of our technology.

Our Central Pharmacy IV Compounding Service offers a comprehensive service model inclusive of IV robotic technology, data analytic tools, and clinical support for insourced sterile compounding programs. Our Central Pharmacy Dispensing Service is a turnkey, full service central pharmacy automation solution designed to improve inventory control, compliance, safety, and efficiency through automation, supported by operational staff, maintenance, and optimization services.

We also offer Professional Services, as the introduction of new innovations within our health system customers has become increasingly complex, with greater organizational impacts. We view our customers as partners in the pursuit of better health outcomes for patients and improved satisfaction for the clinicians who serve them. Every engagement is an opportunity for us to help customers reach their clinical and business objectives.

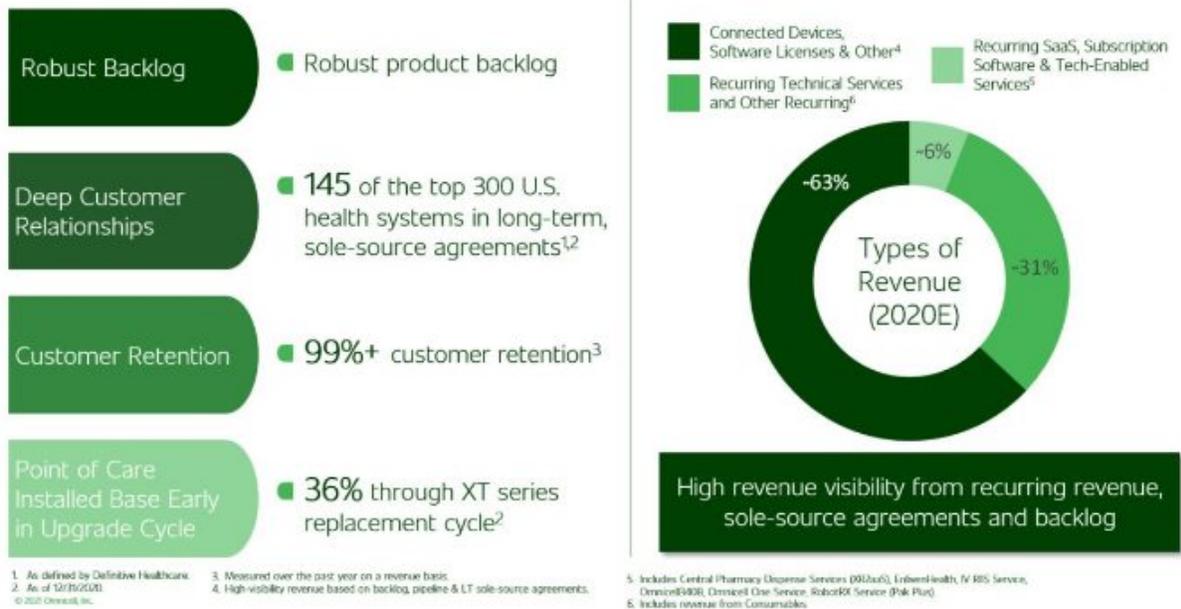
Acquisitions

In addition to our own development, we have, from time to time, acquired businesses and technologies that expand our product lines and are a strategic fit for our business.

On October 1, 2020, we completed the acquisition of the 340B Link business (the “340B Link Business”) of Pharmaceutical Strategies Group, LLC. The acquisition adds to our portfolio a comprehensive and differentiated suite of software-enabled services and solutions used by certain eligible hospitals, health systems, clinics, and entities to manage compliance and capture 340B drug cost savings on outpatient prescriptions filled through the eligible entity’s pharmacy or a contracted pharmacy partner.

Sales and Distribution

Resilient and High-Visibility Revenue



We sell our solutions primarily in the United States. Approximately 89% of our revenue was generated in this market for the year ended December 31, 2020. Our sales force is organized by geographic region in the United States and Canada,

where our sales are primarily made direct to end-user customers with the exception of some distribution of medication adherence consumables. Outside the United States and Canada, we field direct sales employees in the United Kingdom, France, Germany, the United Arab Emirates, Belgium, and Australia. For other geographies, we generally sell through distributors and resellers. Our foreign operations are discussed in Note 3, *Revenues*, and Note 7, *Property and Equipment*, of the Notes to Consolidated Financial Statements and Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, of this annual report on Form 10-K. Our combined direct, corporate, and international distribution sales teams consisted of approximately 370 staff members as of December 31, 2020. Nearly all of our direct sales team members have hospital capital equipment, services, or clinical systems experience.

As of December 31, 2020, we have 145 long-term, sole-source agreements with the top 300 U.S. health systems. The sales cycle for our automation systems, from the initial sales meeting to completion of installation, can take in excess of 12 to 24 months. This is due in part to the relative cost of our systems and the number of people within each healthcare facility involved in the purchasing decision and installation process. To initiate the selling process, the sales representative generally targets the director of pharmacy, the director of nursing, the director of materials management, or other decision makers, and educates each group within the healthcare facility about the economic, safety, and compliance benefits of our solutions relative to competing methods of managing medications or medical and surgical supplies.

We contract with Group Purchasing Organizations ("GPOs"), each of which functions as a purchasing agent on behalf of member hospitals and other healthcare providers. Pursuant to the terms of GPO agreements, each member contracts directly with us and can purchase our product at pre-negotiated contract terms and pricing. These GPO contracts are typically for multiple years with options to renew or extend for up to two years and some of which can be terminated by either party at any time. Our current most significant GPO contracts include Vizient, Inc., Premier Inc., and HealthTrust Purchasing Group. We also have a Federal Supply Schedule contract with the Department of Veterans Affairs (the "GSA Contract"), allowing the Department of Veterans Affairs, the Department of Defense, and other Federal government customers to purchase or lease our products. Some of our contracts with these organizations are terminable at the convenience of either party. The accounts receivable balances are with individual members of the GPOs and Federal agencies that purchase under the GSA Contract, and therefore no significant concentration of credit risk exists. During our fiscal year ended December 31, 2020, sales to members of the ten largest GPOs and Federal agencies that purchase under the GSA Contract accounted for approximately 60% of total consolidated revenues.

We offer multi-year, non-cancelable lease payment terms to assist healthcare organizations in purchasing our systems by reducing their cash flow requirements. We sell the majority of our multi-year lease receivables to third-party leasing finance companies.

Our field operations representatives support our sales force by providing operational and clinical expertise prior to the close of a sale and during installation of our automation systems. This group assists the customer with the technical implementation of our automation systems, including configuring our systems to address the specific needs of each individual customer. After the systems are installed, on-site support is provided by our field service team and technical support group.

We offer telephone technical support through our technical support centers in Illinois, Florida, Pennsylvania, and North Carolina. Our support centers are staffed 24 hours a day, 365 days a year. We have found that a majority of our customers' service issues can be addressed either over the phone or by our support center personnel using their remote diagnostics tools. In addition, we use remote dial-in software that monitors customer conditions on a daily basis. We offer a suite of remote monitoring features, which proactively monitors system status and alerts service personnel to potential problems before they lead to system failure.

In addition, our international team handles direct sales, installation, and service to healthcare facilities in the United Kingdom, France, and Germany, and to non-acute customers in Australia. Sales, installation, and service to healthcare facilities is handled through distribution partners in other parts of Europe, Asia, Australia, the Middle East, South Africa, and South America. Our products are available in a variety of languages including Traditional Chinese, Simplified Chinese, Japanese, Korean, French, Swedish, Dutch, Spanish, and German.

Manufacturing and Inventory

The manufacturing process for our automation products allows us to configure hardware and software in unique combinations to meet a wide variety of individual customer needs. The automation product manufacturing process primarily consists of the final assembly of components and testing of the completed product. Many of the sub-assemblies and components we use are provided by third-party contract manufacturers or other suppliers. A portion of these contract manufacturers and other suppliers are based in Asia. We and our partners test these sub-assemblies and perform inspections to assure the quality and reliability of our products. While many components of our systems are standardized and available from multiple sources, certain components or subsystems are fabricated by a sole supplier according to our specifications and schedule requirements.

or are only available from limited sources. Our medication adherence product manufacturing process consists of fabrication and assembly of equipment and mechanized process manufacturing of consumables. We rely on a limited number of suppliers for the raw material that are necessary in the production of our consumable medication packages.

Our arrangements with our contract manufacturers generally set forth quality, cost, and delivery requirements, as well as manufacturing process terms, such as continuity of supply, inventory management, capacity flexibility, quality and cost management, oversight of manufacturing, and conditions for the use of our intellectual property.

Our manufacturing organization procures components and schedules production based on the backlog of customer orders. Installation of equipment and software typically occurs between two weeks and twelve months after the initial order is received, depending upon the customer's particular needs. We deploy a key operational strategy of operating with backlog levels that approximate the average installation cycle of our customers, which allows us to more efficiently manage our installation teams, improve production efficiencies, reduce inventory scrap, and lower shipping costs. Shipment of consumables typically occurs between one and four weeks after an order is received.

Competition

The markets in which we operate are intensely competitive. We compete directly with a number of companies in the medication management automations solutions market, as well as the medication adherence solutions market, on the basis of many factors, including price, quality, customer outcome and cost of operation, innovation, product features and capabilities, installation and service, reputation and brand recognition, size of installed base, range of solutions, distribution, and promotion. We expect continued and increased competition from current and future competitors in the markets in which we operate, and are affected by evolving and new technologies, changes in industry standards, and dynamic customer requirements.

We believe our products and services compare favorably with the offerings of our competitors, particularly with respect to proprietary technological advancements, system performance, system reliability, installation, applications training, service response time, and service repair quality.

Intellectual Property and Proprietary Technology

We rely on a combination of patents, trademarks, copyright and trade secret laws, confidentiality procedures, contractual restrictions, and licensing arrangements to protect our intellectual property rights.

We pursue patent protection in the United States and foreign jurisdictions for technology that we believe to be proprietary and that offers a potential competitive advantage for our products. Our issued patents expire on various dates between 2021 and 2038. We intend to seek and obtain additional United States and foreign patents on our technology.

All of our product software is subject to copyright protection under applicable United States and foreign copyright laws. We have also obtained United States and, for certain marks, foreign registrations of various marks, and we intend to seek and obtain additional registrations of our trademarks in the United States and foreign jurisdictions.

Trade secrets and other confidential information are also important to our business. We protect our trade secrets through a combination of contractual restrictions and confidentiality and licensing agreements.

Research and Development

Our research and development efforts begin with customer collaboration. The insight that we gain through this collaboration helps us to develop solutions to address the unmet needs and challenges faced by our customers. We continue to make significant investments in the vision of the autonomous pharmacy, in particular, in our cloud-based platform, in the further development of technology-enabled software and services, and in the evolution of our robotic automation capabilities, while continuing to enhance the other elements of our product and service portfolio. The results of our research and development efforts will further drive the advancement of our cloud-based offerings and amplify the vision of the autonomous pharmacy.

Human Capital Management

As of December 31, 2020, we had approximately 2,860 employees worldwide (with approximately 2,470 in the United States and Canada), excluding individuals who are classified as temporary or contractors. We regularly conduct employee engagement surveys, most recently via the Glint platform. Through continued investment in talent processes and acting on employee feedback, we have achieved an overall employee satisfaction (ESAT) score of 77, which exceeds the average score of similarly-sized companies identified by Glint that use the Glint platform by four points. We believe this reflects our positive employee relations and that Omnicell is viewed by our employees as a good place to work.

Compensation and Benefits

- We embrace a strong pay-for-performance total rewards philosophy that we believe is competitive, performance-based, and cost-effective. We offer market-competitive pay and a comprehensive benefits package.
- Our quarterly bonus program is designed to incentivize our employees to focus on work that will further our strategic priorities.
- We offer reward and recognition programs that embed our core values into our culture and everything we do, allowing for peer-to-peer recognition and motivating our employees to continually work to advance our mission, vision, and values.

Health and Wellness

We offer a comprehensive wellness program designed to promote a healthy lifestyle, including exercise challenges, on-site gym facilities, virtual workouts, and health coaching. In addition to making physical health a priority, we offer mental health counseling and resources, financial coaching, and Teladoc Health services.

Learning and Development

- Our Talent and Leadership development function plays a strategic role in helping us attract and retain talent. We strive to develop career growth capabilities while delivering a consistent learning experience irrespective of role, function, or location.
- We invest in our employees' learning through robust training programs including Omnicell University, our Core Values in Action training, our New Employee Orientation and our Leading at Omnicell training.
- Our People Manager Talent Development curriculum creates one unique global Omnicell approach to talent development. It is designed to enable our organizational transformation by aligning how we lead across all levels.

Diversity, Equity, and Inclusion

Relationships Matter is one of our core values and that means we are people who care. We value the whole person, not just the work person. At Omnicell, we have always prohibited discrimination on the basis of any protected characteristic and make employment decisions on the basis of merit. We strive to create and maintain a positive, supportive, inclusive, and diverse work environment. Our different backgrounds, education, cultures, and experiences all contribute to the advancement of our business.

We realize we have an opportunity to take more action and that our journey to improve diversity, equity, and inclusion (“DEI”) at Omnicell will continue to evolve. A focus on understanding our related data will be critical to our success. With a continued commitment to DEI, we are taking the steps to build a truly diverse and inclusive culture and plan to create and launch a more comprehensive strategy that we anticipate publicizing in 2021.

Business under Government Contracts

A number of our U.S. government-owned or government-run hospital customers sign five-year leases, with payment terms that are subject to one-year government budget funding cycles. Failure of any of our U.S. government customers to receive their annual funding could impair our ability to sell to these customers, or to collect payments on our existing unsold leases. For additional information regarding these leases, see the section titled “Risk Factors” under Part I, Item 1A below.

Financing Practices Relating to Working Capital

We assist healthcare facilities in financing their cash outlay requirements for the purchase of our systems by offering multi-year, non-cancelable sales contracts. For additional information regarding these financing activities, refer to Note 1, *Organization and Summary of Significant Accounting Policies*, of the Notes to Consolidated Financial Statements in this annual report on Form 10-K.

Product Backlog

Product backlog is the dollar amount of medication management automation solutions and adherence tools for which we have purchase orders from our customers and for which we believe the majority we will install, bill, and gain customer acceptance within one year. Due to industry practice that allows customers to change order configurations with limited advance notice prior to shipment and occasional customer changes in installation schedules, we do not believe that backlog as of any particular date is necessarily indicative of future sales. However, we do believe that backlog is an indication of a customer's

willingness to install our solutions. Our product backlog was \$924 million and \$588 million as of December 31, 2020 and 2019, respectively.

Available Information

We file reports and other information with the United States Securities and Exchange Commission (“SEC”) including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and proxy or information statements. Those reports and statements as well as all amendments to those documents filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are available (1) at the SEC’s Internet site (www.sec.gov) and (2) free of charge through our website as soon as reasonably practicable after electronic filing with, or furnishing to, the SEC. Our website address is www.omnicell.com. Information posted on or accessible through these websites is not incorporated by reference nor otherwise included in this report, and any references to these websites are intended to be inactive textual references only.

Information About Our Executive Officers

The following table sets forth certain information about our executive officers as of the date of this annual report on Form 10-K:

Name	Age	Position
Randall A. Lipps	63	President, Chief Executive Officer, and Chairman of the Board of Directors
Dan S. Johnston	57	Executive Vice President and Chief Legal and Administrative Officer
Peter J. Kuipers	49	Executive Vice President and Chief Financial Officer
Scott P. Seidelmann	45	Executive Vice President and Chief Commercial Officer

Randall A. Lipps was named Chief Executive Officer and President of Omnicell in October 2002. Mr. Lipps has served as Chairman of the Board and a Director of Omnicell since founding Omnicell in September 1992. Mr. Lipps received both a B.S. in economics and a B.B.A. from Southern Methodist University.

Dan S. Johnston joined Omnicell in November 2003 as Vice President and General Counsel. In March 2012, Mr. Johnston was named Executive Vice President and General Counsel. In February 2015, Mr. Johnston was named Executive Vice President and Chief Legal and Administrative Officer. From April 1999 to November 2003, Mr. Johnston was Vice President and General Counsel at Be, Inc., a software company. From September 1994 to March 1999, Mr. Johnston was an attorney with the law firm Cooley LLP. Mr. Johnston received a B.S. in computer information systems from Humboldt State University and a J.D. from the Santa Clara University School of Law.

Peter J. Kuipers joined Omnicell in August 2015 as Executive Vice President and Chief Financial Officer. Prior to Omnicell, Mr. Kuipers served as Senior Vice President and Chief Financial Officer of Quantcast Corp., a global technology company that specializes in digital audience measurement and real-time advertising. From May 2013 to December 2014, Mr. Kuipers served as Executive Vice President and Chief Financial Officer of The Weather Company, a media and global technology leader operating The Weather Channel, weather.com, wunderground.com and its professional services division WSI. From September 2009 to April 2013, Mr. Kuipers served in various financial management positions at Yahoo! Inc., a global internet technology company, most recently as Vice President, Finance for the Americas region. Prior to Yahoo! Inc., Mr. Kuipers held financial leadership roles at Altera Corporation, General Electric Company, and Akzo Nobel. He started his career with Ernst & Young and worked in both the Netherlands and Seattle, Washington. Mr. Kuipers received a Master’s Degree in Economics and Business Administration from Maastricht University and is a Chartered Accountant in the Netherlands.

Scott P. Seidelmann joined Omnicell in April 2018 as Executive Vice President and Chief Commercial Officer. Prior to joining Omnicell, from January 2015 to August 2017, Mr. Seidelmann served as founder and Chief Executive Officer of Candescant Health, Inc., a cloud-based radiology workflow and analytics provider. From 2005 to 2014, Mr. Seidelmann served as co-founder and Chief Executive Officer of Radisphere, Inc., a national radiology practice, prior to its acquisition by Sheridan Healthcare. Earlier in his career, Mr. Seidelmann held positions with Merrill Lynch and Ericsson Venture Partners. Mr. Seidelmann received a B.A. from Cornell University.

ITEM 1A. RISK FACTORS

We have identified the following risks and uncertainties that may have a material adverse effect on our business, financial condition or results of operations. Our business faces significant risks and the risks described below may not be the only risks we face. Additional risks not presently known to us or that we currently believe are immaterial may also significantly impair our business operations. If any of these risks occur, our business, results of operations, or financial condition could suffer and the market price of our common stock could decline.

In assessing these risks, you should also refer to other information contained in this annual report on Form 10-K, including the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our Consolidated Financial Statements and related Notes.

Risk Factors Related to our Business and Industry

We face risks related to adverse public health epidemics, including the ongoing global COVID-19 pandemic, which had an adverse effect on and, depending on the severity and duration of the pandemic, could continue to adversely affect our business, financial condition, and results of operations.

The continued spread of COVID-19, concerns over the pandemic, and related containment measures have adversely impacted our workforce and operations, as well as those of our customers and suppliers, and had an adverse effect on and, depending on the severity and duration of the ongoing COVID-19 pandemic, could continue to adversely affect our business, financial condition, and results of operations.

In response to the ongoing pandemic, the vast majority of our non-manufacturing and non-customer facing personnel continues to work from home. If significant or critical portions of our workforce are unable to work effectively as a result of the COVID-19 pandemic, including because of illness, quarantines, facility closures, ineffective remote work arrangements, or technology failures or limitations, our operations would be materially adversely impacted.

Demand for our solutions, many of which involve a significant initial financial commitment from our customers, is largely dependent on our customers’ financial strength and capital and operating budgets. As a result of the pandemic, health systems have faced financial pressures which we believe led our customers to delay or defer purchasing decisions and/or installations of our solutions during the first half of 2020. However, starting in the third quarter of 2020, we began to see our customers returning to pre-pandemic purchasing patterns consistent with long-term strategic investments. However, any future decisions by our customers to cancel, defer or delay capital expenditure projects, generally reduced capital expenditures by healthcare facilities, and financial losses sustained by health systems as a result of the COVID-19 pandemic, could again decrease demand for our products and related services, resulting in decreased revenue and lower revenue growth rates, which would adversely affect our operating results, perhaps materially.

In addition, although we have not experienced any material disruptions to our supply chain to date, any future prolonged disruption to our suppliers as a result of the COVID-19 pandemic and associated containment measures could significantly disrupt our supply chain and impact our ability to produce our products, which would negatively impact our sales and operating results.

Furthermore, the COVID-19 pandemic has significantly increased economic and demand uncertainty and has led to disruption and volatility in the global capital markets, which could increase the cost of capital and adversely impact access to capital not only for us, but also for our customers and suppliers. Weak economic conditions and inability to access capital in a timely manner, or at all, could reduce our customers’ demand for our products and services, which would adversely affect our operating results, perhaps materially.

The global COVID-19 pandemic continues to rapidly evolve, and the full extent to which COVID-19 will continue to impact our business, results of operations, and financial position will depend on future developments, which remain highly uncertain and cannot be predicted with confidence, such as the severity, resurgences, and duration of the outbreak, travel restrictions, business closures or disruptions, and the effectiveness of actions taken to contain and treat the disease, including the timeline for distribution of vaccinations.

To the extent the COVID-19 pandemic continues to adversely affect our business and financial results, it may also have the effect of heightening certain other risks described in this “Risk Factors” section, including, but not limited to, those relating to unfavorable economic and market conditions, our ability to develop new products or enhance existing products, the need to compete successfully against new product or service entrants, our need to generate sufficient cash flows to service our indebtedness, our tax rates, and our international operations.

Unfavorable economic and market conditions and a decreased demand in the capital equipment market could adversely affect our operating results.

Customer demand for our products is significantly linked to the strength of the economy. If decreases in demand for capital equipment caused by weak economic conditions and decreased corporate and government spending, any effects of fiscal budget balancing at the federal level, proposed legislative changes or other uncertainties in connection with the change in administration, deferrals or delays of capital equipment projects, longer timeframes for capital equipment purchasing decisions, or generally reduced expenditures for capital solutions occurs, we will experience decreased revenues and lower revenue growth rates, and our operating results could be materially and adversely affected.

We may fail to develop new solutions or enhance existing solutions to react to changes in technology and customer requirements in a timely and cost-effective manner, or our new or enhanced solutions may not achieve market acceptance.

We must develop new products or enhance existing products to react to evolving technologies and industry standards, and meet changing demands of our customers. This process can be time-consuming, costly, and complex, and usually requires us to accurately anticipate technological innovations and market trends. Our ability to fund product development and enhancements partially depends on our ability to generate revenues from our existing products.

New product and service developments, or product enhancements, may be late, have technical problems (including software defects, errors, or bugs), fail to meet customer or market specifications, not be competitive with other products using alternative technologies that offer comparable performance and functionality, or not be accepted in new or existing markets, which, in any case, could damage our reputation or otherwise harm our business, financial condition, and results of operations.

Our ability to execute successfully on our vision of a fully digitized and autonomous pharmacy depends on our ability to continue to develop and introduce new products or product enhancements, and integrate new products with existing offerings, in furtherance of this vision in a timely manner and on a cost-effective basis. If we fail to do so, we may be unable to achieve the vision of the autonomous pharmacy, we may not realize the anticipated benefits of our investments in support of this vision, and this could have a material adverse effect on our business, financial condition, and results of operations.

We operate in highly competitive markets, and we may be unable to compete successfully.

The markets in which we operate are intensely competitive. We expect continued and increased competition from current and future competitors, in the medication management automation solutions market and the medication adherence solutions market, many of which have significantly greater financial, technical, marketing, and other resources than we do.

The competitive challenges we face in the markets in which we operate include, but are not limited to, the following:

- current or future competitors may offer or have the ability to offer a broader range of solutions than us, develop alternative solutions that provide a better customer outcome or lower cost of operation, develop new features or capabilities for their products that could compete with ours, or devote greater resources to the development, promotion, and sale of their products than we do;
- competitive pressures could result in increased price competition for our products and services, fewer customer orders, and reduced gross margins;
- current and potential competitors may make strategic acquisitions or establish cooperative relationships among themselves or with third parties, including larger, more established healthcare supply companies, thereby increasing their ability to develop and offer a broader suite of products and services;
- our industry has recently experienced a significant degree of consolidation which could lead to competitors developing new business models that require us to adapt how we market, sell, or distribute our products;
- certain competitors have greater brand name recognition and a more extensive installed base than we do, and such advantages could be used to increase their market share;
- certain competitors may have existing business relationships with our current and potential customers, which may cause these customers to purchase competing products and services from these competitors; and
- our competitors may secure products and services from suppliers on more favorable terms or secure exclusive arrangements with suppliers or buyers that may impede the sales of our products and services.

If we fail to compete successfully against new entrants and established companies, it could materially adversely affect our business, financial condition, results of operations, and cash flows.

Any reduction in the demand for or adoption of our medication management automation solutions, medication packaging systems, or related services would reduce our revenues.

A significant portion of domestic and international healthcare facilities still use traditional approaches to medication and/or supply management in some form that do not include fully-automated methods of medication management. As a result, we must continuously educate existing and prospective customers about the advantages of our medication management automation solutions and medication packaging systems, which requires significant sales efforts and can cause longer sales cycles. Despite our significant efforts and extensive time commitments in sales to healthcare facilities, we cannot be assured that our efforts will result in sales to these customers.

In addition, our medication management automation solutions and our more complex automated packaging systems typically represent a sizable initial capital expenditure for healthcare organizations. Changes in the budgets of these organizations and the timing of spending under these budgets can have a significant effect on the demand for our medication management automation solutions, medication packaging systems, and related services. These budgets are often supported by cash flows that can be negatively affected by declining investment income and influenced by limited resources, increased operational and financing costs, macroeconomic conditions, and conflicting spending priorities among different departments. Any decrease in expenditures by healthcare facilities or increased financing costs (including as a result of the impacts of public health crises such as the ongoing COVID-19 pandemic) could decrease demand for our medication management automation solutions, medication packaging systems, and related services, and reduce our revenues.

Also, the continuing gradual transition to value-based reimbursement could shift more of the burden for financial risk onto healthcare provider organizations and could decrease utilization of healthcare per patient. Value-based reimbursement could also cause a shift in care from traditional venues, such as hospitals and clinics, to the home, and could impact our revenues.

We have incurred substantial debt, which could impair our flexibility and access to capital and adversely affect our financial position.

On November 15, 2019, we refinanced our existing senior secured credit facility pursuant to an amended and restated agreement with certain lenders, and Wells Fargo Bank, National Association, as administrative agent (as amended, the “A&R Credit Agreement”). The A&R Credit Agreement provides for a five-year revolving credit facility of \$500.0 million and an uncommitted incremental loan facility of up to \$250.0 million. As of December 31, 2020, there were no outstanding balances under the A&R Credit Agreement.

In addition, on September 25, 2020, we issued \$575.0 million aggregate principal amount of 0.25% Convertible Senior Notes due 2025 (the “Notes”), pursuant to an indenture, dated September 25, 2020 (the “Indenture”), between us and U.S. Bank National Association, as trustee. We used a portion of the proceeds from the issuance of the Notes to repay all outstanding borrowings under the revolving credit facility.

Our debt may limit our ability to borrow additional funds or use our existing cash flow for working capital, capital expenditures, acquisitions, or other general business purposes; limit our flexibility to plan for, or react to, changes in our business and industry; place us at a competitive disadvantage compared to our less leveraged competitors; and increase our vulnerability to the impact of adverse economic and industry conditions.

Our ability to make scheduled payments of the principal of, to pay interest on, or to refinance our indebtedness, including the Notes, depends on our future performance, which is subject to economic, financial, competitive, and other factors beyond our control. Our business may not continue to generate cash flow from operations in the future sufficient to service our debt and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as borrowing more money, selling assets, restructuring debt, or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or do so on desirable terms, which could result in a default on our debt obligations. In addition, as more fully described below in the risk factor captioned “Covenants in our A&R Credit Agreement restrict our business and operations in many ways, and if we do not effectively manage our compliance with these covenants, our financial conditions and results of operations could be adversely affected,” the A&R Credit Agreement includes customary restrictive covenants that impose operating and financial restrictions on us.

In addition, borrowings under the A&R Credit Agreement bear interest based on the London Interbank Offered Rate (“LIBOR”). LIBOR is the subject of recent national, international, and other regulatory guidance and proposals for reform. These reforms and other pressures may cause LIBOR to disappear entirely or to perform differently than in the past. The consequences of these developments cannot be entirely predicted, but could include an increase in the cost of borrowings under the A&R Credit Agreement and other financial contracts that we may enter into that are indexed to LIBOR.

The transition to selling more products which include a software as a service or solution as a service subscription presents a number of risks.

We currently offer our IV compounding robots, PakPlus-Rx service, and XR2 Automated Central Pharmacy System together with personnel to operate the equipment and expert services to optimize utilization through subscription agreements. We also offer Omnicell One (formerly Performance Center), EnlivenHealth Patient Engagement, 340B, and certain other products and solutions as a subscription and/or service. IVX Workflow also contains a payment stream as part of the license fees in its pricing structure. As we continue to execute on the autonomous pharmacy vision and grow subscription and cloud-based offerings, we may offer additional products and services on a subscription basis. The transition to selling more products and services on a subscription basis presents a number of risks. The shift requires an investment of technical, financial,

compliance, and sales resources, and we cannot guarantee that we will recoup the costs of such investments, or that these investments will improve our long-term growth and results of operations. If adoption of subscription solutions takes place faster than anticipated, the shift to subscription revenues will change the timing of revenue recognition and we may experience a temporary reduction of revenues. In addition, our cash flows may be impacted by the timing of invoicing of our subscription solutions. If any of our subscription solutions do not substantially meet customer requirements, contracts may be modified, causing a decline in revenue. Customers may elect not to renew their subscriptions upon expiration, or they may attempt to renegotiate pricing or other contractual terms at or prior to renewal on terms that are less favorable to us. In addition, since revenues are generally recognized over the term of the subscription, any decrease in customer purchases of our subscription-based products and services will not be fully reflected in our operating results until future periods, and it will also be more difficult for us to rapidly increase our revenues through additional subscription sales in any one period.

Delays in installations of our medication management automation solutions or our more complex medication packaging systems could harm our competitive position, results of operations, and financial condition.

The purchase of our medication management automation solutions or our more complex medication packaging systems is often part of a customer's larger initiative to re-engineer its pharmacy and their distribution and materials management systems. The purchase of our systems often entails larger strategic purchases by customers that generally require more complex and stringent contractual requirements, involve a significant commitment of management attention and resources by prospective customers, and require the input and approval of many decision-makers. In addition, new product announcements can cause a delay in our customers' decisions to purchase our products or convert pending orders for our older products to those of our newer products. For these and other reasons, the sales cycle associated with sales of our systems is often lengthy and subject to a number of delays over which we have little or no control. A delay in, or loss of, sales of these systems (including as a result of the impacts of public health crises such as the ongoing COVID-19 pandemic) could have an adverse effect upon our operating results and could harm our business.

In addition, and in part as a result of the complexities inherent in larger transactions, the time between the purchase and installation of our systems can generally range from two weeks to one year. Delays in installation can occur for reasons that are often outside of our control. We have also experienced fluctuations in our customer and transaction size mix, which makes our ability to forecast our product bookings more difficult. Because we recognize revenues for our medication management automation solutions and our more complex medication packaging systems only upon installation at a customer's site, any delay in installation (including as a result of the impacts of public health crises such as the ongoing COVID-19 pandemic) will also cause a delay in the recognition of the revenues for those systems.

We are subject to laws, regulations, and other legal obligations related to privacy, data protection, and information security, and the costs of compliance with, and potential liability associated with, our actual or perceived failure to comply with such obligations could harm our business.

We receive, store, and process personal information and other data from and about customers, in addition to our employees and services providers. In addition, our customers use our solutions to obtain and store personal information, including personal health information. For example, our customers use our EnlivenHealth Patient Engagement platform to guide and track patient notes, interventions, and appointments, which involves the collection of personal health information of patients. Our handling of data is subject to a variety of laws and regulations by state, local, and foreign agencies, as well as contractual obligations and industry standards. Regulatory focus on data privacy and security concerns continues to increase globally, and laws and regulations concerning the collection, use, and disclosure of personal information are expanding and becoming more complex. In the United States, these include federal health information privacy laws (such as the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), discussed below), security breach notification laws, and consumer protection laws, as well as state laws addressing privacy and data security (such as the California Consumer Privacy Act of 2018 and the California Privacy Rights Act of 2020).

Internationally, various foreign jurisdictions in which we operate have established, or are developing, their own data privacy and security legal framework with which we or our customers must comply. In certain cases, these international laws and regulations are more restrictive than many regulations in the United States. For example, within the European Union, the General Data Protection Regulation ("GDPR") imposes more stringent data protection requirements on U.S.-based companies, such as ours, which receive or process personal information from EU residents, and establishes greater penalties for non-compliance. Violations of the GDPR can result in penalties up to the greater of €20.0 million or 4% of global annual revenues, and may also lead to damages claims by data controllers and data subjects. Such penalties are in addition to any civil litigation claims by data controllers, customers, and data subjects.

In addition to government regulation, privacy advocates and industry groups may propose new and different self-regulatory standards that may legally or contractually apply to us, and other regulatory protections, such as Privacy Shield, may lose their applicability to our business as regulations and legal proceedings continue to evolve globally. We also expect that

there will continue to be new proposed laws, regulations, and industry standards relating to privacy, data protection, and information security, including in the United Kingdom, where we have business operations, as a result of Brexit. We cannot predict the scope of any such future laws, regulations, and standards that may be applicable to us, or how courts, agencies, or data protection authorities might interpret current ones. It is possible that these laws and other obligations may be interpreted and applied in a manner that is inconsistent with our existing data management practices or the functionality of our solutions.

Compliance with privacy, data protection, and information security laws, regulations, and other obligations is costly, and we may encounter difficulties, delays, or significant expenses in connection with our compliance, or because of our customers' need to comply or our customers' interpretation of their own legal requirements. In addition, any failure or perceived failure by us to comply with laws, regulations, policies, legal or contractual obligations, industry standards, or regulatory guidance relating to privacy or data security could result in governmental investigations and enforcement actions, litigation, fines and penalties, exposure to indemnification obligations or other liabilities, and adverse publicity, all of which could have an adverse effect on our reputation, as well as our business, financial condition, and results of operations. For example, as discussed further in the section entitled "Legal Proceedings" in Note 13, *Commitments and Contingencies*, of the Notes to Consolidated Financial Statements included in this annual report on Form 10-K, we are currently and have in the past been subject to certain class action lawsuits asserting, among other allegations, claims of violation of the Illinois Biometric Information Privacy Act.

If we experience a significant disruption in our information technology systems, breaches of data security, or cyber-attacks on our systems or solutions, our business could be adversely affected.

We rely on information technology (IT) systems to keep financial records and corporate records, communicate with staff and external parties, and operate other critical functions, including sales and manufacturing processes. We also utilize third-party cloud services in connection with our operations. Our IT systems and third-party cloud services are potentially vulnerable to disruption due to breakdown, malicious intrusion and computer viruses, public health crises such as the ongoing COVID-19 pandemic, other catastrophic events or environmental impact. Any prolonged system disruption in our IT systems or third-party cloud services could negatively impact the coordination of our sales, planning, and manufacturing activities, which could harm our business. In addition, in order to maximize our information technology efficiency, we have physically consolidated our primary corporate data and computer operations. This concentration, however, exposes us to a greater risk of disruption to our internal IT systems. Although we maintain offsite back-ups of our data, a disruption of operations at our facilities could materially disrupt our business if we are not capable of restoring function within an acceptable time frame.

Our IT systems and third-party cloud services are potentially vulnerable to cyber-attacks or other data security breaches, by employees or others, which may expose sensitive data to unauthorized persons. Such data security breaches could lead to the loss of trade secrets or other intellectual property, or to the public exposure of sensitive and confidential information of our employees, customers, suppliers, and others, any of which could have a material adverse effect on our business, financial condition, and results of operations. Moreover, a security breach or privacy violation that leads to disclosure or modification of, or prevents access to, patient information, including personally identifiable information or protected health information, could harm our reputation, result in litigation, compel us to comply with federal and/or state breach notification laws, subject us to mandatory corrective action, require us to verify the correctness of database contents, and otherwise subject us to liability under laws and regulations that protect personal data, resulting in increased costs or loss of revenues.

In addition, we sell certain solutions that receive, store, and process our customers' data. For example, our Omnicell One (formerly Performance Center) solution combines a cloud-based predictive intelligence platform with expert services designed to monitor pharmacy operations and recommend opportunities to help improve efficiency, regulatory compliance, and patient outcomes. As another example, our EnlivenHealth Patient Engagement platform is a private cloud-based solution that supports improving patient adherence goals through a single web-based platform that hosts functionality to guide and track patient notes, interventions, and appointments. An effective attack on our solutions could disrupt the proper functioning of our solutions, allow unauthorized access to sensitive and confidential information of our customers (including protected health information), and disrupt our customers' operations. Any of these events could cause our solutions to be perceived as having security vulnerabilities and reduce demand for our solutions, which could have a material adverse effect on our business, financial condition, and results of operations. These risks are likely to increase as we continue to grow our cloud-based offerings, including in support of the autonomous pharmacy vision, and as we receive, store, and process more of our customers' data.

While we have implemented a number of security measures designed to protect our systems and data, including firewalls, antivirus and malware detection tools, patches, log monitors, routine back-ups, system audits, routine password modifications, and disaster recovery procedures, and have designed certain security features into our solutions, such measures may not be adequate or implemented properly to prevent or fully address the adverse effect of such events, and in some cases we may be unaware of an incident or its magnitude and effects as breaches and other inappropriate access can be difficult to detect, and any delay in identifying them may lead to increased harm. Additionally, we use third-party cloud providers in

connection with certain of our cloud-based offerings or third-party providers to host our own data, in which case we rely on the processes, controls, and security such third parties have in place to protect the infrastructure. We also may acquire companies, products, services, and technologies and inherit such risks when we integrate these acquisitions within Omnicell.

Any failure to prevent such security breaches or privacy violations, or implement satisfactory remedial measures, could require us to expend significant resources to remediate any damage, disrupt our operations or the operations of our customers, damage our reputation, or expose us to a risk of financial loss, litigation, regulatory penalties, contractual indemnification obligations, or other liability.

We may fail to realize the potential benefits of acquired businesses, including the 340B Link Business, which could negatively affect our business, financial condition, and operating results.

We have in the past acquired businesses, and expect to continue to seek to acquire businesses, technologies, or products in the future. For example, we acquired Aesynt Incorporated ("Aesynt") and ateb, Inc. ("Ateb") in 2016, Dixie Drawl, LLC d/b/a InPharmics ("InPharmics") in 2017 and the 340B Link Business in October 2020. We cannot provide assurance that any acquisition or future transaction we complete will result in long-term benefits to us or our stockholders, or that we will be able to effectively integrate or manage the acquired businesses, including the 340B Link Business.

These transactions may involve significant challenges, uncertainties, and risks, including:

- difficulties in combining previously separate businesses into a single unit and the complexity of managing a more dispersed organization as sites are acquired;
- difficulties in right-sizing organizations and gaining synergies across acquired operations;
- complying with regulatory requirements, such as those of the FDA, that we were not previously subject to;
- failure to understand and compete effectively in markets in which we have limited previous experience;
- substantial costs and diversion of management's attention when evaluating and negotiating such transactions and then integrating an acquired business, including any unforeseen delays and expenditures that may result;
- discovery, after completion of the acquisition, of liabilities assumed in acquisitions that are broader in scope and magnitude or are more difficult to manage than originally assumed;
- difficulties assimilating and retaining key personnel of an acquired business;
- failure to achieve anticipated benefits such as revenue enhancements and operational and cost efficiencies;
- difficulties in integrating newly-acquired products and solutions in our offerings, or inability or failure to expand product bookings and sales or effectively coordinate sales and marketing efforts of the combined company;
- inability to maintain business relationships with customers and suppliers of newly-acquired companies due to post-acquisition disruption; and
- inability or failure to successfully integrate financial reporting and information technology systems.

If we are not able to successfully integrate or manage the acquired businesses and their operations, or if there are delays in combining the businesses, the anticipated benefits of the acquisition may not be realized fully or at all or may take longer to realize than expected and our business, financial condition, and operating results may be negatively impacted.

If goodwill or other intangible assets that we recorded in connection with the Aesynt, Ateb, InPharmics, and 340B Link Business acquisitions, or other prior acquisitions, become impaired, we could be required to take significant charges against earnings.

In connection with the accounting for the Aesynt and Ateb acquisitions in 2016, the InPharmics acquisition in 2017, and the 340B Link Business acquisition in October 2020, we recorded a significant amount of goodwill and other intangible assets, and we maintain significant goodwill and other intangible assets relating to prior acquisitions, such as our acquisitions of MTS Medication Technologies, Inc., Avantec Healthcare Limited, and Mach4 Automatisierungstechnik GmbH. As of December 31, 2020, we had recorded approximately \$666.0 million net, in goodwill and intangible assets, in connection with past acquisitions. Under U.S. generally accepted accounting principles, we must assess, at least annually and potentially more frequently, whether the value of goodwill and other indefinite-lived intangible assets has been impaired. Intangible assets subject to amortization will be assessed for impairment in the event of an impairment indicator. Any reduction or impairment of the value of goodwill or other intangible assets will result in a charge against earnings, which could materially adversely affect our results of operations and shareholders' equity in future periods.

The healthcare industry is subject to legislative and regulatory changes, as well as financial constraints and consolidation, which could adversely affect the demand for our products and services.

The healthcare industry has faced, and will likely continue to face, significant financial constraints. U.S. government legislation and program rulemaking may cause customers to postpone purchases of our products due to reductions in federal healthcare program reimbursement rates and/or needed changes to their operations in order to meet the requirements of legislation or in anticipation of future rulemaking. Our automation solutions often involve a significant financial commitment from our customers and, as a result, our ability to grow our business is largely dependent on our customers' capital and operating budgets. To the extent current or proposed legislation and program rules promote spending on other initiatives or healthcare providers' spending declines or increases more slowly than we anticipate, demand for our products and services could decline.

Healthcare providers have consolidated to create larger healthcare delivery organizations in order to achieve economies of scale and/or greater market power. If this consolidation continues, it would increase the size of certain target customers, which could increase the cost, effort, and difficulty in selling our products to such customers, or could cause our existing or potential customers to begin utilizing our competitors' products if such customers are acquired by healthcare providers that prefer our competitors' products to ours. In addition, the resulting organizations could have greater bargaining power, which may lead to price erosion.

Government regulation of the healthcare industry could reduce demand for our products, or substantially increase the cost to produce our products.

The manufacture and sale of most of our current products are not regulated by the FDA, or the Drug Enforcement Administration ("DEA"). Through our acquisition of Aesynt, we have both Class I and Class II, 510(k) exempt medical devices which are subject to FDA regulation and require compliance with the FDA Quality System Regulation as well as medical device reporting. Additional products may be regulated in the future by the FDA, DEA, or other federal agencies due to future legislative and regulatory initiatives or reforms. Direct regulation of our business and products by the FDA, DEA, or other federal agencies could substantially increase the cost to produce our products and increase the time required to bring those products to market, reduce the demand for our products, and reduce our revenues. In addition, our customers include healthcare providers and facilities subject to regulation by the DEA, pharmacies subject to regulation by individual state boards of pharmacy and hospitals subject to accreditation by accrediting organizations approved by the Centers for Medicare & Medicaid Services, such as the Joint Commission, and the rules, regulations, and standards of such regulators and accrediting organizations. Any failure of our customers to comply with the applicable rules, regulations, and standards could reduce demand for our products and harm our competitive position, results of operations, and financial condition.

While we have implemented a Privacy and Use of Information Policy and adhere to established privacy principles, use of customer information guidelines, and related federal and state statutes, we cannot assure you that we will be in compliance with all federal and state healthcare information privacy and security laws that we are directly or indirectly subject to, including, without limitation, HIPAA. Under HIPAA, we are considered a "business associate" in relation to many of our customers that are covered entities, and, as such, most of these customers have required that we enter into written agreements governing the way we handle and safeguard certain patient health information we may encounter in providing our products and services, and may impose liability on us for failure to meet our contractual obligations. Further, pursuant to changes in HIPAA under the American Recovery and Reinvestment Act of 2009, we are covered under HIPAA similar to other covered entities and, in some cases, subject to the same civil and criminal penalties as a covered entity. A number of states and countries have also enacted privacy and security statutes and regulations that, in some cases, are more stringent than HIPAA and may also apply directly to us. If our past or present operations are found to violate any of these laws, we may be subject to fines, penalties, and other sanctions.

In addition, we cannot predict the potential impact of future privacy standards and other federal, state, and international privacy and security laws that may be enacted at any time on our customers or on Omnicell. These laws could restrict the ability of Omnicell and/or our customers to obtain, use, or disseminate patient information, which could reduce the demand for our products or force us to redesign our products in order to meet regulatory requirements.

Our international operations may subject us to additional risks that can adversely affect our operating results.

We currently have operations outside of the United States, including sales efforts centered in Canada, Europe, the Middle East, and the Asia-Pacific regions, and supply chain efforts in Asia. We intend to continue to expand our international operations, particularly in certain markets that we view as strategic, including the Middle East. Our international operations subject us to a variety of risks, including:

- our reliance on distributors for the sale of our medication management automation solutions outside the United States, Canada, the United Kingdom, France, and Germany;

- the difficulty of managing an organization operating in various countries;
- reduced protection for intellectual property rights in certain jurisdictions;
- the imposition of, or adverse changes in, international laws and regulations, including privacy and security, labor, import, export, trade, environmental standards, product compliance, tax, anti-bribery, and employment laws;
- fluctuations in currency exchange rates and difficulties in repatriating funds from certain countries;
- additional investment, coordination, and lead-time necessary to successfully interface our automation solutions with the existing information systems of our customers or potential customers outside of the United States;
- political unrest, terrorism, and other potential hostilities in areas in which we have facilities or operations; and
- epidemics, pandemics, or other major public health crises, such as the ongoing COVID-19 pandemic.

If we are unable to anticipate and address these risks properly, our business or operating results will be harmed.

Furthermore, changes in export or import regulation and other trade barriers and uncertainties may have an adverse effect on our business. For example, in recent years, the U.S. government advocated greater restrictions on trade generally and tariff increases on certain goods imported into the United States, particularly from China. We cannot predict what actions may ultimately be taken with respect to tariffs or trade relations between the United States and other countries (including China), what products may be subject to such actions, or what actions may be taken by the other countries in retaliation. The adoption and expansion of trade restrictions, the occurrence of a trade war, other governmental action related to tariffs or trade agreements or policies, or the related uncertainties, has the potential to adversely impact our supply chain and costs, which could, in turn, adversely affect our business, financial condition, and results of operations.

Covenants in our A&R Credit Agreement restrict our business and operations in many ways, and if we do not effectively manage our compliance with these covenants, our financial conditions and results of operations could be adversely affected.

The A&R Credit Agreement contains various customary covenants that limit our ability and/or our subsidiaries' ability to, among other things, incur or assume liens or additional debt or provide guarantees in respect of obligations of other persons; issue redeemable preferred stock; pay dividends or distributions or redeem or repurchase capital stock; prepay, redeem, or repurchase certain debt; make loans, investments, acquisitions, and capital expenditures; enter into agreements that restrict distributions from our subsidiaries; sell assets and capital stock of our subsidiaries; enter into certain transactions with affiliates; and consolidate or merge with or into, or sell substantially all of our assets to, another person.

The A&R Credit Agreement also includes financial covenants requiring us (i) not to exceed a maximum consolidated secured net leverage ratio of 3.50:1 for the calendar quarters ending September 30, 2020, December 31, 2020 and March 31, 2021 and 3.00:1 for the calendar quarters ending thereafter and (ii) to maintain a minimum interest coverage ratio of 3.00:1. Our ability to comply with these financial covenants may be affected by events beyond our control. Our failure to comply with any of the covenants under the A&R Credit Agreement could result in a default under the terms of the A&R Credit Agreement, which could permit the administrative agent or the lenders to declare all or part of any outstanding borrowings to be immediately due and payable, or to refuse to permit additional borrowings under the revolving credit facility, which could restrict our operations, particularly our ability to respond to changes in our business or to take specified actions to take advantage of certain business opportunities that may be presented to us. In addition, if we are unable to repay those amounts, the administrative agent and the lenders under the A&R Credit Agreement could proceed against the collateral granted to them to secure that debt, which would seriously harm our business.

Our success is dependent on our ability to recruit and retain skilled and motivated personnel.

Our success is highly dependent upon the continuing contributions of our key management, sales, technical, and engineering staff, and on our ability to attract, train, and retain highly-skilled and motivated personnel. As more of our products are installed in increasingly complex environments, greater technical expertise will be required. As our installed base of customers increases, we will require additional resources to meet increased demands on our customer service and support personnel. Furthermore, as we execute on the autonomous pharmacy vision and grow our cloud-based software as a service and solution as a service offerings, more specialized expertise will be required. Competition for such personnel can be intense, and we may not be successful in attracting and retaining qualified personnel. Competitors have in the past attempted, and may in the future attempt, to recruit our employees. In addition, since equity compensation is a key component of our employee compensation program, any failure to receive stockholder approval for future proposed increases to the number of shares reserved for issuance under our equity incentive plans could prevent us from granting equity compensation at competitive levels and make it more difficult to attract, retain, and motivate employees, including key employees of acquired businesses. Failure to attract and retain key personnel could harm our competitive position, results of operations, and financial condition.

Our failure to protect our intellectual property rights could negatively affect our ability to compete.

Our success depends in part on our ability to obtain patent protection for technology and processes, and our ability to preserve our trademarks, copyrights, and trade secrets. We have pursued patent protection in the United States and foreign jurisdictions for technology that we believe to be proprietary and for technology that offers us a potential competitive advantage for our products. We intend to continue to pursue such protection in the future. Our issued patents relate to various features of our medication management automation solutions and medication packaging systems. We cannot assure you that we will file any patent applications in the future and that any of our patent applications will result in issued patents, or that, if issued, such patents will provide significant protection for our technology and processes. Furthermore, we cannot assure you that others will not design around the patents we own. All of our system software is copyrighted and subject to the protection of applicable copyright laws. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our products or obtain and use information that we regard as proprietary, which could harm our competitive position.

If we are unable to maintain our relationships with group purchasing organizations (“GPOs”) or other similar organizations, we may have difficulty selling our products and services to customers represented by these organizations.

A number of GPOs have negotiated standard contracts for our products on behalf of their member healthcare organizations. Members of these GPOs may purchase under the terms of these contracts, which obligate us to pay the GPO a fee. We also have a Federal Supply Schedule contract with the Department of Veterans Affairs, allowing the Department of Veterans Affairs, the Department of Defense, and other Federal government customers to purchase or lease our products. These contracts enable us to more readily sell our products and services to customers represented by these organizations. Some of our contracts with these organizations are terminable at the convenience of either party. The loss of any of these relationships could impact the breadth of our customer base and could impair our ability to meet our revenue targets or increase our revenues. These organizations may not renew our contracts on similar terms, if at all, and they may choose to terminate our contracts before they expire, any of which could cause our revenues to decline.

If we are unable to meet the demands of, or maintain our relationships with, our institutional and retail pharmacy customers, our revenue from sales of medication packages and other consumables may decline.

Approximately 8% of our revenues during the year ended December 31, 2020 were generated from the sale of consumable medication packages, most of which are produced in our St. Petersburg, Florida facility on a continuous basis and are shipped out to fulfill the demands of our institutional and retail pharmacy customers domestically and abroad. The demands placed on institutional and retail pharmacies by their customers represent real time requirements of those customers. Our customer agreements for the sale of consumable medication packages are typically short-term in nature and typically do not impose volume commitments on the customer. If we are unable to supply quality packaging to our customers in a timely manner, they may use alternative methods of distributing medications to their customers, including consumable medication packaging sold by our competitors, and our revenues will decline. Any disruption in the production capabilities of our St. Petersburg facilities will adversely affect our ability to ship our consumable medication packages globally and would reduce our revenues.

In addition, the institutional pharmacy market consists of significant national suppliers of medications to non-acute care facilities, smaller regional suppliers, and very small local suppliers. If we are unable to maintain our relationships with the major institutional pharmacies we do business with, they may purchase consumable blister card components from alternative sources, or choose to use alternatives to blister cards for medication control, and our revenues would decline.

We depend on a limited number of suppliers for our products, and our business may suffer if we were required to change suppliers to obtain an adequate supply of components, equipment, and raw materials on a timely basis.

Although we generally use parts and components for our products with a high degree of modularity, certain components are presently available only from a single source or limited sources. We rely on a limited number of suppliers for the raw materials necessary to produce our consumable medication packages. While we have generally been able to obtain adequate supplies of all components and raw materials in a timely manner from existing sources, or where necessary, from alternative sources, we entered into relationships with new suppliers in connection with the launch of our XT Series products. We engage multiple single source third-party manufacturers to build several of our sub-assemblies. The risks associated with changing to alternative vendors, if necessary, for any of the numerous components used to manufacture our products could limit our ability to manufacture our products and harm our business. Due to our reliance on a few single source partners to build our hardware sub-assemblies and on a limited number of suppliers for the raw materials that are necessary in the production of our consumable medication packages, a reduction or interruption in supply from our partners or suppliers, or a significant increase in the price of one or more components could have an adverse impact on our business, results of operations, and financial condition. In certain circumstances, the failure of any of our suppliers or us to perform adequately could result in quality control issues affecting end users’ acceptance of our products, which could damage customer relationships and harm our business.

The United Kingdom's withdrawal from the European Union ("Brexit") could adversely affect us.

The United Kingdom (the "UK") left the European Union (the "EU") on January 31, 2020. The transition period provided for in the withdrawal agreement entered into by the UK and the EU ended on December 31, 2020 (the "Brexit Transition Period"). In December 2020, the UK and the EU agreed on a trade and cooperation agreement that will apply provisionally after the end of the transition period until it is ratified by the parties to the agreement. On December 31, 2020, the UK passed legislation giving effect to the trade and cooperation agreement, with the EU expected to formally adopt the agreement in early 2021. The trade and cooperation agreement covers the general objectives and framework of the relationship between the United Kingdom and the European Union, including as it relates to trade, transport, visas, judicial, law enforcement, and security matters, and provides for continued participation in community programs and mechanisms for dispute resolution. The effects of Brexit have been and are expected to continue to be far-reaching. Brexit and the perceptions as to its impact may adversely affect business activity and economic conditions in Europe and globally, continue to contribute to uncertainty regarding the regulation of data protection in the UK, disrupt the free movement of goods, services, and people between the UK and the EU, and lead to legal uncertainty and potentially divergent national laws and regulations for the UK. We are currently in the process of evaluating our own risks and uncertainty related to ascertaining what financial, trade, regulatory, and legal implications this new Brexit trade deal could have on our UK and European business operations. This uncertainty also includes the impact on our customers' business operations and capital planning as well as the overall impact on the healthcare industry. We have not experienced any direct material financial impact since the 2016 referendum, and while we cannot predict its future implications, we do not currently expect Brexit and its related effects to have an adverse impact on our consolidated financial position and results of operations.

Our U.S. government lease agreements are subject to annual budget funding cycles and mandated unilateral changes, which may affect our ability to enter into such leases or to recognize revenues, and sell receivables based on these leases.

U.S. government customers that lease our equipment typically sign contracts with five-year payment terms that are subject to one-year government budget funding cycles. Further, the government has in certain circumstances mandated unilateral changes in its Federal Supply Services contract that could render our lease terms with the government less attractive. In our judgment and based on our history with these accounts, we believe these receivables are collectible. However, in the future, the failure of any of our U.S. government customers to receive their annual funding, or the government mandating changes to the Federal Supply Services contract could impair our ability to sell lease equipment to these customers or to sell our U.S. government receivables to third-party leasing companies. In addition, the ability to collect payments on unsold receivables could be impaired and may result in a write-down of our unsold receivables from U.S. government customers. The balance of our unsold leases to U.S. government customers was \$23.8 million as of December 31, 2020.

If we fail to manage our inventory properly, our revenue, gross margin, and profitability could suffer.

Managing our inventory of components and finished products is a complex task. A number of factors, including, but not limited to, the need to maintain a significant inventory of certain components that are in short supply or that must be purchased in bulk to obtain favorable pricing, the general unpredictability of demand for specific products and customer requests for quick delivery schedules, may result in us maintaining large amounts of inventory. Other factors, including changes in market demand, customer requirements, and technology, may cause our inventory to become obsolete. Any excess or obsolete inventory could result in inventory write-downs, which in turn could harm our business and results of operations.

Intellectual property claims against us could harm our competitive position, results of operations, and financial condition.

We expect that developers of medication management automation solutions and medication packaging systems will be increasingly subject to infringement claims as the number of products and competitors in our industry grows and the functionality of products in different industry segments overlaps. In the future, third parties may claim that we have infringed upon, misappropriated, or otherwise violated their intellectual property rights with respect to current or future products. We do not carry special insurance that covers intellectual property infringement claims; however, such claims may be covered under our traditional insurance policies. These policies contain terms, conditions, and exclusions that make recovery for intellectual property infringement claims difficult to guarantee. Any infringement claims, with or without merit, could be time-consuming to defend, result in costly litigation, divert management's attention and resources, cause product shipment delays or require us to enter into royalty or licensing agreements. These royalty or licensing agreements, if required, may not be available on terms acceptable to us, or at all, which could harm our competitive position, results of operations, and financial condition.

Product liability claims against us could harm our competitive position, results of operations, and financial condition.

Our products include medication management automation solutions and medication adherence products and services for healthcare systems and pharmacies. Despite the presence of healthcare and pharmacy professionals as intermediaries between our products and patients, if our products fail to provide accurate and timely information or operate as designed, customers, patients, or their family members could assert claims against us for product liability. Moreover, failure of health care

facility and pharmacy employees to use our products for their intended purposes could result in product liability claims against us. Litigation with respect to product liability claims, regardless of any outcome, could result in substantial cost to us, divert management's attention from operations, and decrease market acceptance of our products. We possess a variety of insurance policies that include coverage for general commercial liability and technology errors and omissions liability. We attempt to mitigate these risks through contractual terms negotiated with our customers. However, these policies and protective contractual terms may not be adequate against product liability claims and in the past we have been subject to certain lawsuits asserting, among other allegations, claims of product liability. A successful claim brought against us, or any claim or product recall that results in negative publicity about us, could harm our competitive position, results of operations, and financial condition. Also, in the event that any of our products is defective, we may be required to recall or redesign those products.

We are dependent on technologies provided by third-party vendors, the loss of which could negatively and materially affect our ability to market, sell, or distribute our products.

Some of our products incorporate technologies owned by third parties that are licensed to us for use, modification, and distribution. For example, we entered into a reseller agreement with Kit Check, Inc. to offer Bluesight for Controlled Substances diversion prevention software to our customers. If we lose access to third-party technologies, such as our ability to distribute Bluesight for Controlled Substances, or we lose the ongoing rights to modify and distribute these technologies with our products, we will have to devote resources to independently develop, maintain, and support the technologies ourselves, pay increased license costs, or transition to another vendor. Any independent development, maintenance, or support of these technologies by us or the transition to alternative technologies could be costly, time consuming, and could delay our product releases and upgrade schedules. These factors could negatively and materially affect our ability to market, sell, or distribute our products.

Risks Related to Ownership of our Common Stock

The market price of our common stock may continue to be highly volatile.

Our common stock traded between \$54.24 and \$125.00 per share during the year ended December 31, 2020. The market price of our common stock has been and may continue to be highly volatile in response to various factors, many of which are beyond our control, including:

- actual or anticipated changes in our operating results, and whether our operating results or forecasts meet the expectations of securities analysts or investors;
- changes in the ratings of our common stock by securities analysts or changes in their earnings estimates;
- developments in our customer relationships;
- announcements by us or our competitors of technological innovations or new products;
- mergers, acquisitions, combinations, and other significant transactions involving us or our competitors;
- level of demand for our common stock, and actions by stockholders or short sellers of our common stock;
- epidemics, pandemics, or other major public health crises, such as the ongoing COVID-19 pandemic; or
- general economic and market conditions.

Furthermore, the stock market in general, and the market for technology companies in particular, have experienced extreme price and volume fluctuations. These broad market fluctuations may cause the market price of our common stock to decline irrespective of our performance. In addition, sales of substantial amounts of our common stock in the public market, or the perception that such sales could occur, could lower the market price of our common stock.

In addition, stockholders have initiated class action lawsuits against companies following periods of volatility in the market prices of these companies' stock. For example, in July 2019, a putative class action lawsuit was filed against Omnicell and certain of our officers alleging that the defendants violated federal securities laws by making certain materially false and misleading statements. While this action was concluded in December 2019 following the lead plaintiff's voluntary dismissal as to all defendants, we may in the future be subject to other class action lawsuits, especially following periods of volatility in our stock price.

Our quarterly operating results may fluctuate and may cause our stock price to decline.

Our quarterly operating results may vary in the future. In addition to other factors discussed in this "Risk Factors" section, factors that may cause our quarterly operating results to fluctuate include, but are not limited to, the following:

- the size, product mix, and timing of orders for our products, and their installation and integration;
- our ability to successfully install our products on a timely basis and meet other contractual obligations necessary to recognize revenue;
- fluctuations in customer demand for our products, including due to changes in our customers' budgets;
- our ability to control costs, including operating expenses, and continue cost reduction efforts;
- changes in pricing policies by us or our competitors;
- the number, timing, and significance of product enhancements and new product announcements by us or our competitors;
- the timing and significance of any acquisition or business development transactions that we may consider or negotiate and the revenues, costs, and earnings that may be associated with these transactions;
- the relative proportions of revenues we derive from products and services;
- our ability to generate cash from our accounts receivable on a timely basis;
- changes in, and our ability to successfully execute on, our business strategy; and
- macroeconomic and political conditions, including fluctuations in interest rates, tax increases, availability of credit markets, and trade and tariff actions.

Due to all of these factors, our quarterly revenues and operating results are difficult to predict and may fluctuate, which in turn may cause the market price of our stock to decline.

Raising additional capital may cause dilution to our existing stockholders, restrict our operations or harm our business, financial condition, and results of operations.

We may seek additional capital through a variety of means, including through private and public equity offerings and debt financings. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interest will be diluted, and the terms may include liquidation or other preferences that adversely affect the rights of our stockholders. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take certain actions, such as incurring additional debt, making capital expenditures, entering into licensing arrangements, or declaring dividends. If we raise additional funds from third parties, we may have to relinquish valuable rights to our technologies, or grant licenses on terms that are not favorable to us.

If we are unable to raise additional funds through equity or debt financing when needed, our ability to market, sell, or distribute our products may be negatively impacted and could harm our business, financial condition, and results of operations.

Certain provisions in our charter documents and under Delaware law may delay or prevent an acquisition of us and limit our stockholders' ability to obtain a favorable judicial forum for certain disputes.

Certain anti-takeover provisions of Delaware law and our charter documents may make a change in control of our Company more difficult, even if a change in control would be beneficial to the stockholders. Our certificate of incorporation provides that stockholders' meetings may only be called by our Board of Directors. Our bylaws provide that stockholders may not take action by written consent, and require that stockholders comply with advance notice procedures to nominate director candidates for election or to propose matters to be acted upon at a meeting of our stockholders. Delaware law also prohibits corporations from engaging in a business combination with any holders of 15% or more of their capital stock until the holder has held the stock for three years unless, among other possibilities, our Board of Directors approves the transaction. Our Board of Directors may use these provisions to prevent changes in the management and control of our Company. Also, under applicable Delaware law, our Board of Directors may adopt additional anti-takeover measures in the future including, without limitation, a stockholder rights plan.

In addition, our bylaws also establish the Delaware Court of Chancery as the exclusive forum for certain legal actions, including certain stockholder disputes, and establish the federal district courts of the United States of America as the exclusive forum for any action asserting a cause of action arising under the Securities Act of 1933, as amended, which exclusive forum provisions may limit the ability of our stockholders to bring a claim in a judicial forum that such stockholders find favorable for disputes with us or our directors, officers, or other employees.

Risk Factors Related to our Notes

Conversion of the Notes may dilute the ownership interest of our stockholders, depress the price of our common stock or, if the conditional conversion feature of the Notes is triggered, adversely affect our financial condition and operating results.

The Notes are convertible at the option of the holders on or after May 15, 2025 and, in certain circumstances, prior to May 15, 2025. The initial conversion rate for the Notes is 10.2751 shares of our common stock per \$1,000 principal amount of Notes, subject to adjustment under certain circumstances in accordance with the terms of the Indenture. The conversion of some or all of the Notes may dilute the ownership interests of our stockholders. Upon conversion of the Notes, we have the option to pay or deliver, as the case may be, cash, shares of our common stock, or a combination of cash and shares of our common stock. If we elect to settle our conversion obligation in shares of our common stock or a combination of cash and shares of our common stock, any sales in the public market of our common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock. In addition, the existence of the Notes may encourage short selling of our common stock by market participants because the conversion of the Notes could be used to satisfy short positions, or the anticipated conversion of the Notes into shares of our common stock could depress the price of our common stock.

Prior to May 15, 2025, if a circumstance that permits early conversion occurs, holders of the Notes will be entitled to convert their Notes at any time during specified periods at their option. If one or more holders elect to convert their Notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our common stock (other than paying cash in lieu of delivering any fractional share), we would be required to settle a portion or all of our conversion obligation through the payment of cash, which could adversely affect our liquidity. In addition, even if holders do not elect to convert their Notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the Notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

The accounting method for convertible debt securities that may be settled in cash, such as the Notes, could have a material effect on our reported financial results.

Under Accounting Standards Codification ("ASC") 470-20, *Debt with Conversion and Other Options*, an entity must separately account for the liability and equity components of convertible debt instruments (such as the Notes) that may be settled entirely or partially in cash upon conversion in a manner that reflects the issuer's economic interest cost. The effect of ASC 470-20 on the accounting for the Notes is that the equity component is required to be included in the additional paid-in capital section of stockholders' equity on our consolidated balance sheet at issuance, and the value of the equity component is treated as a discount for purposes of accounting for the debt component of the Notes. As a result, we are required to record a greater amount of non-cash interest expense as a result of the amortization of the discounted carrying value of the Notes to their face amount over the term of the Notes. We report larger net losses or lower net income in our financial results because ASC 470-20 requires interest to include both the amortization of the debt discount and the instrument's coupon interest rate, which could adversely affect our reported or future financial results.

In addition, under certain circumstances, convertible debt instruments (such as the Notes) that may be settled entirely or partly in cash may be accounted for utilizing the treasury stock method for earnings per share purposes, the effect of which is that the shares issuable upon conversion of the Notes are not included in the calculation of diluted earnings per share except to the extent that the conversion value of the Notes exceeds their principal amount. Under the treasury stock method, for diluted earnings per share purposes, the transaction is accounted for as if the number of shares of common stock that would be necessary to settle such excess, if we elected to settle such excess in shares, are issued. We cannot assure you that we will be eligible, or will continue to be eligible, to account for the Notes using the treasury stock method.

In August 2020, the FASB published an Accounting Standards Update ("ASU") 2020-06, which amends these accounting standards by reducing the number of accounting models for convertible instruments and limiting instances of separate accounting for the debt and equity or a derivative component of the convertible debt instruments. ASU 2020-06 also will no longer allow the use of the treasury stock method for convertible instruments and instead require application of the "if-converted" method. Under that method, diluted earnings per share will generally be calculated assuming that all of the Notes were converted solely into shares of common stock at the beginning of the reporting period, unless the result would be anti-dilutive, which could adversely affect our diluted earnings per share. These amendments will be effective for public companies for fiscal years beginning after December 15, 2021, with early adoption permitted, but no earlier than fiscal years beginning after December 15, 2020. The adoption of these amendments would have a material impact on our accounting for the Notes, which may impact our reported financial results.

The convertible note hedge and warrant transactions may affect the value of our common stock.

In connection with the offering of the Notes, we entered into convertible note hedge transactions with an affiliate of one of the initial purchasers of the Notes and certain other financial institutions (the "option counterparties"). We also entered into warrant transactions with the option counterparties. The convertible note hedge transactions are expected generally to

reduce the potential dilution to our common stock upon any conversion of Notes and/or offset any cash payments we are required to make in excess of the principal amount of converted Notes, as the case may be. However, the warrant transactions could separately have a dilutive effect on our common stock to the extent that the market price per share of our common stock exceeds the strike price of the warrants. In addition, the option counterparties or their respective affiliates may modify their hedge positions by entering into or unwinding various derivatives with respect to our common stock and/or purchasing or selling our common stock or other securities of ours in secondary market transactions prior to the maturity of the Notes (and are likely to do so in connection with any conversion of the Notes or redemption or repurchase of the Notes), which could cause or avoid an increase or a decrease in the market price of our common stock.

We will also be subject to the risk that these option counterparties may default under the convertible note hedge transactions. Our exposure to the credit risk of the option counterparties will not be secured by any collateral. If an option counterparty becomes subject to insolvency proceedings, we will become an unsecured creditor in those proceedings with a claim equal to our exposure at that time under the convertible note hedge transactions with such option counterparty. Our exposure will depend on many factors but, generally, an increase in our exposure will be correlated to an increase in the market price and in the volatility of our common stock. In addition, upon a default by an option counterparty, we may suffer adverse tax consequences and more dilution than we currently anticipate with respect to our common stock. We can provide no assurances as to the financial stability or viability of the option counterparties.

General Risk Factors

Changes in our tax rates, exposure to additional tax liabilities, or the adoption of new tax legislation could adversely affect our business and financial condition.

We are subject to taxes in the United States and foreign jurisdictions. Our future effective tax rates could be affected by several factors, many of which are outside of our control, including: changes in the mix of earnings with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, changes in federal, state, and international tax laws or their interpretation, adjustments to income tax expense upon the finalization of tax returns, changes in tax attributes, or changes in accounting principles. We regularly assess the likelihood of adverse outcomes to determine the adequacy of our provision for taxes. We are also subject to examination of our income tax returns by the Internal Revenue Service and other tax authorities. There can be no assurance that the outcomes from these examinations will not materially adversely affect our financial condition and operating results. Forecasting our estimated annual effective tax rate is complex and subject to uncertainty, and there may be a material difference between the forecasted and the accrued effective tax rates, especially due to the volatility and uncertainty of global economic conditions resulting from the COVID-19 pandemic. Any increase in our effective tax rate would reduce our profitability.

Catastrophic events may disrupt our business and harm our operating results.

We rely on our network infrastructure, data centers, enterprise applications, and technology systems for the development, marketing, support, and sales of our products, and for the internal operation of our business. These systems are susceptible to disruption or failure in the event of a major earthquake, fire, flood, ice and snow storms, cyber-attack, terrorist attack, telecommunications failure, epidemic or pandemic (such as the ongoing COVID-19 pandemic), or other catastrophic event. Many of these systems are housed or supported in or around our corporate headquarters located in Northern California, near major earthquake faults, and where a significant portion of our research and development activities and other critical business operations take place. Other critical systems, including our manufacturing facilities for our consumable medication packages, are housed in St. Petersburg, Florida, in communities that have been subject to significant tropical storms. Disruptions to or the failure of any of these systems, and the resulting loss of critical data, which is not quickly recoverable by the effective execution of disaster recovery plans designed to reduce such disruption, could cause delays in our product development, prevent us from fulfilling our customers' orders, and could severely affect our ability to conduct normal business operations, the result of which would adversely affect our operating results.

Failure to maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 could cause our stock price to decline.

Section 404 of the Sarbanes-Oxley Act of 2002 and the related rules and regulations of the United States Securities and Exchange Commission ("SEC") require annual management assessments of the effectiveness of our internal control over financial reporting, and a report by our independent registered public accounting firm attesting to the effectiveness of internal control. If we fail to maintain effective internal control over financial reporting, as such standards are modified, supplemented, or amended from time to time, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal control over financial reporting.

ITEM 1B. UNRESOLVED STAFF COMMENTS

There are currently no unresolved issues with respect to any SEC staff's written comments.

ITEM 2. PROPERTIES

Our headquarters are located in a leased facility in Mountain View, California. The following is a list of our material leased facilities and their primary functions:

Site	Major Activity	Approximate Square Footage
St. Petersburg, Florida	Administration, marketing, research and development, sales, and manufacturing	167,700
Cranberry Township, Pennsylvania	Administration, marketing, research and development, sales, technical support, and training	119,400
Warrendale, Pennsylvania	Manufacturing and administration	107,400
Mountain View, California	Administration, marketing, and research and development	99,900
Raleigh, North Carolina	Administration, sales, marketing, and research and development	65,700
Irlam, United Kingdom	Administration, sales, marketing, and distribution center	61,000
Milpitas, California	Manufacturing	46,300
Waukegan, Illinois	Technical services, support, training, and repair center	38,500
Plano, Texas	Administration, sales, marketing, and research and development	23,500
Bochum, Germany	Administration, sales, marketing, distribution, and manufacturing center	19,000

We also have smaller rented facilities in Strongsville, Ohio; Germany; France; Italy; the People's Republic of China; the United Arab Emirates; Australia; and the United Kingdom.

We believe that these facilities are sufficient for our current operational needs and that suitable additional space will be available on commercially reasonable terms to accommodate expansion of our operations, if necessary.

For additional information regarding our obligations pursuant to operating leases, refer to Note 12, *Lessee Leases*, of the Notes to Consolidated Financial Statements in this annual report on Form 10-K.

ITEM 3. LEGAL PROCEEDINGS

Refer to the information set forth under "Legal Proceedings" in Note 13, *Commitments and Contingencies*, of the Notes to Consolidated Financial Statements included in this annual report on Form 10-K.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Market for Our Common Stock

Our common stock is traded on the NASDAQ Global Select Market under the symbol "OMCL."

Stockholders

There were 81 registered stockholders of record as of February 17, 2021. A substantially greater number of stockholders are beneficial holders, whose shares of record are held by banks, brokers, and other financial institutions.

Dividend Policy

We have never declared or paid any cash dividends on our common stock. We currently expect to retain any future earnings for use in the operation and expansion of our business and do not anticipate paying any cash dividends on our common stock in the foreseeable future.

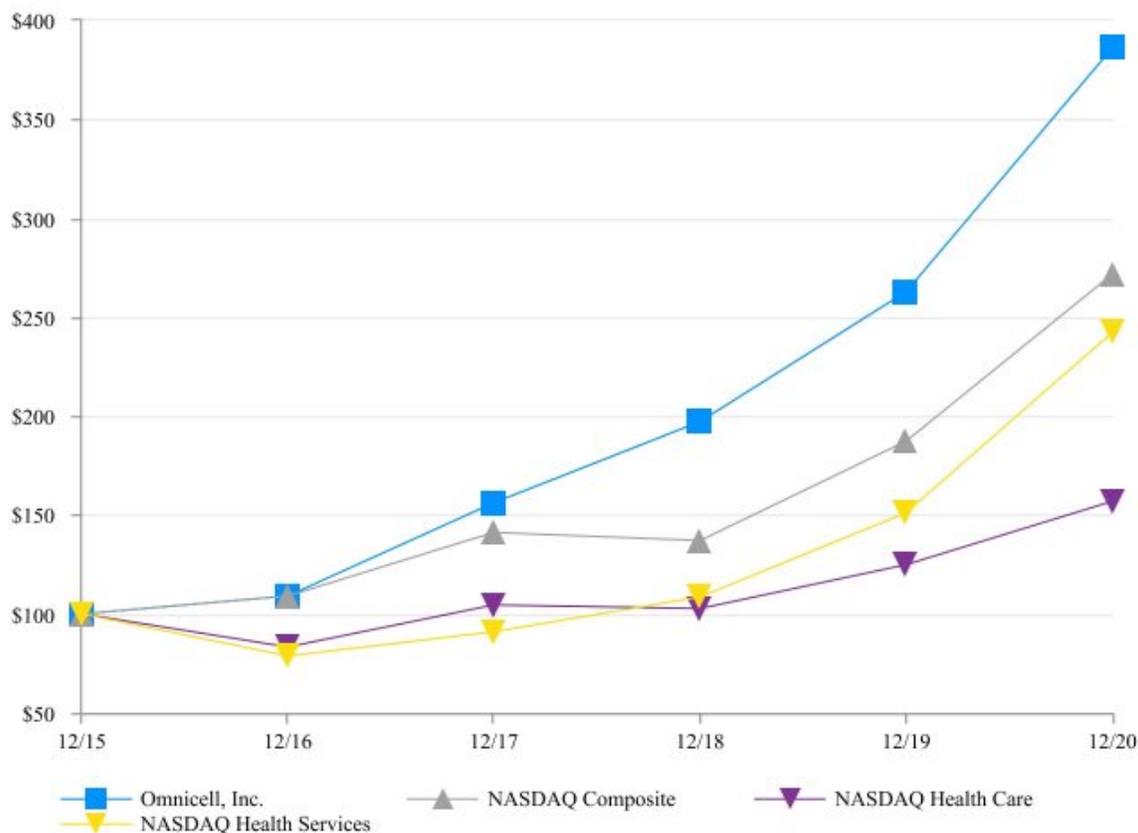
Performance Graph

The following graph compares total stockholder returns for Omnicell's common stock for the past five years to three indexes: the NASDAQ Composite Index, the NASDAQ Health Care Index, and the NASDAQ Health Services Index. The graph assumes \$100 was invested in each of Omnicell's common stock, the NASDAQ Composite Index, the NASDAQ Health Care Index, and the NASDAQ Health Services Index as of the market close on December 31, 2015. The total return for Omnicell's common stock and for each index assumes the reinvestment of all dividends, although cash dividends have never been declared on Omnicell's common stock, and is based on the returns of the component companies weighted according to their capitalization as of the end of each annual period.

The NASDAQ Composite Index tracks the aggregate price performance of equity securities traded on The NASDAQ Stock Market. The NASDAQ Health Care Index and NASDAQ Health Services Index tracks the aggregate price performance of health care and health services equity securities. Omnicell's common stock is traded on The NASDAQ Global Select Market and is a component of both indexes. The stock price performance shown on the graph is based on historical results and is not necessarily indicative of future price performance.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN ^{(1) (2)}

Among Omnicell, Inc., the NASDAQ Composite Index, the NASDAQ Health Care Index, and the NASDAQ Health Services Index



⁽¹⁾ \$100 invested on December 31, 2015 in stock or index, including reinvestment of dividends.

⁽²⁾ This section is not deemed “soliciting material” or to be “filed” with the SEC and is not to be incorporated by reference into any filing of Omnicell, Inc. under the Securities Act or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

	Year Ended December 31,					
	2015	2016	2017	2018	2019	2020
Omnicell, Inc.	\$ 100.00	\$ 109.07	\$ 156.05	\$ 197.04	\$ 262.93	\$ 386.16
NASDAQ Composite	100.00	108.87	141.13	137.12	187.44	271.64
NASDAQ Health Care	100.00	83.07	104.46	102.81	124.72	156.88
NASDAQ Health Services	100.00	78.91	90.89	108.53	151.08	242.42

Stock Repurchase Program

On September 17, 2020, the Board of Directors authorized a one-time stock repurchase transaction providing for the repurchase of up to \$75.0 million of our common stock in privately negotiated transactions concurrently with the issuance of the convertible senior notes, described in Note 10, *Convertible Senior Notes*, of the Notes to Consolidated Financial Statements in this annual report on Form 10-K. In September 2020, we repurchased 749,300 shares of our common stock from purchasers of the convertible senior notes in the offering in privately negotiated transactions effected through one of the initial purchasers or its affiliate at an average price of \$70.78 per share for an aggregate purchase price of approximately \$53.0 million. There will be no further repurchases under this one-time authorization. There were no other repurchases of our outstanding common stock

during the year ended December 31, 2020, including under our current stock repurchase programs. Refer to Note 15, *Stock Repurchase Program*, of the Notes to Consolidated Financial Statements in this annual report on Form 10-K for additional information.

Equity Offerings

For the year ended December 31, 2020, we did not sell any of our common stock under our Distribution Agreement. Refer to Note 16, *Equity Offerings*, of the Notes to Consolidated Financial Statements in this annual report on Form 10-K for additional information.

ITEM 6. SELECTED FINANCIAL DATA

The following selected consolidated financial data is derived from our Consolidated Financial Statements. This data should be read in conjunction with our Consolidated Financial Statements and related Notes included in this annual report on Form 10-K and with Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*. Historical results may not be indicative of future results.

	Year Ended December 31,				
	2020 ⁽¹⁾	2019	2018	2017 ⁽²⁾⁽⁴⁾	2016 ⁽³⁾⁽⁴⁾
	(In thousands, except per share amounts)				
Consolidated Statements of Operations Data					
Total revenues	\$ 892,208	\$ 897,027	\$ 787,309	\$ 712,714	\$ 695,908
Gross profit	413,292	436,912	372,330	318,637	317,085
Income from operations	35,526	78,352	44,392	11,145	21,405
Net income	\$ 32,194	\$ 61,338	\$ 37,729	\$ 30,518	\$ 9,756
Net income per share:					
Basic	\$ 0.76	\$ 1.48	\$ 0.96	\$ 0.81	\$ 0.27
Diluted	\$ 0.74	\$ 1.43	\$ 0.93	\$ 0.79	\$ 0.26
Shares Used in Per Share Calculations					
Basic	42,583	41,462	39,242	37,483	36,156
Diluted	43,743	42,943	40,559	38,712	36,864
	December 31,				
	2020 ⁽¹⁾	2019	2018	2017 ⁽²⁾⁽⁴⁾	2016 ⁽³⁾⁽⁴⁾
	(In thousands)				
Consolidated Balance Sheet Data					
Total assets	\$ 1,824,504	\$ 1,240,810	\$ 1,081,242	\$ 1,016,362	\$ 966,884
Long-term debt ⁽⁵⁾	467,201	50,000	135,417	194,917	245,731
Total liabilities	857,001	395,556	401,625	462,021	508,048
Total stockholders' equity	\$ 967,503	\$ 845,254	\$ 679,617	\$ 554,341	\$ 458,836

⁽¹⁾ Includes 340B Link Business financial results as of October 2020, the acquisition date.

⁽²⁾ Includes InPharmics financial results as of April 2017, the acquisition date.

⁽³⁾ Includes Aesynt and Ateb financial results as of the acquisition dates of January 2016 and December 2016, respectively.

⁽⁴⁾ As adjusted for full retrospective adoption of Accounting Standards Codification 606, *Revenue from Contracts with Customers*.

⁽⁵⁾ Consists of the revolving credit facility and convertible senior notes, net.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with our Consolidated Financial Statements and related Notes in this annual report on Form 10-K. This may contain forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of several factors, including those set forth under

Item 1A “Risk Factors” and elsewhere in this annual report on Form 10-K. Unless otherwise stated, references in this report to particular years or quarters refer to our fiscal year and the associated quarters of those fiscal years.

We have elected to omit discussion of the earliest of the three years covered by the Consolidated Financial Statements presented. Such omitted discussion can be found under Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations, located in our annual report on Form 10-K for the fiscal year ended December 31, 2019, filed with the SEC on February 26, 2020, for reference to discussion of the fiscal year ended December 31, 2018, the earliest of the three fiscal years presented.

OVERVIEW

Our Business

We are a leader in transforming the pharmacy care delivery model. Our medication management automation solutions and adherence tools empower healthcare systems and pharmacies to focus on clinical care, rather than administrative tasks. Our solutions support the vision of a fully autonomous pharmacy, a roadmap designed to improve operational efficiencies through a fully automated, medication management infrastructure. Our vision is to transform the pharmacy care delivery model through automation designed to replace manual, error-prone processes, combined with a single, cloud-based platform and advanced services offerings. We believe our connected devices, products, and solutions will help our customers harness the power of data and analytics, and deliver improved patient outcomes.

Over 7,000 facilities worldwide use our automation and analytics solutions which are designed to improve pharmacy workflows, increase operational efficiency, reduce medication errors, deliver actionable intelligence, and improve patient safety. More than 50,000 institutional and retail pharmacies across North America and the United Kingdom leverage our innovative medication adherence and population health solutions to improve patient engagement, and adherence to prescriptions and vaccine scheduling, helping to reduce costly hospital readmissions. We sell our product and consumable solutions together with related service offerings. Revenues generated in the United States represented 89% of our total revenues for the year ended December 31, 2020.

Over the past several years, our business has expanded from a single-point solution to a platform of products and services that will help to further advance the vision of the autonomous pharmacy. This has resulted in larger deal sizes across multiple products, services, and implementations for customers and, we believe, more comprehensive, valuable, and enduring relationships.

We utilize product bookings as an indicator of the success of our business. Product bookings generally consist of all firm orders other than for technical services and other less significant items, as evidenced generally by a non-cancelable contract and purchase order for equipment and software products, and by a purchase order for consumables. The majority of connected devices and software license product bookings are installable within twelve months of booking, and are recorded as revenue upon customer acceptance of the installation or receipt of goods. Revenues from software-as-a-service (“SaaS”), subscription software, and technology-enabled services product bookings are recorded over the contractual term. Product bookings increased by 23%, from \$813 million in 2019 to \$1.002 billion in 2020, driven by the success of our growth strategies in our comprehensive platform and differentiated products, as well as expanding our customer portfolio.

In addition to product solution sales, we provide services to our customers. We provide installation planning and consulting as part of most product sales which is generally included in the initial price of the solution. To help assure the maximum availability of our systems, our customers typically purchase maintenance and support contracts in increments of one to five years. As a result of the growth of our installed base of customers and expanded service offerings, our service revenues have also grown.

The following table summarizes each revenue category:

Revenue Category	Revenue Type ⁽¹⁾	Income Statement Classification	Included in Product Bookings
Connected devices, software licenses, and other	High visibility/ Nonrecurring	Product	Yes ⁽²⁾
Technical services	High visibility/ Recurring	Service	No
Consumables	High visibility/ Recurring	Product	Yes
SaaS, subscription software, and technology-enabled services	High visibility/ Recurring	Service	Yes

⁽¹⁾ All revenue types are highly visible from long-term, sole-source agreements, backlog, or the recurring nature of the revenue stream.

⁽²⁾ Freight revenue and certain other insignificant revenue streams are not included in product bookings.

Our full-time headcount of approximately 2,860 on December 31, 2020, an increase of approximately 160 from December 31, 2019, reflects our efforts to grow our operations, while driving profitability and optimizing resource allocation.

Operating Segments

We manage our operations as a single segment for the purposes of assessing performance and making operating decisions. Our Chief Operating Decision Maker ("CODM") is our Chief Executive Officer. The CODM allocates resources and evaluates the performance of Omnicell at the consolidated level using information about our revenues, gross profit, income from operations, and other key financial data. All significant operating decisions are based upon an analysis of Omnicell as one operating segment, which is the same as our reporting segment.

Strategy

We are committed to being the care provider's most trusted partner and executing on the vision of the autonomous pharmacy by delivering automation, intelligence, and advanced services, powered by a single, cloud-based platform. We believe there are significant challenges in pharmacy practice including, but not limited to, medication errors, drug shortages, medication loss due to drug diversion, significant medication waste and expiration costs, a high level of manual steps in the medication management automation process, complexity around compliance requirements, high pharmacy employee turnover rates, hospitalizations from adverse drug events in outpatient settings, high variability in outcomes, and limited inventory visibility. We believe that these significant challenges in pharmacy practice drive the demand for increased digitization and virtualization, and that our solutions enable this and represent large opportunities in four market categories:

- **Point of Care.** As a market leader, we expect to continue expansion of this product category as customers increase use of our dispensing systems in more areas within their hospitals. In addition, we are early in the replacement, upgrade, and expansion cycle of our XT Series automated dispensing systems which we believe is a significant market opportunity and we expect to continue to focus on further penetrating markets through competitive conversions. We believe our current portfolio within the Point of Care market and new innovation and services will continue to drive improved outcomes and lower costs for our customers.
- **Central Pharmacy.** This market represents the beginning of the medication management process in acute care settings, and, we believe, the next big automation opportunity to replace manual and repetitive processes which are common in the pharmacy today. Manual processes are prone to significant errors, and products such as IVX Workflow, our IV sterile compounding solutions, and the XR2 Automated Central Pharmacy system automate these manual processes and are designed to reduce the risk of error for our healthcare partners. We believe new products and innovations, including Omnicell One, in the Central Pharmacy market create opportunities to replace prior generation Central Pharmacy robotics and carousels. The Central Pharmacy also represents an opportunity to provide technology-enabled services designed to reduce the administrative burden on the pharmacy and allow clinicians to operate at the top of their license.
- **340B Software-Enabled Services.** This market is targeted to covered entities participating in Section 340B of the Public Health Services Act. The act requires pharmaceutical manufacturers participating in Medicaid to sell outpatient drugs at discounted prices to health care organizations that care for many uninsured and low-income patients and results in a complex compliance environment. We believe that there are significant opportunities for health systems to improve participation benefits and maximize program savings through software-enabled services

and solutions. Our Omnicell 340B platform of technology-enabled services includes split billing software, contract pharmacy administration, specialty contract pharmacy administration, and drug discount access solutions.

- **Retail, Institutional, and Payer.** We believe the Retail, Institutional, and Payer market represents a large opportunity as the majority of drugs are distributed in the non-acute sector. New technology and updated state board regulations are leading to innovation at traditional retail providers, which, combined with the move to value-based care, we believe will incentivize the market to adopt solutions to help providers and payers engage patients in new ways that lower the total cost of care. We believe adoption of our EnlivenHealth (formerly Population Health Solutions) portfolio of software products and services, along with medication adherence packaging, will increase adherence performance rates, increase prescription volume for our customers, and reduce hospital and emergency room visits due to improved adherence. As retail pharmacies play an increasingly vital role in population health following the onset of the COVID-19 pandemic, EnlivenHealth has extended solutions to assist with vaccination programs, testing protocols, and patient engagement efforts. There are three main areas of focus:
 - *CareScheduler* is an exclusive digital solution that automates the scheduling, reporting, and patient outreach for administering the COVID-19 vaccine and other vaccines and testing procedures.
 - *Medication Synchronization* is an appointment-based solution that aligns a patient's medications to a single refill date, designed to improve medication adherence and reduce hospital readmissions.
 - *Medication Therapy Management* is a platform that offers intuitive workflow with high-level decision support for efficiently completing CMS-compliant Comprehensive Medication Reviews using pharmacy claims data.

We believe our technology, services, and solutions within these market categories position us well to address the needs of retail, acute, and post-acute pharmacy providers.

COVID-19 Update

Keeping in mind our role in the healthcare industry, we are continuing to closely monitor the COVID-19 pandemic. As a result of the COVID-19 pandemic, health systems have faced financial pressures which we believe led our customers to delay or defer purchasing decisions and/or implementation of our solutions during the first half of 2020. However, starting in the third quarter of 2020, we began to see our customers returning to pre-pandemic purchasing patterns consistent with long-term strategic investments. We believe that the challenges that our customers have faced during the COVID-19 pandemic, including the need for robust visibility throughout their pharmacy supply chains, have increased the strategic relevance of our products and services. Though we expect to continue to face challenges and opportunities brought on by the COVID-19 pandemic, we remain confident in the overall health of our business and in our ability to navigate through these unusual times.

Acquisitions

On October 1, 2020, we completed the acquisition of the 340B Link business (the "340B Link Business") of Pharmaceutical Strategies Group, LLC pursuant to the terms and conditions of the Equity Purchase Agreement, dated August 11, 2020, as amended, by and among the Company, PSGH, LLC, BW Apothecary Holdings, LLC, the sellers identified therein and the seller's representative for total cash consideration of \$225.0 million. The acquisition adds a comprehensive and differentiated suite of software-enabled services and solutions used by certain eligible hospitals, health systems, clinics, and entities to manage compliance and capture 340B drug cost savings on outpatient prescriptions filled through the eligible entity's pharmacy or a contracted pharmacy partner. The results of the operations of the 340B Link Business have been included in our consolidated results of operations beginning October 1, 2020.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our discussion and analysis of our financial condition and results of operations are based on our Consolidated Financial Statements, which have been prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"). The preparation of these financial statements requires us to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. We regularly review our estimates and assumptions, which are based on historical experience and 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 certain assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates and assumptions. We believe the following critical accounting policies are affected by significant judgments and estimates used in the preparation of our Consolidated Financial Statements:

Revenue Recognition

We earn revenues from sales of our products and related services, which are sold in the healthcare industry, our principal market.

Prior to recognizing revenue, we identify the contract, performance obligations, and transaction price, and allocate the transaction price to the performance obligations. All identified contracts meet the following required criteria:

Parties to the contract have approved the contract (in writing, orally, or in accordance with other customary business practices) and are committed to perform their respective obligations. A majority of our contracts are evidenced by a non-cancelable written agreement. Contracts for consumable products are generally evidenced by an order placed via phone or a purchase order.

Entity can identify each party's rights regarding the goods or services to be transferred. Contract terms are documented within the written agreements. Where a written contract does not exist, such as for consumable products, the rights of each party are understood as following our standard business process and terms.

The entity can identify the payment terms for the goods or services to be transferred. Payment terms are documented within the agreement and are generally net 30 to 60 days from shipment of tangible product or services performed for customers in the United States. Where a written contract does not exist, our standard payment terms are net 30 day terms.

The contract has commercial substance (that is the risk, timing, or amount of the entity's future cash flows is expected to change as a result of the contract). Our agreements are an exchange of cash for a combination of products and services which result in changes in the amount of our future cash flows.

It is probable the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. We perform a credit check for all significant customers or transactions and where collectability is not probable, payment in full or a substantial down payment is typically required to help assure the full agreed upon contract price will be collected.

Distinct goods or services are identified as performance obligations. A series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer are considered a single performance obligation. Where a good or service is determined not to be distinct, we combine the good or service with other promised goods or services until a bundle of goods or services that is distinct is identified. To identify our performance obligations, we consider all of the products or services promised in the contract regardless of whether they are explicitly stated or are implied by customary business practices. When performance obligations are included in separate contracts, we consider an entire customer arrangement to determine if separate contracts should be considered combined for the purposes of revenue recognition. Most of our sales, other than renewals of support and maintenance, contain multiple performance obligations, with a combination of hardware systems, consumables and software products, support and maintenance, and professional services.

The transaction price of a contract is determined based on the fixed consideration, net of an estimate for variable consideration such as various discounts or rebates provided to customers. As a result of our commercial selling practices, contract prices are generally fixed with minimal, if any, variable consideration.

The transaction price is allocated to separate performance obligations proportionally based on the standalone selling price of each performance obligation. Standalone selling price is best evidenced by the price we charge for the good or service when selling it separately in similar circumstances to similar customers. Other than for the renewal of annual support services contracts, our products and services are not generally sold separately. We use an amount discounted from the list price as a best estimated selling price.

We recognize revenue when the performance obligation has been satisfied by transferring a promised good or service to a customer. The good or service is transferred when or as the customer obtains control of the good or service. Determining when control transfers requires management to make judgments that affect the timing of revenues recognized. Generally, for products requiring a complex implementation, control passes when the product is installed and ready for use. For all other products, control generally passes when product has been shipped and title has passed. For maintenance contracts and certain other services provided on a subscription basis, control passes to the customer over time, generally ratably over the service term as we provide a stand-ready service to service the customer's equipment. Time and material services transfer control to the customer at the time the services are provided. The portion of the transaction price allocated to our unsatisfied performance obligations are recorded as deferred revenues.

Revenues, contract assets, and contract liabilities are recorded net of associated taxes.

We often enter into change orders which modify the product to be received by the customer pursuant to certain contracts. Changes to any contract are accounted for as a modification of the existing contract to the extent the goods and services to be delivered as part of the contract are generally consistent with the nature and type of those to be provided under the terms of the original contract. Examples of such change orders include the addition or removal of units of equipment or changes to the configuration of the equipment where the overall nature of the contract remains intact. Our change orders generally result in the change being accounted for as modifications of existing contracts given the nature of the impacted orders.

In the normal course of business, we typically do not accept product returns unless the item is defective as manufactured or the configuration of the product is incorrect. We establish provisions for estimated returns based on historical product returns. The allowance for sales returns is not material to our Consolidated Financial Statements for any periods presented.

Lessor Leases

We determine if an arrangement is a lease at inception. The transaction price is allocated to separate performance obligations, generally consisting of hardware and software products, installation, and post-installation technical support, proportionally based on the standalone selling price of each performance obligation. Standalone selling price is best evidenced by the price we charge for the good or service when selling it separately in similar circumstances to similar customers. Other than for the renewal of annual support services contracts, our products and services are not generally sold separately. We use an amount discounted from the list price as a best estimated selling price.

Sales-Type Leases

We enter into non-cancelable sales-type lease arrangements, most of which do not have an option to extend the lease term. At the end of the lease term, the customer must either return the equipment or negotiate a new agreement, resulting in a new purchase or lease transaction. Failure of the customer to either return the equipment or negotiate a new agreement results in the contract becoming a month-to-month rental. Certain sales-type leases automatically renew for successive one year periods at the end of each lease term with written notice from the customer. Our sales-type lease agreements do not contain any material residual value guarantees.

For sales-type leases, we recognize revenues for our hardware and software products, net of lease execution costs, post-installation product maintenance, and technical support, at the net present value of the lease payment stream upon customer acceptance. We recognize service revenues associated with sales-type leases ratably over the term of the agreement in service revenues in the Consolidated Statements of Operations. We recognize interest income from sales-type leases using the effective interest method. Both hardware and software revenues, and interest income from sales-types leases are recorded in product revenues in the Consolidated Statements of Operations.

We optimize cash flows by selling a majority of our non-U.S. government sales-type leases to third-party leasing finance companies on a non-recourse basis. We have no obligation to the leasing company once the lease has been sold. Some of our sales-type leases, mostly those relating to U.S. government hospitals, are retained in-house.

Allowance for Credit Losses

We are exposed to credit losses primarily through sales of our products and services, as well as our sales-type leasing arrangements. We perform credit evaluations of our customers' financial condition in order to assess each customer's ability to pay. These evaluations require significant judgment and are based on a variety of factors including, but not limited to, current economic trends, payment history, and a financial review of the customer. We continue to monitor customers' creditworthiness on an ongoing basis.

We maintain an allowance for credit losses for accounts receivable, unbilled receivables, and net investment in sales-type leases based on expected credit losses resulting from the inability of our customers to make required payments. The allowance for credit losses is measured using a loss rate method, considering factors such as customers' credit risk, historical loss experience, current conditions, and forecasts. The allowance for credit losses is measured on a collective (pool) basis by aggregating customer balances with similar risk characteristics. We also record a specific allowance based on an analysis of individual past due balances or customer-specific information, such as a decline in creditworthiness or bankruptcy. Actual collection losses may differ from management's estimates, and such differences could be material to our financial position and results of operations.

Inventory

Inventories are stated at the lower of cost, computed using the first-in, first-out method, and net realizable value. Inbound shipping costs are included in cost of inventory. We regularly monitor inventory quantities on hand and record write-downs for excess and obsolete inventories based on our estimate of demand for our products, potential obsolescence of

technology, product life cycles, and whether pricing trends or forecasts indicate that the carrying value of inventory exceeds its estimated selling price. These factors are impacted by market and economic conditions, technology changes, and new product introductions and require estimates that may include elements that are uncertain. Actual demand may differ from forecasted demand and may have a material effect on gross margins. If inventory is written down, a new cost basis is established that cannot be increased in future periods. Shipments from suppliers or contract manufacturers before we receive them are recorded as in-transit inventory when title and the significant risks and rewards of ownership have passed to us.

Software Development Costs

We capitalize certain software development costs in accordance with Accounting Standards Codification ("ASC") 985-20, *Costs of Software to Be Sold, Leased, or Marketed*, under which those costs incurred subsequent to the establishment of technological feasibility may be capitalized and amortized over the estimated lives of the related products. We establish technological feasibility when we complete a detail program design or a working model. We amortize development costs over the estimated lives of the related products, which is generally five years. All development costs prior to the completion of a detail program design or a working model are recognized as research and development expense.

Lessee Leases

We determine if an arrangement is a lease at inception. Operating lease right-of-use assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As most of our lease contracts do not provide an implicit rate, we use our incremental borrowing rate based on information available at the commencement date in determining the present value of the lease payments. Lease expense is recognized on a straight-line basis over the lease term. We do not recognize a right-of-use asset and a lease liability for leases with an initial term of 12 months or less. We elected the practical expedient to not separate lease components from nonlease components and applied that practical expedient to all material classes of leased assets.

Many of our operating leases include an option to extend the lease. The specific terms and conditions of the extension options vary from lease to lease, but are consistent with standard industry practices in each area that we operate. We review each of our lease options at a time required by the terms of the lease contract, and notify the lessor if we choose to exercise the lease renewal option. Until we are reasonably certain that we will extend the lease contract, the renewal option periods will not be recognized as right-of-use assets or lease liabilities.

Certain leases include provisions for early termination, which allow the contract parties to terminate their obligations under the lease contract. The terms and conditions of the termination options vary by contract. When we have made a decision to exercise an early termination option, the right-of-use assets and associated lease liabilities are remeasured in accordance with the present value of the remaining cash flows under the lease contract.

Certain building lease agreements include rental payments subject to change annually based on fluctuations in various indexes (*i.e.* Consumer Price Index ("CPI"), Retail Price Index, and other international indexes). Certain data center lease agreements include rental payments subject to change based on usage and CPI fluctuations. The changes based on usage and indexes are treated as variable lease costs and recognized in the period in which the obligation for those payments was incurred.

Business Combinations

We use the acquisition method of accounting under the authoritative guidance on business combinations. Each acquired company's operating results are included in our Consolidated Financial Statements starting on the date of acquisition. The purchase price is equivalent to the fair value of consideration transferred. Tangible and identifiable intangible assets acquired and liabilities assumed as of the date of acquisition are recorded at the acquisition date fair value. Goodwill is recognized for the excess of purchase price over the net fair value of assets acquired and liabilities assumed.

Amounts allocated to assets and liabilities are based upon fair values. Such valuations require management to make significant estimates and assumptions, especially with respect to the identifiable intangible assets. Management makes estimates of fair value based upon assumptions believed to be reasonable and that of a market participant. These estimates are based on historical experience and information obtained from the management of the acquired companies and the estimates are inherently uncertain. The separately identifiable intangible assets generally include customer relationships, acquired technology, backlog, trade names, and non-compete agreements.

Goodwill and Acquired Intangible Assets

Goodwill

We review goodwill for impairment on an annual basis on the first day of the fourth quarter of each year at the reporting unit level. This assessment is also performed whenever there is a change in circumstances that indicates the carrying value of goodwill may be impaired. We have one reporting unit, which is the same as our operating segment. A qualitative assessment is initially made to determine whether it is necessary to perform quantitative testing. A qualitative assessment includes, among others, consideration of: (i) past, current, and projected future earnings and equity; (ii) recent trends and market conditions; and (iii) valuation metrics involving similar companies that are publicly-traded and acquisitions of similar companies, if available. If this qualitative assessment indicates that it is more likely than not that impairment exists, or if we decide to bypass this option, we proceed to the quantitative assessment. The quantitative assessment involves a comparison between the estimated fair value of our reporting unit with its carrying amount including goodwill. If the carrying value exceeds estimated fair value, we will record an impairment charge based on that difference. The impairment charge will be limited to the amount of goodwill.

To determine the reporting unit's fair value under the quantitative approach, we use a combination of income and market approaches, equally weighting the two approaches, such as estimated discounted future cash flows of the reporting unit, multiples of earnings or revenues, and analysis of recent sales or offerings of comparable entities. We also consider our market capitalization on the date of the analysis to ensure the reasonableness of our reporting unit's fair value.

Intangible Assets

In connection with our acquisitions, we generally recognize assets for customer relationships, acquired technology, backlog, trade names, and non-compete agreements. Intangible assets are carried at cost less accumulated amortization. Such amortization is provided on a straight-line basis or on an accelerated basis based on a pattern of economic benefit that is expected to be obtained over the estimated useful lives of the respective assets, generally from one to 30 years. Amortization for acquired technology and backlog is recognized in cost of revenues, and amortization for customer relationships, trade names, non-compete agreements, and patents is recognized in selling, general, and administrative expenses.

We assess the impairment of identifiable intangible assets whenever events or changes in circumstances indicate that an asset's carrying amount may not be recoverable. Recoverability of an asset is measured by the comparison of the carrying amount to the sum of the undiscounted estimated future cash flows the asset is expected to generate, offset by estimated future costs to dispose of the product to which the asset relates. If an asset is considered to be impaired, the amount of such impairment would be measured as the difference between the carrying amount of the asset and its fair value. Our cash flow assumptions are based on historical and forecasted future revenue, operating costs, and other relevant factors. Assumptions and estimates about the remaining useful lives of our intangible assets are subjective and are affected by changes to our business strategies. If management's estimates of future operating results change, or if there are changes to other assumptions, the estimate of the fair value of our assets could change significantly. Such change could result in impairment charges in future periods, which could have a significant impact on our operating results and financial condition.

Convertible Debt

We account for convertible debt and related transactions in accordance with ASC 470-20, *Debt with Conversion and Other Options*, ASC 815, *Derivatives and Hedging*, and ASC 480, *Distinguishing Liabilities from Equity*. We evaluate convertible debt instruments and related transactions at inception to determine if those contracts or embedded components of those contracts qualify as derivatives to be separately accounted for. Convertible debt instruments that may be settled in cash are separated into liability and equity components. The allocation to the liability component is based on the fair value of a similar instrument that does not contain an equity conversion option. Based on this debt-to-equity ratio, debt issuance costs are then allocated to the liability and equity components in a similar manner. The difference between the principal amount of the convertible debt instruments and the liability component, inclusive of issuance costs, represents the debt discount, which is amortized to interest expense over the term of instruments. The determination of the discount rate requires certain estimates and assumptions.

Convertible note hedge and warrant transactions associated with convertible debt instruments are accounted for as equity instruments, and are recorded in additional paid-in capital in the Consolidated Balance Sheets.

Valuation of Share-Based Compensation

We account for share-based compensation in accordance with ASC 718, *Stock Compensation*. We recognize compensation expense related to share-based compensation based on the grant date estimated fair value.

The fair value of stock options (“options”) on the grant date is estimated using the Black-Scholes option pricing model, which requires the following inputs: expected life, expected volatility, risk-free interest rate, expected dividend yield rate, exercise price, and closing price of our common stock on the date of grant. The expected volatility is based on a combination of historical and market-based implied volatility, and the expected life of the awards is based on our historical experience of employee stock option exercises, including forfeitures. Expense is recognized on a straight-line basis over the requisite service period.

The fair value of restricted stock units (“RSUs”) is based on the stock price on the grant date. The fair value of restricted stock awards (“RSAs”) is their intrinsic value, which is the difference between the fair value of the underlying stock at the measurement date and the purchase price. The RSUs and RSAs are subject to a service vesting condition and are recognized on a straight-line basis over the requisite service period.

The fair value of performance-based stock unit awards (“PSUs”) with service and market conditions is estimated using a Monte Carlo simulation model applying multiple awards approach. Expense is recognized when it is probable that the performance condition will be met using the accelerated attribution method over the requisite service period.

Forfeiture rates are estimated based on our historical experience with equity awards that were granted and forfeited prior to vesting. The valuation assumptions used in estimating the fair value of employee share-based awards may change in future periods.

Accounting for Income Taxes

We record an income tax provision for (benefit from) the anticipated tax consequences of the reported results of operations. In accordance with ASC 740, *Income Taxes*, the provision for (benefit from) income taxes is computed using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined on the basis of the differences between the financial statement and tax bases of assets and liabilities, and for operating losses and tax credit carryforwards. Deferred tax assets and liabilities are measured using the enacted tax rates in effect for the periods in which those tax assets and liabilities are expected to be realized or settled. In the event that these tax rates change, we will incur a benefit or detriment on our income tax expense in the period of change. If we were to determine that all or part of the net deferred tax assets are not realizable in the future, we will record a valuation allowance that would be charged to earnings in the period such determination is made.

In accordance with ASC 740, we recognize the tax benefit from an uncertain tax position if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The calculation of tax liabilities involves significant judgment in estimating the impact of uncertainties in the application of ASC 740 and complex tax laws. Resolution of these uncertainties in a manner inconsistent with management’s expectations could have a material impact on our financial condition and operating results.

Recently Issued Authoritative Guidance

Refer to Note 1, *Organization and Summary of Significant Accounting Policies*, of the Notes to Consolidated Financial Statements in this annual report on Form 10-K for a description of recently issued accounting pronouncements, including the expected dates of adoption and estimated effects on our results of operations, financial position, and cash flows.

RESULTS OF OPERATIONS

Total Revenues

	Year Ended December 31,		Change in	
	2020	2019	\$	%
	(Dollars in thousands)			
Product revenues	\$ 636,031	\$ 659,602	\$ (23,571)	(4)%
<i>Percentage of total revenues</i>	<i>71%</i>	<i>74%</i>		
Services and other revenues	256,177	237,425	18,752	8%
<i>Percentage of total revenues</i>	<i>29%</i>	<i>26%</i>		
Total revenues	<u>\$ 892,208</u>	<u>\$ 897,027</u>	<u>\$ (4,819)</u>	(1)%

Product revenues represented 71% and 74% of total revenues for the years ended December 31, 2020 and 2019, respectively. Product revenues decreased by \$23.6 million, primarily due to the impact of the COVID-19 pandemic as health systems were focusing resources on COVID-19 essential activities during the second and third quarters of 2020.

Services and other revenues represented 29% and 26% of total revenues for the years ended December 31, 2020 and 2019, respectively. Services and other revenues include revenues from technical services, SaaS, subscription software, and technology-enabled services, and other services. Services and other revenues increased by \$18.8 million, primarily due to revenues of \$10.2 million from the newly-acquired 340B Link Business, as well as continued growth in our installed customer base.

Our international sales represented 11% and 10% of total revenues for the years ended December 31, 2020 and 2019, respectively, and are expected to be affected by foreign currency exchange rate fluctuations. We are unable to predict the extent to which revenues in future periods will be impacted by changes in foreign currency exchange rates.

Our ability to continue to grow revenues is dependent on our ability to continue to obtain orders from customers, our ability to produce quality products and consumables to fulfill customer demand, the volume of installations we are able to complete, our ability to meet customer needs by providing a quality installation experience, and our flexibility in manpower allocations among customers to complete installations on a timely basis. The timing of our product revenues for equipment is primarily dependent on when our customers' schedules allow for installations.

The effects of the COVID-19 pandemic have had an adverse impact on our revenues for the year ended December 31, 2020. During the first half of 2020, we experienced delays in implementations and lower product bookings compared to management's expectations prior to the COVID-19 outbreak. Starting in the third quarter of 2020, we began to see our customers returning to pre-pandemic purchasing patterns consistent with long-term strategic investments. Future developments with respect to the COVID-19 pandemic remain uncertain and may impact future periods.

Cost of Revenues and Gross Profit

Cost of revenues is primarily comprised of three general categories: (i) standard product costs which account for the majority of the product cost of revenues that are provided to customers, and are inclusive of purchased material, labor to build the product and overhead costs associated with production; (ii) installation costs as we install our equipment at the customer site and include costs of the field installation personnel, including labor, travel expenses, and other expenses; and (iii) other costs, including variances in standard costs and overhead, scrap costs, rework, warranty, provisions for excess and obsolete inventory, and amortization of software development costs and intangibles.

	Year Ended December 31,		Change in	
	2020	2019	\$	%
(Dollars in thousands)				
Cost of revenues:				
Cost of product revenues	\$ 354,004	\$ 344,914	\$ 9,090	3%
<i>As a percentage of related revenues</i>	56%	52%		
Cost of services and other revenues	124,912	115,201	9,711	8%
<i>As a percentage of related revenues</i>	49%	49%		
Total cost of revenues	<u>\$ 478,916</u>	<u>\$ 460,115</u>	<u>\$ 18,801</u>	4%
<i>As a percentage of total revenues</i>	54%	51%		
Gross profit	\$ 413,292	\$ 436,912	\$ (23,620)	(5)%
<i>Gross margin</i>	46%	49%		

Cost of revenues for the year ended December 31, 2020 compared to the year ended December 31, 2019 increased by \$18.8 million, of which \$9.1 million was attributed to the increase in cost of product revenues and \$9.7 million was attributed to the increase in cost of services and other revenues.

The increase in cost of product revenues is reflective of investments made to drive the customer experience and support expected annual revenue levels which were impacted by the COVID-19 pandemic. While product revenues decreased by \$23.6 million for the year ended December 31, 2020 compared to the year ended December 31, 2019, cost of product revenues increased by \$9.1 million primarily due to certain fixed costs, such as labor and overhead. The increase in cost of product revenues was also driven by an increase of \$4.1 million of amortization of capitalized software development costs for

external use and an increase of \$2.0 million in employee-related expenses related to restructuring initiatives, partially offset by cost-saving initiatives.

The increase in cost of services and other revenues was primarily driven by the increase in services and other revenues of \$18.8 million, including incremental revenues from the newly-acquired 340B Link Business, for the year ended December 31, 2020 compared to the year ended December 31, 2019, as well as additional investments in our service business to support new product offerings, an increase of \$1.4 million of amortization of capitalized software development costs for external use, and an increase of \$0.6 million in employee-related expenses related to restructuring initiatives.

The overall decrease in gross margin primarily relates to lower revenues during the year ended December 31, 2020 due to the impact of the COVID-19 pandemic, employee-related expenses related to restructuring initiatives, and additional investments in our business, including increased amortization of capitalized software development costs for external use, partially offset by lower costs associated with cost-saving initiatives. Our gross profit for the year ended December 31, 2020 was \$413.3 million compared to \$436.9 million for the year ended December 31, 2019.

The effects of the COVID-19 pandemic have had an adverse impact on our cost of revenues and gross margins for the year ended December 31, 2020. Future developments with respect to the COVID-19 pandemic remain uncertain and may impact future periods.

Operating Expenses and Interest and Other Income (Expense), Net

	Year Ended December 31,		Change in	
	2020	2019	\$	%
(Dollars in thousands)				
Operating expenses:				
Research and development	\$ 70,161	\$ 68,644	\$ 1,517	2%
<i>As a percentage of total revenues</i>	8%	8%		
Selling, general, and administrative	307,605	289,916	17,689	6%
<i>As a percentage of total revenues</i>	34%	32%		
Total operating expenses	<u>\$ 377,766</u>	<u>\$ 358,560</u>	<u>\$ 19,206</u>	5%
<i>As a percentage of total revenues</i>	42%	40%		
Interest and other income (expense), net	\$ (6,177)	\$ (4,419)	\$ (1,758)	40%

Research and Development. Research and development expenses increased by \$1.5 million for the year ended December 31, 2020 compared to the year ended December 31, 2019. The increase was primarily attributed to an increase of \$3.7 million in employee-related expenses related to restructuring initiatives as well as timing of projects, partially offset by lower consulting expenses and reduced travel costs.

Selling, General, and Administrative. Selling, general, and administrative expenses increased \$17.7 million for the year ended December 31, 2020 compared to the year ended December 31, 2019, primarily due to overall growth of operations and increase in overall headcount. The increase was primarily due to an increase of \$26.1 million in employee-related expenses primarily related to increased headcount, including the incremental headcount from the 340B Link Business acquisition, an increase of \$3.7 million in employee-related expenses related to restructuring initiatives, and an increase of \$6.5 million in acquisition-related expenses, partially offset by approximately \$18.2 million of certain cost savings, including reduced travel, meetings, trade shows, and commission expenses.

In response to the COVID-19 pandemic, we implemented cost reduction initiatives in all aspects of our business and remain mindful of the uncertainty related to the pandemic.

Interest and Other Income (Expense), Net. Interest and other income (expense), net, changed by \$1.8 million for the year ended December 31, 2020 compared to the year ended December 31, 2019, primarily driven by a \$1.6 million increase in other expenses. The increase in other expenses is primarily due to \$5.1 million of amortization of discount and interest expense incurred on our convertible senior notes issued in September 2020, partially offset by a decrease of \$3.1 million in interest expense on our credit facilities as a result of a lower outstanding balances during the year ended December 31, 2020 as compared to the year ended December 31, 2019, as well as favorable foreign currency fluctuations during the period.

Provision for (Benefit from) Income Taxes

	Year Ended December 31,		Change in	
	2020	2019	\$	%
	(Dollars in thousands)			
Provision for (benefit from) income taxes	\$ (2,845)	\$ 12,595	\$ (15,440)	(123)%
<i>Effective tax rate on earnings</i>	(10)%	17%		

We recorded a benefit for income taxes of \$2.8 million and had a negative effective tax rate of 10% for the year ended December 31, 2020 compared to an income tax expense of \$12.6 million and an effective tax rate of 17% for the year ended December 31, 2019. The 2020 annual effective tax rate differed from the statutory tax rate of 21%, and resulted in a decrease as compared to the 2019 annual effective tax rate, primarily due to a favorable impact of the excess tax benefit from equity-based compensation and research and development credits, partially offset by an unfavorable impact from non-deductible compensation and equity charges.

Refer to Note 17, *Income Taxes*, of the Notes to Consolidated Financial Statements included in this annual report on Form 10-K for more details.

LIQUIDITY AND CAPITAL RESOURCES

We had cash and cash equivalents of \$485.9 million at December 31, 2020, compared to \$127.2 million at December 31, 2019. All of our cash and cash equivalents are invested in bank accounts and money market funds held in sweep accounts with major financial institutions.

Our cash position and working capital at December 31, 2020 and 2019 were as follows:

	December 31,	
	2020	2019
	(In thousands)	
Cash	\$ 485,928	\$ 127,210
Working Capital	\$ 552,991	\$ 246,242

Our ratio of current assets to current liabilities was 3.0:1 at December 31, 2020 and 2.0:1 at December 31, 2019.

Sources of Cash

Credit Facilities

On January 5, 2016, we entered into a \$400.0 million senior secured credit facility pursuant to a credit agreement with certain lenders, Wells Fargo Securities, LLC as sole lead arranger, and Wells Fargo Bank, National Association, as administrative agent (as subsequently amended as discussed below, the "Prior Credit Agreement"). The Prior Credit Agreement provided for a \$200.0 million term loan facility (the "Prior Term Loan Facility"), and prior to the amendment discussed below, a \$200.0 million revolving credit facility (the "Prior Revolving Credit Facility" and, together with the Prior Term Loan Facility, the "Prior Facilities"). In addition, the Prior Credit Agreement included a letter of credit sub-limit of up to \$10.0 million and a swing line loan sub-limit of up to \$10.0 million.

On April 11, 2017 and December 26, 2017, we entered into amendments to the Prior Credit Agreement. Under these amendments, the Prior Revolving Credit Facility was increased from \$200.0 million to \$315.0 million and certain other modifications were made.

On November 15, 2019, we refinanced the Prior Credit Agreement and entered into an Amended and Restated Credit Agreement (as subsequently amended, as discussed below, the "A&R Credit Agreement") with the lenders from time to time party thereto, Wells Fargo Securities, LLC, Citizens Bank, N.A., and JPMorgan Chase Bank, N.A., as joint lead arrangers and Wells Fargo Bank, National Association, as administrative agent. The A&R Credit Agreement replaced the Prior Credit Agreement and provides for (a) a five-year revolving credit facility of \$500.0 million (the "Current Revolving Credit Facility") and (b) an uncommitted incremental loan facility of up to \$250.0 million. In addition, the A&R Credit Agreement includes a letter of credit sub-limit of up to \$15.0 million and a swing line loan sub-limit of up to \$25.0 million. On November 15, 2019, the \$80.0 million outstanding term loan balance under the Prior Facilities was transferred to the Current Revolving Credit Facility.

On September 22, 2020, the parties entered into an amendment (the “Amendment”) to the A&R Credit Agreement to, among other changes, permit the issuance of the convertible senior notes and the purchase of the convertible note hedge transactions described below, expand our flexibility to repurchase our common stock and make other restricted payments and replace the total net leverage covenant with a new secured net leverage covenant that requires us to maintain a consolidated secured net leverage ratio not to exceed 3.50:1 for the calendar quarters ending September 30, 2020, December 31, 2020, and March 31, 2021 and 3.00:1 for the calendar quarters ending thereafter.

As of December 31, 2020, there was no outstanding balance for the Current Revolving Credit Facility and we were in full compliance with all covenants. Refer to Note 9, *Debt and Credit Agreements*, of the Notes to Consolidated Financial Statements included in this annual report on Form 10-K. We expect to use future loans under the Current Revolving Credit Facility, if any, for working capital, potential acquisitions, and other general corporate purposes.

Convertible Senior Notes

On September 25, 2020, we completed a private offering of \$575.0 million aggregate principal amount of 0.25% convertible senior notes (the “Notes”), including the exercise in full of the initial purchasers’ option to purchase up to an additional \$75.0 million principal amount of the Notes. We received proceeds from the issuance of the Notes of \$559.7 million, net of \$15.3 million of transaction fees and other debt issuance costs. The Notes bear interest at a rate of 0.25% per year, payable semiannually in arrears on March 15 and September 15 of each year, beginning on March 15, 2021. The Notes are general senior, unsecured obligations of the Company and will mature on September 15, 2025, unless earlier redeemed, repurchased, or converted. Refer to Note 10, *Convertible Senior Notes*, of the Notes to Consolidated Financial Statements included in this annual report on Form 10-K.

We used approximately \$49.3 million of the net proceeds from the offering to pay the cost of the convertible note hedge transactions (partially offset by proceeds to the Company from the sale of the warrant transactions), approximately \$53.0 million of the net proceeds to repurchase shares of our common stock from purchasers of the Notes, \$150.0 million of the net proceeds to pay down outstanding borrowings under the Current Revolving Credit Facility, and \$225.0 million for the acquisition of the 340B Link Business. We intend to use the remainder of the net proceeds from this offering for working capital and other general corporate purposes, which may include potential acquisitions, strategic transactions, and potential future repurchases of our common stock.

Distribution Agreement

On November 3, 2017, we entered into a Distribution Agreement (the “Distribution Agreement”) with J.P. Morgan Securities LLC, Wells Fargo Securities, LLC, and HSBC Securities (USA) Inc., as our sales agents, pursuant to which we may offer and sell from time to time through the sales agents up to \$125.0 million maximum aggregate offering price of our common stock. Sales of the common stock pursuant to the Distribution Agreement may be made in negotiated transactions or transactions that are deemed to be “at the market” offerings as defined in Rule 415 under the Securities Act of 1933, including sales made directly on the Nasdaq Stock Market, or sales made to or through a market maker other than on an exchange. The registration statement under which the shares that could have been sold pursuant to the Distribution Agreement expired on November 3, 2020 and, accordingly, no additional sales will be made pursuant to the Distribution Agreement.

For the year ended December 31, 2019, we received gross proceeds of \$38.5 million from sales of our common stock under the Distribution Agreement and incurred issuance costs of \$0.7 million on sales of approximately 460,000 shares of our common stock at an average price of approximately \$83.81 per share.

For the year ended December 31, 2020, we did not sell any of our common stock under the Distribution Agreement.

Uses of Cash

Our future uses of cash are expected to be primarily for working capital, capital expenditures, and other contractual obligations. We also expect a continued use of cash for potential acquisitions and acquisition-related activities, as well as repurchases of our common stock.

Our stock repurchase programs have a total of \$54.9 million remaining for future repurchases as of December 31, 2020, which may result in additional use of cash. Refer to Note 15, *Stock Repurchase Program*, of the Notes to Consolidated Financial Statements included in this annual report on Form 10-K. In September 2020, we repurchased 749,300 shares of our common stock from purchasers of the Notes in the offering in privately negotiated transactions effected through one of the initial purchasers or its affiliate at an average price of \$70.78 per share for an aggregate purchase price of approximately \$53.0 million. The repurchases were made concurrently with the issuance of the Notes. The repurchases were separately authorized by the Board of Directors, and did not impact the total remaining for future purchases under the previously authorized stock purchase programs. There were no stock repurchases during the years ended December 31, 2020 and 2019

including under our stock repurchase programs, other than the separately-authorized one-time stock repurchase concurrent with the offering of the Notes in September 2020.

Based on our current business plan and product backlog, we believe that our existing cash and cash equivalents, our anticipated cash flows from operations, cash generated from the exercise of employee stock options and purchases under our employee stock purchase plan, along with the availability of funds under the Current Revolving Credit Facility will be sufficient to meet our cash needs for working capital, capital expenditures, potential acquisitions, and other contractual obligations for at least the next twelve months. For periods beyond the next twelve months, we also anticipate that our net operating cash flows plus existing balances of cash and cash equivalents will suffice to fund the continued growth of our business.

We believe that our current financial position and resources will allow us to manage the anticipated impact of the COVID-19 pandemic on our business for the foreseeable future, including any potential changes in timing of revenue recognition or potential extensions in customer payments. However, the future impact of COVID-19 cannot be predicted with certainty and may increase our borrowing costs and other costs of capital and otherwise adversely affect our business, results of operations, financial condition, and liquidity.

Cash Flows

The following table summarizes, for the periods indicated, selected items in our Consolidated Statements of Cash Flows:

	Year Ended December 31,	
	2020	2019
	(In thousands)	
Net cash provided by (used in):		
Operating activities	\$ 185,870	\$ 145,008
Investing activities	(279,866)	(61,664)
Financing activities	456,269	(23,479)
Effect of exchange rate changes on cash and cash equivalents	437	153
Net increase in cash and cash equivalents	<u>\$ 362,710</u>	<u>\$ 60,018</u>

Operating Activities

We expect cash from our operating activities to fluctuate in future periods as a result of a number of factors, including the timing of our billings and collections, our operating results, and the timing of other liability payments.

Net cash provided by operating activities was \$185.9 million for 2020, primarily consisting of net income of \$32.2 million adjusted for non-cash items of \$116.4 million and changes in assets and liabilities of \$37.3 million. The non-cash items primarily consisted of depreciation and amortization expense of \$61.1 million, share-based compensation expense of \$44.7 million, amortization of operating lease right-of-use assets of \$10.5 million, amortization of debt issuance costs of \$1.6 million, amortization of discount on convertible senior notes of \$4.8 million, and a change in deferred income taxes of \$6.5 million. Changes in assets and liabilities include cash inflows from (i) a decrease in accounts receivable and unbilled receivables of \$36.8 million primarily due to higher collections in the fourth quarter of 2020, (ii) a decrease in inventories of \$12.4 million primarily due to timing of shipments and a focus on supply chain efficiencies, (iii) an increase in accrued compensation of \$11.6 million primarily due to an increase in accrued commissions, as well as timing of payroll, (iv) an increase in deferred revenues of \$7.6 million primarily due to the timing of shipments in order to meet customers' implementation schedules and recognition of revenues for products requiring installation, (v) an increase in other long-term liabilities of \$7.5 million primarily due to the deferral of certain payroll taxes related to the CARES Act, and (vi) an increase in accrued liabilities of \$4.4 million. These cash inflows were partially offset by (i) a decrease in operating lease liabilities of \$9.5 million, (ii) an increase in prepaid commissions of \$8.1 million primarily due to an increase in bookings, (iii) an increase in other long-term assets of \$7.7 million primarily due to an increase in unbilled receivables, (iv) an increase in other current assets of \$6.4 million, (v) a decrease in accounts payables of \$6.3 million primarily due to an overall decrease in spending, as well as timing of payments, (vi) an increase in investment in sales-type leases of \$2.9 million, and (vii) an increase in prepaid expenses of \$2.1 million.

Net cash provided by operating activities was \$145.0 million for 2019, primarily consisting of net income of \$61.3 million adjusted for non-cash items of \$99.5 million offset by changes in assets and liabilities of \$15.8 million. The non-cash items primarily consisted of depreciation and amortization expense of \$53.6 million, share-based compensation expense of \$34.0 million, amortization of operating lease right-of-use assets of \$10.6 million, amortization of debt issuance costs of

\$2.2 million, and a change in deferred income taxes of \$1.3 million. Changes in assets and liabilities include cash outflows from (i) an increase in accounts receivable and unbilled receivables of \$21.5 million due to increased billings and the timing of billings and collections, (ii) a decrease in operating lease liabilities of \$10.0 million, (iii) an increase in inventories of \$8.1 million for inventory buildup in support of forecasted sales, (iv) an increase in investment in sales-type leases of \$3.7 million, (v) an increase in prepaid commissions of \$2.7 million, and (vi) an increase in other current assets of \$2.0 million. These cash outflows were partially offset by (i) an increase in accounts payables of \$7.9 million due to increased spending with vendors and increased consulting costs, (ii) an increase in other long-term liabilities of \$6.0 million, (iii) an increase in deferred revenues of \$5.4 million, (iv) a decrease in other long-term assets of \$4.5 million, (v) an increase in accrued liabilities of \$3.0 million, (vi) a decrease in prepaid expenses of \$2.9 million, and (vii) an increase in accrued compensation of \$2.5 million.

Investing Activities

Net cash used in investing activities was \$279.9 million for 2020, which consisted of \$225.0 million consideration paid for the acquisition of the 340B Link Business, capital expenditures of \$22.8 million for property and equipment, and \$32.0 million for costs of software development for external use.

Net cash used in investing activities was \$61.7 million for 2019, which consisted of capital expenditures of \$15.9 million for property and equipment, and \$45.8 million for costs of software development for external use.

Financing Activities

Net cash provided by financing activities was \$456.3 million for 2020, primarily due to proceeds of \$559.7 million from the issuance of the Notes, net of issuance costs, proceeds of approximately \$51.3 million from the sale of warrants in connection with the issuance of the Notes, \$150.0 million of proceeds under the Current Revolving Credit Facility, \$54.3 million in proceeds from employee stock option exercises and employee stock plan purchases, and a net increase in the customer funds balances of \$4.0 million, partially offset by repayments of \$200.0 million under the Current Revolving Credit Facility, \$100.6 million for the purchase of the convertible note hedge in connection with the issuance of the Notes, \$53.0 million for repurchases of our stock, \$8.7 million in employees' taxes paid related to restricted stock unit vesting, and payments for debt issuance costs related to the Current Revolving Credit Facility of \$0.6 million.

Net cash used in financing activities was \$23.5 million for 2019, primarily due to the repayment of \$90.0 million of the Prior Facilities and the Current Revolving Credit Facility, \$9.7 million in employees' taxes paid related to restricted stock unit vesting, and payments of debt issuance costs of \$2.3 million, partially offset by \$40.7 million in proceeds from employee stock option exercises and employee stock plan purchases, and \$37.8 million proceeds from sales of our common stock under the Distribution Agreement.

Contractual Obligations

Contractual obligations as of December 31, 2020 were as follows:

	Payments Due by Period				
	Total	2021	2022 - 2023	2024 - 2025	2026 and thereafter
	(In thousands)				
Operating leases ⁽¹⁾	\$ 72,532	\$ 15,290	\$ 24,327	\$ 15,493	\$ 17,422
Purchase obligations ⁽²⁾	72,751	69,893	2,338	479	41
Convertible senior notes ⁽³⁾	582,148	1,398	2,875	577,875	—
Total ⁽⁴⁾	<u>\$ 727,431</u>	<u>\$ 86,581</u>	<u>\$ 29,540</u>	<u>\$ 593,847</u>	<u>\$ 17,463</u>

- ⁽¹⁾ Commitments under operating leases relate primarily to leased office buildings, data centers, office equipment, and vehicles. Refer to Note 12, *Lessee Leases*, of the Notes to Consolidated Financial Statements included in this annual report on Form 10-K.
- ⁽²⁾ We purchase components from a variety of suppliers and use contract manufacturers to provide manufacturing services for our products. During the normal course of business, we issue purchase orders with estimates of our requirements several months ahead of the delivery dates. These amounts are associated with agreements that are enforceable and legally binding. The amounts under such contracts are included in the table above because we believe that cancellation of these contracts is unlikely and we expect to make future cash payments according to the contract terms or in similar amounts for similar materials.
- ⁽³⁾ We issued convertible senior notes in September 2020 that are due in September 2025. The obligations presented above include both principal and interest for these notes. Although these notes mature in 2025, they may be converted into cash and shares of our common stock prior to maturity if certain conditions are met. Any conversion prior to maturity can result in repayment of the principal amounts sooner than the scheduled repayment as indicated in the table above. Refer to Note 10, *Convertible Senior Notes*, of the Notes to Consolidated Financial Statements included in this annual report on Form 10-K.
- ⁽⁴⁾ Refer to Note 13, *Commitments and Contingencies*, of the Notes to Consolidated Financial Statements included in this annual report on Form 10-K.

Off-Balance Sheet Arrangements

As of December 31, 2020, we had no off-balance sheet arrangements as defined under Regulation S-K 303(a)(4) of the Exchange Act and the instructions thereto.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks related to fluctuations in foreign currency exchange rates and interest rates.

Foreign Currency Exchange Risk

We operate in foreign countries which expose us to market risk associated with foreign currency exchange rate fluctuations between the U.S. dollar and various foreign currencies, the most significant of which are the British Pound and the Euro. In order to manage foreign currency risk, at times we enter into foreign exchange forward contracts to mitigate risks associated with changes in spot exchange rates of mainly non-functional currency denominated assets or liabilities of our foreign subsidiaries. In general, the market risk related to these contracts is offset by corresponding gains and losses on the hedged transactions. By working only with major banks and closely monitoring current market conditions, we seek to limit the risk that counterparties to these contracts may be unable to perform. We do not enter into derivative contracts for trading purposes. As of December 31, 2020, we did not have any outstanding foreign exchange forward contracts.

Interest Rate Fluctuation Risk

We are exposed to interest rate risk through our borrowing activities. As of December 31, 2020, there was no outstanding balance under the A&R Credit Agreement, and the net carrying amount under our convertible senior notes was \$467.2 million. Although our convertible senior notes are based on a fixed rate, changes in interest rates could impact the fair value of such notes. As of December 31, 2020, the fair market value of our convertible senior notes was \$782.3 million. Refer to Note 10, *Convertible Senior Notes*, of the Notes to Consolidated Financial Statements included in this annual report on Form 10-K.

We have used interest rate swap agreements to protect against adverse fluctuations in interest rates by reducing our exposure to variability in cash flows relating to interest payments on a portion of our outstanding debt. Our interest rate swaps, which were designated as cash flow hedges, involved the receipt of variable amounts from counterparties in exchange for us

making fixed-rate payments over the life of the agreements. We do not hold or issue any derivative financial instruments for speculative trading purposes. As of December 31, 2020, we did not have any outstanding interest rate swap agreements. Our interest rate swap agreement matured during the second quarter of 2019.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following tables presenting our unaudited quarterly results of operations should be read in conjunction with the Consolidated Financial Statements and related Notes included in Part IV, Item 15 of this annual report on Form 10-K and are incorporated by reference into this Item 8. We have prepared the unaudited information on the same basis as our audited Consolidated Financial Statements. Our operating results for any quarter are not necessarily indicative of results for any future quarters or for a full year.

SUPPLEMENTARY CONSOLIDATED FINANCIAL DATA (UNAUDITED)

	Quarter Ended			
	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
(In thousands, except per share data)				
2020 Consolidated Statements of Operations Data				
Total revenues	\$ 249,202	\$ 213,699	\$ 199,621	\$ 229,686
Gross profit	123,654	96,791	83,225	109,622
Income (loss) from operations	20,214	10,152	(6,991)	12,151
Net income (loss)	\$ 16,377	\$ 8,805	\$ (4,299)	\$ 11,311
Net income (loss) per share:				
Basic	\$ 0.39	\$ 0.21	\$ (0.10)	\$ 0.27
Diluted	\$ 0.37	\$ 0.20	\$ (0.10)	\$ 0.26

	Quarter Ended			
	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
(In thousands, except per share data)				
2019 Consolidated Statements of Operations Data				
Total revenues	\$ 248,292	\$ 228,805	\$ 217,413	\$ 202,517
Gross profit	123,603	112,147	104,045	97,117
Income from operations	22,182	24,646	18,763	12,761
Net income	\$ 22,095	\$ 19,983	\$ 15,976	\$ 3,284
Net income per share:				
Basic	\$ 0.53	\$ 0.48	\$ 0.39	\$ 0.08
Diluted	\$ 0.51	\$ 0.46	\$ 0.37	\$ 0.08

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) or 15d-15(e) under the Exchange Act) as of the end of the period covered by this annual report on Form 10-K. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based on that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective as of December 31, 2020 to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Management’s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Our internal control system is designed to provide reasonable assurance regarding the preparation and fair presentation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. All internal control systems, no matter how well designed, have inherent limitations and can provide only reasonable assurance that the objectives of the internal control system are met.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2020 using the criteria for effective internal control over financial reporting as described in “Internal Control—Integrated Framework,” issued by the Committee of Sponsoring Organization of the Treadway Commission (2013 framework) (the COSO Criteria). Based on this assessment, management concluded that our internal control over financial reporting was effective as of December 31, 2020.

Deloitte & Touche LLP, an independent registered public accounting firm, has issued its attestation report on our internal control over financial reporting as of December 31, 2020, which is included in Part IV, Item 15 of this annual report on Form 10-K.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting during the year ended December 31, 2020.

ITEM 9B. OTHER INFORMATION

None.

PART III

Certain information required by Part III is omitted from this annual report on Form 10-K because the registrant will file with the United States Securities and Exchange Commission a definitive proxy statement pursuant to Regulation 14A in connection with the solicitation of proxies for Omnicell's Annual Meeting of Stockholders expected to be held in May 2021 (the "Proxy Statement") not later than 120 days after the end of the fiscal year covered by this annual report on Form 10-K, and certain information included therein is incorporated herein by reference.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item with respect to directors and executive officers may be found under the heading "Information About Our Executive Officers" in Part I, Item 1 of this annual report on Form 10-K, and in the sections entitled "Board and Corporate Governance Matters—Election of Directors" and "Board and Corporate Governance Matters—Information about our Directors and Nominees" appearing in the Proxy Statement. Such information is incorporated herein by reference.

The information required by this Item with respect to our audit committee and audit committee financial expert may be found in the section entitled "Board and Corporate Governance Matters—Information Regarding Committees of the Board of Directors—Audit Committee" appearing in the Proxy Statement. Such information is incorporated herein by reference.

The information required by this Item with respect to compliance with Section 16(a) of the Securities Exchange Act of 1934 may be found in the sections entitled "Delinquent Section 16(a) Reports" appearing in the Proxy Statement. Such information is incorporated herein by reference.

Our written Code of Conduct applies to all of our directors and employees, including executive officers, including without limitation our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. The Code of Conduct is available on our website at www.omnicell.com under the hyperlink titled "Corporate Governance." Changes to or waivers of the Code of Conduct will be disclosed on the same website. We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding any amendment to, or waiver of, any provision of the Code of Conduct by disclosing such information on the same website.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item with respect to director and executive officer compensation is incorporated by reference to the sections of our Proxy Statement entitled "Executive Compensation" and "Board and Corporate Governance Matters—Director Compensation."

The information required by this Item with respect to Compensation Committee interlocks and insider participation is incorporated herein by reference to the section of our Proxy Statement entitled "Board and Corporate Governance Matters—Information Regarding Committees of the Board of Directors—Compensation Committee—Compensation Committee Interlocks and Insider Participation."

The information required by this Item with respect to our Compensation Committee's review and discussion of the Compensation Discussion and Analysis included in the Proxy Statement is incorporated herein by reference to the section of our Proxy Statement entitled "Executive Compensation—Compensation Committee Report."

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item with respect to security ownership of certain beneficial owners and management is incorporated herein by reference to the section of our Proxy Statement entitled "Stock Ownership—Security Ownership of Certain Beneficial Owners and Management."

The information required by this Item with respect to securities authorized for issuance under our equity compensation plans is incorporated herein by reference to the section of our Proxy Statement entitled "Equity Plan Information—Equity Compensation Plan Information."

ITEM 13. CERTAIN RELATIONSHIPS, RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by this Item with respect to related party transactions is incorporated herein by reference to the section of our Proxy Statement entitled "Board and Corporate Governance Matters—Certain Relationships and Related Transactions."

The information required by this Item with respect to director independence is incorporated herein by reference to the section of our Proxy Statement entitled “Board and Corporate Governance Matters—Independence of the Board of Directors.”

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is incorporated herein by reference to the section of our Proxy Statement entitled “Audit Matters—Ratification of Selection of Independent Registered Public Accounting Firm—Principal Accountant Fees and Services.”

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULE

The following documents are included as part of this annual report on Form 10-K:

- (1) Consolidated Financial Statements:

Index to Financial Statements	Page
Reports of Independent Registered Public Accounting Firm	F-1
Consolidated Balance Sheets as of December 31, 2020 and 2019	F-5
Consolidated Statements of Operations for the years ended December 31, 2020, 2019, and 2018	F-6
Consolidated Statements of Comprehensive Income for the years ended December 31, 2020, 2019, and 2018	F-7
Consolidated Statements of Stockholders' Equity for the years ended December 31, 2020, 2019, and 2018	F-8
Consolidated Statements of Cash Flows for the years ended December 31, 2020, 2019, and 2018	F-9
Notes to Consolidated Financial Statements	F-11
Financial Statement Schedule II: Valuation and Qualifying Accounts	F-47

- (2) Exhibits: The information required by this item is set forth on the exhibit index which precedes the signature page of this report.

ITEM 16. FORM 10-K SUMMARY

None.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Omnicell, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Omnicell, Inc. and subsidiaries (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows, for each of the three years in the period ended December 31, 2020, and the related notes and the schedule listed in the Index at Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 24, 2021, expressed an unqualified opinion on the Company's internal control over financial reporting.

Change in Accounting Principle

Effective January 1, 2019, the Company changed its method of accounting for leases due to the adoption of ASC Topic 842, *Leases*.

Basis for Opinion

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

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

Critical Audit Matters

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

Inventory Valuation - Refer to Note 1 to the financial statements

Critical Audit Matter Description

The Company records write-downs for excess and slow-moving inventory based on the Company's estimate of demand for its products, potential obsolescence of technology, product life cycles, and whether pricing trends or forecasts indicate that the carrying value of inventory exceeds its estimated selling price. These estimates require management judgment and are impacted by market and economic conditions, technology changes, and new product introductions. The Company's consolidated inventory balance is \$96.3 million as of December 31, 2020.

We identified the inventory valuation as a critical audit matter because of the assumptions and judgments made by management to estimate the excess and slow-moving inventory, especially considering the presence of various inventory types and evolving product life cycles, which includes new product development. The analysis of inventory valuation required a high degree of auditor judgment when performing audit procedures to evaluate qualitative and quantitative factors considered and the reasonableness of the relevant management judgments.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures over the inventory valuation included the following, among others:

- We tested the effectiveness of controls over inventory for valuation.
- We evaluated the appropriateness of management’s method, assumptions, and judgments used in developing their estimate of the excess and slow-moving inventory, which included consideration of demand for its products, potential obsolescence of technology, product life cycles, and pricing trends.
- We tested certain underlying data used and considered in the excess and obsolete inventory assessment, including the amount of inventory on hand, forecasted demand, and historical sales.
- We compared actual inventory usage and write-off activity in the current year to the excess and obsolete estimate by management in the prior year to evaluate management’s ability to make accurate estimates.
- We evaluated the valuation of excess and obsolete inventory for understatement by making selections of individual inventory items and evaluating the appropriateness of the inventory valuation and management judgments based on relevant product specific information. These procedures also included certain inquiries of production planning and supply chain employees.
- We evaluated whether the excess and obsolete inventory may be understated by evaluating write-off activity of inventory subsequent to December 31, 2020.

Capitalized Software - Software Development Costs for External Use — Refer to Notes 1 and 6 to the financial statements

Critical Audit Matter Description

The Company capitalizes certain costs for software that is to be sold, leased, or otherwise marketed once technological feasibility has been established and amortizes these costs over the estimated lives of the related products. The determination of whether a project’s software development costs are capitalized or expensed could have a significant impact on the financial statements. The Company capitalized \$32.0 million of software development costs in the year ended December 31, 2020 and had total external capitalized software development costs, net of accumulated amortization, of \$94.0 million as of December 31, 2020.

We identified management’s determination of capitalized software development costs to be a critical audit matter. Evaluating the Company’s determination of the project and related software development activities to be capitalized under relevant accounting guidance, including the extent to which software development costs incurred were capitalized, required subjective auditor judgment.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures to assess the appropriateness of capitalized software development costs included the following, among others:

- We tested the effectiveness of management’s capitalized software development cost controls.
- We obtained an understanding of management’s process for evaluating software development costs and the nature of software development costs capitalized.
- We tested management’s method of calculating capitalized software development costs. For a sample of projects, we performed audit procedures to agree capitalized labor costs to time records and made certain inquiries of project members to further assess the reasonableness of time allocated to the selected projects.
- For a sample of software development projects, we obtained an understanding of the new software enhancements and features planned for development by reviewing management’s project documentation and inquiring of project managers and engineers.
- For a sample of software development projects, we tested the timing of software development cost recognition as either a capitalized or an expensed development cost, depending on which stage of project development the cost was incurred. We also inquired of project managers and engineers regarding the date technological feasibility was reached and observed the new features developed in the working model.

/s/ DELOITTE & TOUCHE LLP

San Jose, California

February 24, 2021

We have served as the Company's auditor since 2014.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Omnicell, Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Omnicell, Inc. and subsidiaries (the “Company”) as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2020, of the Company and our report dated February 24, 2021, expressed an unqualified opinion on those financial statements and included an explanatory paragraph regarding the Company’s change in its method of accounting for leases in fiscal year 2019 due to the adoption of ASC Topic 842, *Leases*.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP

San Jose, California
February 24, 2021

OMNICELL, INC.
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2020	2019
	(In thousands, except par value)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 485,928	\$ 127,210
Accounts receivable and unbilled receivables, net of allowances of \$4,286 and \$3,227, respectively	190,117	218,362
Inventories	96,298	108,011
Prepaid expenses	16,027	14,478
Other current assets	41,044	15,177
Total current assets	829,414	483,238
Property and equipment, net	59,073	54,246
Long-term investment in sales-type leases, net	22,156	19,750
Operating lease right-of-use assets	55,114	56,130
Goodwill	499,309	336,539
Intangible assets, net	168,211	124,867
Long-term deferred tax assets	15,019	14,142
Prepaid commissions	56,919	48,862
Other long-term assets	119,289	103,036
Total assets	\$ 1,824,504	\$ 1,240,810
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 40,309	\$ 46,380
Accrued compensation	55,750	44,155
Accrued liabilities	80,311	55,567
Deferred revenues, net	100,053	90,894
Total current liabilities	276,423	236,996
Long-term deferred revenues	5,673	7,083
Long-term deferred tax liabilities	39,633	39,090
Long-term operating lease liabilities	48,897	50,669
Other long-term liabilities	19,174	11,718
Revolving credit facility	—	50,000
Convertible senior notes, net	467,201	—
Total liabilities	857,001	395,556
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Preferred stock, \$0.001 par value, 5,000 shares authorized; no shares issued	—	—
Common stock, \$0.001 par value, 100,000 shares authorized; 52,677 and 51,277 shares issued; 42,783 and 42,132 shares outstanding, respectively	53	51
Treasury stock at cost, 9,894 and 9,145 shares outstanding, respectively	(238,109)	(185,074)
Additional paid-in capital	920,359	780,931
Retained earnings	290,722	258,792
Accumulated other comprehensive loss	(5,522)	(9,446)
Total stockholders' equity	967,503	845,254
Total liabilities and stockholders' equity	\$ 1,824,504	\$ 1,240,810

The accompanying notes are an integral part of these Consolidated Financial Statements.

OMNICELL, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
	2020	2019	2018
(In thousands, except per share data)			
Revenues:			
Product revenues	\$ 636,031	\$ 659,602	\$ 569,595
Services and other revenues	256,177	237,425	217,714
Total revenues	<u>892,208</u>	<u>897,027</u>	<u>787,309</u>
Cost of revenues:			
Cost of product revenues	354,004	344,914	312,360
Cost of services and other revenues	124,912	115,201	102,619
Total cost of revenues	<u>478,916</u>	<u>460,115</u>	<u>414,979</u>
Gross profit	<u>413,292</u>	<u>436,912</u>	<u>372,330</u>
Operating expenses:			
Research and development	70,161	68,644	64,843
Selling, general, and administrative	307,605	289,916	263,095
Total operating expenses	<u>377,766</u>	<u>358,560</u>	<u>327,938</u>
Income from operations	35,526	78,352	44,392
Interest and other income (expense), net	(6,177)	(4,419)	(8,776)
Income before provision for income taxes	29,349	73,933	35,616
Provision for (benefit from) income taxes	(2,845)	12,595	(2,113)
Net income	<u>\$ 32,194</u>	<u>\$ 61,338</u>	<u>\$ 37,729</u>
Net income per share:			
Basic	\$ 0.76	\$ 1.48	\$ 0.96
Diluted	\$ 0.74	\$ 1.43	\$ 0.93
Weighted-average shares outstanding:			
Basic	42,583	41,462	39,242
Diluted	43,743	42,943	40,559

The accompanying notes are an integral part of these Consolidated Financial Statements.

OMNICELL, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2020	2019	2018
	(In thousands)		
Net income	\$ 32,194	\$ 61,338	\$ 37,729
Other comprehensive income (loss), net of reclassification adjustments:			
Unrealized loss on interest rate swap contracts, net of tax	—	(420)	(421)
Foreign currency translation adjustments	3,924	1,828	(4,320)
Other comprehensive income (loss)	3,924	1,408	(4,741)
Comprehensive income	\$ 36,118	\$ 62,746	\$ 32,988

The accompanying notes are an integral part of these Consolidated Financial Statements.

OMNICELL, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Earnings	Accumulated Other Comprehensive Income (Loss)	Stockholders' Equity
	Shares	Amount	Shares	Amount				
	(In thousands)							
Balances as of December 31, 2017	47,577	\$ 48	(9,145)	\$ (185,074)	\$ 585,755	\$ 159,725	\$ (6,113)	\$ 554,341
Net income	—	—	—	—	—	37,729	—	37,729
Other comprehensive loss	—	—	—	—	—	—	(4,741)	(4,741)
At the market equity offering, net of costs	557	1	—	—	39,566	—	—	39,567
Share-based compensation	—	—	—	—	28,885	—	—	28,885
Issuance of common stock under employee stock plans	1,346	1	—	—	30,610	—	—	30,611
Tax payments related to restricted stock units	—	—	—	—	(6,775)	—	—	(6,775)
Balances as of December 31, 2018	49,480	50	(9,145)	(185,074)	678,041	197,454	(10,854)	679,617
Net income	—	—	—	—	—	61,338	—	61,338
Other comprehensive income	—	—	—	—	—	—	1,408	1,408
At the market equity offering, net of costs	460	—	—	—	37,806	—	—	37,806
Share-based compensation	—	—	—	—	34,049	—	—	34,049
Issuance of common stock under employee stock plans	1,337	1	—	—	40,705	—	—	40,706
Tax payments related to restricted stock units	—	—	—	—	(9,670)	—	—	(9,670)
Balances as of December 31, 2019	51,277	51	(9,145)	(185,074)	780,931	258,792	(9,446)	845,254
Net income	—	—	—	—	—	32,194	—	32,194
Other comprehensive income	—	—	—	—	—	—	3,924	3,924
Share-based compensation	—	—	—	—	44,697	—	—	44,697
Issuance of common stock under employee stock plans	1,400	2	—	—	54,268	—	—	54,270
Tax payments related to restricted stock units	—	—	—	—	(8,738)	—	—	(8,738)
Stock repurchases	—	—	(749)	(53,035)	—	—	—	(53,035)
Equity component of convertible senior note issuance, net of issuance costs	—	—	—	—	97,830	—	—	97,830
Purchase of convertible note hedge	—	—	—	—	(100,625)	—	—	(100,625)
Sale of warrants	—	—	—	—	51,290	—	—	51,290
Tax benefits related to convertible senior notes and convertible note hedge	—	—	—	—	706	—	—	706
Cumulative effect of a change in accounting principle related to credit losses	—	—	—	—	—	(264)	—	(264)
Balances as of December 31, 2020	52,677	\$ 53	(9,894)	\$ (238,109)	\$ 920,359	\$ 290,722	\$ (5,522)	\$ 967,503

The accompanying notes are an integral part of these Consolidated Financial Statements.

OMNICELL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2020	2019	2018
	(In thousands)		
Operating Activities			
Net income	\$ 32,194	\$ 61,338	\$ 37,729
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	61,067	53,559	51,350
Loss on disposal of property and equipment	267	445	133
Share-based compensation expense	44,697	34,049	28,885
Deferred income taxes	(6,546)	(1,339)	(5,705)
Amortization of operating lease right-of-use assets	10,528	10,562	—
Amortization of debt issuance costs	1,597	2,204	2,292
Amortization of discount on convertible senior notes	4,766	—	—
Changes in operating assets and liabilities:			
Accounts receivable and unbilled receivables	36,842	(21,540)	(6,192)
Inventories	12,359	(8,123)	(6,763)
Prepaid expenses	(2,081)	2,909	(308)
Other current assets	(6,408)	(2,010)	1,170
Investment in sales-type leases	(2,882)	(3,699)	(1,680)
Prepaid commissions	(8,057)	(2,719)	(4,711)
Other long-term assets	(7,675)	4,528	(7,077)
Accounts payable	(6,300)	7,893	(9,154)
Accrued compensation	11,595	2,495	14,419
Accrued liabilities	4,374	3,045	8,223
Deferred revenues	7,620	5,445	3,020
Operating lease liabilities	(9,543)	(10,040)	—
Other long-term liabilities	7,456	6,006	(1,665)
Net cash provided by operating activities	185,870	145,008	103,966
Investing Activities			
Software development for external use	(32,024)	(45,770)	(30,677)
Purchases of property and equipment	(22,842)	(15,894)	(23,697)
Business acquisition	(225,000)	—	—
Net cash used in investing activities	(279,866)	(61,664)	(54,374)
Financing Activities			
Proceeds from revolving credit facility	150,000	—	—
Repayment of debt and revolving credit facility	(200,000)	(90,000)	(77,000)
Payments for debt issuance costs for revolving credit facility	(550)	(2,321)	—
Proceeds from issuance of convertible senior notes, net of issuance costs	559,665	—	—
Purchase of convertible note hedge	(100,625)	—	—
Proceeds from sale of warrants	51,290	—	—
At the market equity offering, net of offering costs	—	37,806	39,567
Proceeds from issuances under stock-based compensation plans	54,270	40,706	30,611
Employees' taxes paid related to restricted stock units	(8,738)	(9,670)	(6,775)
Stock repurchases	(53,035)	—	—
Change in customer funds, net	3,992	—	—
Net cash provided by (used in) financing activities	456,269	(23,479)	(13,597)
Effect of exchange rate changes on cash and cash equivalents	437	153	(1,227)
Net increase in cash, cash equivalents, and restricted cash	362,710	60,018	34,768
Cash, cash equivalents, and restricted cash at beginning of period	127,210	67,192	32,424
Cash, cash equivalents, and restricted cash at end of period	\$ 489,920	\$ 127,210	\$ 67,192

The accompanying notes are an integral part of these Consolidated Financial Statements.

OMNICELL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Year Ended December 31,		
	2020	2019	2018
(In thousands)			
Reconciliation of cash, cash equivalents, and restricted cash to the Consolidated Balance Sheets:			
Cash and cash equivalents	\$ 485,928	\$ 127,210	\$ 67,192
Restricted cash included in Other current assets	3,992	—	—
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 489,920</u>	<u>\$ 127,210</u>	<u>\$ 67,192</u>
Supplemental cash flow information			
Cash paid for interest	\$ 522	\$ 3,582	\$ 7,487
Cash paid for taxes, net of refunds	\$ 10,343	\$ 7,761	\$ 3,489
Supplemental disclosure of non-cash activities			
Unpaid purchases of property and equipment	\$ 405	\$ 913	\$ 1,123
Transfers between inventory and property and equipment, net	\$ —	\$ 1,552	\$ 2,032
Transfers from prepaid expenses to property and equipment	\$ —	\$ 3,313	\$ —
Balance transfer from term loan to revolving credit facility	\$ —	\$ 80,000	\$ —

The accompanying notes are an integral part of these Consolidated Financial Statements.

OMNICELL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Organization and Summary of Significant Accounting Policies

Business

Omniceil, Inc. was incorporated in California in 1992 under the name Omnicell Technologies, Inc. and reincorporated in Delaware in 2001 as Omnicell, Inc. The Company's major products are medication management automation solutions and adherence tools for healthcare systems and pharmacies, which are sold in its principal market, the healthcare industry. The Company's market is primarily located in the United States and Europe. "Omnicell" or the "Company" collectively refer to Omnicell, Inc. and its subsidiaries.

Basis of Presentation

The accompanying Consolidated Financial Statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") and include all adjustments necessary for the fair presentation of the Company's consolidated financial position, results of operations, and cash flows for the periods presented.

Principles of Consolidation

The Consolidated Financial Statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

On October 1, 2020, the Company completed its acquisition of the 340B Link business (the "340B Link Business") of Pharmaceutical Strategies Group, LLC. The Consolidated Financial Statements include the results of operations of this recently acquired company, commencing as of the acquisition date. The significant accounting policies of the acquired business have been aligned to conform to the accounting policies of Omnicell.

Reclassifications and Adjustments

Certain prior-year amounts have been reclassified to conform with current-period presentation. These reclassifications include (i) a change in the presentation of certain items in the disaggregation of revenues for the years ended December 31, 2020, 2019, and 2018 in Note 3, *Revenues*, and (ii) a change in the presentation of certain items in the reconciliation of the provision for (benefit from) income taxes for the years ended December 31, 2019 and 2018 in Note 17, *Income Taxes*. These changes were not deemed material and were included to conform with current-period classification and presentation.

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the Company's Consolidated Financial Statements and accompanying Notes. Management bases its estimates on historical experience and various other assumptions believed to be reasonable, including any potential impacts from the COVID-19 pandemic. Although these estimates are based on management's best knowledge of current events and actions that may impact the Company in the future, actual results may be different from the estimates. The Company's critical accounting policies are those that affect its financial statements materially and involve difficult, subjective, or complex judgments by management. Those policies are revenue recognition; accounts receivable, unbilled receivables, and notes receivable from investment in sales-type leases; operating lease right-of-use assets and liabilities; inventory valuation; capitalized software development costs; impairment of goodwill; purchased intangibles and long-lived assets; fair value of assets acquired and liabilities assumed in business combinations; convertible senior notes; share-based compensation; and accounting for income taxes. As of December 31, 2020, the Company is not aware of any events or circumstances that would require an update to its estimates, judgments, or revisions to the carrying value of its assets or liabilities. Given the ongoing uncertainty surrounding the COVID-19 pandemic, events or circumstances may arise that could result in a change in estimates, judgments, or revisions to the carrying value of the Company's assets or liabilities.

Segment Reporting

The Company manages its operations as a single segment for the purposes of assessing performance and making operating decisions. The Company's Chief Operating Decision Maker ("CODM") is its Chief Executive Officer. The CODM allocates resources and evaluates the performance of the Company at the consolidated level using information about its revenues, gross profit, income from operations, and other key financial data. All significant operating decisions are based upon an analysis of the Company as one operating segment, which is the same as its reporting segment.

Foreign Currency Translation and Remeasurement

Most of the Company’s foreign subsidiaries use the local currency of their respective countries as their functional currency. The Company translates the assets and liabilities of such non-U.S. dollar functional currency subsidiaries into U.S. dollars using exchange rates in effect at the end of each period. Revenue and expenses for these subsidiaries are translated using rates that approximate those in effect during the period. Gains and losses from these translations are recorded as foreign currency translation adjustments and included in accumulated other comprehensive income (loss) in stockholders’ equity.

Assets and liabilities denominated in a currency other than the functional currency are remeasured into the respective entity’s functional currency. Monetary assets and liabilities are remeasured at exchange rates in effect at the end of each period, and non-monetary assets and liabilities are remeasured at historical rates. Gains and losses from foreign currency remeasurement of monetary assets and liabilities are recorded in interest and other income (expense), net.

Revenue Recognition

The Company earns revenues from sales of its products and related services, which are sold in the healthcare industry, its principal market. The Company’s customer arrangements typically include one or more of the following revenue categories:

Connected devices, software licenses, and other. Software-enabled connected devices and software licenses that manage and regulate the storage and dispensing of pharmaceuticals, consumables blister cards, and packaging equipment and other supplies. This revenue category is often sold through long-term, sole-source agreements with multi-year co-development plans. Solutions in this category include, but are not limited to, XT Series automated dispensing systems, the XR2 Automated Central Pharmacy system, and IV compounding automation solutions.

Technical services. Post-installation technical support and other related services, including phone support, on-site service, parts, and access to unspecified software updates and enhancements, if and when available. This revenue category is often supported by multi-year or annual contractual agreements.

Consumables. Medication adherence packaging, labeling, and other one-time use packaging including multimed adherence packaging and single dose blister cards which are used by retail, community, and outpatient pharmacies, as well as by institutional pharmacies serving long-term care and other sites outside the acute care hospital, and are designed to improve patient engagement and adherence to prescriptions.

Software-as-a-service (“SaaS”), subscription software, and technology-enabled services. Emerging software and service solutions which are offered on a subscription basis with fees typically based either on transaction volume or a fee over a specified period of time. Solutions in this category include, but are not limited to, EnlivenHealth (formerly Population Health Solutions), 340B solutions, and services associated with Omnicell One (formerly Performance Center), Central Pharmacy Compounding Services, including the XR2 Automated Central Pharmacy system, and Central Pharmacy Compounding Services, including IV compounding automation solutions.

The following table summarizes revenue recognition for each revenue category which is further discussed below:

Revenue Category	Timing of Revenue Recognition	Income Statement Classification
Connected devices, software licenses, and other	Point in time, as transfer of control occurs, generally upon installation and acceptance by the customer	Product
Technical services	Over time, as services are provided, typically ratably over the service term	Service
Consumables	Point in time, as transfer of control occurs, generally upon shipment to or receipt by customer	Product
SaaS, subscription software, and technology-enabled services	Over time, as services are provided	Service

Prior to recognizing revenue, the Company identifies the contract, performance obligations, and transaction price, and allocates the transaction price to the performance obligations. All identified contracts meet the following required criteria:

Parties to the contract have approved the contract (in writing, orally, or in accordance with other customary business practices) and are committed to perform their respective obligations. A majority of the Company’s contracts are evidenced by a non-cancelable written agreement. Contracts for consumable products are generally evidenced by an order placed via phone or a purchase order.

Entity can identify each party’s rights regarding the goods or services to be transferred. Contract terms are documented within the written agreements. Where a written contract does not exist, such as for consumable products, the rights of each party are understood as following the Company’s standard business process and terms.

The entity can identify the payment terms for the goods or services to be transferred. Payment terms are documented within the agreement and are generally net 30 to 60 days from shipment of tangible product or services performed for customers in the United States. Where a written contract does not exist, the Company's standard payment terms are net 30 day terms.

The contract has commercial substance (that is the risk, timing, or amount of the entity's future cash flows is expected to change as a result of the contract). The Company's agreements are an exchange of cash for a combination of products and services which result in changes in the amount of the Company's future cash flows.

It is probable the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. The Company performs a credit check for all significant customers or transactions and where collectability is not probable, payment in full or a substantial down payment is typically required to help assure the full agreed upon contract price will be collected.

Distinct goods or services are identified as performance obligations. A series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer are considered a single performance obligation. Where a good or service is determined not to be distinct, the Company combines the good or service with other promised goods or services until a bundle of goods or services that is distinct is identified. To identify its performance obligations, the Company considers all of the products or services promised in the contract regardless of whether they are explicitly stated or are implied by customary business practices. When performance obligations are included in separate contracts, the Company considers an entire customer arrangement to determine if separate contracts should be considered combined for the purposes of revenue recognition. Most of the Company's sales, other than renewals of support and maintenance, contain multiple performance obligations, with a combination of hardware systems, consumables and software products, support and maintenance, and professional services.

The transaction price of a contract is determined based on the fixed consideration, net of an estimate for variable consideration such as various discounts or rebates provided to customers. As a result of the Company's commercial selling practices, contract prices are generally fixed with minimal, if any, variable consideration.

The transaction price is allocated to separate performance obligations proportionally based on the standalone selling price of each performance obligation. Standalone selling price is best evidenced by the price the Company charges for the good or service when selling it separately in similar circumstances to similar customers. Other than for the renewal of annual support services contracts, the Company's products and services are not generally sold separately. The Company uses an amount discounted from the list price as a best estimated selling price.

The Company recognizes revenue when the performance obligation has been satisfied by transferring a promised good or service to a customer. The good or service is transferred when or as the customer obtains control of the good or service. Determining when control transfers requires management to make judgments that affect the timing of revenues recognized. Generally, for products requiring a complex implementation, control passes when the product is installed and ready for use. For all other products, control generally passes when product has been shipped and title has passed. For maintenance contracts and certain other services provided on a subscription basis, control passes to the customer over time, generally ratably over the service term as the Company provides a stand-ready service to service the customer's equipment. Time and material services transfer control to the customer at the time the services are provided. The portion of the transaction price allocated to the Company's unsatisfied performance obligations recorded as deferred revenues, net of deferred cost of goods sold, at December 31, 2020 and 2019 were \$105.7 million and \$98.0 million, respectively, of which \$100.1 million and \$90.9 million, respectively, are expected to be completed within one year and are presented as current deferred revenues, net on the Consolidated Balance Sheets. Remaining performance obligations primarily relate to maintenance contracts and are recognized ratably over the remaining term of the contract, generally not more than five years.

Revenues, contract assets, and contract liabilities are recorded net of associated taxes.

The Company generally invoices customers for products upon shipment. Invoicing associated with the service portion of agreements are generally periodic and are billed on a monthly, quarterly, or annual basis. In certain circumstances, multiple years are billed at one time.

The amount invoiced for equipment and software is typically reflected in both accounts receivable and deferred revenues, net. The Company typically recognizes product revenue, and correspondingly reduces deferred revenues, net, for equipment and software upon written customer acceptance of installation. Consumables are recorded as revenue upon shipment to or receipt by the customer, depending upon contract terms. The portion of deferred revenues, net, not expected to be recognized as revenue within twelve months of the balance sheet date are included in long-term deferred revenues on the Consolidated Balance Sheets.

The Company often enters into change orders which modify the product to be received by the customer pursuant to certain contracts. Changes to any contract are accounted for as a modification of the existing contract to the extent the goods and services to be delivered as part of the contract are generally consistent with the nature and type of those to be provided under the terms of the original contract. Examples of such change orders include the addition or removal of units of equipment or changes to the configuration of the equipment where the overall nature of the contract remains intact. The Company's change orders generally result in the change being accounted for as modifications of existing contracts given the nature of the impacted orders.

In the normal course of business, the Company typically does not accept product returns unless the item is defective as manufactured or the configuration of the product is incorrect. The Company establishes provisions for estimated returns based on historical product returns. The allowance for sales returns is not material to the Consolidated Financial Statements for any periods presented.

The Company contracts with Group Purchasing Organizations ("GPOs"), each of which functions as a purchasing agent on behalf of member hospitals and other healthcare providers. The Company also has a Federal Supply Schedule contract with the Department of Veterans Affairs (the "GSA Contract"), allowing the Department of Veterans Affairs, the Department of Defense, and other Federal government customers to purchase or lease the Company's products. Pursuant to the terms of GPO agreements and the GSA Contract, each member or agency contracts directly with Omnicell and can purchase the Company's products at pre-negotiated contract terms and pricing. GPOs are often owned fully or in part by the Company's customers, and the Company pays fees to the GPO on completed contracts. The Company also pays the Industrial Funding Fee ("IFF") to the Department of Veterans Affairs under the GSA Contract. The Company considers these fees consideration paid to customers and records them as reductions to revenue. Fees to GPOs and the IFF were \$9.7 million, \$11.1 million, and \$8.7 million for the years ended December 31, 2020, 2019, and 2018, respectively. The accounts receivable balances are with individual members of the GPOs and Federal agencies that purchase under the GSA Contract, and therefore no significant concentration of credit risk exists. During the year ended December 31, 2020, sales to members of the ten largest GPOs and Federal agencies that purchase under the GSA Contract accounted for approximately 60% of total consolidated revenues.

Contract Assets and Contract Liabilities

A contract asset is a right to consideration in exchange for goods or services that the Company has transferred to a customer when that right is conditional and is not just subject to the passage of time. A receivable will be recorded on the balance sheet when the Company has unconditional rights to consideration. A contract liability is an obligation to transfer goods or services for which the Company has received consideration, or for which an amount of consideration is due from the customer. Contract liabilities include customer deposits under non-cancelable contracts, and current and non-current deferred revenue balances. The Company's contract balances are reported in a net contract asset or liability position on a contract-by-contract basis at the end of each reporting period.

Significant changes in the contract assets and the contract liabilities balances during the period are the result of the issuance of invoices and recognition of deferred revenues in the normal course of business. As a result of the right to invoice for the transaction consideration becoming unconditional, unbilled contract assets as of December 31, 2019 which were invoiced during the year ended December 31, 2020 were not material. The contract modifications entered into during the year ended December 31, 2020 did not have a significant impact on the Company's contract assets or deferred revenues.

Contract Costs

The Company has determined that certain incentive portions of its sales commission plans require capitalization since these payments are directly related to sales achieved during a time period. These commissions are earned on the basis of the total purchase order value of new product bookings. Since there are no commensurate commissions earned on renewal of the service bookings, the Company concluded that the capitalized asset is related to services provided under both the initial contract and renewal periods. The Company applies a practical expedient to account for the incremental costs of obtaining a contract as part of a portfolio of contracts with similar characteristics as the Company expects the effect on the financial statements of applying the practical expedient would not differ materially from applying the accounting guidance to the individual contracts within the portfolio. A pool of contracts is defined as all contracts booked in a particular quarter. The amortization for the capitalized asset is an estimate of the pool's original contract term, generally one to five years, plus an estimate of future customer renewal periods resulting in a total amortization period of ten years. Costs to obtain a contract are allocated amongst performance obligations and recognized as sales and marketing expense consistent with the pattern of revenue recognition. Capitalized costs are periodically reviewed for impairment. In accordance with U.S. GAAP, while certain compensation elements are expensed as incurred, a portion of the pool's capitalized asset is recorded as an expense over the first two quarters after booking, which represents the estimated period during which the product revenue associated with the contract is recorded. The remaining capitalized contract costs are recorded as expense ratably over the ten year estimated initial and renewal service periods. The Company recognized contract cost expense of \$22.1 million, \$24.4 million, and \$21.1 million during the years

ended December 31, 2020, 2019, and 2018, respectively. The commission expenses paid or due to be paid as of the consolidated balance sheet date to be recognized in future periods are recorded in long-term prepaid commissions on the Consolidated Balance Sheets. There was no impairment loss recorded related to capitalized prepaid commissions as of and for the year ended December 31, 2020.

Lessor Leases

The Company determines if an arrangement is a lease at inception. The transaction price is allocated to separate performance obligations, generally consisting of hardware and software products, installation, and post-installation technical support, proportionally based on the standalone selling price of each performance obligation. Standalone selling price is best evidenced by the price the Company charges for the good or service when selling it separately in similar circumstances to similar customers. Other than for the renewal of annual support services contracts, the Company's products and services are not generally sold separately. The Company uses an amount discounted from the list price as a best estimated selling price.

Sales-Type Leases

The Company enters into non-cancelable sales-type lease arrangements, most of which do not have an option to extend the lease term. At the end of the lease term, the customer must either return the equipment or negotiate a new agreement, resulting in a new purchase or lease transaction. Failure of the customer to either return the equipment or negotiate a new agreement results in the contract becoming a month-to-month rental. Certain sales-type leases automatically renew for successive one year periods at the end of each lease term with written notice from the customer. The Company's sales-type lease agreements do not contain any material residual value guarantees.

For sales-type leases, the Company recognizes revenues for its hardware and software products, net of lease execution costs, post-installation product maintenance, and technical support, at the net present value of the lease payment stream upon customer acceptance. The Company recognizes service revenues associated with sales-type leases ratably over the term of the agreement in service revenues in the Consolidated Statements of Operations. The Company recognizes interest income from sales-type leases using the effective interest method. Both hardware and software revenues, and interest income from sales-types leases are recorded in product revenues in the Consolidated Statements of Operations.

The Company optimizes cash flows by selling a majority of its non-U.S. government sales-type leases to third-party leasing finance companies on a non-recourse basis. The Company has no obligation to the leasing company once the lease has been sold. Some of the Company's sales-type leases, mostly those relating to U.S. government hospitals which comprise approximately 67% of the lease receivable balance, are retained in-house.

Operating Leases

The Company entered into certain leasing agreements that were classified as operating leases prior to the adoption of Accounting Standards Codification ("ASC") 842, *Leases*. Those agreements in place prior to January 1, 2019 continue to be treated as operating leases, however, any leasing agreements entered into on or after January 1, 2019 under these programs are classified and accounted for as sales-type leases in accordance with ASC 842. The operating lease arrangements entered into prior to January 1, 2019 are non-cancelable, and most automatically renew for successive one year periods at the end of each lease term absent written notice from the customer. The Company's operating lease agreements do not contain any material residual value guarantees.

For operating leases, rental income is generally recognized on a straight-line basis over the term of the associated lease, and recorded in services and other revenues in the Consolidated Statements of Operations. Leased assets under operating leases are carried at amortized cost net of accumulated depreciation in property and equipment, net on the Consolidated Balance Sheets. The depreciation expense of the leased assets is recognized on a straight-line basis over the contractual term of the associated lease, and recorded in cost of revenues in the Consolidated Statements of Operations.

Allowance for Credit Losses

The Company is exposed to credit losses primarily through sales of its products and services, as well as its sales-type leasing arrangements. The Company performs credit evaluations of its customers' financial condition in order to assess each customer's ability to pay. These evaluations require significant judgment and are based on a variety of factors including, but not limited to, current economic trends, payment history, and a financial review of the customer. The Company continues to monitor customers' creditworthiness on an ongoing basis.

The Company maintains an allowance for credit losses for accounts receivable, unbilled receivables, and net investment in sales-type leases based on expected credit losses resulting from the inability of its customers to make required payments. The allowance for credit losses is measured using a loss rate method, considering factors such as customers' credit risk, historical loss experience, current conditions, and forecasts. The allowance for credit losses is measured on a collective

(pool) basis by aggregating customer balances with similar risk characteristics. The Company also records a specific allowance based on an analysis of individual past due balances or customer-specific information, such as a decline in creditworthiness or bankruptcy. Actual collection losses may differ from management's estimates, and such differences could be material to the Company's financial position and results of operations.

The allowance for credit losses is presented in the Consolidated Balance Sheets as a deduction from the respective asset balance. The following table summarizes the Company's allowance for credit losses by asset type:

	December 31,	
	2020	2019
	(In thousands)	
Allowance for credit losses:		
Accounts receivable and unbilled receivables	\$ 4,286	\$ 3,227
Long-term unbilled receivables ⁽¹⁾	30	—
Net investment in sales-type leases ⁽²⁾	265	225

⁽¹⁾ Included in other long-term assets in the Consolidated Balance Sheets.

⁽²⁾ Includes both current and long-term portions presented in other current assets and long-term investment in sales-type leases, net, respectively.

Funds Held for Customers and Customer Fund Liabilities

With the acquisition of the 340B Link Business, the Company now offers certain products and services in which it is customary for pharmacies to owe funds to the Company which are collected on behalf of, and, after a short holding period, disbursed to, the Company's customers. The Company presents amounts due from pharmacies and amounts due to be disbursed to customers on a gross basis within other current assets and accrued liabilities, respectively, in the Consolidated Balance Sheets, as such amounts are expected to be settled within one year. Any funds received from the pharmacies that are held by the Company are segregated from its other corporate cash accounts. These funds are classified as restricted cash as the Company is contractually obligated to disburse these amounts to customers.

Sales of Accounts Receivable

The Company records the sale of its accounts receivables in accordance with accounting guidance for transfers and servicing of financial assets. The Company transferred non-recourse accounts receivable totaling \$58.8 million, \$48.3 million, and \$46.6 million during the years ended December 31, 2020, 2019, and 2018, respectively, which approximated fair value, to leasing companies on a non-recourse basis. Accounts receivable balance included approximately \$7.8 million and \$4.6 million due from third-party leasing companies for transferred non-recourse accounts receivable as of December 31, 2020 and 2019, respectively.

Cash and Cash Equivalents

The Company classifies all highly-liquid investments with original maturities of three months or less as cash equivalents. The Company's cash and cash equivalent balances include bank accounts and highly-liquid U.S. Government money market funds held in sweep accounts with financial institutions of high credit quality. The Company continuously monitors the credit worthiness of the financial institutions in which it invests. The Company has not experienced any credit losses from its cash equivalents. Cash and cash equivalents were \$485.9 million and \$127.2 million as of December 31, 2020 and 2019, respectively. As of December 31, 2020, cash equivalents were \$447.2 million, which consisted of money market funds held in sweep accounts, and as of December 31, 2019, the Company had no cash equivalents.

Financial Instruments

For assets and liabilities measured at fair value, the amounts are based on an expected exit price representing the amount that would be received from the sale of an asset or paid to transfer a liability in a transaction between market participants. The fair value may be based on assumptions that market participants would use in pricing an asset or liability. ASC 820, *Fair Value Measurement*, establishes a consistent framework for measuring fair value on either a recurring or nonrecurring basis whereby inputs used in valuation techniques are assigned a hierarchical level, as follows:

Level 1 – Observable inputs, such as quoted prices in active markets for identical instruments;

Level 2 – Quoted prices for similar instruments in active markets, or quoted prices for identical instruments in inactive markets; and

Level 3 – Unobservable inputs for financial instruments reflecting Company’s assumptions.

Interest Rate Swap Agreements

The Company uses interest rate swap agreements to protect the Company against adverse fluctuations in interest rates by reducing its exposure to variability in cash flows relating to interest payments on a portion of its outstanding debt. The Company does not hold or issue any derivative financial instruments for speculative trading purposes.

The Company's interest rate swap agreements qualify as cash flow hedging instruments in accordance with ASC 815, *Derivatives and Hedging*. The Company records its interest rate swap agreements on its Consolidated Balance Sheets at fair value. The effective portion of changes in fair value are recorded in accumulated other comprehensive loss and subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. Any ineffective portion is recognized in earnings. On a quarterly basis, the Company performs a qualitative assessment to determine effectiveness. For further information, refer to Note 5, *Fair Value of Financial Instruments*. As of December 31, 2020, the Company did not have any outstanding interest rate swap agreements.

Inventory

Inventories are stated at the lower of cost, computed using the first-in, first-out method, and net realizable value. Inbound shipping costs are included in cost of inventory. The Company regularly monitors inventory quantities on hand and records write-downs for excess and obsolete inventories based on the Company’s estimate of demand for its products, potential obsolescence of technology, product life cycles, and whether pricing trends or forecasts indicate that the carrying value of inventory exceeds its estimated selling price. These factors are impacted by market and economic conditions, technology changes, and new product introductions and require estimates that may include elements that are uncertain. Actual demand may differ from forecasted demand and may have a material effect on gross margins. If inventory is written down, a new cost basis is established that cannot be increased in future periods. Shipments from suppliers or contract manufacturers before the Company receives them are recorded as in-transit inventory when title and the significant risks and rewards of ownership have passed to the Company.

The Company has a supply agreement with one primary supplier for construction and supply of several sub-assemblies and inventory management of sub-assemblies used in its hardware products. There are no minimum purchase requirements. The contract with the Company’s supplier may be terminated by either the supplier or by the Company without cause and at any time upon delivery of six months’ notice. Purchases from this supplier were \$76.3 million, \$75.1 million, and \$54.8 million for the years ended December 31, 2020, 2019, and 2018, respectively.

Shipping Costs

Outbound freight billed to customers is recorded as product revenue. The related shipping and handling costs are expensed as part of selling, general, and administrative expense. Shipping and handling expenses were \$15.6 million, \$15.9 million, and \$14.1 million for the years ended December 31, 2020, 2019, and 2018, respectively.

Property and Equipment

Property and equipment less accumulated depreciation are stated at historical cost. The Company’s expenditures for property and equipment are primarily for computer equipment and software used in the administration of its business, and for leasehold improvements to its leased facilities. The Company also develops molds and dies used in long-term manufacturing arrangements with suppliers and for production automation equipment used in the manufacturing of consumable blister card components. Depreciation and amortization is computed by use of the straight-line method over the estimated useful lives of the assets as stated below:

Computer equipment and related software	3 - 5 years
Leasehold and building improvements	Shorter of the lease term or the estimated useful life
Furniture and fixtures	5 - 7 years
Equipment	2 - 12 years

The Company capitalizes costs related to computer software developed or obtained for internal use in accordance with ASC 350-40, *Internal-Use Software*. Software obtained for internal use includes enterprise-level business and finance software that the Company customizes to meet its specific operational needs, as well as certain costs for the development of its subscription and cloud-based offerings sold to its customers. Costs incurred in the application development phase are capitalized and amortized over their useful lives, which is generally five years. Costs recognized in the preliminary project phase and the post-implementation phase are expensed as incurred. The Company capitalized \$6.8 million and \$0.3 million of

costs related to the application development of enterprise-level software and its subscription and cloud-based offerings that were included in property and equipment during the years ended December 31, 2020 and 2019, respectively.

Software Development Costs

The Company capitalizes certain software development costs in accordance with ASC 985-20, *Costs of Software to Be Sold, Leased, or Marketed*, under which those costs incurred subsequent to the establishment of technological feasibility may be capitalized and amortized over the estimated lives of the related products. The Company establishes technological feasibility when it completes a detail program design or a working model. The Company amortizes development costs over the estimated lives of the related products, which is generally five years. The Company capitalized software development costs of \$32.0 million and \$45.8 million, which are included in other long-term assets as of December 31, 2020 and 2019, respectively. The Company recorded \$23.1 million, \$17.5 million, and \$12.5 million to cost of revenues for amortization of capitalized software development costs for the years ended December 31, 2020, 2019, and 2018, respectively. All development costs prior to the completion of a detail program design or a working model are recognized as research and development expense.

Lessee Leases

The Company determines if an arrangement is a lease at inception. Operating lease right-of-use assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As most of its lease contracts do not provide an implicit rate, the Company uses its incremental borrowing rate based on information available at the commencement date in determining the present value of the lease payments. Lease expense is recognized on a straight-line basis over the lease term. The Company does not recognize a right-of-use asset and a lease liability for leases with an initial term of 12 months or less. The Company elected the practical expedient to not separate lease components from nonlease components and applied that practical expedient to all material classes of leased assets.

Many of the Company's operating leases include an option to extend the lease. The specific terms and conditions of the extension options vary from lease to lease, but are consistent with standard industry practices in each area that the Company operates. The Company reviews each of its lease options at a time required by the terms of the lease contract, and notifies the lessor if it chooses to exercise the lease renewal option. Until the Company is reasonably certain that it will extend the lease contract, the renewal option periods will not be recognized as right-of-use assets or lease liabilities.

Certain leases include provisions for early termination, which allow the contract parties to terminate their obligations under the lease contract. The terms and conditions of the termination options vary by contract. When the Company has made a decision to exercise an early termination option, the right-of-use assets and associated lease liabilities are remeasured in accordance with the present value of the remaining cash flows under the lease contract.

Certain building lease agreements include rental payments subject to change annually based on fluctuations in various indexes (*i.e.* Consumer Price Index ("CPI"), Retail Price Index, and other international indexes). Certain data center lease agreements include rental payments subject to change based on usage and CPI fluctuations. The changes based on usage and indexes are treated as variable lease costs and recognized in the period in which the obligation for those payments was incurred.

The Company's operating lease agreements do not contain any material residual value guarantees, restrictions, or restriction covenants.

Business Combinations

The Company uses the acquisition method of accounting under ASC 805, *Business Combinations*. Each acquired company's operating results are included in the Company's Consolidated Financial Statements starting on the date of acquisition. The purchase price is equivalent to the fair value of consideration transferred. Tangible and identifiable intangible assets acquired and liabilities assumed as of the date of acquisition are recorded at the acquisition date fair value. Goodwill is recognized for the excess of purchase price over the net fair value of assets acquired and liabilities assumed.

Amounts allocated to assets and liabilities are based upon fair values. Such valuations require management to make significant estimates and assumptions, especially with respect to the identifiable intangible assets. Management makes estimates of fair value based upon assumptions believed to be reasonable and that of a market participant. These estimates are based on historical experience and information obtained from the management of the acquired companies and the estimates are inherently uncertain. The separately identifiable intangible assets generally include customer relationships, acquired technology, backlog, trade names, and non-compete agreements.

Goodwill and Acquired Intangible Assets

Goodwill

The Company reviews goodwill for impairment on an annual basis on the first day of the fourth quarter of each year at the reporting unit level. This assessment is also performed whenever there is a change in circumstances that indicates the carrying value of goodwill may be impaired. The Company has one reporting unit, which is the same as its operating segment. A qualitative assessment is initially made to determine whether it is necessary to perform quantitative testing. A qualitative assessment includes, among others, consideration of: (i) past, current, and projected future earnings and equity; (ii) recent trends and market conditions; and (iii) valuation metrics involving similar companies that are publicly-traded and acquisitions of similar companies, if available. If this qualitative assessment indicates that it is more likely than not that impairment exists, or if the Company decides to bypass this option, it proceeds to the quantitative assessment. The quantitative assessment involves a comparison between the estimated fair value of the Company's reporting unit with its carrying amount including goodwill. If the carrying value exceeds estimated fair value, the Company will record an impairment charge based on that difference. The impairment charge will be limited to the amount of goodwill.

To determine the reporting unit's fair value under the quantitative approach, the Company uses a combination of income and market approaches, equally weighting the two approaches, such as estimated discounted future cash flows of the reporting unit, multiples of earnings or revenues, and analysis of recent sales or offerings of comparable entities. The Company also considers its market capitalization on the date of the analysis to ensure the reasonableness of its reporting unit's fair value.

The Company performed a qualitative impairment assessment analysis as of October 1, 2020 for its reporting unit taking into consideration past, current, and projected future earnings, recent trends, and market conditions, and valuation metrics involving similar companies that are publicly-traded. Based on the result of this analysis, an impairment does not exist as of December 31, 2020, and there were no accumulated impairment losses.

Intangible Assets

In connection with its acquisitions, the Company generally recognizes assets for customer relationships, acquired technology, backlog, trade names, and non-compete agreements. Intangible assets are carried at cost less accumulated amortization. Such amortization is provided on a straight-line basis or on an accelerated basis based on a pattern of economic benefit that is expected to be obtained over the estimated useful lives of the respective assets, generally from one to 30 years. Amortization for acquired technology and backlog is recognized in cost of revenues, and amortization for customer relationships, trade names, non-compete agreements, and patents is recognized in selling, general, and administrative expenses.

The Company assesses the impairment of identifiable intangible assets whenever events or changes in circumstances indicate that an asset's carrying amount may not be recoverable. Recoverability of an asset is measured by the comparison of the carrying amount to the sum of the undiscounted estimated future cash flows the asset is expected to generate, offset by estimated future costs to dispose of the product to which the asset relates. If an asset is considered to be impaired, the amount of such impairment would be measured as the difference between the carrying amount of the asset and its fair value. The Company's cash flow assumptions are based on historical and forecasted future revenue, operating costs, and other relevant factors. Assumptions and estimates about the remaining useful lives of the Company's intangible assets are subjective and are affected by changes to its business strategies. If management's estimates of future operating results change, or if there are changes to other assumptions, the estimate of the fair value of the Company's assets could change significantly. Such change could result in impairment charges in future periods, which could have a significant impact on the Company's operating results and financial condition. For the years ended December 31, 2020 and 2019, there were no events or changes in circumstances to indicate that intangible assets carrying amounts may not be recoverable.

Convertible Debt

The Company accounts for convertible debt and related transactions in accordance with ASC 470-20, *Debt with Conversion and Other Options*, ASC 815, *Derivatives and Hedging*, and ASC 480, *Distinguishing Liabilities from Equity*. The Company evaluates convertible debt instruments and related transactions at inception to determine if those contracts or embedded components of those contracts qualify as derivatives to be separately accounted for. Convertible debt instruments that may be settled in cash are separated into liability and equity components. The allocation to the liability component is based on the fair value of a similar instrument that does not contain an equity conversion option. Based on this debt-to-equity ratio, debt issuance costs are then allocated to the liability and equity components in a similar manner. The difference between the principal amount of the convertible debt instruments and the liability component, inclusive of issuance costs, represents the debt discount, which is amortized to interest expense over the term of instruments. The determination of the discount rate requires certain estimates and assumptions.

Convertible note hedge and warrant transactions associated with convertible debt instruments are accounted for as equity instruments, and are recorded in additional paid-in capital in the Consolidated Balance Sheets.

Valuation of Share-Based Compensation

The Company accounts for share-based compensation in accordance with ASC 718, *Stock Compensation*. The Company recognizes compensation expense related to share-based compensation based on the grant date estimated fair value.

The fair value of stock options (“options”) on the grant date is estimated using the Black-Scholes option pricing model, which requires the following inputs: expected life, expected volatility, risk-free interest rate, expected dividend yield rate, exercise price, and closing price of its common stock on the date of grant. The expected volatility is based on a combination of historical and market-based implied volatility, and the expected life of the awards is based on the Company’s historical experience of employee stock option exercises, including forfeitures. Expense is recognized on a straight-line basis over the requisite service period.

The fair value of restricted stock units (“RSUs”) is based on the stock price on the grant date. The fair value of restricted stock awards (“RSAs”) is their intrinsic value, which is the difference between the fair value of the underlying stock at the measurement date and the purchase price. The RSUs and RSAs are subject to a service vesting condition and are recognized on a straight-line basis over the requisite service period.

The fair value of performance-based stock unit awards (“PSUs”) with service and market conditions is estimated using a Monte Carlo simulation model applying multiple awards approach. Expense is recognized when it is probable that the performance condition will be met using the accelerated attribution method over the requisite service period.

Forfeiture rates are estimated based on the Company’s historical experience with equity awards that were granted and forfeited prior to vesting. The valuation assumptions used in estimating the fair value of employee share-based awards may change in future periods.

Accounting for Income Taxes

The Company records an income tax provision for (benefit from) the anticipated tax consequences of the reported results of operations. In accordance with ASC 740, *Income Taxes*, the provision for (benefit from) income taxes is computed using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined on the basis of the differences between the financial statement and tax bases of assets and liabilities and for operating losses and tax credit carryforwards. Deferred tax assets and liabilities are measured using the enacted tax rates in effect for the periods in which those tax assets and liabilities are expected to be realized or settled. In the event that these tax rates change, the Company will incur a benefit or detriment on its income tax expense in the period of change. If the Company were to determine that all or part of the net deferred tax assets are not realizable in the future, it will record a valuation allowance that would be charged to earnings in the period such determination is made.

In accordance with ASC 740, the Company recognizes the tax benefit from an uncertain tax position if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The calculation of tax liabilities involves significant judgment in estimating the impact of uncertainties in the application of ASC 740 and complex tax laws. Resolution of these uncertainties in a manner inconsistent with management’s expectations could have a material impact on the Company’s financial condition and operating results.

Recently Adopted Authoritative Guidance

In August 2018, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2018-15, *Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*, to align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The Company adopted ASU 2018-15 on January 1, 2020 on a prospective basis. The adoption of this guidance did not have a material impact on the Company’s Consolidated Financial Statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*, that modifies or replaces existing models for trade and other receivables, debt securities, loans, and certain other financial instruments. For instruments measured at amortized cost, including trade and lease receivables, loans, and held-to-maturity debt securities, the standard replaced the current “incurred loss” approach with an

“expected loss” model. Entities are required to estimate expected credit losses over the life of the instrument, considering available relevant information about the collectibility of cash flows, including information about past events, current conditions, and reasonable and supportable forecasts. The Company adopted the new standard on January 1, 2020 using the modified retrospective transition method, which resulted in the recognition of an immaterial cumulative-effect adjustment to retained earnings.

Recently Issued Authoritative Guidance

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740) Simplifying the Accounting for Income Taxes*. The update simplifies the accounting for income taxes by removing certain exceptions to the general principles in ASC 740, as well as improves consistent application of and simplifies the guidance for other areas of ASC 740 by clarifying and amending existing guidance. ASU 2019-12 will be effective for the Company beginning January 1, 2021. The Company does not expect ASU 2019-12 to have a material impact on its Consolidated Financial Statements.

In August 2020, the FASB issued ASU 2020-06, *Debt-Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging-Contracts in Entity's Own Equity (Subtopic 815-40)*. The update simplifies the accounting for convertible debt instruments by reducing the number of accounting models and the number of embedded conversion features that could be recognized separately from the primary contract. ASU 2020-06 also enhances transparency and improves disclosures for convertible instruments and earnings per share guidance. This update permits the use of either the modified retrospective or fully retrospective method of transition. ASU 2020-06 will be effective for the Company beginning January 1, 2022. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Company is currently evaluating the impact ASU 2020-06 will have on its Consolidated Financial Statements.

There was no other recently issued and effective authoritative guidance that is expected to have a material impact on the Company's Consolidated Financial Statements through the reporting date.

Note 2. Business Combinations

340B Link Business Acquisition

On October 1, 2020, the Company completed the acquisition of all of the outstanding equity of the 340B Link Business pursuant to the terms and conditions of the Equity Purchase Agreement, dated August 11, 2020, as amended, by and among the Company, PSGH, LLC, BW Apothecary Holdings, LLC, the sellers identified therein and the sellers' representative for total cash consideration of \$225.0 million. The 340B Link Business acquisition adds a comprehensive and differentiated suite of software-enabled services and solutions used by certain eligible hospitals, health systems, clinics, and entities to manage compliance and capture 340B drug cost savings on outpatient prescriptions filled through the eligible entity's pharmacy or a contracted pharmacy partner. The results of the 340B Link Business' operations have been included in the Company's consolidated results of operations, commencing as of the acquisition date.

The Company accounted for the acquisition of the 340B Link Business in accordance with ASC 805. The tangible and intangible assets acquired and liabilities assumed were recorded at fair value on the acquisition date. The preliminary fair values assume management's best estimates based on information available at the acquisition date and may change over the measurement period, which will end no later than one year from the acquisition date, as additional information is received. The following table represents the preliminary allocation of the purchase price to the assets acquired and the liabilities assumed by the Company as part of the acquisition reconciled to the purchase price transferred included in the Company's Consolidated Balance Sheets:

	340B Link Business (Preliminary)
	(In thousands)
Accounts receivable and unbilled receivables	\$ 8,197
Prepaid expenses	232
Other current assets	22,747
Total current assets	31,176
Property and equipment	531
Operating lease right-of-use assets	3,138
Goodwill	161,117
Intangible assets	62,800
Total assets	258,762
Accounts payable	568
Accrued liabilities	23,787
Long-term deferred tax liabilities	6,818
Long-term operating lease liabilities	2,589
Total liabilities	33,762
Total purchase price	<u>\$ 225,000</u>

The \$161.1 million of goodwill arising from the 340B Link Business acquisition is primarily attributed to sales of future software-enabled services and solutions and the 340B Link Business' assembled workforce. Goodwill that is expected to be deductible for tax purposes is approximately \$93.9 million.

Intangible assets eligible for recognition separate from goodwill were those that satisfied either the contractual/legal criterion or the separability criterion in the accounting guidance. The identifiable intangible assets acquired and their estimated useful lives for amortization are as follows:

	340B Link Business	
	Fair value	Useful life (years)
	(In thousands, except for years)	
Customer relationships	\$ 53,000	21
Acquired technology	9,000	5
Trade names	200	1
Non-compete agreements	600	3
Total purchased intangible assets	<u>\$ 62,800</u>	

The customer relationships intangible asset represents the fair value of the underlying relationships and agreements with the 340B Link Business' customers. The acquired technology intangible asset represents the fair value of the 340B Link Business' portfolio of software and solutions that have reached technological feasibility and were part of the 340B Link Business' offerings at the date of acquisition. The trade names intangible asset represents the fair value of brand and name recognition associated with the marketing of the 340B Link Business' software-enabled services and solutions. The non-compete agreements intangible asset represents the fair value of non-compete agreements with former key members of the 340B Link Business' management.

The fair value of the customer relationships intangible asset was determined based on the excess earnings method; the fair values of the acquired technology and trade names intangible assets were determined based on the relief-from-royalty

method; and the fair value of the non-compete agreements intangible asset was determined based on the lost profits method. The key assumptions used in estimating the fair values of intangible assets included forecasted financial information; customer attrition rates; royalty rates of 10.0% and 0.5% for the acquired technology and trade names intangible assets, respectively; discount rate of 14.0% for all intangible assets; and certain other assumptions.

The customer relationships and acquired technology intangible assets are being amortized using a double-declining method of amortization as such method better represents the economic benefits to be obtained. The trade names and non-compete agreements are being amortized over their estimated useful lives using the straight-line method of amortization.

The Company believes that the fair value assigned to the assets acquired and liabilities assumed are based on reasonable assumptions and estimates that market participants would use. Actual results may differ from these estimates and assumptions.

The Company incurred approximately \$6.5 million in acquisition-related costs related to the 340B Link Business acquisition during the year ended December 31, 2020. These costs were expensed as incurred, and are included in selling, general, and administrative expenses in the Company's Consolidated Statements of Operations.

Revenues and earnings from the 340B Link Business operations since the acquisition date through December 31, 2020 were \$10.2 million and \$1.3 million, respectively.

Pro Forma Financial Information

The following table presents certain unaudited pro forma information for illustrative purposes only, for the years ended December 31, 2020 and 2019 as if this acquisition had been completed on January 1, 2019. The pro forma information is not indicative of what would have occurred had the acquisition taken place on January 1, 2019. The unaudited pro forma information combines the historical results of the acquisition with the Company's consolidated historical results and includes certain adjustments including, but not limited to, amortization and depreciation of intangible assets and property and equipment acquired; imputed interest, interest expense, and amortization of debt issuance costs for the indebtedness incurred to complete the acquisition; and acquisition-related costs incurred.

	Year Ended December 31,	
	2020	2019
	(In thousands, except per share data)	
Pro forma revenues	\$ 920,314	\$ 929,106
Pro forma net income	\$ 37,559	\$ 56,897

Note 3. Revenues

Disaggregation of Revenues

The following table summarizes the Company's revenues disaggregated by revenue type for the years ended December 31, 2020, 2019, and 2018:

	Year Ended December 31,		
	2020	2019	2018
	(In thousands)		
Connected devices, software licenses, and other	\$ 560,368	\$ 573,844	\$ 483,414
Technical services	202,383	194,183	183,202
Consumables	75,663	85,758	86,182
SaaS, subscription software, and technology-enabled services	53,794	43,242	34,511
Total revenues	<u>\$ 892,208</u>	<u>\$ 897,027</u>	<u>\$ 787,309</u>

The following table summarizes the Company's revenues disaggregated by geographic region, which is determined based on customer location, for the years ended December 31, 2020, 2019, and 2018:

	Year Ended December 31,		
	2020	2019	2018
	(In thousands)		
United States	\$ 797,602	\$ 806,900	\$ 685,881
Rest of world ⁽¹⁾	94,606	90,127	101,428
Total revenues	\$ 892,208	\$ 897,027	\$ 787,309

⁽¹⁾ No individual country represented more than 10% of total revenues.

Contract Assets and Contract Liabilities

The following table reflects the Company's contract assets and contract liabilities:

	December 31,	
	2020	2019
	(In thousands)	
Short-term unbilled receivables, net ⁽¹⁾	\$ 13,895	\$ 11,707
Long-term unbilled receivables, net ⁽²⁾	17,205	12,260
Total contract assets	\$ 31,100	\$ 23,967
Short-term deferred revenues, net	\$ 100,053	\$ 90,894
Long-term deferred revenues	5,673	7,083
Total contract liabilities	\$ 105,726	\$ 97,977

⁽¹⁾ Included in accounts receivable and unbilled receivables in the Consolidated Balance Sheets.

⁽²⁾ Included in other long-term assets in the Consolidated Balance Sheets.

Short-term deferred revenues of \$100.1 million and \$90.9 million include deferred revenues from product sales and service contracts, net of deferred cost of sales of \$21.0 million and \$13.1 million, as of December 31, 2020 and 2019, respectively. The short-term deferred revenues from product sales relate to delivered and invoiced products, pending installation and acceptance, expected to occur within the next twelve months. During the year ended December 31, 2020, the Company recognized revenues of \$84.0 million that were included in the corresponding gross short-term deferred revenue balance of \$104.0 million as of December 31, 2019.

Long-term deferred revenues include deferred revenues from service contracts of \$5.7 million and \$7.1 million as of December 31, 2020 and 2019, respectively. Remaining performance obligations primarily relate to maintenance contracts and are recognized ratably over the remaining term of the contract, generally not more than five years.

Significant Customers

There were no customers that accounted for more than 10% of the Company's total revenues for the years ended December 31, 2020, 2019, and 2018. Also, there were no customers that accounted for more than 10% of the Company's accounts receivable balance as of December 31, 2020 and 2019.

Note 4. Net Income Per Share

Basic net income per share is computed by dividing net income for the period by the weighted-average number of shares outstanding during the period. In periods of net loss, all potential common shares are anti-dilutive, so diluted net loss per share equals the basic net loss per share. In periods of net income, diluted net income per share is computed by dividing net income for the period by the basic weighted-average number of shares plus any dilutive potential common stock outstanding during the period, using the treasury stock method. Potential common stock includes the effect of outstanding dilutive stock options, restricted stock awards, and restricted stock units, as well as shares the Company could be obligated to issue from its convertible senior notes and warrants, as described in Note 10, *Convertible Senior Notes*. Any anti-dilutive weighted-average dilutive shares related to stock award plans, convertible senior notes, and warrants are excluded from the computation of the diluted net income per share.

The basic and diluted net income per share calculations for the years ended December 31, 2020, 2019, and 2018 were as follows:

	Year Ended December 31,		
	2020	2019	2018
	(In thousands, except per share data)		
Net income	\$ 32,194	\$ 61,338	\$ 37,729
Weighted-average shares outstanding - basic	42,583	41,462	39,242
Effect of dilutive securities from stock award plans	1,160	1,481	1,317
Effect of convertible senior notes and warrants	—	—	—
Weighted-average shares outstanding - diluted	43,743	42,943	40,559
Net income per share - basic	\$ 0.76	\$ 1.48	\$ 0.96
Net income per share - diluted	\$ 0.74	\$ 1.43	\$ 0.93
Anti-dilutive weighted-average shares related to stock award plans	2,054	926	1,279
Anti-dilutive weighted-average shares related to convertible senior notes and warrants	11,816	—	—

Note 5. Fair Value of Financial Instruments

Fair Value Hierarchy

The Company measures its financial instruments at fair value. The Company's cash, cash equivalents, and restricted cash are classified within Level 1 of the fair value hierarchy as they are valued primarily using quoted market prices utilizing market observable inputs. The Company's interest rate swap contracts and credit facilities are classified within Level 2 as the valuation inputs are based on quoted prices or market observable data of similar instruments. The Company's convertible senior notes are classified within Level 2 as the valuation inputs are based on quoted prices in an inactive market on the last day in the reporting period. As of December 31, 2020, the fair value of the convertible senior notes was \$782.3 million, compared to their carrying value of \$467.2 million, which is net of unamortized discount and debt issuance costs and excludes amounts classified within additional paid-in capital. Refer to Note 9, *Debt and Credit Agreements*, for further information regarding the Company's credit facilities and Note 10, *Convertible Senior Notes*, for further information regarding the Company's convertible senior notes.

Interest Rate Swap Contracts

During 2016, the Company entered into an interest rate swap agreement with a combined notional amount of \$100.0 million with one counterparty that became effective on June 30, 2016 and matured on April 30, 2019. The swap agreement required the Company to pay a fixed rate of 0.8% and provided that the Company receive a variable rate based on the one month LIBOR rate subject to a LIBOR floor of 0.0%. Amounts payable by or due to the Company were net settled with the respective counterparty on the last business day of each month, commencing July 31, 2016. The Company's interest rate swap agreement matured during the second quarter of 2019, and, as of December 31, 2020, the Company did not have any outstanding interest rate swap agreements.

Note 6. Balance Sheet Components

Balance sheet details as of December 31, 2020 and 2019 are presented in the tables below:

	December 31,	
	2020	2019
(In thousands)		
Inventories:		
Raw materials	\$ 28,205	\$ 31,331
Work in process	7,973	7,620
Finished goods	60,120	69,060
Total inventories	<u>\$ 96,298</u>	<u>\$ 108,011</u>
Other current assets:		
Funds held for customers, including restricted cash ⁽¹⁾	\$ 18,164	\$ —
Net investment in sales-type leases, current portion	10,246	9,770
Prepaid income taxes	10,095	4,347
Other current assets	2,539	1,060
Total other current assets	<u>\$ 41,044</u>	<u>\$ 15,177</u>
Other long-term assets:		
Capitalized software, net	\$ 94,027	\$ 85,070
Unbilled receivables, net	17,205	12,260
Deferred debt issuance costs	4,253	4,700
Other long-term assets	3,804	1,006
Total other long-term assets	<u>\$ 119,289</u>	<u>\$ 103,036</u>
Accrued liabilities:		
Operating lease liabilities, current portion	\$ 12,197	\$ 10,058
Customer fund liabilities	18,164	—
Advance payments from customers	6,981	4,006
Rebates and lease buyouts	21,815	14,911
Group purchasing organization fees	4,412	5,934
Taxes payable	3,520	3,744
Other accrued liabilities	13,222	16,914
Total accrued liabilities	<u>\$ 80,311</u>	<u>\$ 55,567</u>

⁽¹⁾ Includes \$4.0 million of restricted cash.

The following table summarizes the changes in accumulated balances of other comprehensive income (loss) for the years ended December 31, 2020 and 2019:

	Foreign currency translation adjustments	Unrealized gain (loss) on interest rate swap hedges	Total
	(In thousands)		
Balance as of December 31, 2018	\$ (11,274)	\$ 420	\$ (10,854)
Other comprehensive income (loss) before reclassifications	1,828	148	1,976
Amounts reclassified from other comprehensive income (loss), net of tax	—	(568)	(568)
Net current-period other comprehensive income (loss), net of tax	1,828	(420)	1,408
Balance as of December 31, 2019	(9,446)	—	(9,446)
Other comprehensive income (loss) before reclassifications	3,924	—	3,924
Amounts reclassified from other comprehensive income (loss), net of tax	—	—	—
Net current-period other comprehensive income (loss), net of tax	3,924	—	3,924
Balance as of December 31, 2020	\$ (5,522)	\$ —	\$ (5,522)

Note 7. Property and Equipment

The following table represents the property and equipment balances as of December 31, 2020 and 2019:

	December 31,	
	2020	2019
	(In thousands)	
Equipment	\$ 81,034	\$ 88,569
Furniture and fixtures	7,498	7,925
Leasehold improvements	19,517	18,979
Software	50,230	48,309
Construction in progress	7,095	6,179
Property and equipment, gross ⁽¹⁾	165,374	169,961
Accumulated depreciation and amortization ⁽¹⁾	(106,301)	(115,715)
Total property and equipment, net	\$ 59,073	\$ 54,246

⁽¹⁾ The change in balances between periods is primarily due to the disposal of certain fully depreciated property and equipment, partially offset by additions, and depreciation and amortization.

Depreciation and amortization expense of property and equipment was \$18.3 million, \$17.2 million, and \$15.1 million for the years ended December 31, 2020, 2019, and 2018, respectively.

The geographic location of the Company's property and equipment, net, is based on the physical location in which it is located. The following table summarizes the geographic information for property and equipment, net, as of December 31, 2020 and 2019:

	December 31,	
	2020	2019
	(In thousands)	
United States	\$ 53,203	\$ 48,769
Rest of world ⁽¹⁾	5,870	5,477
Total property and equipment, net	\$ 59,073	\$ 54,246

⁽¹⁾ No individual country represented more than 10% of the total property and equipment, net.

Note 8. Goodwill and Intangible Assets

Goodwill

The following table represents changes in the carrying amount of goodwill:

	(In thousands)
Balance as of December 31, 2018	\$ 335,887
Additions	—
Foreign currency exchange rate fluctuations	652
Balance as of December 31, 2019	336,539
Additions ⁽¹⁾	161,117
Foreign currency exchange rate fluctuations	1,653
Balance as of December 31, 2020	\$ 499,309

⁽¹⁾ Additions represent the preliminary value assigned to goodwill in connection with the 340B Link Business acquisition in October 2020.

Intangible Assets, Net

The carrying amounts and useful lives of intangible assets as of December 31, 2020 and 2019 were as follows:

	December 31, 2020				
	Gross carrying amount ⁽¹⁾	Accumulated amortization	Foreign currency exchange rate fluctuations	Net carrying amount	Useful life (years)
	(In thousands, except for years)				
Customer relationships	\$ 187,889	\$ (64,254)	\$ (777)	\$ 122,858	10 - 30
Acquired technology	86,029	(44,851)	6	41,184	3 - 20
Backlog	1,150	(1,078)	—	72	4
Trade names	7,850	(5,794)	14	2,070	1 - 12
Patents	2,930	(1,455)	2	1,477	2 - 20
Non-compete agreements	600	(50)	—	550	3
Total intangibles assets, net	<u>\$ 286,448</u>	<u>\$ (117,482)</u>	<u>\$ (755)</u>	<u>\$ 168,211</u>	
	December 31, 2019				
	Gross carrying amount ⁽¹⁾	Accumulated amortization	Foreign currency exchange rate fluctuations	Net carrying amount	Useful life (years)
	(In thousands, except for years)				
Customer relationships	\$ 135,234	\$ (54,860)	\$ (1,058)	\$ 79,316	10 - 30
Acquired technology	77,142	(36,194)	5	40,953	3 - 20
Backlog	1,150	(791)	—	359	4
Trade names	7,650	(5,037)	11	2,624	6 - 12
Patents	3,217	(1,603)	1	1,615	2 - 20
Total intangibles assets, net	<u>\$ 224,393</u>	<u>\$ (98,485)</u>	<u>\$ (1,041)</u>	<u>\$ 124,867</u>	

⁽¹⁾ The differences in gross carrying amounts between periods are primarily due to additions of intangible assets in connection with the 340B Link Business acquisition, partially offset by the write-off of certain fully amortized intangible assets.

Amortization expense of intangible assets was \$19.7 million, \$18.9 million, and \$23.8 million for the years ended December 31, 2020, 2019, and 2018, respectively.

The estimated future amortization expenses for amortizable intangible assets were as follows:

	December 31, 2020
	(In thousands)
2021	\$ 23,948
2022	21,134
2023	19,113
2024	12,825
2025	11,616
Thereafter	79,575
Total	<u>\$ 168,211</u>

Note 9. Debt and Credit Agreements

2016 Senior Credit Facility

On January 5, 2016, the Company entered into a \$400.0 million senior secured credit facility pursuant to a credit agreement with certain lenders, Wells Fargo Securities, LLC as sole lead arranger, and Wells Fargo Bank, National Association as administrative agent (as subsequently amended as discussed below, the "Prior Credit Agreement"). The Prior Credit Agreement provided for (a) a five-year revolving credit facility of \$200.0 million, which was subsequently increased pursuant to the amendment discussed below (the "Prior Revolving Credit Facility") and (b) a five-year \$200.0 million term loan facility (the "Prior Term Loan Facility" and, together with the Prior Revolving Credit Facility, the "Prior Facilities"). In addition, the Prior Credit Agreement included a letter of credit sub-limit of up to \$10.0 million and a swing line loan sub-limit of up to \$10.0 million. The Prior Credit Agreement had an expiration date of January 5, 2021, upon which date all remaining outstanding borrowings were due and payable.

Loans under the Prior Facilities bore interest, at the Company's option, at a rate equal to either (a) the LIBOR Rate, plus an applicable margin ranging from 1.50% to 2.25% per annum based on the Company's consolidated total net leverage ratio (as defined in the Prior Credit Agreement), or (b) an alternate base rate equal to the highest of (i) the prime rate, (ii) the federal funds rate plus 0.50%, and (iii) LIBOR for an interest period of one month, plus an applicable margin ranging from 0.50% to 1.25% per annum based on the Company's consolidated total net leverage ratio (as defined in the Prior Credit Agreement). Undrawn commitments under the Prior Revolving Credit Facility were subject to a commitment fee ranging from 0.20% to 0.35% per annum based on the Company's consolidated total net leverage ratio on the average daily unused portion of the Prior Revolving Credit Facility.

On each of April 11, 2017 and December 26, 2017, the parties entered into amendments to the Prior Credit Agreement. Under these amendments, the Prior Revolving Credit Facility was increased from \$200.0 million to \$315.0 million and certain other modifications were made. In connection with the December 2017 amendment, the Company incurred and capitalized an additional \$2.1 million of debt issuance costs.

2019 Revolving Credit Facility

On November 15, 2019, the Company refinanced the Prior Credit Agreement and entered into an Amended and Restated Credit Agreement (the "A&R Credit Agreement") with the lenders from time to time party thereto, Wells Fargo Securities, LLC, Citizens Bank, N.A., and JPMorgan Chase Bank, N.A., as joint lead arrangers and Wells Fargo Bank, National Association, as administrative agent. The A&R Credit Agreement replaced the Prior Credit Agreement and provides for (a) a five-year revolving credit facility of \$500.0 million (the "Current Revolving Credit Facility") and (b) an uncommitted incremental loan facility of up to \$250.0 million (the "Incremental Facility"). In addition, the A&R Credit Agreement includes a letter of credit sub-limit of up to \$15.0 million and a swing line loan sub-limit of up to \$25.0 million. The A&R Credit Agreement has an expiration date of November 15, 2024, upon which date all remaining outstanding borrowings will be due and payable.

On November 15, 2019, the \$80.0 million outstanding term loan balance under the Prior Facilities was transferred to the Current Revolving Credit Facility.

Loans under the Current Revolving Credit Facility bear interest, at the Company's option, at a rate equal to either (a) the LIBOR Rate, plus an applicable margin ranging from 1.25% to 2.00% per annum based on the Company's Consolidated Total Net Leverage Ratio (as defined in the A&R Credit Agreement), or (b) an alternate base rate equal to the highest of (i) the

prime rate, (ii) the federal funds rate plus 0.50%, and (iii) LIBOR for an interest period of one month plus 1.00%, plus an applicable margin ranging from 0.25% to 1.00% per annum based on the Company's Consolidated Total Net Leverage Ratio. Undrawn commitments under the Current Revolving Credit Facility are subject to a commitment fee ranging from 0.15% to 0.30% per annum based on the Company's Consolidated Total Net Leverage Ratio on the average daily unused portion of the Current Revolving Credit Facility. The applicable margin for and certain other terms of any term loans under the Incremental Facility will be determined prior to the incurrence of such loans. The Company is permitted to make voluntary prepayments at any time without payment of a premium or penalty.

On September 22, 2020, the parties entered into an amendment (the "Amendment") to the A&R Credit Agreement to, among other changes, permit the issuance of the convertible senior notes and the purchase of the convertible note hedge transactions as described in Note 10, *Convertible Senior Notes*, expand the Company's flexibility to repurchase its common stock and make other restricted payments, and replace the total net leverage covenant with a new secured net leverage covenant that requires the Company to maintain a consolidated secured net leverage ratio not to exceed 3.50:1 for the calendar quarters ending September 30, 2020, December 31, 2020, and March 31, 2021 and 3.00:1 for the calendar quarters ending thereafter.

The A&R Credit Agreement contains customary representations and warranties and customary affirmative and negative covenants applicable to the Company and its subsidiaries, including, among other things, restrictions on indebtedness, liens, investments, mergers, dispositions, dividends, and other distributions. The A&R Credit Agreement contains financial covenants that require the Company and its subsidiaries to not exceed a maximum consolidated total net leverage ratio and maintain a minimum interest coverage ratio. In addition, the A&R Credit Agreement contains certain customary events of default including, but not limited to, failure to pay interest, principal, and fees or other amounts when due, material misrepresentations or misstatements in any representation or warranty, covenant defaults, certain cross defaults to other material indebtedness, certain judgment defaults, and events of bankruptcy. The Company's obligations under the A&R Credit Agreement and any swap obligations and banking services obligations owing to a lender (or an affiliate of a lender) are guaranteed by certain of its domestic subsidiaries and secured by substantially all of its and such subsidiary guarantors' assets. In connection with entering into the A&R Credit Agreement, and as a condition precedent to borrowing loans thereunder, the Company and certain of the Company's other direct and indirect subsidiaries have entered into certain ancillary agreements, including, but not limited to, a reaffirmation agreement, which amends certain terms of the existing collateral agreement and reaffirms their obligations under the existing guaranty agreement. The Company was in full compliance with all covenants as of December 31, 2020.

The refinancing of the Prior Credit Agreement was evaluated in accordance with ASC 470-50, *Debt - Modifications and Extinguishments*. In determining whether the refinancing was to be accounted for as a debt extinguishment or a debt modification, the Company considered whether lenders within the syndicate remained the same or changed and whether the changes in debt terms were substantial. This assessment was performed on an individual lender basis within the syndicate. As a result, the refinancing was accounted for as a modification with the exception of certain lenders that exited the syndicate. The exit of certain lenders resulted in an immaterial write-off of existing unamortized debt issuance costs. The remaining unamortized debt issuance costs related to debt modification, along with the new deferred costs, will be amortized over the remaining term of the A&R Credit Agreement.

In connection with the A&R Credit Agreement, the Company incurred and capitalized an additional \$2.3 million of debt issuance costs. In connection with the Amendment on September 22, 2020, the Company incurred and capitalized an additional \$0.6 million of debt issuance costs. The debt issuance costs are being amortized to interest expense using the straight-line method through 2024. Amortization expense related to debt issuance costs was approximately \$1.0 million, \$2.2 million, and \$2.3 million for the years ended December 31, 2020, 2019, and 2018, respectively.

Interest expense (exclusive of fees and debt issuance cost amortization) was approximately \$0.5 million, \$3.6 million, and \$7.5 million for the years ended December 31, 2020, 2019, and 2018, respectively.

The following table represents changes in the carrying amount of the Company's debt obligations:

	Current Revolving Credit Facility
	(In thousands)
Balance as of December 31, 2019	\$ 50,000
Proceeds	150,000
Repayments	(200,000)
Balance as of December 31, 2020	\$ —

The following table represents changes in the balance of the Company's deferred debt issuance costs:

	(In thousands)
Balance as of December 31, 2019	\$ 4,700
Additions	550
Amortization	(997)
Balance as of December 31, 2020	\$ 4,253

Note 10. Convertible Senior Notes

0.25% Convertible Senior Notes due 2025

On September 25, 2020, the Company completed a private offering of \$575.0 million aggregate principal amount of 0.25% convertible senior notes (the "Notes"), including the exercise in full of the initial purchasers' option to purchase up to an additional \$75.0 million principal amount of the Notes. The Company received proceeds from the issuance of the Notes of \$559.7 million, net of \$15.3 million of transaction fees and other debt issuance costs. The Notes bear interest at a rate of 0.25% per year, payable semiannually in arrears on March 15 and September 15 of each year, beginning on March 15, 2021. The Notes were issued pursuant to an indenture, dated September 25, 2020 (the "Indenture"), between the Company and U.S. Bank National Association, as trustee. The Notes are general senior, unsecured obligations of the Company and will mature on September 15, 2025, unless earlier redeemed, repurchased, or converted.

The Notes are convertible at the option of the holders at any time prior to the close of business on the business day immediately preceding May 15, 2025, only under the following circumstances: (i) during any fiscal quarter commencing after the fiscal quarter ended on December 31, 2020 (and only during such fiscal quarter), if the last reported sale price of the Company's common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% of the conversion price for the Notes on each applicable trading day; (ii) during the five business day period after any ten consecutive trading day period (the "measurement period") in which the trading price (as defined in the Indenture) per \$1,000 principal amount of the Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of the Company's common stock and the conversion rate for the Notes on each such trading day; (iii) if the Company calls such Notes for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date, but only with respect to the Notes called (or deemed called) for redemption; and (iv) upon the occurrence of specified corporate events, as specified in the Indenture. On or after May 15, 2025 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders of the Notes may convert all or any portion of their Notes at any time, regardless of the foregoing conditions.

Upon conversion, the Company may satisfy its conversion obligation by paying or delivering, as the case may be, cash, shares of its common stock, or a combination of cash and shares of its common stock, at the Company's election, in the manner and subject to the terms and conditions provided in the Indenture. The initial conversion rate for the Notes is 10.2751 shares of the Company's common stock per \$1,000 principal amount of Notes, which is equivalent to an initial conversion price of approximately \$97.32 per share of the Company's common stock, subject to adjustment under certain circumstances in accordance with the terms of the Indenture. In addition, following certain corporate events that occur prior to the maturity date of the Notes or if the Company delivers a notice of redemption in respect of the Notes, the Company will, under certain circumstances, increase the conversion rate of the Notes for a holder who elects to convert its Notes (or any portion thereof) in connection with such a corporate event or convert its Notes called (or deemed called) for redemption during the related redemption period (as defined in the Indenture), as the case may be.

If the Company undergoes a fundamental change, holders may require, subject to certain exceptions, the Company to repurchase for cash all or any portion of their Notes at a fundamental change repurchase price equal to 100% of the principal amount of the Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date. As of December 31, 2020, none of the criteria for a fundamental change or a conversion rate adjustment had been met.

The Company may not redeem the Notes prior to September 20, 2023. The Company may redeem for cash all or any portion of the Notes, at its option, on or after September 20, 2023, if the last reported sale price of the Company's common stock has been at least 130% of the conversion price for the Notes then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which the Company provides notice of redemption at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. If the Company redeems less than all the outstanding Notes, at least \$150.0 million aggregate

principal amount of Notes must be outstanding and not subject to redemption as of the date of the relevant notice of redemption. No sinking fund is provided for in the Notes.

Convertible debt instruments that may be settled in cash are required to be separated into liability and equity components. The allocation to the liability component is based on the fair value of a similar instrument that does not contain an equity conversion option. Based on this debt-to-equity ratio, debt issuance costs are then allocated to the liability and equity components in a similar manner. Accordingly, at issuance, the Company allocated \$461.8 million to the debt liability and \$72.7 million to additional paid in capital, net of applicable issuance costs and deferred taxes. The difference between the principal amount of the Notes and the liability component, inclusive of issuance costs, represents the debt discount, which the Company will amortize to interest expense over the term of the Notes using an effective interest rate of 4.18%. The determination of the discount rate required certain estimates and assumptions. As of December 31, 2020, the remaining life of the Notes and the related debt discount and issuance cost accretion is approximately 4.7 years.

The maximum number of shares issuable upon conversion, including the effect of a fundamental change and subject to other conversion rate adjustments, would be 8.1 million shares.

The Notes consisted of the following balances reported in the Consolidated Balance Sheets as of December 31, 2020:

	December 31, 2020
	(In thousands)
Liability:	
Principal amount	\$ 575,000
Unamortized discount	(95,744)
Unamortized debt issuance costs	(12,055)
Convertible senior notes, liability component	<u>\$ 467,201</u>
Equity:	
Embedded conversion option	\$ 100,510
Debt issuance costs	(2,680)
Deferred tax impact	(25,098)
Convertible senior notes, equity component ⁽¹⁾	<u>\$ 72,732</u>

⁽¹⁾ Included in additional paid-in capital in the Consolidated Balance Sheets.

The following table summarizes the components of interest expense resulting from the Notes recognized in interest and other income (expense), net in the Consolidated Statements of Operations for the year ended December 31, 2020:

	Year Ended December 31, 2020
	(In thousands)
Contractual coupon interest	\$ 379
Amortization of discount	\$ 4,766
Amortization of debt issuance costs	\$ 600

Convertible Note Hedge and Warrant Transactions

In connection with the issuance of the Notes, the Company entered into convertible note hedge and warrant transactions with an affiliate of one of the initial purchasers of the Notes and certain other financial institutions (the “option counterparties”) with respect to the Company’s common stock.

The convertible note hedge consists of an option for the Company to purchase up to approximately 5.9 million shares of the Company’s common stock, which is equal to the number of shares of the Company’s common stock underlying the Notes, at an initial strike price of approximately \$97.32 per share. The convertible note hedge will expire upon the maturity of the Notes, if not earlier exercised or terminated. The cost of the convertible note hedge was approximately \$100.6 million and was accounted for as an equity instrument, which was recorded in additional paid-in capital in the Consolidated Balance Sheets. The Company recorded a deferred tax asset of \$25.8 million at issuance related to the convertible note hedge transaction. The

convertible note hedge is expected generally to reduce the potential dilution to the Company's common stock upon any conversion of Notes and/or offset any cash payments the Company is required to make in excess of the principal amount of converted Notes.

Separately from the convertible note hedge, the Company entered into warrant transactions to sell to the option counterparties warrants to acquire, subject to customary anti-dilution adjustments, up to approximately 5.9 million shares of its common stock in the aggregate at an initial strike price of \$141.56 per share. The warrants require net share or net cash settlement upon the Company's election. The Company received aggregate proceeds of approximately \$51.3 million for the issuance of the warrants, which was recorded in additional paid in capital at issuance in the Consolidated Balance Sheets. The warrants could separately have a dilutive effect to the Company's common stock to the extent that the market price per share of its common stock exceeds the strike price of the warrants.

Note 11. Lessor Leases

Sales-Type Leases

On a recurring basis, the Company enters into multi-year, sales-type lease agreements with the majority varying in length from one to five years. The following table presents the Company's income recognized from sales-type leases for the years ended December 31, 2020, 2019, and 2018:

	Year Ended December 31,		
	2020	2019	2018
	(In thousands)		
Sales-type lease revenues	\$ 26,040	\$ 37,175	\$ 39,167
Cost of sales-type lease revenues	(10,624)	(14,985)	(16,185)
Selling profit on sales-type lease revenues	<u>\$ 15,416</u>	<u>\$ 22,190</u>	<u>\$ 22,982</u>
Interest income on sales-type lease receivables	\$ 1,933	\$ 1,756	\$ 1,296

The receivables as a result of these types of transactions are collateralized by the underlying equipment leased and consist of the following components at December 31, 2020 and 2019:

	December 31,	
	2020	2019
	(In thousands)	
Net minimum lease payments to be received	\$ 35,331	\$ 32,360
Less: Unearned interest income portion	(2,929)	(2,840)
Net investment in sales-type leases	32,402	29,520
Less: Current portion ⁽¹⁾	(10,246)	(9,770)
Long-term investment in sales-type leases, net	<u>\$ 22,156</u>	<u>\$ 19,750</u>

⁽¹⁾ The current portion of the net investment in sales-type leases is included in other current assets in the Consolidated Balance Sheets.

The carrying amount of the Company's sales-type lease receivables is a reasonable estimate of fair value.

The maturity schedule of future minimum lease payments under sales-type leases retained in-house and the reconciliation to the net investment in sales-type leases reported on the Consolidated Balance Sheets was as follows:

	December 31, 2020
	(In thousands)
2021	\$ 11,312
2022	9,499
2023	7,334
2024	4,535
2025	2,616
Thereafter	35
Total future minimum sales-type lease payments	35,331
Present value adjustment	(2,929)
Total net investment in sales-type leases	<u>\$ 32,402</u>

Operating Leases

The Company entered into certain leasing agreements that were classified as operating leases prior to the adoption of ASC 842, *Leases*. These agreements in place prior to January 1, 2019 continue to be treated as operating leases, however any leasing agreements entered into on or after January 1, 2019 under these programs are classified and accounted for as sales-type leases in accordance with ASC 842. The operating lease arrangements generally have initial terms of one to seven years. The following table represents the Company's income recognized from operating leases for the years ended December 31, 2020, 2019, and 2018:

	Year Ended December 31,		
	2020	2019	2018
	(In thousands)		
Rental income	\$ 11,668	\$ 12,660	\$ 12,207

The net carrying value of the leased equipment under operating leases was \$1.4 million and \$2.1 million, which includes accumulated depreciation of \$2.5 million and \$1.6 million, as of December 31, 2020 and 2019, respectively. Depreciation expense of the leased equipment for the years ended December 31, 2020, 2019, and 2018 was \$0.6 million, \$0.7 million, and \$0.5 million, respectively.

The maturity schedule of future minimum lease payments under operating leases was as follows:

	December 31, 2020
	(In thousands)
2021	\$ 8,848
2022	4,816
2023	2,910
2024	852
2025	256
Thereafter	89
Total future minimum operating lease payments	<u>\$ 17,771</u>

Note 12. Lessee Leases

The Company has operating leases for office buildings, data centers, office equipment, and vehicles. The Company's leases have initial terms of one to 12 years. As of December 31, 2020, the Company did not have any additional material operating leases that were entered into, but not yet commenced.

The maturity schedule of future minimum lease payments under operating leases and the reconciliation to the operating lease liabilities reported on the Consolidated Balance Sheets was as follows:

	December 31, 2020
	(In thousands)
2021	\$ 15,290
2022	14,106
2023	10,221
2024	8,922
2025	6,571
Thereafter	17,422
Total operating lease payments	72,532
Present value adjustment	(11,438)
Total operating lease liabilities ⁽¹⁾	\$ 61,094

⁽¹⁾ Amount consists of a current and long-term portion of operating lease liabilities of \$12.2 million and \$48.9 million, respectively. The short-term portion of the operating lease liabilities is included in accrued liabilities in the Consolidated Balance Sheets.

Operating lease costs were \$14.3 million and \$14.6 million for the years ended December 31, 2020 and 2019, respectively. Short-term lease costs and variable lease costs were immaterial for the years ended December 31, 2020 and 2019, respectively.

The following table summarizes supplemental cash flow information related to the Company's operating leases for the years ended December 31, 2020 and 2019:

	Year Ended December 31,	
	2020	2019
	(In thousands)	
Cash paid for amounts included in the measurement of lease liabilities	\$ 14,490	\$ 14,636
Right-of-use assets obtained in exchange for new lease liabilities, including leases obtained from recent acquisitions	\$ 10,025	\$ 1,204

The following table summarizes the weighted-average remaining lease term and weighted-average discount rate related to the Company's operating leases as of December 31, 2020 and 2019:

	December 31,	
	2020	2019
Weighted-average remaining lease term, years	5.9	6.4
Weighted-average discount rate, %	5.8 %	6.4 %

Note 13. Commitments and Contingencies

Purchase Obligations

In the ordinary course of business, the Company issues purchase orders based on its current manufacturing needs. As of December 31, 2020, the Company had non-cancelable purchase commitments of \$72.8 million, of which \$69.9 million are expected to be paid within the next twelve months.

Legal Proceedings

The Company is currently involved in various legal proceedings.

A class action lawsuit was filed against the Company, on June 5, 2019, in the Circuit Court of Cook County, Illinois, Chancery Division, captioned *Corey Heard, individually and on behalf of all others similarly situated, v. Omnicell, Inc., Case No. 2019-CH-06817*. The complaint seeks class certification, monetary damages in the form of statutory damages for willful and/or reckless or, in the alternative, negligent violation of the Illinois Biometric Information Privacy Act ("BIPA"), and certain declaratory, injunctive, and other relief based on causes of action directed to allegations of violation of BIPA by the Company.

The complaint was served on the Company on June 13, 2019. On July 31, 2019, the Company filed a motion to stay or consolidate the case with the action *Yana Mazya, et al. v. Northwestern Lake Forest Hospital, et al., Case No. 2018-CH-07161*, pending in the Circuit Court of Cook County, Illinois, Chancery Division (the “Mazya Action”). The Court subsequently, on October 10, 2019, denied the motion, without prejudice, as being moot in view of the Company’s dismissal from the Mazya Action. The Company filed a motion to dismiss the complaint on October 31, 2019. The hearing on the Company’s motion to dismiss was held on September 2, 2020. The Court ruled from the bench and dismissed the complaint without prejudice giving plaintiff leave to file an amended complaint by September 30, 2020. Plaintiff filed an amended complaint on September 30, 2020 and the Company subsequently filed a motion to dismiss the complaint on October 28, 2020. The Company’s motion to dismiss is now fully briefed and the Court has scheduled oral argument on the motion for June 4, 2021. The Company intends to defend the lawsuit vigorously.

On December 21, 2020, Becton, Dickinson and Company (“BD”) filed a complaint against the Company in the United States District Court for the Middle District of North Carolina, asserting claims of misappropriation under the Defend Trade Secrets Act, misappropriation under the North Carolina Trade Secrets Protection Act, unfair competition, and unfair/deceptive trade practices in violation of North Carolina law (the “Omnicell Complaint”). This action was commenced in relation to another action brought by BD, in the same Court, (the “Related Matter”) against a former BD employee who is also a former Company employee (the “Former Employee”) alleging that the Former Employee had violated the Former Employee’s legal obligations to BD regarding BD’s confidential and trade secret information when the Former Employee allegedly downloaded certain documents from BD’s information technology system following the end of the Former Employee’s employment with BD. In connection with the Related Matter, BD, the Former Employee, and the Company entered into a protocol to facilitate the return to BD of any BD documents that may have been resident, as a result of the Former Employee’s actions, on any devices belonging to the Former Employee or the Company. The Omnicell Complaint seeks injunctive relief and monetary damages in the form of compensatory, punitive, and exemplary damages, attorneys’ fees and costs, and pre-judgment and post-judgment interest. BD has not yet served the Omnicell Complaint on the Company, and, therefore, there are no response dates pending. The Company intends to defend the lawsuit vigorously.

As required under ASC 450, *Contingencies*, the Company accrues for contingencies when it believes that a loss is probable and that it can reasonably estimate the amount of any such loss. The Company has not recorded any material accrual for contingent liabilities associated with the legal proceedings described above based on its belief that any potential loss, while reasonably possible, is not probable. Further, any possible range of loss in these matters cannot be reasonably estimated at this time or is not deemed material. The Company believes that it has valid defenses with respect to these legal proceedings pending against it. However, litigation is inherently unpredictable, and it is possible that cash flows or results of operations could be materially affected in any particular period by the unfavorable resolution of any of these legal proceedings or because of the diversion of management’s attention and the creation of significant expenses.

Guarantees

Under the Company’s certificate of incorporation and bylaws, the Company has agreed to indemnify its directors and executive officers to the fullest extent not prohibited by Delaware and other applicable law, subject to certain exceptions. The Company has entered into individual indemnification agreements with its directors and officers. The term of the indemnification period is for the entirety of the director’s or officer’s service to the Company and continues so long as the director or officer may be subject to any claim, action, or proceeding, and there is no limit on the potential amount of future payments that the Company could be required to make under these indemnification agreements. The Company has purchased a directors’ and officers’ liability insurance policy that may enable it to recover a portion of any future payments that it may be required to make under these indemnification agreements. Assuming the applicability of coverage and the willingness of the insurer to assume coverage and subject to certain retention, loss limits, and other policy provisions, the Company believes it is unlikely that the Company will be required to pay any material amounts pursuant to these indemnification obligations. However, no assurances can be given that the insurers will not attempt to dispute the validity, applicability, or amount of coverage without expensive and time-consuming litigation against the insurers.

Additionally, the Company undertakes indemnification obligations in its ordinary course of business in connection with, among other things, the licensing of its products and the provision of its support services. In the ordinary course of the Company’s business, the Company has in the past and may in the future agree to indemnify another party, generally its business affiliates or customers, against certain losses suffered or incurred by the indemnified party in connection with various types of claims, which may include, without limitation, claims of intellectual property infringement, certain tax liabilities, its gross negligence or intentional acts in the performance of support services, and violations of laws. The term of these indemnification obligations is generally perpetual. In general, the Company attempts to limit the maximum potential amount of future payments that it may be required to make under these indemnification obligations to the amounts paid to it by a customer, but in some cases the obligation may not be so limited.

In addition, the Company has in the past and may in the future warrant to its customers that its products will conform to functional specifications for a limited period of time following the date of installation (generally not exceeding 30 days) or that its software media is free from material defects. Sales contracts for certain of the Company's medication packaging systems often include limited warranties for up to six months, but the periodic activity and ending warranty balances the Company records have historically been immaterial.

From time to time, the Company may also warrant that its professional services will be performed in a good and workmanlike manner or in a professional manner consistent with industry standards. The Company generally seeks to disclaim most warranties, including any implied or statutory warranties such as warranties of merchantability, fitness for a particular purpose, title, quality, and non-infringement, as well as any liability with respect to incidental, consequential, special, exemplary, punitive, or similar damages. In some states, such disclaimers may not be enforceable. If necessary, the Company would provide for the estimated cost of product and service warranties based on specific warranty claims and claim history. The Company has not been subject to any significant claims for such losses and has not incurred any material costs in defending or settling claims related to these indemnification obligations. Accordingly, the Company believes it is unlikely that the Company will be required to pay any material amounts pursuant to these indemnification obligations or potential warranty claims and, therefore, no material liabilities have been recorded for such indemnification obligations as of December 31, 2020 and 2019.

Note 14. Employee Benefits and Share-Based Compensation

Stock Purchase Plan

1997 Employee Stock Purchase Plan

The Company has an Employee Stock Purchase Plan ("ESPP"), under which employees can purchase shares of its common stock based on a percentage of their compensation, but not greater than 15% of their earnings; provided, however, an eligible employee's right to purchase shares of the Company's common stock may not accrue at a rate which exceeds \$25,000 of the fair market value of such shares for each calendar year in which such rights are outstanding. The purchase price per share must be equal to the lower of 85% of the fair value of the common stock at the beginning of a 24-month offering period or the end of each six-month purchasing period.

There was a total of 1.2 million shares reserved for future issuance under the ESPP as of December 31, 2020.

Stock Award Plans

2009 Equity Incentive Plan

The 2009 Equity Incentive Plan ("2009 Plan"), as amended, provides for the issuance of incentive stock options, RSAs, RSUs, PSUs, and other stock awards to the Company's employees, directors, and consultants. There were 5.9 million shares of common stock reserved for future issuance under the 2009 Plan as of December 31, 2020.

Options granted under the 2009 Plan generally become exercisable over periods of up to four years, with one-fourth of the shares vesting one year from the vesting commencement date with respect to initial grants, and the remaining shares vesting in 36 equal monthly installments thereafter. The exercise prices of the options is the fair market value of common stock on the date of grant. RSUs generally vest over periods of up to four years, with one-fourth of the shares vesting one year from the vesting commencement date with respect to initial grants, and the remaining shares vesting in 12 equal quarterly installments thereafter. Awards of restricted stock to non-employee directors are granted on the date of the annual meeting of stockholders and vest in full on the date of the next annual meeting of stockholders, provided such non-employee director remains a director on such date. The fair value of the awards on the date of issuance is amortized to expense from the date of grant to the date of vesting and are expensed ratably on a straight-line basis over the vesting period. PSUs granted to the Company's executives might include performance and market conditions. PSUs become eligible for vesting when certain market or performance conditions are met.

Share-Based Compensation Expense

The following table sets forth the total share-based compensation expense recognized in the Company's Consolidated Statements of Operations:

	Year Ended December 31,		
	2020	2019	2018
	(In thousands)		
Cost of product and service revenues	\$ 7,469	\$ 5,648	\$ 4,634
Research and development	6,497	6,604	5,746
Selling, general, and administrative	30,731	21,797	18,505
Total share-based compensation expense	<u>\$ 44,697</u>	<u>\$ 34,049</u>	<u>\$ 28,885</u>

The Company did not capitalize any share-based compensation as inventory as such amounts were not material for the years ended December 31, 2020 and 2019. Income tax benefits realized from share-based compensation were \$10.3 million, \$11.0 million, and \$6.5 million, for the years ended December 31, 2020, 2019, and 2018, respectively.

Stock Options and ESPP Shares

The following assumptions were used to value stock options and ESPP shares granted pursuant to the Company's equity incentive plans for the years ended December 31, 2020, 2019, and 2018:

	Year Ended December 31,		
	2020	2019	2018
Stock options			
Expected life, years	4.7	4.4	4.8
Expected volatility, %	39.4 %	33.7 %	31.1 %
Risk-free interest rate, %	0.7 %	2.0 %	2.8 %
Estimated forfeiture rate, %	5.7 %	7.2 %	6.9 %
Dividend yield, %	— %	— %	— %

	Year Ended December 31,		
	2020	2019	2018
Employee stock purchase plan shares			
Expected life, years	0.5 - 2.0	0.5 - 2.0	0.5 - 2.0
Expected volatility, %	30.4% - 53.5%	28.2% - 39.9%	28.1% - 33.8%
Risk-free interest rate, %	0.1% - 2.7%	1.3% - 2.7%	0.8% - 2.7%
Dividend yield, %	— %	— %	— %

Stock Options Activity

The following table summarizes the share option activity under the Company's 2009 Plan during the year ended December 31, 2020:

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Years	Aggregate Intrinsic Value
(In thousands, except per share data)				
Outstanding at December 31, 2019	3,902	\$ 52.75	7.7	\$ 113,198
Granted	1,351	78.83		
Exercised	(891)	42.67		
Expired	(19)	59.65		
Forfeited	(411)	66.65		
Outstanding at December 31, 2020	<u>3,932</u>	\$ 62.50	7.8	\$ 226,160
Exercisable at December 31, 2020	1,556	\$ 45.49	6.2	\$ 115,949
Vested and expected to vest at December 31, 2020 and thereafter	3,755	\$ 61.86	7.7	\$ 218,379

The weighted-average fair value per share of options granted during the years ended December 31, 2020, 2019, and 2018 was \$26.48, \$23.54, and \$17.22, respectively. The intrinsic value of options exercised during the years ended December 31, 2020, 2019, and 2018 was \$39.8 million, \$32.8 million, and \$20.1 million, respectively. The tax benefit realized from stock options exercised was \$7.1 million, \$6.3 million, and \$3.6 million, for the years ended December 31, 2020, 2019, and 2018, respectively.

As of December 31, 2020, total unrecognized compensation cost related to unvested stock options was \$52.7 million, which is expected to be recognized over a weighted-average vesting period of 2.8 years.

Employee Stock Purchase Plan Activity

For the years ended December 31, 2020 and 2019, employees purchased approximately 333,000 and 374,000 shares of common stock, respectively, under the ESPP at a weighted-average price of \$48.77 and \$41.44, respectively. As of December 31, 2020, the unrecognized compensation cost related to the shares to be purchased under the ESPP was approximately \$4.1 million and is expected to be recognized over a weighted-average period of 1.3 years.

Restricted Stock Units (RSUs) and Restricted Stock Awards (RSAs)

Summaries of the restricted stock activity under the 2009 Plan are presented below for the year ended December 31, 2020:

	Number of Shares	Weighted-Average Grant Date Fair Value	Weighted-Average Remaining Years	Aggregate Intrinsic Value
(In thousands, except per share data)				
Restricted stock units				
Outstanding at December 31, 2019	544	\$ 66.65	1.6	\$ 44,492
Granted (Awarded)	343	74.52		
Vested (Released)	(183)	61.30		
Forfeited	(124)	67.16		
Outstanding and unvested at December 31, 2020	<u>580</u>	\$ 72.87	1.6	\$ 69,670

The weighted-average grant date fair value per share of RSUs granted during the years ended December 31, 2020, 2019, and 2018 was \$74.52, \$78.49, and \$59.52, respectively. The total fair value of RSUs that vested in the years ended December 31, 2020, 2019, and 2018 was \$11.2 million, \$10.6 million, and \$7.9 million, respectively.

As of December 31, 2020, total unrecognized compensation cost related to RSUs was \$40.5 million, which is expected to be recognized over the remaining weighted-average vesting period of 3.1 years.

	Number of Shares	Weighted-Average Grant Date Fair Value
(In thousands, except per share data)		
Restricted stock awards		
Outstanding at December 31, 2019	17	\$ 81.92
Granted (Awarded)	21	68.11
Vested (Released)	(17)	81.92
Outstanding and unvested at December 31, 2020	21	\$ 68.11

The weighted-average grant date fair value per share of RSAs granted during the years ended December 31, 2020, 2019, and 2018 was \$68.11, \$81.86, and \$46.60, respectively. The total fair value of RSAs that vested in the years ended December 31, 2020, 2019, and 2018 was \$1.4 million, \$1.0 million, and \$1.0 million, respectively.

As of December 31, 2020, total unrecognized compensation cost related to RSAs was \$0.5 million, which is expected to be recognized over the remaining weighted-average vesting period of 0.4 years.

Performance-Based Restricted Stock Units (PSUs)

In 2019, the Company granted 61,098 PSUs to its executive officers, all of which became eligible for vesting upon the achievement of a certain level of shareholder return. In 2020, the Company granted 62,759 PSUs to its executive officers, all, none, or a portion of which may become eligible for vesting depending on the level of shareholder return for the period from March 1, 2020 through March 1, 2021.

The fair value of PSU awards to executive officers is determined using a Monte Carlo simulation model. The number of shares that vest at the end of the performance period depends on the percentile ranking of the total shareholder return for Omnicell stock over the performance period relative to the total shareholder return of each of the other companies in the NASDAQ Healthcare Index (the "Index").

For PSUs granted on February 13, 2020, stock price appreciation is calculated based on the trailing 20-day average stock price just prior to the first trading day of March 2020, compared to the trailing 20-day average stock price just prior to the first trading day of March 2021. For PSUs granted on February 13, 2019, stock price appreciation is calculated based on the trailing 20-day average stock price just prior to the first trading day of March 2019, compared to the trailing 20-day average stock price just prior to the first trading day of March 2020.

On March 5, 2019, the Compensation Committee confirmed the Company's total stockholder return at the 90th percentile rank of the Index. This resulted in 100% of the 2018 PSUs, or 110,432 shares, as eligible for further time-based vesting. The eligible PSUs will vest as follows: 25% of the shares vested immediately on March 5, 2019 with the remaining shares vesting on a semi-annual basis period of 36 months commencing on June 15, 2019. Vesting is contingent upon continued service. Of the 110,432 shares eligible for time-based vesting under the 2018 PSUs, 67,066 shares, net of forfeitures, have vested as of December 31, 2020.

On March 3, 2020, the Compensation Committee confirmed the Company's total stockholder return at the 70th percentile rank of the Index. This resulted in 100% of the 2019 PSUs, or 61,098 shares, as eligible for further time-based vesting. The eligible PSUs will vest as follows: 25% of the shares vested immediately on March 3, 2020 with the remaining shares vesting on a semi-annual basis period of 36 months commencing on June 15, 2020. Vesting is contingent upon continued service. Of the 61,098 shares eligible for time-based vesting under the 2019 PSUs, 30,548 shares, net of forfeitures, have vested as of December 31, 2020.

In addition to executive officers' PSU awards, from time to time, the Company may grant PSUs with specific performance and service conditions to certain employees on an ad hoc basis. Historically such grants have not been material.

A summary of the performance-based restricted stock activity under the 2009 Plan is presented below for the year ended December 31, 2020:

	Number of Shares	Weighted-Average Grant Date Fair Value Per Unit
	(In thousands, except per share data)	
Outstanding at December 31, 2019	134	\$ 55.82
Granted	99	82.17
Vested	(73)	50.54
Forfeited	(5)	81.72
Outstanding and unvested at December 31, 2020	155	\$ 74.26

The weighted-average grant date fair value per share of PSUs granted during the years ended December 31, 2020, 2019, and 2018 was \$82.17, \$73.38, and \$38.03, respectively. The total fair value of PSUs that vested in the years ended December 31, 2020, 2019, and 2018 was \$3.7 million, \$3.5 million, and \$3.2 million, respectively.

As of December 31, 2020, total unrecognized compensation cost related to PSUs was approximately \$5.6 million, which is expected to be recognized over the remaining weighted-average period of 1.4 years.

Summary of Shares Reserved for Future Issuance under Equity Incentive Plans

The Company had the following ordinary shares reserved for future issuance under its equity incentive plans as of December 31, 2020:

	Number of Shares
	(In thousands)
Share options outstanding	3,932
Non-vested restricted stock awards	756
Shares authorized for future issuance	1,250
ESPP shares available for future issuance	1,206
Total shares reserved for future issuance	7,144

401(k) Plan

The Company has established a pre-tax savings plan under Section 401(k) of the Internal Revenue Code of 1986, as amended. The 401(k) Plan allows eligible employees in the United States to voluntarily contribute a portion of their pre-tax salary, subject to a maximum limit specified in the Internal Revenue Code. The Company matches 50% of employee contributions up to \$3,000, annually. The Company's contributions under this plan were \$5.7 million, \$5.1 million, and \$4.6 million in the years ended December 31, 2020, 2019, and 2018, respectively.

Note 15. Stock Repurchase Program

On August 2, 2016, the Company's Board of Directors (the "Board") authorized a stock repurchase program providing for the repurchase of up to \$50.0 million of the Company's common stock (the "2016 Repurchase Program"). The 2016 Repurchase Program is in addition to the stock repurchase program approved by the Board on November 4, 2014 providing for the repurchase of up to \$50.0 million of the Company's common stock (the "2014 Repurchase Program"). As of December 31, 2020, the maximum dollar value of shares that may yet be purchased under the two repurchase programs was \$54.9 million.

The timing, price, and volume of repurchases are to be based on market conditions, relevant securities laws, and other factors. The stock repurchases may be made from time to time on the open market, in privately negotiated transactions, or pursuant to a Rule 10b-18 plan, subject to the terms and conditions of that certain A&R Credit Agreement, as amended. The stock repurchase programs do not obligate the Company to repurchase any specific number of shares, and the Company may terminate or suspend the repurchase programs at any time.

On September 17, 2020, the Board authorized a one-time stock repurchase transaction providing for the repurchase of up to \$75.0 million of the Company's common stock in privately negotiated transactions concurrently with the issuance of the Notes, described in Note 10, *Convertible Senior Notes*. In September 2020, the Company repurchased 749,300 shares of its common stock from purchasers of the Notes in the offering in privately negotiated transactions effected through one of the

initial purchasers or its affiliate at an average price of \$70.78 per share for an aggregate purchase price of approximately \$53.0 million. There will be no further repurchases under this one-time authorization.

During the years ended December 31, 2020, 2019, and 2018, the Company did not repurchase any of its outstanding common stock, including under the 2014 Repurchase Program or the 2016 Repurchase Program, other than the separately-authorized one-time stock repurchase concurrent with the offering of the Notes in September 2020.

Note 16. Equity Offerings

On November 3, 2017, the Company entered into a Distribution Agreement (the “Distribution Agreement”) with J.P. Morgan Securities LLC, Wells Fargo Securities, LLC, and HSBC Securities (USA) Inc., as its sales agents, pursuant to which the Company was able to offer and sell from time to time through the sales agents up to \$125.0 million maximum aggregate offering price of the Company’s common stock. Sales of the common stock pursuant to the Distribution Agreement may be made in negotiated transactions or transactions that are deemed to be “at the market” offerings as defined in Rule 415 under the Securities Act of 1933, including sales made directly on the Nasdaq Stock Market, or sales made to or through a market maker other than on an exchange.

For the year ended December 31, 2018, the Company received gross proceeds of \$40.3 million from sales of its common stock under the Distribution Agreement and incurred issuance costs of \$0.7 million on sales of approximately 557,000 shares of its common stock at an average price of approximately \$72.40 per share.

For the year ended December 31, 2019, the Company received gross proceeds of \$38.5 million from sales of its common stock under the Distribution Agreement and incurred issuance costs of \$0.7 million on sales of approximately 460,000 shares of its common stock at an average price of approximately \$83.81 per share.

For the year ended December 31, 2020, the Company did not sell any of its common stock under the Distribution Agreement.

The registration statement under which the shares that could have been sold pursuant to the Distribution Agreement expired on November 3, 2020, and, accordingly, no additional sales will be made pursuant to the Distribution Agreement.

Note 17. Income Taxes

The following is a geographical breakdown of income (loss) before the provision for income taxes:

	Year Ended December 31,		
	2020	2019	2018
	(In thousands)		
Domestic	\$ 34,714	\$ 81,641	\$ 46,528
Foreign	(5,365)	(7,708)	(10,912)
Income (loss) before provision for income taxes	<u>\$ 29,349</u>	<u>\$ 73,933</u>	<u>\$ 35,616</u>

The provision for (benefit from) income taxes consisted of the following:

	Year Ended December 31,		
	2020	2019	2018
	(In thousands)		
Current:			
Federal	\$ 1,874	\$ 8,006	\$ 1,404
State	1,733	4,549	1,832
Foreign	647	1,240	768
Total current income taxes	<u>4,254</u>	<u>13,795</u>	<u>4,004</u>
Deferred:			
Federal	(3,868)	(1,292)	5,455
State	(2,494)	(1,609)	(909)
Foreign	(737)	1,701	(10,663)
Total deferred income taxes	<u>(7,099)</u>	<u>(1,200)</u>	<u>(6,117)</u>
Total provision for (benefit from) income taxes	<u>\$ (2,845)</u>	<u>\$ 12,595</u>	<u>\$ (2,113)</u>

The provision for (benefit from) income taxes differs from the amount computed by applying the statutory federal tax rate as follows:

	Year Ended December 31,		
	2020	2019	2018
	(In thousands)		
U.S. federal tax provision at statutory rate	\$ 6,163	\$ 15,525	\$ 7,479
State taxes	(601)	2,258	651
Section 162(m) limitation	2,550	2,279	738
Non-deductible expenses	325	619	686
Uncertain tax positions	(394)	(2,472)	(412)
Share-based compensation tax benefit	(6,929)	(7,892)	(4,005)
Research tax credits	(4,038)	(3,805)	(3,230)
Restructuring impact	—	7,432	(4,205)
Foreign derived intangible income deduction	(204)	(449)	(349)
Foreign rate differential	(102)	(1,424)	561
Other	385	524	(27)
Total provision for (benefit from) income taxes	<u>\$ (2,845)</u>	<u>\$ 12,595</u>	<u>\$ (2,113)</u>

As a result of global operational centralization activities during the year ended December 31, 2018, the Company recognized \$4.2 million of tax benefit associated with making a check-the-box election to treat Aesynt Holding Coöperatief U.A. (Netherlands) as the U.S. disregarded entity beginning in the first quarter of 2018. Subsequently, during the year ended December 31, 2019, the Company recognized gain on the sale of certain intellectual property rights by Aesynt B.V. to Omnicell, Inc. and by Mach4 Automatisierungstechnik GmbH ("Mach4") to Omnicell, Inc., which resulted in a tax expense, net of tax benefit, of \$7.4 million. As the Company continued with global operational centralization activities during the year ended December 31, 2020, Aesynt B.V. merged with and into Aesynt Holding B.V., with Aesynt Holding B.V. surviving and changing its name to Omnicell B.V., Aesynt Holding Coöperatief U.A. liquidated into Omnicell, Inc., and Omnicell GmbH merged with and into Mach4, with Mach4 surviving and changing its name to Omnicell GmbH. During the year ended December 31, 2020, the Company also recognized a gain on Omnicell Limited's transferring shares of Omnicell GmbH to Omnicell International, LLC, which resulted in an immaterial tax expense.

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") was signed into law in response to the COVID-19 pandemic. The CARES Act, among other provisions, includes provisions related to refundable payroll tax credits, deferral of the employer portion of certain payroll taxes, net operating losses carryback periods, alternative minimum tax credit refunds, modification to the net interest expense deduction limitation, and technical amendments to tax depreciation methods for qualified improvement property placed in service after December 31, 2017. The provisions of the CARES Act did not have a material impact on the Company's income taxes.

Significant components of the Company's deferred tax assets (liabilities) were as follows:

	December 31,	
	2020	2019
(In thousands)		
Deferred tax assets (liabilities):		
Deferred revenues	\$ 5,910	\$ 4,129
Share-based compensation	8,094	6,483
Inventory-related items	4,953	3,507
Tax credit carryforwards	12,105	13,472
Reserves and accruals	8,160	5,712
Loss carryforwards	8,461	9,484
Lease liability	15,465	15,471
Other, net	1,578	543
Gross deferred tax assets	64,726	58,801
Valuation allowance	(1,199)	(1,186)
Total net deferred tax assets	63,527	57,615
Intangibles	(22,010)	(18,941)
Depreciation and amortization	(36,528)	(35,941)
Prepaid expenses	(15,654)	(13,395)
Right-of-use assets	(13,949)	(14,286)
Total deferred tax liabilities	(88,141)	(82,563)
Net deferred tax liabilities	\$ (24,614)	\$ (24,948)

Deferred income tax assets (liabilities) are provided for temporary differences that will result in future tax deductions or future taxable income, as well as the future benefit of tax credit carryforwards. The Company recognizes deferred tax assets to the extent that it believes these assets are more likely than not to be realized. In making such a determination, the Company considers all available positive and negative evidence, including future reversals of existing temporary differences, projected future taxable income, tax planning strategies, and results of recent operations. On the basis of this evaluation, as of December 31, 2020, \$1.2 million of valuation allowance was recorded on certain foreign net operating losses carried forward, as the Company believes that such deferred tax assets are not more likely than not to be realized.

As of December 31, 2020, the Company had \$6.0 million of state net operating loss carryforwards expiring at various dates beginning in 2024, and \$29.7 million of foreign net operating losses carried forward indefinitely. For income tax purposes, the Company has federal and California research tax credits carryforwards of \$1.3 million and \$17.0 million, respectively. Federal research tax credit carryforwards from prior years will begin to expire in 2035. California credits are available indefinitely to reduce cash taxes payable.

It is the Company's practice and intention to reinvest the earnings of its non-U.S. subsidiaries in those operations. As of December 31, 2020, the Company has not made a provision for U.S. federal income, withholding, and state income taxes on the outside basis difference related to certain foreign subsidiaries because earnings are intended to be indefinitely reinvested in operations outside the U.S.

The Company files income tax returns in the United States and various state and foreign jurisdictions. In the normal course of business, the Company is subject to examination by taxing authorities, including major jurisdictions such as the United States, Germany, Italy, Netherlands, and the United Kingdom. With few exceptions, as of December 31, 2020, the Company was no longer subject to U.S., state, and foreign examination for years before 2017, 2016, and 2016, respectively.

The aggregate change in the balance of gross unrecognized tax benefits, which excludes interest and penalties, for the three years ended December 31, 2020 was as follows:

	(In thousands)
Balance as of December 31, 2017	\$ 10,741
Increases related to tax positions taken during a prior period	19
Decreases related to tax positions taken during the prior period	(1,257)
Increases related to tax positions taken during the current period	870
Decreases related to settlements	—
Decreases related to expiration of statute of limitations	(412)
Balance as of December 31, 2018	9,961
Increases related to tax positions taken during a prior period	10
Decreases related to tax positions taken during the prior period	(6)
Increases related to tax positions taken during the current period	9,282
Decreases related to settlements	—
Decreases related to expiration of statute of limitations	(2,472)
Balance as of December 31, 2019	16,775
Increases related to tax positions taken during a prior period	88
Decreases related to tax positions taken during the prior period	—
Increases related to tax positions taken during the current period	2,294
Decreases related to settlements	—
Decreases related to expiration of statute of limitations	(911)
Balance as of December 31, 2020	\$ 18,246

The total amounts of gross unrecognized tax benefit that, if realized, would favorably affect the Company's effective income tax rate in future periods, was \$18.2 million and \$16.8 million as of December 31, 2020 and 2019, respectively. The Company recognizes interest and/or penalties related to uncertain tax positions in interest and other income (expense), net in the Consolidated Statements of Operations, accruing \$0.4 million, \$0.5 million, and \$0.5 million for the years ended December 31, 2020, 2019, and 2018, respectively. Accrued interest and penalties are included within other long-term liabilities on the Consolidated Balance Sheets. The combined amount of cumulative accrued interest and penalties was approximately \$1.4 million, \$1.0 million, and \$1.4 million for the years ended December 31, 2020, 2019, and 2018, respectively. The Company does not believe there will be any significant changes in its unrecognized tax positions over the next twelve months.

Note 18. Restructuring Expenses

In the first quarter of 2020, the Company announced a company-wide organizational realignment initiative in order to more effectively align its organizational infrastructure and operations with the strategic vision of the autonomous pharmacy. In the second quarter of 2020, the Company continued its organizational realignment initiative, as well as initiated a restructuring plan to help mitigate the adverse impact of the COVID-19 pandemic on its business and financial results. During the year ended December 31, 2020, the Company incurred and accrued \$10.0 million of employee severance costs and related expenses. As of December 31, 2020, the unpaid balance related to this restructuring plan was \$0.6 million.

In the fourth quarter of 2018, the Company announced a company-wide organizational realignment initiative in order to align its organizational infrastructure for future expected growth. During the year ended December 31, 2018, the Company accrued and paid out \$1.3 million of restructuring expenses, which includes severance and consulting-related expenses.

On March 2, 2018, the Company initiated the realignment of its Automation and Analytics commercial group in North America and France. During the year ended December 31, 2018, the Company accrued and paid out \$3.0 million of employee severance costs and related expenses.

The following table summarizes the total restructuring expenses recognized in the Company's Consolidated Statements of Operations for the years ended December 31, 2020, 2019, and 2018:

	Year Ended December 31,		
	2020	2019	2018
	(In thousands)		
Cost of product and service revenues	\$ 2,564	\$ —	\$ 186
Research and development	3,716	—	—
Selling, general, and administrative	3,681	—	4,160
Total restructuring expenses	<u>\$ 9,961</u>	<u>\$ —</u>	<u>\$ 4,346</u>

SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS

	Balance at Beginning of Period ⁽¹⁾	Charged (Credited) to Costs and Expenses ⁽²⁾	Debited (Credited) to Other Accounts ⁽³⁾	Amounts Written Off ⁽⁴⁾	Other Adjustments ⁽⁵⁾	Balance at End of Period ⁽¹⁾
(In thousands)						
Year ended December 31, 2018						
Accounts receivable and unbilled receivables	\$ 5,738	\$ (127)	\$ 12	\$ (3,010)	\$ (31)	\$ 2,582
Long-term unbilled receivables	—	—	—	—	—	—
Net investment in sales-type leases	192	10	12	—	—	214
Total allowances deducted from assets	<u>\$ 5,930</u>	<u>\$ (117)</u>	<u>\$ 24</u>	<u>\$ (3,010)</u>	<u>\$ (31)</u>	<u>\$ 2,796</u>
Year ended December 31, 2019						
Accounts receivable and unbilled receivables	\$ 2,582	\$ 2,488	\$ —	\$ (1,986)	\$ 143	\$ 3,227
Long-term unbilled receivables	—	—	—	—	—	—
Net investment in sales-type leases	214	11	—	—	—	225
Total allowances deducted from assets	<u>\$ 2,796</u>	<u>\$ 2,499</u>	<u>\$ —</u>	<u>\$ (1,986)</u>	<u>\$ 143</u>	<u>\$ 3,452</u>
Year ended December 31, 2020						
Accounts receivable and unbilled receivables	\$ 3,227	\$ 1,095	\$ —	\$ (535)	\$ 499	\$ 4,286
Long-term unbilled receivables	—	—	—	—	30	30
Net investment in sales-type leases	225	40	—	—	—	265
Total allowances deducted from assets	<u>\$ 3,452</u>	<u>\$ 1,135</u>	<u>\$ —</u>	<u>\$ (535)</u>	<u>\$ 529</u>	<u>\$ 4,581</u>

⁽¹⁾ Allowance for credit losses.

⁽²⁾ Represents amounts charged and credited for provisions for credit losses.

⁽³⁾ Represents amounts debited to receivables as recoveries, increasing the allowance.

⁽⁴⁾ Represents amounts written off from the allowance and receivable.

⁽⁵⁾ Represents other adjustments, such as foreign currency translation, adoption of new accounting guidance, and purchase price accounting adjustments in connection with acquisitions.

INDEX TO EXHIBITS

Exhibit Number	Exhibit Description	Incorporated By Reference			
		Form	File No.	Exhibit	Filing Date
2.1	Securities Purchase Agreement, dated October 29, 2015, by and among Omnicell International, Inc., Omnicell, Inc., Aesynt Holding, L.P., Aesynt, Ltd., and Aesynt Holding Coöperatief U.A.	8-K	000-33043	2.1	10/29/2015
2.2	Stock Purchase Agreement, dated November 28, 2016, among Omnicell, Inc., Ateb, Inc., Ateb Canada Ltd., the related stockholders and optionholders, and the stockholders' agent	8-K	000-33043	2.1	11/29/2016
2.3	Equity Purchase Agreement, dated August 11, 2020, by and among Omnicell, Inc., PSGH, LLC, BW Apothecary Holdings, LLC, the sellers identified therein and the sellers' representative	8-K	000-33043	2.1	8/12/2020
2.4	Amendment No. 1, dated October 1, 2020, to Equity Purchase Agreement, by and among Omnicell, Inc. and the sellers' representative	10-Q	000-33043	2.2	10/30/2020
3.1	Amended and Restated Certificate of Incorporation of Omnicell, Inc.	10-Q	000-33043	3.1	9/20/2001
3.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Omnicell, Inc.	10-Q	000-33043	3.2	8/9/2010
3.3	Certificate of Designation of Series A Junior Participating Preferred Stock	10-K	000-33043	3.2	3/28/2003
3.4	Second Amended and Restated Bylaws of Omnicell, Inc.	8-K	000-33043	3.1	8/12/2020
4.1	Reference is made to Exhibits 3.1, 3.2, 3.3, and 3.4				
4.2	Form of Common Stock Certificate	S-1/A	333-57024	4.1	7/24/2001
4.3	Description of Omnicell, Inc.'s Securities Registered Pursuant to Section 12 of the Exchange Act	10-K	000-33043	4.7	2/26/2020
4.4	Indenture, dated as of September 25, 2020, by and between Omnicell, Inc. and U.S. Bank National Association, as Trustee	8-K	000-33043	4.1	9/25/2020
4.5	Form of Global Note, representing Omnicell, Inc.'s 0.25% Convertible Senior Notes due 2025 (included as Exhibit A to the Indenture filed as Exhibit 4.4)	8-K	000-33043	4.2	9/25/2020
10.1*	Amended and Restated 1997 Employee Stock Purchase Plan, as amended	S-8	333-205465	99.2	7/2/2015
10.2*	2009 Equity Incentive Plan, as amended	S-8	333-231669	99.1	5/22/2019
10.3*	Form of Restricted Stock Unit Grant Notice and Form of Restricted Stock Unit Award Agreement for 2009 Equity Incentive Plan, as amended	10-K	000-33043	10.17	3/11/2011
10.4*	Form of Restricted Stock Unit Award Agreement for the 2009 Equity Incentive Plan, as amended	10-Q	000-33043	10.4	8/9/2012
10.5*	Form of Performance Cash Award Grant Notice and Form of Performance Cash Award Agreement for the 2009 Equity Incentive Plan, as amended	10-Q	000-33043	10.5	8/9/2012
10.6*	Form of Restricted Stock Bonus Grant Notice and Form of Restricted Stock Bonus Agreement for 2009 Equity Incentive Plan, as amended	S-8	333-225179	99.4	5/24/2018
10.7*	Form of Option Grant Notice and Form of Option Agreement for 2009 Equity Incentive Plan, as amended	8-K	000-33043	10.1	3/8/2019
10.8*	Form of Option Grant Notice and Form of Global Option Agreement for 2009 Equity Incentive Plan, as amended	10-Q	000-33043	10.1	7/31/2020

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Exhibit Number	Exhibit Description	Incorporated By Reference			
		Form	File No.	Exhibit	Filing Date
10.9*+	Form of Restricted Stock Unit Grant Notice and Form of Global Restricted Stock Unit Award Agreement for 2009 Equity Incentive Plan, as amended (July 2020)				
10.10*+	Form of Restricted Stock Unit Grant Notice and Form of Global Restricted Stock Unit Award Agreement for 2009 Equity Incentive Plan, as amended (February 2021)				
10.11*	Omnicell, Inc. 2010 Quarterly Executive Bonus Plan	8-K	000-33043	10.1	3/17/2010
10.12*	Omnicell, Inc. Amended and Restated Severance Benefit Plan effective as of March 7, 2017	10-Q	000-33043	10.1	5/5/2017
10.13*	Omnicell, Inc. Board of Directors Compensation Plan	10-K	000-33043	10.34	2/26/2020
10.14*	Form of Director and Officer Indemnity Agreement	S-1	333-57024	10.12	3/14/2001
10.15*	Amended and Restated Executive Officer Change of Control Agreement	10-Q	000-33043	10.4	11/6/2015
10.16*	Employment Agreement, dated October 31, 2003, between Omnicell, Inc. and Dan S. Johnston	10-K	000-33043	10.26	3/8/2004
10.17*	Addendum to Offer Letter, dated December 30, 2010, between Omnicell, Inc. and Dan S. Johnston	10-K	000-33043	10.14	3/11/2011
10.18*	Employment Agreement, dated October 17, 2008, between Omnicell, Inc. and Nhat H. Ngo	10-K	000-33043	10.29	2/24/2009
10.19*	Offer letter between Omnicell, Inc. and Peter J. Kuipers dated August 11, 2015	10-Q	000-33043	10.3	11/6/2015
10.20*	Offer Letter between Omnicell, Inc. and Scott P. Seidelmann, dated March 29, 2018	10-K	000-33043	10.41	2/27/2019
10.21	Lease Agreement, dated October 20, 2011, between Middlefield Station Associates, LLC and Omnicell, Inc.	10-K	000-33043	10.9	3/8/2012
10.22+	First Amendment to Lease, dated September 28, 2012, by and between Middlefield Station Associates, LLC and Omnicell, Inc.				
10.23	Lease Agreement, dated December 21, 2001, by and between TC Northeast Metro, Inc. and Aesynt Incorporated (formerly McKesson Automation Inc.)	10-Q	000-33043	10.3	5/6/2016
10.24+	First Amendment to Lease, dated April 8, 2005, by and between Multi-Employer Property Trust and Aesynt Incorporated (formerly McKesson Automation Inc.)				
10.25+	Second Amendment to Lease, dated April 21, 2008, by and between NewTower Trust Company Multi-Employer Property Trust and Aesynt Incorporated (formerly McKesson Automation Inc.)				
10.26+	Third Amendment to Lease, dated January 11, 2011, between Cranberry Cochran Road, L.P., et al. and Aesynt Incorporated (formerly McKesson Automation Inc.)				
10.27+	Fourth Amendment to Lease, dated October 29, 2013, between McKnight Cranberry III, L.P. and Aesynt Incorporated (formerly McKesson Automation Inc.)				
10.28	Fifth Amendment to Lease, dated April 28, 2017, between McKnight Cranberry III, L.P. and Aesynt Incorporated	10-Q	000-33043	10.3	5/5/2017
10.29	Sixth Amendment to Lease, dated November 11, 2019, between McKnight Cranberry III, L.P. and Aesynt Incorporated	10-K	000-33043	10.39	2/26/2020

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Exhibit Number	Exhibit Description	Incorporated By Reference			
		Form	File No.	Exhibit	Filing Date
10.30	Distribution Agreement, dated November 3, 2017, among Omnicell, Inc. and J.P. Morgan Securities LLC, Wells Fargo Securities, LLC, and HSBC Securities (USA) Inc.	8-K	000-33043	1.1	11/3/2017
10.31	Amended and Restated Credit Agreement, dated as of November 15, 2019, by and among Omnicell, Inc., the lenders party thereto, and Wells Fargo Bank, National Association, as administrative agent	8-K	000-33043	10.1	11/18/2019
10.32	First Amendment to Amended and Restated Credit Agreement, dated as of September 22, 2020, by and among Omnicell, Inc., the subsidiary guarantors party thereto, the lenders party thereto, and Wells Fargo Bank, National Association, as administrative agent	8-K	000-33043	10.1	9/22/2020
10.33	Form of Convertible Note Hedge Confirmation	8-K	000-33043	10.1	9/25/2020
10.34	Form of Warrant Confirmation	8-K	000-33043	10.2	9/25/2020
21.1 ⁺	Subsidiaries of the Registrant				
23.1 ⁺	Consent of Independent Registered Public Accounting Firm				
24.1 ⁺	Power of Attorney (included on the signature pages hereto)				
31.1 ⁺	Certification of Chief Executive Officer, as required by Rule 13a-14(a) or Rule 15d-14(a)				
31.2 ⁺	Certification of Chief Financial Officer, as required by Rule 13a-14(a) or Rule 15d-14(a)				
32.1 ⁺	Certification of Chief Executive Officer and Chief Financial Officer, as required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350)				
101.INS ⁺	Inline XBRL Instance Document - The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.				
101.SCH ⁺	Inline XBRL Taxonomy Extension Schema Document				
101.CAL ⁺	Inline XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF ⁺	Inline XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB ⁺	Inline XBRL Taxonomy Extension Labels Linkbase Document				
101.PRE ⁺	Inline XBRL Taxonomy Extension Presentation Linkbase Document				
104 ⁺	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101).				

* Indicates a management contract, compensation plan, or arrangement.

+ Filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 24, 2021

OMNICELL, INC.

By: /s/ PETER J. KUIPERS

Peter J. Kuipers,
Executive Vice President & Chief Financial Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each of the persons whose signature appears below hereby constitutes and appoints Randall A. Lipps and Peter J. Kuipers, each of them acting individually, as his or her attorney-in-fact, each with the full power of substitution, for him or her in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming our signatures as they may be signed by our said attorney-in-fact and any and all amendments to this Annual Report on Form 10-K.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ RANDALL A. LIPPS</u> Randall A. Lipps	Chief Executive Officer, President and Chairman of the Board (Principal Executive Officer)	February 24, 2021
<u>/s/ PETER J. KUIPERS</u> Peter J. Kuipers	Executive Vice President & Chief Financial Officer (Principal Financial Officer)	February 24, 2021
<u>/s/ JOSEPH B. SPEARS</u> Joseph B. Spears	Senior Vice President, Chief Accounting Officer and Corporate Controller (Principal Accounting Officer)	February 24, 2021
<u>/s/ JOANNE B. BAUER</u> Joanne B. Bauer	Director	February 24, 2021
<u>/s/ JAMES T. JUDSON</u> James T. Judson	Director	February 24, 2021
<u>/s/ VANCE B. MOORE</u> Vance B. Moore	Director	February 24, 2021
<u>/s/ MARK W. PARRISH</u> Mark W. Parrish	Director	February 24, 2021
<u>/s/ ROBIN G. SEIM</u> Robin G. Seim	Director	February 24, 2021
<u>/s/ BRUCE E. SCOTT</u> Bruce E. Scott	Director	February 24, 2021
<u>/s/ BRUCE D. SMITH</u> Bruce D. Smith	Director	February 24, 2021
<u>/s/ SARA J. WHITE</u> Sara J. White	Director	February 24, 2021

**Restricted Stock Unit
Grant Notice**

Omnicell, Inc.
590 E. Middlefield,
Mountain View, CA 94043

Name: _____ Employee ID: _____

You have been granted a Restricted Stock Unit Award in Omnicell, Inc. Common Stock as follows:

- Type of Award: Restricted Stock Unit (RSU)
- Grant No.:
- Equity Incentive Plan: 2009 Equity Incentive Plan
- Date of Grant:
- Shares Subject to Award:
- Fair Market Value per Unit:
- Total Price of Stock Unit:

Vesting Date	Number of Shares Vesting on Vesting Date

Delivery Schedule: Pursuant to Section 6 of the 2009 Equity Incentive Plan Global Restricted Stock Unit Award Agreement (the “Restricted Stock Unit Award Agreement”), the Company shall deliver on each vesting date one share of Common Stock for each Stock Unit which vests on such date, less any shares to be withheld pursuant to Section 10 of such Global Restricted Stock Unit Award Agreement.

By your acceptance of this Restricted Stock Unit Grant, you agree that this award is granted under and governed by the terms and conditions of this Grant Notice, Omnicell, Inc.’s 2009 Equity Incentive Plan (as amended from time to time) (the “Plan”) and by the terms and conditions of the Global Restricted Stock Unit Award Agreement which is attached hereto.

You understand and agree that as of the Date of Grant, this Grant Notice, the Global Restricted Stock Unit Award Agreement and the Plan set forth the entire understanding between you and Omnicell, Inc. regarding the grant set forth herein, and the underlying Common Stock, and supersede all prior oral and written agreements on that subject.

Chief Financial Officer

Attachment: Global Restricted Stock Unit Award Agreement

Omnicell, Inc.
2009 Equity Incentive Plan

Global Restricted Stock Unit Award Agreement

**Amended by the Compensation Committee
of the Board of Directors: July 22, 2020**

Pursuant to the Restricted Stock Unit Grant Notice (“**Grant Notice**”) and this Global Restricted Stock Unit Award Agreement, including any country-specific appendix thereto (the “**Appendix**” and collectively, the “**Agreement**”) and in consideration of your services, Omnicell, Inc. (the “**Company**”) has awarded you a Restricted Stock Unit Award (the “**Award**”) under its 2009 Equity Incentive Plan (the “**Plan**”). Your Award is granted to you effective as of the Date of Grant set forth in the Grant Notice for this Award. This Agreement shall be deemed to be agreed to by the Company and you upon the acceptance by you of the Grant Notice to which it is attached. Defined terms not explicitly defined in this Agreement shall have the same meanings given to them in the Plan. In the event of any conflict between the terms in this Agreement and the Plan, the terms of the Plan shall control. The details of your Award, in addition to those set forth in the Grant Notice and the Plan, are as follows.

1. Grant of the Award. This Award represents the right to be issued on a future date the number of shares of the Company’s Common Stock as indicated in the Grant Notice. As of the Date of Grant, the Company will credit to a bookkeeping account maintained by the Company for your benefit (the “**Account**”) the number of shares of Common Stock subject to the Award. This Award was granted in consideration of your future services to the Company or an Affiliate. Except as otherwise provided herein, you will not be required to make any payment to the Company (other than services to the Company or an Affiliate) with respect to your receipt of the Award, the vesting of the shares or the delivery of the underlying Common Stock.

2. Vesting. Subject to the limitations contained herein, your Award will vest, if at all, in accordance with the vesting schedule provided in the Grant Notice, provided that vesting will cease upon the termination of your Continuous Service. For purposes of your Award, a termination of your Continuous Service will be deemed to have occurred as of the date you are no longer actively providing services to the Company or an Affiliate (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where you are employed or otherwise rendering services, or the terms of your employment or other service agreement, if any). Your employment or service relationship will not be extended by any notice period (e.g., your period of service will not be extended by any contractual notice period or any period of “garden leave” or similar period mandated under employment laws in the jurisdiction where you are employed or otherwise rendering services, or the terms of your employment or service agreement, if any). The Committee shall have the exclusive discretion to determine when you are no longer providing Continuous Services for purposes of your Award (including whether you may still be considered to be providing services while on a leave of absence). Upon such termination of your Continuous Service, the shares

credited to the Account that were not vested on the date of such termination will be forfeited at no cost to the Company and you will have no further right, title or interest in or to such underlying shares of Common Stock. For the avoidance of doubt, service during any portion of the vesting period shall not entitle you to vest in a pro rata portion of the Award.

3. Number of Shares.

(a) The number of shares subject to your Award may be adjusted from time to time for Capitalization Adjustments, as provided in the Plan.

(b) Any shares, cash or other property that becomes subject to the Award pursuant to this Section 3, if any, shall be subject, in a manner determined by the Board, to the same forfeiture restrictions, restrictions on transferability, and time and manner of delivery as applicable to the other shares covered by your Award.

(c) Notwithstanding the provisions of this Section 3, no fractional shares or rights for fractional shares of Common Stock shall be created pursuant to this Section 3. The Board shall, in its discretion, determine an equivalent benefit for any fractional shares or fractional shares that might be created by the adjustments referred to in this Section 3.

4. Compliance with Law. You may not be issued any shares under your Award unless either (i) the shares are registered under the Securities Act; or (ii) the Company has determined that such issuance would be exempt from the registration requirements of the Securities Act. Your Award also must comply with other applicable securities and exchange control laws and regulations relevant to the Company and the offer of the RSUs and the underlying shares of Common Stock, and you will not receive such shares if the Company determines that such receipt would not be in material compliance with such laws and regulations. You understand that the Company is under no obligation to register or qualify the shares of Common Stock with the SEC or any state or non-U.S. securities commission or to seek approval or clearance from any governmental authority for the issuance or sale of the shares of Common Stock. Further, you agree that the Company shall have unilateral authority to amend this Agreement without your consent, to the extent necessary to comply with securities or other laws applicable to the issuance of shares of Common Stock.

5. Limitations on Transfer. Your Award is not transferable, except by will or by applicable laws of descent and distribution. In addition to any other limitation on transfer created by applicable securities laws, you agree not to assign, hypothecate, donate, encumber or otherwise dispose of any interest in any of the shares of Common Stock subject to the Award until the shares are issued to you in accordance with Section 6 of this Agreement. After the shares have been issued to you, you are free to assign, hypothecate, donate, encumber or otherwise dispose of any interest in such shares provided that any such actions are in compliance with the provisions herein and applicable securities laws. Notwithstanding the foregoing and to the extent permitted by applicable laws, (i) by delivering written notice to the Company, in a form satisfactory to the Company, you may designate a third party who, in the event of your death, shall thereafter be entitled to receive any distribution of Common Stock to which you

were entitled at the time of your death pursuant to this Agreement or (ii) upon receiving written permission from the Board or its duly authorized designee, and provided that you and the designated transferee enter into transfer and other agreements required by the Company, you may transfer your right to receive the distribution of Common Stock or other consideration hereunder, pursuant to a domestic relations order or marital settlement agreement that contains the information required by the Company to effectuate the transfer. You are encouraged to discuss the proposed terms of any division of this Award with the Company General Counsel prior to finalizing the domestic relations order or marital settlement agreement to verify that you may make such transfer, and if so, to help ensure the required information is contained within the domestic relations order or marital settlement agreement.

6. Date of Issuance. The Company will deliver to you a number of shares of the Company's Common Stock equal to the number of vested shares subject to your Award, including any additional shares received pursuant to Section 3 above that relate to those vested shares on the applicable vesting date(s). However, if a scheduled delivery date falls on a date that is not a U.S. business day, such delivery date shall instead fall on the next following U.S. business day. The form of such delivery (e.g., a stock certificate or electronic entry evidencing such shares) shall be determined by the Company.

7. Dividends. You shall receive no benefit or adjustment to your Award with respect to any cash dividend, stock dividend or other distribution that does not result from a Capitalization Adjustment as provided in Section 9(a) of the Plan; provided, however, that this sentence shall not apply with respect to any shares of Common Stock that are delivered to you in connection with your Award after such shares have been delivered to you.

8. Restrictive Legends. The shares issued under your Award shall be endorsed with appropriate legends determined by the Company.

9. Award not a Service Contract.

(a) Your Continuous Service with the Company or an Affiliate is not for any specified term and may be terminated by you or by the Company or an Affiliate at any time, for any reason. Nothing in this Agreement (including, but not limited to, the vesting of your Award pursuant to the schedule set forth in Section 2 herein or the issuance of the shares subject to your Award), the Plan or any covenant of good faith and fair dealing that may be found implicit in this Agreement or the Plan shall: (i) confer upon you any right to continue in the employ of, or affiliation with, the Company or an Affiliate; (ii) constitute any promise or commitment by the Company or an Affiliate regarding the fact or nature of future positions, future work assignments, future compensation or any other term or condition of employment or affiliation; (iii) confer any right or benefit under this Agreement or the Plan unless such right or benefit has specifically accrued under the terms of this Agreement or Plan; or (iv) deprive the Company or an Affiliate of the right to terminate you and without regard to any future vesting opportunity that you may have.

(b) By accepting this Award, you acknowledge and agree that the right to continue vesting in the Award pursuant to the schedule set forth in Section 2 is earned only by continuing to provide Continuous Service (not through the act of being hired, being granted this Award or any other award or benefit) and that the Company has the right to reorganize, sell, spin-out or otherwise restructure one or more of its businesses or Affiliates at any time or from time to time, as it deems appropriate (a “reorganization”). You further acknowledge and agree that such a reorganization could result in the termination of your Continuous Service, or the termination of Affiliate status of your employer and the loss of benefits available to you under this Agreement, including but not limited to, the termination of the right to continue vesting in the Award. You further acknowledge and agree that this Agreement, the Plan, the transactions contemplated hereunder and the vesting schedule set forth herein or any covenant of good faith and fair dealing that may be found implicit in any of them do not constitute an express or implied promise of continued engagement for the term of this Agreement, for any period, or at all, and shall not interfere in any way with your right or the Company’s right to terminate your Continuous Service at any time.

(c) No claim or entitlement to compensation or damages shall arise from forfeiture of the Awards resulting from the termination of your Continuous Service (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where you are employed or the terms of your employment agreement, if any).

10. Responsibility for Taxes.

(a) You acknowledge that, regardless of any action taken by the Company or, if different, the Affiliate employing or otherwise retaining your services (the “**Employer**”), the ultimate liability for all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to your participation in the Plan and legally applicable to you (“**Tax-Related Items**”), is and remains your responsibility and may exceed the amount, if any, actually withheld by the Company or the Employer. You further acknowledge that the Company and/or the Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Award, including, but not limited to, the grant, vesting or settlement of the Award, the subsequent sale of shares of Common Stock acquired pursuant to such settlement and the receipt of any dividends; and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Award to reduce or eliminate your liability for Tax-Related Items or achieve any particular tax result. Further, if you are subject to Tax-Related Items in more than one jurisdiction, you acknowledge that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

On or before the time you receive a distribution of the shares in respect of your Award, or at any time thereafter as requested by the Company and/or the Employer, you hereby authorize any required withholding from the Common Stock issuable to you and/or otherwise agree to make adequate provision in cash for any sums required to satisfy the Tax-Related Items. Except as provided below, the Company shall withhold from the shares of Common Stock issuable to you to satisfy the Tax-Related Items. By your acceptance of the Award, you agree that: (i) in the event that such withholding from the shares of Common Stock is problematic under applicable tax or securities law or has materially adverse accounting consequences, the Company shall instead withhold from any other compensation paid to you by the Company or the Employer in partial or full satisfaction of the Tax-Related Items, and (ii) the Company may determine in its sole discretion to instead withhold from any other compensation paid to you by the Company or the Employer in partial or full satisfaction of the Tax-Related Items, provided that if you are subject to reporting obligations under Section 16 of the Exchange Act, exercise of such discretion is subject to the prior approval and direction of the Committee. In no way limiting the foregoing, the Company is hereby authorized to withhold shares of Common Stock that are otherwise to be issued and delivered to you under this Award in partial or full satisfaction of the Tax-Related Items; provided, however, that no shares of Common Stock shall be withheld with a value exceeding the minimum amount of tax required to be withheld by law. If the obligation for Tax-Related Items is satisfied by withholding in shares of Common Stock, for tax purposes, you are deemed to have been issued the full number of shares of Common Stock subject to the vested Award, notwithstanding that a number of the shares of Common Stock are held back solely for the purpose of paying the Tax-Related Items.

(b) You agree to pay the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of your participation in the Plan that cannot be satisfied by the means previously described. Unless the obligation for Tax-Related Items is satisfied, the Company shall have no obligation to deliver to you any Common Stock.

(c) In the event the obligation of the Company and/or any Affiliate to withhold arises prior to the delivery to you of Common Stock or it is determined after the delivery of Common Stock to you that the amount of the withholding obligation was greater than the amount, if any, withheld by the Company and/or any Affiliate, you agree to indemnify and hold the Company and its Affiliates harmless from any failure by the Company and/or any Affiliate to withhold the proper amount.

11. Unsecured Obligation. Your Award is unfunded, and as a holder of a vested Award, you shall be considered an unsecured creditor of the Company with respect to the Company's obligation, if any, to issue shares pursuant to this Agreement. You shall not have

voting or any other rights as a stockholder of the Company with respect to the shares to be issued pursuant to this Agreement until such shares are issued to you pursuant to Section 6 of this Agreement. Upon such issuance, you will obtain full voting and other rights as a stockholder of the Company. Nothing contained in this Agreement, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind or a fiduciary relationship between you and the Company or any other person.

12. Notices. Any notices provided for in your Award or the Plan shall be given in writing and shall be deemed effectively given upon receipt or, in the case of notices delivered by the Company to you, five (5) days after deposit in the United States mail, postage prepaid, addressed to you at the last address provided to the Company. Notwithstanding the foregoing, the Company may, in its sole discretion, decide to deliver any documents related to participation in the Plan and this Award by electronic means or to request your consent to participate in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and, if requested, to agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

13. Nature of Grant. In accepting the grant, you acknowledge, understand and agree that:

- (a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;
- (b) the grant of the Award is exceptional, voluntary and occasional and does not create any contractual or other right to receive future grants of Awards, or benefits in lieu of Awards, even if Awards have been granted in the past;
- (c) all decisions with respect to future Awards or other grants, if any, will be at the sole discretion of the Company;
- (d) you are voluntarily participating in the Plan;
- (e) the Awards and the shares of Common Stock subject to the Awards, and the income from and value of same, are not intended to replace any pension rights or compensation;
- (f) the Awards and the shares of Common Stock subject to the Awards, and the income from and value of same, are not part of normal or expected compensation for purposes of, without limitation, calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, holiday pay, bonuses, long-service awards, pension or retirement or welfare benefits or similar mandatory payments;
- (g) the future value of the underlying shares of Common Stock is unknown, indeterminable and cannot be predicted with certainty;

(h) unless otherwise agreed with the Company, the Awards and the shares of Common Stock acquired under the Plan, and the income from and value of same, are not granted as consideration for, or in connection with, any service you may provide as a director of any parent company or Affiliate;

(i) unless otherwise provided in the Plan or by the Company in its discretion, the Awards and the benefits evidenced by this Agreement, do not create any entitlement to have the Awards or any such benefits transferred to or assumed by another company, nor to be exchanged, cashed out or substituted for in connection with any corporate transaction affecting the Common Stock; and

(j) neither the Company, the Employer nor any Subsidiary or Affiliate of the Company shall be liable for any foreign exchange rate fluctuation between your local currency and the United States Dollar that may affect the value of the Awards or of any amounts due to you pursuant to the settlement of the Awards or the subsequent sale of any shares of Common Stock acquired upon settlement.

14. No Advice Regarding Grant. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding your participation in the Plan, or your acquisition or sale of the underlying shares of Common Stock. You should consult with your own personal tax, legal and financial advisors regarding your participation in the Plan before taking any action related to the Plan.

15. Data Privacy. *If you would like to participate in the Plan, you will need to review the information provided in this Section 15 and, where applicable, declare consent to the processing and/or transfer of personal data as described below.*

(a) ***Data Collection and Usage.*** *The Company collects, processes and uses personal data about you, including but not limited to, your name, home address, email address and telephone number, date of birth, social insurance number, passport number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all Awards or any other entitlement to shares awarded, canceled, exercised, vested, unvested or outstanding in your favor, which the Company receives from you or your Employer (“Personal Data”). In order you to participate in the Plan, the Company will collect Personal Data for purposes of allocating shares of Common Stock and implementing, administering and managing the Plan.*

If you are based in the United Kingdom, the EU or EEA, the Company’s legal basis for the processing of Personal Data is the necessity of the processing for the Company’s performance of its obligations under the Plan and, where applicable, the Company’s legitimate interest of complying with contractual or statutory obligations to which it is subject.

If you are based in any other jurisdiction, the Company's legal basis for the processing of Personal Data is your consent, as further described below.

(b) Stock Plan Administration and Service Providers. *The Company may transfer Personal Data to Morgan Stanley/E*Trade (“Service Provider”), an independent service provider based in the U.S., which is assisting the Company with the implementation, administration and management of the Plan. Service Provider may open an account for you to receive and trade shares of Common Stock. You may be asked to acknowledge, or agree to, separate terms and data processing practices with Service Provider, with such agreement being a condition to the ability to participate in the Plan.*

(c) International Data Transfers. *Personal Data will be transferred from your country to the U.S., where the Company and its service providers are based. You understand and acknowledge that the U.S. might have enacted data privacy laws that are less protective or otherwise different from those applicable in your country of residence. For example, the EU Commission has issued only a limited adequacy finding with respect to the U.S. that applies solely if and to the extent companies self-certify and remain selfcertified under the EU/U.S. Privacy Shield program. In the absence of such certification, an appropriate level of protection can be achieved by implementing safeguards such as the Standard Contractual Clauses adopted by the EU Commission.*

If you are based in the UK/EU/EEA, Personal Data will be transferred from the UK/EU/EEA to the Company based on the Company’s certification under the EU-U.S. Privacy Shield program. The onward transfer of Personal Data by the Company to Service Provider will be based on consent and/or applicable data protection laws. You may request a copy of such appropriate safeguards at GDPR@omnicell.com.

If you are based in any other jurisdiction, the Company’s legal basis for the transfer of the Personal Data to the U.S. is your consent, as further described below.

(d) Data Retention. *The Company will use Personal Data only as long as necessary to implement, administer and manage your participation in the Plan or as required to comply with legal or regulatory obligations, including, without limitation, under tax and securities laws. When the Company no longer needs Personal Data for any of the above purposes, the Company will cease to use Personal Data for this purpose. If the Company keeps Personal Data longer, it would be to satisfy legal or regulatory obligations and the Company’s legal basis would be relevant laws or regulations (if you are in the UK/EU/EEA) and/or your consent (if you are outside the UK/EU/EEA).*

(e) **Data Subject Rights.** *You understand that you may have a number of rights under data privacy laws in your jurisdiction. Subject to the conditions set out in the applicable law and depending on where you are based, such rights may include the right to (i) request access to, or copies of, Personal Data processed by the Company, (ii) rectification of incorrect Personal Data, (iii) deletion of Personal Data, (iv) restrictions on the processing of Personal Data, (v) object to the processing of Personal Data for legitimate interests, (vi) portability of Personal Data, (vii) lodge complaints with competent authorities in your jurisdiction, and/or to (viii) receive a list with the names and addresses of any potential recipients of Personal Data. To receive clarification regarding these rights or to exercise these rights, you can contact GDPR@omnicell.com or our EU Data Protection Officer as follows:*

2B Advice GmbH
Joseph-Schumpeter-Allee 25, 53227 Bonn, Germany
Telephone: +49 228 926165 120
E-Mail: omnicell@2b-advice.com

(f) **Necessary Disclosure of Personal Data.** *You understand that providing the Company with Personal Data is necessary for the performance of the Agreement and that your refusal to provide Personal Data would make it impossible for the Company to perform its contractual obligations and may affect your ability to participate in the Plan.*

(g) **Voluntariness and Consequences of Consent Denial or Withdrawal.** *If you are located in a jurisdiction outside the UK/EU/EEA, you hereby unambiguously consent to the collection, use and transfer, in electronic or other form, of your Personal Data, as described above and in any other grant materials, by and among, as applicable, your Employer, the Company and any Affiliate for the exclusive purpose of implementing, administering and managing your participation in the Plan. You understand that you may, at any time, refuse or withdraw the consents herein, in any case without cost, by contacting in writing your human resources representative. If you do not consent or later seek to revoke your consent, your employment status or service with your Employer will not be affected; the only consequence of refusing or withdrawing consent is that the Company would not be able to grant the Awards or other equity awards to you or administer or maintain such awards. Therefore, you understand that refusing or withdrawing consent may affect your ability to participate in the Plan. For more information on the consequences of refusal to consent or withdrawal of consent, you should contact your local human resources representative.*

Declaration of Consent. *If you are based outside of the UK/EU/EEA, by accepting the Awards and indicating consent by signing the Grant Notice or through the Company's online acceptance procedure, you explicitly declare your consent to the entirety of the Personal Data processing operations described above including, without limitation, the onward transfer of Personal Data by the Company to the Service Provider or, as the case may be, a different service provider of the Company in the U.S.*

16. Miscellaneous.

- (a) The rights and obligations of the Company under your Award shall be transferable to any one or more persons or entities, and all covenants and agreements hereunder shall inure to the benefit of, and be enforceable by the Company's successors and assigns. Your rights and obligations under your Award may only be assigned with the prior written consent of the Company.
- (b) You agree upon request to execute any further documents or instruments necessary or desirable in the sole determination of the Company to carry out the purposes or intent of your Award.
- (c) You acknowledge and agree that you have reviewed your Award in its entirety, have had an opportunity to obtain the advice of counsel prior to executing and accepting your Award, and fully understand all provisions of your Award.
- (d) This Agreement shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.
- (e) All obligations of the Company under the Plan and this Agreement shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

17. Governing Plan Document. Your Award is subject to all the provisions of the Plan, the provisions of which are hereby made a part of your Award, and is further subject to all interpretations, amendments, rules and regulations which may from time to time be promulgated and adopted pursuant to the Plan. Except as expressly provided herein, in the event of any conflict between the provisions of your Award and those of the Plan, the provisions of the Plan shall control.

18. Language. You acknowledge that you are sufficiently proficient in English or have consulted with an advisor who is sufficiently proficient in English, so as to allow you to understand the terms and conditions of this Agreement. If you have received this Agreement or any other document related to the Plan translated into a language other than English and if the

meaning of the translated version is different than the English version, the English version will control.

19. Severability. If all or any part of this Agreement or the Plan is declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity shall not invalidate any portion of this Agreement or the Plan not declared to be unlawful or invalid. Any Section of this Agreement (or part of such a Section) so declared to be unlawful or invalid shall, if possible, be construed in a manner which will give effect to the terms of such Section or part of a Section to the fullest extent possible while remaining lawful and valid.

20. Choice of Law; Venue. The interpretation, performance and enforcement of this Agreement will be governed by the law of the state of California without regard to such state's conflicts of laws rules. For purposes of any action, lawsuit or other proceedings brought to enforce this Agreement, relating to it, or arising from it, the parties hereby submit to and consent to the sole and exclusive jurisdiction of the courts of Santa Clara County, California, or the federal courts for the United States for the Northern District of California, and no other courts, where this grant is made and/or to be performed.

21. Amendment. This Agreement may not be modified, amended or terminated except by an instrument in writing, signed or otherwise accepted by you and by a duly authorized representative of the Company. Notwithstanding the foregoing, this Agreement may be amended solely by the Board by a writing which specifically states that it is amending this Agreement, so long as a copy of such amendment is delivered to you, and provided that no such amendment adversely affecting your rights hereunder may be made without your written consent. Without limiting the foregoing, the Board reserves the right, by written notice to you, to impose new provisions or to change the existing provisions of this Agreement in any way it may deem necessary or advisable for legal or administrative reasons to carry out the purpose of the grant.

22. Insider Trading Restrictions/Market Abuse Laws. You acknowledge that you may be subject to insider trading restrictions and/or market abuse laws in applicable jurisdictions, including but not limited to the United States, your country, the broker's country and the country or countries in which the Common Stock is listed, which may affect your ability, directly or indirectly, to purchase or sell, or attempt to sell or otherwise dispose of shares of Common Stock, rights to shares of Common Stock (e.g., Awards), or rights linked to the value of shares of Common Stock, during such times as you are considered to have "inside information" regarding the Company (as defined by the laws in the applicable jurisdiction(s)). Local insider trading laws and regulations may prohibit the cancellation or amendment of orders you placed before possessing the inside information. Furthermore, you understand that you may be prohibited from (i) disclosing the inside information to any third party, including fellow employees and (ii) "tipping" third parties by sharing with them Company insider information, or otherwise causing third parties to buy or sell Company securities. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may apply to you under any applicable Company insider trading policy. You acknowledge that it is your responsibility to comply with any applicable restrictions, and you should speak to your personal advisor on this matter.

23. Foreign Asset/Account Reporting Requirements. If you reside in a country outside the United States, there may be certain foreign asset and/or account reporting requirements which may affect your ability to acquire or hold shares of Common Stock or cash received from participating in the Plan (including from any dividends paid on shares of Common Stock) in a brokerage account or bank outside of your country. You may be required to report such accounts, assets or related transactions to the tax or other authorities in your country. You may also be required to repatriate sale proceeds or other funds received as a result of participating in the Plan to your country within a certain time after receipt. It is your responsibility to comply with such regulations and you should speak to your personal legal advisor on this matter.

24. Appendix. Notwithstanding any provisions in this Agreement, the Award grant shall be subject to any special terms and conditions set forth in any Appendix to this Agreement for your country. Moreover, if you relocate to one of the countries included in the Appendix, the special terms and conditions for such country, if any, will apply to you, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Appendix constitutes part of this Agreement.

25. Imposition of Other Requirements. The Company reserves the right to impose other requirements on your participation in the Plan, on the Awards and on any shares of Common Stock acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require you to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

26. Waiver. You acknowledge that a waiver by the Company of breach of any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by you or any other Participant.

27. Electronic Delivery and Acceptance. The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

* * * * *

Appendix
Omniceil, Inc.
2009 Equity Incentive Plan

Global Restricted Stock Unit Award Agreement

Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Global Restricted Stock Unit Agreement (the “Agreement”) or the Plan.

Terms and Conditions

This Appendix includes additional terms and conditions that govern the Restricted Stock Unit Award (“**RSUs**”) granted to you under the Plan if you work and/or reside in one of the countries listed below. This Appendix forms part of the Agreement.

If you are a citizen or resident of a country other than the one in which you are currently residing and/or working, transfer employment and/or residency to another country after the Date of Grant, or are considered a resident of another country for local law purposes, the Company shall, in its discretion, determine to what extent the terms and conditions contained herein shall be applicable to you.

Notifications

This Appendix also includes information regarding exchange control and certain other issues of which you should be aware with respect to participation in the Plan. The information is based on the securities, exchange control and other laws in effect in the respective countries as of May 2020. Such laws are often complex and change frequently. As a result, the Company strongly recommends that you not rely on the information in this Appendix as the only source of information relating to the consequences of participation in the Plan because the information may be out of date at the time you vest in the RSUs and acquire shares of Common Stock or sell shares of Common Stock acquired under the Plan.

In addition, the information contained herein is general in nature and may not apply to your particular situation and the Company is not in a position to assure you of any particular result. Accordingly, you should seek appropriate professional advice as to how the relevant laws in your country may apply to your situation.

Finally, if you are a citizen or resident of a country other than the one in which you are currently residing and/or working, transfer employment and/or residency to another country after the Date of Grant, or are considered a resident of another country for local law purposes, the information contained herein may not apply to you in the same manner.

Australia

Notifications

Offer Document. This Offer Document sets out information regarding the grant of RSUs over shares of the Company to Australian residents and is intended to comply with the provisions of the Corporations Act 2001, ASIC Regulatory Guide 49 and ASIC Class Order CO 14/1000.

In addition to the information set out in this Offer Document, you also are being provided with copies of the following documents:

- (a) the Agreement;
- (b) the Grant Notice;
- (c) the Plan;
- (d) the U.S. prospectus for the Plan (the “Plan Prospectus”); and
- (e) the Employee Information Supplement for Australia.

(collectively, the “Additional Documents”).

The Agreement sets out, among other details, the vesting conditions applicable to your RSUs, information on the settlement of your RSUs and the consequences of a change in the nature or status of your employment.

The other Additional Documents provide further information to assist you to make an informed investment decision in relation to your participation in the Plan. Neither the Plan nor the Plan Prospectus is a prospectus for the purposes of the Corporations Act.

You should not rely upon any oral statements made to you in relation to this offer. You should only rely upon the statements contained in this Offer Document and the Additional Documents when considering your participation in the Plan.

Securities Law Notification

Investment in shares involves a degree of risk. Eligible persons who elect to participate in the Plan should monitor their participation and consider all risk factors relevant to the acquisition of shares under the Plan as set out in this Offer Document and the Additional Documents.

The information contained in this Offer Document and the Additional Documents is general information only. Any information set out in this Offer Document or in the Additional Documents in relation to this offer of RSUs does not take into account your objectives, financial situation or needs.

Persons participating in the Plan should consider obtaining their own financial product advice from an independent person who is licensed by the Australian Securities and Investments Commission to give such advice.

Additional Risk Factors for Australian Residents

Australian residents should have regard to risk factors relevant to investment in securities generally and, in particular, to the holding of shares. For example, the price at which shares are quoted on the Nasdaq Global Select Market (“Nasdaq”) may increase or decrease due to a number of factors. There is no guarantee that the price of shares will increase. Factors which may affect the price of shares include fluctuations in the domestic and international market for listed stocks, general economic conditions, including interest rates, inflation rates, commodity and oil prices, changes to government fiscal, monetary or regulatory policies, legislation or regulation, the nature of the markets in which the Company operates and general operational and business risks.

More information about potential factors that could affect the Company’s business and financial results is included in the Company’s most recent Annual Report on Form 10-K and the Company’s Quarterly Report on Form 10-Q, available upon request. In addition, you should be aware that the Australian dollar value of shares you may acquire at vesting will be affected by the U.S. dollar/Australian dollar exchange rate. Participation in the Plan involves certain risks related to fluctuations in this rate of exchange.

Shares of Common Stock

Shares represent common stock in a U.S. corporation, and are analogous to the common shares of an Australian corporation to the extent that your liability is limited as a shareholder. However, ownership of shares may not be taxed in the same manner as ownership of shares in an Australian corporation and a portion of the gain from a disposition of your shares of shares may be subject to U.S. federal income tax. You are urged to consult your own legal and tax advisors concerning the consequences to you of holding and disposing of shares.

Dividends may be paid on shares at the discretion of the board of directors of the Company

Shares are traded on the Nasdaq Stock Market in the United States of America and are traded under the symbol “OMCL”.

Shares are not liable to any further calls for payment of capital or for other assessment by the Company and have no sinking fund provisions, pre-emptive rights, conversion rights or redemption provisions.

Ascertaining Market Price of Shares

You may ascertain the current or historical market price of shares as traded on the Nasdaq at <http://www.nasdaq.com> under the symbol "OMCL". The Australian dollar equivalent of that price can be obtained at: <http://www.rba.gov.au/statistics/frequency/exchange-rates.html>.

This will not be a prediction of what the market price per share will be when the RSUs vest or when the shares are issued or of the applicable exchange rate on the actual vesting date or date the shares are issued.

Tax Information

The Plan is a plan to which Subdivision 83A-C of the Income Tax Assessment Act 1997 (Cth) applies (subject to the conditions in the Act). For information related to the Australian tax consequences of the RSUs, please refer to the Employee Information Supplement for Australia.

Canada

Terms and Conditions

Settlement of RSUs. Notwithstanding any discretion in the Plan or anything to the contrary in the Agreement, the RSUs do not provide any right for you, as a resident of Canada, to receive a cash payment and the RSUs shall be paid in shares of Common Stock only.

Nature of Grant. The following provision replaces Section 2 of the Agreement:

Subject to the limitations contained herein, your Award will vest, if at all, in accordance with the vesting schedule provided in the Grant Notice, provided that vesting will cease upon the termination of your Continuous Service.

For purposes of the Award, a termination of your Continuous Service will be deemed to occur as of the date that is the earlier of (i) the date of your termination, (ii) the date you receive notice of termination, or (iii) the date you are no longer actively providing services and will not be extended by any notice period (e.g., active service would not include any contractual notice period or any period of "garden leave" or similar period mandated under Canadian laws or the terms of your employment or service agreement, if any), regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where you are employed or providing services or the terms of your employment or service agreement, if any; unless otherwise expressly provided in this Agreement or determined by the Company, your right to vest in the Awards under the Plan, if any, will terminate as of such date; in the event that the date you are no longer actively providing services cannot be reasonably determined under the terms of this Agreement and the Plan, the Committee shall have the exclusive discretion to determine when you are no longer actively providing services for purposes of your Award (including whether you may still be considered to be providing services while on a leave of absence). Notwithstanding the foregoing, if applicable employment legislation explicitly requires continued vesting during a statutory notice period, your right to vest in the Awards, if any, will terminate effective as of the last date of the minimum statutory notice period but you will not earn or be entitled to pro-rated vesting if the vesting date falls after

the end of your statutory notice period, nor will you be entitled to any compensation for lost vesting.

The following provisions apply if you are a resident of Quebec:

Language Consent. The parties acknowledge that it is their express wish that the Agreement, as well as all documents, notices, and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

Les parties reconnaissent avoir exigé la rédaction en anglais de cette convention, ainsi que de tous documents, avis et procédures judiciaires, exécutés, donnés ou intentés en vertu de, ou liés directement ou indirectement à, la présente convention.

Data Privacy Notice and Consent. This provision supplements Section 15 of the Agreement:

You hereby authorize the Company and the Company’s representative to discuss with and obtain all relevant information from all personnel (professional or not) involved in the administration and operation of the Plan. You further authorize the Company and your Employer to disclose and discuss your participation in the Plan with their advisors. You also authorize the Company and your Employer to record such information and keep it in your employee file.

Notifications

Securities Law Information. The sale of shares of Common Stock acquired under the Plan may not take place in Canada. This requirement will be satisfied where the shares of Common Stock are sold by the designated broker under the Plan through the facilities of the U.S. stock exchange on which the shares of Common Stock are currently listed (*i.e.*, the Nasdaq stock market).

Foreign Asset/Account Reporting Information. Canadian residents are required to report their foreign specified property (*e.g.*, shares of Common Stock) on form T1135 (Foreign Income Verification Statement) if the total cost of the foreign specified property exceeds C\$100,000 at any time in the year. The RSUs must be reported—generally at a nil cost—if the C\$100,000 threshold is exceeded because of other foreign specific property held by you. The shares of Common Stock acquired under the Plan must be reported and their cost generally is the adjusted cost base (“**ACB**”) of the shares of Common Stock. The ACB ordinarily would equal the fair market value of the shares of Common Stock at the time of acquisition, but if such Canadian resident owns other shares of Common Stock, this ACB may have to be averaged with the ACB of the other shares. The form T1135 generally must be filed by April 30 of the following year. Canadian residents should consult with a personal advisor to ensure compliance with the applicable reporting requirements.

France

Terms and Conditions

RSUs Not Tax-Qualified. The RSUs granted under this Agreement are not intended to qualify for special tax and social security treatment pursuant to Sections L. 225-197-1 to L. 225-197-6 of the French Commercial Code, as amended.

Language Consent. By accepting the RSUs, you confirm having read and understood the Plan and Agreement, including all terms and conditions included therein, which were provided in the English language. You accept the terms of those documents accordingly.

En acceptant les droits sur des actions assujettis à restrictions (« restricted stock units » ou « RSUs »), vous confirmez avoir lu et compris le Plan et le Contrat, en ce compris tous les termes et conditions de ces documents, qui ont été fournis en langue anglaise. Vous acceptez les dispositions de ces documents en connaissance de cause.

Notifications

Foreign Asset/Account Reporting Information. French residents holding cash or securities (including shares of Common Stock) outside of France or maintaining a foreign bank or brokerage account (including accounts opened or closed during the tax year) must declare such assets and accounts to the French tax authorities when filing an annual tax return. Failure to comply could trigger significant penalties.

Germany

Notifications

Exchange Control Information. Cross-border payments in excess of €12,500 must be reported monthly to the German Federal Bank (*Bundesbank*). In the event you make or receive a payment in excess of this amount, you must report the payment to Bundesbank electronically using the “General Statistics Reporting Portal” (“*Allgemeines Meldeportal Statistik*”) available via Bundesbank’s website (www.bundesbank.de).

Foreign Asset/Account Reporting Information. If your acquisition of shares acquired under the Plan leads to a so-called qualified participation at any point during the calendar year, you may need to report the acquisition when you file your tax return for the relevant year. A qualified participation is attained if (i) you own at least 1% of the Company and the value of the shares of Common Stock acquired exceeds €150,000 or (ii) you hold shares of Common Stock exceeding 10% of the Company’s total Common Stock.

United Arab Emirates

Notifications

Securities Law Information. Participation in the Plan is being offered only to eligible

employees and is in the nature of providing equity incentives to employees in the United Arab Emirates. The Plan and the Agreement are intended for distribution only to such employees and must not be delivered to, or relied on by, any other person. Prospective purchasers of the securities offered should conduct their own due diligence on the securities. The Emirates Securities and Commodities Authority has no responsibility for reviewing or verifying any documents in connection with the Plan. Neither the Ministry of Economy nor the Dubai Department of Economic Development has approved the Plan or the Agreement nor taken steps to verify the information set out therein, and has no responsibility for such documents.

United Kingdom

Terms and Conditions

Settlement. The following provision supplements Section 3 of the Agreement:

Notwithstanding any discretion contained in the Plan or the Agreement, the RSUs will not be settled in cash or a combination of cash and shares of Common Stock. The RSUs will be settled only in shares of Common Stock.

Responsibility for Taxes. This provision supplements Section 10 of the Agreement:

Without limitation to Section 10 of the Agreement, you hereby agree that you are liable for any Tax-Related Items related to your participation in the Plan and hereby covenant to pay such Tax-Related Items, as and when requested by the Company or (if different) the Employer or by Her Majesty's Revenue & Customs ("**HMRC**") (or any other tax or relevant authority). You also hereby agree to indemnify and keep indemnified the Company and (if different) the Employer against any Tax-Related Items that they are required to pay or withhold or have paid or will pay to HMRC (or any other tax or relevant authority) on your behalf.

Notwithstanding the foregoing, if you are an executive officer or director (as within the meaning of Section 13(k) of the Exchange Act), the terms of the immediately foregoing provision will not apply. Instead, any Tax-Related Items not collected or paid may constitute a benefit to you on which additional income tax and National Insurance Contributions ("**NICs**") may be payable. You understand that you will be responsible for reporting and paying any income tax due on this additional benefit directly to HMRC under the self-assessment regime and for paying to the Company and/or the Employer (as appropriate) the amount of any employee NICs due on this additional benefit, which can be recovered by any means set out in the Agreement.

National Insurance Contributions Acknowledgment. As a condition of participation in the Plan and the vesting of the RSUs, you agree to accept any liability for secondary Class 1 NICs which may be payable by the Company and/or the Employer in connection with the RSUs and any event giving rise to Tax-Related Items (the "**Employer NICs**"). Without limitation to the foregoing, you agree to execute a joint election with the Company, the form of such joint

election being formally approved by HMRC (the “*Joint Election*”), and any other required consent or election. You further agree to execute such other joint elections as may be required between you and any successor to the Company and/or the Employer. You further agree that the Company and/or the Employer may collect the Employer NICs from you by any of the means set forth in Section 10 of the Agreement. You must enter into the Joint Election concurrent with the execution of the Agreement.

If you do not enter into a Joint Election prior to the vesting of the RSUs or if approval of the Joint Election has been withdrawn by HMRC, the RSUs shall become null and void without any liability to the Company and/or the Employer.

**Restricted Stock Unit
Grant Notice**

Omnicell, Inc.
590 E. Middlefield,
Mountain View, CA 94043

Name:

Employee ID:

You have been granted a Restricted Stock Unit Award in Omnicell, Inc. Common Stock as follows:

Type of Award: Restricted Stock Unit (RSU)
Grant No.:
Equity Incentive Plan: 2009 Equity Incentive Plan
Date of Grant:
Shares Subject to Award:
Fair Market Value per Unit:
Total Price of Stock Unit:

Vesting Date	Number of Shares Vesting on Vesting Date

Delivery Schedule: Pursuant to Section 6 of the 2009 Equity Incentive Plan Global Restricted Stock Unit Award Agreement (the “Restricted Stock Unit Award Agreement”), the Company shall deliver on each vesting date one share of Common Stock for each Stock Unit which vests on such date, less any shares to be withheld pursuant to Section 10 of such Global Restricted Stock Unit Award Agreement.

By your acceptance of this Restricted Stock Unit Grant, you agree that this award is granted under and governed by the terms and conditions of this Grant Notice, Omnicell, Inc.’s 2009 Equity Incentive Plan (as amended from time to time) (the “Plan”) and by the terms and conditions of the Global Restricted Stock Unit Award Agreement which is attached hereto.

You understand and agree that as of the Date of Grant, this Grant Notice, the Global Restricted Stock Unit Award Agreement and the Plan set forth the entire understanding between you and Omnicell, Inc. regarding the grant set forth herein, and the underlying Common Stock, and supersede all prior oral and written agreements on that subject.

Chief Financial Officer

Attachment: Global Restricted Stock Unit Award Agreement

Omniceil, Inc.
2009 Equity Incentive Plan
Global Restricted Stock Unit Award Agreement

**Amended by the Compensation Committee
of the Board of Directors: February 18, 2021**

Pursuant to the Restricted Stock Unit Grant Notice (“*Grant Notice*”) and this Global Restricted Stock Unit Award Agreement, including any country-specific appendix thereto (the “*Appendix*” and collectively, the “*Agreement*”) and in consideration of your services, Omnicell, Inc. (the “*Company*”) has awarded you a Restricted Stock Unit Award (the “*Award*”) under its 2009 Equity Incentive Plan (the “*Plan*”). Your Award is granted to you effective as of the Date of Grant set forth in the Grant Notice for this Award. This Agreement shall be deemed to be agreed to by the Company and you upon the acceptance by you of the Grant Notice to which it is attached. Defined terms not explicitly defined in this Agreement shall have the same meanings given to them in the Plan. In the event of any conflict between the terms in this Agreement and the Plan, the terms of the Plan shall control. The details of your Award, in addition to those set forth in the Grant Notice and the Plan, are as follows.

1. Grant of the Award. This Award represents the right to be issued on a future date the number of shares of the Company’s Common Stock as indicated in the Grant Notice. As of the Date of Grant, the Company will credit to a bookkeeping account maintained by the Company for your benefit (the “*Account*”) the number of shares of Common Stock subject to the Award. This Award was granted in consideration of your future services to the Company or an Affiliate. Except as otherwise provided herein, you will not be required to make any payment to the Company (other than services to the Company or an Affiliate) with respect to your receipt of the Award, the vesting of the shares or the delivery of the underlying Common Stock.

2. Vesting. Subject to the limitations contained herein, your Award will vest, if at all, in accordance with the vesting schedule provided in the Grant Notice, provided that vesting will cease upon the termination of your Continuous Service. For purposes of your Award, a termination of your Continuous Service will be deemed to have occurred as of the date you are no longer actively providing services to the Company or an Affiliate (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where you are employed or otherwise rendering services, or the terms of your employment or other service agreement, if any). Your employment or service relationship will not be extended by any notice period (e.g., your period of service will not be extended by any contractual notice period or any period of “garden leave” or similar period mandated under employment laws in the jurisdiction where you are employed or otherwise rendering services, or the terms of your employment or service agreement, if any). The Committee shall have the exclusive discretion to determine when you are no longer providing Continuous Services for purposes of your Award (including whether you may still be considered to be providing services while on a leave of absence). Upon such termination of your Continuous Service, the shares credited to the Account that were not vested on the date of such termination will be forfeited at no cost to the Company and you will have no further right, title or interest in or to such underlying shares of Common Stock.

For the avoidance of doubt, service during any portion of the vesting period shall not entitle you to vest in a pro rata portion of the Award.

3. Number of Shares.

(a) The number of shares subject to your Award may be adjusted from time to time for Capitalization Adjustments, as provided in the Plan.

(b) Any shares, cash or other property that becomes subject to the Award pursuant to this Section 3, if any, shall be subject, in a manner determined by the Board, to the same forfeiture restrictions, restrictions on transferability, and time and manner of delivery as applicable to the other shares covered by your Award.

(c) Notwithstanding the provisions of this Section 3, no fractional shares or rights for fractional shares of Common Stock shall be created pursuant to this Section 3. The Board shall, in its discretion, determine an equivalent benefit for any fractional shares or fractional shares that might be created by the adjustments referred to in this Section 3.

4. Compliance with Law. You may not be issued any shares under your Award unless either (i) the shares are registered under the Securities Act; or (ii) the Company has determined that such issuance would be exempt from the registration requirements of the Securities Act. Your Award also must comply with other applicable securities and exchange control laws and regulations relevant to the Company and the offer of the RSUs and the underlying shares of Common Stock, and you will not receive such shares if the Company determines that such receipt would not be in material compliance with such laws and regulations. You understand that the Company is under no obligation to register or qualify the shares of Common Stock with the SEC or any state or non-U.S. securities commission or to seek approval or clearance from any governmental authority for the issuance or sale of the shares of Common Stock. Further, you agree that the Company shall have unilateral authority to amend this Agreement without your consent, to the extent necessary to comply with securities or other laws applicable to the issuance of shares of Common Stock.

5. Limitations on Transfer. Your Award is not transferable, except by will or by applicable laws of descent and distribution. In addition to any other limitation on transfer created by applicable securities laws, you agree not to assign, hypothecate, donate, encumber or otherwise dispose of any interest in any of the shares of Common Stock subject to the Award until the shares are issued to you in accordance with Section 6 of this Agreement. After the shares have been issued to you, you are free to assign, hypothecate, donate, encumber or otherwise dispose of any interest in such shares provided that any such actions are in compliance with the provisions herein and applicable securities laws. Notwithstanding the foregoing and to the extent permitted by applicable laws, (i) by delivering written notice to the Company, in a form satisfactory to the Company, you may designate a third party who, in the event of your death, shall thereafter be entitled to receive any distribution of Common Stock to which you were entitled at the time of your death pursuant to this Agreement or (ii) upon receiving written permission from the Board or its duly authorized designee, and provided that you and the designated transferee enter into transfer and other agreements required by the Company, you may transfer your right to receive the distribution of Common Stock or other consideration hereunder, pursuant to a domestic relations order or marital settlement agreement that contains the information

required by the Company to effectuate the transfer. You are encouraged to discuss the proposed terms of any division of this Award with the Company General Counsel prior to finalizing the domestic relations order or marital settlement agreement to verify that you may make such transfer, and if so, to help ensure the required information is contained within the domestic relations order or marital settlement agreement.

6. Date of Issuance. The Company will deliver to you a number of shares of the Company's Common Stock equal to the number of vested shares subject to your Award, including any additional shares received pursuant to Section 3 above that relate to those vested shares on the applicable vesting date(s). However, if a scheduled delivery date falls on a date that is not a U.S. business day, such delivery date shall instead fall on the next following U.S. business day. The form of such delivery (e.g., a stock certificate or electronic entry evidencing such shares) shall be determined by the Company.

7. Dividends. You shall receive no benefit or adjustment to your Award with respect to any cash dividend, stock dividend or other distribution that does not result from a Capitalization Adjustment as provided in Section 9(a) of the Plan; provided, however, that this sentence shall not apply with respect to any shares of Common Stock that are delivered to you in connection with your Award after such shares have been delivered to you.

8. Restrictive Legends. The shares issued under your Award shall be endorsed with appropriate legends determined by the Company.

9. Award not a Service Contract.

(a) Your Continuous Service with the Company or an Affiliate is not for any specified term and may be terminated by you or by the Company or an Affiliate at any time, for any reason. Nothing in this Agreement (including, but not limited to, the vesting of your Award pursuant to the schedule set forth in Section 2 herein or the issuance of the shares subject to your Award), the Plan or any covenant of good faith and fair dealing that may be found implicit in this Agreement or the Plan shall: (i) confer upon you any right to continue in the employ of, or affiliation with, the Company or an Affiliate; (ii) constitute any promise or commitment by the Company or an Affiliate regarding the fact or nature of future positions, future work assignments, future compensation or any other term or condition of employment or affiliation; (iii) confer any right or benefit under this Agreement or the Plan unless such right or benefit has specifically accrued under the terms of this Agreement or Plan; or (iv) deprive the Company or an Affiliate of the right to terminate you and without regard to any future vesting opportunity that you may have.

(b) By accepting this Award, you acknowledge and agree that the right to continue vesting in the Award pursuant to the schedule set forth in Section 2 is earned only by continuing to provide Continuous Service (not through the act of being hired, being granted this Award or any other award or benefit) and that the Company has the right to reorganize, sell, spin-out or otherwise restructure one or more of its businesses or Affiliates at any time or from time to time, as it deems appropriate (a "reorganization"). You further acknowledge and agree that such a reorganization could result in the

termination of your Continuous Service, or the termination of Affiliate status of your employer and the loss of benefits available to you under this Agreement, including but not limited to, the termination of the right to continue vesting in the Award. You further acknowledge and agree that this Agreement, the Plan, the transactions contemplated hereunder and the vesting schedule set forth herein or any covenant of good faith and fair dealing that may be found implicit in any of them do not constitute an express or implied promise of continued engagement for the term of this Agreement, for any period, or at all, and shall not interfere in any way with your right or the Company's right to terminate your Continuous Service at any time.

(c) No claim or entitlement to compensation or damages shall arise from forfeiture of the Awards resulting from the termination of your Continuous Service (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where you are employed or the terms of your employment agreement, if any).

10. Responsibility for Taxes.

(a) You acknowledge that, regardless of any action taken by the Company or, if different, the Affiliate employing or otherwise retaining your services (the "**Employer**"), the ultimate liability for all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to your participation in the Plan and legally applicable to you ("**Tax-Related Items**"), is and remains your responsibility and may exceed the amount, if any, actually withheld by the Company or the Employer. You further acknowledge that the Company and/or the Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Award, including, but not limited to, the grant, vesting or settlement of the Award, the subsequent sale of shares of Common Stock acquired pursuant to such settlement and the receipt of any dividends; and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Award to reduce or eliminate your liability for Tax-Related Items or achieve any particular tax result. Further, if you are subject to Tax-Related Items in more than one jurisdiction, you acknowledge that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

On or before the time you receive a distribution of the shares in respect of your Award, or at any time thereafter as requested by the Company and/or the Employer, you hereby authorize any required withholding from the Common Stock issuable to you and/or otherwise agree to make adequate provision in cash for any sums required to satisfy the Tax-Related Items. Except as provided below, the Company shall withhold from the shares of Common Stock issuable to you to satisfy the Tax-Related Items. By your acceptance of the Award, you agree that: (i) in the event that such withholding from the shares of Common Stock is problematic under applicable tax or securities law or has materially adverse accounting consequences, the Company shall instead withhold from

any other compensation paid to you by the Company or the Employer in partial or full satisfaction of the Tax-Related Items, and (ii) the Company may determine in its sole discretion to instead withhold from any other compensation paid to you by the Company or the Employer in partial or full satisfaction of the Tax-Related Items, provided that if you are subject to reporting obligations under Section 16 of the Exchange Act, exercise of such discretion is subject to the prior approval and direction of the Committee. In no way limiting the foregoing, the Company is hereby authorized to withhold shares of Common Stock that are otherwise to be issued and delivered to you under this Award in partial or full satisfaction of the Tax-Related Items; provided, however, that no shares of Common Stock shall be withheld with a value exceeding the minimum amount of tax required to be withheld by law. If the obligation for Tax-Related Items is satisfied by withholding in shares of Common Stock, for tax purposes, you are deemed to have been issued the full number of shares of Common Stock subject to the vested Award, notwithstanding that a number of the shares of Common Stock are held back solely for the purpose of paying the Tax-Related Items.

(b) You agree to pay the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of your participation in the Plan that cannot be satisfied by the means previously described. Unless the obligation for Tax-Related Items is satisfied, the Company shall have no obligation to deliver to you any Common Stock.

(c) In the event the obligation of the Company and/or any Affiliate to withhold arises prior to the delivery to you of Common Stock or it is determined after the delivery of Common Stock to you that the amount of the withholding obligation was greater than the amount, if any, withheld by the Company and/or any Affiliate, you agree to indemnify and hold the Company and its Affiliates harmless from any failure by the Company and/or any Affiliate to withhold the proper amount.

11. Unsecured Obligation. Your Award is unfunded, and as a holder of a vested Award, you shall be considered an unsecured creditor of the Company with respect to the Company's obligation, if any, to issue shares pursuant to this Agreement. You shall not have voting or any other rights as a stockholder of the Company with respect to the shares to be issued pursuant to this Agreement until such shares are issued to you pursuant to Section 6 of this Agreement. Upon such issuance, you will obtain full voting and other rights as a stockholder of the Company. Nothing contained in this Agreement, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind or a fiduciary relationship between you and the Company or any other person.

12. Notices. Any notices provided for in your Award or the Plan shall be given in writing and shall be deemed effectively given upon receipt or, in the case of notices delivered by the Company to you, five (5) days after deposit in the United States mail, postage prepaid, addressed to you at the last address provided to the Company. Notwithstanding the foregoing, the Company may, in its sole discretion, decide to deliver any documents related to participation in the Plan and this Award by electronic means or to request your consent to participate in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and, if requested, to agree to participate in the

Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

13. Nature of Grant. In accepting the grant, you acknowledge, understand and agree that:

- (a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;
- (b) the grant of the Award is exceptional, voluntary and occasional and does not create any contractual or other right to receive future grants of Awards, or benefits in lieu of Awards, even if Awards have been granted in the past;
- (c) all decisions with respect to future Awards or other grants, if any, will be at the sole discretion of the Company;
- (d) you are voluntarily participating in the Plan;
- (e) the Awards and the shares of Common Stock subject to the Awards, and the income from and value of same, are not intended to replace any pension rights or compensation;
- (f) the Awards and the shares of Common Stock subject to the Awards, and the income from and value of same, are not part of normal or expected compensation for purposes of, without limitation, calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, holiday pay, bonuses, long-service awards, pension or retirement or welfare benefits or similar mandatory payments;
- (g) the future value of the underlying shares of Common Stock is unknown, indeterminable and cannot be predicted with certainty;
- (h) unless otherwise agreed with the Company, the Awards and the shares of Common Stock acquired under the Plan, and the income from and value of same, are not granted as consideration for, or in connection with, any service you may provide as a director of any parent company or Affiliate;
- (i) unless otherwise provided in the Plan or by the Company in its discretion, the Awards and the benefits evidenced by this Agreement, do not create any entitlement to have the Awards or any such benefits transferred to or assumed by another company, nor to be exchanged, cashed out or substituted for in connection with any corporate transaction affecting the Common Stock; and
- (j) neither the Company, the Employer nor any Subsidiary or Affiliate of the Company shall be liable for any foreign exchange rate fluctuation between your local currency and the United States Dollar that may affect the value of the Awards or of any amounts due to you pursuant to the settlement of the Awards or the subsequent sale of any shares of Common Stock acquired upon settlement.

14. No Advice Regarding Grant. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding your participation in the Plan, or your acquisition or sale of the underlying shares of Common Stock. You should consult with your own personal tax, legal and financial advisors regarding your participation in the Plan before taking any action related to the Plan.

15. Data Privacy. *If you would like to participate in the Plan, you will need to review the information provided in this Section 15 and, where applicable, declare consent to the processing and/or transfer of personal data as described below.*

(a) Data Collection and Usage. *The Company collects, processes and uses personal data about you, including but not limited to, your name, home address, email address and telephone number, date of birth, social insurance number, passport number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all Awards or any other entitlement to shares awarded, canceled, exercised, vested, unvested or outstanding in your favor, which the Company receives from you or your Employer (“Personal Data”). In order you to participate in the Plan, the Company will collect Personal Data for purposes of allocating shares of Common Stock and implementing, administering and managing the Plan.*

If you are based in the United Kingdom, the EU or EEA, the Company’s legal basis for the processing of Personal Data is the necessity of the processing for the Company’s performance of its obligations under the Plan and, where applicable, the Company’s legitimate interest of complying with contractual or statutory obligations to which it is subject.

If you are based in any other jurisdiction, the Company’s legal basis for the processing of Personal Data is your consent, as further described below.

(b) Stock Plan Administration and Service Providers. *The Company may transfer Personal Data to Morgan Stanley/E*Trade (“Service Provider”), an independent service provider based in the U.S., which is assisting the Company with the implementation, administration and management of the Plan. Service Provider may open an account for you to receive and trade shares of Common Stock. You may be asked to acknowledge, or agree to, separate terms and data processing practices with Service Provider, with such agreement being a condition to the ability to participate in the Plan.*

(c) International Data Transfers. *Personal Data will be transferred from your country to the U.S., where the Company and its service providers are based. You understand and acknowledge that the U.S. might have enacted data privacy laws that are less protective or otherwise different from those applicable in your country of residence. For example, the EU Commission has issued only a limited adequacy finding with respect to the U.S. that applies solely if and to the extent companies self-*

certify and remain selfcertified under the EU/U.S. Privacy Shield program. In the absence of such certification, an appropriate level of protection can be achieved by implementing safeguards such as the Standard Contractual Clauses adopted by the EU Commission.

If you are based in the UK/EU/EEA, Personal Data will be transferred from the UK/EU/EEA to the Company based on the Company's certification under the EU-U.S. Privacy Shield program. The onward transfer of Personal Data by the Company to Service Provider will be based on consent and/or applicable data protection laws. You may request a copy of such appropriate safeguards at GDPR@omnicell.com.

If you are based in any other jurisdiction, the Company's legal basis for the transfer of the Personal Data to the U.S. is your consent, as further described below.

(d) Data Retention. The Company will use Personal Data only as long as necessary to implement, administer and manage your participation in the Plan or as required to comply with legal or regulatory obligations, including, without limitation, under tax and securities laws. When the Company no longer needs Personal Data for any of the above purposes, the Company will cease to use Personal Data for this purpose. If the Company keeps Personal Data longer, it would be to satisfy legal or regulatory obligations and the Company's legal basis would be relevant laws or regulations (if you are in the UK/EU/EEA) and/or your consent (if you are outside the UK/EU/EEA).

(e) Data Subject Rights. You understand that you may have a number of rights under data privacy laws in your jurisdiction. Subject to the conditions set out in the applicable law and depending on where you are based, such rights may include the right to (i) request access to, or copies of, Personal Data processed by the Company, (ii) rectification of incorrect Personal Data, (iii) deletion of Personal Data, (iv) restrictions on the processing of Personal Data, (v) object to the processing of Personal Data for legitimate interests, (vi) portability of Personal Data, (vii) lodge complaints with competent authorities in your jurisdiction, and/or to (viii) receive a list with the names and addresses of any potential recipients of Personal Data. To receive clarification regarding these rights or to exercise these rights, you can contact GDPR@omnicell.com or our EU Data Protection Officer as follows:

2B Advice GmbH
Joseph-Schumpeter-Allee 25, 53227 Bonn, Germany
Telephone: +49 228 926165 120
E-Mail: omnicell@2b-advice.com

(f) Necessary Disclosure of Personal Data. You understand that providing the Company with Personal Data is necessary for the performance of the Agreement and that your refusal to provide Personal Data would make it impossible for the Company to perform its contractual obligations and may affect your ability to participate in the Plan.

(g) *Voluntariness and Consequences of Consent Denial or Withdrawal.* *If you are located in a jurisdiction outside the UK/EU/EEA, you hereby unambiguously consent to the collection, use and transfer, in electronic or other form, of your Personal Data, as described above and in any other grant materials, by and among, as applicable, your Employer, the Company and any Affiliate for the exclusive purpose of implementing, administering and managing your participation in the Plan. You understand that you may, at any time, refuse or withdraw the consents herein, in any case without cost, by contacting in writing your human resources representative. If you do not consent or later seek to revoke your consent, your employment status or service with your Employer will not be affected; the only consequence of refusing or withdrawing consent is that the Company would not be able to grant the Awards or other equity awards to you or administer or maintain such awards. Therefore, you understand that refusing or withdrawing consent may affect your ability to participate in the Plan. For more information on the consequences of refusal to consent or withdrawal of consent, you should contact your local human resources representative.*

Declaration of Consent. *If you are based outside of the UK/EU/EEA, by accepting the Awards and indicating consent by signing the Grant Notice or through the Company's online acceptance procedure, you explicitly declare your consent to the entirety of the Personal Data processing operations described above including, without limitation, the onward transfer of Personal Data by the Company to the Service Provider or, as the case may be, a different service provider of the Company in the U.S.*

16. Miscellaneous.

- (a)** The rights and obligations of the Company under your Award shall be transferable to any one or more persons or entities, and all covenants and agreements hereunder shall inure to the benefit of, and be enforceable by the Company's successors and assigns. Your rights and obligations under your Award may only be assigned with the prior written consent of the Company.
- (b)** You agree upon request to execute any further documents or instruments necessary or desirable in the sole determination of the Company to carry out the purposes or intent of your Award.
- (c)** You acknowledge and agree that you have reviewed your Award in its entirety, have had an opportunity to obtain the advice of counsel prior to executing and accepting your Award, and fully understand all provisions of your Award.
- (d)** This Agreement shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

(e) All obligations of the Company under the Plan and this Agreement shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

17. Governing Plan Document. Your Award is subject to all the provisions of the Plan, the provisions of which are hereby made a part of your Award, and is further subject to all interpretations, amendments, rules and regulations which may from time to time be promulgated and adopted pursuant to the Plan. Except as expressly provided herein, in the event of any conflict between the provisions of your Award and those of the Plan, the provisions of the Plan shall control.

18. Language. You acknowledge that you are sufficiently proficient in English or have consulted with an advisor who is sufficiently proficient in English, so as to allow you to understand the terms and conditions of this Agreement. If you have received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

19. Severability. If all or any part of this Agreement or the Plan is declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity shall not invalidate any portion of this Agreement or the Plan not declared to be unlawful or invalid. Any Section of this Agreement (or part of such a Section) so declared to be unlawful or invalid shall, if possible, be construed in a manner which will give effect to the terms of such Section or part of a Section to the fullest extent possible while remaining lawful and valid.

20. Choice of Law; Venue. The interpretation, performance and enforcement of this Agreement will be governed by the law of the state of California without regard to such state's conflicts of laws rules. For purposes of any action, lawsuit or other proceedings brought to enforce this Agreement, relating to it, or arising from it, the parties hereby submit to and consent to the sole and exclusive jurisdiction of the courts of Santa Clara County, California, or the federal courts for the United States for the Northern District of California, and no other courts, where this grant is made and/or to be performed.

21. Amendment. This Agreement may not be modified, amended or terminated except by an instrument in writing, signed or otherwise accepted by you and by a duly authorized representative of the Company. Notwithstanding the foregoing, this Agreement may be amended solely by the Board by a writing which specifically states that it is amending this Agreement, so long as a copy of such amendment is delivered to you, and provided that no such amendment adversely affecting your rights hereunder may be made without your written consent. Without limiting the foregoing, the Board reserves the right, by written notice to you, to impose new provisions or to change the existing provisions of this Agreement in any way it may deem necessary or advisable for legal or administrative reasons to carry out the purpose of the grant.

22. Insider Trading Restrictions/Market Abuse Laws. You acknowledge that you may be subject to insider trading restrictions and/or market abuse laws in applicable jurisdictions, including but not limited to the United States, your country, the broker's country and the country or countries in which the Common Stock is listed, which may affect your ability, directly or indirectly, to purchase or sell, or

attempt to sell or otherwise dispose of shares of Common Stock, rights to shares of Common Stock (e.g., Awards), or rights linked to the value of shares of Common Stock, during such times as you are considered to have “inside information” regarding the Company (as defined by the laws in the applicable jurisdiction(s)). Local insider trading laws and regulations may prohibit the cancellation or amendment of orders you placed before possessing the inside information. Furthermore, you understand that you may be prohibited from (i) disclosing the inside information to any third party, including fellow employees and (ii) “tipping” third parties by sharing with them Company insider information, or otherwise causing third parties to buy or sell Company securities. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may apply to you under any applicable Company insider trading policy. You acknowledge that it is your responsibility to comply with any applicable restrictions, and you should speak to your personal advisor on this matter.

23. Foreign Asset/Account Reporting Requirements. If you reside in a country outside the United States, there may be certain foreign asset and/or account reporting requirements which may affect your ability to acquire or hold shares of Common Stock or cash received from participating in the Plan (including from any dividends paid on shares of Common Stock) in a brokerage account or bank outside of your country. You may be required to report such accounts, assets or related transactions to the tax or other authorities in your country. You may also be required to repatriate sale proceeds or other funds received as a result of participating in the Plan to your country within a certain time after receipt. It is your responsibility to comply with such regulations and you should speak to your personal legal advisor on this matter.

24. Appendix. Notwithstanding any provisions in this Agreement, the Award grant shall be subject to any special terms and conditions set forth in any Appendix to this Agreement for your country. Moreover, if you relocate to one of the countries included in the Appendix, the special terms and conditions for such country, if any, will apply to you, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Appendix constitutes part of this Agreement.

25. Imposition of Other Requirements. The Company reserves the right to impose other requirements on your participation in the Plan, on the Awards and on any shares of Common Stock acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require you to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

26. Waiver. You acknowledge that a waiver by the Company of breach of any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by you or any other Participant.

27. Electronic Delivery and Acceptance. The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

* * * * *

Appendix

Omniceil, Inc. 2009 Equity Incentive Plan

Global Restricted Stock Unit Award Agreement

Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Global Restricted Stock Unit Agreement (the “Agreement”) or the Plan.

Terms and Conditions

This Appendix includes additional terms and conditions that govern the Restricted Stock Unit Award (“*RSUs*”) granted to you under the Plan if you work and/or reside in one of the countries listed below. This Appendix forms part of the Agreement.

If you are a citizen or resident of a country other than the one in which you are currently residing and/or working, transfer employment and/or residency to another country after the Date of Grant, or are considered a resident of another country for local law purposes, the Company shall, in its discretion, determine to what extent the terms and conditions contained herein shall be applicable to you.

Notifications

This Appendix also includes information regarding exchange control and certain other issues of which you should be aware with respect to participation in the Plan. The information is based on the securities, exchange control and other laws in effect in the respective countries as of May 2020. Such laws are often complex and change frequently. As a result, the Company strongly recommends that you not rely on the information in this Appendix as the only source of information relating to the consequences of participation in the Plan because the information may be out of date at the time you vest in the *RSUs* and acquire shares of Common Stock or sell shares of Common Stock acquired under the Plan.

In addition, the information contained herein is general in nature and may not apply to your particular situation and the Company is not in a position to assure you of any particular result. Accordingly, you should seek appropriate professional advice as to how the relevant laws in your country may apply to your situation.

Finally, if you are a citizen or resident of a country other than the one in which you are currently residing and/or working, transfer employment and/or residency to another country after the Date of Grant, or are considered a resident of another country for local law purposes, the information contained herein may not apply to you in the same manner.

Australia

Notifications

Offer Document. This Offer Document sets out information regarding the grant of RSUs over shares of the Company to Australian residents and is intended to comply with the provisions of the Corporations Act 2001, ASIC Regulatory Guide 49 and ASIC Class Order CO 14/1000.

In addition to the information set out in this Offer Document, you also are being provided with copies of the following documents:

- (a) the Agreement;
- (b) the Grant Notice;
- (c) the Plan;
- (d) the U.S. prospectus for the Plan (the “Plan Prospectus”); and
- (e) the Employee Information Supplement for Australia.

(collectively, the “Additional Documents”).

The Agreement sets out, among other details, the vesting conditions applicable to your RSUs, information on the settlement of your RSUs and the consequences of a change in the nature or status of your employment.

The other Additional Documents provide further information to assist you to make an informed investment decision in relation to your participation in the Plan. Neither the Plan nor the Plan Prospectus is a prospectus for the purposes of the Corporations Act.

You should not rely upon any oral statements made to you in relation to this offer. You should only rely upon the statements contained in this Offer Document and the Additional Documents when considering your participation in the Plan.

Securities Law Notification

Investment in shares involves a degree of risk. Eligible persons who elect to participate in the Plan should monitor their participation and consider all risk factors relevant to the acquisition of shares under the Plan as set out in this Offer Document and the Additional Documents.

The information contained in this Offer Document and the Additional Documents is general information only. Any information set out in this Offer Document or in the Additional Documents in relation to this offer of RSUs does not take into account your objectives, financial situation or needs.

Persons participating in the Plan should consider obtaining their own financial product advice from an independent person who is licensed by the Australian Securities and Investments Commission to give such advice.

Additional Risk Factors for Australian Residents

Australian residents should have regard to risk factors relevant to investment in securities generally and, in particular, to the holding of shares. For example, the price at which shares are quoted on the Nasdaq Global Select Market (“Nasdaq”) may increase or decrease due to a number of factors. There is no guarantee that the price of shares will increase. Factors which may affect the price of shares include fluctuations in the domestic and international market for listed stocks, general economic conditions, including interest rates, inflation rates, commodity and oil prices, changes to government fiscal, monetary or regulatory policies, legislation or regulation, the nature of the markets in which the Company operates and general operational and business risks.

More information about potential factors that could affect the Company’s business and financial results is included in the Company’s most recent Annual Report on Form 10-K and the Company’s Quarterly Report on Form 10-Q, available upon request. In addition, you should be aware that the Australian dollar value of shares you may acquire at vesting will be affected by the U.S. dollar/Australian dollar exchange rate. Participation in the Plan involves certain risks related to fluctuations in this rate of exchange.

Shares of Common Stock

Shares represent common stock in a U.S. corporation, and are analogous to the common shares of an Australian corporation to the extent that your liability is limited as a shareholder. However, ownership of shares may not be taxed in the same manner as ownership of shares in an Australian corporation and a portion of the gain from a disposition of your shares of shares may be subject to U.S. federal income tax. You are urged to consult your own legal and tax advisors concerning the consequences to you of holding and disposing of shares.

Dividends may be paid on shares at the discretion of the board of directors of the Company

Shares are traded on the Nasdaq Stock Market in the United States of America and are traded under the symbol “OMCL”.

Shares are not liable to any further calls for payment of capital or for other assessment by the Company and have no sinking fund provisions, pre-emptive rights, conversion rights or redemption provisions.

Ascertaining Market Price of Shares

You may ascertain the current or historical market price of shares as traded on the Nasdaq at <http://www.nasdaq.com> under the symbol “OMCL”. The Australian dollar equivalent of that price can be obtained at: <http://www.rba.gov.au/statistics/frequency/exchange-rates.html>.

This will not be a prediction of what the market price per share will be when the RSUs vest or when the shares are issued or of the applicable exchange rate on the actual vesting date or date the shares are issued.

Tax Information

The Plan is a plan to which Subdivision 83A-C of the Income Tax Assessment Act 1997 (Cth) applies (subject to the conditions in the Act). For information related to the Australian tax consequences of the RSUs, please refer to the Employee Information Supplement for Australia.

Canada

Terms and Conditions

Settlement of RSUs. Notwithstanding any discretion in the Plan or anything to the contrary in the Agreement, the RSUs do not provide any right for you, as a resident of Canada, to receive a cash payment and the RSUs shall be paid in shares of Common Stock only.

Nature of Grant. The following provision replaces Section 2 of the Agreement:

Subject to the limitations contained herein, your Award will vest, if at all, in accordance with the vesting schedule provided in the Grant Notice, provided that vesting will cease upon the termination of your Continuous Service.

For purposes of the Award, a termination of your Continuous Service will be deemed to occur as of the date that is the earlier of (i) the date of your termination, (ii) the date you receive notice of termination, or (iii) the date you are no longer actively providing services and will not be extended by any notice period (*e.g.*, active service would not include any contractual notice period or any period of “garden leave” or similar period mandated under Canadian laws or the terms of your employment or service agreement, if any), regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where you are employed or providing services or the terms of your employment or service agreement, if any; unless otherwise expressly provided in this Agreement or determined by the Company, your right to vest in the Awards under the Plan, if any, will terminate as of such date; in the event that the date you are no longer actively providing services cannot be reasonably determined under the terms of this Agreement and the Plan, the Committee shall have the exclusive discretion to determine when you are no longer actively providing services for purposes of your Award (including whether you may still be considered to be providing services while on a leave of absence). Notwithstanding the foregoing, if applicable employment legislation explicitly requires continued vesting during a statutory notice period, your right to vest in the Awards, if any, will terminate effective as of the last date of the minimum statutory notice period but you will not earn or be entitled to pro-rated vesting if the vesting date falls after the end of your statutory notice period, nor will you be entitled to any compensation for lost vesting.

The following provisions apply if you are a resident of Quebec:

Language Consent. The parties acknowledge that it is their express wish that the Agreement, as well as all documents, notices, and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

Les parties reconnaissent avoir exigé la rédaction en anglais de cette convention, ainsi que de tous documents, avis et procédures judiciaires, exécutés, donnés ou intentés en vertu de, ou liés directement ou indirectement à, la présente convention.

Data Privacy Notice and Consent. This provision supplements Section 15 of the Agreement:

You hereby authorize the Company and the Company’s representative to discuss with and obtain all relevant information from all personnel (professional or not) involved in the administration and operation of the Plan. You further authorize the Company and your Employer to disclose and discuss your participation in the Plan with their advisors. You also authorize the Company and your Employer to record such information and keep it in your employee file.

Notifications

Securities Law Information. The sale of shares of Common Stock acquired under the Plan may not take place in Canada. This requirement will be satisfied where the shares of Common Stock are sold by the designated broker under the Plan through the facilities of the U.S. stock exchange on which the shares of Common Stock are currently listed (*i.e.*, the Nasdaq stock market).

Foreign Asset/Account Reporting Information. Canadian residents are required to report their foreign specified property (*e.g.*, shares of Common Stock) on form T1135 (Foreign Income Verification Statement) if the total cost of the foreign specified property exceeds C\$100,000 at any time in the year. The RSUs must be reported—generally at a nil cost—if the C\$100,000 threshold is exceeded because of other foreign specific property held by you. The shares of Common Stock acquired under the Plan must be reported and their cost generally is the adjusted cost base (“**ACB**”) of the shares of Common Stock. The ACB ordinarily would equal the fair market value of the shares of Common Stock at the time of acquisition, but if such Canadian resident owns other shares of Common Stock, this ACB may have to be averaged with the ACB of the other shares. The form T1135 generally must be filed by April 30 of the following year. Canadian residents should consult with a personal advisor to ensure compliance with the applicable reporting requirements.

France

Terms and Conditions

RSUs Not Tax-Qualified. The RSUs granted under this Agreement are not intended to qualify for special tax and social security treatment pursuant to Sections L. 225-197-1 to L. 225-197-6 of the French Commercial Code, as amended.

Language Consent. By accepting the RSUs, you confirm having read and understood the Plan and Agreement, including all terms and conditions included therein, which were provided in the English language. You accept the terms of those documents accordingly.

En acceptant les droits sur des actions assujettis à restrictions (« restricted stock units » ou « RSUs »), vous confirmez avoir lu et compris le Plan et le Contrat, en ce compris tous les termes et conditions de ces documents, qui ont été fournis en langue anglaise. Vous acceptez les dispositions de ces documents en connaissance de cause.

Notifications

Foreign Asset/Account Reporting Information. French residents holding cash or securities (including shares of Common Stock) outside of France or maintaining a foreign bank or brokerage account (including accounts opened or closed during the tax year) must declare such assets and accounts to the French tax authorities when filing an annual tax return. Failure to comply could trigger significant penalties.

Germany

Notifications

Exchange Control Information. Cross-border payments in excess of €12,500 must be reported monthly to the German Federal Bank (*Bundesbank*). In the event you make or receive a payment in excess of this amount, you must report the payment to Bundesbank electronically using the “General Statistics Reporting Portal” (“*Allgemeines Meldeportal Statistik*”) available via Bundesbank’s website (www.bundesbank.de).

Foreign Asset/Account Reporting Information. If your acquisition of shares acquired under the Plan leads to a so-called qualified participation at any point during the calendar year, you may need to report the acquisition when you file your tax return for the relevant year. A qualified participation is attained if (i) you own at least 1% of the Company and the value of the shares of Common Stock acquired exceeds €150,000 or (ii) you hold shares of Common Stock exceeding 10% of the Company’s total Common Stock.

India

Notifications

Exchange Control Information. You must repatriate all proceeds received from the sale of shares of Common Stock to India within 90 days of receipt and any cash dividends paid on shares of Common Stock acquired under the Plan within 180 days of receipt, or as prescribed under Indian exchange control laws as may be amended from time to time. You must maintain the foreign inward remittance certificate received from the bank where the foreign currency is deposited in the event that the Reserve Bank of India requests proof of repatriation. It is your responsibility to comply with applicable exchange control laws in India.

Foreign Asset/Account Reporting Information. You are required to declare any foreign bank accounts and any foreign financial assets (including shares of Common Stock held outside India) in your annual tax return. You acknowledge that you are responsible for complying with this reporting obligation and you should confer with your personal tax advisor in this regard.

United Arab Emirates

Notifications

Securities Law Information. Participation in the Plan is being offered only to eligible employees and is in the nature of providing equity incentives to employees in the United Arab Emirates. The Plan and the Agreement are intended for distribution only to such employees and must not be delivered to, or relied on by, any other person. Prospective purchasers of the securities offered should conduct their own due diligence on the securities. The Emirates Securities and Commodities Authority has no responsibility for reviewing or verifying any documents in connection with the Plan. Neither the Ministry of Economy nor the Dubai Department of Economic Development has approved the Plan or the Agreement nor taken steps to verify the information set out therein, and has no responsibility for such documents.

United Kingdom

Terms and Conditions

Settlement. The following provision supplements Section 3 of the Agreement:

Notwithstanding any discretion contained in the Plan or the Agreement, the RSUs will not be settled in cash or a combination of cash and shares of Common Stock. The RSUs will be settled only in shares of Common Stock.

Responsibility for Taxes. This provision supplements Section 10 of the Agreement:

Without limitation to Section 10 of the Agreement, you hereby agree that you are liable for any Tax-Related Items related to your participation in the Plan and hereby covenant to pay such Tax-Related Items, as and when requested by the Company or (if different) the Employer or by Her Majesty's Revenue & Customs ("**HMRC**") (or any other tax or relevant authority). You also hereby agree to indemnify and keep indemnified the Company and (if different) the Employer against any Tax-Related Items that they are required to pay or withhold or have paid or will pay to HMRC (or any other tax or relevant authority) on your behalf.

Notwithstanding the foregoing, if you are an executive officer or director (as within the meaning of Section 13(k) of the Exchange Act), the terms of the immediately foregoing provision will not apply. Instead, any Tax-Related Items not collected or paid may constitute a benefit to you on which additional

income tax and National Insurance Contributions (“*NICs*”) may be payable. You understand that you will be responsible for reporting and paying any income tax due on this additional benefit directly to HMRC under the self-assessment regime and for paying to the Company and/or the Employer (as appropriate) the amount of any employee *NICs* due on this additional benefit, which can be recovered by any means set out in the Agreement.

National Insurance Contributions Acknowledgment. As a condition of participation in the Plan and the vesting of the RSUs, you agree to accept any liability for secondary Class 1 *NICs* which may be payable by the Company and/or the Employer in connection with the RSUs and any event giving rise to Tax-Related Items (the “*Employer NICs*”). Without limitation to the foregoing, you agree to execute a joint election with the Company, the form of such joint election being formally approved by HMRC (the “*Joint Election*”), and any other required consent or election. You further agree to execute such other joint elections as may be required between you and any successor to the Company and/or the Employer. You further agree that the Company and/or the Employer may collect the *Employer NICs* from you by any of the means set forth in Section 10 of the Agreement. You must enter into the Joint Election concurrent with the execution of the Agreement.

If you do not enter into a Joint Election prior to the vesting of the RSUs or if approval of the Joint Election has been withdrawn by HMRC, the RSUs shall become null and void without any liability to the Company and/or the Employer.

FIRST AMENDMENT TO LEASE

THIS FIRST AMENDMENT TO LEASE (this "First Amendment") is made and entered into as of this 28th day of September, 2012 (the "Effective Date"), by and between MIDDLEFIELD STATION ASSOCIATES, LLC, a Delaware limited liability company ("Landlord"), and OMNICELL, INC., a Delaware corporation ("Tenant").

RECITALS:

A. Landlord and Tenant entered into that certain Lease Agreement dated October 20, 2011 (the "Lease"), pursuant to which Landlord agreed to lease to Tenant certain premises (as more particularly described in the Lease) consisting of approximately ninety-nine thousand eight hundred eighty (99,880) rentable square feet and more commonly known as 590 Middlefield Road, Mountain View, California (the "Premises"). All capitalized terms used herein but not herein defined shall have the meaning ascribed to such terms in the Lease.

B. In lieu of executing the Commencement and Expiration Date Memorandum as required by Paragraph 3(c) of the Lease, Landlord and Tenant desire to enter into this First Amendment to specify the Commencement Date and the Expiration Date of the Lease, as well as to otherwise amend the Lease on the terms and conditions set forth in this First Amendment.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Landlord and Tenant hereby agree as follows:

1. Incorporation of Recitals. The recitals expressed in A and B above are true and correct, incorporated herein and made a part of this First Amendment by this reference.

2. Term. Paragraph 3(a) of the Lease is hereby amended to provide that the Commencement Date is November 16, 2012, and the Expiration Date is October 15, 2022; provided that the Landlord Improvements are Substantially Complete (or would have been Substantially Complete but for any Tenant Delays) on or before November 16, 2012.

3. Rent.

(a) Paragraph 4(a) of the Lease is hereby amended such that the last two sentences of such paragraph are deleted.

(b) Beginning on the Commencement Date and continuing through the remainder of the Term, Tenant shall pay to Landlord all Rent, including Additional Rent and Base Rent, in accordance with Paragraph 4 of the Lease; provided, however, (A) the Base Rent payable by Tenant for the period from November 16, 2012 to November 30, 2012, shall be paid to Landlord on or before November 16, 2012, and (B) the Base Rent Schedule attached to the Lease as Exhibit B is deleted in its entirety and replaced with the following Base Rent Schedule:

<u>Period</u>	<u>Monthly Rent*</u>	<u>Price/SF</u>	<u>Escalation (%)</u>
11/16/12 – 11/30/12	\$139,333	\$2.79 NNN	Base
12/1/12 – 12/31/12	Abated	\$2.79 NNN	Base
1/1/13 – 9/30/13	\$278,665	\$2.79 NNN	Base
10/1/13 – 9/30/14	\$287,025	~\$2.87 NNN	3%
10/1/14 – 9/30/15	\$295,636	~\$2.96 NNN	3%
10/1/15 – 9/30/16	\$304,505	~\$3.05 NNN	3%

10/1/16 – 9/30/17	\$313,640	~\$3.14 NNN	3%
10/1/17 – 9/30/18	\$323,049	~\$3.23 NNN	3%
10/1/18 – 9/30/19	\$332,741	~\$3.33 NNN	3%
10/1/19 – 9/30/20	\$342,723	~\$3.43 NNN	3%
10/1/20 – 9/30/21	\$353,005	~\$3.53 NNN	3%
10/1/21 – 9/30/22	\$363,595	~\$3.64 NNN	3%
10/1/22 – 10/15/22	\$187,251	~\$3.75 NNN	3%

*Prorated for Partial Months

(iii) As of the Effective Date, Tenant has made an advance payment to Landlord on account of (A) Base Rent in the amount of Two Hundred Seventy-Eight Thousand Six Hundred Sixty-Five Dollars (\$278,665) (the "Prepaid Base Rent"); and (B) Additional Rent in the amount of Forty-Two Thousand Seven Hundred Twenty-Five and 40/100 Dollars (\$42,725.40) (the "Prepaid Additional Rent"). Landlord shall apply the Prepaid Base Rent to the first full month of Base Rent due under the Lease (January 2013), and shall apply the Prepaid Additional Rent to Additional Rent due under the Lease from the Commencement Date to December 31, 2012. Notwithstanding the foregoing, Tenant shall remain responsible for the payment of all Base Rent and Additional Rent due under the Lease and Landlord's receipt of the Prepaid Base Rent and Prepaid Additional Rent shall not excuse Tenant from payment of any additional amounts owed by Tenant under the Lease from and after the Commencement Date.

(iv) Paragraph 4(c)(1) of the Lease is hereby amended to provide that, with respect to Computation Year 2013 only, on or before December 15, 2012, Landlord shall give to Tenant notice of Landlord's estimate of the total amounts that will be payable by Tenant to Landlord (as opposed to direct payments by Tenant to the applicable vendor and service provider) under Paragraph 4(b) of the Lease for Computation Year 2013. All other provisions of Paragraph 4(c)(1) of the Lease shall remain as provided therein.

4. Brokers. Landlord and Tenant each warrant to the other that it has had no dealing with any real estate broker or agent in connection with this First Amendment, and that Landlord and Tenant know of no real estate broker who is entitled to or can claim a commission in connection with this First Amendment. Each party agrees to indemnify, defend and hold harmless the other party from and against any and all claims, demands, losses, liabilities, lawsuits, judgments, and costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) with respect to any alleged leasing commission or equivalent compensation in connection with this Amendment as a result of the actions of the indemnifying party.

5. Miscellaneous.

(a) This First Amendment may be executed in one or more counterparts, each of which shall be an original, and all of which shall constitute one instrument. The parties contemplate that they may be executing counterparts of this First Amendment transmitted by facsimile or electronic mail in PDF format and agree and intend that a signature by facsimile machine or electronic mail in PDF format shall bind the party so signing with the same effect as though the signature were an original signature.

(b) Except as set forth in this First Amendment, the Lease shall remain unchanged, in full force and effect. If there is any inconsistency between the terms of this First Amendment and the terms of the Lease, the terms of this First Amendment shall control.

a. This First Amendment shall be governed by, construed, and enforced in accordance with the laws of the State of California.

b. Tenant hereby represents and warrants that each individual executing this First Amendment is duly authorized to execute and deliver the same in accordance with the provisions contained in Paragraph 44 of the Lease.

IN WITNESS WHEREOF, Landlord and Tenant have entered into this First Amendment as of the date first written above.

LANDLORD:

MIDDLEFIELD STATION ASSOCIATES, LLC,
a Delaware limited liability company

By: /s/ Bruce Burkard
Name: Bruce Burkard
Its: Authorized Signatory

TENANT:

OMNICELL, INC.,
a Delaware corporation

By: /s/ Rob Seim
Name: Rob Seim
Its: Chief Financial Officer

Execution Copy

FIRST AMENDMENT TO LEASE

This **FIRST AMENDMENT TO LEASE** (this "First Amendment") is entered into as of ~~February~~ April 8, 2005, by and between the **Multi-Employer Property Trust**, a trust organized under 12 C.F.R. Section 9.18 ("Landlord") and **McKesson Automation Inc.**, a Pennsylvania corporation ("Tenant"), in consideration of the mutual covenants contained herein and the benefits to be derived herefrom.

WITNESSETH:

WHEREAS, TC Northeast Metro, Inc. ("TC"), a Delaware corporation, and Tenant entered into that Lease dated December 21, 2001 (the "Lease"), pursuant to which Tenant leased from TC approximately sixty-one thousand eight hundred eighty-seven (61,887) rentable square feet consisting of the entire third (3rd) and fourth (4th) floors (the "Initial Premises") of a certain building located at 500 Cranberry Woods Drive, Cranberry Township, Pennsylvania; and

WHEREAS, Tenant's obligations under the Lease have been guaranteed by McKesson Corporation (the "Guarantor"), a Delaware corporation, pursuant to a certain Guaranty of Lease dated December 21, 2001 (the "Guaranty"); and

WHEREAS, TC subsequently assigned all of its right, title and interest under the Lease and Guaranty to the Landlord pursuant to a certain Assignment and Assumption Agreement dated December 28, 2001 between TC and the Landlord; and

WHEREAS, the Tenant desires to lease the entire second (2nd) floor of the Building, consisting of approximately twenty-nine thousand nine hundred forty-six (29,946) rentable square feet (the "Expansion Premises"); and

WHEREAS, Landlord and Tenant desire to amend the Lease as provided herein;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by both Landlord and Tenant, the parties hereto agree that the Lease shall be amended as follows:

1. **Recitals/Defined Terms.** The foregoing recitals shall be considered an integral part of this First Amendment. Unless otherwise specifically stated in *this* First Amendment, all capitalized terms in this First Amendment shall have the meaning given to those terms in the Lease. In the event of any conflict between the Lease and this First Amendment, the terms of this First Amendment shall control.

2. Expansion Premises.

(a) Landlord and Tenant hereby agree to add the Expansion Premises to the Premises in two (2) stages, with (i) the first stage consisting of the addition to the Premises, as of the First Expansion Commencement Date (as hereinafter defined), of that portion of the Expansion Premises consisting of approximately fourteen thousand nine hundred seventy-three (14,973) rentable square feet shown on First Amendment Exhibit A attached hereto ("Expansion Premises A"), and (ii) the second stage consisting of the addition to the Premises, as of the Second Expansion Commencement Date (as hereinafter defined), of that portion of the Expansion Premises consisting of approximately fourteen thousand nine hundred seventy-three (14,973) rentable square feet shown on First Amendment Exhibit B attached hereto ("Expansion Premises B"). Landlord hereby leases to Tenant, and Tenant hereby rents from Landlord, the Expansion Premises upon the terms and conditions of this First Amendment

(b) As of the First Expansion Commencement Date, the entire Premises shall consist of approximately seventy-six thousand eight hundred sixty (76,860) rentable square feet comprising the entire (3rd) and fourth (4th) floors and a portion of the second (2nd) floor of the Building. On the First Expansion Commencement Date, Expansion Premises A shall become part of the Premises and, except as otherwise provided below, shall be subject to all of the terms and conditions of the Lease for the remainder of the Term.

(c) As of the Second Expansion Commencement Date, the entire Premises shall consist of approximately ninety-one thousand eight hundred thirty-three (91,833) rentable square feet consisting of the entire second (2nd), third (3rd) and fourth (4th) floors of the Building. On the Second Expansion Commencement Date, Expansion Premises B shall become part of the Premises and, except as otherwise provided below, shall be subject to all of the terms and conditions of the Lease for the remainder of the Term.

(d) Notwithstanding anything to the contrary contained in the Lease, including but not limited to Section 1, neither Expansion Premises A nor Expansion Premises B shall be subject to remeasurement and the rentable square footage thereof as recited in Section 2(a) hereof shall be final, conclusive and controlling.

3. Term.

(a) The Term with respect to Expansion Premises A shall commence on the First Expansion Commencement Date (as hereinafter defined) and shall expire on the last day of that calendar month which is seventy-six (76) months after the First Expansion Commencement Date, provided that, if the First Expansion Commencement Date is the first day of a calendar month, the Term with respect to Expansion Premises A shall end on the last day of the seventy-sixth (76th) calendar month beginning on, and including, the First Expansion Commencement Date (the "Extended Lease Expiration Date"). Subject to subparagraphs 1.4(b), 1.4(c) and 1.4(d) of the Lease and subject to those provisions of Exhibit C relating to Tenant Delays, the "First Expansion Commencement Date" shall be the earlier to occur of: (i) the date of Substantial Completion of Expansion Premises A; or (ii) the date upon which Tenant commences the

beneficial use and occupancy of all or any material part of Expansion Premises A (other than for "Furniture Installation" and "Move-In"). The parties acknowledge the "Target Date" for Substantial Completion of Expansion Premises A is August 8, 2005, subject to Tenant's compliance with its responsibilities under the Approved Design Schedule, and Tenant's adherence to the other provisions of Exhibit C of the Lease as modified by Section 14 of this First Amendment (referred to herein as "Amended Exhibit C"), provided as more fully set forth in Amended Exhibit C. Landlord agrees to provide Tenant with access to Expansion Premises A for purposes of Furniture Installation and Move-In not less than thirty-one (31) days prior to the date Landlord then estimates that Substantial Completion of Expansion Premises A will occur. The parties acknowledge that Amended Exhibit C contains additional provisions concerning the rights and remedies of the parties (if any), and the effect on the First Expansion Commencement Date, in the event Substantial Completion of Expansion Premises A occurs past the dates set forth above, including if the same is due to any Tenant Delays or Force Majeure. Except as otherwise expressly provided in, or otherwise inconsistent with, this First Amendment, and except to the extent not applicable to Expansion Premises A, for purposes of this paragraph any references in subparagraphs 1.4(b), 1.4(c) and 1.4(d) of the Lease to the "Premises", "Commencement Date", and "Exhibit C" shall be deemed instead to refer to "Expansion Premises A", "First Expansion Premises", and Amended Exhibit C, respectively.

(b) The Term with respect to Expansion Premises B shall commence on the Second Expansion Commencement Date (as hereinafter defined) and shall expire on the Extended Lease Expiration Date. Subject to subparagraphs 1.4(b), 1.4(c) and 1.4(d) of the Lease and subject to those provisions of Exhibit C relating to Tenant Delays, the "Second Expansion Commencement Date" shall be the earlier to occur of: (i) the later of (x) the date of Substantial Completion of Expansion Premises Band (y) May 15, 2006; or (ii) the date upon which Tenant commences the beneficial use and occupancy of all or any material part of Expansion Premises B (other than for "Furniture Installation" and "Move-In"). The parties acknowledge the "Target Date" for Substantial Completion of Expansion Premises B is May 15, 2006, subject to Tenant's compliance with its responsibilities under the Approved Design Schedule, and Tenant's adherence to the other provisions of Amended Exhibit C, provided as more fully set forth in Amended Exhibit C. Landlord agrees to provide Tenant with access to Expansion Premises B for purposes of Furniture Installation and Move-In not less than thirty-one (31) days prior to the later of (1) date Landlord then estimates that Substantial Completion of Expansion Premises B will occur and (2) May 15, 2006. The parties acknowledge that Amended Exhibit C contains additional provisions concerning the rights and remedies of the parties (if any), and the effect on the Second Expansion Commencement Date, in the event Substantial Completion of Expansion Premises B occurs past the dates set forth above, including if the same is due to any Tenant Delays or Force Majeure. Except as otherwise expressly provided in, or otherwise inconsistent with, this First Amendment, and except to the extent not applicable to Expansion Premises B, for purposes of this paragraph any references in subparagraphs 1.4(b), 1.4(c) and 1.4(d) of the Lease to the "Premises", "Commencement Date", and "Exhibit C" shall be deemed instead to refer to "Expansion Premises B", "Second Expansion Premises", and Amended Exhibit C, respectively.

(c) The Term of the Lease as it relates to the Initial Premises is hereby extended to the Extended Lease Expiration Date, and all references in the Lease to the Lease Expiration Date shall hereafter mean and refer to the Extended Lease Expiration Date so that the Term of the Lease as it relates to the Initial Premises, Expansion Premises A, and Expansion Premises B shall all expire on the Extended Lease Expiration Date.

(d) It is Landlord's intention to simultaneously pursue Substantial Completion of Landlord's Work for Expansion Premises A and Expansion Premises B, provided, however, nothing contained herein shall affect the Target Date for Substantial Completion of Expansion Premises B as set forth in Section 3(b) hereof Notwithstanding anything to the contrary contained herein, if Landlord achieves Substantial Completion of Expansion Premises B prior to the Target Date for same as set forth in Section 3(b) hereof, then at any time after such Substantial Completion Tenant may elect on one or more occasions to accelerate the Second Expansion Commencement Date with respect to all or any portion of Expansion Premises B consisting of not less than 5,000 rentable square feet (or the remaining balance of Expansion Premises B, if the same consists of less than 5,000 rentable square feet). Unless otherwise mutually agreed, Tenant shall provide Landlord with at least five (5) business days advance written notice of each such election. Further, in the event of any such election to accelerate the Second Expansion Commencement Date as to less than the entire Expansion Premises B, then all provisions of the Lease (as amended hereby) that are based upon the number of rentable square feet contained within the Premises and/or Expansion Premises B automatically shall be deemed amended accordingly. Such provisions include, without limitation, (i) Section 2(c) of this First Amendment with respect to the aggregate number of rentable square feet at any time contained within the Premises, (ii) Section 1.2 of the Lease, as amended by Section 4 of this First Amendment relating to the definition of "Tenant's Share" (which at any time shall be deemed to be a fraction equal to the then aggregate number of rentable square feet comprising the Premises divided by 119,444 (the aggregate number of rentable square feet in the Building)), and (iii) Subsection 1.5.1 of the Lease as amended by Section 5 of this First Amendment with respect to the acceleration of the Second Expansion Commencement Date and the amount of Base Rent payable for the applicable portion of Expansion Premises B.

(e) Promptly after the First Expansion Commencement Date, Landlord and Tenant shall execute a memorandum confirming the First Expansion Commencement Date, the Rent Adjustment Date, and the Extended Lease Expiration Date. Such memorandum (the "First Expansion Date Memorandum") shall be in the form attached to this First Amendment as First Amendment Exhibit D. Promptly after the Second Expansion Commencement Date (or after each Second Expansion Commencement Date if the Tenant elects to have Landlord deliver less than the entire Expansion Premises B at one time as provided in Section 3(d) hereof), Landlord and Tenant shall execute a memorandum confirming the Second Expansion Commencement Date(s). Such memorandum (each a "Second Expansion Date Memorandum") shall be in the form attached to this First Amendment as First Amendment Exhibit E; (with Landlord and Tenant completing the applicable portions thereof). The failure of Tenant to execute the First Expansion Date Memorandum or any Second Expansion Date Memorandum shall not affect Tenant's obligations under the Lease as amended by this First Amendment. In no event shall

Tenant record this First Amendment, the First Expansion Date Memorandum, or any Second Expansion Date Memorandum.

4. **Tenant's Share**, Section 1.2 of the Lease is hereby amended by deleting the second sentence thereof and substituting in its stead the following:

"Tenant's Share shall be (a) for the period beginning on the Commencement Date and ending on the date immediately preceding the First Expansion Commencement Date, Fifty-One and 81/100 Percent (51.81%) (i.e., 61,887/119,444) based upon the Premises containing 61,887 rentable square feet, and the Building containing 119,444 rentable square feet; (b) for the period beginning on the First Expansion Commencement Date and ending on the date immediately preceding the Second Expansion Commencement Date, Sixty-Four and 35/100 Percent (64.35%) (i.e., 76,860/119,444) based upon the Premises containing 76,849 rentable square feet, and the Building containing 119,444 rentable square feet; and (c) for the remaining period of the Term from and after the Second Expansion Commencement Date, Seventy-Six and 88/100 Percent (76.88%) (i.e., 91,833/119,444) based upon the Premises containing 91,822 rentable square feet, and the Building containing 119,444 rentable square feet."

5. **Base Rent**. The Lease is hereby amended by deleting Subsection 1.5.1 thereof in its entirety and substituting in its stead the following:

"1.5.1 The rate per rentable square foot per annum, and the portion of the Lease term during which such monthly Base Rent is payable shall be determined from the following tables.

Initial Premises				
Applicable Portion of Lease Term		Rate Per/Rentable Sq. Ft./ Annum	Annual Base Rent	Monthly Base Rent Installment (Annual+ 12)
Beginning	Ending			
March 23, 2003	The date immediately preceding the Rent Adjustment Date	\$21.50	\$1,330,570.50	\$110,880.88
Rent Adjustment Date	Extended Lease Expiration Date	\$22.75	\$1,407,929.25	\$117,327.44

Expansion Premises A				
Applicable Portion of lease Term		Rate Per/Rentable Sq. Ft./ Annum	Annual Base Rent	Monthly Base Rent Installment (Annual+ 12)
Beginning	Ending			
First Expansion Commencement Date	The date immediately preceding the Rent Adjustment Date	\$21.50	\$321,919.50	\$26,826.63
Rent Adjustment Date	Extended Lease Expiration Date	\$22.75	\$340,635.75	\$28,386.31

Expansion Premises B				
Applicable Portion of Lease Term		Rate Per/Rentable Sq. FU Annum	Annual Base Rent	Monthly Base Rent Installment (Annual+ 12)
Beginning	Ending			
Second Expansion Commencement Date	The date immediately preceding the Rent Adjustment Date	\$21.50	\$321,919.50	\$26,826.63
Rent Adjustment Date	Extended Lease Expiration Date	\$22.75	\$340,635.75	\$28,386.31

If the First Expansion Commencement Date or the Second Expansion Commencement Date is a date other than the first day of a calendar month, Base Rent for Expansion Premises A or Expansion Premises B (as applicable) for the partial month in which the First Expansion Commencement Date occurs shall be prorated. Notwithstanding the foregoing, provided that no Default exists under the Lease, Landlord shall abate all Base Rent applicable to Expansion Premises A for the first four (4) full calendar months of the Term beginning on or after the First Expansion Commencement Date (the "Expansion Premises A Abatement Period") (but not as to the partial month (if any) in which the First Expansion Commencement Date occurs).

As used herein, the "Rent Adjustment Date" shall mean and refer to the date which is forty (40) months after the First Expansion Commencement Date, provided that, if the First Expansion Commencement Date is a day other than the first day of a calendar month, the Rent Adjustment Date shall be the first day of the calendar month immediately following the date which is forty (40) months after the First Expansion Commencement Date.

Notwithstanding the foregoing rent schedules, if Tenant validly exercises any of its renewal options as set forth in this Lease, Base Rent for the renewal term(s) shall be as set forth in Section 50 hereof."

6. **Base Year.** Effective as of the First Expansion Premises Commencement Date:

(a) Section 9.2 of the Lease shall be deemed amended such that the "Operating Costs Base Year" shall be calendar year 2005 for the entire Premises (i.e., the Initial Premises, the First Expansion Premises, and the Second Expansion Premises); and.

(b) Section 10.2 of the Lease shall be deemed amended such that the "Real Estate Tax Base Year" shall be calendar year 2005 for the entire Premises (i.e., the Initial Premises, the First Expansion Premises, and the Second Expansion Premises), provided that if the Building has not been fully assessed as of the end of calendar year 2005, the Property Tax Base Year shall be the first tax year in which the Building is fully assessed.

7. **Notice Addresses.** Section 1.8 of the Lease is hereby amended by substituting the following addresses for Landlord:

BO1 15687368.6 / 32203 000154

"If to Landlord: Multi-Employer Property Trust
c/o Kennedy Associates Real Estate Counsel, Inc. Attention: Senior Vice President - Asset Management 1215
Fourth Ave., Suite 2400
Seattle, WA 98161

Facsimile: (206) 682-4769

with copies to:

Multi-Employer Property Trust
c/o Kennedy Associates Real Estate Counsel, Inc.
Attn: Vice President - Asset Management
7315 Wisconsin Avenue, Suite 350 West
Bethesda, MD 20814

Facsimile: (301) 656-9339

and

Multi-Employer Property Trust
c/o Riggs Bank N.A.
Attn: Senior Vice President/MEPT or Patrick O. Mayberry
808-17th SL N.W., 7th Floor
Washington, D.C., 20006-3944

Facsimile: (202) 835-6887

and with a copy to Manager at:

Trammell Crow Company
800 Cranberry Woods Drive, Suite 260
Cranberry Township, PA 16066."

8. **Payment Address.** Section 1.9 of the Lease is hereby amended by substituting the following address for payments to Landlord:

"Kennedy/MEPT - Cranberry Woods
500 Cranberry Woods Drive
File #30376
PO Box 60000
San Francisco, CA 94160."

9. **Tenant Improvements.** Notwithstanding anything to the contrary contained in the Lease (including Section 17), (a) any improvements to be performed by Tenant to Expansion Premises A (or any portion thereof) prior to the First Expansion Commencement Date shall be governed by Amended Exhibit C, (b) any improvements to be performed by Tenant to Expansion Premises B (or any portion thereof) prior to the Second Expansion Commencement Date shall be

governed by Amended Exhibit C, and (c) all other improvements performed by Tenant to the Expansion Premises shall be treated as Alterations to the Premises and thus governed by Article 15 of the Lease.

10. **Parking.** Effective as of the First Expansion Premises Commencement Date, Tenant's parking allocation as set forth in Section 46 of the Lease shall be increased by an amount equal to five (5) parking spaces for each 1,000 square feet of rentable area of Expansion Premises A, and effective as of the Second Expansion Premises Commencement Date, Tenant's parking allocation as set forth in Section 46 of the Lease shall be further increased by an amount equal to five (5) parking spaces for each 1,000 square feet of rentable area of Expansion Premises B. Such parking allocation remains subject to adjustment in the event of any reduction or further expansion of the Premises as provided in Section 46 of the Lease.

11. **Renewal Option.** Without limiting any other term or condition hereof, Landlord and Tenant acknowledge and agree that the renewal options granted to Tenant under Section 50 of the Lease remain in full force and effect and hereafter apply to the entire Premises then leased to Tenant (i.e., the Initial Premises, Expansion Premises A, and Expansion Premises B) as of the end of the Initial Term and the First Renewal Term, as applicable. Tenant shall have no right to exercise any such option to renew for less than the entire Premises then leased by Tenant pursuant to the Lease. As used herein and in the Lease, "Initial Term" hereafter shall mean and refer to the period beginning on the First Expansion Commencement Date and ending on the Extended Lease Expiration Date as in effect immediately following the execution of this First Amendment.

12. **Expansion Options.**

(a) Section 52.1.1 of the Lease is hereby amended by deleting the last two (2) sentences thereof in their entirety and substituting the following in their stead:

"The second Expansion Option is a non-exclusive option to expand applicable to available space within the Building during the Initial Lease Term, all as more fully set forth in Section 52.3, below. The third Expansion Option is a right of first refusal applicable to vacant space within the Building during the ROFR Period (as hereinafter defined), all as more fully set forth in Section 52.4, below."

(b) The Lease is hereby amended by deleting Section 52.3 thereof in its entirety and substituting in its stead the following:

"52.3 Additional Nonexclusive Expansion Option.

52.3.1 Subject to availability and any prior rights granted to other tenants of the Building and further subject to the terms and provisions of this Article 52, Tenant is hereby granted the non-exclusive option (the "Additional Expansion Option"), exercisable by Tenant at any time during the Initial Term, to lease any then available space (meaning space which is not leased to a third party and for

which Landlord has neither issued nor received a letter of intent or term sheet) in the Building (the "Available Space") for an initial term (the "Additional Expansion Term") coinciding with the balance of the Initial Term. Tenant shall exercise the Additional Expansion Option by delivering a written notice to Landlord (the "Additional Expansion Notice") at any time prior to the expiration of the Initial Term (i) stating Tenant's unqualified election to exercise the Additional Expansion Option, (ii) designating the portion (up to the whole) of the Available Space in the Building that Tenant is electing to lease (which designation shall be subject to Landlord's reasonable consent, and which shall be deemed to constitute the "Additional Expansion Space" once such designation is approved by Landlord), and (iii) shall attach a proposed space plan for the portion of the Additional Expansion Space so designated by Tenant. Landlord shall approve Tenant's designation of less than all of the Available Space so long as the balance remaining after such designation constitutes Independently Leasable Space (as defined in Section 1.1(d) of this Lease). The date upon which Landlord delivers possession of the Additional Expansion Space to Tenant in the condition contemplated under Section 52.3.2, below, is referred to herein as the "Additional Expansion Date".

52.3.2 Any leasehold created pursuant to Tenant's exercise of the Additional Expansion Option shall be upon substantially the same terms and conditions as this Lease, including the then current annual Base Rent per square foot of rentable area, the Operating Costs Base Year, the Real Estate Tax Base Year, and the Extended Lease Expiration Date; and the following additional provisions shall be applicable: (i) the Additional Expansion Term shall by its terms expire on the Extended Lease Expiration Date so that the Additional Expansion Term and the Initial Term of this Lease coincide, (ii) from and after the Additional Expansion Date, the Premises shall be deemed to include the Additional Expansion Space; (iii) Tenant's Share shall be modified to include the applicable percentage of the Building allocable to the Additional Expansion Space; (iv) Article 9 and 10 of this Lease shall be deemed amended *mutatis mutandis* to provide that Tenant will pay Expense Increases and Tax Increases with respect to the Additional Expansion Space on the same basis provided for herein; (v) Monthly Rent for the Additional Expansion Space shall commence on the earlier to occur of (A) the date Tenant commences actual occupancy of the Additional Expansion Space for purposes of conducting business operations therein, or (B) the Additional Expansion Date (such date, the "Additional Expansion Rent Commencement Date"); (vi) the Renewal Option described in Section 50 shall also apply with respect to the Additional Expansion Space; (viii) the allowance and construction provisions set forth in Section 52.2.3 below (and by application thereof, Exhibit C of this Lease), shall apply to the Additional Expansion Space; (ix) the number of parking spaces to be allocated to the Additional Expansion Space shall be as determined under Section 46 of this Lease based on the square footage of the Additional Expansion Space; (x) the Guaranty shall apply to Tenant's lease of the Additional Expansion Space; and (xi) all other provisions of the Lease shall be deemed amended *mutatis mutandis* to apply to the

Additional Expansion Space; provided, however, that Base Rent shall not be due or payable by Tenant on account of the Additional Expansion Space until the Additional Expansion Rent Commencement Date.

52.3.3 Tenant shall be granted an allowance for tenant improvements to be performed by Tenant with respect to the Additional Expansion Space, which if the Additional Expansion Rent Commencement Date occurs during the one-year period commencing on the First Expansion Commencement Date shall be Twenty-One and 00/100 Dollars (\$21.00) per rentable square foot in the Additional Expansion Space leased by Tenant, and thereafter shall be in an amount equal to the product of (i) \$21.00 per rentable square foot in the Additional Expansion Space leased by Tenant, and (ii) a fraction the numerator of which is the number of full calendar months remaining in the Initial Term as of the Additional Expansion Rent Commencement Date, and the denominator of which is sixty-four (64). Such allowance shall be funded to pay for (i) Tenant's share of applicable architectural fees for preparation of construction drawings for the Additional Expansion Space, (ii) permit fees associated with such work, and (iii) the cost of physical improvements to such Additional Expansion Space, with any unused amount to be credited against Rent becoming due for the Additional Expansion Space (but in no event shall more than 20% of such allowance be credited against Rent, and any amount in excess of 20% of the allowance which is not used for such items described in the preceding clauses (i), (ii), and (iii) shall be deemed forfeited by Tenant). Such allowance shall be funded substantially in accordance with the construction provisions of Exhibit C of this Lease as applied to such construction. The parties agree that the parties shall generally conform to the provisions of Exhibit C with respect to the design and construction of physical improvements to the Additional Expansion Space, as if fully restated in this Section 52.3 (and subject to any specific modifications as to timing or other points of detail expressly set forth in this Section 52.3).

52.3.4 Promptly after Tenant's exercise of the Additional Expansion Option, Landlord shall prepare and Landlord and Tenant shall execute an amendment to this Lease confirming such exercise and incorporating the applicable terms of this Section 52. These provisions shall be self-operative, and such amendment shall merely confirm in a separate written instrument the terms and provisions set forth herein.

52.3.5 Tenant acknowledges and agrees that the Additional Expansion Option is not exclusive to Tenant, and unless and until Tenant has exercised the Additional Expansion Option, Landlord shall have the right (subject only to Tenant's Right of First Refusal, as defined in Section 52.4 below, for the period that such Right of First Refusal is in effect) to lease the Additional Expansion Space to any person or entity, free from the effect of the Additional Expansion Option, on such terms as Landlord determines in its sole and absolute discretion."

(c) Section 52.4.1 of the Lease is hereby amended by deleting the first sentence thereof in its entirety and substituting the following in its stead:

"Subject to the further terms of this Section 52.4, Tenant is hereby granted, solely during the twenty-four (24) month period (the "ROFR Period") beginning on the First Expansion Premises Commencement Date, a right of first refusal ("Right of First Refusal") to lease space which is vacant in the Project (any space subject to this Right of First Refusal being sometimes referred to herein as the "ROFR Space')."

(d) Section 52.4.2 of the Lease is hereby amended by deleting the following text from the sixteenth (16th) line thereof:

"but in no event past the twenty-fourth (24th) month of the Initial Term" and substituting in its stead the following:

"but in no event past the end of the ROFR Period".

(e) Section 52.4.2 of the Lease is hereby further amended by deleting the last sentence thereof in its entirety and substituting the following in its stead:

"If Tenant delivers a ROFR Exercise Notice prior to the expiration of the applicable three (3) business day period described above in this Section 52.4.2, then the provisions of Section 52.4.3 (if such ROFR Notice is delivered prior to the end of the sixth full calendar month of the ROFR Period) or Section 52.4.4 (if such ROFR Notice is delivered after the end of the sixth full calendar month of the ROFR Period but prior to the end of the ROFR Period), below, shall be applicable."

(f) Section 52.4.3.A of the Lease is hereby amended by deleting the first six (6) lines thereof which provide as follows:

"If the ROFR Exercise Notice is delivered prior to the end of the sixth (6th) full calendar month of the Initial Lease Term, then the ROFR Space will be leased to Tenant through an amendment to this Lease, upon substantially the same terms and conditions as this Lease, including the then current annual Base Rent per square foot of rentable area, the Operating Costs Base Year, the Real Estate Tax Base Year, and the Lease Expiration Date (which shall be coterminous with the Initial Term of this Lease), but subject to the following additional provisions:"

and substituting in its stead the following:

"If the ROFR Exercise Notice is delivered prior to the end of the sixth (6th) full calendar month of the ROFR Period, then the ROFR Space will be leased to

Tenant through an amendment to this Lease, upon substantially the same terms and conditions as the Expansion Premises A under this Lease, including the annual Base Rent per square foot of rentable area for the Expansion Premises A in effect from time to time (provided that if the ROFR Rent Commencement Date occurs during the Expansion Premises A Abatement Period, there shall be no corresponding abatement of any Rent with respect to the ROFR Space), the Operating Costs Base Year, the Real Estate Tax Base Year, and the Extended Lease Expiration Date (which shall be coterminous with the Initial Term of this Lease), but subject to the following additional provisions:".

(g) Section 52.4.3.B of the Lease is hereby amended by deleting the first sentence thereof in its entirety and substituting the following in its stead:

"Tenant shall be granted an allowance for tenant improvements to be performed by Tenant with respect to a ROFR Space subject to this Section 52.4.3, which during the one-year period commencing on the First Expansion Commencement Date shall be Twenty-One and 00/100 Dollars (\$21.00) per rentable square foot in the ROFR Space, and thereafter shall be in an amount equal to the product of (i) \$21.00 per rentable square foot in the ROFR Space, and (ii) a fraction the numerator of which is the number of full calendar months remaining in the Initial Term as of the ROFR Rent Commencement Date, and the denominator of which is sixty-four (64),"

(h) Section 52.4.4.A of the Lease is hereby deleted in its entirety and the following is substituted in its stead:

"If the ROFR Exercise Notice is delivered after the end of the sixth (6th) full calendar month of the ROFR Period but prior to the end of the ROFR Period, then the ROFR Space will be leased to Tenant under a lease instrument (a "ROFR Lease") on the business terms and conditions set forth in the LOI or, if applicable, Changed Terms Notice and otherwise having legal terms substantially consistent with the terms specified in this Lease."

13. **Construction of Expansion Premises.** Except as otherwise provided for herein, construction of tenant improvements to the Expansion Premises and all matters related thereto shall be handled in substantially the same manner as provided for under Exhibit C of the Lease ("Exhibit C") as if fully restated herein, but subject to the following modifications as to timing and other points of detail pertaining specifically to the Expansion Premises (or the applicable portion thereof), rather than the Initial Premises.

- (a) Except where the context requires otherwise, all references in Exhibit C to the "Premises" shall mean and refer to the Expansion Premises or the applicable portion thereof.
- (b) All references in Exhibit C to the "Approved Design Schedule" shall mean the approved schedule for the preparation, review and approval of the Construction Documents as set forth in First Amendment Schedule C-1 attached hereto.
- (c) All references in Exhibit C to the "Approved Schedule" shall mean the approved schedule for Completion of Landlord's Work as set forth in First Amendment Schedule C-1 attached hereto.
- (d) All references in Exhibit C to the "Approved Schematic Drawings" shall mean the as built plans attached hereto as First Amendment Schedule C-3.
- (e) There shall be no Base Building Construction Contract or Base Building GC for the remaining Base Building Improvements. The parties agree that any remaining Base Building Improvements that have not yet been completed for the Expansion Premises shall be completed by the TI GC pursuant to the TI Construction Contract, but pursuant to a separate scope of work which shall be bid separately from the Landlord's TI Work.
- (f) The last sentence of the definition of "Excess TI Costs" shall be deemed amended substituting "Part IV" in place of "Part VII".
- (g) All references in Exhibit C to the "Landlord's Architect" shall mean, initially, The Design Alliance, and any other architect selected by Landlord to replace or supplement such architect.
- (h) All references in Exhibit C to the "Tenant's Architect" shall mean, initially, The Design Alliance, and any other architect selected by Tenant to replace or supplement such architect, subject to Landlord's reasonable consent.
- (i) The "Steel Erection Completion Deadline" shall have no application to the Expansion Premises.
- (j) All references in Exhibit C to the "Test-Fit Allowance" shall mean an aggregate amount equal to Four Thousand Four Hundred Ninety-One and 90/100 Dollars (\$4,491.90), calculated based upon fifteen cents (\$0.15) per rentable square foot of the Expansion Premises. One-half of the Test-Fit Allowance is allocated to Expansion Premises A and one-half to Expansion Premises B.

(k) All references in Exhibit C to the "TI Allowance" shall mean an aggregate amount equal to Six Hundred Twenty-Eight Thousand Eight Hundred Sixty-Six and 00/100 Dollars (\$628,866.00), calculated based upon Twenty-One and 00/100 Dollars (\$21.00) per rentable square foot of the Expansion Premises. One-half of the TI Allowance is allocated to Expansion Premises A and one-half to Expansion Premises B.

(l) All references in Exhibit C to the "TI Construction Contract" shall mean the construction contract entered into with the TI GC for the construction of the Landlord's TI Work and the remaining Landlord's Base Building Work, provided that such TI Construction Contract shall contain a separate scope of work for Landlord's Base Building Work which shall be priced separately from the Landlord's TI Work.

(m) The definition of "TI GC" shall be deemed amended by deleting the word "by" from the first line thereof.

(n) Section I.F. entitled "Timing" shall be replaced with the following:

"Landlord and Tenant acknowledge that all specific dates set forth in this Exhibit C as they relate to the Expansion Premises, including the dates set forth in the Approved Schedule, the dates set forth for initial submission of the Space Plan and the TI Plans and the dates set forth in Section III.C.(i) and (ii) (as dates upon which Tenant may have the right to terminate this First Amendment in its entirety or solely as to Expansion Premises B if certain events have not occurred by such dates), and all other dates derived therefrom in this Exhibit C, are predicated on the assumption that this First Amendment will be executed and delivered on or before March 1, 2005. Accordingly, and notwithstanding any provision of this Exhibit C to the contrary, in the event this First Amendment was not executed and delivered by Tenant on or before March 1, 2005, then (in addition to all other extensions which may be contemplated herein due to Landlord Delays, Tenant Delays and/or Force Majeure, if any) each such date referenced herein shall be deemed to have been extended one (1) day for each day elapsing between March 1, 2005 and the date upon which this First Amendment is executed and delivered by Tenant, provided, however, that the Expansion. Premises A Rent Abatement Period shall be reduced one day for each day elapsing between March 1, 2005 and the date upon which this First Amendment is executed and delivered by Tenant to Landlord."

(o) Section III.B.(ii)(B) shall be amended to delete all of the text of clause (b) which begins "an amount equal to the differential" and ends with "is achieved by Landlord" and substitute in its stead "zero".

(p) Section III.C.(ii) shall be replaced with the following:

"(ii) If Landlord fails to achieve Substantial Completion of Landlord's Work on or before January 1, 2006 with respect to Expansion Premises A (or to

tender possession of Expansion Premises A to Tenant with substantial completion achieved to the extent necessary for Tenant to lawfully commence Furniture Installation in Expansion Premises A by January 1, 2006, which dates shall be extended one (1) day for each day of delay in actually achieving Substantial Completion of Expansion Premises A (or such lesser standard of substantial completion, as applicable) caused by Tenant Delays and Force Majeure (as so extended, a "Completion Deadline"), then Tenant shall have the right to terminate this First Amendment pursuant to this Section III.C.(ii) by written notice of termination to Landlord delivered no later than ten (10) business days after the Completion Deadline, in which event this First Amendment shall be deemed void, *ab initio*, and of no further force or effect, and the parties shall be released from all liabilities and obligations arising under this First Amendment with respect to the Expansion Premises. If Tenant fails or declines to deliver such termination notice within ten (10) business days after the applicable Completion Deadline, then Tenant will be deemed to have waived its termination right under this Section III.C.(ii), and this First Amendment shall continue in full force and effect at any time thereafter until the date Landlord achieves Substantial Completion (or such lesser standard of substantial completion necessary for Tenant to lawfully commence Furniture Installation, as applicable).

(iii) If Landlord fails to achieve Substantial Completion of Landlord's Work on or before October 15, 2006 with respect to Expansion Premises B (or to tender possession of Expansion Premises B to Tenant with substantial completion achieved to the extent necessary for Tenant to lawfully commence Furniture Installation in Expansion Premises B by October 15, 2006, which dates shall be extended one (1) day for each day of delay in actually achieving Substantial Completion of Expansion Premises B (or such lesser standard of substantial completion, as applicable) caused by Tenant Delays and Force Majeure (as so extended, a "Completion Deadline"), then Tenant shall have the right to partially terminate this First Amendment as to Expansion Premises B (but not as to Expansion Premises A) pursuant to this Section III.C.(ii) by written notice of partial termination to Landlord delivered no later than ten (10) business days after the applicable Completion Deadline, in which event this First Amendment shall be deemed void, *ab initio* as to Expansion Premises B (but not as to Expansion Premises A), and of no further force or effect with respect to Expansion Premises B, and the parties shall be released from all liabilities and obligations arising hereunder with respect to Expansion Premises B (but not as to Expansion Premises A). If Tenant fails or declines to deliver such partial termination notice within ten (10) business days after the applicable Completion Deadline, then Tenant will be deemed to have waived its partial termination right under this Section III.C.(ii), and this First Amendment shall continue in full force and effect as to Expansion Premises B (as well as Expansion Premises A) at any time thereafter until the date Landlord achieves Substantial Completion (or such lesser standard of substantial completion necessary for Tenant to lawfully commence Furniture Installation, as applicable)."

(q) Notwithstanding anything to the contrary contained in Exhibit C or elsewhere in the Lease, to the extent Exhibit C permits any portion of the TI Allowance to be applied against Rent, the same may only be applied against Rent applicable to the Expansion Premises. Further, no portion of the TI Allowance may be used for, or applied to, Leasing Expenses or Rent until all TI Costs have been paid for both Expansion Premises A and Expansion Premises B.

(r) No fees or reimbursements shall be charged by Landlord for review, approvals or participation in the design or construction process for any initial improvements made to the Expansion Premises pursuant to Exhibit C.

(s) Notwithstanding anything to the contrary set forth in the Lease, as amended by the First Amendment, Base Building Improvements shall include all of the improvements set forth in **First Amendment Schedule D** attached hereto.

14. **Consent of Guarantor.** Contemporaneously with the execution of this First Amendment, Tenant shall deliver to Landlord a consent in the form of Exhibit C attached hereto, duly executed by the Guarantor.

15. **Landlord's Authorized Agents.** Notwithstanding anything contained in the Lease or this First Amendment to the contrary, including without limitation, the definition of Landlord's Agents, only Kennedy Associates Real Estate Counsel, Inc., the authorized signatory of this First Amendment, and officers of Riggs Bank N.A., the trustee of Landlord, are authorized to amend, renew or terminate the Lease, or to compromise any of Landlord's claims under the Lease or to bind Landlord in any manner. Without limiting the effect of the previous sentence, no property manager or broker shall be considered an authorized agent of Landlord to amend, renew or terminate the Lease, to compromise any of Landlord's claims under the Lease or to bind Landlord in any manner.

16. **Limitation on Recourse.** Landlord has executed this First Amendment by its authorized representative signing solely in a representative capacity. Notwithstanding anything contained in this First Amendment or the Lease to the contrary, Tenant confirms that the covenants of Landlord under the Lease as amended hereby are made and intended, not as personal covenants of the Landlord's authorized representative or trustee, or for the purpose of binding such authorized representative or trustee personally, but solely in the exercise of the representative powers conferred upon such authorized representative and trustee by their principal. Notwithstanding anything contained in this First Amendment or the Lease to the contrary, liability with respect to the entry and performance of the Lease (as amended hereby) by or on behalf of Landlord, however it may arise, shall be asserted and enforced only against Landlord's estate and equity interest in the Building. Neither Landlord nor any of Landlord's Agents shall have any personal liability in the event of any claim against Landlord arising out of or in connection with the Lease as amended, the relationship of Landlord and Tenant or Tenant's use of the Premises. Further, in no event whatsoever shall any Landlord's Agent have any liability or responsibility whatsoever arising out of or in connection with the Lease as amended, the relationship of Landlord and Tenant or Tenant's use of the Premises. Any and all personal liability, if any, beyond that

which may be asserted under this paragraph, is expressly waived and released by Tenant and by all persons claiming by, through or under Tenant.

17. **Brokers.** Tenant was represented in the transaction evidenced by this First Amendment by Grubb & Ellis Company, a licensed real estate broker. Landlord was represented in the transaction evidenced by this First Amendment by Trammell Crow Company, a licensed real estate broker. Except as provided in the next sentence, each party to this First Amendment shall indemnify, defend and hold harmless the other party from and against any and all claims asserted against such other party by any real estate broker, finder or intermediary relating to any act of the indemnifying party in connection with this First Amendment. Landlord shall be solely responsible for paying any commission or fee owed to Landlord's broker, Trammell Crow Company, in connection with this First Amendment. Landlord also shall be responsible for the payment of any commission or fee owed to Grubb & Ellis Company in connection with this First Amendment pursuant to a written agreement between Landlord and Grubb & Ellis Company.

18. **Offer to Lease.** The submission of this First Amendment to Tenant or its broker or other agent does not constitute an offer to Tenant to lease the Expansion Premises or any portion thereof. This First Amendment shall have no force or effect until: (a) is executed and delivered by Tenant to Landlord; and (b) it is executed and delivered by Landlord to Tenant.

19. **Severability; Captions.** If any clause or provision of this First Amendment is determined to be illegal, invalid, or unenforceable under present or future laws, the remainder of this First Amendment shall not be affected by such determination, and in lieu of each clause or provision that is determined to be illegal, invalid or unenforceable, there be added as a part of this First Amendment a clause or provision as similar in terms to such illegal, invalid or unenforceable clause or provision as may be possible and be legal, valid and enforceable. Headings or captions in this First Amendment are added as a matter of convenience only and in no way define, limit or otherwise affect the construction or interpretation of this Lease.

20. **Incorporation of Prior Agreement; Amendments.** The Lease, together with this First Amendment contains all of the agreements of the parties hereto with respect to any matter covered or mentioned therein or herein, and no prior agreement or understanding pertaining to any such matter shall be effective for any purpose. No provision of the Lease as amended by this First Amendment may be amended or added to except by an agreement in writing signed by the parties to the Lease or their respective successors in interest.

21. **Authority.** Each individual executing this First Amendment on behalf of Tenant represents and warrants to Landlord that he or she is duly authorized to so execute and deliver this First Amendment and that all corporate actions and consents required for execution of this First Amendment have been given, granted or obtained. If requested by Landlord, Tenant shall, within ten (10) days after demand by Landlord, deliver to Landlord satisfactory evidence of the due authorization of this First Amendment and the authority of the person executing this First Amendment on its behalf.

22. **Ratification of Lease.** The Lease, as herein amended, remains in full force and

effect and is hereby ratified and reaffirmed in all respects.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK.]

[SIGNATURES COMMENCE ON FOLLOWING PAGE]

WHEREFORE, the parties set their hands and seals as of the date first written above.

LANDLORD

MULTI-EMPLOYER PROPERTY

TRUST, a trust organized under 12 C.F.R. Section 9.18

By: Kennedy Associates Real Estate Counsel, Inc., Authorized Signatory

By: /s/ Jeanette R. Flory
Name: Jeanette R. Flory
Its: Vice President

TENANT

McKesson Automation Inc., a
Pennsylvania corporation

By: /s/ Kristina Veaco
Name: Kristina Veaco
Its: V.P. & Secretary

List of Exhibits to First Amendment

- ◆ First Amendment Exhibit A - Drawing Showing Location of Expansion Premises A
- ◆ First Amendment Exhibit B - Drawing Showing Location of Expansion Premises B
- ◆ First Amendment Exhibit C - Form of Guarantor's Consent
- ◆ First Amendment Exhibit D - Form of Lease Memorandum (First Expansion Commencement Date)
- ◆ First Amendment Exhibit E - Form of Lease Memorandum (Second Expansion Commencement Date)

List of Schedules to First Amendment

- ◆ First Amendment Schedule C-1 - Approved Schedule
- ◆ First Amendment Schedule C-3 - Approved Schematic Drawings
- ◆ First Amendment Schedule D - Base Building Improvements

SECOND AMENDMENT TO LEASE

This **SECOND AMENDMENT TO LEASE** (this "Second Amendment") is entered into as of April 21, 2008, by and between **NewTower Trust Company Multi-Employer Property Trust**, a trust organized under 12 C.F.R. Section 9.18 and formerly known as the Multi Employer Property Trust ("Landlord") and **McKesson Automation Inc.**, a Pennsylvania corporation ("Tenant"), in consideration of the mutual covenants contained herein and the benefits to be derived here from.

WITNESSETH:

WHEREAS, TC Northeast Metro, Inc. ("TC"), a Delaware corporation, and Tenant entered into that certain Lease dated December 21, 2001 (the "Original Lease"), pursuant to which Tenant leased from TC approximately sixty-one thousand eight hundred eighty-seven (61,887) rentable square feet consisting of the entire third (3rd) and fourth (4th) floors (the "Initial Premises") of a certain building located at 500 Cranberry Woods Drive, Cranberry Township, Pennsylvania (referred to herein and in the Original Lease as the "Building"); and

WHEREAS, Tenant's obligations under the Lease have been guarantied by McKesson Corporation (the "Guarantor"), a Delaware corporation, pursuant to a certain Guaranty of Lease dated December 21, 2001 (the "Guaranty"); and

WHEREAS, TC subsequently assigned all of its right, title and interest under the Lease and Guaranty to the Landlord pursuant to a certain Assignment and Assumption Agreement dated December 28, 2001 between TC and the Landlord; and

WHEREAS, Landlord and Tenant entered into a certain First Amendment to Lease dated February 8, 2005 (the "First Amendment") pursuant to which the Original Lease was amended to include the entire second (2nd) floor of the Building, consisting of approximately twenty-nine thousand nine hundred forty-six (29,946) rentable square feet (the "Expansion Premises") (the Original Lease as amended by the First Amendment is hereinafter referred to as the "Lease"); and

WHEREAS, as of the date hereof: the Tenant currently leases an aggregate of approximately ninety-one thousand eight hundred thirty-three (91,833) rentable square feet of the Building; and

WHEREAS, the Tenant desires to lease an additional ten thousand nine hundred eight (10,908) rentable square feet located on the first (1st) floor of the Building (the "Second Amendment Premises"); and

WHEREAS, Landlord and Tenant desire to amend the Lease as provided herein;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by both Landlord and Tenant, the parties hereto agree that the Lease shall be further amended as follows:

1. **Recitals/Defined Terms.** The foregoing recitals shall be considered an integral part of this Second Amendment. Unless otherwise specifically stated in this Second Amendment, all capitalized terms in this Second Amendment shall have the meaning given to those terms in the Lease. In the event of any conflict between the Lease and this Second Amendment, the terms of this Second Amendment shall control.

2. **Second Amendment Premises.**

(a) Landlord and Tenant hereby agree to add the Second Amendment Premises to the Premises in two (2) stages, with (i) the first stage consisting of the addition to the Premises, as of the Second Amendment Expansion Commencement Date **A** (as hereinafter defined), of that portion of the Second Amendment Premises consisting of approximately six thousand one hundred twenty-one (6,121) rentable square feet shown on Second Amendment Exhibit A attached hereto ("Second Amendment Premises A"), and (ii) the second stage consisting of the addition to the Premises, as of the Second Amendment Expansion Commencement Date B (as hereinafter defined), of that portion of the Second Amendment Premises consisting of approximately four thousand seven hundred eighty-seven (4,787) rentable square feet shown on Second Amendment Exhibit A attached hereto ("Second Amendment Premises B"). Landlord hereby leases to Tenant, and Tenant hereby rents from Landlord, the Second Amendment Premises upon the terms and conditions of this Second Amendment.

(b) As of the Second Amendment Expansion Commencement Date A, the entire Premises shall consist of approximately ninety-seven thousand nine hundred fifty-four (97,954) rentable square feet consisting of (i) the entire second (2nd), third (3rd) and fourth (4th) floors of the Building, and, (ii) a portion of the first (1st) floor of the Building containing approximately six thousand one hundred twenty-one (6,121) rentable square feet. On the Second Amendment Expansion Commencement Date A, Second Amendment Premises A shall become part of the Premises and, except as otherwise provided below, shall be subject to all of the terms and conditions of the Lease for the remainder of the Term.

(c) As of the Second Amendment Expansion Commencement Date B, the entire Premises shall consist of approximately one hundred two thousand seven hundred forty-one (102,741) rentable square feet consisting of (i) the entire second (2nd), third (3rd) and fourth (4th) floors of the Building, and (ii) a portion of the first (1st) floor of the Building containing an aggregate of ten thousand nine hundred eight (10,908) rentable square feet. On the Second Amendment Expansion Commencement Date B, Expansion Premises B shall become part of the Premises and, except as otherwise provided below, shall be subject to all of the terms and conditions of the Lease for the remainder of the Term.

(d) Notwithstanding anything to the contrary contained in the Lease, including but not limited to Section 1, neither Second Amendment Premises A nor Second Amendment

Premises B shall be subject to remeasurement and the rentable square footage thereof as recited in Section 2(a) hereof shall be final, conclusive and controlling.

(e) Tenant acknowledges and agrees that this Second Amendment satisfies all of Landlord's obligations under Section 52 of the Lease as it relates to any right of Tenant thereunder to expand into all or any portion of the Second Amendment Premises.

3. **Term**

(a) Landlord and Tenant acknowledge, confirm and agree that the Term of the Lease, as previously extended to the Extended Lease Expiration Date (*as* defined in the First Amendment) expires on December 31, 2011.

(b) The Term with respect to Second Amendment Premises A shall commence on the Second Amendment Expansion Commencement Date A (as hereinafter defined) and shall expire on December 31, 2011. Subject to subparagraphs 1.4(b), 1.4(c) and 1.4(d) of the Lease and subject to those provisions of Exhibit C relating to Tenant Delays, (i) if Tenant executes and delivers this Second Amendment to Landlord on or before April 21, 2008, the "Second Amendment Expansion Commencement Date A" shall be the earlier to occur of: (x) the date of Substantial Completion of Second Amendment Premises A; or (y) the date upon which Tenant commences the beneficial use and occupancy of all or any material part of Second Amendment Premises A (other than for Furniture Installation and Move-In). and (ii) if Tenant executes and delivers this Second Amendment to Landlord after April 21, 2008, the "Second Amendment Expansion Commencement Date A" shall be the earlier to occur of: (x) April 1, 2008, whether or not Landlord has achieved Substantial Completion of Second Amendment Premises A; or (y) the date upon which Tenant commences the beneficial use and occupancy of all or any material part of Second Amendment Premises A (other than for Furniture Installation and Move-In). Tenant acknowledges and agrees that the fixed commencement date as of April 1, 2008 for Second Amendment Premises A as aforesaid in the event that Tenant does not execute and deliver this Second Amendment to Landlord on or before April 21, 2008 was a material inducement for Landlord to enter into this Second Amendment and that Landlord would not have entered into this Second Amendment without such provision. Landlord shall deliver Second Amendment Premises A to Tenant upon the later of the Second Amendment Expansion Commencement Date A or the Substantial Completion of Second Amendment Premises A, provided, however, Landlord agrees to provide Tenant with access to Second Amendment Premises A for purposes of Furniture Installation and Move-In not less than fifteen (15) days prior to the date Landlord then estimates that Substantial Completion of Second Amendment Premises A will occur. Except as otherwise expressly provided in, or otherwise inconsistent with, this Second Amendment, and except to the extent not applicable to Second Amendment Premises A. for purposes of this paragraph any references in subparagraphs 1.4(b), 1.4(c) and 1.4(d) of the Lease to the "Premises", "Commencement Date", and "Exhibit C" shall be deemed instead to refer to "Second Amendment Premises A", "Second Amendment Expansion Commencement Date A", and Second Amended Exhibit C (as defined in Section 8 hereof), respectively.

(c) Promptly after the Second Amendment Expansion Commencement Date A, Landlord and Tenant shall execute a memorandum confirming the Second Amendment Expansion Commencement Date A. Such memorandum (the "Second Amendment Expansion Date Memorandum A") shall be in the form attached to this Second Amendment as Second Amendment Exhibit D. The failure of Tenant to execute the Second Amendment Expansion Date Memorandum A shall not affect Tenant's obligations under the Lease as amended by this Second Amendment. In no event shall Tenant record this Second Amendment or the Second Amendment Expansion Date Memorandum A.

(d) The Term with respect to Second Amendment Premises B shall commence on the Second Amendment Expansion Commencement Date B (as hereinafter defined) and shall expire on December 31, 2011. Subject to subparagraphs 1.4(b), 1.4(c) and 1.4(d) of the Lease and subject to those provisions of Exhibit C relating to Tenant Delays, (i) if Tenant executes and delivers this Second Amendment to Landlord on or before April 21, 2008, the "Second Amendment Expansion Commencement Date B" shall be the earlier to occur of: (x) the later of (1) the date of Substantial Completion of Second Amendment Premises B or (2) October 1, 2008; or (y) the date upon which Tenant commences the beneficial use and occupancy of all or any material part of Second Amendment Premises B (other than for Furniture Installation and Move-In), and (ii) if Tenant executes and delivers this Second Amendment to Landlord after April 21, 2008, the "Second Amendment Expansion Commencement Date B" shall be the earlier to occur of: (x) October 1, 2008, whether or not Landlord has achieved Substantial Completion of Second Amendment Premises B; or (y) the date upon which Tenant commences the beneficial use and occupancy of all or any material part of Second Amendment Premises B (other than for Furniture Installation and Move-In). Tenant acknowledges and agrees that the outside fixed commencement date for Second Amendment Premises B as aforesaid in the event that Tenant does not execute and deliver this Second Amendment to Landlord on or before April 21, 2008 was a material inducement for Landlord to enter into this Second Amendment and that Landlord would not have entered into this Second Amendment without such provision. Landlord shall deliver Second Amendment Premises B to Tenant upon the later of the Second Amendment Expansion Commencement Date B or the Substantial Completion of Second Amendment Premises B, provided, however, Landlord agrees to provide Tenant with access to Second Amendment Premises B for purposes of Furniture Installation and Move-In not less than fifteen (15) days prior to the later of (1) the date Landlord then estimates that Substantial Completion of Second Amendment Premises B will occur or (2) October 1, 2008. Except as otherwise expressly provided in, or otherwise inconsistent with, this Second Amendment, and except to the extent not applicable to Second Amendment Premises B, for purposes of this paragraph any references in subparagraphs 1.4(b), 1.4(c) and 1.4(d) of the Lease to the "Premises", "Commencement Date", and "Exhibit C" shall be deemed instead to refer to "Second Amendment Premises B", "Second Amendment Expansion Commencement Date B", and Second Amended Exhibit C, respectively.

(e) Notwithstanding anything to the contrary contained herein, if Landlord achieves Substantial Completion of Second Amendment Premises B prior to October 1, 2008, then at any time after such Substantial Completion Tenant may elect to accelerate the Second Amendment Expansion Commencement Date B with respect to all (but not less than all) of Second

Amendment Premises B. Unless otherwise mutually agreed, Tenant shall provide Landlord with at least five (5) business days advance written notice of such election.

(f) Promptly after the Second Amendment Expansion Commencement Date B, Landlord and Tenant shall execute a memorandum confirming the Second Amendment Expansion Commencement Date B. Such memorandum (the "Second Amendment Expansion Date Memorandum B") shall be in the form attached to this Second Amendment as Second Amendment Exhibit E. The failure of Tenant to execute the Second Amendment Expansion Date Memorandum B shall not affect Tenant's obligations under the Lease as amended by this Second Amendment. In no event shall Tenant record this Second Amendment or Second Amendment Expansion Date Memorandum B.

4. **Tenant's Share.** Section 1.2 of the Lease is hereby amended by deleting the second sentence thereof and substituting in its stead the following:

"Tenant's Share shall be (a) for the period beginning on the Commencement Date and ending on the date immediately preceding the First Expansion Commencement Date, Fifty-One and 81/100 Percent (51.81%) (i.e., 61,887/119,444) based upon the Premises containing 61,887 rentable square feet, and the Building containing 119,444 rentable square feet; (b) for the period beginning on the First Expansion Commencement Date (i.e. August 8, 2005) and ending on the date immediately preceding the Second Expansion Commencement Date (i.e. May 14, 2006), Sixty-Four and 35/100 Percent (64.35%) (i.e., 76,860/119,444) based upon the Premises containing 76,860 rentable square feet, and the Building containing 119,444 rentable square feet; (c) for the period beginning on Second Expansion Commencement Date (i.e. May 15, 2006) and ending on the date immediately preceding the Second Amendment Expansion Commencement Date A, Seventy-Six and 88/100 Percent (76.88%) (i.e., 91,833/119,444) based upon the Premises containing 91,833 rentable square feet, and the Building containing 119,444 rentable square feet; (d) for the period beginning on the Second Amendment Expansion Commencement Date A and ending on the date immediately preceding the Second Amendment Expansion Commencement Date B, Eighty-Two and 01/100 Percent (82.01%) (i.e., 97,954/119,444) based upon the Premises containing 97,954 rentable square feet, and the Building containing 119,444 rentable square feet; and (e) for the period beginning on the Second Amendment Expansion Commencement Date B and continuing for the remainder of the Term, Eighty-Six and 02/100 Percent (86.02%) (i.e., 102,741/119,444) based upon the Premises containing 102,741 rentable square feet, and the Building containing 119,444 rentable square feet."

5. **Base Rent.** The Lease is hereby amended by deleting Subsection 1.5.1 thereof in its entirety and substituting in its stead the following:

"1.5.1 The rate per rentable square foot per annum, and the portion of the Lease Term during which such monthly Base Rent is payable shall be determined from the following tables.

Initial Premises				
Applicable Portion of Lease Term			Annual Base Rent	Monthly Base Rent Installment (Annual - 12)
Beginning	Ending	Rate Per/Rentable Sq. Ft./Annum		
March 23, 2003	December 31, 2008	\$21.50	\$1,330,570.50	\$110,880.88
January 1, 2009	December 31, 2011	\$22.75	\$1,407,929.25	\$117,327.44

Expansion Premises A				
Applicable Portion of Lease Term			Annual Base Rent	Monthly Base Rent Installment (Annual - 12)
Beginning	Ending	Sq. Ft./ Annum		
August 8, 2005	December 31, 2008	\$21.50	\$321,919.50	\$26,826.63
January 1, 2009	December 31, 2011	\$22.75	\$340,635.75	\$28,386.31

Expansion Premises B				
Applicable Portion of Lease Term			Annual Base Rent	Monthly Base Rent Installment (Annual - 12)
Beginning	Ending	Sq. Ft./ Annum		
March 15, 2006	December 31, 2008	\$21.50	\$321,919.50	\$26,826.63
January 1, 2009	December 31, 2011	\$22.75	\$340,635.75	\$28,386.31

Second Amendment Premises A				
Applicable Portion of Lease Term			Annual Base Rent	Monthly Base Rent Installment (Annual - 12)
Beginning	Ending	Sq. Ft./ Annum		
Second Amendment Expansion Commencement Date A	December 31, 2008	\$21.50	\$131,601.50	\$10,966.79
January 1, 2009	December 31, 2011	\$22.75	\$139,252.75	\$11,604.40

Second Amendment Premises B				
Applicable Portion of Lease Term			Annual Base Rent	Monthly Base Rent Installment (Annual - 12)
Beginning	Ending	Sq. Ft./ Annum		
Second Amendment Expansion Commencement Date B	December 31, 2008	\$21.50	\$102,920.50	\$8,576.71
January 1, 2009	December 31, 2011	\$22.75	\$108,904.25	\$9,075.35

If the First Expansion Commencement Date, the Second Expansion Commencement Date, the Second Amendment Expansion Commencement Date A, or the Second Amendment Expansion Commencement Date B is a date other than the first day of a calendar month, Base Rent for Expansion Premises A, Expansion Premises B, Second Amendment Premises A, or Second Amendment Premises B (as applicable) for the partial month in which the applicable expansion commencement date occurs shall be prorated. Notwithstanding the foregoing, Landlord abated all Base Rent applicable to Expansion Premises A for the period from August 8, 2005 through October 31, 2005 (the "Expansion Premises A Abatement Period").

Landlord and Tenant acknowledge, confirm and agree that the (a) the "First Expansion Commencement Date" as defined in the First Amendment was August 8, 2005, (b) the "Second Expansion Commencement Date" as defined in the First Amendment was May 15, 2006, and (c) the "Rent Adjustment Date" as defined in the First Amendment is January 1, 2009.

Notwithstanding the foregoing rent schedules, if Tenant validly exercises any of its renewal options as set forth in this Lease, Base Rent for the renewal term(s) shall be as set forth in Section 50 hereof"

6. **Base Year.**

Without limiting the generality of the last sentences of each of subsections 2(b) and 2(c) hereof:

(a) the Operating Costs Base Year applicable to Second Amendment Premises A and Second Amendment Premises B shall be the same Operating Costs Base Year applicable to the entire Premises as in effect immediately prior to this Second Amendment (i.e. calendar year 2005); and

(b) the Real Estate Tax Base Year applicable to Second Amendment Premises A and Second Amendment Premises B shall be the same Real Estate Tax Base Year applicable to the entire Premises as in effect immediately prior to this Second Amendment (i.e. calendar year 2005), provided that if the Building has not been fully assessed as of the end of calendar year 2005, the Property Tax Base Year shall be the first tax year in which the Building is fully assessed.

7. **Notice Addresses.** Section 1.8 of the Lease is hereby amended by substituting the following addresses for Landlord and Tenant:

"If to Landlord: NewTower Trust Company Multi-Employer Property Trust
c/o Kennedy Associates Real Estate Counsel, LP
Attention: Executive Vice President - Asset Management
1215 Fourth Ave., Suite 2400
Seattle, WA 98161

Facsimile: (206) 682-4769

with copies to:

NewTower Trust Company Multi-Employer Property Trust
c/o Kennedy Associates Real Estate Counsel, LP
Attn: Senior Vice President - Asset Management 7315 Wisconsin Avenue, Suite 350 West
Bethesda, MD 20814

Facsimile: (301) 656-9339

and

NewTower Trust Company Multi-Employer Property Trust
c/o NewTower Trust Company
Attn: President/MEPT or Patrick O. Mayberry
Three Bethesda Metro Center, Suite 1600
Bethesda, MD 20814

Facsimile: (240) 235-9961

and with a copy to Manager at:

CB Richard Ellis, Inc.
800 Cranberry Woods Drive, Suite 260
Cranberry Township, Pennsylvania 16066
Facsimile: (724) 778-4119

"If to Tenant McKesson Automation, Inc.
c/o McKesson Corporation
One Post Street, 34th Floor
San Francisco, CA 94104
Attention: McKesson Real Estate

with copies to:

CB Richard Ellis, Inc.
Attention: McKesson Lease Administration
5100 Poplar Avenue, Suite 1000
Memphis, TN 38137."

8. **Tenant Improvements.** Notwithstanding anything to the contrary contained in the Lease (including Section 17), (a) any improvements to be performed by Tenant to Second Amendment Premises A (or any portion thereof) prior to the Second Amendment Expansion Commencement Date A shall be governed by Exhibit C of the Lease as modified by Section 11 of this Second Amendment (referred to herein as "Second Amended Exhibit C"), (b) any improvements to be performed by Tenant to Second Amendment Premises B (or any portion thereof) prior to the Second Amendment Expansion Commencement Date B shall be governed by Second Amended Exhibit C, and (c) all other improvements performed by Tenant to the Second Amendment Premises shall be treated as Alterations to the Premises and thus governed by Article 15 of the Lease.

9. **Parking.** Effective as of the Second Amendment Expansion Premises Commencement Date A, Tenant's parking allocation as set forth in Section 46 of the Lease shall be increased by an amount equal to five (5) parking spaces for each 1,000 square feet of rentable area of Second Amendment Premises A, and effective as of the Second Amendment Expansion Premises Commencement Date B, Tenant's parking allocation as set forth in Section 46 of the Lease shall be further increased by an amount equal to five (5) parking spaces for each 1,000 square feet of rentable area of Second Amendment Premises B. Such parking allocation remains subject to adjustment in the event of any reduction or further expansion of the Premises as provided in Section 46 of the Lease.

10. **Renewal Option.** Without limiting any other term or condition hereof, Landlord and Tenant acknowledge and agree that the renewal options granted to Tenant under Section 50 of the Lease remain in full force and effect and hereafter apply to the entire Premises then leased to Tenant (i.e., the Initial Premises, Expansion Premises A, Expansion Premises B, Second Amendment Premises A, and Second Amendment Premises B) as of the end of the Initial Term and the First Renewal Term, as applicable. Tenant shall have no right to exercise any such option to renew for less than the entire Premises then leased by Tenant pursuant to the Lease. As used herein and in the Lease, "Initial Term" hereafter shall mean and refer to the period beginning on the First Expansion Commencement Date and ending on the Extended Lease Expiration Date (i.e., December 31, 2011).

11. **Construction of Expansion Premises.** Except as otherwise provided for herein, construction of tenant improvements to the Second Amendment Premises and all matters related thereto shall be handled in substantially the same manner as provided for under Exhibit C of the Lease ("Exhibit C") as if fully restated herein, but subject to the following modifications as to timing and other points of detail pertaining specifically to the Second Amendment Premises (or the applicable portion thereof), rather than the Initial Premises and/or the Expansion Premises.

- (a) Except where the context requires otherwise, all references in Exhibit C to the "Premises" shall mean and refer to the Second Amendment Premises or the applicable portion thereof.
- (b) All references in Exhibit C to the "Approved Design Schedule" shall mean the approved schedule for the preparation, review and approval of the Construction Documents as set forth in Second Amendment Schedule C-1 attached hereto.
- (c) All references in Exhibit C to the "Approved Schedule" shall mean the approved schedule for Completion of Landlord's Work as set forth in Second Amendment Schedule C-1 attached hereto.
- (d) All references in Exhibit C to the "Approved Schematic Drawings" shall mean the as built plans attached hereto as Second Amendment Schedule C-3.
- (e) There shall be no Base Building Construction Contract or Base Building GC for the remaining Base Building Improvements. The parties agree that any remaining Base Building Improvements that have not yet been completed for the Second Amendment Premises shall be completed by the TI GC pursuant to the TI Construction Contract, but pursuant to a separate scope of work which shall be bid separately from the Landlord's TI Work.
- (f) The last sentence of the definition of "Excess TI Costs" shall be deemed amended substituting "Part IV" in place of "Part VII".
- (g) All references in Exhibit C to the "Landlord's Architect" shall mean, initially, The Design Alliance, and any other architect selected by Landlord to replace or supplement such architect.
- (h) All references in Exhibit C to the "Tenant's Architect" shall mean, initially, The Design Alliance, and any other architect selected by Tenant to replace or supplement such architect, subject to Landlord's reasonable consent.
- (i) The "Steel Erection Completion Deadline" shall have no application to the Second Amendment Premises.
- (j) All references in Exhibit C to the "Test-Fit Allowance" shall have no applicability to the Second Amendment Premises, and Landlord shall have no obligation to provide any Test Fit Allowance with respect to the Second Amendment Premises.
- (k) All references in Exhibit C to the "TI Allowance" shall mean (i) with respect to Second Amendment Premises A, an amount equal to the product of (1) One Hundred Twenty Eight Thousand Five Hundred forty-One and 00/100 Dollars (\$128,541.00) (calculated based upon Twenty-One and 00/100 Dollars (\$21.00) per rentable square foot of the Second Amendment Premises A), times (2) a fraction, the numerator of which is the number of full months remaining in the Term (exclusive of any Renewal Terms) as of Second Amendment

Expansion Commencement Date A and the denominator of which is sixty-four (64), and (ii) with respect to Second Amendment Premises B, an amount equal to the product of (1) One Hundred Thousand Five Hundred Twenty-Seven and 00/100 Dollars (\$100,527.00) (calculated based upon Twenty-One and 00/100 Dollars (\$21.00) per rentable square foot of the Second Amendment Premises B), times (2) a fraction, the numerator of which is the number of full months remaining in the Term (exclusive of any Renewal Terms) as of Second Amendment Expansion Commencement Date B and the denominator of which is sixty-four (64). By way of examples only, (A) if the Second Amendment Expansion Commencement Date A is April 1, 2008, the TI Allowance with respect to Second Amendment Premises B shall be Ninety Thousand Three Hundred Eighty and 80/100 Dollars (\$90,380.39) calculated as follows: $\$128,541.00 \times (45/64) = \$90,380.39$, and (B) if the Second Amendment Expansion Commencement Date B is October 1, 2008, the TI Allowance with respect to Second Amendment Premises B shall be Sixty-One Thousand Two Hundred Fifty-Eight and 64/100 Dollars (\$61,258.64) calculated as follows: $\$100,527.00 \times (39/64) = \$61,258.64$.

(l) All references in Exhibit C to the "TI Construction Contract" shall mean the construction contract entered into with the TI GC for the construction of the Landlord's TI Work and the remaining Landlord's Base Building Work, provided that such TI Construction Contract shall contain a separate scope of work for Landlord's Base Building Work which shall be priced separately from the Landlord's TI Work.

(m) The definition of "TI GC" shall be deemed amended by deleting the word "by" from the first line thereof.

(n) Section 1.F. entitled "Timing" shall have no application to the Second Amendment Premises.

(o) Section 111.B shall be replaced with the following:

"B. Effect of Delay. To the extent any phase of Landlord's Work is not Substantially Completed as of the date indicated within the Approved Schedule, the following provisions shall apply:

(i) Provided that Tenant has executed and delivered this Second Amendment to Landlord on or before April 21, 2008, if and to the extent Substantial Completion of Second Amendment Premises A is delayed beyond the date set forth in the Approved Schedule, then the Second Amendment Expansion Commencement Date A shall be the date upon which Substantial Completion of the Landlord's Work occurs with respect to Second Amendment Premises A, and notwithstanding anything herein to the contrary, such delay (whether or not constituting Landlord Delay) shall not (X) otherwise result in or give rise to any rent abatement or any damages or penalties payable by Landlord to Tenant, nor (Y) constitute a default by Landlord under this Lease; provided that to the extent such delay is caused by Tenant Delay(s), the Second Amendment Expansion

Commencement Date A shall be deemed to be the date upon which Landlord's Work with respect to Second Amendment Premises A would have been Substantially Completed (and Tenant permitted to lawfully occupy Second Amendment Premises A) but for such Tenant Delay(s). However, if Tenant executes and delivers this Second Amendment to Landlord after April 21, 2008 and Substantial Completion of Second Amendment Premises A is delayed beyond the date (if any) set forth in the Approved Schedule, then notwithstanding anything herein to the contrary, such delay (whether or not constituting Landlord Delay) shall not (X) delay the occurrence of Second Amendment Expansion Commencement Date A or otherwise result in or give rise to any rent abatement or any damages or penalties payable by Landlord to Tenant, nor (Y) constitute a default by Landlord under this Lease.

(ii) Provided that Tenant has executed and delivered this Second Amendment to Landlord on or before April 21, 2008, if and to the extent Substantial Completion of Second Amendment Premises B is delayed beyond the date set forth in the Approved Schedule, then the Second Amendment Expansion Commencement Date B shall be the date upon which Substantial Completion of the Landlord's Work occurs with respect to Second Amendment Premises B, and notwithstanding anything herein to the contrary, such delay (whether or not constituting Landlord Delay) shall not (X) otherwise result in or give rise to any rent abatement or any damages or penalties payable by Landlord to Tenant, nor (Y) constitute a default by Landlord under this Lease; provided that to the extent such delay is caused by Tenant Delay(s), the Second Amendment Expansion Commencement Date B shall be deemed to be the date upon which Landlord's Work with respect to Second Amendment Premises B would have been Substantially Completed (and Tenant permitted to lawfully occupy Second Amendment Premises B) but for such Tenant Delay(s). However, if Tenant executes and delivers this Second Amendment to Landlord after April 21, 2008 and Substantial Completion of Second Amendment Premises B is delayed beyond the date (if any) set forth in the Approved Schedule, then notwithstanding anything herein to the contrary, such delay (whether or not constituting Landlord Delay) shall not (X) delay the occurrence of Second Amendment Expansion Commencement Date B or otherwise result in or give rise to any rent abatement or any damages or penalties payable by Landlord to Tenant, nor (Y) constitute a default by Landlord under this Lease.

(p) Section III.C shall have no application to the Second Amendment Premises

(q) Notwithstanding anything to the contrary contained in Exhibit C or elsewhere in the Lease, except as expressly set forth in this Section 11 (q), the TI Allowance shall be used solely to pay TI Costs associated with the performance of Landlord's TI Work for the Second

Amendment Premises and the Construction Management Fee (as defined Section 11(r) hereof). To the extent costs expended by Landlord to construct Second Amendment Expansion Premises A are less than the TI Allowance allocated to Second Amendment Expansion Premises A pursuant to Section 11(k) of this Second Amendment, the unexpended amount shall be added to the TI Allowance allocated to Second Amendment Expansion Premises B pursuant to Section 11(k) of this Second Amendment. To the extent costs expended by Landlord to construct Second Amendment Expansion Premises B are less than the TI Allowance allocated to Second Amendment Premises B plus the unexpended portion of the TI Allowance allocated to Second Amendment Premises A, such excess amount may be expended on costs associated with the installation of data/voice cabling, security systems and other equipment integrated within Second Amendment Expansion Premises B (the "Miscellaneous TI Related Costs") provided that Tenant has requested funding of such Miscellaneous TI Related Costs and satisfied all Miscellaneous TI Related Costs Funding Requirements (as defined below) prior to the date which is six (6) months after the Second Amendment Expansion Commencement Date B; and, if after such further application, the full amount of the TI Allowance allocated to Second Amendment Expansion Premises A and Second Amendment Expansion Premises B still has not been utilized, Tenant be entitled to credit the unused amount against payments of Rent due under the Lease solely with respect to the Second Amendment Premises if, but only if, Tenant so directs Landlord in writing prior to the date which is six (6) months after the Second Amendment Expansion Commencement Date B. As used herein, "Miscellaneous TI Related Costs Funding Requirements" include the submission of invoices for the applicable work, including a letter from Tenant specifically approving such invoices and directing Landlord to pay a specified amount to a specified party, or requesting reimbursement for such expenses to the extent already paid by Tenant, together with certifications regarding completion (or partial completion) of such work by appropriate design professions, lien waivers (to the extent reasonably applicable to the type of expense being funded) which may be partial or final lien waivers depending upon the status of completion, and satisfaction or other reasonable and customary funding requirements invoked by Landlord's lender(s) and (if applicable) equity funding sources. In the event that Tenant fails to satisfy all Miscellaneous TI Related Costs Funding Requirements prior to the date which is six (6) months after the Second Amendment Expansion Commencement Date B, then Tenant shall have no further right to use any unexpended balance of the TI Allowance allocated to Second Amendment Premises A and/or Second Amendment Premises B for any Miscellaneous TI Related Costs. Further, if Tenant fails to direct Landlord in writing to apply any unexpended balance of the TI Allowance allocated to Second Amendment Premises A and/or Second Amendment Premises B against the Rent payable on account of the Second Amendment Premises prior to the date which is six (6) months after the Second Amendment Expansion Commencement Date B, then any remaining unexpended balance of the TI Allowance allocated to Second Amendment Premises A and/or Second Amendment Premises B shall be deemed forfeited by Tenant and Landlord shall have no further obligation on account thereof.

(r) Tenant shall promptly reimburse Landlord for all reasonable costs, including architects, engineers', and consultants fees incurred by Landlord in connection with Landlord's review of the Tenant's TI Plans and/or any request from Tenant for a TI Change Order and all such costs shall constitute TI Costs. Tenant also agrees to pay the Landlord a construction

management fee (the "Construction Management Fee") equal to four percent (4%) of the aggregate TI Costs for the Second Amendment Premises.

(s) Notwithstanding anything to the contrary set forth in the Lease, as amended by the Second Amendment, Base Building Improvements shall include all of the improvements set forth in Second Amendment Schedule D attached hereto.

(t) In the event of any inconsistency between Exhibit C and the Lease, the terms of Exhibit C as amended by this Second Amendment shall control.

12. **Surrender Obligations Relating to Landlord's Work.** Without in any way limiting Tenant's obligations with respect to any portion of the Premises as in effect prior to this Second Amendment, Tenant acknowledges, confirms and agrees that, pursuant to Section 26.2 of the Lease, upon the expiration or earlier termination of the Lease, Tenant shall be obligated to remove any leasehold improvements that were constructed as part of Landlord's Work with respect to the Second Amendment Premises, or otherwise pursuant to Second Amended Exhibit C, and restore the Second Amendment Premises to its pre-existing condition if (a) such leasehold improvements are not standard Class A office improvements, and (b) Landlord notifies Tenant, at the time of its approval of the Construction Drawings pursuant to Second Amended Exhibit C, or any applicable change order, that Tenant would be required to remove such improvements upon surrender of the Second Amendment Premises.

13. **Consent of Guarantor.** Contemporaneously with the execution of this Second Amendment, Tenant shall deliver to Landlord a consent in the form of Second Amendment Exhibit C attached hereto, duly executed by the Guarantor.

14. **Landlord's Authorized Agents.** Notwithstanding anything contained in the Lease or this Second Amendment to the contrary, including without limitation, the definition of Landlord's Agents. only Kennedy Associates Real Estate Counsel, LP, the authorized signatory of this Second Amendment, and officers of NewTower Trust Company, the trustee of Landlord, are authorized to amend, renew or terminate the Lease, or to compromise any of Landlord's claims under the Lease or to bind Landlord in any manner. Without limiting the effect of the previous sentence, no property manager or broker shall be considered an authorized agent of Landlord to amend, renew or terminate the Lease, to compromise any of Landlord's claims under the Lease or to bind Landlord in any manner.

15. **Limitation on Recourse.** Landlord has executed this Second Amendment by its authorized representative signing solely in a representative capacity. Notwithstanding anything contained in this Second Amendment or the Lease to the contrary, Tenant confirms that the covenants of Landlord under the Lease as amended hereby are made and intended, not as personal covenants of the Landlord's authorized representative or trustee, or for the purpose of binding such authorized representative or trustee personally, but solely in the exercise of the representative powers conferred upon such authorized representative and trustee by their principal. Notwithstanding anything contained in this Second Amendment or the Lease to the contrary, liability with respect to the entry and performance of the Lease (as amended hereby) by or on

behalf of Landlord, however it may arise, shall be asserted and enforced only against Landlord's estate and equity interest in the Building. Neither Landlord nor any of Landlord's Agents shall have any personal liability in the event of any claim against Landlord arising out of or in connection with the Lease as amended, the relationship of Landlord and Tenant or Tenant's use of the Premises. Further, in no event whatsoever shall any Landlord's Agent have any liability or responsibility whatsoever arising out of or in connection with the Lease as amended, the relationship of Landlord and Tenant or Tenant's use of the Premises. Any and all personal liability, if any, beyond that which may be asserted under this paragraph, is expressly waived and released by Tenant and by all persons claiming by, through or under Tenant.

16. **Brokers.** Tenant was represented in the transaction evidenced by this Second Amendment by CB Richard Ellis, Inc. ("CB Richard Ellis"), a licensed real estate broker. Landlord also was represented in the transaction evidenced by this Second Amendment by CB Richard Ellis. Each party to this Second Amendment shall indemnify, defend and hold harmless the other party from and against any and all claims asserted against such other party by any real estate broker, finder or intermediary relating to any act of the indemnifying party in connection with this Second Amendment. Landlord shall be solely responsible for paying any commission or fee owed to CB Richard Ellis as Landlord's broker in connection with this Second Amendment, and CB Richard Ellis as Landlord's broker shall be responsible for any commission or fee payable to CB Richard Ellis in its capacity as Tenant's broker.

17. **Offer to Lease.** The submission of this Second Amendment to Tenant or its broker or other agent does not constitute an offer to Tenant to lease the Second Amendment Premises or any portion thereof. This Second Amendment shall have no force or effect until: (a) is executed and delivered by Tenant to Landlord; and (b) it is executed and delivered by Landlord to Tenant.

18. **Severability; Captions.** If any clause or provision of this Second Amendment is determined to be illegal, invalid, or unenforceable under present or future laws, the remainder of this Second Amendment shall not be affected by such determination, and in lieu of each clause or provision that is determined to be illegal, invalid or unenforceable, there be added as a part of this Second Amendment a clause or provision as similar in terms to such illegal, invalid or unenforceable clause or provision as may be possible and be legal, valid and enforceable. Headings or captions in this Second Amendment are added as a matter of convenience only and in no way define, limit or otherwise affect the construction or interpretation of this Lease.

19. **Incorporation of Prior Agreement; Amendments.** The Lease, together with this Second Amendment contains all of the agreements of the parties hereto with respect to any matter covered or mentioned therein or herein, and no prior agreement or understanding pertaining to any such matter shall be effective for any purpose. No provision of the Lease as amended by this Second Amendment may be amended or added to except by an agreement in writing signed by the parties to the Lease or their respective successors in interest.

20. **Authority.** Each individual executing this Second Amendment on behalf of Tenant represents and warrants to Landlord that he or she is duly authorized to so execute and deliver this Second Amendment and that all corporate actions and consents required for execution of this

Second Amendment have been given, granted or obtained. If requested by Landlord, Tenant shall, within ten (10) days after demand by Landlord, deliver to Landlord satisfactory evidence of the due authorization of this Second Amendment and the authority of the person executing this Second Amendment on its behalf.

21. **Ratification of Lease.** The Lease, as herein amended, remains in full force and effect and is hereby ratified and reaffirmed in all respects.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK.]

[SIGNATURES COMMENCE ON FOLLOWING PAGE]

WHEREFORE, the parties set their hands and seals as of the date first written above.

LANDLORD

NEW TOWER TRUST COMPANY MULTI EMPLOYER PROPERTY TRUST, a trust
organized under 12 C.F.R. Section 9.18

By: Kennedy Associates Real Estate Counsel, LP, Authorized Signatory

By: Kennedy Associates Real Estate Counsel GP, LLC, its general partner

By: /s/ Jeanette R. Flory
Name: Jeanette R. Flory
Its: Senior Vice President

TENANT

MCKESSON AUTOMATION INC., a
Pennsylvania corporation

By: /s/ Nicholas A. Loiacono
Name: Nicholas A. Loiacono
Its: VP & Treasurer

List of Exhibits to Second Amendment

- ◆ Second Amendment Exhibit A - Drawing Showing Location of Second Amendment Premises A and Second Amendment Premises B
- ◆ Second Amendment Exhibit B - Intentionally Omitted
- ◆ Second Amendment Exhibit C - Form of Guarantor's Consent
- ◆ Second Amendment Exhibit D - Form of Lease Memorandum (Second Amendment Expansion Commencement Date A)
- ◆ Second Amendment Exhibit E - Form of Lease Memorandum (Second Amendment Expansion Commencement Date B)

List of Schedules to Second Amendment

- ♦ Second Amendment Schedule C-1 - Approved Schedule
- ♦ Second Amendment Schedule C-3 - Approved Schematic Drawings
- ♦ Second Amendment Schedule D - Base Building Improvements

THIRD AMENDMENT TO LEASE

THIS THIRD AMENDMENT TO LEASE (this "Third Amendment") is made as of the 11th day of January, 2011, between Cranberry Cochran Road, L.P., a Delaware limited partnership, Cranberry Noble Land, L.P., a Delaware limited partnership, Cranberry Harmar Land, L.P., a Delaware limited partnership, Cranberry Hempfield, L.P., a Delaware limited partnership, Cranberry Kennedy Land, L.P., a Delaware limited partnership, Cranberry McKnight Land, L.P., a Delaware limited partnership, Cranberry Perrysville, L.P., a Delaware limited partnership, McKnight Cranberry, L.P., a Delaware limited partnership, Cranberry South East, L.P., a Delaware limited partnership, Cranberry West Liberty, L.P., a Delaware limited partnership, Cranberry Westmore Land, L.P., a Delaware limited partnership, Cranberry Kittanning Land, L.P., a Delaware limited partnership, Cranberry Rich Land, L.P., a Delaware limited partnership, Cranberry Murrysville Land, L.P., a Delaware limited partnership, Cranberry Castle Shannon, L.P., a Delaware limited partnership, Cranberry Beers School, L.P., a Delaware limited partnership, together as tenants in common (collectively, "Landlord"), successor in interest to NewTower Trust Company Multi-Employer Property Trust, a trust organized under 12 C.F.R. Section 9.18, and McKesson Automation Inc., a Pennsylvania corporation ("Tenant").

WHEREAS, Landlord and Tenant are parties to that certain Lease dated December 21, 2001 (the "Original Lease"), pursuant to which Tenant leased approximately sixty-one thousand eight hundred eight-seven (61,887) rentable square feet consisting of the entire third (3rd) and fourth (4th) floors (the "Initial Premises") of a certain building ("Building") located at 500 Cranberry Woods Drive, Cranberry Township, Pennsylvania;

WHEREAS, Landlord and Tenant are parties to a certain First Amendment to Lease dated February 8, 2005 (the "First Amendment") pursuant to which Tenant leased the entire second (2nd) floor of the Building, consisting of approximately twenty-nine thousand nine hundred forty-six (29,946) rentable square feet (the "Expansion Premises") resulting in an aggregate of approximately ninety-one thousand eight hundred thirty-three (91,833) rentable square feet of the Building under lease to Tenant;

WHEREAS, Landlord and Tenant are parties to a certain Second Amendment to Lease dated April 21, 2008 (the "Second Amendment") pursuant to which Tenant leased an additional ten thousand nine hundred eight (10,908) rentable square feet located on the first (1st) floor of the Building ("Second Amendment Premises") resulting in an aggregate of approximately one hundred two thousand seven hundred forty-one (102,741) rentable square feet of the Building under lease to Tenant;

WHEREAS, the Initial Premises, the Expansion Premises and the Second Amendment Premises are collectively referred to herein as the "Premises";

WHEREAS, the Original Lease, the First Amendment and the Second Amendment are collectively referred to herein as the "Lease";

WHEREAS, the Term of the Lease is scheduled to expire on December 31, 2011;

WHEREAS, Tenant's obligations under the Lease have been guaranteed by McKesson Corporation, a Delaware corporation ("Guarantor"), pursuant to a certain

Guaranty of Lease dated December 21, 2001, subsequently ratified and confirmed (the "Guaranty"); and

WHEREAS, Landlord and Tenant desire to amend the Lease to extend the Lease Term and to revise certain other provisions in accordance with the terms and conditions of this Third Amendment.

NOW THEREFORE, in consideration for the mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, Landlord and Tenant, intending to be legally bound hereby, agree as follows:

1. The foregoing recitals are incorporated herein by reference and made a part of this Third Amendment as though fully set forth herein. All capitalized terms used but not otherwise defined in this Third Amendment shall have the meaning ascribed to them in the Lease.
2. The Lease (Section 1.3 of the Original Lease, as amended by Paragraph 3 of the Second Amendment) is hereby amended by inserting the following in addition to all other provisions:

"Notwithstanding anything to the contrary contained in this Lease, the Lease Term shall be extended for a period of 5 years beginning on January 1, 2012 and ending on December 31, 2016 ("Extended Term") so that the Lease Term shall expire on December 31, 2016 ("Expiration Date")."

3. The Lease (including Exhibit C to the Original Lease, as amended, and all provisions of the Lease relating to the improvement of the Premises, the construction or installation at the Premises of any Improvements by Landlord or Tenant, or the payment by Landlord to Tenant of any allowance or sum of money for or relating to the improvement of the Premises) is hereby amended by inserting the following in addition to all other provisions:

"Tenant is currently in possession of the Premises, is familiar with the condition of the Premises and accepts the Premises in "as-is" condition except that, prior to January 1, 2012, and, subject to Tenant's timely approval of plans and specifications, Landlord, at Tenant's sole cost and expense over and above Tenant's Improvement Allowance set forth hereinafter, shall perform all necessary work to reconfigure, paint, carpet and install typical office suite improvements at the Premises as reasonably directed by Tenant for the conduct of Tenant's business ("Tenant's Work")."

Tenant's Work shall be performed in accordance with plans and specifications to be prepared and approved by Landlord and Tenant prior to Landlord commencing Tenant's Work. Landlord's approval of the plans and specifications shall not be unreasonably withheld or delayed and shall not be deemed to be a representation or warranty with regard to the sufficiency or compliance of the plans and specifications or the Tenant's Work.

Landlord shall have the right to select its space planner, architect and contractor for the planning and construction of Tenant's Work.

As a contribution to the performance of Tenant's Work, Landlord shall contribute, as "Tenant's Improvement Allowance", the amount of \$513,705.00 (\$5.00 per square foot of rentable area of the Premises). Tenant's Improvement Allowance shall be used, to the extent sufficient, to pay the costs associated with Tenant's Work at the Premises, which shall include, but not be limited to, (i) all hard costs to complete Tenant's Work (such as labor and materials, general conditions, rubbish removal, utilities, building permits, inspections fees, insurance and the like), (ii) all soft costs to complete Tenant's Work (such as architectural and engineering fees, and the cost of plans and specifications), (iii) any sales tax levied on the Tenant's Work, and (iv) Landlord's fee for supervision of Tenant's Work in the amount of four percent (4%) of the cost of Tenant's Work (items (i) - (iv) above are collectively referred to as the "Cost of Tenant's Work"). In the event the final actual Cost of Tenant's Work exceeds the Tenant's Improvement Allowance, Tenant shall pay reimburse such excess to Landlord in one lump sum within thirty (30) days after receipt of a reasonably detailed invoice from Landlord following completion of Tenant's Work. In the event that the actual cost of Tenant's Work is less than Tenant's Improvement Allowance, Landlord shall, upon written request from Tenant received by Landlord after January 1, 2012, but no later than June 30, 2012, apply an amount equal to the difference between the Tenant's Improvement Allowance and the actual Cost of Tenant's Work to the next ensuing installments of Base Rent owing under this Lease."

4. The Lease (Section 1.5.1 of the Original Lease as amended by Paragraph 5 of the Second Amendment) shall be amended by inserting in addition thereto the following:

"Notwithstanding anything to the contrary contained in this Lease, during the Extended Term, Tenant shall pay to Landlord Base Rent for the Premises in monthly installments on the first day of each calendar month, in advance, without offset or deduction of any kind, as follows:

- i.) \$207,622.44 per month (\$24.25 per square foot of rentable area per year contained in the Existing Premises) during the period of the Extended Term beginning on January 1, 2012 and ending on December 31, 2013; and
- ii.) \$211,903.31 per month (\$24.75 per square foot of rentable area per year contained in the Premises) during the period of the Extended Term beginning on January 1, 2014 and ending on December 31, 2014; and
- iii.) \$216,184.19 per month (\$25.25 per square foot of rentable area per year contained in the Premises) during the period of the Extended Term beginning on January 1, 2015 and ending on December 31, 2016."

5. The Lease (Section 1.2 of the Original Lease as amended by Paragraph 4 of the Second Amendment) shall be amended by inserting in addition thereto the following:

"Notwithstanding anything to the contrary contained in this Lease, Landlord and Tenant acknowledge and agree that Tenant's Share during the Extended Term shall be 86.02% (102,741 / 119,444), as may be adjusted from time to time in accordance with Section 1.2 of the Original Lease."

6. The Lease (Section 9.2 of the Original Lease as amended by Paragraph 6 of the Second Amendment) shall be amended by inserting in addition thereto the following:

"Notwithstanding anything to the contrary contained in this Lease, commencing on January 1, 2012, the Operating Costs Base Year shall be Calendar Year 2012."

7. Section 9.5 (1) of the Original Lease is hereby deleted in its entirety, and in lieu thereof is inserted the following:

"(1) any capital expenditures incurred with the intent of bringing about a reduction in Costs of Electricity or Operating Costs, or increasing the efficiency of any Building System, provided, however, that the annual amount of such capital expenditure includable in Operating Costs shall not exceed the lesser of (i) the annual amount of the decrease in Operating Costs attributable to such capital expenditure or (ii) the annual amount resulting from the amortization of such capital expenditure over its useful life in equal installments, provided that any unamortized amount of such capital expenditure may be carried forward to subsequent Calendar Years."

8. The Lease (Section 10.2 of the Original Lease as amended by Paragraph 6 of the Second Amendment) shall be amended by inserting in addition thereto the following:

"Notwithstanding anything to the contrary contained in this Lease, commencing on January 1, 2012, the Real Estate Tax Base Year shall be Calendar Year 2012."

9. Section 21.4.1 of the Original Lease shall be amended by deleting the language "and to Section 21.3.5, above," from the second line of the first sentence of Section 21.4.1 and inserting in lieu thereof the language " , and without Landlord's prior written consent," reflecting the intent of Landlord and Tenant that Tenant may assign the Lease or sublet the Premises in accordance with Section 21.4.1 without obtaining Landlord's prior written consent.

10. The Lease (Section 26.2 of the Original Lease as amended by Paragraph 12 of the Second Amendment) shall be amended by inserting in addition thereto the following:

"Without in any way limiting Tenant's obligations with respect to any portion of the Premises as in effect prior to this Third Amendment, Tenant acknowledges, confirms and agrees that, pursuant to Section 26.2 of the Original Lease (as amended by Paragraph 12 of the Second Amendment), upon the expiration or earlier termination of the Lease, Tenant shall be obligated to remove any leasehold improvements that were constructed as part of Tenant's Work (as defined in Paragraph 3 of the Third Amendment) and restore the Premises to its pre-existing condition if (a) such leasehold improvements (or a portion thereof) constituting Tenant's Work are not standard Class A office improvements, and (b) Landlord notifies Tenant, at the time of its approval of the construction drawings pursuant to Exhibit C, or any applicable change order, that Tenant would be required to remove such improvements constituting Tenant's Work (or a portion thereof) upon surrender of the Premises."

11. Section 34.5 of the Original Lease is hereby deleted in its entirety, and in lieu thereof is inserted the following:

"34.5 Judgment and/or Offset of Rent for Amounts Due and Owed. If Landlord, within thirty (30) days after the receipt from Tenant of its written demand therefor, fails to reimburse Tenant for the reasonable costs and expenses of Tenant's exercise of its self help rights hereunder, Tenant may (a) seek the entry of a judgment against Landlord for the amount thereof, plus interest at the Default Rate and Tenant's reasonable costs of collection (including reasonable attorney's fees) and/or (b) offset against the next payments of Base Rent and additional rent payable by Tenant hereunder the amounts reasonably expended by Tenant in curing Landlord's default, including, without limitation, all costs and reasonable attorneys' fees, together with interest thereon at the lesser of six and one-half percent (6.5%) per annum or the maximum rate permitted by applicable laws from the date of each expenditure until paid. Notwithstanding the foregoing Tenant's right to offset against payments of Base Rent and additional rent payable by Tenant hereunder shall be limited to amounts reasonably expended by Tenant in performing maintenance and repairs which were not caused by the negligence of the willfully malicious act of Tenant or Tenant's Agents."

12. Article 50 of the Lease, as amended by Paragraph 11 of the First Amendment and Paragraph 10 of the Second Amendment, shall be deleted in its entirety and in lieu thereof shall be inserted the following:

"50. RENEWAL OPTION

A.) Renewal Option. Tenant is hereby granted one (1) option ("Renewal Option") to renew this Lease for a period of five (5) years ("Renewal Term"). Tenant may exercise the Renewal Option upon written notice ("Renewal Notice") given to Landlord no earlier than 365 days and no later than 270 days before the expiration of the Extended Term ("Notice Period").

If Tenant fails to give Landlord the Renewal Notice within the Notice Period, then Tenant shall be deemed to have elected not to exercise the Renewal Option and this Renewal Option shall be deemed to null and void; time being of the essence in with regard to delivery of the Renewal Notice.

B.) Renewal Term. If the Renewal Notice is timely given, the Renewal Term will be on the same terms and conditions as those contained in the Lease except as follows:

- i. There shall be no further rights to renew after the exercise of the Renewal Option granted herein;
- ii. Any Tenant Improvement Allowances, TI Allowance, rental concessions, Landlord's Work or other such allowance improvements provided by Landlord to Tenant in the Lease shall not be applicable in the Renewal Term;
- iii. The Base Rent for the Renewal Term shall be 100% of the Fair Market Rental Value as determined by agreement between Landlord and Tenant or, if Landlord and Tenant are unable to agree, as set forth in sub paragraph C immediately below. For purposes of this Article 50 the Fair Market Rental Value of the Premises shall be the amount that a willing, comparable, new (i.e., non-renewal), non-equity tenant would pay, and that a willing landlord of a comparable space, both in terms of size and age of the Premises and within a five (5) mile radius of Cranberry Woods Office Park, would accept at arms' length. The Fair Market Rental Value for the Renewal Term may be less than the Base Rent paid by Tenant for the last year of the Extended Term. Appropriate consideration shall be given to (a) the annual rental rate per rentable square foot; (b) the definition of rentable square feet for purposes of comparing the rate; (c) location, quality and age of the Building; (d) the financial condition (e.g., creditworthiness) of Tenant; (e) escalation (including type, base year and stop) and abatement provisions reflecting free rent and /or no rent during the period of construction; (f) brokerage commissions, if any, (g) length of the lease term; (h) size and location (including floor level) of the Premises; (i) building standard work letter and/or tenant improvement allowance, if any; provided, however, the Fair Market Rental Value shall not include any tenant improvements or any alterations made by Tenant; (j) condition of space; (k) lease takeover/assumptions; (l) moving expenses and other concessions; (m) extent of services to be provided; (n) distinctions between "gross" and "net" leases; (o) base year figures or expense stops for escalation purposes for both operating costs and ad valorem/real estate taxes; (p) the time the particular rental rate under consideration becomes or is to become effective; (q) applicable caps, if any, on the amount of real estate taxes and assessments passed through to tenants; and (r) other generally applicable conditions of tenancy for the space in question. Tenant shall obtain the same rent and other benefits that Landlord would otherwise give to any comparable prospective tenant.

iv. Base Year. Notwithstanding anything to the contrary contained in the Lease, commencing on January 1, 2017, the Operating Costs Base Year and Real Estate Tax Base Year for the Renewal Term shall be Calendar Year 2017.

C.) Acceptance/Rejection. If Landlord and Tenant are not able to agree on the Base Rent for the Renewal Term by a date which is two-hundred forty (240) days prior to the commencement date of the Renewal Term, then within thirty (30) days thereafter ("Appointment Period") each party shall appoint a real estate appraiser with at least ten (10) years full time commercial appraisal experience in valuing leasehold commercial office space in the vicinity of the Premises to determine the Base Rent based on the then Fair Market Rental Value for the Renewal Term. If either party fails to appoint a real estate appraiser within the Appointment Period the Base Rent of the duly appointed appraiser shall control. The two (2) appraisers appointed by the parties shall meet to set the then Base Rent for the Renewal Term. If they are unable to agree within twenty (20) days after expiration of the Appointment Period, they shall select a third appraiser, who shall be a person who meets the qualifications set forth in this paragraph and who has not previously acted in any capacity for either party. If the two appraisers are unable to agree upon a third appraiser, either of the parties may apply to the then presiding judge of the Common Pleas Court of Butler County, Pennsylvania for the selection of the third (3rd) appraiser, who shall be a person who meets the qualifications set forth above. Landlord and Tenant shall each bear one-half (1/2) of the cost of appointing the third appraiser and of paying the third appraiser's fee. As soon as possible following selection or appointment of the third appraiser, the appraisers shall set the Base Rent for the Premises for the Renewal Term. If a majority of the appraisers is unable to set the Base Rent within twenty (20) days after appointment of the third appraiser, the three (3) appraisals shall be added together and their total divided by three (3); the resulting quotient shall be the Base Rent rate for the Premises for the Renewal Term. If the low appraisal is more than ten percent (10%) lower than the middle appraisal, the low appraisal shall be disregarded; if the high appraisal is more than ten percent (10%) higher than the middle appraisal, the high appraisal shall be disregarded. If only one appraisal is disregarded, the remaining two (2) appraisals shall be added together and their total divided by two (2), and the resulting quotient shall be the Base Rent rate for the Premises for the Renewal Term. If two of the appraisals shall be disregarded, the middle appraisal shall determine the Base Rent rate in the Renewal Term. Base Rent for the Renewal Term as so determined shall be effective as of the commencement date of the Renewal Term and shall be adjusted retroactively if determined after the commencement date of the Renewal Term.

D.) Restrictions/Conditions. Tenant's Renewal Option shall be personal to McKesson Automation Inc., and shall terminate if (i) a Default shall exist at the time of exercise of the Renewal Option or the commencement date of the Renewal Term, or an event has occurred which with notice and the lapse of time shall be a Default if not cured at the time of exercise of the Renewal Option or the commencement date of the Renewal Term, (ii) the Lease or Tenant's right to possession of the Premises has been terminated, (iii) Tenant transfers any of its interest in this Lease or any portion of the Premises to any person or entity except a person or entity not requiring Landlord's consent as provided in Paragraph 9 of this Third Amendment

13. Article 52 of the Lease, as amended by Paragraph 12 of the First, shall be deleted in its entirety and in lieu thereof shall be inserted the following:

"52. EXPANSION

52.1 Non-Exclusive Expansion Option

(a) During the Extended Term and the Renewal Term Tenant shall have the non-exclusive right ("Expansion Option"), but not the obligation, to add to the Premises any available office space in the Building that is then vacant and is not subject to a lease, letter of intent, term sheet or other such agreement for use or occupancy by a third party ("Available Expansion Space"). Tenant acknowledges and agrees that this Expansion Option is not exclusive to Tenant and, unless and until Tenant exercise this Expansion Option, Landlord shall have the unencumbered right (subject only to Tenant's Right of First Refusal set forth in Section 52.2 below) to lease the Available Expansion Space to any person or entity on such terms as Landlord determines in its sole discretion.

(b) Tenant may exercise the Expansion Option at any time during the Extended Term by written notice identifying the portion of the Available Expansion Space that Tenant desires to add to the Premises ("Office Expansion Space"). The configuration of the Office Expansion Space shall be subject to Landlord's reasonable approval based on the proportion of windows to rentable area, ingress, egress, access to common and core areas of the Building and the like with regard to both the Office Expansion Space and the remaining Available Expansion Space. Any Office Expansion Space with respect to which Tenant exercises its rights will be delivered by Landlord to Tenant in its "as-is" condition along with payment by Landlord to Tenant of an Office Expansion Allowance equal to the amount of \$5.00 per square foot of rentable area of the Office Expansion Space desired by Tenant times a fraction, the numerator of which is the number of days remaining in the five (5) year Extended Term or the Renewal Term (if the Renewal Option has been duly exercised) after the applicable Office Expansion Space is added to the Premises and the denominator of which is the 1,825. Any Office Expansion Space will become part of the Premises on the date on which Landlord delivers such Office Expansion Space to Tenant

in the condition required herein and the Premises will then be deemed to include any such Office Expansion Space. All of the provisions of this Lease will apply to any Office Expansion Space added to the Premises, provided, however, Landlord will not be obligated to grant any concessions or allowances with respect to any Office Expansion Space except as set forth in this Section 52.1.

(c) The Base Rent rate for any Office Expansion Space will be the Base Rent rate in effect on the date on which the applicable Office Expansion Space becomes part of the Premises, subject to subsequent increases, if any, as provided in this Third Amendment. The Base Rent will be increased as of the day on which the Office Expansion Space becomes part of the Premises by an amount equal to the product of (i) the number of rentable square feet of the applicable Office Expansion Space multiplied by (ii) the Base Rent per rentable square foot of the Premises in effect on the day on which the Office Expansion Space becomes part of the Premises. Tenant's Share will be increased as of the day on which any Office Expansion Space becomes part of the Premises to a fraction whose numerator is the sum of the rentable square feet of the Premises and the new Office Expansion Space, and whose denominator is the rentable square feet of the Building. The Base Rent and Tenant's Share will be increased in a similar manner whenever Office Expansion Space is added to the Premises.

(d) Tenant's rights granted in this Paragraph are personal to McKesson Automation, Inc. and shall terminate if (i) a Default shall exist at the time of exercise of the Expansion Option, or an event has occurred which with notice and the lapse of time shall be a Default if not cured at the time of exercise of the Expansion Option, (ii) the Lease or Tenant's right to possession of the Premises has been terminated, (iii) Tenant transfers any of its interest in this Lease or any portion of the Premises to any person or entity except a person or entity not requiring Landlord's consent as provided in Paragraph 9 of this Third Amendment, or (iv) less than two full years remain in the Lease Term (unless during the Extended Term Tenant exercises the Renewal Option).

52.2 Right of First Refusal

(a) Refusal Space/Offer. Reference is made to any available office space in the Building that is then vacant and is not subject to a lease, letter of intent, term sheet or other such agreement for use or occupancy by a third party ("Available Refusal Space"). If during the Extended Term or the Renewal Term, Landlord receives a bona fide offer from a third party ("Third Party Offer") to lease all or any portion of the Available Refusal Space ("Refusal Space") and Landlord is willing to accept the terms of such Third Party Offer, Landlord shall first offer ("Offer Notice") to lease to Tenant the Refusal Space on the same terms and conditions as the Third Party Offer; such Offer Notice shall be in writing, specify the rent to be paid for the Refusal Space, contain the other basic terms and conditions of the Third

Party Offer and the date on which the Refusal Space shall be included in the Premises. Tenant shall notify Landlord in writing whether Tenant elects to lease all of the Refusal Space on the same terms and conditions as the Third Party Offer set forth in the Offer Notice within fifteen (15) business days after Landlord delivers to Tenant the Offer Notice, time being of the essence.

(b) Acceptance. If Tenant timely elects to lease the Refusal Space within such fifteen (15) business day period, then Landlord and Tenant shall execute an amendment to the Lease, effective as of the date the Refusal Space is to be included in the Premises, on the same terms as the Lease except (i) the Base Rent rate for the Refusal Space shall be the amount specified in the Offer Notice, (ii) the lease term for the Refusal Space shall be that specified in the Offer Notice and, if the lease term in the Offer Notice extends beyond the expiration of the Term of this Lease, Tenant shall be permitted to extend the Term of this Lease to be coterminous with the lease term for the Refusal Space, (iii) the Refusal Space shall be delivered to Tenant and Tenant shall take same in "as-is" condition, and Landlord shall not be required to construct any tenant improvements in the Refusal Space or provide to Tenant any allowances other than those contained in the Offer Notice, if any, and (iv) any other terms set forth in the Lease which are inconsistent with the terms of the Offer Notice shall be modified accordingly with respect to the Refusal Space. Notwithstanding the foregoing, if the Offer Notice includes space in excess of that desired by Tenant, Tenant must exercise its right hereunder, if at all, as to all of the space contained in the Offer Notice. If the Offer Notice is for less than all the Available Refusal Space, then the Right of First Refusal shall continue for the remainder of any Available Refusal Space.

(c) Rejection. If Tenant fails or is unable to timely exercise its right hereunder, then such right shall lapse, time being of the essence with respect to the exercise thereof, and Landlord may lease the portion of the Refusal Space described in the Offer Notice to the third party on the terms contained in the Offer Notice or such terms as Landlord may elect.

(d) On-Going Right. If an Offer Notice that was rejected is for less than all of the Refusal Space, then Landlord shall only be obligated to offer such remaining portion of the Refusal Space to Tenant if a Third Party Offer is subsequently received for such remaining portion.

(e) Exclusion. For purposes hereof, if an Offer Notice is delivered for less than all of the Available Refusal Space, but such notice provides for an expansion, right of first refusal, or other preferential right to lease some of the remaining portion of the Available Refusal Space, then such remaining portion of the Available Refusal Space shall thereafter be excluded from the grant of the Right of First Refusal contained herein.

(f) Restrictions. This Right of First Refusal is personal to McKesson Automation Inc. and shall terminate if (i) a Default shall exist at the time of Tenants' election to lease the Refusal Space, or an event has occurred which with notice and the lapse of time shall be a Default if not cured at the time of Tenant's election to lease the Refusal Space, (ii) the Lease or Tenant's right to possession of the Premises has been terminated, (iii) Tenant transfers any of its interest in this Lease or any portion of the Premises to any person or entity except a person or entity not requiring Landlord's consent as provided in Paragraph 9 of this Third Amendment, or (iv) less than two full years remain in the Lease Term (unless during the Extended Term Tenant exercises the Renewal Option."

14. The second sentence of Article 28 of the Original Lease is hereby deleted in its entirety, and in lieu thereof is inserted the following:

"During any such holdover tenancy, unless Landlord has otherwise agreed in writing, Tenant agrees to pay to Landlord an occupancy charge equal to

(A) 125% of the stated monthly Base Rent for the last full month of the Extended Term or Renewal Term (as applicable) then ending, calculated on a *per diem* basis, for each day of the first (1st) month of such holdover, (B) 150% of the stated monthly Base Rent for the last full month of the Extended Term or Renewal Term (as applicable) then ending, calculated on a *per diem* basis, for each day after the first month of such holdover, and (C) one hundred percent (100%) of the additional rent which would have been payable by Tenant for the period of such holdover, calculated on a per diem basis using the additional rent which had otherwise been payable by Tenant for the last full month of the Extended Term or the Renewal Term (as applicable) then ending."

15. As a condition precedent to execution of this Third Amendment by Tenant Landlord, at its sole cost and expense, shall cause any existing mortgagee or trust deed beneficiary holding a lien encumbering the Building to enter into the subordination, non-disturbance and attornment agreement in the form attached hereto as Exhibit B.

16. The Lease (Paragraph 7 of the Second Amendment and the provisions of the Lease amended thereby relating to Landlord's address) is hereby amended by inserting the following in addition to all other provisions:

"Notwithstanding anything to the contrary contained in this Lease, the Notice address for Landlord and the address for payment of Rent shall be as follows, until written notice of a change in address is issued to Tenant:

Notices: McKnight Cranberry, LP
310-330 Grant Street, Suite 2400
Pittsburgh, PA 15219
Attn: McKnight Property Management

With a copy to:

McKnight Cranberry, LP
310-330 Grant Street, Suite 2500
Pittsburgh, PA 15219

Attn: McKnight Realty Partners, Legal Counsel Payment of Rent:

Payable to:
McKnight Cranberry, LP

Mailed to:
First Commonwealth Bank

Attn: Lockbox Department
Lockbox Account Number 7110282131 Philadelphia and Sixth Streets
P.O. Box 374 Indiana, PA 15701"

17. The Lease shall be amended by inserting the following in addition to all other provisions:

"ANTI TERRORISM PROVISION:

(a) Landlord and Tenant certify, each to the other, that to their knowledge:

(i) It is not in violation of any Anti-Terrorism Law;

(ii) It is not, as of the date hereof:

(1) conducting any business or engaging in any transaction or dealing with any Prohibited Person, including the making or receiving of any contribution of funds, goods or services to or for the benefit of any Prohibited Person;

(2) dealing in, or otherwise engaging in any transaction relating to, any property or interests in property blocked pursuant to Executive Order No. 13224; or

(iii) engaging in or conspiring to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate any of the prohibitions set forth in, any Anti-Terrorism Law; and

(iv) It, nor any of its officers, directors, shareholders or members, as applicable, is a Prohibited Person; provided, however this paragraph shall not apply to any person to the extent that such person's interest in the Tenant is through a U.S. Publicly-Traded Entity. As used in this Third Amendment, U.S. Publicly-Traded Entity means a person, other than an individual,

whose securities are listed on a national securities exchange, or quoted on an automated quotation system, in the United States, or a wholly-owned subsidiary of such a person ("U.S. Publicly-Traded Entity").

(b) Tenant hereby agrees to defend, indemnify, and hold harmless Landlord from and against any and all claims, damages, losses, liabilities and expenses (including reasonable attorneys' fees and costs) arising from or related to any breach of the foregoing certification; and Landlord hereby agrees to defend, indemnify, and hold harmless Tenant from and against any and all claims, damages, losses, liabilities and expenses (including attorneys' fees and costs) arising from or related to any breach of the foregoing certification.

(c) If at any time any of these representations becomes false, then it shall be considered a material default under this Lease.

As used herein, "Anti-Terrorism Law" is defined as any law relating to terrorism, anti-terrorism, money-laundering or anti-money laundering activities, including without limitation the United States Bank Secrecy Act, the United States Money Laundering Control Act of 1986, Executive Order No. 13224, and Title 3 of the USA Patriot Act, and any regulations promulgated under any of them. As used herein "Executive Order No. 13224" is defined as Executive Order No. 13224 on Terrorist Financing effective September 24, 2001, and relating to "Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism", as may be amended from time to time. "Prohibited Person" is defined as (i) a person or entity that is listed in the Annex to Executive Order No. 13224, or a person or entity owned or controlled by an entity that is listed in the Annex to Executive Order No. 13224; (ii) a person or entity with whom Landlord is prohibited from dealing or otherwise engaging in any transaction by any Anti-Terrorism Law; or (iii) a person or entity that is named as a "specially designated national and blocked person" on the most current list published by the U.S. Treasury Department Office of Foreign Assets Control at its official website, http://www.treas.gov/ofac/tl_lsdn.pdf or at any replacement website or other official publication of such list. "USA Patriot Act" is defined as the "Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001" (Public Law 107-56), as may be amended from time to time."

18. Tenant was represented in the transaction evidenced by this Third Amendment by CB Richard Ellis, Inc. ("CB Richard Ellis"), a licensed real estate broker. Landlord also was represented in the transaction evidenced by this Third Amendment by CB Richard Ellis. Landlord shall be solely responsible for paying any commission or fee owed to CB Richard Ellis as Landlord's broker in connection with this Third Amendment, and CB Richard Ellis as Landlord's broker shall be responsible for any commission or fee payable to CB Richard Ellis in its capacity as Tenant's broker. Each party to this Third Amendment shall indemnify, defend and hold harmless the other party from and against any and all claims asserted against such other party by

any other real estate broker (excluding CB Richard Ellis), finder or intermediary relating to any act of the indemnifying party in connection with this Third Amendment.

19. Subject to the limitation on personal liability set forth in Section 34.1 of the Original Lease, Paragraph 16 of the First Amendment and Paragraph 15 of the Second Amendment, the liability of the entities constituting Landlord hereunder shall be joint and several.
20. All other terms, conditions, covenants, agreements and provisions contained in the Lease that are not revised by or in conflict with the terms of this Third Amendment shall remain in full force and effect and are hereby ratified and confirmed by Landlord and Tenant to the extent consistent with this Third Amendment.
21. The submission of this Third Amendment to Tenant or its broker or other agent does not constitute an offer. This Third Amendment shall have no force or effect until: (a) it is executed and delivered by Tenant to Landlord; and (b) it is executed and delivered by Landlord to Tenant.
22. Contemporaneously with the execution of this Third Amendment, Tenant shall deliver to Landlord a CONSENT OF GUARANTOR executed by McKesson Corporation the form set forth on Exhibit A attached hereto and made a part hereof.

IN WITNESS WHEREOF, Landlord and Tenant have caused this Third Amendment to be executed as of the date first written above.

LANDLORD:

Cranberry Cochran Road, L.P., a
Delaware limited partnership

By: Cranberry Cochran Road GP, LLC, its General Partner, a Delaware limited liability company

By: /s/ William C. Rudolph
Name: William C. Rudolph, member

Cranberry Noble Land, L.P., a Delaware limited partnership

By: Cranberry Noble Land GP, LLC, its General Partner, a Delaware limited liability company

By: Noble Land Associates, its sole member

By: /s/ William C. Rudolph
Name: William C. Rudolph
Title: General Partner

Cranberry Harmar Land, L.P., a
Delaware limited partnership

By: Cranberry Harmar Land GP, LLC, its General Partner, a Delaware limited liability company

By: Harmar Land Co., its sole member

By: /s/ William C. Rudolph
Name: William C. Rudolph
Title: General Partner

Cranberry Hempfield, L.P., a Delaware limited partnership

By: Cranberry Hempfield GP, LLC, its General Partner, a Delaware limited liability company

By: Hempfield Associates, its sole member

By: /s/ William C. Rudolph
Name: William C. Rudolph
Title: General Partner

Cranberry Kennedy Land, L.P., a
Delaware limited partnership

By: Cranberry Kennedy Land GP, LLC, its General Partner, a Delaware limited liability company

By: Kennedy Land Associates, its sole member

By: /s/ William C. Rudolph
Name: William C. Rudolph
Title: General Partner

Cranberry McKnight Land, L.P., a
Delaware limited partnership

By: Cranberry McKnight Land GP, LLC, its General Partner, a Delaware limited liability company

By: McKnight Land Associates, its sole member

By: /s/ William C. Rudolph
Name: William C. Rudolph
Title: General Partner

Cranberry Perrysville, L.P., a Delaware limited partnership

By: Cranberry Perrysville GP, LLC, its General Partner, a Delaware limited liability company

By: Perrysville Land Associates, its sole member

By: /s/ William C. Rudolph
Name: William C. Rudolph
Title: General Partner

McKnight Cranberry, L.P., a Delaware limited partnership

By: McKnight Cranberry GP, LLC, its General Partner, a Delaware limited liability company

By: /s/ William C. Rudolph

Name: William C. Rudolph, member

Cranberry South East, L.P., a Delaware limited partnership

By: Cranberry South East GP, LLC, its General Partner, a Delaware limited liability company

By: Wendy's South East Co., its sole member

By: /s/ William C. Rudolph
Name: William C. Rudolph Title: General Partner

Cranberry West Liberty, L.P., a Delaware limited partnership

By: Cranberry West Liberty GP, LLC, its General Partner, a Delaware limited liability company

By: Wendy's West Liberty Associates, its sole member

By: /s/ William C. Rudolph

Name: William C. Rudolph

Title: General Partner

Cranberry Westmore Land, L.P., a Delaware limited partnership

By: Cranberry Westmore Land GP, LLC, its General Partner, a Delaware limited liability company

By: Westmore Land Associates, its sole member

By: /s/ William C. Rudolph

Name: William C. Rudolph

Title: General Partner

Cranberry Kittanning Land, L.P., a Delaware limited partnership

By: Cranberry Kittanning Land GP, LLC, its General Partner, a Delaware limited liability company

By: Kittanning Land Associates, its sole member

By: /s/ William C. Rudolph

Name: William C. Rudolph

Title: General Partner

Cranberry Rich Land, L.P., a Delaware limited partnership

By: Cranberry Rich Land GP, LLC, its General Partner, a Delaware limited liability company

By: Rich Land Associates, its sole member

By: /s/ William C. Rudolph
Name: William C. Rudolph
Title: General Partner

Cranberry Murrysville Land, L.P., a
Delaware limited partnership

By: Cranberry Murrysville Land GP, LLC, its General Partner, a Delaware limited liability company

By: Murrysville Land Associates, its sole member

By: /s/ William C. Rudolph
Name: William C. Rudolph Title: General Partner

Cranberry Castle Shannon, L.P., a
Delaware limited partnership

By: Cranberry Castle Shannon GP, LLC, its General Partner, a Delaware limited liability company

By: Castle Shannon Associates, its sole member

By: /s/ William C. Rudolph
Name: William C. Rudolph
Title: General Partner

Cranberry Beers School, L.P., a Delaware limited partnership

By: Cranberry Beers School GP, LLC, its General Partner, a Delaware limited liability company

By: Beers School Land Associates, its sole member

By: /s/ William C. Rudolph
Name: William C. Rudolph
Title: General Partner

TENANT:

McKesson Automation Inc.,
a Pennsylvania corporation

By: /s/ Nicholas A. Loiacono
Nicholas A. Loiacono
Vice President and Treasurer

List of Exhibits to Third Amendment

- ◆ Third Amendment Exhibit A- Consent of Guarantor
- ◆ Third Amendment Exhibit B - Form of Subordination, Non-Disturbance and Attornment Agreement

FOURTH AMENDMENT TO LEASE

THIS FOURTH AMENDMENT TO LEASE (this "Fourth Amendment") is made as of the 29th day of October, 2013, between **McKnight Cranberry III, L.P.**, a Delaware limited Partnership ("**Landlord**"), successor by assignment to Cranberry Cochran Road, L.P., a Delaware limited partnership, Cranberry Noble Land, L.P., a Delaware limited partnership, Cranberry Harmar Land, L.P., a Delaware limited partnership, Cranberry Hempfield, L.P., a Delaware limited partnership, Cranberry Kennedy Land, L.P., a Delaware limited partnership, Cranberry McKnight Land, L.P., a Delaware limited partnership, Cranberry Perrysville, L.P., a Delaware limited partnership, McKnight Cranberry, L.P., a Delaware limited partnership, Cranberry South East, L.P., a Delaware limited partnership, Cranberry West Liberty, L.P., a Delaware limited partnership, Cranberry Westmore Land, L.P., a Delaware limited partnership, Cranberry Kittanning Land, L.P., a Delaware limited partnership, Cranberry Rich Land, L.P., a Delaware limited partnership, Cranberry Murrysville Land, L.P., a Delaware limited partnership, Cranberry Castle Shannon, L.P., a Delaware limited partnership, Cranberry Beers School, L.P., a Delaware limited partnership, together as tenants in common, and **McKesson Automation Inc.**, a Pennsylvania corporation ("**Tenant**").

WHEREAS, Landlord and Tenant are parties to that certain Lease dated December 21, 2001 (the "**Original Lease**"), a certain First Amendment to Lease dated February 8, 2005 (the "**First Amendment**"), a certain Second Amendment to Lease dated April 21, 2008 (the "**Second Amendment**") and a certain Third Amendment to Lease dated January 11, 2011 (the "**Third Amendment**") pursuant to which Tenant leases approximately one hundred two thousand seven hundred forty-one (102,741) rentable square feet ("**Premises**") of a certain building located at 500 Cranberry Woods Drive, Cranberry Township, Pennsylvania ("**Building**");

WHEREAS, the Original Lease, the First Amendment, the Second Amendment and the Third Amendment are collectively referred to herein as the "**Lease**";

WHEREAS, the Term of the Lease is scheduled to expire on December 31, 2016; WHEREAS, Tenant's obligations under the Lease, prior to this Fourth

Amendment, have been guaranteed by McKesson Corporation, a Delaware corporation ("**Guarantor**"), pursuant to a certain Guaranty of Lease dated December 21, 2001, subsequently ratified and confirmed (the "**Guaranty**");

WHEREAS, Guarantor is selling its equity interest in Tenant to a third party buyer (the "**Transaction**") and in connection with such sale desires to be released from the Guaranty;

WHEREAS, Landlord recognizes that Tenant provided ten business days' prior notice for the Transaction; and

WHEREAS, Landlord and Tenant desire to amend the Lease to (i) terminate the Guaranty, (ii) extend the Lease Term, and (iii) revise certain other provisions in accordance with the terms and conditions of this Fourth Amendment.

NOW THEREFORE, in consideration for the mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, Landlord and Tenant, intending to be legally bound hereby, agree that as of the Change of Control Effective Date (as defined below) the following modifications shall be made to the Lease:

1. **Recitals.** The foregoing recitals are incorporated herein by reference and made a part of this Fourth Amendment as though fully set forth herein. All capitalized terms used but not otherwise defined or re-defined in this Fourth Amendment shall have the meaning ascribed to them in the Lease. For purposes of this Fourth Amendment, the phrase "**Change of Control Effective Date**" shall mean the date on which McKesson Corporation completes the Transaction as evidenced by written notice to be delivered by McKesson Corporation to Landlord.
2. **Lease Term.** The Lease (Section 1.3 of the Original Lease, as amended by Paragraph 3 of the Second Amendment and Paragraph 2 of the Third Amendment) is hereby amended by inserting the following in addition to all other provisions:

"Notwithstanding anything to the contrary contained in this Lease, the Lease Term shall be extended for a period of 3 years beginning on January 1, 2017 and ending on December 31, 2019 ("**Second Extended Term**") so that the Lease Term shall expire on December 31, 2019 ("**Expiration Date**"), subject to Tenant's Early Termination Right as set forth in Paragraph 13 of this Fourth Amendment and Tenant's Renewal Option as set forth in Paragraph 10 of this Fourth Amendment."

3. **Condition of Premises.** The Lease (including Exhibit C to the Original Lease, as amended by Paragraph 3 of the Third Amendment, and all provisions of the Lease relating to the improvement of the Premises by Landlord, the construction or installation at the Premises of any Improvements by Landlord, or the payment by Landlord to Tenant of any allowance or sum of money for or relating to the Improvement of the Premises) is hereby amended by inserting the following in addition to all other provisions:

"Tenant is currently in possession of the Premises, is familiar with the condition of the Premises and accepts the Premises during the Second Extended Term in its then "as-is" condition, with all faults and without any improvement or allowance required of Landlord."

4. **Base Rent.** The Lease (Section 1.5.1 of the Original Lease as amended by Paragraph 5 of the Second Amendment and Paragraph 4 of the Third Amendment) shall be amended by inserting in addition thereto the following:

"Notwithstanding anything to the contrary contained in this Lease, during the Second Extended Term, Tenant shall pay to Landlord Base Rent for the Premises in monthly installments on the first day of each calendar month, in advance, without offset or deduction of any kind, as follows:

- i.) \$216,184.19 per month (based on a rate of \$25.25 per square foot of rentable area per year contained in the Premises) during the period of the Second Extended Term beginning on January 1, 2017 and ending on December 31, 2017; and
- ii.) \$220,465.06 per month (based on a rate of \$25.75 per square foot of rentable area per year contained in the Premises) during the period of the Second

Extended Term beginning on January 1, 2018 and ending on December 31, 2019."

5. **Tenant's Share.** The Lease (Section 1.2 of the Original Lease as amended by Paragraph 4 of the Second Amendment and Paragraph 5 of the Third Amendment) shall be amended by inserting in addition thereto the following:

"Notwithstanding anything to the contrary contained in this Lease, Landlord and Tenant acknowledge and agree that beginning on January 1, 2017 and ending on the Expiration Date Tenant' s Share shall be 86.02% (102,741 / 119,444), as may be adjusted from time to time in accordance with Section 1.2 of the Original Lease."

6. **Operating Cost Base Year.** The Lease (Section 9.2 of the Original Lease as amended by Paragraph 6 of the Second Amendment and Paragraph 6 of the Third Amendment) shall be amended by inserting in addition thereto the following:

"Notwithstanding anything to the contrary contained in this Lease, Landlord and Tenant acknowledge and agree that beginning on January 1, 2017 and ending on the Expiration Date, the Operating Costs Base Year shall be Calendar Year 2017."

7. **Real Estate Tax Base Year.** The Lease (Section 10.2 of the Original Lease as amended by Paragraph 6 of the Second Amendment and Paragraph 8 of the Third Amendment) shall be amended by inserting in addition thereto the following:

"Notwithstanding anything to the contrary contained in this Lease, Landlord and Tenant acknowledge and agree that beginning on January 1, 2017 and ending on the Expiration Date, the Real Estate Tax Base Year shall be Calendar Year 2017."

8. **Enforcement of Final Judgment for Amounts Due and Owng.** Paragraph 11 of the Third Amendment, which amended Section 34.5 of the Original Lease, shall be deleted in its entirety, reflecting the intent of Landlord and Tenant that Section 34.5 as set forth in the Original Lease prior to the Third Amendment shall be inserted and reinstated in the Lease.

9. **Renewal Option.** Article 50 of the Lease, as amended by Paragraph 11 of the First Amendment, Paragraph 10 of the Second Amendment and Paragraph 12 of the Third Amendment, shall be deleted in its entirety and in lieu thereof shall be inserted the following:

"50. RENEWAL OPTION

A.) Renewal Option. Tenant is hereby granted one (1) option ("**Renewal Option**") to extend the Lease Term for a period of five (5) years ("**Renewal Term**"). Tenant may exercise the Renewal Option upon written notice ("**Renewal Notice**") given to Landlord no earlier than 365 days and no later than 270 days before the Expiration Date of the Lease Term ("**Notice Period**"). If Tenant fails to give Landlord the Renewal Notice within the Notice Period, then Tenant shall be deemed to have elected not to exercise the Renewal Option and this Renewal Option shall be deemed to null and void; time being of the essence in with regard to delivery of the Renewal Notice.

B.) Renewal Term. If the Renewal Notice is timely given, the Renewal Term will be on the same terms and conditions as those contained in the Lease except as follows:

- i. There shall be no further rights to renew after the exercise of the Renewal Option granted herein;
- ii. Any Tenant Improvement Allowances, TI Allowance, rental concessions, Landlord's Work or other such allowance or improvements provided by Landlord to Tenant in the Lease shall not be applicable in the Renewal Term;
- iii. The Base Rent for the Renewal Term shall be 100% of the Fair Market Rental Value as determined by agreement between Landlord and Tenant or, if Landlord and Tenant are unable to agree, as set forth in sub paragraph C immediately below. For purposes of this Article 50 the Fair Market Rental Value of the Premises shall be the amount that a willing, comparable, new (i.e., non-renewal), non-equity tenant would pay, and that a willing landlord of a comparable space, both in terms of size and age of the Premises and within a five (5) mile radius of Cranberry Woods Office Park, would accept at arms' length. The Fair Market Rental Value for the Renewal Term may be less than or greater than the Base Rent paid by Tenant during the Lease Term. Appropriate consideration shall be given to (a) the annual rental rate per rentable square foot; (b) the definition of rentable square feet for purposes of comparing the rate; (c) location, quality and age of the Building; (d) the financial condition (e.g., creditworthiness) of Tenant; (e) escalation (including type, base year and stop) and abatement provisions reflecting free rent and /or no rent during the period of construction; (f) brokerage commissions, if any; (g) length of the lease term; (h) size and location (including floor level) of the Premises; (i) building standard work letter and/or tenant improvement allowance, if any; provided, however, the Fair Market Rental Value shall not include any tenant improvements or any alterations made by Tenant; (j) condition of space; (k) lease takeover/assumptions; (l) moving expenses and other concessions; (m) extent of services to be provided; (n) distinctions between "gross" and "net" leases; (o) base year figures or expense stops for escalation purposes for both operating costs and ad valorem/real estate taxes; (p) the time the particular rental rate under consideration becomes or is to become effective; (q) applicable caps, if any, on the amount of real estate taxes and assessments passed through to tenants; and (r) other generally applicable conditions of tenancy for the space in question. Tenant shall obtain the same rent and other benefits that Landlord would otherwise give to any comparable prospective tenant.
- iv. Base Year. Notwithstanding anything to the contrary contained in the Lease, commencing on January 1, 2020, the Operating Costs Base Year and Real Estate Tax Base Year during the entire Renewal Term shall be Calendar Year 2020.

C.) Acceptance/Rejection. If Landlord and Tenant are not able to agree on the Base Rent for the Renewal Term by a date which is two-hundred forty (240) days prior to the commencement date of the Renewal Term, then within thirty (30) days thereafter ("**Appointment Period**") each party shall appoint a real estate appraiser with at least ten (10) years full time commercial appraisal experience in valuing leasehold

commercial office space in the vicinity of the Premises to determine the Base Rent based on the then Fair Market Rental Value for the Renewal Term. If either party fails to appoint a real estate appraiser within the Appointment Period the Base Rent of the duly appointed appraiser shall control. The two (2) appraisers appointed by the parties shall meet to set the then Base Rent for the Renewal Term. If they are unable to agree within twenty (20) days after expiration of the Appointment Period, they shall select a third appraiser, who shall be a person who meets the qualifications set forth in this paragraph and who has not previously acted in any capacity for either party. If the two appraisers are unable to agree upon a third appraiser, either of the parties may apply to the then presiding judge of the Common Pleas Court of Butler County, Pennsylvania for the selection of the third (3rd) appraiser, who shall be a person who meets the qualifications set forth above. Landlord and Tenant shall each bear one-half (1/2) of the cost of appointing the third appraiser and of paying the third appraiser's fee. As soon as possible following selection or appointment of the third appraiser, the appraisers shall set the Base Rent for the Premises for the Renewal Term. If a majority of the appraisers is unable to set the Base Rent within twenty (20) days after appointment of the third appraiser, the three (3) appraisals shall be added together and their total divided by three (3); the resulting quotient shall be the Base Rent rate for the Premises for the Renewal Term. If the low appraisal is more than ten percent (10%) lower than the middle appraisal, the low appraisal shall be disregarded; if the high appraisal is more than ten percent (10%) higher than the middle appraisal, the high appraisal shall be disregarded. If only one appraisal is disregarded, the remaining two (2) appraisals shall be added together and their total divided by two (2), and the resulting quotient shall be the Base Rent rate for the Premises for the Renewal Term. If two of the appraisals shall be disregarded, the middle appraisal shall determine the Base Rent rate in the Renewal Term. Base Rent for the Renewal Term as so determined shall be effective as of the commencement date of the Renewal Term and shall be adjusted retroactively if determined after the commencement date of the Renewal Term.

D.) Restrictions/Conditions. Tenant's Renewal Option shall be personal to McKesson Automation Inc. and shall terminate if (i) a Default shall exist at the time of exercise of the Renewal Option or the commencement date of the Renewal Term, or an event has occurred which with notice and the lapse of time shall be a Default if not cured at the time of exercise of the Renewal Option or the commencement date of the Renewal Term, (ii) the Lease or Tenant's right to possession of the Premises has been terminated, (iii) Tenant transfers any of its interest in this Lease or any portion of the Premises except to an entity not requiring Landlord's consent as provided in the Lease."

10. **Expansion.** Article 52 of the Lease, as amended by Paragraph 12 of the First Amendment and Paragraph 13 of the Third Amendment, shall be deleted in its entirety and in lieu thereof shall be inserted the following:

"52. EXPANSION

52.1 Non-Exclusive Expansion Option

(a) During the Lease Term Tenant shall have the non-exclusive right ("**Expansion Option**"), but not the obligation, to add to the Premises any available office space in the Building that is then vacant and is not subject to a lease, letter of intent, term sheet or other such agreement for use or occupancy by a third party ("**Available Expansion Space**"). Tenant acknowledges and agrees that this Expansion Option is not exclusive to Tenant and, unless and until Tenant exercise this Expansion Option, Landlord shall have the unencumbered right (subject only to Tenant's Right of First Refusal set forth in Section 52.2 below) to lease the Available Expansion Space to any person or entity on such terms as Landlord determines in its sole discretion.

(b) Tenant may exercise the Expansion Option at any time during the Lease Term by written notice identifying the portion of the Available Expansion Space that Tenant desires to add to the Premises ("**Office Expansion Space**"). The configuration of the Office Expansion Space shall be subject to Landlord's reasonable approval based on the proportion of windows to rentable area, ingress, egress, access to common and core areas of the Building and the like with regard to both the Office Expansion Space and the remaining Available Expansion Space. Any Office Expansion Space with respect to which Tenant exercises its rights will be delivered by Landlord to Tenant in its "as-is" condition along with payment by Landlord to Tenant of an Office Expansion Allowance equal to the amount of \$5.00 per square foot of rentable area of the Office Expansion Space desired by Tenant times a fraction, the numerator of which is the number of days remaining in the Lease Term after the applicable Office Expansion Space is added to the Premises and the denominator of which is the 2,920. Any Office Expansion Space will become part of the Premises on the date on which Landlord delivers such Office Expansion Space to Tenant in the condition required herein and the Premises will then be deemed to include any such Office Expansion Space. All of the provisions of this Lease will apply to any Office Expansion Space added to the Premises, provided, however, Landlord will not be obligated to grant any concessions or allowances with respect to any Office Expansion Space except as set forth in this Section 52.1.

(c) The Base Rent rate for any Office Expansion Space will be the Base Rent rate in effect on the date on which the applicable Office Expansion Space becomes part of the Premises, subject to subsequent increases in Base Rent during the Lease Term. The Base Rent will be increased as of the day on which the Office Expansion Space becomes part of the Premises by an amount equal to the product of (i) the number of rentable square feet of the applicable Office Expansion Space multiplied by (ii) the Base Rent per rentable square foot of the Premises in effect on the day on which the Office Expansion Space becomes part of the Premises. Tenant's Share will be increased as of the day on which any Office Expansion Space becomes part of the Premises to a fraction whose numerator is the sum of the rentable square feet of the Premises and the new Office Expansion Space, and whose denominator is the rentable square feet of the Building. The Base Rent and Tenant's Share will be increased in a similar manner whenever Office Expansion Space is added to the Premises.

(d) Tenant's rights granted in this Paragraph are personal to McKesson Automation, Inc. and shall terminate if (i) a Default shall exist at the time

of exercise of the Expansion Option, or an event has occurred which with notice and the lapse of time shall be a Default if not cured at the time of exercise of the Expansion Option, (ii) the Lease or Tenant's right to possession of the Premises has been terminated, (iii) Tenant transfers any of its interest in this Lease or any portion of the Premises except to an entity not requiring Landlord's consent as provided in the Lease or (iv) less than two full years remain in the Lease Term.

52.2 Right of First Refusal

(a) Refusal Space/Offer. Reference is made to any available office space in the Building that is then vacant and is not subject to a lease, letter of intent, term sheet or other such agreement for use or occupancy by a third party ("**Available Refusal Space**"). If during the Lease Term, Landlord receives a bona fide offer from a third party ("**Third Party Offer**") to lease all or any portion of the Available Refusal Space ("Refusal Space") and Landlord is willing to accept the terms of such Third Party Offer, Landlord shall first offer ("**Offer Notice**") to lease to Tenant the Refusal Space on the same terms and conditions as the Third Party Offer; such Offer Notice shall be in writing, specify the rent to be paid for the Refusal Space, contain the other basic terms and conditions of the Third Party Offer and the date on which the Refusal Space shall be included in the Premises. Tenant shall notify Landlord in writing whether Tenant elects to lease all of the Refusal Space on the same terms and conditions as the Third Party Offer set forth in the Offer Notice within fifteen (15) business days after Landlord delivers to Tenant the Offer Notice, time being of the essence.

(b) Acceptance. If Tenant timely elects to lease the Refusal Space within such fifteen (15) business day period, then Landlord and Tenant shall execute an amendment to the Lease, effective as of the date the Refusal Space is to be included in the Premises, on the same terms as the Lease except (i) the Base Rent rate for the Refusal Space shall be the amount specified in the Offer Notice, (ii) the lease term for the Refusal Space shall be that specified in the Offer Notice and, if the lease term in the Offer Notice extends beyond the expiration of the Lease Term of this Lease, Tenant shall be permitted to extend the Lease Term of this Lease to be coterminous with the lease term for the Refusal Space, (iii) the Refusal Space shall be delivered to Tenant and Tenant shall take same in "as-is" condition, and Landlord shall not be required to construct any tenant improvements in the Refusal Space or provide to Tenant any allowances other than those contained in the Offer Notice, if any, and (iv) any other terms set forth in the Lease which are inconsistent with the terms of the Offer Notice shall be modified accordingly with respect to the Refusal Space. Notwithstanding the foregoing, if the Offer Notice includes space in excess of that desired by Tenant, Tenant must exercise its right hereunder, if at all, as to all of the space contained in the Offer Notice. If the Offer Notice is for less than all the Available Refusal Space, then the Right of First Refusal shall continue for the remainder of any Available Refusal Space.

(c) Rejection. If Tenant fails or is unable to timely exercise its right hereunder, then such right shall lapse, time being of the essence with respect to the exercise thereof,

and Landlord may lease the portion of the Refusal Space described in the Offer Notice to the third party on the terms contained in the Offer Notice or such terms as Landlord may elect.

(d) On-Going Right. If an Offer Notice that was rejected is for less than all of the Refusal Space, then Landlord shall only be obligated to offer such remaining portion of the Refusal Space to Tenant if a Third Party Offer is subsequently received for such remaining portion.

(e) Exclusion. For purposes hereof, if an Offer Notice is delivered for less than all of the Available Refusal Space, but such notice provides for an expansion, right of first refusal, or other preferential right to lease some of the remaining portion of the Available Refusal Space, then such remaining portion of the Available Refusal Space shall thereafter be excluded from the grant of the Right of First Refusal contained herein.

(f) Restrictions. This Right of First Refusal is personal to McKesson Automation Inc. and shall terminate if (i) a Default shall exist at the time of Tenants' election to lease the Refusal Space, or an event has occurred which with notice and the lapse of time shall be a Default if not cured at the time of Tenant's election to lease the Refusal Space, (ii) the Lease or Tenant's right to possession of the Premises has been terminated, (iii) Tenant transfers any of its interest in this Lease or any portion of the Premises except to an entity not requiring Landlord's consent as provided in the Lease, or (iv) less than two full years remain in the Lease Term."

11. **Hold Over.** The second sentence of Article 28 of the Original Lease as amended by Paragraph 14 of the Third Amendment is hereby deleted in its entirety, and in lieu thereof is inserted the following:

"During any such holdover tenancy, unless Landlord has otherwise agreed in writing, Tenant agrees to pay to Landlord an occupancy charge equal to

(A) 125% of the stated monthly Base Rent for the last full month of the Lease Term then ending, calculated on a *per diem* basis, for each day of the first (1st) month of such holdover, (B) 150% of the stated monthly Base Rent for the last full month of the Lease Term then ending, calculated on a *per diem* basis, for each day after the first month of such holdover, and (C) one hundred percent (100%) of the additional rent which would have been payable by Tenant for the period of such holdover, calculated on a *per diem* basis using the additional rent which had otherwise been payable by Tenant for the last full month of the Lease Term then ending."

12. **Tenant's Early Termination Right.** The Lease shall be amended by inserting the following in addition to all other provisions:

"TENANT'S EARLY TERMINATION RIGHT:

a.) Termination Option. Subject to and contingent upon (i) the satisfaction of all conditions precedent contained herein, and (ii) the payment of the Termination Fee

(as defined hereinafter in subparagraph b.), Tenant shall have one (1) option to terminate this Lease ("**Termination Option**") effective on December 31, 2018 ("**Effective Date of Termination**") on the terms and conditions set forth herein.

b.) Definitions. The term "**Termination Fee**" shall mean an amount equal to eight thousand five hundred and sixty one dollars and seventy five cents (\$8,561.75) per month, as prorated for less than a full calendar month, payable by Tenant to Landlord in accordance with the terms and conditions of this Lease applicable to the payment of Base Rent, beginning on the date on which Landlord receives the Tenant's Termination Notice (as defined hereinafter in subparagraph d.) and ending on the Effective Date of Termination.

c.) Conditions Precedent. Tenant's Termination Option shall be conditioned on and subject to the satisfaction of the following conditions precedent on or prior to the Effective Date of Termination: (i) Tenant shall not be in default of its obligations under this Lease, and no event shall have occurred which with the lapse of time shall be a default if not cured, (ii) the Lease or Tenant's right to possession of the Premises has not been terminated, (iii) Tenant has not transferred any of its interest in this Lease or any portion of the Premises to any person or entity, wherein, for the avoidance of doubt, a sublease of the Premises shall not constitute a transfer provided that Tenant does not transfer its Termination Option to any sub-lessee, (iv) Tenant has provided the Landlord with the "Termination Notice" (as defined hereinafter in subparagraph d.) in a timely fashion, time being of the essence (v) Tenant shall have paid all Base Rent and all other amounts owing under this Lease through the Effective Date of Termination, (vi) Tenant shall have paid to Landlord the Termination Fee, and (vii) Tenant shall have vacated and returned the Premises to Landlord in the condition required under this Lease as of the Effective Date of Termination. In the event that any of these conditions precedent shall not be satisfied when required, time being of the essence, Tenant shall not have the right to terminate this Lease and any Termination Notice issued by Tenant prior thereto shall be without force or effect.

d.) Exercise of Termination Option. Tenant may exercise its Termination Option upon written notice ("**Termination Notice**") delivered to Landlord no later than March 31, 2018, time being of the essence with regard to the delivery of such Termination Notice. If Tenant fails or refuses to (i) pay to Landlord the Termination Fee as and when required, or (ii) satisfy all conditions precedent, Tenant shall not have the right to terminate this Lease as of the applicable Effective Date of Termination, and any Termination Notice issued by Tenant prior thereto shall be without force or effect.

Subject to the foregoing, on the Effective Date of Termination of this Lease, Landlord and Tenant agree that this Lease shall be terminated and rendered null and void and Tenant shall return the Premises to Landlord in accordance with the terms and conditions specified in this Lease. Neither Landlord nor Tenant shall be responsible for their respective duties and obligations under the Lease occurring after termination, except for those duties and obligations specifically identified as surviving termination.

13. **Landlord's Address.** The Lease (Paragraph 7 of the Second Amendment, Paragraph 16 of the Third Amendment and the provisions of the Lease amended thereby relating to Landlord ' s address) is hereby amended by inserting the following in addition to all other provisions:

"Notwithstanding anything to the contrary contained in this Lease, the Notice address for Landlord and the address for payment of Rent shall be as follows, until written notice of a change in address is issued to Tenant:

Notices and Rent Payment:

McKnight Cranberry III, LP 310 Grant Street, Suite 2400
Pittsburgh, PA 15219
Attn: McKnight Property Management

With a copy of Notices to:

McKnight Cranberry III, LP 310 Grant Street, Suite 2500
Pittsburgh, PA 15219
Attn: McKnight Realty Partners, Legal Counsel

14. **Anti-Terrorism Provision.** Landlord and Tenant agree as follows with regard to this Fourth Amendment and the Lease:

"ANTI TERRORISM PROVISION:

(a) Landlord and Tenant certify, each to the other, that to their knowledge:

(i) It is not in violation of any Anti-Terrorism Law;

(ii) It is not, as of the date hereof:

(1) conducting any business or engaging in any transaction or dealing with any Prohibited Person, including the making or receiving of any contribution of funds, goods or services to or for the benefit of any Prohibited Person;

(2) dealing in, or otherwise engaging in any transaction relating to, any property or interests in property blocked pursuant to Executive Order No. 13224; or

(iii) engaging in or conspiring to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate any of the prohibitions set forth in, any Anti-Terrorism Law; and

(iv) It, nor any of its officers, directors, shareholders or members, as applicable, is a Prohibited Person; provided, however this paragraph shall not apply to any person to the extent that such person's interest in the Tenant is through a U.S. Publicly-Traded Entity. As used in this Fourth Amendment, U.S. Publicly-Traded Entity

means a person, other than an individual, whose securities are listed on a national securities exchange, or quoted on an automated quotation system, in the United States, or a wholly-owned subsidiary of such a person ("U.S. Publicly-Traded Entity").

(b) Tenant hereby agrees to defend, indemnify, and hold harmless Landlord from and against any and all claims, damages, losses, liabilities and expenses (including reasonable attorneys' fees and costs) arising from or related to any breach of the foregoing certification; and Landlord hereby agrees to defend, indemnify, and hold harmless Tenant from and against any and all claims, damages, losses, liabilities and expenses (including attorneys' fees and costs) arising from or related to any breach of the foregoing certification.

(c) If at any time any of these representations becomes false, then it shall be considered a material default under this Lease.

As used herein, "Anti-Terrorism Law" is defined as any law relating to terrorism, anti-terrorism, money-laundering or anti-money laundering activities, including without limitation the United States Bank Secrecy Act, the United States Money Laundering Control Act of 1986, Executive Order No. 13224, and Title 3 of the USA Patriot Act, and any regulations promulgated under any of them. As used herein "Executive Order No. 13224" is defined as Executive Order No. 13224 on Terrorist Financing effective September 24, 2001, and relating to "Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism", as may be amended from time to time. "Prohibited Person" is defined as (i) a person or entity that is listed in the Annex to Executive Order No. 13224, or a person or entity owned or controlled by an entity that is listed in the Annex to Executive Order No. 13224; (ii) a person or entity with whom Landlord is prohibited from dealing or otherwise engaging in any transaction by any Anti-Terrorism Law; or (iii) a person or entity that is named as a "specially designated national and blocked person" on the most current list published by the U.S. Treasury Department Office of Foreign Assets Control at its official website, http://www.treas.gov/ofac/tl_1sdn.pdf or at any replacement website or other official publication of such list. "USA Patriot Act" is defined as the "Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001" (Public Law 107-56), as may be amended from time to time."

15. **Brokers.** Tenant was represented in the transaction evidenced by this Fourth Amendment by Newmark Grubb Knight Frank, a licensed real estate broker. Landlord also was represented in the transaction evidenced by this Fourth Amendment by CBRE. Landlord shall be solely responsible for paying the commission or fee owed to Newmark Grubb Knight Frank in accordance with a mutually acceptable separate commission agreement between Landlord and Newmark Grubb Knight Frank. Each party to this Fourth Amendment shall indemnify, defend and hold harmless the other party from and against any and all claims asserted against such other indemnified party by any other real estate broker, finder or intermediary claiming representation of the indemnifying party (excluding, with regard to Tenant, Newmark Grubb Knight Frank and CBRE) in connection with this Fourth Amendment.

16. **Termination of Guaranty and Release of Guarantor.** In consideration of this Fourth Amendment and upon the Change of Control Effective Date Landlord agrees that the Guaranty shall be rendered null and void and of no further force or effect, and that Guarantor shall be released of all obligations and duties owing to Landlord, or to be performed by Guarantor, pursuant to the Guaranty.
17. **Effect.** All other terms, conditions, covenants, agreements and provisions contained in the Lease that are not revised by or in conflict with the terms of this Fourth Amendment shall remain in full force and effect and are hereby ratified and confirmed by Landlord and Tenant to the extent consistent with this Fourth Amendment.
18. **No Offer.** The submission of this Fourth Amendment to Tenant or its broker or other agent does not constitute an offer. This Fourth Amendment shall have no force or effect until: (a) it is executed and delivered by Tenant to Landlord; and (b) it is executed and delivered by Landlord to Tenant.

IN WITNESS WHEREOF, Landlord and Tenant have caused this Fourth Amendment to be executed as of the date first written above.

LANDLORD:

MCKNIGHT CRANBERRY III, L.P.

By: McKnight Cranberry III GP, LLC, General Partner

By: /s/ William C. Rudolph
William C. Rudolph, Managing Member

TENANT:

MCKESSON AUTOMATION INC.,
a Pennsylvania corporation

By: /s/ Neil M. Ebner
Neil M. Ebner VP of Finance and IT
(Please print name and title)

ATTEST

By: _____
(Please print name and title)

List of Subsidiaries

Entity's name for conducting business	Jurisdiction of incorporation
Aesynt Pty Ltd	Australia
Omnicell Pty Ltd	Australia
Omnicell (Beijing) Technology Co. Ltd	China
Omnicell GmbH	Federal Republic of Germany
Omnicell SAS	France
Omnicell S.r.l.	Italy
Omnicell B.V.	Netherlands
Omnicell Limited	United Kingdom
ateb, Inc.	United States
MedPak Holdings, Inc.	United States
MTS Medication Technologies, Inc.	United States
MTS Packaging Systems, Inc.	United States
Omnicell International, LLC	United States
340B Investment, LLC	United States
340B Solutions, LLC	United States
340B Link, LLC	United States

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements on Form S-3 Nos. 333-117592 and 333-221332, and Form S-8 Nos. 333-67828, 333-82818, 333-104427, 333-107356, 333-116103, 333-125080, 333-132556, 333-142857, 333-149758, 333-159562, 333-176146, 333-190930, 333-205465, 333-225179, and 333-231669 of our reports dated February 24, 2021, relating to the financial statements and financial statement schedule of Omnicell, Inc. and subsidiaries (the “Company”) and the effectiveness of the Company's internal control over financial reporting appearing in this Annual Report on Form 10-K for the year ended December 31, 2020.

/s/ Deloitte & Touche LLP

San Jose, California
February 24, 2021

CERTIFICATION

I, Randall A. Lipps, certify that:

1. I have reviewed this annual report on Form 10-K of Omnicell, 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 disclosure 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(s) 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.

February 24, 2021

/s/ Randall A. Lipps

Randall A. Lipps
President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, Peter J. Kuipers, certify that:

1. I have reviewed this annual report on Form 10-K of Omnicell, 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 disclosure 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(s) 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.

February 24, 2021

/s/ Peter J. Kuipers

Peter J. Kuipers

Executive Vice President & Chief Financial Officer
(Principal Financial Officer)

CERTIFICATION

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Randall A. Lipps, the President and Chief Executive Officer of Omnicell, Inc. (the "Company") and Peter J. Kuipers, the Executive Vice President & Chief Financial Officer of the Company, each hereby certifies that, to the best of his knowledge:

1. The Company's Annual Report on Form 10-K for the period ended December 31, 2020, to which this Certification is attached as Exhibit 32.1 (the "Annual Report") fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and
2. The information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations the Company.

In Witness Whereof, the undersigned have set their hands hereto as of the 24th day of February 2021.

/s/ Randall A. Lipps

Randall A. Lipps

President and Chief Executive Officer

(Principal Executive Officer)

/s/ Peter J. Kuipers

Peter J. Kuipers

Executive Vice President & Chief Financial Officer

(Principal Financial Officer)

"This certification accompanies the Form 10-K to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Omnicell, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-K), irrespective of any general incorporation language contained in such filing."