

REFINITIV

DELTA REPORT

10-Q

OSIS - OSI SYSTEMS INC

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - DECEMBER 31, 2023

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TOTAL DELTAS 2995

 CHANGES 263

 DELETIONS 1042

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended **December** **March 31, 2023** **2024**

OR

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

For the transition period from _____ to _____

Commission File Number 000-23125



Graphic

OSI SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Delaware

33-0238801

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

12525 Chadron Avenue

Hawthorne, California 90250

(Address of principal executive offices) (Zip Code)

(310) 978-0516

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See 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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of **January 22, 2024** **April 23, 2024**, there were **17,046,247** **17,048,704** shares of the registrant's common stock outstanding.

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OSI SYSTEMS, INC.

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PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

OSI SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(amounts in thousands, except share amounts and par value)

	June 30, 2023	December 31, 2023	June 30, 2023	March 31, 2024
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 76,750	\$ 127,258	\$ 76,750	\$ 101,443
Accounts receivable, net	380,845	370,168	380,845	503,828
Inventories	338,008	445,818	338,008	442,797
Prepaid expenses and other current assets	44,300	59,839	44,300	71,182
Total current assets	839,903	1,003,083	839,903	1,119,250
Property and equipment, net	108,933	110,188	108,933	110,399
Goodwill	349,505	352,911	349,505	352,119
Intangible assets, net	140,857	143,288	140,857	142,056
Other assets	116,488	117,007	116,488	107,251
Total assets	<u>\$ 1,555,686</u>	<u>\$ 1,726,477</u>	<u>\$ 1,555,686</u>	<u>\$ 1,831,075</u>
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES:				
Bank lines of credit	\$ 215,000	\$ 316,000	\$ 215,000	\$ 349,000
Current portion of long-term debt	8,076	8,120	8,076	8,212
Accounts payable	139,011	163,661	139,011	172,115
Accrued payroll and related expenses	51,243	50,455	51,243	43,554
Advances from customers	21,250	40,263	21,250	65,888
Other accrued expenses and current liabilities	137,114	121,892	137,114	122,913
Total current liabilities	<u>571,694</u>	<u>700,391</u>	<u>571,694</u>	<u>761,682</u>
Long-term debt	136,491	132,792	136,491	131,214
Deferred income taxes	6,571	7,125	6,571	7,293
Other long-term liabilities	114,765	115,726	114,765	117,473
Total liabilities	<u>829,521</u>	<u>956,034</u>	<u>829,521</u>	<u>1,017,662</u>
Commitments and contingencies (Note 10)				

STOCKHOLDERS' EQUITY:				
Preferred stock, \$0.001 par value— 10,000,000 shares authorized; no shares issued or outstanding	—	—	—	—
Common stock, \$0.001 par value—100,000,000 shares authorized; issued and outstanding, 16,755,772 shares at June 30, 2023 and 17,011,639 shares at December 31, 2023	9,835	7,308	—	—
Preferred stock, \$0.001 par value—10,000,000 shares authorized; no shares issued or outstanding	—	—	—	—
Common stock, \$0.001 par value—100,000,000 shares authorized; issued and outstanding, 16,755,772 shares at June 30, 2023 and 17,048,704 shares at March 31, 2024	9,835	16,667	—	—
Retained earnings	735,957	782,508	735,957	816,551
Accumulated other comprehensive loss	(19,627)	(19,373)	(19,627)	(19,805)
Total stockholders' equity	726,165	770,443	726,165	813,413
Total liabilities and stockholders' equity	\$ 1,555,686	\$ 1,726,477	\$ 1,555,686	\$ 1,831,075

See accompanying notes to condensed consolidated financial statements.

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OSI SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(amounts in thousands, except per share data)

	Three Months Ended December 31,		Six Months Ended December 31,		Three Months Ended March 31,		Nine Months Ended March 31,	
	2022	2023	2022	2023	2023	2024	2023	2024
Net revenues:								
Products	\$ 216,885	\$ 290,179	\$ 413,839	\$ 489,888	\$ 223,724	\$ 327,360	\$ 637,563	\$ 817,248
Services	78,712	83,056	149,829	162,557	79,165	78,046	228,994	240,603
Total net revenues	295,597	373,235	563,668	652,445	302,889	405,406	866,557	1,057,851
Cost of goods sold:								
Products	158,294	187,385	301,663	324,368	156,534	223,570	458,197	547,938
Services	41,096	44,549	78,301	88,031	42,569	45,741	120,870	133,772
Total cost of goods sold	199,390	231,934	379,964	412,399	199,103	269,311	579,067	681,710
Gross profit	96,207	141,301	183,704	240,046	103,786	136,095	287,490	376,141
Operating expenses:								
Selling, general and administrative	54,003	71,604	107,441	131,402	53,707	66,584	161,148	197,986
Research and development	14,456	16,350	28,996	32,272	14,852	17,144	43,848	49,416
Restructuring and other charges, net	2,257	1,026	3,476	1,492	890	1,004	4,366	2,496
Total operating expenses	70,716	88,980	139,913	165,166	69,449	84,732	209,362	249,898
Income from operations	25,491	52,321	43,791	74,880	34,337	51,363	78,128	126,243
Interest and other expense, net	(5,180)	(6,534)	(8,612)	(12,282)	(5,727)	(7,407)	(14,339)	(19,689)
Income before income taxes	20,311	45,787	35,179	62,598	28,610	43,956	63,789	106,554
Provision for income taxes	(3,957)	(9,234)	(7,590)	(13,166)	(6,802)	(9,913)	(14,392)	(23,079)
Net income	\$ 16,354	\$ 36,553	\$ 27,589	\$ 49,432	\$ 21,808	\$ 34,043	\$ 49,397	\$ 83,475
Earnings per share:								

Basic	\$ 0.97	\$ 2.15	\$ 1.63	\$ 2.92	\$ 1.30	\$ 2.00	\$ 2.93	\$ 4.92
Diluted	\$ 0.96	\$ 2.11	\$ 1.61	\$ 2.87	\$ 1.27	\$ 1.95	\$ 2.88	\$ 4.82
Shares used in per share calculation:								
Basic	16,841	16,995	16,882	16,910	16,809	17,042	16,858	16,954
Diluted	17,103	17,302	17,140	17,238	17,184	17,425	17,151	17,301

See accompanying notes to condensed consolidated financial statements.

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OSI SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
(amounts in thousands)

	Three Months Ended December 31,		Six Months Ended December 31,		Three Months Ended March 31,		Nine Months Ended March 31,	
	2022		2023		2023		2024	
	\$ 16,354	\$ 36,553	\$ 27,589	\$ 49,432	\$ 21,808	\$ 34,043	\$ 49,397	\$ 83,475
Net income								
Other comprehensive income (loss):								
Foreign currency translation adjustment, net of tax	4,914	5,395	(4,878)	2,223	1,569	(2,300)	(3,309)	(77)
Net unrealized gain (loss) on investments and derivatives, net of tax	(1,012)	(3,390)	2,528	(2,243)	(1,430)	1,731	1,098	(512)
Other, net of tax	332	137	665	274	332	137	997	411
Other comprehensive income (loss)	4,234	2,142	(1,685)	254	471	(432)	(1,214)	(178)
Comprehensive income	\$ 20,588	\$ 38,695	\$ 25,904	\$ 49,686	\$ 22,279	\$ 33,611	\$ 48,183	\$ 83,297

See accompanying notes to condensed consolidated financial statements.

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OSI SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)
(amounts in thousands, except share data)

	Three Months Ended December 31, 2022		
	Accumulated		
	Common Stock	Other	

	Number of		Retained Earnings	Comprehensive	
	Shares	Amount		Loss	Total
Balance—September 30, 2022	16,854,153	\$ 17	\$ 656,017	\$ (31,381)	\$ 624,653
Exercise of stock options	4,847	245	—	—	245
Vesting of RSUs	20,409	—	—	—	—
Stock-based compensation expense	—	7,239	—	—	7,239
Repurchase of common stock	(53,334)	(4,497)	—	—	(4,497)
Taxes paid related to net share settlement of equity awards	(6,466)	(474)	—	—	(474)
Net income	—	—	16,354	—	16,354
Other comprehensive income	—	—	—	4,234	4,234
Balance—December 31, 2022	16,819,609	\$ 2,530	\$ 672,371	\$ (27,147)	\$ 647,754

Three Months Ended March 31, 2023

	Common Stock		Accumulated Other		
	Number of		Retained Earnings	Comprehensive	
	Shares	Amount		Loss	Total
Balance—December 31, 2022	16,819,609	\$ 2,530	\$ 672,371	\$ (27,147)	\$ 647,754
Exercise of stock options	11,848	891	—	—	891
Vesting of RSUs	5,510	—	—	—	—
Shares issued under employee stock purchase program	30,652	2,072	—	—	2,072
Stock-based compensation expense	—	7,112	—	—	7,112
Repurchase of common stock	(138,469)	(12,362)	(603)	—	(12,965)
Taxes paid related to net share settlement of equity awards	(2,029)	(226)	—	—	(226)
Net income	—	—	21,808	—	21,808
Other comprehensive income	—	—	—	471	471
Balance—March 31, 2023	16,727,121	\$ 17	\$ 693,576	\$ (26,676)	\$ 666,917

Three Months Ended December 31, 2023

	Common Stock		Accumulated Other		
	Number of		Retained Earnings	Comprehensive	
	Shares	Amount		Loss	Total
Balance—September 30, 2023	16,987,842	\$ 17	\$ 745,955	\$ (21,515)	\$ 724,457
Exercise of stock options	9,737	764	—	—	764
Vesting of RSUs	20,794	—	—	—	—
Stock-based compensation expense	—	7,328	—	—	7,328
Taxes paid related to net share settlement of equity awards	(6,734)	(801)	—	—	(801)
Net income	—	—	36,553	—	36,553
Other comprehensive income	—	—	—	2,142	2,142
Balance—December 31, 2023	17,011,639	\$ 7,308	\$ 782,508	\$ (19,373)	\$ 770,443

Three Months Ended March 31, 2024

	Common Stock		Accumulated Other		
	Number of		Retained Earnings	Comprehensive	
	Shares	Amount		Loss	Total
Balance—December 31, 2023	17,011,639	\$ 7,308	\$ 782,508	\$ (19,373)	\$ 770,443
Exercise of stock options	2,278	203	—	—	203
Vesting of RSUs	4,428	—	—	—	—
Shares issued under employee stock purchase program	31,968	2,296	—	—	2,296
Stock-based compensation expense	—	7,069	—	—	7,069
Taxes paid related to net share settlement of equity awards	(1,609)	(209)	—	—	(209)
Net income	—	—	34,043	—	34,043
Other comprehensive loss	—	—	—	(432)	(432)

Balance—March 31, 2024	17,048,704	\$ 16,667	\$ 816,551	\$ (19,805)	\$ 813,413
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OSI SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)
(amounts in thousands, except share data)

	Six Months Ended December 31, 2022						Nine Months Ended March 31, 2023					
	Common Stock			Accumulated			Common Stock			Accumulated		
	Number of Shares	Amount	Retained Earnings	Other Comprehensive Loss	Total	Number of Shares	Amount	Retained Earnings	Other Comprehensive Loss	Total		
Balance—June 30, 2022	16,870,050	\$ 17	\$ 663,869	\$ (25,462)	\$ 638,424	16,870,050	\$ 17	\$ 663,869	\$ (25,462)	\$ 638,424		
Exercise of stock options	7,766	439	—	—	439	19,614	1,330	—	—	1,330		
Vesting of RSUs	306,528	—	—	—	—	312,038	—	—	—	—		
Shares issued under employee stock purchase program	28,603	1,969	—	—	1,969	59,255	4,041	—	—	4,041		
Stock-based compensation expense	—	14,416	—	—	14,416	—	21,528	—	—	21,528		
Repurchase of common stock	(261,761)	(4,705)	(17,079)	—	(21,784)	(400,230)	(17,067)	(17,682)	—	(34,749)		
Taxes paid related to net share settlement of equity awards	(131,577)	(9,606)	(2,008)	—	(11,614)	(133,606)	(9,832)	(2,008)	—	(11,840)		
Net income	—	—	27,589	—	27,589	—	—	49,397	—	49,397		
Other comprehensive loss	—	—	—	(1,685)	(1,685)	—	—	—	(1,214)	(1,214)		
Balance—December 31, 2022	16,819,609	\$ 2,530	\$ 672,371	\$ (27,147)	\$ 647,754							
Balance—March 31, 2023						16,727,121	\$ 17	\$ 693,576	\$ (26,676)	\$ 666,917		

	Six Months Ended December 31, 2022						Nine Months Ended March 31, 2023					
	Common Stock			Accumulated			Common Stock			Accumulated		
	Number of Shares	Amount	Retained Earnings	Other Comprehensive Loss	Total	Number of Shares	Amount	Retained Earnings	Other Comprehensive Loss	Total		
Balance—June 30, 2023	16,755,772	\$ 9,835	\$ 735,957	\$ (19,627)	\$ 726,165	16,755,772	\$ 9,835	\$ 735,957	\$ (19,627)	\$ 726,165		
Exercise of stock options	14,489	1,184	—	—	1,184	16,767	1,387	—	—	1,387		

Vesting of RSUs	384,614	—	—	—	—	389,042	—	—	—	—
Shares issued under employee stock purchase program	29,813	2,031	—	—	2,031	61,781	4,327	—	—	4,327
Stock-based compensation expense	—	14,417	—	—	14,417	—	21,486	—	—	21,486
Taxes paid related to net share settlement of equity awards	(173,049)	(20,159)	(2,881)	—	(23,040)	(174,658)	(20,368)	(2,881)	—	(23,249)
Net income	—	—	49,432	—	49,432	—	—	83,475	—	83,475
Other comprehensive income	—	—	—	254	254					
Balance—December 31, 2023	<u>17,011,639</u>	<u>\$ 7,308</u>	<u>\$ 782,508</u>	<u>\$ (19,373)</u>	<u>\$ 770,443</u>					
Other comprehensive loss						—	—	—	(178)	(178)
Balance—March 31, 2024						<u>17,048,704</u>	<u>\$ 16,667</u>	<u>\$ 816,551</u>	<u>\$ (19,805)</u>	<u>\$ 813,413</u>

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OSI SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(amounts in thousands)

	Six Months Ended December 31,		Nine Months Ended March 31,	
	2022	2023	2023	2024
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	\$ 27,589	\$ 49,432	\$ 49,397	\$ 83,475
Adjustments to reconcile net income to net cash provided by (used in) operating activities, net of effects from acquisitions:				
Depreciation and amortization	19,143	19,856	28,819	30,485
Stock-based compensation expense	14,416	14,417	21,528	21,486
Provision for (recovery of) losses on accounts receivable	(1,353)	2,352	(4,890)	2,059
Deferred income taxes	1,205	(805)	942	(524)
Amortization of debt discount and issuance costs	196	—	196	—
Other	(64)	99	(46)	10
Changes in operating assets and liabilities—net of business acquisitions:				
Accounts receivable	(13,348)	11,458	13,248	(118,989)
Inventories	(27,317)	(103,309)	(37,860)	(101,446)
Prepaid expenses and other assets	(10,076)	(30,458)	(4,924)	(41,503)
Accounts payable	4,429	24,365	2,134	32,933
Accrued payroll and related expenses	(16,526)	(870)	2,151	(8,155)
Advances from customers	2,828	18,227	13,963	43,805
Deferred revenue	12,714	(8,312)	11,101	3,105
Other	(5,672)	(2,836)	(23,081)	(5,199)
Net cash provided by (used in) operating activities	8,164	(6,384)	72,678	(58,458)

CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of property and equipment	(6,982)	(8,689)	(12,691)	(13,604)
Proceeds from sale of property and equipment	235	167	309	293
Purchases of certificates of deposit	(674)	—	(4,940)	—
Proceeds from maturities of certificates of deposit	—	4,137	3,827	10,329
Acquisition of businesses, net of cash acquired	(3,477)	(9,046)	(4,616)	(9,046)
Payments for intangible and other assets	(8,002)	(8,376)	(12,275)	(12,906)
Net cash used in investing activities	(18,900)	(21,807)	(30,386)	(24,934)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net borrowings on bank lines of credit	175,000	101,000	155,000	134,000
Proceeds from long-term debt	100,502	516	100,654	1,110
Payments on long-term debt	(245,777)	(4,172)	(247,818)	(6,248)
Proceeds from exercise of stock options and employee stock purchase plan	2,408	3,215	5,371	5,714
Payments of contingent consideration	(2,466)	(464)	(3,668)	(602)
Repurchases of common stock	(21,784)	—	(34,749)	—
Taxes paid related to net share settlement of equity awards	(11,614)	(23,040)	(11,840)	(23,249)
Net cash (used in) provided by financing activities	(3,731)	77,055	(37,050)	110,725
Effect of exchange rate changes on cash	(4,135)	1,644	(3,822)	(2,640)
Net change in cash and cash equivalents	(18,602)	50,508	1,420	24,693
Cash and cash equivalents—beginning of period	64,202	76,750	64,202	76,750
Cash and cash equivalents—end of period	\$ 45,600	\$ 127,258	\$ 65,622	\$ 101,443
Supplemental disclosure of cash flow information:				
Cash paid, net during the period for:				
Interest	\$ 8,978	\$ 11,567	\$ 14,648	\$ 18,868
Income taxes	\$ 11,935	\$ 21,761	\$ 15,769	\$ 33,703

See accompanying notes to condensed consolidated financial statements.

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OSI SYSTEMS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation

The condensed consolidated financial statements include the accounts of OSI Systems, Inc. and our subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. The condensed consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in the United States of America ("GAAP") and in conjunction with the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures required for annual financial statements have been condensed or excluded in accordance with SEC rules and regulations and GAAP applicable to interim unaudited financial statements. Accordingly, the condensed consolidated financial statements do not include all of the information and footnotes required by GAAP for audited annual financial statements. In the management's opinion, of management, the condensed consolidated financial statements reflect all adjustments of a normal and recurring nature that are considered necessary for a fair presentation of the results for the interim periods presented. These unaudited condensed consolidated financial statements and the accompanying notes should be read in conjunction with the audited consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2023 filed with the SEC. The results of operations for the three and ~~nine~~ months ended ~~December 31, 2023~~ ~~March 31, 2024~~ are not necessarily indicative of the operating results to be expected for the full 2024 fiscal year or any future periods.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of sales, costs of sales and expenses during the reporting period. The most significant of these estimates and assumptions for our company relate to contract revenue, fair values of assets acquired and liabilities assumed in business combinations, values for inventories reported at lower of cost or net realizable value, stock-based compensation expense, income taxes, accrued warranty costs, contingent consideration, allowance for doubtful accounts, and the recoverability, useful lives and valuation of recorded amounts of long-lived assets, identifiable intangible assets and goodwill. Changes in estimates are reflected in the periods during which they become known. Due to the inherent uncertainty involved in making estimates, our actual amounts reported in future periods could differ materially from these estimates.

Earnings Per Share Computations

We compute basic earnings per share by dividing net income available to common stockholders by the weighted average number of common shares outstanding during the period. We compute diluted earnings per share by dividing net income available to common stockholders by the sum of the weighted average number of common shares and dilutive potential common shares outstanding during the period. Potential common shares consist of the shares issuable upon the exercise of stock options and restricted stock unit awards under the treasury stock method.

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share amounts):

	Three Months Ended December 31,		Six Months Ended December 31,		Three Months Ended March 31,		Nine Months Ended March 31,	
	2022		2023		2023		2024	
	\$ 16,354	\$ 36,553	\$ 27,589	\$ 49,432	\$ 21,808	\$ 34,043	\$ 49,397	\$ 83,475
Net income available to common stockholders								
Weighted average shares outstanding—basic	16,841	16,995	16,882	16,910	16,809	17,042	16,858	16,954
Dilutive effect of equity awards	262	307	258	328	375	383	293	347
Weighted average shares outstanding—diluted	17,103	17,302	17,140	17,238	17,184	17,425	17,151	17,301
Basic earnings per share	\$ 0.97	\$ 2.15	\$ 1.63	\$ 2.92	\$ 1.30	\$ 2.00	\$ 2.93	\$ 4.92
Diluted earnings per share	\$ 0.96	\$ 2.11	\$ 1.61	\$ 2.87	\$ 1.27	\$ 1.95	\$ 2.88	\$ 4.82
Shares excluded from diluted earnings per share due to their anti-dilutive effect	101	10	79	5	60	22	75	11

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Cash and Cash Equivalents

We consider all highly liquid investments with maturities of three months or less as of the acquisition date to be cash equivalents.

Our cash and cash equivalents totaled **\$127.3 million** **\$101.4 million** at **December 31, 2023** **March 31, 2024**. Of this amount, approximately **92%** **78%** was held by our foreign subsidiaries and subject to repatriation tax considerations. These foreign funds were held primarily by our subsidiaries in **Mexico**, **India**, the **United Kingdom**, **India**, **Malaysia**, **Singapore**, **Australia**, and **Singapore**, **Canada** and to a lesser extent in **Puerto Rico**, **Canada**, **Egypt**, **Mexico**, **Albania**, **Indonesia** and **Australia**, **Germany**, among other countries. We have cash holdings in financial institutions that exceed insured limits for such financial institutions; however, we mitigate this risk by utilizing international financial institutions **which we believe to be** of high credit quality.

Fair Value of Financial Instruments

Our financial instruments consist primarily of cash and cash equivalents, insurance company contracts, accounts receivable, accounts payable, debt instruments, an interest rate swap contract and foreign currency forward contracts. The carrying values of financial instruments, other than long-term debt instruments and **the our** interest rate swap contract, are representative of their fair values due to their short-term maturities. The carrying values of our long-term debt instruments are considered to approximate their fair values because the interest rates of these instruments are variable or comparable to current rates for financing available to us. The fair values of our foreign currency forward contracts were not significant as of June 30, 2023 and **December 31, 2023** **March 31, 2024**.

Fair value is the price that would be received **to sell** **in the sale** of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The "Level 1" category **includes** **comprises** assets and liabilities measured at quoted prices in active markets for identical assets and liabilities. The "Level 2" category **includes** **comprises** assets and liabilities measured from observable inputs other than quoted market prices. The "Level 3" category **includes** **comprises** assets and liabilities for which valuation inputs are unobservable and significant to the fair value measurement. Our contingent payment obligations related to acquisitions, which are further discussed in Note 10 to the condensed consolidated financial statements, are in the "Level 3" category for valuation purposes.

The fair values of our financial assets and liabilities are categorized as follows (in thousands):

	June 30, 2023				December 31, 2023				June 30, 2023				March 31, 2024			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	
Assets—																
Insurance company contracts	\$ —	\$ 47,181	\$ —	\$ 47,181	\$ —	\$ 51,020	\$ —	\$ 51,020	\$ —	\$ 47,181	\$ —	\$ 47,181	\$ —	\$ 48,982	\$ —	
Assets —																
Interest rate swap contract	\$ —	\$ 5,369	\$ —	\$ 5,369	\$ —	\$ 2,422	\$ —	\$ 2,422	\$ —	\$ 5,369	\$ —	\$ 5,369	\$ —	\$ 4,660	\$ —	
Liabilities—																
Contingent consideration	\$ —	\$ —	\$ 21,181	\$ 21,181	\$ —	\$ —	\$ 19,656	\$ 19,656	\$ —	\$ —	\$ 21,181	\$ 21,181	\$ —	\$ —	\$ 18,888	

Derivative Instruments and Hedging Activity

Our use of derivatives consists of foreign currency forward contracts and an interest rate swap agreement. **The** Our foreign currency forward contracts are utilized to partially mitigate certain balance sheet exposures or used as a net investment hedge to protect against potential changes resulting from short-term foreign currency fluctuations. These contracts have original maturities of up to three months. We also manage our risk to changes in interest rates using derivative instruments. We use fixed interest rate swaps to effectively convert a portion of the variable interest rate payments to fixed interest rate payments. We do not use hedging instruments for speculative purposes.

The net gains or losses from our foreign currency forward contracts, which are not designated as hedge instruments, are reported in our consolidated statements of operations. The amounts reported in the consolidated statements of operations for the three and **six** **nine** months ended **December 31, 2022** **March 31, 2023** and **2023 2024** were not significant. The fair value of our foreign currency forward contracts is estimated using a standard valuation model and market-based observable inputs over the contractual term. Unrealized gains are recognized as assets and unrealized losses are recognized as liabilities. As of June 30, 2023 and **December 31, 2023** **March 31, 2024**, we held foreign currency forward contracts with notional amounts totaling \$21.6 million and **\$84.5 million** **\$57.3 million**, respectively. Unrealized gains and losses from our foreign currency forward contracts as of June 30, 2023 and **December 31, 2023** **March 31, 2024** were not significant.

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The interest rate swap agreement was entered into to improve the predictability of cash flows from interest payments related to our variable, Secured Overnight Financing Rate ("SOFR") based debt. The interest rate swap matures in December 2026. The interest rate swap is considered an effective cash flow hedge,

and as a result, the net gains or losses on such instrument are reported as a component of other comprehensive income (loss) in our consolidated financial statements and are reclassified as net income when the underlying hedged interest impacts earnings. A qualitative and quantitative assessment ~~over~~ of the interest rate swap hedge effectiveness is performed on a quarterly basis, unless facts and circumstances indicate that the hedge may no longer be highly effective.

As of June 30, 2023 and ~~December 31, 2023~~ ~~March 31, 2024~~, the notional amount of the derivative instruments designated as an interest rate swap hedge derivative instrument was \$175 million. The fair value of the interest rate swap contract as of ~~June 30, 2023~~ and ~~December 31, 2023~~ ~~March 31, 2024~~ is recorded in Other assets within the consolidated balance sheet.

The effect of the cash flow hedges on other comprehensive income (loss) and earnings for the periods presented was as follows:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2022	2023	2022	2023
Total interest and other expense, net presented in the condensed consolidated statements of operations in which the effects of cash flow hedges are recorded	\$ (5,180)	\$ (6,534)	\$ (8,612)	\$ (12,282)
Gain (loss) recognized in other comprehensive income (loss), net of tax	\$ (1,012)	\$ (3,390)	\$ 2,528	\$ (2,243)
Gain reclassified from accumulated other comprehensive income (loss) to interest expense, net	\$ 164	\$ 912	\$ 43	\$ 1,784

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2023	2024	2023	2024
Total interest and other expense, net presented in the condensed consolidated statements of operations in which the effects of cash flow hedges are recorded	\$ (5,727)	\$ (7,407)	\$ (14,339)	\$ (19,689)
Gain (loss) recognized in other comprehensive income (loss), net of tax	\$ (1,430)	\$ (1,732)	\$ 1,098	\$ 512
Amount reclassified from accumulated other comprehensive income (loss) to interest expense, net	\$ 543	\$ 897	\$ 587	\$ 2,681

Recent Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the FASB and other regulatory bodies that are adopted as of the specified effective dates. Unless otherwise discussed ~~below~~, management believes that the impact of recently issued standards, which are not yet effective ~~for the Company~~, will not have a material impact on our Consolidated Financial Statements upon adoption. There were no new pronouncements adopted in the ~~second~~ ~~third~~ quarter of fiscal year 2024.

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2023-07, "Improvements to Reportable Segment Disclosures" ("ASU 2023-07"), which requires disclosures of significant expenses by segment and interim disclosure of items that were previously required on an annual basis. ASU 2023-07 is to be applied on a retrospective basis and is effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024 with early adoption permitted. We are evaluating the impact of ASU 2023-07 on disclosures in our Consolidated Financial Statements.

In December 2023, the FASB issued Accounting Standards Update 2023-09, "Improvements to Income Tax Disclosures" ("ASU 2023-09"), which provides for additional disclosures primarily related to the income tax rate reconciliations and income taxes paid. ASU 2023-09 requires entities to annually disclose the income tax rate reconciliation using both amounts and percentages, considering several categories of reconciling items, including state and local income taxes, foreign tax effects, tax credits and nontaxable or nondeductible items, among others. Disclosure of the reconciling items is subject to a quantitative threshold and disaggregation by nature and jurisdiction. ASU 2023-09 also requires entities to disclose net income taxes paid or received to federal, state and foreign jurisdictions, as well as by individual jurisdiction, subject to a five percent quantitative threshold. ASU 2023-09 may be adopted on a prospective or retrospective basis and is effective for fiscal years beginning after December 15, 2024 with early adoption permitted. We are evaluating the impact of ASU 2023-09 on disclosures in our Consolidated Financial Statements.

2. Business Combinations

Under Accounting Standards Codification Topic 805, *Business Combinations* ("ASC 805"), the acquisition method of accounting requires us to record assets acquired less liabilities assumed from an acquisition at their estimated fair values at the date of acquisition. Any excess of the total estimated purchase price over the estimated fair value of the net assets acquired should be recorded as goodwill. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets. Significant estimates in valuing certain intangible assets include, but are not limited to, future expected cash flows from acquired customers, acquired technology, trade names, useful lives and discount rates. Management's estimates of fair value are based upon assumptions which are believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. During the measurement period, which is up to one year from the acquisition date, as additional information that existed at the acquisition date becomes available for preliminary estimates, we may record adjustments to the preliminary assets acquired and liabilities assumed. Upon the conclusion of the measurement period, any subsequent adjustments are included in earnings.

Fiscal Year 2024 Business Acquisition Acquisitions

In December 2023, we (through our Optoelectronics and Manufacturing division) acquired a privately held contract manufacturer for approximately \$6.3 million. The acquisition was financed with cash on hand. The goodwill recognized for this business acquisition is deductible for income tax purposes.

In October 2023, we (through our Security division) acquired a privately held provider of radiation detection technology for approximately \$2.8 million, plus up to \$3.6 million in potential contingent consideration. The acquisition was financed with cash on hand. The goodwill recognized for this business acquisition is not deductible for income tax purposes.

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Fiscal Year 2023 Business Acquisitions

In April 2023, we (through our Optoelectronics and Manufacturing division) acquired a privately held provider of engineering and contract manufacturing solutions for approximately \$2.5 million, plus up to \$2.5 million in potential contingent consideration. The acquisition was financed with cash on hand.

In February 2023, we (through our Healthcare division) acquired a privately held provider of software and solutions for approximately \$2.1 million plus up to \$5.0 million in potential contingent consideration. The acquisition was financed with cash on hand.

Through our Security division, we acquired (i) in December 2022 certain assets of a provider of baggage and parcel inspection systems for approximately \$1.6 million and (ii) in August 2022 a privately held provider of training software and solutions for approximately \$1.9 million plus an immaterial amount of potential contingent consideration. These acquisitions were financed with cash on hand.

The goodwill ~~we~~ recognized for each of the fiscal year 2023 business acquisitions is not deductible for income tax purposes. ~~These business~~ The acquisitions ~~we completed~~ in fiscal 2023 and 2024, individually and in the aggregate, were not material to our consolidated financial statements. Accordingly, pro-forma historical results of operations and other disclosures related to these businesses have not been presented.

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3. Balance Sheet Details

The following tables set forth details of selected balance sheet accounts (in thousands):

June 30,	December 31,	June 30,	March 31,
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Accounts receivable, net	2023	2023	2023	2024
Accounts receivable	\$ 395,218	\$ 386,581	\$395,218	\$519,476
Less allowance for doubtful accounts	(14,373)	(16,413)	(14,373)	(15,648)
Total	\$ 380,845	\$ 370,168	\$380,845	\$503,828

Inventories	June 30,	December 31,	June 30,	March 31,
	2023	2023	2023	2024
Raw materials	\$ 233,217	\$ 265,653	\$233,217	\$257,846
Work-in-process	56,329	89,585	56,329	88,323
Finished goods	48,462	90,580	48,462	96,628
Total	\$ 338,008	\$ 445,818	\$338,008	\$442,797

Property and equipment, net	June 30,	December 31,	June 30,	March 31,
	2023	2023	2023	2024
Land	\$ 15,691	\$ 15,538	\$ 15,691	\$ 15,524
Buildings, civil works and improvements	49,166	48,724	49,166	48,648
Leasehold improvements	13,553	13,772	13,553	13,642
Equipment and tooling	135,703	141,872	135,703	142,962
Furniture and fixtures	3,632	3,272	3,632	3,397
Computer equipment	24,119	21,769	24,119	22,367
Computer software	26,981	28,952	26,981	30,532
Computer software implementation in process	9,705	7,409	9,705	6,212
Construction in process	4,108	5,060	4,108	6,137
Total	282,658	286,368	282,658	289,421
Less accumulated depreciation and amortization	(173,725)	(176,180)	(173,725)	(179,022)
Property and equipment, net	\$ 108,933	\$ 110,188	\$ 108,933	\$ 110,399

Depreciation and amortization expense for property and equipment was \$4.8 million \$4.9 million and \$4.6 million \$5.1 million for the three months ended December 31, 2022 March 31, 2023 and 2023, 2024, respectively, and \$9.7 million \$14.6 million for each of the nine months ended March 31, 2023 and \$9.5 million 2024.

4. Goodwill and Intangible Assets

The changes in the carrying value of goodwill by segment for the six months nine-month period ended December 31, 2022 and 2023, respectively, March 31, 2024 were as follows (in thousands):

	Optoelectronics And			
	Security Division	Manufacturing Division	Healthcare Division	Consolidated
Balance as of June 30, 2023	\$ 230,662	\$ 70,388	\$ 48,455	\$ 349,505
Goodwill acquired	2,072	828	—	2,900
Foreign currency translation adjustment	25	(310)	(1)	(286)
Balance as of March 31, 2024	\$ 232,759	\$ 70,906	\$ 48,454	\$ 352,119

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4. Goodwill and Intangible Assets

The changes in the carrying value of goodwill by segment for the six-month period ended December 31, 2023 were as follows (in thousands)

	Optoelectronics And			
	Security Division	Manufacturing Division	Healthcare Division	Consolidated
	\$ 230,662	\$ 70,388	\$ 48,455	\$ 349,505
Balance as of June 30, 2023				
Goodwill acquired	2,072	828	—	2,900
Foreign currency translation adjustment	220	252	34	506
Balance as of December 31, 2023	<u>\$ 232,954</u>	<u>\$ 71,468</u>	<u>\$ 48,489</u>	<u>\$ 352,911</u>

Intangible assets consisted of the following (in thousands):

	June 30, 2023			December 31, 2023			June 30, 2023			March 31, 2024		
	Gross			Gross			Gross			Gross		
	Carrying Value	Accumulated Amortization	Intangibles Net									
Amortizable assets:												
Software development costs	\$ 77,844	\$ (20,285)	\$ 57,559	\$ 83,570	\$ (19,719)	\$ 63,851	\$ 77,844	\$ (20,285)	\$ 57,559	\$ 86,576	\$ (19,986)	\$ 66,590
Patents	8,636	(3,404)	5,232	8,886	(3,628)	5,258	8,636	(3,404)	5,232	9,003	(3,745)	5,258
Developed technology	68,274	(38,353)	29,921	71,332	(42,207)	29,125	68,274	(38,353)	29,921	71,208	(44,174)	27,034
Customer relationships	55,780	(39,101)	16,679	56,183	(42,601)	13,582	55,780	(39,101)	16,679	51,536	(39,894)	11,642
Total amortizable assets	210,534	(101,143)	109,391	219,971	(108,155)	111,816	210,534	(101,143)	109,391	218,323	(107,799)	110,524
Non-amortizable assets:												
In-process R&D	533	—	533	—	—	—	533	—	533	—	—	—
Trademarks	30,933	—	30,933	31,472	—	31,472	30,933	—	30,933	31,532	—	31,532
Total intangible assets	\$242,000	\$ (101,143)	\$140,857	\$251,443	\$ (108,155)	\$143,288	\$242,000	\$ (101,143)	\$140,857	\$249,855	\$ (107,799)	\$142,056

Amortization expense related to intangible assets was \$4.8 million and \$5.7 million \$5.5 million for the three months ended December 31, 2022 March 31, 2023 and 2023, 2024, respectively. For the six nine months ended December 31, 2022 March 31, 2023 and 2023, 2024, amortization expense related to intangible assets was \$9.4 million \$14.2 million and \$10.4 million \$15.9 million, respectively.

At December 31, 2023 March 31, 2024, the estimated future amortization expense for intangible assets was as follows (in thousands):

Fiscal Year

2024 (remaining 6 months)	\$ 9,877
2024 (remaining 3 months)	\$ 4,922
2025	16,378
2026	12,751
2027	8,832
2028	5,829
	5,659

Thereafter	58,149	62,418
Total	\$ 111,816	\$110,524

Software development costs for software products incurred before establishing technological feasibility are charged to operations. Software development costs incurred after establishing technological feasibility are capitalized on a product-by-product basis until the product is available for general release to customers at which time amortization begins. Annual amortization, charged to cost of goods sold, is the amount computed using the ratio **that** of current revenues for a product compared to the total current and anticipated future revenues for that product. In the event that future revenues are not estimable, such costs are amortized on a straight-line basis over the remaining estimated economic life of the product. Amortizable assets that have not yet begun to be amortized are included in **Thereafter** in the table above. For each of the three months ended **December 31, 2022** **March 31, 2023** and **2023** **2024**, we capitalized software development costs in the amounts of **\$4.0 million** **\$4.1 million** and **\$4.3 million**, respectively. For the **six** **nine** months ended **December 31, 2022** **March 31, 2023** and **2023** **2024**, we capitalized software development costs in the amounts of **\$7.9 million** **\$12.0 million** and **\$8.0 million** **\$12.3 million**, respectively.

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5. Contract Assets and Liabilities

We enter into contracts to sell products and provide services, and we recognize contract assets and liabilities that arise from these transactions. We recognize revenue and corresponding accounts receivable according to ASC Topic 606, *Revenue from Contracts with Customers* ("ASC 606"). When we recognize revenue in advance of the point in time at which contracts give us the right to invoice a customer, we record this as unbilled revenue, which is included in accounts receivable, net, on the consolidated balance sheets. We may also receive consideration, per the terms of a contract, from customers prior to transferring control of goods to the customer. We record customer deposits as contract liabilities. Additionally, we may receive payments, most typically under service and warranty contracts, at the onset of **the** **a** contract and before services have been performed. In such instances, we record a deferred revenue liability in either Other accrued expenses and current liabilities or Other long-term liabilities. We recognize these contract liabilities as sales after all revenue recognition criteria are met.

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The table below shows the balance of contract assets and liabilities as of June 30, 2023 and **December 31, 2023** **March 31, 2024**, including the change between the periods. There were no substantial non-current contract assets for the periods presented.

Contract Assets (in thousands)

	June 30, 2023				December 31, 2023				June 30, 2023				March 31, 2024			
Unbilled revenue (included in accounts receivable, net)	\$ 86,818	\$ 155,543	\$ 68,725	79 %	\$ 86,818	\$ 241,092	\$ 154,274	178 %								

Contract Liabilities (in thousands)

	June 30, 2023				December 31, 2023				June 30, 2023				March 31, 2024			
Advances from customers	\$ 21,250	\$ 40,263	\$ 19,013	89 %	\$ 21,250	\$ 65,888	\$ 44,638	210 %								
Deferred revenue—current	43,861	37,661	(6,200)	(14)%	43,861	45,779	1,918	4								
Deferred revenue—long-term	22,200	20,109	(2,091)	(9)%	22,200	23,446	1,246	6								

Contract assets increased during the **three nine** months ended **December 31, 2023** **March 31, 2024**, primarily from the timing and nature of milestones met in contracts for a number of customers in our Security division where we met the revenue recognition criteria under ASC 606 in advance of the time when contracts give us the right to invoice customers. The net increase in contract liabilities was primarily due to activity in our Security division for deposits received on contracts, partially offset by recognition of revenue on service contracts included in deferred revenue.

Remaining Performance Obligations. Remaining performance obligations related to ASC 606 represent the portion of the transaction price allocated to performance obligations under an original contract with a term greater than one year which are fully or partially unsatisfied at the end of the **applicable** period. As of **December 31, 2023** **March 31, 2024**, the portion of the transaction price allocated to remaining performance obligations was approximately **\$928.2 million** **\$925.1 million**. We expect to recognize revenue on approximately **66% 57%** of the remaining performance obligations over the next 12 months, and the remainder is expected to be recognized thereafter. During the **six nine** months ended **December 31, 2023** **March 31, 2024**, we recognized revenue of **\$44.3 million** **\$53.6 million** from contract liabilities existing at the beginning of the period.

Practical Expedients. In cases where we are responsible for shipping after the customer has obtained control of the goods, we have elected to treat the shipping **activities activity** as a fulfillment **activities activity** rather than as a separate performance obligation. Additionally, we have elected to capitalize the cost to obtain a contract only if the period of amortization **would be is** longer than one year. We only give consideration to whether a customer agreement has a financing component if the period of time between transfer of goods and services and customer payment is greater than one year.

6. Leases

The components of operating lease expense were as follows (in thousands):

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2023	2024	2023	2024
Operating lease cost	\$ 2,850	\$ 2,822	\$ 8,525	\$ 8,433
Variable lease cost	328	289	1,055	823
Short-term lease cost	261	372	685	1,038
	\$ 3,439	\$ 3,483	\$ 10,265	\$ 10,294

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6. Leases

The components of operating lease expense were as follows (in thousands):

	Three Months Ended December 31,		Six Months Ended December 31,	
	2022	2023	2022	2023
Operating lease cost	\$ 2,850	\$ 2,806	\$ 5,675	\$ 5,611
Variable lease cost	320	269	727	534
Short-term lease cost	201	341	424	666
	\$ 3,371	\$ 3,416	\$ 6,826	\$ 6,811

Supplemental disclosures related to operating leases were as follows (in thousands):

Operating lease ROU assets, net	Balance Sheet Category	June 30, 2023		December 31, 2023		Balance Sheet Category	June 30, 2023		March 31, 2024	
		Other assets	\$ 32,618	Other assets	\$ 31,429		Other assets	\$ 32,618	Other assets	\$ 28,792

Operating lease liabilities, current portion	Other accrued expenses and current liabilities	9,787	Other accrued expenses and current liabilities	9,787		
Operating lease liabilities, long-term	Other long-term liabilities	23,733	22,542	Other long-term liabilities	23,733	20,141
Total operating lease liabilities		\$ 33,520	\$ 32,162	\$ 33,520	\$ 29,514	
Weighted average remaining lease term		4.0 years		3.8 years		
Weighted average discount rate		4.1 %		4.1 %		

Supplemental cash flow information related to operating leases was as follows (in thousands):

	Six Months Ended December 31,		Nine Months Ended March 31,	
	2022	2023	2023	2024
Cash paid for operating lease liabilities	\$ 5,838	\$ 6,222	\$ 8,631	\$ 9,114
ROU assets obtained in exchange for new lease obligations	1,596	3,453	2,658	3,780

Maturities of operating lease liabilities at December 31, 2023 March 31, 2024 were as follows (in thousands):

	December 31, 2023	March 31, 2024
Less than one year	\$ 10,639	\$ 10,344
1 – 2 years	8,500	8,894
2 – 3 years	7,579	7,754
3 – 4 years	4,651	4,230
4 – 5 years	1,002	934
Thereafter	2,670	278
	35,041	32,434
Less: imputed interest	(2,879)	(2,920)
Total lease liabilities	\$ 32,162	\$ 29,514

7. Restructuring and Other Charges

We endeavor to align our global capacity and infrastructure with demand by our customers as well as fully integrate acquisitions and thereby improve operational efficiency.

During the three months ended December 31, 2023 March 31, 2024, we recognized \$1.0 million in restructuring and other charges, which primarily included \$0.2 million in acquisition related costs, \$0.3 million in legal charges, \$0.3 million \$0.5 million for facility closure costs for operational efficiency activities, and \$0.2 million \$0.5 million for employee terminations. During the six nine months ended December 31, 2023 March 31, 2024, we recognized \$1.5 million \$2.5 million in restructuring and other charges, which included \$0.4 million in acquisition related costs, \$0.4 million in legal charges, \$0.3 million \$0.8 million for facility closure costs for operational efficiency activities and \$0.3 million, \$0.8 million for employee terminations, \$0.4 million in acquisition related costs, and \$0.4 million in legal charges.

During the three months ended March 31, 2023, we recognized \$0.9 million in restructuring and other charges, which included \$0.5 million for employee terminations, \$0.3 million in legal charges primarily related to government investigations, and \$0.1 million in acquisition - related costs and facility closure costs. During the nine months ended March 31, 2023, we recognized \$4.4 million in restructuring and other charges, which included \$3.2 million in legal charges primarily related to class action litigation and government investigations, \$1.0 million for employee terminations, and \$0.2 million in acquisition-related costs and facility closure costs.

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During the three months ended December 31, 2022, we recognized \$2.3 million in restructuring and other charges, which included \$1.9 million in legal charges primarily related to government investigations and \$0.2 million for employee terminations. During the six months ended December 31, 2022, we recognized \$3.5 million in restructuring and other charges, which included \$2.9 million in legal charges primarily related to government investigations and \$0.5 million for employee terminations.

The following tables summarize restructuring and other charges (benefits), net for the periods set forth below (in thousands):

	Three Months Ended December 31, 2022					Three Months Ended March 31, 2023				
	Optoelectronics and					Optoelectronics and				
	Healthcare		Manufacturing			Manufacturing		Healthcare		
	Security Division	Division	Division	Corporate	Total	Security Division	Division	Division	Corporate	Total
Acquisition-related costs	\$ —	\$ —	\$ —	\$ 78	\$ 78	\$ —	\$ —	\$ —	\$ 50	\$ 50
Employee termination costs	35	210	—	—	245	413	32	81	—	526
Facility closures/consolidation						35	—	—	—	35
Legal costs, net	42	1,942	—	(50)	1,934	45	—	226	8	279
Total	\$ 77	\$ 2,152	\$ —	\$ 28	\$ 2,257	\$ 493	\$ 32	\$ 307	\$ 58	\$ 890

	Three Months Ended December 31, 2023					Three Months Ended March 31, 2024				
	Optoelectronics and					Optoelectronics and				
	Healthcare		Manufacturing			Manufacturing		Healthcare		
	Security Division	Division	Division	Corporate	Total	Security Division	Division	Division	Corporate	Total
Acquisition-related costs						\$ 8	\$ 11	\$ —	\$ —	\$ 19
Employee termination costs	\$ 137	\$ —	\$ 42	\$ 10	\$ 189	129	60	311	2	502
Facility closures/consolidation	—	—	293	—	293	38	433	—	—	471
Legal costs, net	1	—	—	327	328	10	—	—	2	12
Acquisition-related costs	26	—	190	—	216					
Total	\$ 164	\$ —	\$ 525	\$ 337	\$ 1,026	\$ 185	\$ 504	\$ 311	\$ 4	\$ 1,004

	Six Months Ended December 31, 2022					Nine Months Ended March 31, 2023				
	Optoelectronics and					Optoelectronics and				
	Healthcare		Manufacturing			Manufacturing		Healthcare		
	Security Division	Division	Division	Corporate	Total	Security Division	Division	Division	Corporate	Total
Acquisition-related costs	\$ 23	\$ —	\$ —	\$ 78	\$ 101	\$ 23	\$ —	\$ —	\$ 127	\$ 150
Employee termination costs	275	210	15	—	500	688	47	291	—	1,026
Facility closures/consolidation						35	—	—	—	35
Legal costs, net	567	2,236	—	72	2,875	612	—	2,462	81	3,155
Total	\$ 865	\$ 2,446	\$ 15	\$ 150	\$ 3,476	\$ 1,358	\$ 47	\$ 2,753	\$ 208	\$ 4,366

	Six Months Ended December 31, 2023				Nine Months Ended March 31, 2024			
	Optoelectronics and				Optoelectronics and			
	Healthcare	Manufacturing	Manufacturing	Healthcare	Manufacturing	Healthcare	Manufacturing	Healthcare
	Division	Division	Division	Corporate	Division	Division	Division	Corporate

	Security Division	Division	Division	Corporate	Total	Security Division	Division	Division	Corporate	Total
Acquisition-related costs						\$ 243	\$ 201	\$ —	\$ —	\$ 444
Employee termination costs	\$ 150	\$ —	\$ 42	\$ 120	\$ 312	279	102	311	122	814
Facility closures/consolidation	—	—	344	—	344	38	777	—	—	815
Legal costs, net	51	—	—	360	411	61	—	—	362	423
Acquisition-related costs	235	—	190	—	425					
Total	\$ 436	\$ —	\$ 576	\$ 480	\$ 1,492	\$ 621	\$ 1,080	\$ 311	\$ 484	\$ 2,496

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The accrued liability for restructuring and other charges is included in other accrued expenses and current liabilities in the condensed consolidated balance sheets. The changes in the accrued liability for restructuring and other charges for the ~~six-month~~nine-month period ended ~~December 31, 2023~~March 31, 2024 were as follows (in thousands):

	Facility					Facility				
	Acquisition- Related Costs	Employee Termination Costs	Closure/ Consolidation Cost	Legal		Acquisition- Related Costs	Employee Termination Costs	Closure/ Consolidation Cost	Legal	
				Costs and Settlements	Total				Costs	Total
Balance as of June 30, 2023	\$ 7	\$ 107	\$ 1,609	\$ 656	\$ 2,379	\$ 7	\$ 107	\$ 1,609	\$ 656	\$ 2,379
Restructuring and other charges, net	425	312	344	411	1,492	444	814	815	423	2,496
Payments, adjustments and reimbursements, net	(284)	(263)	(1,764)	(619)	(2,930)	(451)	(750)	(2,082)	(622)	(3,930)
Balance as of December 31, 2023	\$ 148	\$ 156	\$ 189	\$ 448	\$ 941					
Balance as of March 31, 2024						\$ —	\$ 171	\$ 342	\$ 457	\$ 941

8. Borrowings

Revolving Credit Facility

Our senior secured credit facility comprises a term loan and a \$600 million revolving credit facility which ~~matures~~mature in December 2026. The revolving credit facility includes a \$300 million sub-limit for letters of credit. Under certain circumstances and subject to certain conditions, we have the ability to increase the revolving credit facility by an amount equal to the greater of \$250 million or such amount as would not cause our secured leverage ratio to exceed a specified level. Borrowings under the facility bear interest at SOFR plus a margin of 1.0% as of ~~December 31, 2023~~March 31, 2024 (which margin can range from 1.0% to 1.75% based on our consolidated net leverage ratio as defined in the credit facility). Letters of credit reduce the amount available to borrow under the credit facility by their face value amount. The unused portion of the facility bears a commitment fee of 0.10% as of ~~December 31, 2023~~March 31, 2024 (which fee can range from 0.10% to 0.25% based on our consolidated net leverage ratio as defined in the credit facility). Our borrowings under the credit agreement are guaranteed by certain of our U.S.-based subsidiaries and are secured by substantially all of our assets and substantially all the assets of certain of our subsidiaries. The credit facility contains various representations and warranties, affirmative, negative and financial covenants and events of default. As of ~~December 31, 2023~~March 31, 2024, there were ~~\$316.0 million~~\$349.0 million of borrowings outstanding under the revolving credit facility, ~~\$54.0 million~~\$74.7 million outstanding under the letters of credit sub-facility, and ~~\$139.4 million~~\$137.5 million outstanding under the term loan. As of ~~December 31, 2023~~March 31, 2024, the amount available to borrow under the revolving credit facility was ~~\$230.0 million~~\$176.3 million. Loan amounts under the revolving credit facility may be borrowed, repaid and re-borrowed during the term. The principal amount of each loan is due and payable in full on the maturity date. We have the right to repay each loan in whole or in part from time to time without penalty. It is our practice to routinely borrow and repay several times per year under the revolving facility and therefore, borrowings under the revolving credit facility are included in current liabilities. As of ~~December 31, 2023~~March 31, 2024, we were in compliance with all financial covenants under this credit facility. In September 2022, we entered into an interest rate swap in order to mitigate the interest rate risk on a portion of the interest payments expected to be made on the borrowings outstanding under the revolving credit facility and term loan. Refer to Note 1 for details. Interest expense related to the credit facility and term loan was ~~\$5.0 million~~\$5.9 million and ~~\$7.0 million~~\$8.1 million for the three months ended

December 31, 2022 March 31, 2023 and 2023, 2024, respectively, and \$7.1 million \$12.9 million and \$13.3 million \$21.5 million for the six nine months ended December 31, 2022 March 31, 2023 and 2023, 2024, respectively.

1.25% Convertible Senior Notes ("Notes") Due 2022

In February 2017, we issued \$287.5 million of the Notes in a private offering. On September 1, 2022, we repurchased and cancelled the then - remaining \$242.3 million balance of the Notes. Total interest expense recognized, for through the three and six cancellation date, during the nine months ended December 31, 2022 March 31, 2023 related to the Notes was nil and \$0.7 million, respectively, which consisted of \$0.5 million of contractual interest expense and \$0.2 million of amortization of debt issuance costs.

Other Borrowings

Several of our foreign subsidiaries maintain bank lines of credit, denominated in local currencies and U.S. dollars, primarily for the issuance of letters of credit. As of December 31, 2023 March 31, 2024, \$57.5 million \$54.5 million was outstanding under these letter-of-credit facilities. As of December 31, 2023 March 31, 2024, the total amount available under these credit facilities was \$19.0 million \$21.4 million.

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Long-term debt consisted of the following (in thousands):

	June 30, 2023	December 31, 2023	June 30, 2023	March 31, 2024
Term loan	\$ 143,125	\$ 139,375	\$143,125	\$137,500
Other long-term debt	1,442	1,537	1,442	1,926
	144,567	140,912	144,567	139,426
Less current portion of long-term debt	(8,076)	(8,120)	(8,076)	(8,212)
Long-term portion of debt	\$ 136,491	\$ 132,792	\$136,491	\$131,214

9. Stockholders' Equity

Stock-based Compensation

As of December 31, 2023 March 31, 2024, we maintained the Amended and Restated 2012 Incentive Award Plan (the "OSI Plan") as a stock-based employee compensation plan.

We recorded stock-based compensation expense in the consolidated statements of operations as follows (in thousands):

	Three Months Ended December 31,		Six Months Ended December 31,		Three Months Ended March 31,		Nine Months Ended March 31,	
	2022	2023	2022	2023	2023	2024	2023	2024
Cost of goods sold	\$ 241	\$ 255	\$ 457	\$ 487	\$ 229	\$ 214	\$ 686	\$ 701
Selling, general and administrative	6,870	6,945	13,710	13,676	6,757	6,650	20,467	20,326
Research and development	128	128	249	254	126	205	375	459
Stock-based compensation expense	\$ 7,239	\$ 7,328	\$ 14,416	\$ 14,417	\$ 7,112	\$ 7,069	\$ 21,528	\$ 21,486

As of December 31, 2023 March 31, 2024, total unrecognized compensation cost related to share-based compensation grants under the OSI Plan were estimated at \$1.2 million \$1.0 million for stock options and \$23.8 million \$15.6 million for restricted stock units ("RSUs"). We expect to recognize these costs over a weighted average period of 2.4 2.2 years with respect to the stock options and 2.3 2.2 years with respect to the RSUs.

The following summarizes stock option activity during the **six nine** months ended **December 31, 2023** **March 31, 2024**:

	Weighted				Weighted			
	Number of Options	Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate (in thousands)	Number of Options	Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate (in thousands)
Outstanding at June 30, 2023	83,677	\$ 87.09			83,677	\$ 87.09		
Granted	22,438	119.45			22,438	119.45		
Exercised	(14,489)	81.93			(16,767)	82.90		
Expired or forfeited	(4,375)	\$ 86.09			(4,375)	86.09		
Outstanding at December 31, 2023	87,251	\$ 96.32	7.7 years	\$ 2,856				
Exercisable at December 31, 2023	<u>42,856</u>		<u>6.1 years</u>	<u>\$ 1,797</u>				
Outstanding at March 31, 2024					84,973	\$ 96.51	7.5 years	\$ 3,935
Exercisable at March 31, 2024					<u>40,578</u>		<u>5.8 years</u>	<u>\$ 2,264</u>

The following summarizes RSU award activity during the **six nine** months ended **December 31, 2023** **March 31, 2024**:

	Weighted-Average		Weighted-Average	
	Shares	Fair Value	Shares	Fair Value
Nonvested at June 30, 2023	455,515	\$ 85.15	455,515	\$ 85.15
Granted	331,278	95.23	333,001	95.41
Vested	(384,614)	79.51	(389,042)	79.75
Forfeited	(5,226)	84.66	(5,253)	84.59
Nonvested at December 31, 2023	<u>396,953</u>	<u>\$ 99.03</u>		
Nonvested at March 31, 2024			<u>394,221</u>	<u>\$ 99.16</u>

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In December 2023, our shareholders approved an amendment to the OSI Plan, which increased the shares available under the OSI Plan by 2.4 million shares. As of **December 31, 2023** **March 31, 2024**, there were approximately 2.5 million shares available for grant under the OSI Plan.

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Under the terms of the OSI Plan, RSUs and restricted stock granted from the pool of shares available for grant reduce the pool by 1.87 shares for each award granted. RSUs and restricted stock forfeited and returned to the pool of shares available for grant increase the pool by 1.87 shares for each award forfeited.

We granted 110,811 and 75,988 performance-based RSUs during the **six nine** months ended **December 31, 2022** **March 31, 2023** and **2023, 2024**, respectively. These performance-based RSU awards are contingent on the achievement of certain performance metrics. The payout related to these awards can range from zero to 376% of the original number of shares or units awarded. Compensation cost associated with these performance-based RSUs are recognized based on

the estimated number of shares that we ultimately expect will vest. If the estimated number of shares to vest is revised in the future, then stock-based compensation expense will be adjusted accordingly.

Stock Repurchase Program

In September 2022, our Board of Directors increased the stock repurchase authorization to a total of 2 million shares. This program does not expire unless our Board of Directors acts to terminate the program. The timing and actual numbers of shares purchased depend on a variety of factors, including stock price, general business and market conditions and other investment opportunities. Repurchases may be made from time to time under the program through open-market purchases or privately-negotiated transactions at our discretion. Upon repurchase, the shares are restored to the status of authorized but unissued shares, and we record them in our consolidated financial statements as a reduction in the number of shares of common stock issued and outstanding, with the excess purchase price over par value recorded as a reduction of additional paid-in capital. If additional paid-in capital is reduced to zero, we record the remainder of the excess purchase price over par value as a reduction of retained earnings.

During the ~~six~~ nine months ended **December 31, 2023** **March 31, 2024**, we did not repurchase shares of our common stock. As of **December 31, 2023** **March 31, 2024**, there were 1,721,870 shares remaining available for repurchase under the authorized repurchase program.

Dividends

We have not paid any cash dividends since the consummation of our initial public offering in 1997 and we do not currently intend to pay any cash dividends in the foreseeable future. Our Board of Directors will determine the payment of future cash dividends, if any. Certain of our current bank credit facilities restrict the payment of cash dividends and future borrowings may contain similar restrictions.

10. Commitments and Contingencies

Acquisition-Related Contingent Obligations

Under the terms and conditions of the purchase agreements associated with certain acquisitions, we may be obligated to make additional payments based on the achievement of certain sales or profitability milestones through the acquired operations. For agreements that contain contingent consideration obligations that are capped, the remaining maximum amount of such potential future payments is ~~\$48.7 million~~ **\$48.6 million** as of **December 31, 2023** **March 31, 2024**.

Projections and estimated probabilities are used to estimate future contingent earnout payments, which are discounted back to present value to compute contingent earnout liabilities. The following table provides a roll-forward from June 30, 2023 to **December 31, 2023** **March 31, 2024** of the contingent consideration liability, which is included in other accrued expenses and current liabilities and other long-term liabilities in our consolidated balance sheets (in thousands):

Beginning fair value, June 30, 2023	\$ 21,181	\$21,181
Addition of contingent earnout obligations	1,766	1,766
Foreign currency translation adjustment	62	(14)
Changes in fair value for contingent earnout obligations	(2,889)	(3,443)
Payments on contingent earnout obligations	(464)	(602)
Ending fair value, December 31, 2023	\$ 19,656	
Ending fair value, March 31, 2024		\$18,888

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Environmental Contingencies

We are subject to various environmental laws. We conduct environmental investigations at our manufacturing facilities in North America, Asia-Pacific, and Europe, and, to the extent practicable, on all new properties in order to identify, as of the date of such

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investigation, potential areas of environmental concern related to past and present activities or from nearby operations. In certain cases, we have conducted further environmental assessments consisting of soil and groundwater testing and other investigations deemed appropriate by independent environmental consultants.

We have not accrued for loss contingencies relating to environmental matters because we believe that, although unfavorable outcomes are possible, they are not considered by our management to be probable and reasonably estimable. If one or more of these environmental matters are resolved in a manner adverse to us, the impact on our business, financial condition, results of operations and cash flow could be material.

Indemnifications and Certain Employment-Related Contingencies

In the normal course of business, we have agreed to indemnify certain parties with respect to certain matters. We have agreed to hold certain parties harmless against losses arising from breaches of representations, warranties or covenants, or intellectual property infringement or other claims made by third parties. These agreements may limit the time within which an indemnification claim can be made and the amount of the claim. In addition, we have entered into indemnification agreements with our directors and certain of our officers. It is not possible to determine the maximum potential liability amount under these indemnification agreements due to, *among other things*, the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular agreement. We have not recorded any liability for costs related to contingent indemnification obligations as of **December 31, 2023** **March 31, 2024**.

On December 31, 2017, we and Deepak Chopra, our Chief Executive Officer, entered into an amendment to Mr. Chopra's employment agreement that, among other things, *provides provided* for a \$13.5 million bonus payment to Mr. Chopra on or within 45 days of January 1, 2024 *contingent upon Mr. Chopra's continued employment with us through that date, subject to accelerated payout terms in the event of Mr. Chopra's death or disability. The accrued bonus of \$13.5 million is. This amount was included in accrued payroll and related expenses as of December 31, 2023 and is payable during the three-month period ending March 31, 2024. was paid in full in February 2024.*

Product Warranties

We offer our customers warranties on many of the products that we sell. These warranties typically provide for repairs and maintenance of the products if problems arise during a specified time period after original shipment. Concurrent with the sale of products, we record a provision for estimated warranty expenses with a corresponding increase in cost of goods sold. We periodically adjust this provision based on historical experience and anticipated expenses. We charge actual expenses of repairs under warranty, including parts and labor, to this provision when incurred. The current obligation for warranty provision is included in other accrued expenses and current liabilities and the noncurrent portion is included in other long-term liabilities in the consolidated balance sheets.

The following table presents changes in warranty provisions (in thousands):

	Six Months Ended December 31,		Nine Months Ended	
	2022	2023	2023	2024
Balance at beginning of period	\$ 13,347	\$ 11,149	\$13,347	\$11,149
Additions	1,705	1,417	2,622	3,524
Reductions for warranty repair costs and adjustments	(4,318)	(2,070)	(5,831)	(4,145)
Balance at end of period	\$ 10,734	\$ 10,496	\$10,138	\$10,528

Legal Proceedings

In February 2023, one of our subsidiaries received a subpoena from the U.S. Department of Justice ("DoJ"). The subpoena was issued as part of a DoJ case against a former employee of an OSI Systems subsidiary for embezzlement and other conduct occurring before he was hired by our subsidiary and while he was employed by another company in the United States and Mexico. The subpoena requests documents and records relating to, among other things, the former employee and the Company's business dealings in Mexico since 2020. *In February 2024, we received a follow-up subpoena requesting the same*

categories of documents but extending the relevant time period through to the date of the second subpoena. We have produced documents in response to this subpoena these subpoenas and intend to cooperate with any further subpoenas or other requests in connection with this or any ensuing investigation.

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We are involved in various other potential or actual claims and legal proceedings arising in the ordinary course of business. In our opinion after consultation with legal counsel, the ultimate disposition of such proceedings is not likely to have a material adverse effect on our business, financial condition, results of operations or cash flows. We have not accrued for loss contingencies relating to any non-

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ordinary non-ordinary course matters because we believe that, although unfavorable outcomes in the proceedings are possible, they are not considered by management to be probable and reasonably estimable. If one or more of these matters are resolved in a manner adverse to our company, the impact on our business, financial condition, results of operations and cash flows could be material.

11. Income Taxes

The determination of the annual effective tax rate is based upon a number of significant estimates and judgments, including the estimated annual pretax income in each tax jurisdiction in which we operate and the development of tax planning strategies during the year. In addition, as a global commercial enterprise, our tax expense can be impacted by changes in tax rates or laws, the finalization of tax audits and reviews and other factors that cannot be predicted with certainty. As such, there can be significant volatility in interim tax provisions.

The effective tax rates for the three months ended December 31, 2022 March 31, 2023 and 2023 2024 were 19.5% 23.8% and 20.2% 22.6%, respectively. During the three months ended December 31, 2022, we recognized a net discrete tax benefit of \$0.4 million related to equity-based compensation under ASU 2016-09 and a benefit of \$0.4 million for changes in prior year tax estimates. During the three months ended December 31, 2023 March 31, 2024, we recognized a net discrete tax benefit of \$0.2 million related to equity-based compensation under ASU 2016-09 and changes in prior year tax estimates. During the three-month period ended March 31, 2023, we recognized a benefit net discrete tax expense of \$2.3 million from \$0.2 million related to equity-based compensation under ASU 2016 - 09 and changes in prior year tax estimates.

The effective tax rates for the six nine months ended December 31, 2022 March 31, 2023 and 2023 2024 were 21.6% 22.6% and 21.0% 21.7%, respectively. During the six nine months ended December 31, 2022 March 31, 2024, we recognized net discrete tax benefit benefits of \$0.5 million \$0.8 million related to equity-based compensation under ASU 2016-09 and a benefit of \$0.4 million from \$2.3 million for changes in prior year tax estimates. During the six nine months ended December 31, 2023 March 31, 2023, we recognized a net discrete tax benefit of \$0.6 million related to equity-based compensation under ASU 2016-09 and a benefit of \$2.3 million from changes in prior year tax estimates.

12. Segment Information

We have determined that we operate in three identifiable industry segments: (a) security and inspection systems (Security division), (b) optoelectronic devices and manufacturing (Optoelectronics and Manufacturing division) and (c) medical monitoring systems (Healthcare division). We also have a corporate segment (Corporate) that includes executive compensation and certain other general and administrative expenses, expenses related to stock issuances and legal, audit and other professional service fees not allocated to industry segments. Both the Security and Healthcare divisions comprise primarily end-product businesses, whereas the Optoelectronics and Manufacturing division primarily supplies components and subsystems to external OEM customers, as well as to the Security and Healthcare divisions. Sales between divisions are at transfer prices that approximate market values. All other accounting policies of the segments are the same as described in Note 1, Basis of Presentation.

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The following tables present our results of operations and identifiable assets by industry segment (in thousands):

	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	December 31,		December 31,		March 31,		March 31,	
	2022	2023	2022	2023	2023	2024	2023	2024
Revenues (1) —by Segment:								
Security division	\$ 167,444	\$ 249,975	\$ 312,436	\$ 414,604	\$178,752	\$285,960	\$491,188	\$ 700,564
Optoelectronics and Manufacturing division, including intersegment revenues	98,709	98,097	192,625	194,225	93,888	87,974	286,513	282,199
Healthcare division	43,520	41,850	87,083	79,637	43,911	41,493	130,994	121,130
Intersegment revenues elimination	(14,076)	(16,687)	(28,476)	(36,021)	(13,662)	(10,021)	(42,138)	(46,042)
Total	\$ 295,597	\$ 373,235	\$ 563,668	\$ 652,445	\$302,889	\$405,406	\$866,557	\$1,057,851
Income (loss) from operations —by Segment:								
Security division	\$ 21,593	\$ 51,856	\$ 36,518	\$ 72,465	\$ 29,496	\$ 50,127	\$ 66,014	\$ 122,592
Optoelectronics and Manufacturing division	12,212	11,621	23,470	23,058	12,493	9,435	35,963	32,493
Healthcare division	1,404	429	3,032	593	1,787	1,564	4,819	2,157
Corporate	(9,276)	(11,183)	(19,424)	(21,099)	(10,148)	(9,733)	(29,572)	(30,832)
Intersegment eliminations	(442)	(402)	195	(137)	709	(30)	904	(167)
Total	\$ 25,491	\$ 52,321	\$ 43,791	\$ 74,880	\$ 34,337	\$ 51,363	\$ 78,128	\$ 126,243
Assets (2) —by Segment:								
Security division			\$ 948,126	\$ 1,118,783	\$ 948,126	\$ 1,231,843		
Optoelectronics and Manufacturing division			310,930	243,887	310,930	245,746		
Healthcare division			245,856	302,479	245,856	298,027		
Corporate			94,678	108,321	94,678	101,804		
Eliminations (3)			(43,904)	(46,993)	(43,904)	(46,345)		
Total			\$ 1,555,686	\$ 1,726,477	\$ 1,555,686	\$ 1,831,075		

(1) For the three and six month periods months ended December 31, 2022 March 31, 2023, no one Security division customer accounted for greater than 13% of net revenues while no customers represented over 10% of total net revenues for the nine months ended March 31, 2023. For the three months ended March 31, 2024, one Security division customer accounted for 26% of net revenues. For the three and six month periods nine months ended December 31, 2023 March 31, 2024, one customer in the two Security division customers accounted for 18% 13% and 14%, respectively, 12% of total net revenues, respectively.

(2) As of June 30, 2023, no customer accounted for greater than 10% of accounts receivable, receivable, net. As of December 31, 2023 March 31, 2024, one customer two customers in the Security division accounted for 12% 27% and 14%, respectively, of accounts receivable, receivable, net.

(3) Eliminations in assets reflect the amount of inter-segment profits in inventory and inter-segment ROU assets under ASC 842 as of the balance sheet date. Such inter-segment profit will be realized when inventory is shipped to the external customers of the Security and Healthcare divisions.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

In this report, "OSI", the "Company", "we", "us", "our" and similar terms refer to OSI Systems, Inc. together with our wholly-owned subsidiaries.

This management's discussion and analysis of financial condition as of **December 31, 2023** **March 31, 2024** and results of operations for the three and **six** **nine** months ended **December 31, 2023** **March 31, 2024** should be read in conjunction with management's discussion and analysis of financial condition and results of operations included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2023 filed with the SEC.

Forward-Looking Statements

This report contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements relate to our current expectations, beliefs, and projections concerning matters that are not historical facts. Words such as "project," "believe," "anticipate," "plan," "expect," "intend," "may," "should," "will," "would," and similar words and expressions are intended to identify forward-looking statements. Forward-looking statements are not guarantees of future performance and involve uncertainties, risks, assumptions and contingencies, many of which are outside our control. Assumptions upon which our forward-looking statements are based could prove to be inaccurate, and actual results may differ materially from those expressed in or implied by such forward-looking statements. Important factors that could cause our actual results to differ materially from our expectations are disclosed in this report, our Annual Report on Form 10-K for the fiscal year ended June 30, 2023 (including Part I, Item 1, "Business," Part I, Item 1A, "Risk Factors" and Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations") and other documents filed by us from time to time with the SEC. Such factors, of course, do not include all factors that might affect our business and financial condition. We could be exposed to a variety of negative consequences as a result of delays related to the award of domestic and international contracts; failure to secure the renewal of key customer contracts; delays in customer programs; delays in revenue recognition related to the timing of customer acceptance; the impact of potential information technology, cybersecurity or data security breaches; changes in domestic and foreign government spending, budgetary, procurement and trade policies adverse to our businesses; the impact of the Russia-Ukraine conflict or conflicts in the Middle East, including the potential for broad economic disruption; global economic uncertainty; material delays and cancellations of orders or deliveries thereon, supply chain disruptions, plant closures, or other adverse impacts on our ability to execute business plans; unfavorable currency exchange rate fluctuations; effect of changes in tax legislation; market acceptance of our new and existing technologies, products and services; our ability to win new business and convert any orders received to sales within the fiscal year; contract and regulatory compliance matters, and actions, which if brought, could result in judgments, settlements, fines, injunctions, debarment or penalties; as well as other risks and uncertainties, including but not limited to those factors described in our other SEC filings, which could have a material and adverse impact on our business, financial condition and results of operation. All forward-looking statements contained in this report are qualified in their entirety by this Section. Moreover, we operate in a very competitive and rapidly changing environment and new risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties, and assumptions, the future events and trends discussed in this Quarterly Report on Form 10-Q may not occur, and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. Investors should not place undue reliance on forward-looking statements as a prediction of actual results. We undertake no obligation other than as may be required under securities laws to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Executive Summary

We are a vertically integrated designer and manufacturer of specialized electronic systems and components for critical applications. We sell our products and provide related services in diversified markets, including homeland security, healthcare, defense and aerospace. We have three operating divisions: (a) Security, providing security and inspection systems and turnkey security screening solutions; (b) **Healthcare, providing patient monitoring, cardiology and remote monitoring, and connected care systems and associated accessories;** and (c) Optoelectronics and Manufacturing, providing specialized electronic components for our Security and Healthcare divisions, as well as to third parties for applications in the defense and aerospace markets, among **others.** **others;** and (c) **Healthcare, providing patient monitoring, cardiology and remote monitoring, and connected care systems and associated accessories.**

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Security Division. Through our Security division, we provide security screening products and services globally, as well as turnkey security screening solutions. These products and services are used to inspect baggage, parcels, cargo, people, vehicles and other objects

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for weapons, explosives, drugs, radioactive and nuclear materials and other contraband. Revenues from our Security division accounted for **55% 57%** and **64% 66%** of our total consolidated revenues for the **six nine** months ended **December 31, 2022** **March 31, 2023** and **2023, 2024**, respectively.

Optoelectronics and Manufacturing Division. Through our Optoelectronics and Manufacturing division, we design, manufacture and market optoelectronic devices and flex circuits and provide electronics manufacturing services globally for use in a broad range of applications, including aerospace and defense electronics, security and inspection systems, medical imaging and diagnostics, telecommunications, office automation, computer peripherals, industrial automation and consumer products. We also provide our optoelectronic devices and electronics manufacturing services to OEM customers and to our own Security and Healthcare divisions. Revenues from external customers in our Optoelectronics and Manufacturing division accounted for **29% 28%** and **24% 22%** of our total consolidated revenues for the **six nine** months ended **December 31, 2022** **March 31, 2023** and **2023, 2024**, respectively.

Healthcare Division. Through our Healthcare division, we design, manufacture, market and service patient monitoring, cardiology and remote monitoring, and connected care systems globally for sale primarily to hospitals and medical centers. Our products monitor patients in critical, emergency and perioperative care areas of the hospital and provide information, through wired and wireless networks, to physicians and nurses who may be at the patient's bedside, in another area of the hospital or even outside the hospital. Revenues from our Healthcare division accounted for **16% 15%** and **12%** of our total consolidated revenues for the **six nine** months ended **December 31, 2022** **March 31, 2023** and **2023, 2024**, respectively.

Trends and Uncertainties

The following is a discussion of certain trends and uncertainties that we believe have influenced, and may continue to influence, our results of operations.

Global Economic Considerations. Our products and services are sold in numerous countries worldwide, with a large percentage of our sales generated outside the United States. Therefore, we are exposed to and impacted by global macroeconomic factors, U.S. and foreign government policies and foreign exchange fluctuations. There is uncertainty surrounding macroeconomic factors in the U.S. and globally characterized by the supply chain environment, inflationary pressure, rising interest rates, and labor shortages. **Increasing diplomatic and trade friction between the U.S. and China has also created significant uncertainty in the global economy.** These global macroeconomic factors, coupled with the volatile U.S. political climate and political unrest internationally, have created uncertainty and impacted demand for certain of our products and services. **In October 2023, the war between Israel and Hamas Conflicts in Gaza has and nearby regions have** created political and potential economic uncertainty in the Middle East. Also, the continued conflict between Russia and Ukraine and the sanctions imposed in response to this conflict have increased global economic and political uncertainty. While the impact of these factors remains uncertain, we will continue to evaluate the extent to which these factors will impact our business, financial condition or results of operations. We do not know how long this uncertainty will continue. These factors could have a material negative effect on our business, results of operations and financial condition.

Global Trade. The current domestic and international political environment, including in relation to recent and further potential changes by the U.S. and other countries in policies on global trade and tariffs, have resulted in uncertainty surrounding the future state of the global economy and global trade. This uncertainty is exacerbated by sanctions imposed by the U.S. government against certain businesses and individuals in select countries. Continued or increased uncertainty regarding global trade due to these or other factors may require us to modify our current business practices and could have a material adverse effect on our business, results of operations and financial condition.

Healthcare Considerations. As described below, our Healthcare division experienced some increased demand for its patient monitoring products as a result of the COVID-19 pandemic during the earlier stages of the pandemic. Certain hospitals are facing significant financial pressure as supply chain constraints and inflation drive up operating costs, higher interest rates make access to credit more expensive, and fiscal stimulus programs enacted during the COVID-19 pandemic wind down. To the extent macroeconomic conditions remain challenging, it is likely that hospitals' spend on capital equipment will be adversely impacted.

Government Policies. Our results of operations and cash flows could be materially affected by changes in U.S. or foreign government legislative, regulatory or enforcement policies.

U.S. Budget Environment. U.S. government spending levels and timely funding thereof can affect our financial performance. The House and Senate continue the legislative process on the FY 2024 budget. The President signed a continuing resolution to fund the U.S. government at FY 2023 levels through the earlier of March 8, 2024 or until FY 2024 appropriations bills are enacted. During periods covered by continuing resolutions, we may experience delays in new awards of our products and services, and those delays may adversely affect our results of operations. If Congress fails to enact FY 2024 appropriations bills or extend the continuing resolution on

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a timely basis, the U.S. government will undergo a complete or partial shutdown. The impact of any government shutdown is uncertain. If a government shutdown were to occur and were to continue for an extended period, we could be at risk of program cancellations, schedule delays, and other disruptions and nonpayment regarding products and services, which could adversely affect our results of operations.

Changes in Costs and Supply Chain Disruptions. Our costs are subject to fluctuations, particularly due to changes in raw material, component, and logistics costs. Our manufacturing and supply chain operations, including freight and shipping activities, have been and may continue to be impacted by increased vendor costs as well as the current global supply chain challenges. Specifically, we are impacted by the global shortage of electronic components and other materials needed for production and freight availability. We expect continued disruptions in obtaining material and freight availability as the world economies react to and recover from supply chain shortages. If we are unable to mitigate the impact of increased costs through pricing or other actions, there could be a negative impact on our business, results of operations, and financial condition.

Russia's Invasion of Ukraine. The invasion of Ukraine by Russia and the sanctions imposed in response to this conflict have increased global economic and political uncertainty. This has the potential to indirectly disrupt our supply chain and access to certain resources. While we have not experienced significant adverse impacts to date and will continue to monitor for any impacts and seek to mitigate disruption that may arise, we have certain research and development activities within Ukraine for our Healthcare division which have been somewhat impacted. The conflict also has increased the threat of malicious cyber activity from nation states and other actors.

Currency Exchange Rates. On a year-over-year basis, currency exchange rates positively impacted reported sales by approximately 2.6% for the six months ended December 31, 2023 compared to the six months ended December 31, 2022, primarily due to the weakening of the U.S. dollar against other foreign currencies in 2023. Any strengthening of the U.S. dollar against foreign currencies would adversely impact our sales for the remainder of the fiscal year, and any further weakening of the U.S. dollar against foreign currencies would positively impact our sales for the remainder of the fiscal year.

Coronavirus Pandemic. The coronavirus disease 2019 ("COVID-19") pandemic dramatically impacted the global health and economic environment, with millions of confirmed cases, business slowdowns and shutdowns, and market volatility. The COVID-19 pandemic caused, and may continue to cause, significant economic disruptions and impacted, and may continue to impact, our operations and the operations of our suppliers, logistics providers and customers as a result of supply chain disruptions and delays, as well as labor challenges. During the early stages of the pandemic, our Healthcare division experienced increased demand for certain products as a result of COVID-19. In our Security division, throughout the pandemic, receipt of certain orders was delayed, most notably with respect to our aviation and cargo products, and our revenues were adversely impacted as a result of the pandemic.

Significant International Security Contracts. During fiscal years 2023 and 2024, our Security division was awarded two significant international contracts valued in aggregate greater than \$700 million with expected revenues to be recognized over multiple years.

Results of Operations for the Three Months Ended December 31, 2022 (Q2 March 31, 2023 (Q3 Fiscal 2023) Compared to the Three Months Ended December 31, 2023 (Q2 March 31, 2024 (Q3 Fiscal 2024) (amounts in millions)

Net Revenues

The table below and the discussion that follows are based upon the way in which we analyze our business. See Note 12 to the condensed consolidated financial statements for additional information about our business segments.

	Q2			Q2			Q3			Q3		
	Fiscal 2023	Net Revenues	Fiscal 2024	Net Revenues	\$ Change	% Change	Fiscal 2023	Net Revenues	Fiscal 2024	Net Revenues	\$ Change	% Change
Security	\$ 167.4	56.7 %	\$ 250.0	67.0 %	\$ 82.6	49.3 %	\$ 178.8	59.0 %	\$ 286.0	70.6 %	\$ 107.2	60.0 %
Optoelectronics and Manufacturing	84.7	28.6	81.4	21.8	(3.3)	(3.8)	80.2	26.5	77.9	19.2	(2.3)	(2.9)
Healthcare	43.5	14.7	41.8	11.2	(1.7)	(3.9)	43.9	14.5	41.5	10.2	(2.4)	(5.5)
Total net revenues	<u>\$ 295.6</u>	<u>100.0 %</u>	<u>\$ 373.2</u>	<u>100.0 %</u>	<u>\$ 77.6</u>	<u>26.3 %</u>	<u>\$ 302.9</u>	<u>100.0 %</u>	<u>\$ 405.4</u>	<u>100.0 %</u>	<u>\$ 102.5</u>	<u>33.8 %</u>

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Revenues for the Security division during Q2 Q3 fiscal 2024 increased year-over-year due to **an increase** in product and service revenues of approximately \$79.8 million and \$2.7 million, respectively. The increase in product revenue was primarily driven by growth in cargo and vehicle inspection systems sales associated with the two large international contracts received in fiscal 2023 and with growth in aviation and checkpoint system sales. The **Service revenue** in service revenue Q3 fiscal 2024 was due primarily to comparable with the **increase** in the installed base of products same prior year period.

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Revenues for the Optoelectronics and Manufacturing division during Q2 Q3 fiscal 2024 decreased year-over year as a result of a decrease in revenue in our optoelectronics business and contract manufacturing business of approximately \$2.6 million \$2.8 million and \$0.7 million \$0.5 million, respectively.

Revenues for the Healthcare division during Q2 Q3 fiscal 2024 decreased year-over-year due primarily to a reduction in patient monitoring sales of \$4.8 million, partially offset by an increase in service revenue of \$1.5 million \$1.9 million, cardiology sales of \$1.1 million \$0.7 million, and supplies and accessories service revenue of \$0.5 million \$1.3 million.

Gross Profit

	Q2		Q2		Q3		Q3	
	Fiscal 2023	Net Revenues	Fiscal 2024	Net Revenues	Fiscal 2023	Net Revenues	Fiscal 2024	Net Revenues
Gross profit	\$ 96.2	32.5 %	\$ 141.3	37.9 %	\$ 103.8	34.3 %	\$ 136.1	33.6 %

Gross profit is impacted by sales volume, productivity, and changes in overall manufacturing-related costs, such as raw materials and component costs, warranty expense, provision for inventory, freight, and logistics. Our cost of goods sold increased year-over-year primarily as a result of the increase in net revenues described above which was driven by our Security division. Gross profit as a percentage of net revenues ("gross margin") during the quarter ended December 31, 2023 increased March 31, 2024 decreased on a year-over-year basis due to a **decrease** in the Optoelectronics and Manufacturing division gross margins due to a **decrease** in net revenues and less favorable sales mix, partially offset by an **increase** in gross margin in the Security division gross margins due to a more favorable sales mix and **economies of scale** associated with the **increase** in net revenues, partially offset by a **reduction** in the **higher sales** in the Healthcare division, which carries the highest gross margin of our three divisions.

Operating Expenses

Q2	% of	Q2	% of	Q3	% of	Q3	% of
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	Fiscal 2023	Net Revenues	Fiscal 2024	Net Revenues	\$ Change	% Change		Fiscal 2023	Net Revenues	Fiscal 2024	Net Revenues	\$ Change	% Change
Selling, general and administrative	54.0	18.3	71.6	19.2	17.6	32.6	\$	53.7	17.7	66.6	16.4	12.9	24.0
Research and development	14.5	4.9	16.3	4.4	1.8	12.4	\$	14.8	4.9	17.1	4.2	2.3	15.5
Restructuring and other charges, net	2.2	0.8	1.0	0.3	(1.2)	(54.5)	\$	0.9	0.3	1.0	0.2	0.1	11.1
Total operating expenses	70.7	24.0	88.9	23.9	18.2	25.7	\$	69.4	22.9	84.7	20.9	15.3	22.0
	%	\$	%	\$	%	\$		%	\$	%	\$	%	\$

Selling, general and administrative. Our significant selling, general and administrative ("SG&A") expenses include employee compensation, sales commissions, travel, professional services, marketing expenses, foreign currency translation, changes in fair value of contingent earnout liabilities and depreciation and amortization expense. SG&A expense for Q2 Q3 fiscal 2024 increased on a year-over-year basis primarily due to increases in employee compensation, professional services, and provision for unfavorable impact of recovery of losses on accounts receivable, partially offset by favorable changes in fair value of certain contingent earnout liabilities, and an unfavorable impact of foreign currency exchange rates in Q2 Q3 fiscal 2024 compared to the same prior-year period.

Research and development. Research and development ("R&D") expenses include research related to new product development and product enhancements. R&D expense during Q2 Q3 fiscal 2024 was \$1.8 million \$2.3 million higher than the same prior-year period with investments to support new product development initiatives primarily in our Security and Healthcare divisions division driven primarily by compensation costs.

Restructuring and other charges. Restructuring and other charges generally consist of charges relating to reductions in our workforce, facilities consolidation, costs related to acquisition activity, and other non-recurring charges. During Q2 Q3 fiscal 2024, restructuring and other charges primarily consisted of \$0.2 million in acquisition related costs, \$0.3 million in legal charges, \$0.3 million \$0.5 million for facility closure costs for operational efficiency activities, and \$0.2 million \$0.5 million for employee terminations. During Q2 Q3 fiscal 2023 restructuring and other charges primarily consisted of \$1.9 million \$0.5 million for employee terminations, \$0.3 million in legal charges primarily related to government investigations and \$0.2 million \$0.1 million in charges for employee terminations.

Interest acquisition-related costs and Other Expense, Net

	Q2		Q2	
	Fiscal 2023	% of Net Revenues	Fiscal 2024	% of Net Revenues
Interest and other expense, net	\$ 5.2	1.8 %	\$ 6.5	1.7 %
facility closure costs.				

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Interest and Other Expense, Net

	Q3		Q3	
	Fiscal 2023	% of Net Revenues	Fiscal 2024	% of Net Revenues
Interest and other expense, net	\$ 5.7	1.9 %	\$ 7.4	1.8 %

Interest and other expense, net. For Q2 Q3 fiscal 2024, interest and other expense, net was \$6.5 million \$7.4 million as compared to \$5.2 million \$5.7 million in the same prior-year period. This increase was driven by higher average interest rates and higher average levels of borrowing under our credit facility during Q2 Q3 fiscal 2024 in comparison with the same period in the prior year. Interest expense for Q2 Q3 fiscal 2024 and 2023 included a benefit of \$0.9 million and \$0.2 million \$0.5 million, respectively, from the interest rate swap.

Income taxes. The effective tax rate for a particular period varies depending on a number of factors, including (i) the mix of income earned in various tax jurisdictions, each of which applies a unique range of income tax rates and income tax credits, (ii) changes in previously established valuation allowances for deferred tax assets (changes are based upon our current analysis of the likelihood that these deferred tax assets will be realized), (iii) the level of non-deductible expenses, (iv) certain tax elections (v) tax holidays granted to certain of our international subsidiaries and (vi) discrete tax items. For Q2 Q3 fiscal 2024 and 2023, we recognized a the provision for income taxes of \$9.2 million was \$9.9 million and \$4.0 million \$6.8 million, respectively. The effective tax rates for Q2 Q3 fiscal 2024 and 2023 were 20.2% 22.6% and 19.5% 23.8%, respectively. During Q2 Q3 fiscal 2024, we recognized a net discrete tax benefit of \$0.2 million related to equity-based compensation under ASU 2016-09 and a benefit of \$2.3 million from changes in prior year estimates. During Q2 Q3 fiscal 2023, we recognized a net discrete tax benefit expense of \$0.4 million \$0.2 million related to equity-based compensation under ASU 2016-09 and a benefit of \$0.4 million from changes in prior year estimates.

2016-09.

Results of Operations for the Six Nine Months Ended December 31, 2022 March 31, 2023 (YTD Q2 Q3 Fiscal 2023) Compared to the Six Nine Months Ended December 31, 2023 March 31, 2024 (YTD Q2 Q3 Fiscal 2024) (amounts in millions)

Net Revenues

The table below and the discussion that follows are based upon the way in which we analyze our business. See Note 12 to the condensed consolidated financial statements for additional information about our business segments.

	YTD Q2		% of		YTD Q2		% of		YTD Q3		% of		YTD Q3		% of		YTD Q3		% of	
	Fiscal 2023	Net Revenues	Fiscal 2024	Net Revenues	\$ Change	% Change	Fiscal 2023	Net Revenues	Fiscal 2024	Net Revenues	\$ Change	% Change	Fiscal 2023	Net Revenues	Fiscal 2024	Net Revenues	\$ Change	% Change		
Security	\$ 312.4	55.4 %	\$ 414.6	63.6 %	\$ 102.2	32.7 %	\$ 491.2	56.7 %	\$ 700.6	66.2 %	\$ 209.4	42.6 %								
Optoelectronics and																				
Manufacturing	164.1	29.1	158.2	24.2	(5.9)	(3.6)	244.4	28.2	236.2	22.3	(8.2)	(3.4)								
Healthcare	87.2	15.5	79.6	12.2	(7.6)	(8.7)	131.0	15.1	121.1	11.5	(9.9)	(7.6)								
Total net revenues	\$ 563.7	100.0 %	\$ 652.4	100.0 %	\$ 88.7	15.7 %	\$ 866.6	100.0 %	\$ 1,057.9	100.0 %	\$ 191.3	22.1 %								

Revenues for the Security division during YTD Q2 fiscal 2024 the nine months ended March 31, 2024 increased year-over-year due to an increase in product and service revenues of approximately \$92.1 million \$200.6 million and \$10.1 million \$8.8 million, respectively. The increase in product revenue was primarily driven by growth in cargo and vehicle inspection systems sales. The increase in service revenue was due primarily to the increase in the installed base of products.

Revenues for the Optoelectronics and Manufacturing division during YTD Q2 fiscal 2024 the nine months ended March 31, 2024 decreased year-over year as a result of a decrease in revenue in our optoelectronics business of approximately \$7.0 million \$9.8 million, partially offset by an increase in revenue of approximately \$1.1 million \$1.6 million in our contract manufacturing business.

Revenues for the Healthcare division during YTD Q2 fiscal 2024 the nine months ended March 31, 2024 decreased year-over-year due primarily to a reduction in patient monitoring sales of \$11.9 million \$13.8 million, partially offset by an increase in service revenue of \$2.6 million \$1.3 million, cardiology sales of \$1.5 million \$0.7 million and supplies and accessories revenue of \$0.3 million \$0.5 million.

Gross Profit

	YTD Q2		% of		YTD Q2		% of		YTD Q3		% of		YTD Q3		% of	
	Fiscal 2023	Net Revenues	Fiscal 2024	Net Revenues	Fiscal 2023	Net Revenues	Fiscal 2024	Net Revenues	Fiscal 2023	Net Revenues	Fiscal 2024	Net Revenues	Fiscal 2023	Net Revenues	Fiscal 2024	Net Revenues
Gross profit	\$ 183.7	32.6 %	\$ 240.0	36.8 %	\$ 287.5	33.2 %	\$ 376.1	35.6 %								

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Gross profit is impacted by sales volume, productivity, and changes in overall manufacturing-related costs, such as raw materials and component costs, warranty expense, provision for inventory, freight, and logistics. Our cost of goods sold increased year-over-year primarily as a result of the increase in net revenues described above which was driven by our Security division. Gross profit as a percentage of net revenues YTD Q2 fiscal 2024 margin during the nine months ended March 31, 2024 increased on a year-over-year basis due to an increase in the Security division gross margins due to a more favorable sales mix and economies of scale associated with the increase in net revenues, partially offset by a reduction in the sales in the Optoelectronics and Manufacturing and Healthcare division, which carries the highest gross margin of our three divisions.

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	YTD						YTD Q3					
	% of		% of		% of		% of		% of		% of	
	Fiscal 2023	Net Revenues	Fiscal 2024	Net Revenues	\$ Change	% Change	Fiscal 2023	Net Revenues	Fiscal 2024	Net Revenues	\$ Change	% Change
Selling, general and administrative	\$ 107.4	19.1 %	\$ 131.4	20.1 %	24.0	22.3 %	\$ 161.1	18.6 %	\$ 198.0	18.7 %	\$ 36.9	22.9 %
Research and development	29.0	5.1	32.3	5.0	3.3	11.4	43.9	5.1	49.4	4.7	5.5	12.5
Restructuring and other charges, net	3.5	0.6	1.5	0.2	(2.0)	(57.1)	4.4	0.5	2.5	0.2	(1.9)	(43.2)
Total operating expenses	\$ 139.9	24.8 %	\$ 165.2	25.3 %	25.3	18.1 %	\$ 209.4	24.2 %	\$ 249.9	23.6 %	\$ 40.5	19.3 %

Selling, general and administrative. Our significant selling, general and administrative ("SG&A") expenses include employee compensation, sales commissions, travel, professional services, marketing expenses, foreign currency translation, changes in fair value of contingent earnout liabilities and depreciation and amortization expense. SG&A expense YTD for the first nine months of fiscal 2024 was \$24.0 million \$36.9 million higher than in the same prior-year period, primarily due to increases in employee compensation, professional services, provision for losses on accounts receivable, changes in fair value of certain contingent earnout liabilities, and an unfavorable impact of foreign currency exchange rates in YTD the first nine months of fiscal 2024 compared to the same prior-year period.

Research and development. Research and development ("R&D") expenses include research related to new product development and product enhancements. R&D expense YTD Q2 fiscal 2024 during the nine months ended March 31, 2024 was \$3.3 million \$5.5 million higher than the same prior-year period driven primarily by compensation costs related to investments to support new product development initiatives, mainly in our Security and Healthcare divisions.

Restructuring and other charges. Restructuring and other charges generally consist of charges relating to reductions in our workforce, facilities consolidation, costs related to acquisition activity, and other non-recurring charges. For YTD Q2 fiscal 2024, During the nine months ended March 31, 2024, restructuring and other charges consisted of \$0.4 million in acquisition related costs, \$0.4 million in legal charges, \$0.3 million \$0.8 million for facility closure costs for operational efficiency activities and \$0.3 million \$0.8 million for employee terminations. For YTD Q2 fiscal 2023, During the nine months ended March 31, 2023, restructuring and other charges primarily consisted of \$2.9 million for \$3.2 million in legal charges primarily related to class action litigation and \$0.5 million in charges government investigations, \$1.0 million for employee terminations.

terminations and \$0.2 million in acquisition-related costs and facility closure costs.

Interest and Other Expense, Net

	YTD Q2		% of Net Revenues		YTD Q2		% of Net Revenues		YTD Q3		% of Net Revenues	
	Fiscal 2023	Net Revenues	Fiscal 2024	Net Revenues	Fiscal 2023	Net Revenues	Fiscal 2024	Net Revenues	Fiscal 2023	Net Revenues	Fiscal 2024	Net Revenues
Interest and other expense, net	\$ 8.6	1.5 %	\$ 12.3	1.9 %	\$ 14.3	1.7 %	\$ 19.7	1.9 %				

Interest and other expense, net. For YTD Q2 fiscal 2024, During the nine months ended March 31, 2024, interest and other expense, net was \$12.3 million \$19.7 million as compared to \$8.6 million \$14.3 million in the same prior-year period. This increase was driven by higher average interest rates and higher average levels of borrowing under our credit facility during YTD Q2 fiscal 2024 the nine months ended March 31, 2024 in comparison with the same period in the prior year. The 1.25% convertible notes were retired on September 1, 2022 using borrowings from our credit facility. Interest expense for YTD Q2 fiscal 2024 during the nine months ended March 31, 2024 and 2023 included a benefit of \$1.8 million \$2.7 million and nil, \$0.6 million, respectively, from the interest rate swap.

Income taxes. The effective tax rate for a particular period varies depending on a number of factors, including (i) the mix of income earned in various tax jurisdictions, each of which applies a unique range of income tax rates and income tax credits, (ii) changes in previously established valuation allowances for deferred tax assets (changes are based upon our current analysis of the likelihood that these deferred tax assets will be realized), (iii) the level of non-deductible expenses, (iv) certain tax elections (v) tax holidays granted to certain of our international subsidiaries and (vi) discrete tax items. For YTD Q2 fiscal 2024 the nine months ended March 31, 2024 and 2023, we recognized a the provision for income taxes of \$13.2 million was \$23.1 million and \$7.6 million \$14.4 million, respectively. The effective tax rates for YTD Q2 fiscal 2024 the nine months ended March 31, 2024 and 2023 were 21.0% 21.7% and 21.6% 22.6%, respectively. For YTD Q2 fiscal 2024, the nine months ended March 31, 2024, we recognized a discrete tax benefit of \$0.6 million \$0.8

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million related to equity-based compensation under ASU 2016-09 and a benefit of \$2.3 million from changes in prior year estimates. For YTD Q2 fiscal 2023, the nine months ended March 31, 2023, we recognized a discrete tax benefit of \$0.5 million \$0.6 million related to equity-based compensation under ASU 2016-09 and a benefit of \$0.4 million from changes in prior year tax estimates.

Liquidity and Capital Resources

Our principal sources of liquidity are our cash and cash equivalents, cash generated from operations and our credit facilities. Cash and cash equivalents totaled \$127.3 million \$101.4 million at December 31, 2023 March 31, 2024, an increase of \$50.5 million \$24.6 million, or 65.8% 32%, from \$76.8 million at June 30, 2023. We currently anticipate that our available funds, credit facilities and cash flow from operations will be sufficient to meet our

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operational cash needs for the next 12 months and thereafter for the foreseeable future. In addition, we anticipate that cash generated from operations, without repatriating earnings from our non-U.S. subsidiaries, and our credit facilities will be sufficient to satisfy our obligations in the U.S.

Our senior secured credit facility comprises a term loan and a \$600 million revolving credit facility which includes a \$300 million sub-facility for letters of credit. As of December 31, 2023 March 31, 2024, there was \$316.0 million \$349.0 million outstanding under our revolving credit facility, \$54.0 million \$74.7 million of outstanding letters of credit and \$139.4 million \$137.5 million outstanding under the term loan.

Cash Provided by (Used in) Operating Activities. Cash flows from operating activities can fluctuate significantly from period to period, as net income, adjusted for non-cash items, and working capital fluctuations impact cash flows. For YTD Q2 fiscal 2024, the nine months ended March 31, 2024, cash used in

operations was \$6.4 million \$58.5 million compared to cash provided by operations of \$8.2 million \$72.7 million in the prior period. The net change in cash flows from operating activities was due primarily to a net increase in accounts receivable and inventories associated with our recent certain international contracts in the Security division, partially offset by other changes in net working capital and the increase in net income in YTD Q2 fiscal 2024 for the nine months ended March 31, 2024 compared with the same period last year.

Cash Used in Investing Activities. Net cash used in investing activities was \$21.8 million \$24.9 million for YTD Q2 fiscal 2024 the nine months ended March 31, 2024 as compared to \$18.9 million \$30.4 million in the same prior-year period. Cash used to acquire businesses was \$9.0 million for YTD Q2 fiscal 2024 the nine months ended March 31, 2024 compared to \$3.5 million \$4.6 million in the prior year. Capital expenditures for YTD Q2 fiscal 2024 the nine months ended March 31, 2024 were \$8.7 million \$13.6 million compared to \$7.0 million \$12.7 million in the same prior-year period. Expenditures for intangible and other assets for YTD Q2 fiscal 2024 the nine months ended March 31, 2024 were \$8.4 million \$12.9 million compared to \$8.0 million \$12.3 million in the same prior-year period.

Cash Provided by (Used in) Financing Activities. Net cash provided by financing activities was \$77.1 million \$110.7 million for YTD Q2 fiscal 2024, the nine months ended March 31, 2024, compared to net cash used in financing activities of \$3.7 million \$37.1 million during the same prior-year period. The net change from the prior-year period was primarily due to (1) higher net borrowings for YTD Q2 fiscal 2024 the nine months ended March 31, 2024 to fund purchases of inventory working capital associated with international contracts in the Security division as discussed above and (2) no repurchases of common stock during YTD Q2 fiscal 2024 the nine months ended March 31, 2024 compared to \$21.8 million repurchases of common stock of \$34.7 million in the same prior-year period, which were partially offset by higher taxes paid related to settlement of equity awards of \$23.0 million \$23.2 million during YTD Q2 fiscal 2024 the nine months ended March 31, 2024 compared to \$11.6 million \$11.8 million in the same prior-year period.

Borrowings

See Note 8 to the condensed consolidated financial statements for a detailed discussion regarding our revolving credit facility and other borrowings.

Cash Held by Foreign Subsidiaries

Our cash and cash equivalents totaled \$127.3 million \$101.4 million at December 31, 2023 March 31, 2024. Of this amount, approximately 92% 78% was held by our foreign subsidiaries and subject to repatriation tax considerations. These foreign funds were held primarily by our subsidiaries in Mexico, India, the United Kingdom, India, Malaysia, Singapore, Australia, and Singapore, Canada and to a lesser extent in Puerto Rico, Canada, Egypt, Mexico, Albania, Indonesia and Australia, Germany, among other countries. We intend to permanently reinvest certain earnings from foreign operations, and we currently do not anticipate that we will need this cash in foreign countries to fund our U.S. operations. In the event we repatriate cash from certain foreign operations and if taxes have not previously been withheld on the related earnings, we would provide for withholding taxes at the time we change our intention with regard to the reinvestment of those earnings.

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Issuer Purchases of Equity Securities

We did not repurchase any shares of Common Stock common stock during the first and second quarters third quarter of fiscal year 2024.

Contractual Obligations

During the six nine months ended December 31, 2023 March 31, 2024, there were no material changes outside the ordinary course of business to the information regarding specified contractual obligations contained in our Annual Report on Form 10-K for the fiscal year ended June 30, 2023. See Notes 1, 6, 8 and 10 to the condensed consolidated financial statements for additional information regarding our contractual obligations.

[Table of Contents](#)**Recent Accounting Pronouncements**

From time to time, new accounting pronouncements are issued by the FASB and other regulatory bodies that are adopted as of the specified effective dates. Unless otherwise discussed in the notes to condensed consolidated financial statements, management believes that the impact of recently issued standards, which are not yet effective for the Company, will not have a material impact on our Consolidated Financial Statements upon adoption. There were no new pronouncements adopted during the **second** **third** quarter of fiscal year 2024.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For a discussion of our exposure to market risk, refer to our market risk disclosures set forth in Part II, Item 7A "Quantitative and Qualitative Disclosures About Market Risk" in our Annual Report on Form 10-K for the fiscal year ended June 30, 2023. There have been no material changes in our exposure to market risk during the **six** **nine** months ended **December 31, 2023** **March 31, 2024** from that described in the Annual Report.

ITEM 4. CONTROLS AND PROCEDURES***Evaluation of Disclosure Controls and Procedures***

As of **December 31, 2023** **March 31, 2024**, the end of the period covered by this report, our management, including our Chief Executive Officer and our Chief Financial Officer, reviewed and evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) or 15d-15(e) of the Exchange Act). Based upon management's review and evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this Quarterly Report on Form 10-Q, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified by the SEC and is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the **second** **third** quarter of fiscal 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating our controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud within the Company have been detected.

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[Table of Contents](#)**PART II—OTHER INFORMATION****ITEM 1. LEGAL PROCEEDINGS**

From time to time, we are subject to legal proceedings, claims, and litigation arising in the ordinary course of our business or otherwise. More information regarding legal proceedings in which we are involved can be found under Note 10, "Commitments and Contingencies" of the Notes to the Consolidated Financial Statements in Part I, Item 1 of this Report, which is incorporated by reference into this Item 1.

ITEM 1A. RISK FACTORS

The discussion of our business, financial condition and results of operations in this Quarterly Report on Form 10-Q for the period ended **December 31, 2023** **March 31, 2024** should be read together with the risk factors contained in our Annual Report on Form 10-K for the fiscal year ended June 30, 2023, filed with the SEC on August 29, 2023, which describe various risks and uncertainties that could materially affect our business, financial condition and results of operations in the future. There have been no material changes to the risk factors included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2023.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

See Issuer Purchases of Equity Securities discussion under Part I, Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations, which is incorporated by reference into this Item 2.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable

ITEM 5. OTHER INFORMATION

Rule 10b5 - 1 Trading Plans

Our directors and officers (as defined in Rule **16a - 1** under the Exchange Act) may from time to time enter into plans or other arrangements for the purchase or sale of our shares that are intended to satisfy the affirmative defense conditions of Rule **10b5 - 1** (c) or may represent a **non - Rule 10b5 - 1** **non-Rule 10b5-1** trading arrangement under the Exchange Act. During the **second****third** quarter of fiscal 2024, none of our directors or officers informed us of the adoption, modification or termination of a "Rule **10b5 - 1** **10b5-1** trading arrangement" or "non - Rule 10b5 - 1" **non-Rule 10b5-1** trading arrangement" as those terms are defined in Regulation **S - K, S-K**, Item 408.

Employment Agreements

On April 29, 2024, Alan Edrick, our Executive Vice President and Chief Financial Officer, Victor Sze, our Executive Vice President and General Counsel, and Ajay Mehra, our Executive Vice President and President of OSI Cargo & Solutions Group business unit, entered into Amended and Restated Employment Agreements.

[Alan Edrick's and Victor Sze's Employment Agreements](#)

For purposes of this section, Messrs. Edrick and Sze are each individually referred to as the "Executive." Other than differences described herein, the terms of such agreements are substantially identical to each other. Unless the agreement is terminated earlier in accordance with its terms, the agreement has a one year term that shall automatically be extended for successive one year periods, unless either party delivers notice of non-renewal to the other party at least 30 days prior to the end of the initial term or any renewal period then in effect. The agreements provide for an initial annual base salary of \$519,120 for Mr. Edrick and \$448,050 for Mr. Sze. The Executive is also eligible to receive bonus payments from the bonus pool established by us for our officers and employees and to participate in incentive compensation and other employee benefit plans established by us. The agreement contains certain restrictive

covenants and other prohibitions that protect our proprietary and confidential information following termination and preclude the Executive during the term of the agreement and for 18 months thereafter from soliciting for hire any individual that was an executive, supervisor or manager of the Company on, or within 90 days prior to, the Executive's last date of employment with us. Each Executive's agreement also contains a clawback provision whereby the Executive's incentive or performance-based compensation shall be subject to reduction or repayment by reason of a correction or restatement of our financial information if and to the extent such reduction or repayment is required by any applicable law.

Under the terms of the agreement, the Company may terminate the Executive's employment at any time for "cause" (as defined in the agreement), or for the following additional reasons: (i) in the event of the Executive's death; (ii) because of physical or mental incapacity or disability, failure to perform the essential functions of his position for an aggregate period of 180 days within any 12 month period; or (iii) without cause on 30 days written notice, each as further detailed in the agreement. The Executive may also terminate his employment agreement for "good reason" (as defined in the agreement) or at any time on 30 days written notice.

In the event of the termination of the Executive's employment by the Company without cause, the Company's non-renewal of the Executive's employment agreement or the termination of such employment by the Executive for good reason, the Executive shall be entitled to: (i) an amount equal to 24 months' salary at the Executive's then-current base salary plus an amount equal to two times the average of the highest three annual bonuses paid by us to the Executive in the five years preceding such termination; (ii) continuation of the Executive's car usage or allowance payments for a period of six months after separation from service; (iii) an allowance of \$6,000 for outplacement services; and (iv) acceleration of vesting of all stock options, equity grants and other incentive compensation awards (excluding any cash bonus attributable to performance in fiscal years that are not complete as of the Executive's last date of employment) from us to Executive as follows: (a) grants vesting over time shall be fully vested on separation from service, (b) grants vesting based on performance shall be accelerated and fully vested at target performance levels on separation from service without regard to whether the performance targets are projected to be met for such performance period, and (c) the time to exercise nonqualified stock options shall be extended such that Executive's right to exercise such stock options shall continue until the first anniversary of the Executive's last date of employment, but in no event later than the expiration date of the options.

In the event of the termination of the Executive's employment by the Company without cause or by the Executive for good reason, within 90 days prior to or 12 months after a "change in control" (as defined in the agreement), then the Executive shall be entitled to either (i) the severance payment described in the applicable paragraph above except that incentive compensation awards shall, to the extent unvested, immediately vest at maximum performance levels or (ii) an alternative amount calculated in accordance with Internal Revenue Code Section 280G.

Ajay Mehra's Employment Agreement

Unless the agreement is terminated earlier in accordance with its terms, the agreement has a one year term that shall automatically be extended for successive one year periods, unless either party delivers notice of non-renewal to the other party at least 30 days prior to the end of the initial term or any renewal period then in effect. The agreement provides for an initial annual base salary of \$492,340. Mr. Mehra is also eligible to receive bonus payments from the bonus pool established by us for our officers and employees and to participate in incentive compensation and other employee benefit plans established by us. The agreement contains certain restrictive covenants and other prohibitions that protect our proprietary and confidential information following termination and preclude Mr. Mehra during the term of the agreement and for 18 months thereafter from soliciting for hire any individual that was an executive, supervisor or manager of the Company on, or within 90 days prior to, Mr. Mehra's last date of employment with us. Mr. Mehra's agreement also contains a clawback provision whereby Mr. Mehra's incentive or performance-based compensation shall be subject to reduction or repayment by reason of a correction or restatement of our financial information if and to the extent such reduction or repayment is required by any applicable law.

Under the terms of the agreement, the Company may terminate Mr. Mehra's employment at any time for "cause" (as defined in the agreement), or for the following additional reasons: (i) in the event of Mr. Mehra's death; (ii) because of physical or mental incapacity or disability, failure to perform the essential functions of his position for an aggregate period of 180 days within any 12 month period; or (iii) without cause on 30 days written notice, each as further detailed in the agreement. Mr. Mehra may also terminate his employment agreement for "good reason" (as defined in the agreement) or at any time on 30 days written notice.

In the event of the termination of Mr. Mehra's employment by the Company without cause, the Company's non-renewal of Mr. Mehra's employment agreement or the termination of such employment by Mr. Mehra for good reason, he shall be entitled to: (i) an amount equal to two times the sum of: (a) annual salary at Mr. Mehra's then-current base salary and (b) cash bonus at target

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performance for the then-current year, (ii) continuation of Mr. Mehra's car usage or allowance payments for a period of six months after separation from service; (iii) an allowance of \$6,000 for outplacement services; and (iv) acceleration of vesting of all stock options and equity grants and other cash incentive compensation awards from us to Mr. Mehra as follows: (a) grants vesting over time shall be fully vested on separation from service, (b) grants vesting based on performance shall be accelerated and fully vested on separation from service without regard to whether the performance targets (excluding any overperformance provisions) have been met for such performance period, (c) cash incentives compensation for the then-current year shall be accelerated on the basis of the assumption that the target performance has been met; and (v) the time to exercise nonqualified stock options shall be extended such that Mr. Mehra's right to exercise such stock options shall continue until the first anniversary of his last date of employment, but in no event later than the expiration date of the options.

In the event of the termination of Mr. Mehra's employment by the Company without cause or by Mr. Mehra for good reason, within 90 days prior to or 12 months after a "change in control" (as defined in the agreement), then Mr. Mehra shall be entitled to either (i) the severance payment described in the applicable paragraph above except that incentive compensation awards shall, to the extent unvested, immediately vest at maximum performance levels or (ii) an alternative amount calculated in accordance with Internal Revenue Code Section 280G.

The foregoing description of each employment agreement is qualified in its entirety by reference to the provisions of the applicable employment agreement, each of which is filed as an exhibit to this Quarterly Report on Form 10-Q.

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ITEM 6. EXHIBITS

Exhibit	
Number	Description
10.1	Second Amended and Restated Employment Agreement dated April 29, 2024 between Alan Edrick and OSI Systems, Inc. Deferred Compensation Plan
† 10.1†	
10.2† 10.2*†	Amendment to Amended and Restated Employment Agreement dated April 29, 2024 between Ajay Mehra and OSI Systems, Inc. 2012 Incentive Award Plan (1)
10.3*†	Amended and Restated Employment Agreement dated April 29, 2024 between Victor Sze and OSI Systems, Inc.
31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase

101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	<u>Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101)</u>

* Filed herewith

† Denotes a management contract or compensatory plan or arrangement

Previously filed with our Proxy Statement on Schedule 14A filed on October 27, 2023.

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Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized, in the City of Hawthorne, State of California on the 26th 30th day of January April 2024.

OSI SYSTEMS, INC.

By: /s/ Deepak Chopra
 Deepak Chopra
 President and Chief Executive Officer
 (Principal Executive Officer)

By: /s/ Alan Edrick
 Alan Edrick
 Executive Vice President and Chief Financial Officer
 (Principal Financial and Accounting Officer)

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Exhibit 10.1

EMPLOYMENT AGREEMENT

SECOND THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (the "Agreement") is made and entered into as of April 29, 2024 ("Effective Date") by and between OSI Systems, Inc., a Delaware corporation (the "Company"), and Alan Edrick ("Executive").

OSI SYSTEMS, INC.1. ENGAGEMENT AND DUTIES

DEFERRED COMPENSATION PLAN1.1 Commencing upon the Effective Date, and upon the terms and subject to the conditions set forth in this Agreement, the Company hereby engages and employs Executive with the title and designation of Executive Vice President and Chief Financial Officer of the Company. Executive shall report to the Company's Chief Executive Officer.

1.2 Executive agrees to devote his primary business time, energies, skills, efforts and attention to his duties hereunder and will not, without the prior consent of the Company, which consent will not be unreasonably withheld, render any material services to any other business concern. Reasonable bases for the Company to withhold consent include, without limitation, unreasonable interference with, or other incompatibility with, Executive's duties to the Company, so long as such bases are stated in writing by the Company.

EFFECTIVE DECEMBER 1, 20231.3 Except for routine travel incident to the business of the Company or the performance of his duties, Executive shall perform services hereunder primarily at the Company's offices in Hawthorne, California, or at such other place as Executive and the Company may from time to time agree.

2. TERM. The Term of this Agreement shall commence as of the Effective Date and shall continue until the first anniversary of the Effective Date ("Initial Term"), unless sooner terminated as provided under Section 4, and shall automatically be extended for successive one (1) year periods ("Renewal Periods"), unless either party delivers notice of non-renewal to the other party at least thirty (30) days prior to the end of the Initial Term or any Renewal Period then in effect, or unless sooner terminated under Section 4. The Initial Term and any Renewal Period(s) shall collectively be referred to as the "Term". For purposes of this Agreement, the "Completion Date" shall be defined as the Executive's actual final date of employment and shall coincide with the Executive's "Separation from Service" as such term is defined in Section 8.13.

3. COMPENSATION. During the Term of this Agreement the Executive shall be provided with the following Compensation:

3.1 Base Salary. Executive's Base Salary shall be Five Hundred and Nineteen Thousand, One Hundred and Twenty Dollars (\$519,120) per annum, less applicable withholdings ("Base Salary"). The Base Salary shall be payable at such times and in such manner as the Company customarily pays other similarly situated executives but in no event less frequently than twice per month. Executive's Base Salary shall be reviewed annually.

3.2 Equity Participation.

3.2.1 To the extent that the Company or its Affiliates maintain one or more equity participation plans, Executive shall be eligible to participate in such plans; provided, however, that Executive's participation in such equity participation plans, and the extent of any such participation, shall be at the Company's sole discretion.

3.2.2 Notwithstanding anything to the contrary herein, all stock options, equity awards and other incentive compensation awards and any special incentive bonuses to which the

Second Alan Edrick Amended and Restated OSI Systems, Inc. Deferred Employment Agreement

parties mutually agree in writing ("Special Bonus Programs") granted to Executive by the Company shall become fully vested and nonforfeitable upon a Change in Control (as defined herein).

3.3 Bonuses. Executive shall participate in the Company's bonus pool and Executive's bonus (if any) shall be determined and paid on the same or similar basis as the bonuses of other similarly-situated executives. Each bonus payment shall be made in the calendar year that contains the last day of the fiscal year or performance year to which the bonus payment is attributable, no later than September 14th.

3.4 Fringe Benefits. Executive shall be entitled to participate in and receive benefits under any plan of the Company made available from time to time to any other similarly situated executive, provided he is otherwise eligible to participate. Such benefits may include, without limitation, life insurance, disability insurance, medical/dental/vision insurance, and retirement benefits, including participation in the Company's deferred compensation plan. With respect to Executive's life insurance benefits, the Company shall during the Term facilitate the purchase by Executive of an individual term life insurance policy on the life of Executive having a death benefit in the amount of no less than Two Million, Five Hundred Thousand Dollars (\$2,500,000) (the "Policy"), and the reasonable premiums for such Policy shall be reimbursed to Executive by the Company during the period of time Executive is employed by the Company. The Policy shall be owned by Executive or Executive's permitted assigns. It shall be the responsibility of Executive to apply for and obtain the Policy and the Company makes no representation or guarantee Executive will be eligible for any such life insurance coverage. Upon termination of employment for any reason, the Company will have no further obligation to reimburse Executive for such premiums; however, Executive shall be entitled to continue such Policy at his own expense.

3.5 Business Expenses/Car Allowance. Company shall advance to or reimburse Executive for all reasonable, ordinary and necessary business expenses incurred by Executive as a result of Executive's services hereunder, in accordance with Company policy as established from time to time. Company shall provide the Executive with the use of a Company car, subject to compliance with the Company policy regarding the provision of allowances and in-kind benefits referenced in Section 8.13.

3.6 PTO. Executive shall be entitled to paid time off in accordance with the Company's policy applying to other similarly-situated executives, but in no event less than four (4) weeks of paid time off in each year during the Term.

3.7 Relocation Package. In the event of relocation, during the Term, of Executive's principal office location more than 25 miles from its location as of the Effective Date (but not closer to the Executive's principal residence), and, as a result thereof, Executive relocates his principal residence, the Company shall offer Executive a reasonable relocation package.

4. TERMINATION OF EMPLOYMENT.

4.1 By the Company For Cause. The Company may terminate Executive's employment under this Agreement for "Cause" at any time upon notice to Executive. As used in this Agreement "Cause" shall be defined as: (a) Executive's admission or conviction of, or entering of a plea of *nolo contendere* as to any felony, or any lesser crime involving fraud, embezzlement or theft; (b) Executive's failure to substantially perform his duties, which failure cannot be cured or is not cured within ten (10) business days after written notice from the Company, as long as Executive is not prevented from performing or curing by actions outside his control; or (c) Executive's material breach of any provision of this Agreement, which breach

Alan Edrick Amended and Restated Employment Agreement

cannot be cured or is not cured within thirty (30) business days after written notice from the Company, as long as Executive is not prevented from performing or curing by actions outside his control.

4.2 By the Company Other Than For Cause. The Company may terminate the Executive's employment under this Agreement at any time other than for Cause, for any of the following reasons, under the following terms:

4.2.1 Death. In the event of Executive's death, this Agreement shall automatically terminate and all rights of Executive and his heirs, executors and administrators to compensation and other benefits under this Agreement shall cease; provided, however, that Executive's participation in the Company's employee benefit plans or programs shall cease in accordance with the terms of such plans or programs as then in effect.

4.2.2 Disability. The Company may, at its option, terminate the Executive's employment upon written notice to Executive if Executive, because of physical or mental incapacity or disability, fails to perform the essential functions of his position required of him hereunder for an aggregate period

of one hundred eighty (180) days within any twelve-month period. Upon such termination, all obligations of the Company hereunder shall cease; provided, however, that Executive's participation in the Company's employee benefit plans or programs shall cease in accordance with the terms of such plans or programs as then in effect.

4.2.3 **Without Cause**. The Company may terminate Executive's employment without Cause upon 30 calendar days' written notice ("Notice Period") to Executive. The Company may elect whether or not Executive shall perform duties under this Agreement during all or a portion of the Notice Period but shall be required to pay Executive all wages and other compensation (including but not limited to continued vesting of any equity awards) as provided for in Section 3 until the end of the Notice Period ("Notice Period Compensation"). Any decision by the Company not to renew this Agreement at any time during the Term, or to terminate this Agreement for any reason other than for Cause, death or disability, shall be treated as a termination without Cause.

4.3 **Termination By Executive**. Executive may terminate this Agreement at any time upon 30 calendar days' notice ("Executive Notice Period") to the Company, whether or not such termination is for Good Reason as described below. The Company may elect whether or not Executive shall perform duties under this Agreement during all or a portion of the Executive Notice Period but shall be required to pay Executive all Notice Period Compensation Plans as provided for in Section 3 until the end of the Executive Notice Period.

4.3.1 **Good Reason**. Executive may terminate this Agreement for "Good Reason," which shall mean the occurrence of any of the following events, unless Executive specifically agrees in writing that such event is not Good Reason provided that (x) Executive terminates this Agreement within six (6) months following the initial existence of one or more of the following events that occur without Executive's consent and (y) Executive provides written notice to the Company of the existence of one or more of the following events within ninety (90) days of the initial existence of such event or events, the Company fails to remedy such event or events within thirty (30) days of receiving such notice, and termination is effective within sixty (60) days following the end of such cure period:

(a) **Substantial Change in Duties**. Any substantial negative change in the nature and status of duties assigned to Executive such that Executive is given duties not commensurate with Executive's title. (For avoidance of doubt, duties may be changed to

Alan Edrick Amended and Restated Employment Agreement

comparable duties of similar importance and stature commensurate with the title of an Executive Vice President, without constituting Good Reason. Furthermore, changes in service or participation on the Company's Board of Directors ("Board") shall not constitute Good Reason.;

(b) **Relocation**. Following a Change in Control, the relocation of Executive's principal office location more than twenty-five (25) miles from its location as of the Effective Date (but not closer to Executive's principal residence);

(c) **Reduction in Salary**. Executive's Base Salary is reduced by more than ten percent (10%) of Executive's initial Base Salary specified in Section 3.1, or, following a Change in Control, any reduction in Executive's Base Salary (for avoidance of doubt, a reduction of less than 10% of Base Salary from Executive's initial Base Salary prior to a Change in Control shall not be considered a breach of this Agreement);

(d) **Material Breach**. Any material breach of the Agreement by the Company;

(e) **Change in Title**. Any change in Executive's titles such that Executive no longer holds the titles (and privileges commensurate with such titles) set forth in Section 1.1 and instead is given a title or privileges of less importance and stature;

(f) **Change in Reporting Relationship**. Any change in the reporting relationship, such that Executive no longer reports to the Company's Chief Executive Officer; and

(g) **Change in Role**. In the event that, for whatever reason, the Company is no longer the parent entity in its organizational framework, such that Executive is no longer the Executive Vice President and Chief Financial Officer of the parent entity.

(h) **Company No Longer Public**. The Company's stock is no longer publicly traded.

4.3.2 **Without Good Reason**. Executive may terminate this Agreement without Good Reason as defined herein.

4.4 **Payments Upon Termination**. Upon expiration, non-renewal or termination of this Agreement for any reason by either party as described in this Section 4, Executive shall be entitled to receive payment of (a) any unpaid Base Salary through the Completion Date payable on such date; (b) any unused

vacation and paid time off accrued through the Completion Date payable on such date; and (c) vested incentive compensation and applicable employee benefits to which Executive is entitled upon Separation from Service with the Company, payable in accordance with the terms of the plans or programs of the Company then in effect (a-c is referred to together as "Accrued Compensation"). In addition to the above, and subject to Executive's execution of a customary and reasonable release of liabilities in favor of the Company and its Affiliates, all of the following shall apply:

4.4.1 Involuntary Termination. In the event of termination of Executive's employment either by the Company without Cause pursuant to Section 4.2.3 or by Executive for Good Reason pursuant to Section 4.3.1, subject to the provisions of Section 4.4.2 below, Executive shall also be entitled to the following in addition to the Accrued Compensation above: (a) a single lump sum payable as provided in Section 4.4.5, equal to twenty-four (24) months of Base Salary at Executive's then-current Base Salary (which shall be the Base Salary before any temporary reduction pursuant to Section 4.3.1(c) or otherwise), plus two (2) times the average of the highest three (3) annual bonuses paid by the Company to Executive over the five (5) calendar years preceding such termination; (b) continuation of Executive's car usage or allowance

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payments, as set forth in Section 3.5, for a period of six (6) months after Separation from Service, (c) a six thousand dollars (\$6,000) allowance for outplacement services payable at the same time as the severance payment provided under 4.4.1(a), and (d) acceleration of vesting of all stock options, equity grants and other incentive compensation awards (excluding any cash bonus attributable to performance in fiscal years that are not complete as of the Completion Date) from the Company to Executive as follows: (i) grants vesting over time shall be fully vested on Separation from Service, (ii) grants vesting based on performance shall be accelerated and fully vested on Separation from Service at target performance levels without regard to whether the performance targets are met for such performance period, and (iii) the time to exercise nonqualified stock options shall be extended such that Executive's right to exercise such stock options shall continue until the first anniversary of the Completion Date, but in no event later than the Expiration Date of the options, as defined under the stock option agreement covering such options.

4.4.2 Change in Control. Within ninety (90) days prior to or twelve (12) months after a Change of Control, if there is either (A) a notice of termination of this Agreement by the Company without Cause pursuant to Section 4.2.3, or (B) a notice of termination of this Agreement by Executive for Good Reason pursuant to Section 4.3.1, and such notice under (A) or (B) results in a Separation from Service of the Executive, then:

(a) Executive shall receive the payments and benefits set forth in Section 4.4.1, provided, however, that incentive compensation, whether cash-based or equity-based, shall be calculated on the basis of maximum payment for individual, group and Company performance, as applicable, contemplated under each plan in lieu of, and not in addition to, any amount Executive receives under Section 4.4.1(d).

(b) If a termination of this Agreement covered by this Section 4.4.2 is contingent upon a change in ownership or effective control of Company or a change in the ownership of a substantial portion of the assets of the Company (within the meaning of Section 280G(b)(2)(i) of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations thereunder (collectively, a "280G Event")), then Executive shall receive the greater on a net-after tax basis of: (i) the compensation and benefits otherwise payable under Section 4.4.2(a), or (ii) the Alternative Payment (as defined below). For purposes of this Agreement, "Alternative Payment" means a lump sum payment made by Company to Executive as provided in Section 4.4.5, in immediately available funds in an amount equal to the product of 2.99 (or, if Code Section 280G(b)(2)(A)(ii) is amended providing for a multiple other than 3, then the multiple as amended, less 0.01) multiplied by Executive's "base amount" (as defined in Code Section 280G(b)(3)); reduced by the value of acceleration of any equity, stock options and incentive compensation accelerated hereunder under Section 4.4.2(a) or the value of other payment contingent upon the 280G Event that is not described in Section 4.4.2(a) above, in each case as valued and determined under Code Section 280G and the regulations thereunder. Payments to Executive upon termination of this Agreement under this Section 4.4.2 shall be subject to mitigation as provided in Treasury Regulations Section 1.280G-1 Q&A 42(c)(5). The value (as determined under Code Section 280G and the regulations thereunder) of acceleration of vesting of equity, stock options and incentive compensation and any other amount granted by the Company to Executive shall be taken into account to the minimum extent necessary so as not to violate Treasury Regulations Section 1.280G-1 Q&A 42(c). Rules governing the determination and calculation of the Alternative Payment are set forth in Exhibit A, which shall be enforceable as if set forth in this Agreement. For the avoidance of doubt, it is the intention of the parties that the Alternative Payment in no event shall be subject to the 20% excise tax under Section 4999 of the Code (the "Excise Tax").

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4.4.3 Definition of Change in Control. "Change in Control" means the occurrence of any of the following events during the Term of the Agreement: (i) any sale, lease, license, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the business and/or assets of the Company; (ii) a merger or consolidation of the Company and the Company is not the surviving entity; (iii) a reorganization or liquidation of the Company; (iv) a merger, consolidation, tender offer or any other transaction involving the Company if the equity holders of the Company immediately before such merger, consolidation, tender offer or other transaction do not own, directly or indirectly, immediately following such merger, consolidation, tender offer or other transaction, more than fifty percent (50%) of the combined voting power of the outstanding voting securities of the entity resulting from such merger, consolidation, tender offer or other transaction; (v) Deepak Chopra ceases to be Chief Executive Officer of the Company, unless his termination from employment with the Company is by reason of a voluntary termination; (vi) a change in the composition of the Company's Board as a result of which fewer than a majority of the directors are Incumbent Directors; or (v) the consummation of any other transaction involving a significant issuance of the Company's securities, or other material event, that the Company's Board determines to be a Change in Control. The term "Incumbent Directors" shall mean directors who either: (A) are directors of the Company as of the Effective Date hereof; or (B) are nominated for election to the Board of the Company with the affirmative votes of at least a majority of the directors of the Company who are Incumbent Directors ("Approved Successors") described in (A) above at the time of such nomination; or (C) are nominated for election to the Board of the Company with the affirmative votes of at least a majority of the directors of the Company who are Incumbent Directors or their Approved Successors. Notwithstanding the foregoing, "Incumbent Directors" shall not include an individual whose election or nomination is in connection with an actual or threatened proxy contest relating to the election of directors to the Company.

4.4.4 Benefit Continuation. Subject to the terms of the Company's benefit plans, in the event of a termination of this Agreement by the Company without Cause pursuant to Section 4.2.3 or by Executive for Good Reason pursuant to Section 4.3.1, if at the Completion Date, the Executive was covered as an active employee under the Company's group health plan(s), the Executive will be entitled to purchase continuation coverage under Company's group health plan pursuant to the provisions of the Consolidated Omnibus Budget Reconciliation Act, 29 U.S.C. Section 1161, et. seq. ("COBRA") and applicable state law ("Continuation Coverage") for himself and his dependents, if such dependents constitute "qualified beneficiaries" under COBRA, and the following provisions will apply thereto:

(a) The Company will pay the premiums for the Executive's and, as applicable, his eligible dependents' Continuation Coverage for coverage at the same level in which the Executive and, as applicable, his eligible dependents were enrolled as of the day before the Executive's termination of employment for the period beginning on his termination from employment and ending on the last day of the twelfth calendar month after the Executive's termination of employment (the "Continuation Period"). For purposes of this Agreement, the amounts contributed by the Company for Continuation Coverage on behalf of the Executive and, as applicable, his eligible dependents, are referred to as the "Premium Payments."

(b) In the event and on the date that the Executive becomes covered under another group health plan without any preexisting condition limitations or exclusions, the Company's obligation to pay the premiums for Continuation Coverage will cease. The Executive acknowledges that he is not entitled to the Premium Payments except as a contribution for Continuation Coverage and only as specifically provided herein. The Executive will promptly notify the Company in writing if he becomes covered under another group health plan prior to the

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end of the Continuation Period.

For the avoidance of doubt, the Company's payment of the cost of BeniComp (or other healthcare expense reimbursement plan) for the Executive and his spouse and dependents with respect to the Company's group medical coverage shall be treated as Premium Payments for purposes of this Section 4.4.4.

4.4.5 Timing of Severance Payments. Unless otherwise specified herein, amounts payable upon termination of employment under this Section 4.4 shall be made in a single lump-sum cash payment, less appropriate deductions and withholding, within forty-five (45) days of the Executive's "Separation from Service" as such term is defined in Section 8.13 and subject to the limitations thereof. The Company's liability for wages and benefits upon termination of this Agreement is limited to the obligations set forth herein. For avoidance of doubt, during the period of any severance benefits after the Completion Date, Executive shall not be entitled to any Company provided matching with respect to any 401(k) plan of the Company. In the event of the acceleration of incentive compensation awards such as restricted stock units and stock appreciation rights (other than equity or stock options) in connection

with a termination of Executive's employment by the Company, the value of such accelerated incentive compensation shall be payable in accordance with this [Section 4.4.5](#).

5. PROTECTION OF CONFIDENTIAL INFORMATION; NON-SOLICIT.

5.1 Executive acknowledges that his work for the Company will bring him into close contact with many confidential affairs of the Company not readily available to the public, and hereby agrees that he will not at any time (both during the Term and thereafter) disclose to any person, including any legal entity (except the Company and its Affiliates), any Confidential Information, and will only use Confidential Information for the Company's benefit; provided, however, that Executive may use and disclose Confidential Information to the extent necessary to assert any right or defend against any claim arising under this Agreement or pertaining to Confidential Information or its use, to the extent necessary to comply with any applicable statute, constitution, treaty, rule, regulation, ordinance or order, or if Executive receives a request to disclose all or any part of the information contained in the Confidential Information under the terms of a subpoena, order, civil investigative demand or similar process issued by a court of competent jurisdiction or by a governmental body or agency after giving prior notice to the Company so the Company can interpose any objection it may have. "Confidential Information" includes but is not limited to information or documents Executive has access to during the Term which relate to the Company's or its Affiliates' or related entities' operations, marketing, sales, or product development including, without limitation, records that are identified as, or that can reasonably be characterized as, confidential; employee names, duties and contact information; customer identities and lists, customer contacts, information about customer requirements and preferences; forecasts, budgets, and other financial information; plans, strategic, tactical or otherwise; data, computer programs, manuals, formulae, specifications, processes, methods, intangible rights and other similar items; provided that "Confidential Information" does not include information that at the time of disclosure has previously been made generally available to the public by any authorized action of the Company or is otherwise available to the public. "Affiliate" is a person or entity that directly, or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, the Company.

5.2 Executive acknowledges that Executive has been notified in accordance with the federal Defend Trade Secrets Act (18 U.S. Code § 1833(b) (1) that an individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (a) is made (i) in confidence to a federal, state, or local government official, either

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directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made in a complaint or other document filed in a lawsuit or other proceeding, *if* such filing is made under seal.

5.3 Executive also acknowledges that nothing in this Agreement shall be construed to prohibit Executive from reporting possible violations of law or regulation to any governmental agency or regulatory body or making other disclosures that are protected under any law or regulation, or from filing a charge with or participating in any investigation or proceeding conducted by any governmental agency or regulatory body. Additionally, Executive's confidentiality obligations set forth herein shall not be interpreted or applied in a manner that would conflict with Executive's rights, if any, under the NLRA, as defined and further described in [Section 8.5](#) below.

5.4 Upon termination of this Agreement for any reason, Executive shall immediately return to the Company all Confidential Information in his possession, custody or control.

5.5 Executive agrees that he will not, during the Term and for a period of eighteen (18) months thereafter, solicit, directly or indirectly, (other than by means of general publication or advertisement) any individual who was an executive, supervisor or manager of the Company as of the Completion Date, or within 90 days prior to the Completion Date, to terminate his/her employment with the Company. Nothing herein shall prevent Executive from, at some point in the future, working for an entity which may also employ former employees of the Company.

6. GRANT OF RIGHTS.

6.1 Executive hereby grants, transfers, conveys and assigns to the Company, its successors and assigns, all right, title, and interest in and to all work, materials and intellectual property of any and all forms constituting or otherwise relating to his performance of his duties hereunder, including the copyright, patent, trade secret rights, and all other right, title, and interest therein, and consisting of all source code, object code, documentation, flow charts, design documents, and record and file layouts relating thereto, and all trademarks, service marks, logos and trade dress associated therewith, and any discovery, concept or idea, whether or not patentable, made during such performance including, but not limited to, processes, methods, formulae and techniques, improvements thereof and know-how relating thereto (collectively, the "Property"). This exclusive conveyance shall include, but is not limited to, all

rights to publish, reproduce, transmit, adapt, prepare derivative works, sell, or otherwise make use of the Property (including all subsequent additions, revisions, supplements to, and versions of the Property and derivatives, regardless of nature) throughout the world, in any form or medium and in any language, and to license or otherwise transfer to others the rights commensurate herewith in connection with the Property, to file copyright and patent applications in the United States and throughout the world for the Property in the name of the Company, its successors and assigns. Executive hereby agrees that the Company, its successors and assigns may act as attorney-in-fact to execute any document that the Company, its successors or assigns deem necessary to record this grant with the United States Copyright Office, the United States Patent and Trademark Office, or elsewhere. If requested, Executive agrees to execute any and all copyright, patent, or trade secret assignments, certificates, applications or documents requested by the Company, its successors and assigns related to the Property. Executive's grant of rights in this Agreement is irrevocable and without right of rescission by Executive.

6.2 In furtherance of, and not in contravention, limitation and/or in place of, the provisions of Section 6.1 above, Company hereby notifies Executive of California Labor Code Section 2870, which provides:

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6.2.1 (a) Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities, or trade secret information except for those inventions that either: (1) Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or (2) Result from any work performed by the employee for the employer.

6.2.2 (b) To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable."

6.3 Executive acknowledges that he has been notified by the Company of this law, and understands that this Agreement does not apply to Property which is otherwise fully protected under the provisions of said Labor Code Section 2870. Therefore, Executive agrees to promptly disclose in writing to the Company all Property, whether or not Executive personally considers it patentable, which Executive alone, or with others, conceives or makes during his employment with Company or as is otherwise required and set forth under this Section 6.2. Company shall hold said information in strict confidence to determine the applicability of California Labor Code Section 2870 to said Property and, to the extent said Section 2870 does not apply, Executive hereby assigns and agrees to assign all his right, title and interest in and to the Property which relates to business of the Company and Executive agrees not to disclose any of such Property to others without the prior written express consent of Company. Executive agrees to notify Company in writing prior to making any disclosure or performing any work during the term of his employment with Company which may conflict with any proprietary rights or technical know-how claimed by Executive as his property. In the event Executive fails to give Company notice of such conflict, Executive agrees that Executive shall have no further right or claim with respect to any such conflicting proprietary rights or technical know-how.

7. **EQUITABLE REMEDIES.** The parties hereto intend that the covenants contained in Sections 5 and 6 shall be enforced to the fullest extent permissible under the laws of the State of California. Executive acknowledges and agrees that his breach of any provision of Sections 5 and 6 will result in irreparable harm and injury to the Company, and further acknowledges and agrees that in the event of any such breach it would be extremely difficult to fix or assess actual damages resulting therefrom. In addition to any other remedy that may be available to the Company at law or in equity, the Company shall be entitled, from any court of competent jurisdiction, to a decree of specific performance and to a temporary and permanent injunction enjoining and restricting the breach, or a threatened breach, by Executive of any such provision of this Agreement.

8. **MISCELLANEOUS.**

8.1 **Entire Agreement.** This Agreement and the plans and policies referenced herein constitutes the entire agreement between the parties pertaining to the subject matter hereof and supersedes and preempts any prior understandings, agreements or representations by or between the parties, written or oral, which may have related in any manner to the subject matter hereof. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by all the parties. The rule that a contract is construed against the party

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drafting the contract is hereby waived, and shall have no applicability in construing this Agreement or the terms hereof.

8.2 **Counterparts**. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

8.3 **Successors and Assigns**. Except as provided herein, this Agreement shall be binding on, and shall inure to the benefit of, the parties to it and their respective heirs, legal representatives, and permitted successors and assigns.

8.4 **Notices**. All notices required under this Agreement shall be given in writing and shall be served in person, by express mail, by certified mail, by overnight delivery, or by facsimile. Delivery shall be deemed conclusively made (i) at the time of service, if personally served, (ii) five days after deposit in the United States mail, properly addressed and postage prepaid, if delivered by express mail or certified mail, (iii) upon confirmation of delivery by the private overnight deliverer, if served by overnight delivery, and (iv) at the time of electronic transmission (as confirmed in writing), provided a copy is mailed within 24 hours after such transmission. Notices to the Company shall be delivered to the Company's then-current principal offices, to the attention of the Chief Executive Officer. Notices to the Executive shall be delivered to the address (or facsimile number, if any) provided to the Company by the Executive as his principal residence, or such other address or facsimile number as Executive may designate by written notice.

8.5 **NLRA Compliance**. All terms of this Agreement shall be interpreted and applied in a manner that complies with the National Labor Relations Act ("NLRA"), including without limitation, Section 7 thereof. Thus, to the extent Executive is covered by the NLRA, no provision of this Agreement, notwithstanding the language thereof, shall prohibit Executive, alone or with other Company employees, from (i) filing unfair labor practice charges; (ii) assisting others who are filing such charges; (iii) cooperating with the investigative process of National Labor Relations Board (the "NLRB") and other government agencies; (iv) self-organizing, forming, joining or assisting labor organizations; (v) bargaining collectively through representatives of their own choosing; (vi) discussing wages, hours, working conditions, other labor policies, or unionism for the purpose of collective bargaining or other mutual aid or protection; (vii) taking or posting pictures or videos of employees engaged in such activities or other activities involving collective bargaining or other mutual aid or protection; (viii) taking other action with one or more co-workers to improve working conditions by, among other means, raising work-related complaints directly with the Company or with a government agency, or seeking help from a union; or (ix) choosing not to engage in any of the foregoing activities.

8.6 **Governing Law**. This Agreement shall be construed in accordance with and governed by the laws of the State of California.

8.7 **Venue**. The Parties (i) agree that any dispute between the Parties, including, without limitation, any dispute concerning or arising out of this Agreement or Executive's employment hereunder (or termination thereof) that is not subject to the arbitration provisions of Section 8.15 shall be litigated exclusively in an appropriate state or federal court in or closest to Los Angeles, California; (ii) hereby consent, and waive any objection, to the jurisdiction of any such court; (iii) agree that service of process in any such litigation may be effected by mailing a copy of such process by registered or certified mail (or any substantially similar form of mail), postage prepaid, to such Party at Executive's or the Company's address as provided herein; and (v) agree that nothing in this Agreement shall affect the right to effect service of process in any other manner permitted by the laws of California.

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8.8 **Severability**. If any provision of this Agreement, as applied to any party or to any circumstance, shall be found by a court or arbitrator of competent jurisdiction to be void, invalid or unenforceable, the same shall in no way affect any other provision of this Agreement, the application of any such provision in any other circumstance, or the validity or enforceability of this Agreement, and any provision which is found to be void, invalid or unenforceable shall be curtailed and limited only to the extent necessary to bring such provision within the requirements of the law.

8.9 **Headings**. Titles or captions contained herein are inserted as a matter of convenience and for reference, and in no way, define, limit, extend or describe the scope of this Agreement or any provision thereof. No provision in this Agreement is to be interpreted for or against either party because that party or its legal representative drafted such provision.

8.10 **Further Assurances**. Each party agrees to execute and acknowledge such other instruments as may be reasonably necessary to effect the transactions contemplated herein.

8.11 **Remedies Cumulative.** All remedies shall be cumulative and pursuit of any one shall not waive any other.

8.12 **Waiver.** No waiver by any party at any time of any breach by any other party of, or compliance with, any condition or provision of the Agreement to be performed by any other party shall be deemed a waiver of any other provisions or conditions at the same time or at any prior or subsequent time.

8.13 **Application of Section 409A.** To the extent applicable, it is intended that this Agreement comply with the provisions of Section 409A of the Internal Revenue Code and the guidance promulgated thereunder ("Section 409A"). This Agreement shall be administered in a manner consistent with this intent, and any provision that would cause the Agreement to fail to satisfy Section 409A shall have no force and effect until amended by the parties to comply with Section 409A (which amendment may be retroactive to the extent permitted by Section 409A). Unless otherwise expressly provided, any payment of compensation by the Company to Executive, whether pursuant to this Agreement or otherwise, shall be made no later than the 15th day of the third month (i.e., 2½ months) after the later of the end of the calendar year or the Company's fiscal year in which Executive's right to such payment vests (i.e., is not subject to a "substantial risk of forfeiture" for purposes of Code Section 409A). For purposes of this Agreement, "Separation from Service" shall have the meaning given to such term under Section 409A. Each payment and each installment of any severance payments provided for under this Agreement shall be treated as a separate payment for purposes of application of Section 409A. To the extent that any severance payments come within the definition of "short term deferrals" or "involuntary severance" under Section 409A, such amounts shall be excluded from "deferred compensation" as allowed under Section 409A, and shall not be subject to the following Section 409A compliance requirements. All payments of "nonqualified deferred compensation" (within the meaning of Section 409A) are intended to comply with the requirements of Section 409A, and shall be interpreted in accordance therewith. Neither party individually or in combination may accelerate, offset or assign any such deferred payment, except in compliance with Section 409A. No amount shall be paid prior to the earliest date on which it is permitted to be paid under Section 409A and Executive shall have no discretion with respect to the timing of payments except as permitted under Section 409A. Any payments to which Section 409A applies which are subject to execution of a waiver and release which may be executed and/or revoked in a calendar year following the calendar year in which the payment event (such as Separation from Service) occurs shall commence payment only in the calendar year in which the release revocation period ends if necessary to comply with Section 409A. In the event that Executive is determined to be a "key

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employee" (as defined and determined under Section 409A) of the Company at a time when its stock is deemed to be publicly traded on an established securities market, payments determined to be "nonqualified deferred compensation" payable upon Separation from Service shall be made no earlier than (i) the first day of the seventh (7th) complete calendar month following such termination of employment, or (ii) Executive's death, if required and consistent with the provisions of Section 409A. Any payment delayed by reason of the prior sentence shall be paid out in a single lump sum at the end of such required delay period in order to catch up to the original payment schedule. All expense reimbursement or in-kind benefits subject to Section 409A provided under this Agreement or, unless otherwise specified in writing, under any Company program or policy, shall be subject to the following rules to the extent necessary to comply with Section 409A: (i) the amount of expenses eligible for reimbursement or in-kind benefits provided during one calendar year may not affect the benefits provided during any other year; (ii) reimbursements shall be paid no later than the end of the calendar year following the year in which Executive incurs such expenses, and Executive shall take all actions necessary to claim all such reimbursements on a timely basis to permit the Company to make all such reimbursement payments prior to the end of said period, and (iii) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit. Notwithstanding anything herein to the contrary, no amendment may be made to this Agreement if it would cause the Agreement or any payment hereunder not to be in compliance with Section 409A.

8.14 **Attorneys Fees.** Should any litigation or arbitration occur between the parties relating to this Agreement, the prevailing party shall be entitled to recover its reasonable attorneys' fees and other costs in connection with such litigation, including reasonable attorneys' fees, unless otherwise prohibited by statute or other applicable law, up to but not to exceed one hundred and fifty thousand dollars (\$150,000) which shall be due and payable no later than sixty (60) days following the date such judgment is entered. Any judgment shall include an attorneys' fees clause that shall entitle the judgment creditor to recover attorneys' fees incurred to enforce a judgment on this Agreement, which attorneys' fees shall be an element of post-judgment costs. In addition to the recovery of the fee provision above, if any party incurs costs in collecting any amounts due and payable under this Agreement, the collecting party shall be entitled to recover from the paying party the full amount of all such costs (limited only by reasonability) and such costs shall be added to, and made part of, the principal amount due and owing.

8.15 **Arbitration.**

8.15.1 Any claim, dispute, or controversy between the Executive and the Company (which, for this purpose, shall include including any of the Company's partners, affiliated companies, successors, assigns, owners, directors, officers, shareholders, employees, managers, members and agents), including without limitation, those arising out of or relating to this Agreement, Executive's employment with the Company or the termination thereof shall be submitted to final and binding arbitration pursuant to the Federal Arbitration Act ("FAA"). Notwithstanding the foregoing, the following shall not be subject to mandatory arbitration pursuant to this provision: (i) applications by any Party for temporary or preliminary injunctive relief in aid of arbitration or for the maintenance of the status quo pending arbitration; (ii) claims for workers' compensation benefits; (iii) claims for unemployment insurance compensation benefits; (iv) to the extent required by law, administrative claims or charges before applicable federal and state administrative agencies (such as the Equal Employment Opportunity Commission or comparable state agency, and any unfair labor charge which is to be brought under the NLRA); and (v) claims that may not be subject to pre-dispute mandatory arbitration agreements, such as claims for sexual harassment or sexual assault to the extent Executive determines that Executive would prefer to proceed in a court of law. Further, notwithstanding anything herein to the contrary, to

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the extent permitted by applicable law and applicable JAMS rules and standards without invalidating this arbitration provision, either Party shall be entitled to a court action for temporary equitable relief in accordance with Section 8.6.

8.15.2 To the maximum extent permitted by applicable law, the Parties agree that any claim each brings may not be initiated, maintained, heard or determined on a class action, collective action, or representative action basis either in court or in arbitration, and that each is not entitled to serve or participate as a class, collective or representative action member or representative or to receive any recovery from a class, collective or representative action involving a claim against the other Party either in court or in arbitration. Any claim brought by one Party may not be joined or consolidated with any other claim that does not involve precisely the same parties. If a Party is included within any class action, collective action, or representative action in court or in arbitration involving a claim against the other Party, such Party will take all steps necessary to opt-out of the action or refrain from opting in, as the case may be. Insofar as any claim between the Parties is permitted to proceed on a class action, collective action, or representative action basis, notwithstanding this Section, it must do so in court pursuant to Section 8.6.

8.15.3 The arbitration process shall be confidential and private and administered by JAMS pursuant to its Employment Arbitration Rules & Procedures in effect at the time the dispute is submitted (the "Arbitration Rules"), which can be found at <http://www.jamsadr.com>, a copy of which will be provided to Executive upon Executive's request. Claims must be submitted to JAMS for arbitration in accordance with the Arbitration Rules for commencing an arbitration, and within the applicable statute of limitations. The arbitration shall be conducted on a strictly confidential basis, and Executive shall not disclose the existence or nature of any claim or defense; any documents, correspondence, pleadings, briefing, exhibits, arguments, testimony, evidence, or information exchanged or presented in connection with any claim or defense; or any rulings, decisions, or results of any claim or defense (collectively, "Arbitration Materials") to any third party, with the sole exception of Executive's legal counsel, whom Executive shall ensure complies with these confidentiality terms, and the arbitrator. The Parties may file and the arbitrator shall hear and decide at any point in the proceedings any motion permitted by the Federal Rules of Civil Procedure, including but not limited to motions to compel discovery, motions for protective orders, motions to dismiss, motions for summary judgment, and motions in limine. In addition, the arbitration shall be subject to the same burdens of proof and statutes of limitations as if the claim at issue was being heard in the federal or state court provided by Section 8.6 above. The arbitration proceedings will be held before a single, neutral arbitrator in or close to Los Angeles County, California. The fees of the arbitrator and all other costs that are unique to the arbitration process shall be paid by the Company to the extent required by law. Each party shall be solely responsible for paying his/her/its own costs for the arbitration, including, but not limited to attorneys' fees. The arbitrator shall have the authority to award any damages or relief authorized by law, except the arbitrator shall have no authority to award any punitive or exemplary damages and the Parties waive, to the full extent permitted by law, any right to recover such damages in such arbitration. The award of the arbitrator shall be in writing and shall contain the arbitrator's factual findings, legal conclusions and reasons for the award. The award may be entered as a judgment in any court with jurisdiction over either Executive or the Company. Either Party may bring an action in any court of competent jurisdiction to compel arbitration under this Agreement, to enforce an arbitration award and to vacate an arbitration award. However, in actions seeking to vacate an award, the standard of review to be applied by said court to the arbitrator's findings of fact and conclusions of law will be the same as that applied by an appellate court reviewing a decision of a trial court sitting without a jury. The Parties agree to take all steps necessary to protect the confidentiality of the Arbitration Materials in connection with any court proceeding.

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agree to use their reasonable best efforts to file any court proceeding permitted herein and all Confidential Information (and all documents containing Confidential Information) under seal, and agree to the entry of an appropriate protective order encompassing the confidentiality terms of this Agreement. To the extent any of the terms, conditions or requirements of this Agreement conflict with the Arbitration Rules, the terms, conditions or requirements of this Agreement shall govern.

8.15.4 Notwithstanding any provision of the Arbitration Rules to the contrary, any issue concerning the validity or enforceability of any of the class action, collective action, and representative action waivers contained in this Agreement ("Waivers") shall be governed by and determined under and in accordance with the FAA and shall be decided by a court of competent jurisdiction pursuant to Section 8.7. Any issue concerning arbitrability of a particular issue or claim pursuant to this Agreement (except for issues concerning the validity or enforceability of any of the Waivers) must be resolved by the arbitrator, not the court. **The Parties understand that by agreeing to arbitration, they are giving up their right to a trial in a court of law.**

8.16 **Clawback Policy.** Notwithstanding anything contained herein or in any incentive compensation plan, program or arrangement sponsored by the Company, all incentive or performance based compensation shall be subject to reduction or repayment by reason of a restatement of the Company's financial statements if and to the extent such reduction or repayment is required by any applicable law or the Company's policy regarding clawbacks.

8.17 **Limitation on Remedies.** Executive acknowledges and agrees that this Agreement is being executed voluntarily, knowingly and without duress. Executive's exclusive remedy against the Company in the event the Company materially breaches this Agreement shall be to invoke the provisions of Section 4.3.1 and Section 4.4 hereof. If Executive brings a claim based on breach of the Company's obligation to provide any of the benefits and compensation promised to him in this Agreement, and it is determined that the Company breached such obligation, the amount of any award to Executive shall not exceed the amounts provided under Section 4.4 and, except as specifically provided in Sections 4.4.2 and 8.13, shall not be reduced by alternative income or benefits he receives before or after his separation from the Company, nor shall he otherwise be required to mitigate his damages based on breach of this Agreement.

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Alan Edrick Amended and Restated Employment Agreement

IN WITNESS WHEREOF, the parties hereto have executed this Employment Agreement to be effective as of the date first set forth above.

Establishment and Purpose

1 EXECUTIVE

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1 /s/ Alan
Edrick

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EXHIBIT A
TO THE EXECUTIVE EMPLOYMENT AGREEMENT
SECTION 280G RULES

1. The following rules shall apply for purposes of determining the amounts payable under Section 4.4.2(b) of the Agreement. For the avoidance of doubt, in the event there is a conflict between the terms of any agreement relating to payments of amount payable in the event of a 280G Event (including, but not limited to any equity, stock options and incentive compensation agreements) and this Agreement, the terms of the Agreement (including this Exhibit A) shall prevail.
2. Whether the payment under Section 4.4.2(b)(1) is greater than the amount of the Alternative Payment under Section 4.2.2(b)(2) shall be determined on a net after-tax basis after taking into account the Excise Tax, if any, on the amounts described in Section 4.4.2(b)(1) and the amount of all applicable federal, state and local income and employment taxes that would be payable by the Executive with respect to amounts described in Section 4.2.2 calculated at the highest marginal income tax rate for each year in which the foregoing shall be paid to the Executive (based on the rate in effect for such year as set forth in the Code as in effect at the time of the first payment of the foregoing).
3. All determinations under Section 4.4.2(b) of the Agreement and this Exhibit A will be made by an accounting firm or law firm that is selected for this purpose by the Company prior to a 280G Event (the "280G Firm"). All fees and expenses of the 280G Firm shall be borne by the Company. The Company will direct the 280G Firm to submit any determination it makes under Section 4.4.2(b) of this Agreement and this Exhibit A and detailed supporting calculations to both the Executive and the Company as soon as reasonably practicable.
4. If the 280G Firm determines that the Alternative Payment is to be made under Section 4.4.2(b)(2) and one or more reductions are required under it to avoid the Excise Tax, the 280G Firm shall also determine which payments shall be reduced (first from cash payments and then from non-cash benefits) to the extent necessary so that no portion thereof shall be subject to the Excise Tax, and the Company shall pay such reduced amount to the Executive. The 280G Firm shall make reductions required under Section 4.4.2(b) of this Agreement in a manner that maximizes the net after-tax amount payable to the Executive.

5. As a result of the uncertainty in the application of Section 280G at the time that the 280G Firm makes its determinations under Section 4.4.2(b)(2) of this Agreement, it is possible that amounts will have been paid or distributed to the Executive that should not have been paid or distributed (collectively, the "Overpayments"), or that additional amounts should be paid or distributed to the Executive (collectively, the "Underpayments"). If the 280G Firm determines, based on either the assertion of a deficiency by the Internal Revenue Service against the Company or the Executive, which assertion the 280G Firm believes has a high probability of success or controlling precedent or substantial authority, that an Overpayment has been made, the Executive must repay to the Company the Overpayment. If the 280G Firm determines, based upon controlling precedent or substantial authority, that an Underpayment has occurred, the 280G Firm will notify the Executive and the Company of that determination and the amount of that Underpayment will be paid to the Executive promptly by the Company.

6. The Executive will provide the 280G Firm access to, and copies of, any books, records, and documents in the Executive's possession as reasonably requested by the 280G Firm, and otherwise cooperate with the 280G Firm in connection with the preparation and issuance of the determinations and calculations contemplated by Section 4.4.2(b) of the Agreement and this [Exhibit A](#).

ARTICLE I Exhibit 10.2

Establishment EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (the "Agreement") is made and **Purpose**

entered into as of April 29, 2024 ("Effective Date") by and between OSI Systems, Inc., a Delaware corporation (the "Company") hereby adopts the Second Amended and Restated OSI Systems, Inc. Deferred Compensation Plan (the "Plan" "Company"), effective December 1, 2023 and Ajay Mehra ("Executive").

1. ENGAGEMENT AND DUTIES.

1.1 Commencing upon the Effective Date, and upon the terms and subject to the conditions set forth in this Agreement, the Company hereby engages and employs Executive with the title and designation of Executive Vice President of the Company and President of OSI Cargo & Solutions Group business unit (the "Second Restatement Date" "OSI Solutions Business"). This Plan amends which shall consist of turnkey solutions using the Company's security and restates in its entirety healthcare technologies and third party technologies, training and integration. Executive shall report to the Amended Company's Chief Executive Officer.

1.2 Executive agrees to devote his primary business time, energies, skills, efforts and Restated OSI Systems, Inc. Deferred Compensation Plan adopted on April 25, 2014 (the "2014 A&R Plan"), which amended and restated the OSI Systems, Inc. Deferred Compensation Plan adopted on May 9, 2008. In order to provide Participants with additional flexibility to elect Payment Schedules with respect to future Deferrals, this restatement, among other updates: (i) renames a Participant's "Separation from Service Account" as his or her "Retirement Account" and (ii) permits each Participant to establish one or more "Separation from Service Account" in addition attention to his duties hereunder and will not, without the prior consent of the Company, which consent will not be unreasonably withheld, render any material services to any other business concern. Reasonable bases for the Company to withhold consent include, without limitation, unreasonable interference with, or her Retirement Account other incompatibility with, respect to amounts deferred under any Compensation Deferral Agreement that becomes effective and irrevocable on or after the Second Restatement Date. Nothing in this restatement is intended to change or does in fact change the time or form of payment of amounts deferred under the Plan as in existence prior Executive's duties to the Second Restatement Date, including without limitation, Company, so long as such bases are stated in writing by the time and form of payment of any Retirement Account, Company.

The purpose of 1.3 Except for routine travel incident to the Plan is to attract and retain key employees by providing each Participant with an opportunity to defer receipt of a portion of their salary, bonus, commission, and other specified compensation (if any). The Plan is not intended to meet the

qualification requirements of Code Section 401(a) but is intended to meet the requirements of Code Section 409A and shall be operated and interpreted consistent with that intent.

The Plan constitutes an unsecured promise by a Participating Employer to pay benefits in the future. Participants in the Plan shall have the status of general unsecured creditors of the Company or the Adopting Employer, performance of his duties, Executive shall perform services hereunder primarily at the Company's offices in Hawthorne, California, or at such other place as applicable. Each Participating Employer Executive and the Company may from time to time agree.

2. **TERM.** The Term of this Agreement shall be solely responsible for payment as of the benefits of its employees Effective Date and their beneficiaries. The Plan is unfunded for Federal tax purposes and is intended to be an unfunded arrangement for eligible employees who are part of a select group of management or highly compensated employees shall continue until the first anniversary of the Employer within Effective Date ("Initial Term"), unless sooner terminated as provided under Section 4, and shall automatically be extended for successive one (1) year periods ("Renewal Periods"), unless either party delivers notice of non-renewal to the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA. Any amounts set aside other party at least thirty (30) days prior to defray the liabilities assumed by the Company or an Adopting Employer will remain the general assets end of the Company Initial Term or any Renewal Period then in effect, or unless sooner terminated under Section 4. The Initial Term and any Renewal Period(s) shall collectively be referred to as the Adopting Employer and shall remain subject to the claims of the Company's or the Adopting Employer's creditors until such amounts are distributed to the Participants.

ARTICLE II

Definitions

2.1 **Account** "Term". Account means a bookkeeping account maintained by the Committee to record the payment obligation of a Participating Employer to a Participant as determined under the terms of the Plan (and for clarity, shall include each Retirement Account, each Separation from Service Account and each Specified Date Account). The Committee may maintain an Account to record the total obligation to a Participant and component Accounts to reflect amounts payable at different times and in different forms. Reference to an Account means any such Account established by the Committee, as the context requires.

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Accounts are intended to constitute unfunded obligations within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA.

2.2 **Account Balance.** Account Balance means, with respect to any Account, the total payment obligation owed to a Participant from such Account as of the most recent Valuation Date.

2.3 **Adopting Employer.** Adopting Employer means an Affiliate who, with the consent of the Company, has adopted the Plan for the benefit of its eligible employees.

2.4 **Affiliate.** Affiliate means a corporation, trade or business that, together with the Company, is treated as a single employer under Code Section 414(b) or (c).

2.5 **Beneficiary.** Beneficiary means a natural person, estate, or trust designated by a Participant to receive payments to which a Beneficiary is entitled in accordance with provisions of the Plan. The Participant's spouse, if living, otherwise the Participant's estate, shall be the Beneficiary if: (i) the Participant has failed to properly designate a Beneficiary; or (ii) all designated Beneficiaries have predeceased the Participant.

2.6 **Business Day.** A Business Day is each day on which the New York Stock Exchange is open for business.

2.7 **Change in Control.** Change in Control, with respect to a Participating Employer that is organized as a corporation, occurs on the date on which any of the following events occur: (i) a change in the ownership of the Participating Employer; (ii) a change in the effective control of the Participating Employer; or (iii) a change in the ownership of a substantial portion of the assets of the Participating Employer.

For purposes of this Agreement, the "Completion Date" shall be defined as the Executive's actual final date of employment and shall coincide with the Executive's "Separation from Service" as such term is defined in [Section 8.13](#).

3. **COMPENSATION.** During the Term of this Agreement the Executive shall be provided with the following Compensation:

3.1 **Base Salary.** Executive's Base Salary shall be Four Hundred and Ninety-Two Thousand, Three Hundred and Forty Dollars (\$492,340) per annum, less applicable withholdings ("Base Salary"). The Base Salary shall be payable at such times and in such manner as the Company customarily pays other similarly situated executives but in no event less frequently than twice per month. Executive's Base Salary shall be reviewed annually.

3.2 **Equity Participation.**

3.2.1 To the extent that the Company or its Affiliates maintain one or more equity participation plans, Executive shall be eligible to participate in such plans; provided, however, that

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Executive's participation in such equity participation plans, and the extent of any such participation, shall be at the Company's sole discretion.

3.2.2 Notwithstanding anything to the contrary herein, all stock options, equity awards and other incentive compensation awards and any special incentive bonuses to which the parties mutually agree in writing ("Special Bonus Programs") granted to Executive by the Company shall become fully vested and nonforfeitable upon a **change** Change in Control (as defined herein).

3.3 **Bonuses.** Executive shall participate in the **ownership** Company's bonus pool and Executive's bonus (if any) shall be determined and paid on the same or similar basis as the bonuses of other similarly-situated executives. Each bonus payment shall be made in the calendar year that contains the last day of the **Participating Employer occurs** fiscal year or performance year to which the bonus payment is attributable, no later than September 14th.

3.4 **Fringe Benefits.** Executive shall be entitled to participate in and receive benefits under any plan of the Company made available from time to time to any other similarly situated executive, provided he is otherwise eligible to participate. Such benefits may include, without limitation, life insurance, disability insurance, medical/dental/vision insurance, and retirement benefits, including participation in the Company's deferred compensation plan. With respect to Executive's life insurance benefits, the Company shall during the Term facilitate the purchase by Executive of an individual term life insurance policy on the **date on which** life of Executive having a death benefit in the amount of no less than Two Million, Five Hundred Thousand Dollars (\$2,500,000) (the "Policy"), and the reasonable premiums for such Policy shall be reimbursed to Executive by the Company during the period of time Executive is employed by the Company. The Policy shall be owned by Executive or Executive's permitted assigns. It shall be the responsibility of Executive to apply for and obtain the Policy and the Company makes no representation or guarantee Executive will be eligible for any **one** person, such life insurance coverage. Upon termination of employment for any reason, the Company will have no further obligation to reimburse Executive for such premiums; however, Executive shall be entitled to continue such Policy at his own expense.

3.5 **Business Expenses/Car Allowance.** Company shall advance to or reimburse Executive for all reasonable, ordinary and necessary business expenses incurred by Executive as a result of Executive's services hereunder, in accordance with Company policy as established from time to time. Company shall provide the Executive with the use of a Company car, subject to compliance with the Company policy regarding the provision of allowances and in-kind benefits referenced in [Section 8.13](#).

3.6 **PTO.** Executive shall be entitled to paid time off in accordance with the Company's policy applying to other similarly-situated executives, but in no event less than four (4) weeks of paid time off in each year during the Term.

3.7 **Relocation Package.** In the event of relocation, during the Term, of Executive's principal office location more than **one** person acting **25** miles from its location as of the Effective Date (but not closer to the Executive's principal residence), and, as a group, acquires ownership **result** thereof, Executive relocates his principal residence, the Company shall offer Executive a reasonable relocation package.

4. TERMINATION OF EMPLOYMENT.

4.1 By the Company For Cause. The Company may terminate Executive's employment under this Agreement for "Cause" at any time upon notice to Executive. As used in this Agreement "Cause" shall be defined as: (a) Executive's admission or conviction of, stock or

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entering of a plea of *nolo contendere* as to any felony, or any lesser crime involving fraud, embezzlement or theft; (b) Executive's failure to substantially perform his duties, which failure cannot be cured or is not cured within ten (10) business days after written notice from the Company, as long as Executive is not prevented from performing or curing by actions outside his control; or (c) Executive's material breach of any provision of this Agreement, which breach cannot be cured or is not cured within thirty (30) business days after written notice from the Company, as long as Executive is not prevented from performing or curing by actions outside his control.

4.2 By the Company Other Than For Cause. The Company may terminate the Executive's employment under this Agreement at any time other than for Cause, for any of the Participating Employer following reasons, under the following terms:

4.2.1 Death. In the event of Executive's death, this Agreement shall automatically terminate and all rights of Executive and his heirs, executors and administrators to compensation and other benefits under this Agreement shall cease; provided, however, that together Executive's participation in the Company's employee benefit plans or programs shall cease in accordance with stock held by the terms of such person plans or group constitutes more than fifty percent (50%) programs as then in effect.

4.2.2 Disability. The Company may, at its option, terminate the Executive's employment upon written notice to Executive if Executive, because of physical or mental incapacity or disability, fails to perform the essential functions of his position required of him hereunder for an aggregate period of one hundred eighty (180) days within any twelve-month period. Upon such termination, all obligations of the total fair market value Company hereunder shall cease; provided, however, that Executive's participation in the Company's employee benefit plans or total voting power programs shall cease in accordance with the terms of such plans or programs as then in effect.

4.2.3 Without Cause. The Company may terminate Executive's employment without Cause upon 30 calendar days' written notice ("Notice Period") to Executive. The Company may elect whether or not Executive shall perform duties under this Agreement during all or a portion of the stock Notice Period but shall be required to pay Executive all wages and other compensation (including but not limited to continued vesting of any equity awards) as provided for in Section 3 until the end of the Participating Employer. A change in Notice Period ("Notice Period Compensation"). Any decision by the effective control Company not to renew this Agreement at any time during the Term, or to terminate this Agreement for any reason other than for Cause, death or disability, shall be treated as a termination without Cause.

4.3 Termination By Executive. Executive may terminate this Agreement at any time upon 30 calendar days' notice ("Executive Notice Period") to the Company, whether or not such termination is for Good Reason as described below. The Company may elect whether or not Executive shall perform duties under this Agreement during all or a portion of the Participating Employer occurs on Executive Notice Period but shall be required to pay Executive all Notice Period Compensation as provided for in Section 3 until the date on which either: (i) a person, or more than one person acting as a group, acquires ownership of stock end of the Participating Employer possessing thirty percent (30%) Executive Notice Period.

4.3.1 Good Reason. Executive may terminate this Agreement for "Good Reason," which shall mean the occurrence of any of the following events, unless Executive specifically agrees in writing that such event is not Good Reason provided that (x) Executive terminates this Agreement within six (6) months following the initial existence of one or more of the total voting power following events that occur without Executive's consent and (y) Executive provides written notice to the Company of the stock existence of one or more of the Participating Employer, taking into account all following events within ninety (90) days of the initial existence of such stock acquired during event or events, the twelve (12) month period ending Company fails to remedy such event or events within thirty (30) days of receiving such notice, and termination is effective within sixty (60)

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days following the end of such cure period:

- (a) **Substantial Change in Duties.** Any substantial negative change in the nature and status of duties assigned to Executive such that Executive is given duties not commensurate with Executive's title. (For avoidance of doubt, duties may be changed to comparable duties of similar importance and stature commensurate with the title of an Executive Vice President, without constituting Good Reason. Furthermore, changes in service or participation on the date of the most recent acquisition; or (ii) a majority of the members of the Participating Employer's Company's Board of Directors ("Board") shall not constitute Good Reason.);
- (b) **Relocation.** Following a Change in Control, the relocation of Executive's principal office location more than twenty-five (25) miles from its location as of the Effective Date (but not closer to Executive's principal residence);
- (c) **Reduction in Salary.** Executive's Base Salary is replaced during reduced by more than ten percent (10%) of Executive's initial Base Salary specified in Section 3.1. or, following a Change in Control, any reduction in Executive's Base Salary (for avoidance of doubt, a reduction of less than 10% of Base Salary from Executive's initial Base Salary prior to a Change in Control shall not be considered a breach of this Agreement);
- (d) **Material Breach.** Any material breach of the Agreement by the Company;
- (e) **Change in Title.** Any change in Executive's titles such that Executive no longer holds the titles (and privileges commensurate with such titles) set forth in Section 1.1 and instead is given a title or privileges of less importance and stature;
- (f) **Change in Reporting Relationship.** Any change in the reporting relationship, such that Executive no longer reports to the Company's Chief Executive Officer; and
- (g) **Change in Role.** In the event that, for whatever reason, the Company is no longer the parent entity in its organizational framework, such that Executive is no longer the Executive Vice President of the Company and President of OSI Cargo & Solutions Group business unit of the parent entity.
- (h) **Company No Longer Public.** The Company's stock is no longer publicly traded.

4.3.2 Without Good Reason. Executive may terminate this Agreement without Good Reason as defined herein.

4.4 Payments Upon Termination. Upon expiration, non-renewal or termination of this Agreement for any reason by either party as described in this Section 4, Executive shall be entitled to receive payment of (a) any unpaid Base Salary through the Completion Date payable on such date; (b) any unused vacation and paid time off accrued through the Completion Date payable on such date; and (c) vested incentive compensation and applicable employee benefits to which Executive is entitled upon Separation from Service with the Company, payable in accordance with the terms of the plans or programs of the Company then in effect (a-c is referred to together as "Accrued Compensation"). In addition to the above, and subject to Executive's execution of a customary and reasonable release of liabilities in favor of the Company and its Affiliates, all of the following shall apply:

4.4.1 Involuntary Termination. In the event of termination of Executive's employment either by the Company without Cause pursuant to Section 4.2.3 or by Executive for Good Reason pursuant to Section 4.3.1, subject to the provisions of Section 4.4.2 below,

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Executive shall also be entitled to the following in addition to the Accrued Compensation above; (i) a single lump sum payable as provided in Section 4.4.5, equal to twenty-four (24) months of Base Salary at Executive's then-current Base Salary (which shall be the Base Salary before any temporary reduction pursuant to 4.3.1(c) or otherwise), plus two (2) times the cash bonus at target performance for the then-current year; (ii) continuation of Executive's car usage or allowance payments, as set forth in Section 3.5, for a period of six (6) months after Separation from Service, (iii) a six thousand dollar (\$6,000) allowance for outplacement services payable at the same time as the severance payment provided under Section 4.4.1(a), and (iv) acceleration of vesting of all stock options and equity grants and other cash incentive compensation awards from the Company to Executive as follows: (x) grants vesting over time shall be fully vested on Separation from Service, (y) grants vesting based on performance shall be accelerated and fully vested on Separation from Service at target performance levels without regard to whether the performance targets (excluding any overperformance provisions) have been met for such performance period, and (z) cash incentives compensation for the then-current year shall be accelerated on the basis of the assumption that the target performance has been met; and (iv) the

time to exercise nonqualified stock options shall be extended such that Executive's right to exercise such stock options shall continue until the first anniversary of the Completion Date, but in no event later than the Expiration Date of the options, as defined under the stock option agreement covering such options.

4.4.2 Change in Control. Within ninety (90) days prior to or twelve (12) month period months after a Change of Control, if there is either (A) a notice of termination of this Agreement by directors whose appointment the Company without Cause pursuant to Section 4.2.3, or election is not endorsed (B) a notice of termination of this Agreement by Executive for Good Reason pursuant to Section 4.3.1, and such notice under (A) or (B) results in a majority Separation from Service of the members Executive, then:

(a) Executive shall receive the payments and benefits set forth in Section 4.4.1, provided, however, that incentive compensation, whether cash-based or equity-based, shall be calculated on the basis of such Board maximum payment for individual, group and Company performance, as applicable, contemplated under each plan in lieu of, Directors prior and not in addition to, the date any amount Executive receives under Section 4.4.1(d).

(b) If a termination of the appointment this Agreement covered by this Section 4.4.2 is contingent upon a change in ownership or election, but only if no other corporation is effective control of Company or a majority shareholder of the Participating Employer. A change in the ownership of a substantial portion of the assets occurs of the Company (within the meaning of Section 280G(b)(2)(i) of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations thereunder (collectively, a "280G Event")), then Executive shall receive the greater of (on a net after-tax basis): (i) the compensation and benefits otherwise payable under Section 4.4.2(a), or (ii) the Alternative Payment (as defined below). For purposes of this Agreement, "Alternative Payment" means a lump sum payment made by Company to Executive as provided in Section 4.4.5, in immediately available funds in an amount equal to the product of 2.99 (or, if Code Section 280G(b)(2)(A)(ii) is amended providing for a multiple other than 3, then the multiple as amended, less 0.01 multiplied by Executive's "base amount" (as defined in Code Section 280G(b)(3)); reduced by the value of acceleration of any equity, stock options and incentive compensation accelerated hereunder under Section 4.4.2(a) or the value of other payment contingent upon the 280G Event that is not described in Section 4.4.2(a) above, in each case as valued and determined under Code Section 280G and the regulations thereunder. Payments to Executive upon termination of this Agreement under this Section 4.4.2 shall be subject to mitigation as provided in Treasury Regulations Section 1.280G-1 Q&A 42(c)(5). The value (as determined under Code Section 280G and the regulations thereunder) of acceleration of vesting of equity, stock options and incentive compensation and any other amount granted by the

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Company to Executive shall be taken into account to the minimum extent necessary so as not to violate Treasury Regulations Section 1.280G-1 Q&A 42(c). Rules governing the determination and calculation of the Alternative Payment are set forth in Exhibit A, which shall be enforceable as if set forth in this Agreement. For the avoidance of doubt, it is the intention of the parties that the Alternative Payment in no event shall be subject to the 20% excise tax under Section 4999 of the Code (the "Excise Tax").

4.4.3 Definition of Change in Control. "Change in Control" means the occurrence of any of the following events during the Term of the Agreement: (i) any sale, lease, license, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the business and/or assets of the Company; (ii) a merger or consolidation of the Company and the Company is not the surviving entity; (iii) a reorganization or liquidation of the Company; (iv) a merger, consolidation, tender offer or any other transaction involving the Company if the equity holders of the Company immediately before such merger, consolidation, tender offer or other transaction do not own, directly or indirectly, immediately following such merger, consolidation, tender offer or other transaction, more than fifty percent (50%) of the combined voting power of the outstanding voting securities of the entity resulting from such merger, consolidation, tender offer or other transaction; (v) Deepak Chopra ceases to be Chief Executive Officer of the Company, unless his termination from employment with the Company is by reason of a voluntary termination; (vi) a change in the composition of the Company's Board as a result of which fewer than a majority of the directors are Incumbent Directors; or (v) the consummation of any other transaction involving a significant issuance of the Company's securities, or other material event, that the Company's Board determines to be a Change in Control. The term "Incumbent Directors" shall mean directors who either: (A) are directors of the Company as of the Effective Date hereof; or (B) are nominated for election to the Board of the Company with the affirmative votes of at least a majority of the directors of the Company who are Incumbent Directors ("Approved Successors") described in (A) above at the time of such nomination; or (C) are nominated for election to the Board of the Company with the affirmative votes of at least a majority of the directors of the Company who are Incumbent Directors or their Approved Successors. Notwithstanding the foregoing, "Incumbent Directors" shall not include an individual whose election or nomination is in connection with an actual or threatened proxy contest relating to the election of directors to the Company.

4.4.4 Benefit Continuation. Subject to the terms of the Company's benefit plans, in the event of a termination of this Agreement by the Company without Cause pursuant to Section 4.2.3 or by Executive for Good Reason pursuant to Section 4.3.1, if at the Completion Date, the Executive was

covered as an active employee under the Company's group health plan(s), the Executive will be entitled to purchase continuation coverage under Company's group health plan pursuant to the provisions of the Consolidated Omnibus Budget Reconciliation Act, 29 U.S.C. Section 1161, et. seq. ("COBRA") and applicable state law ("Continuation Coverage") for himself and his dependents, if such dependents constitute "qualified beneficiaries" under COBRA, and the following provisions will apply thereto:

(a) The Company will pay the premiums for the Executive's and, as applicable, his eligible dependents' Continuation Coverage for coverage at the same level in which the Executive and, as applicable, his eligible dependents were enrolled as of the day before the Executive's termination of employment for the period beginning on his termination from employment and ending on the last day of the twelfth calendar month after the Executive's termination of employment (the "Continuation Period"). For purposes of this Agreement, the amounts contributed by the Company for Continuation Coverage on behalf of the Executive and, as applicable, his eligible dependents, are referred to as the "Premium Payments."

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(b) In the event and on the date on which that the Executive becomes covered under another group health plan without any one person, preexisting condition limitations or more than one person acting exclusions, the Company's obligation to pay the premiums for Continuation Coverage will cease. The Executive acknowledges that he is not entitled to the Premium Payments except as a contribution for Continuation Coverage and only as specifically provided herein. The Executive will promptly notify the Company in writing if he becomes covered under another group health plan prior to the end of the Continuation Period.

For the avoidance of doubt, the Company's payment of the cost of BeniComp (or other healthcare expense reimbursement plan) for the Executive and his spouse and dependents with respect to the Company's group medical coverage shall be treated as Premium Payments for purposes of this Section 4.4.4.

4.4.5 Timing of Severance Payments. Unless otherwise specified herein, amounts payable upon termination of employment under this Section 4.4 shall be made in a single lump-sum cash payment, less appropriate deductions and withholding, within forty-five (45) days of the Executive's "Separation from Service" as such term is defined in Section 8.13 and subject to the limitations thereof. The Company's liability for wages and benefits upon termination of this Agreement is limited to the obligations set forth herein. For avoidance of doubt, during the period of any severance benefits after the Completion Date, Executive shall not be entitled to any Company provided matching with respect to any 401(k) plan of the Company. In the event of the acceleration of incentive compensation awards such as restricted stock units and stock appreciation rights (other than equity or stock options) in connection with a termination of Executive's employment by the Company, the value of such accelerated incentive compensation shall be payable in accordance with this Section 4.4.5.

5. PROTECTION OF CONFIDENTIAL INFORMATION; NON-SOLICIT.

5.1 Executive acknowledges that his work for the Company will bring him into close contact with many confidential affairs of the Company not readily available to the public, and hereby agrees that he will not at any time (both during the Term and thereafter) disclose to any person, including any legal entity (except the Company and its Affiliates), any Confidential Information, and will only use Confidential Information for the Company's benefit; provided, however, that Executive may use and disclose Confidential Information to the extent necessary to assert any right or defend against any claim arising under this Agreement or pertaining to Confidential Information or its use, to the extent necessary to comply with any applicable statute, constitution, treaty, rule, regulation, ordinance or order, or if Executive receives a request to disclose all or any part of the information contained in the Confidential Information under the terms of a subpoena, order, civil investigative demand or similar process issued by a court of competent jurisdiction or by a governmental body or agency after giving prior notice to the Company so the Company can interpose any objection it may have. "Confidential Information" includes but is not limited to information or documents Executive has access to during the Term which relate to the Company's or its Affiliates' or related entities' operations, marketing, sales, or product development including, without limitation, records that are identified as, or that can reasonably be characterized as, confidential; employee names, duties and contact information; customer identities and lists, customer contacts, information about customer requirements and preferences; forecasts, budgets, and other financial information; plans, strategic, tactical or otherwise; data, computer programs, manuals, formulae, specifications, processes, methods, intangible rights and other similar items; provided that "Confidential Information" does not include information that at the time of disclosure has previously been made generally available to the public by any authorized action of the Company or is otherwise available to the public. "Affiliate" is a person or group of persons that is related to the Participating Employer, acquires assets from the Participating Employer that have a total gross fair market value equal to or more than forty

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entity that directly, or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, the Company.

25.2 Executive acknowledges that Executive has been notified in accordance with the federal Defend Trade Secrets Act (18 U.S. Code § 1833(b) (1)) that an individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of 25 a trade secret that: (a) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

5.3 Executive also acknowledges that nothing in this Agreement shall be construed to prohibit Executive from reporting possible violations of law or regulation to any governmental agency or regulatory body or making other disclosures that are protected under any law or regulation, or from filing a charge with or participating in any investigation or proceeding conducted by any governmental agency or regulatory body. Additionally, Executive's confidentiality obligations set forth herein shall not be interpreted or applied in a manner that would conflict with Executive's rights, if any, under the NLRA, as defined and further described in Section 8.5 below.

5.4 Upon termination of this Agreement for any reason, Executive shall immediately return to the Company all Confidential Information in his possession, custody or control.

5.5 Executive agrees that he will not, during the Term and for a period of eighteen (18) months thereafter, solicit, directly or indirectly, (other than by means of general publication or advertisement) any individual who was an executive, supervisor or manager of the Company as of the Completion Date, or within 90 days prior to the Completion Date, to terminate his/her employment with the Company. Nothing herein shall prevent Executive from, at some point in the future, working for an entity which may also employ former employees of the Company.

6. GRANT OF RIGHTS.

6.1 Executive hereby grants, transfers, conveys and assigns to the Company, its successors and assigns, all right, title, and interest in and to all work, materials and intellectual property of any and all forms constituting or otherwise relating to his performance of his duties hereunder, including the copyright, patent, trade secret rights, and all other right, title, and interest therein, and consisting of all source code, object code, documentation, flow charts, design documents, and record and file layouts relating thereto, and all trademarks, service marks, logos and trade dress associated therewith, and any discovery, concept or idea, whether or not patentable, made during such performance including, but not limited to, processes, methods, formulae and techniques, improvements thereof and know-how relating thereto (collectively, the "Property"). This exclusive conveyance shall include, but is not limited to, all rights to publish, reproduce, transmit, adapt, prepare derivative works, sell, or otherwise make use of the Property (including all subsequent additions, revisions, supplements to, and versions of the Property and derivatives, regardless of nature) throughout the world, in any form or medium and in any language, and to license or otherwise transfer to others the rights commensurate herewith in connection with the Property, to file copyright and patent applications in the United States and throughout the world for the Property in the name of the Company, its successors and assigns. Executive hereby agrees that the Company, its successors and assigns may act as attorney-in-fact to execute any document that the Company, its successors or assigns deem necessary to record this grant with the United States Copyright Office, the United States Patent and Trademark Office, or elsewhere. If requested, Executive agrees to execute any and all copyright, patent, or

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trade secret assignments, certificates, applications or documents requested by the Company, its successors and assigns related to the Property. Executive's grant of rights in this Agreement is irrevocable and without right of rescission by Executive.

6.2 In furtherance of, and not in contravention, limitation and/or in place of, the provisions of Section 6.1 above, Company hereby notifies Executive of California Labor Code Section 2870, which provides:

6.2.1 (a) Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities, or trade secret information except for those inventions that either: (1) Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or (2) Result from any work performed by the employee for the employer.

6.2.2 (b) To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable."

6.3 Executive acknowledges that he has been notified by the Company of this law, and understands that this Agreement does not apply to Property which is otherwise fully protected under the provisions of said Labor Code Section 2870. Therefore, Executive agrees to promptly disclose in writing to the Company all Property, whether or not Executive personally considers it patentable, which Executive alone, or with others, conceives or makes during his employment with Company or as is otherwise required and set forth under this Section 6.2. Company shall hold said information in strict confidence to determine the applicability of California Labor Code Section 2870 to said Property and, to the extent said Section 2870 does not apply, Executive hereby assigns and agrees to assign all his right, title and interest in and to the Property which relates to business of the Company and Executive agrees not to disclose any of such Property to others without the prior written express consent of Company. Executive agrees to notify Company in writing prior to making any disclosure or performing any work during the term of his employment with Company which may conflict with any proprietary rights or technical know-how claimed by Executive as his property. In the event Executive fails to give Company notice of such conflict, Executive agrees that Executive shall have no further right or claim with respect to any such conflicting proprietary rights or technical know-how.

7. **EQUITABLE REMEDIES.** The parties hereto intend that the covenants contained in Sections 5 and 6 shall be enforced to the fullest extent permissible under the laws of the State of California. Executive acknowledges and agrees that his breach of any provision of Sections 5 and 6 will result in irreparable harm and injury to the Company, and further acknowledges and agrees that in the event of any such breach it would be extremely difficult to fix or assess actual damages resulting therefrom. In addition to any other remedy that may be available to the Company at law or in equity, the Company shall be entitled, from any court of competent jurisdiction, to a decree of specific performance and to a temporary and permanent injunction enjoining and restricting the breach, or a threatened breach, by Executive of any such provision of this Agreement.

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8. MISCELLANEOUS.

8.1 **Entire Agreement.** This Agreement and the plans and policies referenced herein constitutes the entire agreement between the parties pertaining to the subject matter hereof and supersedes and preempts any prior understandings, agreements or representations by or between the parties, written or oral, which may have related in any manner to the subject matter hereof. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by all the parties. The rule that a contract is construed against the party drafting the contract is hereby waived, and shall have no applicability in construing this Agreement or the terms hereof.

8.2 **Counterparts.** This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

8.3 **Successors and Assigns.** Except as provided herein, this Agreement shall be binding on, and shall inure to the benefit of, the parties to it and their respective heirs, legal representatives, and permitted successors and assigns.

8.4 **Notices.** All notices required under this Agreement shall be given in writing and shall be served in person, by express mail, by certified mail, by overnight delivery, or by facsimile. Delivery shall be deemed conclusively made (i) at the time of service, if personally served, (ii) five days after deposit in the United States mail, properly addressed and postage prepaid, if delivered by express mail or certified mail, (iii) upon confirmation of delivery by the private overnight deliverer, if served by overnight delivery, and (iv) at the time of electronic transmission (as confirmed in writing), provided a copy is mailed within 24 hours after such transmission. Notices to the Company shall be delivered to the Company's then-current principal offices, to the attention of the Chief Executive Officer. Notices to the Executive shall be delivered to the address (or facsimile number, if any) provided to the Company by the Executive as his principal residence, or such other address or facsimile number as Executive may designate by written notice.

8.5 **NLRA Compliance.** All terms of this Agreement shall be interpreted and applied in a manner that complies with the National Labor Relations Act ("NLRA"), including without limitation, Section 7 thereof. Thus, to the extent Executive is covered by the NLRA, no provision of this Agreement, notwithstanding the language thereof, shall prohibit Executive, alone or with other Company employees, from (i) filing unfair labor practice charges; (ii) assisting others who are filing such charges; (iii) cooperating with the investigative process of National Labor Relations Board (the "NLRB") and other government agencies; (iv) self-organizing, forming, joining or assisting labor organizations; (v) bargaining collectively through representatives of their own choosing; (vi) discussing wages, hours, working conditions, other labor policies, or unionism for the purpose of collective bargaining or other mutual aid or protection; (vii) taking or posting pictures or videos of employees engaged in such activities or other activities involving collective bargaining or other mutual aid or protection; (viii) taking other action with one or more co-workers to improve working conditions by, among other means, raising work-related complaints directly with the Company or with a government agency, or seeking help from a union; or (ix) choosing not to engage in any of the foregoing activities.

8.6 **Governing Law.** This Agreement shall be construed in accordance with and governed by the laws of the State of California.

8.7 **Venue.** The Parties (i) agree that any dispute between the Parties, including, without limitation, any dispute concerning or arising out of this Agreement or Executive's

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employment hereunder (or termination thereof) that is not subject to the arbitration provisions of Section 8.15 shall be litigated exclusively in an appropriate state or federal court in or closest to Los Angeles, California; (ii) hereby consent, and waive any objection, to the jurisdiction of any such court; (iii) agree that service of process in any such litigation may be effected by mailing a copy of such process by registered or certified mail (or any substantially similar form of mail), postage prepaid, to such Party at Executive's or the Company's address as provided herein; and (v) agree that nothing in this Agreement shall affect the right to effect service of process in any other manner permitted by the laws of California.

8.8 **Severability.** If any provision of this Agreement, as applied to any party or to any circumstance, shall be found by a court or arbitrator of competent jurisdiction to be void, invalid or unenforceable, the same shall in no way affect any other provision of this Agreement, the application of any such provision in any other circumstance, or the validity or enforceability of this Agreement, and any provision which is found to be void, invalid or unenforceable shall be curtailed and limited only to the extent necessary to bring such provision within the requirements of the law.

8.9 **Headings.** Titles or captions contained herein are inserted as a matter of convenience and for reference, and in no way, define, limit, extend or describe the scope of this Agreement or any provision thereof. No provision in this Agreement is to be interpreted for or against either party because that party or its legal representative drafted such provision.

8.10 **Further Assurances.** Each party agrees to execute and acknowledge such other instruments as may be reasonably necessary to effect the transactions contemplated herein.

8.11 **Remedies Cumulative.** All remedies shall be cumulative and pursuit of any one shall not waive any other.

8.12 **Waiver.** No waiver by any party at any time of any breach by any other party of, or compliance with, any condition or provision of the Agreement to be performed by any other party shall be deemed a waiver of any other provisions or conditions at the same time or at any prior or subsequent time.

8.13 **Application of Section 409A.** To the extent applicable, it is intended that this Agreement comply with the provisions of Section 409A of the Internal Revenue Code and the guidance promulgated thereunder ("Section 409A"). This Agreement shall be administered in a manner consistent with this intent, and any provision that would cause the Agreement to fail to satisfy Section 409A shall have no force and effect until amended by the parties to comply with Section 409A (which amendment may be retroactive to the extent permitted by Section 409A). Unless otherwise expressly provided, any payment of compensation by the Company to Executive, whether pursuant to this Agreement or otherwise, shall be made no later than the 15th day of the third month (i.e., 2½ months) after the later of the end of the calendar year or the Company's fiscal year in which Executive's right to such payment vests (i.e., is not subject to a "substantial risk of forfeiture" for purposes of Code Section 409A). For purposes of this Agreement, "Separation from Service" shall have the meaning given to such term under Section 409A. Each payment and each installment of any severance payments provided for under this Agreement shall be treated as a separate payment for purposes of application of Section 409A. To the extent that any severance payments come within the definition of "short term deferrals" or "involuntary severance" under Section 409A, such amounts shall be excluded from "deferred compensation" as allowed under Section 409A, and shall not

be subject to the following Section 409A compliance requirements. All payments of "nonqualified deferred compensation" (within the meaning of Section 409A) are intended to comply with the requirements of Section 409A, and

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shall be interpreted in accordance therewith. Neither party individually or in combination may accelerate, offset or assign any such deferred payment, except in compliance with Section 409A. No amount shall be paid prior to the earliest date on which it is permitted to be paid under Section 409A and Executive shall have no discretion with respect to the timing of payments except as permitted under Section 409A. Any payments to which Section 409A applies which are subject to execution of a waiver and release which may be executed and/or revoked in a calendar year following the calendar year in which the payment event (such as Separation from Service) occurs shall commence payment only in the calendar year in which the release revocation period ends if necessary to comply with Section 409A. In the event that Executive is determined to be a "key employee" (as defined and determined under Section 409A) of the Company at a time when its stock is deemed to be publicly traded on an established securities market, payments determined to be "nonqualified deferred compensation" payable upon Separation from Service shall be made no earlier than (i) the first day of the seventh (7th) complete calendar month following such termination of employment, or (ii) Executive's death, if required and consistent with the provisions of Section 409A. Any payment delayed by reason of the prior sentence shall be paid out in a single lump sum at the end of such required delay period in order to catch up to the original payment schedule. All expense reimbursement or in-kind benefits subject to Section 409A provided under this Agreement or, unless otherwise specified in writing, under any Company program or policy, shall be subject to the following rules to the extent necessary to comply with Section 409A: (i) the amount of expenses eligible for reimbursement or in-kind benefits provided during one calendar year may not affect the benefits provided during any other year; (ii) reimbursements shall be paid no later than the end of the calendar year following the year in which Executive incurs such expenses, and Executive shall take all actions necessary to claim all such reimbursements on a timely basis to permit the Company to make all such reimbursement payments prior to the end of said period, and (iii) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit. Notwithstanding anything herein to the contrary, no amendment may be made to this Agreement if it would cause the Agreement or any payment hereunder not to be in compliance with Section 409A.

8.14 Attorneys Fees. Should any litigation or arbitration occur between the parties relating to this Agreement, the prevailing party shall be entitled to recover its reasonable attorneys' fees and other costs in connection with such litigation, including reasonable attorneys' fees, unless otherwise prohibited by statute or other applicable law, up to but not to exceed one hundred and fifty thousand dollars (\$150,000) which shall be due and payable no later than sixty (60) days following the date such judgment is entered. Any judgment shall include an attorneys' fees clause that shall entitle the judgment creditor to recover attorneys' fees incurred to enforce a judgment on this Agreement, which attorneys' fees shall be an element of post-judgment costs. The foregoing notwithstanding, if any party incurs costs in collecting any amounts due and payable under this Agreement, the collecting party shall be entitled to recover from the paying party the full amount of all such costs (limited only by reasonability) and such costs shall be added to, and made part of, the principal amount due and owing.

8.15 Arbitration.

8.15.1 Any claim, dispute, or controversy between the Executive and the Company (which, for this purpose, shall include including any of the Company's partners, affiliated companies, successors, assigns, owners, directors, officers, shareholders, employees, managers, members and agents), including without limitation, those arising out of or relating to this Agreement, Executive's employment with the Company or the termination thereof shall be submitted to final and binding arbitration pursuant to the Federal Arbitration Act ("FAA"). Notwithstanding the foregoing, the following shall not be subject to mandatory arbitration pursuant

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to this provision: (i) applications by any Party for temporary or preliminary injunctive relief in aid of arbitration or for the maintenance of the status quo pending arbitration; (ii) claims for workers' compensation benefits; (iii) claims for unemployment insurance compensation benefits; (iv) to the extent required by law, administrative claims or charges before applicable federal and state administrative agencies (such as the Equal Employment Opportunity Commission or

comparable state agency, and any unfair labor charge which is to be brought under the NLRA); and (v) claims that may not be subject to pre-dispute mandatory arbitration agreements, such as claims for sexual harassment or sexual assault to the extent Executive determines that Executive would prefer to proceed in a court of law. Further, notwithstanding anything herein to the contrary, to the extent permitted by applicable law and applicable JAMS rules and standards without invalidating this arbitration provision, either Party shall be entitled to a court action for temporary equitable relief in accordance with Section 8.6.

8.15.2 To the maximum extent permitted by applicable law, the Parties agree that any claim each brings may not be initiated, maintained, heard or determined on a class action, collective action, or representative action basis either in court or in arbitration, and that each is not entitled to serve or participate as a class, collective or representative action member or representative or to receive any recovery from a class, collective or representative action involving a claim against the other Party either in court or in arbitration. Any claim brought by one Party may not be joined or consolidated with any other claim that does not involve precisely the same parties. If a Party is included within any class action, collective action, or representative action in court or in arbitration involving a claim against the other Party, such Party will take all steps necessary to opt-out of the action or refrain from opting in, as the case may be. Insofar as any claim between the Parties is permitted to proceed on a class action, collective action, or representative action basis, notwithstanding this Section, it must do so in court pursuant to Section 8.6.

8.15.3 The arbitration process shall be confidential and private and administered by JAMS pursuant to its Employment Arbitration Rules & Procedures in effect at the time the dispute is submitted (the "Arbitration Rules"), which can be found at <http://www.jamsadr.com>, a copy of which will be provided to Executive upon Executive's request. Claims must be submitted to JAMS for arbitration in accordance with the Arbitration Rules for commencing an arbitration, and within the applicable statute of limitations. The arbitration shall be conducted on a strictly confidential basis, and Executive shall not disclose the existence or nature of any claim or defense; any documents, correspondence, pleadings, briefing, exhibits, arguments, testimony, evidence, or information exchanged or presented in connection with any claim or defense; or any rulings, decisions, or results of any claim or defense (collectively, "Arbitration Materials") to any third party, with the sole exception of Executive's legal counsel, whom Executive shall ensure complies with these confidentiality terms, and the arbitrator. The Parties may file and the arbitrator shall hear and decide at any point in the proceedings any motion permitted by the Federal Rules of Civil Procedure, including but not limited to motions to compel discovery, motions for protective orders, motions to dismiss, motions for summary judgment, and motions in limine. In addition, the arbitration shall be subject to the same burdens of proof and statutes of limitations as if the claim at issue was being heard in the federal or state court provided by Section 8.6 above. The arbitration proceedings will be held before a single, neutral arbitrator in or close to Los Angeles County, California. The fees of the arbitrator and all other costs that are unique to the arbitration process shall be paid by the Company to the extent required by law. Each party shall be solely responsible for paying his/her/its own costs for the arbitration, including, but not limited to attorneys' fees. The arbitrator shall have the authority to award any damages or relief authorized by law, except the arbitrator shall have no authority to award any punitive or exemplary damages and the Parties waive, to the full extent permitted by law, any right to recover such damages in

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such arbitration. The award of the arbitrator shall be in writing and shall contain the arbitrator's factual findings, legal conclusions and reasons for the award. The award may be entered as a judgment in any court with jurisdiction over either Executive or the Company. Either Party may bring an action in any court of competent jurisdiction to compel arbitration under this Agreement, to enforce an arbitration award and to vacate an arbitration award. However, in actions seeking to vacate an award, the standard of review to be applied by said court to the arbitrator's findings of fact and conclusions of law will be the same as that applied by an appellate court reviewing a decision of a trial court sitting without a jury. The Parties agree to take all steps necessary to protect the confidentiality of the Arbitration Materials in connection with any court proceeding, agree to use their reasonable best efforts to file any court proceeding permitted herein and all Confidential Information (and all documents containing Confidential Information) under seal, and agree to the entry of an appropriate protective order encompassing the confidentiality terms of this Agreement. To the extent any of the terms, conditions or requirements of this Agreement conflict with the Arbitration Rules, the terms, conditions or requirements of this Agreement shall govern.

8.15.4 Notwithstanding any provision of the Arbitration Rules to the contrary, any issue concerning the validity or enforceability of any of the class action, collective action, and representative action waivers contained in this Agreement ("Waivers") shall be governed by and determined under and in accordance with the FAA and shall be decided by a court of competent jurisdiction pursuant to Section 8.7. Any issue concerning arbitrability of a particular issue or claim pursuant to this Agreement (except for issues concerning the validity or enforceability of any of the Waivers) must be resolved by the arbitrator, not the court. **The Parties understand that by agreeing to arbitration, they are giving up their right to a trial in a court of law.**

8.16 **Clawback Policy.** Notwithstanding anything contained herein or in any incentive compensation plan, program or arrangement sponsored by the Company, all incentive or performance based compensation shall be subject to reduction or repayment by reason of a restatement of the Company's financial statements if and to the extent such reduction or repayment is required by any applicable law or the Company's policy regarding clawbacks.

8.17 Limitation on Remedies. Executive acknowledges and agrees that this Agreement is being executed voluntarily, knowingly and without duress. Executive's exclusive remedy against the Company in the event the Company materially breaches this Agreement shall be to invoke the provisions of Section 4.3.1 and Section 4.4 hereof. If Executive brings a claim based on breach of the Company's obligation to provide any of the benefits and compensation promised to him in this Agreement, and it is determined that the Company breached such obligation, the amount of any award to Executive shall not exceed the amounts provided under Section 4.4 and, except as specifically provided in Sections 4.4.2 and 8.13, shall not be reduced by alternative income or benefits he receives before or after his separation from the Company, nor shall he otherwise be required to mitigate his damages based on breach of this Agreement.

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IN WITNESS WHEREOF, the parties hereto have executed this Employment Agreement to be effective as of the date first set forth above.

EXECUTIVE

/s/ Ajay Mehra

Ajay Mehra

OSI SYSTEMS, INC.

/s/ Deepak Chopra

By: Deepak Chopra, CEO

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percent (40%) of the total gross fair market value of all of the assets of the Participating Employer immediately prior to such acquisition or acquisitions, taking into account all such assets acquired during the twelve (12) month period ending on the date of the most recent acquisition. **EXHIBIT A**

An event constitutes a Change in Control with respect to a Participant only if the Participant performs services for the Participating Employer that has experienced the Change in Control, or the Participant's relationship to the affected Participating Employer otherwise satisfies the requirements of Treasury Regulation Section 1.409A-3(j)(5)(ii). **TO THE EXECUTIVE EMPLOYMENT AGREEMENT**

The determination as to the occurrence of a Change in Control shall be based on objective facts and in accordance with the requirements of Code Section 409A. **SECTION 280G RULES**

- 2.81. **Claimant.** Claimant means The following rules shall apply for purposes of determining the amounts payable under Section 4.4.2(b) of the Agreement. For the avoidance of doubt, in the event there is a Participant or Beneficiary filing conflict between the terms of any agreement relating to payments of amount payable in the event of a claim under Article XII 280G Event (including, but not limited to any equity, stock options and incentive compensation agreements) and this Agreement, the terms of the Agreement (including this Plan. Exhibit A) shall prevail.
- 2.92. Whether the payment under Section 4.4.2(b)(1) is greater than the amount of the Alternative Payment under Section 4.2.2(b)(2) shall be determined on a net after-tax basis after taking into account the Excise Tax, if any, on the amounts described in Section 4.4.2(b)(1) and the amount of all applicable federal, state and local income and employment taxes that would be payable by the Executive with respect to amounts described in Section 4.2.2 calculated at the highest marginal income tax rate for each year in which the foregoing shall be paid to the Executive (based on the rate in effect for such year as set forth in the Code as in effect at the time of the first payment of the foregoing).

3. All determinations under Section 4.4.2(b) of the Agreement and this Exhibit A will be made by an accounting firm or law firm that is selected for this purpose by the Company prior to a 280G Event (the "280G Firm"). Code means All fees and expenses of the 280G Firm shall be borne by the Company. The Company will direct the 280G Firm to submit any determination it makes under Section 4.4.2(b) of this Agreement and this Exhibit A and detailed supporting calculations to both the Executive and the Company as soon as reasonably practicable.

4. If the 280G Firm determines that the Alternative Payment is to be made under Section 4.4.2(b)(2) and one or more reductions are required under it to avoid the Excise Tax, the 280G Firm shall also determine which payments shall be reduced (first from cash payments and then from non-cash benefits) to the extent necessary so that no portion thereof shall be subject to the Excise Tax, and the Company shall pay such reduced amount to the Executive. The 280G Firm shall make reductions required under Section 4.4.2(b) of this Agreement in a manner that maximizes the net after-tax amount payable to the Executive.

5. As a result of the uncertainty in the application of Section 280G at the time that the 280G Firm makes its determinations under Section 4.4.2(b)(2) of this Agreement, it is possible that amounts will have been paid or distributed to the Executive that should not have been paid or distributed (collectively, the "Overpayments"), or that additional amounts should be paid or distributed to the Executive (collectively, the "Underpayments"). If the 280G Firm determines, based on either the assertion of a deficiency by the Internal Revenue Code of 1986, as amended from time to time.

2.10 **Code Section 409A.** Code Section 409A means section 409A of the Code, and regulations and other guidance issued by the Treasury Department and Internal Revenue Service thereunder.

2.11 **Committee.** Committee means the Employees of against the Company appointed by or the Board Executive, which assertion the 280G Firm believes has a high probability of Directors of success or controlling precedent or substantial authority, that an Overpayment has been made, the Executive must repay to the Company (or the appropriate committee of such board), and their replacements as authorized by Overpayment. If the Board of Directors, to administer 280G Firm determines, based upon controlling precedent or substantial authority, that an Underpayment has occurred, the Plan.

2.12 **Company.** Company means OSI Systems, Inc.

2.13 **Company Contribution.** Company Contribution means a credit by a Participating Employer to a Participant's Account(s) in accordance with 280G Firm will notify the provisions of Article V of the Plan. Company Contributions are credited at the sole discretion of the Participating Employer Executive and the fact Company of that a Company Contribution is credited in one year shall not obligate the Participating Employer to continue to make such Company Contribution in subsequent years. Unless the context clearly indicates otherwise, a reference to Company Contribution shall include Earnings attributable to such contribution.

2.14 **Compensation.** Compensation means a Participant's base salary, bonus, commission,

determination and such other cash or equity-based compensation (if any) approved by the Committee as Compensation that may be deferred under this Plan. Compensation shall not include any compensation that has been previously deferred under this Plan or any other arrangement subject to Code Section 409A.

2.15 **Compensation Deferral Agreement.** Compensation Deferral Agreement means an agreement between a Participant and a Participating Employer that specifies: (i) the amount of each component of Compensation that the Participant has elected to defer Underpayment will be paid to the Plan in accordance with Executive promptly by the provisions of Article IV; and (ii) the Payment Schedule applicable to Company.

one or more Accounts. The Committee may permit different deferral amounts for each component of Compensation and may establish a minimum or maximum deferral amount for each such component. Unless otherwise specified by the Committee in

the Compensation Deferral Agreement, Participants may defer up to eighty percent (80%) of their base salary and up to one hundred percent (100%) of other types of Compensation for a Plan Year. A Compensation Deferral Agreement may also specify the investment allocation described in Section 8.4.

2.16 **Corrective Distribution.** Corrective Distribution means the amount of any 401(k) plan excess contribution (within the meaning of Code Section 401(k)(8)) which is distributed to a Participant during any Plan Year.

2.17 **Death Benefit.** Death Benefit means the benefit payable under the Plan to a Participant's Beneficiary(ies) upon the Participant's death as provided in Section 6.1 of the Plan.

2.18 **Deferral.** Deferral means a credit to a Participant's Account(s) that records that portion of the Participant's Compensation that the Participant has elected to defer to the Plan in accordance with the provisions of Article IV. Unless the context of the Plan clearly indicates otherwise, a reference to Deferrals includes Earnings attributable to such Deferrals.

Deferrals shall be calculated with respect to the gross cash Compensation payable to the Participant prior to any deductions or withholdings but shall be reduced by the Committee as necessary so that it does not exceed one hundred percent 100% of the cash Compensation of the Participant remaining after deduction of all required income and employment taxes, 401(k) and other employee benefit deductions, and other deductions required by law. Changes to payroll withholdings that affect the amount of Compensation being deferred to the Plan shall be allowed only to the extent permissible under Code Section 409A.

2.19 **Disabled or Disability.** Disabled or Disability means that a Participant is, by reason of any medically-determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months: (a) unable to engage in any substantial gainful activity, or (b) receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Participant's Employer. The Committee shall determine whether a Participant is Disabled in accordance with Code Section 409A, provided, however, that a Participant shall be deemed to be Disabled if determined to be totally disabled by the Social Security Administration. The determination of whether a Participant is Disabled shall be made in compliance with Treas. Reg. §1.409A-3(i)(4).

2.20 **Disability Benefit.** Disability Benefit means the benefit payable under the Plan upon the Participant's Disability, as provided under Section 6.1 of the Plan.

2.21 **Earnings.** Earnings means an adjustment to the value of an Account in accordance with Article VIII.

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2.226. **Eligible Employee.** Eligible Employee means a member *The Executive will provide the 280G Firm access to, and copies of, a "select group of management or highly compensated employees" of a Participating Employer within any books, records, and documents in the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA, Executive's possession as determined reasonably requested by the Committee from time to time 280G Firm, and otherwise cooperate with the 280G Firm in its sole discretion.* *connection with the preparation and issuance of the determinations and calculations contemplated by Section 4.4.2(b) of the Agreement and this Exhibit A.*

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (the "Agreement")

1. ENGAGEMENT AND DUTIES.

- 1.1 Commencing upon the Effective Date, and upon the terms and subject to the following, Executive shall serve the Company in the capacity of President and CEO.
- 1.2 Executive agrees to devote his primary business time, energies, skills, and efforts to the performance of his duties and responsibilities under this Agreement.
- 1.3 Except for routine travel incident to the business of the Company or the performance of his duties and responsibilities under this Agreement, Executive shall not be engaged in any other business or activity.

2. TERM. The Term of this Agreement shall commence as of the Effective Date and shall continue until terminated in accordance with the terms of this Agreement.

3. COMPENSATION. During the Term of this Agreement the Executive shall be paid compensation as follows:

- 3.1 **Base Salary.** Executive's Base Salary shall be Four Hundred and Forty Thousand Dollars (\$440,000) per annum, payable in accordance with the Company's standard payroll practices.
- 3.2 **Equity Participation.**
 - 3.2.1 To the extent that the Company or its Affiliates maintain one or more stock option plans, Executive shall be granted options to purchase 100,000 shares of the Company's common stock.
 - 3.2.2 Notwithstanding anything to the contrary herein, all stock options granted to Executive shall be non-transferable, except by will or the laws of descent and distribution.

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parties mutually agree in writing ("Special Bonus Programs") granted to Executive by the Company.

- 3.3 **Bonuses.** Executive shall participate in the Company's bonus pool and receive a bonus of 10% of his Base Salary.
- 3.4 **Fringe Benefits.** Executive shall be entitled to participate in and receive the benefits of the Company's group health, dental, and life insurance plans.
- 3.5 **Business Expenses/Car Allowance.** Company shall advance to or reimburse Executive for all reasonable business expenses incurred by him in the course of his employment.
- 3.6 **PTO.** Executive shall be entitled to paid time off in accordance with the Company's standard PTO policy.
- 3.7 **Relocation Package.** In the event of relocation, during the Term, of Executive to a location outside of the United States, the Company shall provide a relocation package.

4. TERMINATION OF EMPLOYMENT.

- 4.1 **By the Company For Cause.** The Company may terminate Executive for cause.

2.24 **Employer.** Employer means, with respect to Employees it employs, the Company and each Affiliate.

2.25 **ERISA.** ERISA means the Employee Retirement Income Security Act of 1974, as amended from time to time.

2.26 **Participant.** Participant means an Eligible Employee who has been given notification of his or her eligibility to defer Compensation under the Plan under Section 3.1 and any other person with an Account Balance greater than zero, regardless of whether such individual continues to be an Eligible Employee. A Participant's continued participation in the Plan shall be governed by Section 3.2 of the Plan.

2.27 **Participating Employer.** Participating Employer means the Company and each Adopting Employer.

2.28 **Payment Schedule.** Payment Schedule means the date as of which payment of an Account under the Plan will commence and the form in which payment of such Account will be made.

2.29 **Performance-Based Compensation.** Performance-Based Compensation means Compensation where the amount of, or entitlement to, the Compensation is contingent on the satisfaction of pre-established organizational or individual performance criteria relating to a performance period of at least twelve (12) consecutive months. Organizational or individual performance criteria are considered pre-established if established in writing by not later than ninety (90) days after the commencement of the period of service to which the criteria relate, provided that the outcome is substantially uncertain at the time the criteria are established. The determination of whether Compensation qualifies as "Performance-Based Compensation" will be made in accordance with Treas. Reg. §1.409A-1(e) and subsequent guidance.

2.30 **Plan.** Generally, the term Plan means the "Second Amended and Restated OSI Systems, Inc. Deferred Compensation Plan" as documented herein and as may be amended from time to time hereafter. However, to the extent permitted or required under Code Section 409A, the term Plan may in the appropriate context also mean a portion of the Plan that is treated as a single plan under Treas. Reg. Section 1.409A-1(c), or the Plan or portion of the

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cannot be cured or is not cured within thirty (30) business days after written notice from the Company, as long as Executive is not prevented from performing or curing by actions outside his control.

5.4.2 By the Company Other Than For Cause. The Company may terminate the Executive's employment under this Agreement at any time other than for Cause, for any of 25 the following reasons, under the following terms:

4.2.1 Death. In the event of Executive's death, this Agreement shall automatically terminate and all rights of Executive and his heirs, executors and administrators to compensation and other benefits under this Agreement shall cease; provided, however, that Executive's participation in the Company's employee benefit plans or programs shall cease in accordance with the terms of such plans or programs as then in effect.

4.2.2 Disability. The Company may, at its option, terminate the Executive's employment upon written notice to Executive if Executive, because of physical or mental incapacity or disability, fails to perform the essential functions of his position required of him hereunder for an aggregate period of one hundred eighty (180) days within any twelve-month period. Upon such termination, all obligations of the Company hereunder shall cease; provided, however, that Executive's participation in the Company's employee benefit plans or programs shall cease in accordance with the terms of such plans or programs as then in effect.

4.2.3 Without Cause. The Company may terminate Executive's employment without Cause upon 30 calendar days' written notice ("Notice Period") to Executive. The Company may elect whether or not Executive shall perform duties under this Agreement during all or a portion of the Notice Period but shall be required to pay Executive all wages and other compensation (including but not limited to continued vesting of any equity awards) as provided for in Section 3 until the end of the Notice Period ("Notice Period Compensation"). Any decision by the Company not to renew this Agreement at any time during the Term, or to terminate this Agreement for any reason other than for Cause, death or disability, shall be treated as a termination without Cause.

4.3 Termination By Executive. Executive may terminate this Agreement at any time upon 30 calendar days' notice ("Executive Notice Period") to the Company, whether or not such termination is for Good Reason as described below. The Company may elect whether or not Executive shall perform duties under this Agreement during all or a portion of the Executive Notice Period but shall be required to pay Executive all Notice Period Compensation as provided for in Section 3 until the end of the Executive Notice Period.

4.3.1 **Good Reason.** Executive may terminate this Agreement for "Good Reason," which shall mean the occurrence of any of the following events, unless Executive specifically agrees in writing that such event is not Good Reason provided that (x) Executive terminates this Agreement within six (6) months following the initial existence of one or more of the following events that occur without Executive's consent and (y) Executive provides written notice to the Company of the existence of one or more of the following events within ninety (90) days of the initial existence of such event or events, the Company fails to remedy such event or events within thirty (30) days of receiving such notice, and termination is effective within sixty (60) days following the end of such cure period:

(a) **Substantial Change in Duties.** Any substantial negative change in the nature and status of duties assigned to Executive such that Executive is given duties not commensurate with Executive's title. (For avoidance of doubt, duties may be changed to

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comparable duties of similar importance and stature commensurate with the title of an Executive Vice President, without constituting Good Reason. Furthermore, changes in service or participation on the Company's Board of Directors ("Board") shall not constitute Good Reason.);

(b) **Relocation.** Following a Change in Control, the relocation of Executive's principal office location more than twenty-five (25) miles from its location as of the Effective Date (but not closer to Executive's principal residence);

(c) **Reduction in Salary.** Executive's Base Salary is reduced by more than ten percent (10%) of Executive's initial Base Salary specified in Section 3.1, or, following a Change in Control, any reduction in Executive's Base Salary (for avoidance of doubt, a reduction of less than 10% of Base Salary from Executive's initial Base Salary prior to a Change in Control shall not be considered a breach of this Agreement);

(d) **Material Breach.** Any material breach of the Agreement by the Company;

(e) **Change in Title.** Any change in Executive's titles such that Executive no longer holds the titles (and privileges commensurate with such titles) set forth in Section 1.1 and instead is given a title or privileges of less importance and stature;

(f) **Change in Reporting Relationship.** Any change in the reporting relationship, such that Executive no longer reports to the Company's Chief Executive Officer; and

(g) **Change in Role.** In the event that, for whatever reason, the Company is no longer the parent entity in its organizational framework, such that Executive is no longer the Executive Vice President and General Counsel of the parent entity.

(h) **Company No Longer Public.** The Company's stock is no longer publicly traded.

4.3.2 Without Good Reason. Executive may terminate this Agreement without Good Reason as defined herein.

4.4 **Payments Upon Termination.** Upon expiration, non-renewal or termination of this Agreement for any reason by either party as described in this Section 4, Executive shall be entitled to receive payment of (a) any unpaid Base Salary through the Completion Date payable on such date; (b) any unused vacation and paid time off accrued through the Completion Date payable on such date; and (c) vested incentive compensation and applicable employee benefits to which Executive is entitled upon Separation from Service with the Company, payable in accordance with the terms of the plans or programs of the Company then in effect (a-c is referred to together as "Accrued Compensation"). In addition to the above, and subject to Executive's execution of a customary and reasonable release of liabilities in favor of the Company and its Affiliates, all of the following shall apply:

4.4.1 **Involuntary Termination.** In the event of termination of Executive's employment either by the Company without Cause pursuant to Section 4.2.3 or by Executive for Good Reason pursuant to Section 4.3.1, subject to the provisions of Section 4.4.2 below, Executive shall also be entitled to the following in addition to the Accrued Compensation above: (a) a single lump sum payable as provided in Section 4.4.5, equal to twenty-four (24) months of Base Salary at Executive's then-current Base Salary (which shall be the Base Salary before any temporary reduction pursuant to Section 4.3.1(c) or otherwise), plus two (2) times the average of the highest three (3) annual bonuses paid by the Company to Executive over the five (5) calendar years preceding such termination; (b) continuation of Executive's car usage or allowance

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payments, as set forth in Section 3.5, for a period of six (6) months after Separation from Service, (c) a six thousand dollars (\$6,000) allowance for outplacement services payable at the same time as the severance payment provided under 4.4.1(a), and (d) acceleration of vesting of all stock options, equity grants and other incentive compensation awards (excluding any cash bonus attributable to performance in fiscal years that are not complete as of the Completion Date) from the Company to Executive as follows: (i) grants vesting over time shall be fully vested on Separation from Service, (ii) grants vesting based on performance shall be accelerated and fully vested on Separation from Service at target performance levels without regard to whether the performance targets are met for such performance period, and (iii) the time to exercise nonqualified stock options shall be extended such that Executive's right to exercise such stock options shall continue until the first anniversary of the Completion Date, but in no event later than the Expiration Date of the options, as defined under the stock option agreement covering such options.

4.4.2 Change in Control. Within ninety (90) days prior to or twelve (12) months after a Change of Control, if there is either (A) a notice of termination of this Agreement by the Company without Cause pursuant to Section 4.2.3, or (B) a notice of termination of this Agreement by Executive for Good Reason pursuant to Section 4.3.1, and such notice under (A) or (B) results in a Separation from Service of the Executive, then:

(a) Executive shall receive the payments and benefits set forth in Section 4.4.1, provided, however, that incentive compensation, whether cash-based or equity-based, shall be calculated on the basis of maximum payment for individual, group and Company performance, as applicable, contemplated under each plan in lieu of, and not in addition to, any amount Executive receives under Section 4.4.1(d).

(b) If a termination of this Agreement covered by this Section 4.4.2 is contingent upon a change in ownership or effective control of Company or a change in the ownership of a substantial portion of the assets of the Company (within the meaning of Section 280G(b)(2)(i) of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations thereunder (collectively, a "280G Event")), then Executive shall receive, at his election, either of: (i) the compensation and benefits otherwise payable under Section 4.4.2(a), or (ii) the Alternative Payment (as defined below). For purposes of this Agreement, "Alternative Payment" means a lump sum payment made by Company to Executive as provided in Section 4.4.5, in immediately available funds in an amount equal to the product of 2.99 (or, if Code Section 280G(b)(2)(A)(ii) is amended providing for a multiple other than 3, then the multiple as amended, less 0.01) multiplied by Executive's "base amount" (as defined in Code Section 280G(b)(3)); reduced by the value of acceleration of any equity, stock options and incentive compensation accelerated hereunder under Section 4.4.2(a) or the value of other payment contingent upon the 280G Event that is not described in Section 4.4.2(a) above, in each case as valued and determined under Code Section 280G and the regulations thereunder. Payments to Executive upon termination of this Agreement under this Section 4.4.2 shall be subject to mitigation as provided in Treasury Regulations Section 1.280G-1 Q&A 42(c)(5). The value (as determined under Code Section 280G and the regulations thereunder) of acceleration of vesting of equity, stock options and incentive compensation and any other amount granted by the Company to Executive shall be taken into account to the minimum extent necessary so as not to violate Treasury Regulations Section 1.280G-1 Q&A 42(c). Rules governing the determination and calculation of the Alternative Payment are set forth in Exhibit A, which shall be enforceable as if set forth in this Agreement. For the avoidance of doubt, it is the intention of the parties that the Alternative Payment in no event shall be subject to the 20% excise tax under Section 4999 of the Code (the "Excise Tax").

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4.4.3 Definition of Change in Control. "Change in Control" means the occurrence of any of the following events during the Term of the Agreement: (i) any sale, lease, license, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the business and/or assets of the Company; (ii) a merger or consolidation of the Company and the Company is not the surviving entity; (iii) a reorganization or liquidation of the Company; (iv) a merger, consolidation, tender offer or any other transaction involving the Company if the equity holders of the Company immediately before such merger, consolidation, tender offer or other transaction do not own, directly or indirectly, immediately following such merger, consolidation, tender offer or other transaction, more than fifty percent (50%) of the combined voting power of the outstanding voting securities of the entity resulting from such merger, consolidation, tender offer or other transaction; (v) Deepak Chopra ceases to be Chief Executive Officer of the Company, unless his termination from employment with the Company is by reason of a voluntary termination; (vi) a change in the composition of the Company's Board as a result of which fewer than a majority of the directors are Incumbent Directors; or (v) the consummation of any other transaction involving a significant issuance

of the Company's securities, or other material event, that the Company's Board determines to be a Change in Control. The term "Incumbent Directors" shall mean directors who either: (A) are directors of the Company as of the Effective Date hereof; or (B) are nominated for election to the Board of the Company with the affirmative votes of at least a majority of the directors of the Company who are Incumbent Directors ("Approved Successors") described in (A) above at the time of such nomination; or (C) are nominated for election to the Board of the Company with the affirmative votes of at least a majority of the directors of the Company who are Incumbent Directors or their Approved Successors. Notwithstanding the foregoing, "Incumbent Directors" shall not include an individual whose election or nomination is in connection with an actual or threatened proxy contest relating to the election of directors to the Company.

4.4.4 Benefit Continuation. Subject to the terms of the Company's benefit plans, in the event of a termination of this Agreement by the Company without Cause pursuant to Section 4.2.3 or by Executive for Good Reason pursuant to Section 4.3.1, if at the Completion Date, the Executive was covered as an active employee under the Company's group health plan(s), the Executive will be entitled to purchase continuation coverage under Company's group health plan pursuant to the provisions of the Consolidated Omnibus Budget Reconciliation Act, 29 U.S.C. Section 1161, et. seq. ("COBRA") and applicable state law ("Continuation Coverage") for himself and his dependents, if such dependents constitute "qualified beneficiaries" under COBRA, and the following provisions will apply thereto:

(a) The Company will pay the premiums for the Executive's and, as applicable, his eligible dependents' Continuation Coverage for coverage at the same level in which the Executive and, as applicable, his eligible dependents were enrolled as of the day before the Executive's termination of employment for the period beginning on his termination from employment and ending on the last day of the twelfth calendar month after the Executive's termination of employment (the "Continuation Period"). For purposes of this Agreement, the amounts contributed by the Company for Continuation Coverage on behalf of the Executive and, as applicable, his eligible dependents, are referred to as the "Premium Payments."

(b) In the event and on the date that the Executive becomes covered under another group health plan without any preexisting condition limitations or exclusions, the Company's obligation to pay the premiums for Continuation Coverage will cease. The Executive acknowledges that he is not entitled to the Premium Payments except as a contribution for Continuation Coverage and only as specifically provided herein. The Executive will promptly notify the Company in writing if he becomes covered under another group health plan prior to the

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end of the Continuation Period.

For the avoidance of doubt, the Company's payment of the cost of BeniComp (or other healthcare expense reimbursement plan) for the Executive and his spouse and dependents with respect to the Company's group medical coverage shall be treated as Premium Payments for purposes of this Section 4.4.4.

4.4.5 Timing of Severance Payments. Unless otherwise specified herein, amounts payable upon termination of employment under this Section 4.4 shall be made in a single lump-sum cash payment, less appropriate deductions and withholding, within forty-five (45) days of the Executive's "Separation from Service" as such term is defined in Section 8.13 and subject to the limitations thereof. The Company's liability for wages and benefits upon termination of this Agreement is limited to the obligations set forth herein. For avoidance of doubt, during the period of any severance benefits after the Completion Date, Executive shall not be entitled to any Company provided matching with respect to any 401(k) plan of the Company. In the event of the acceleration of incentive compensation awards such as restricted stock units and stock appreciation rights (other than equity or stock options) in connection with a termination of Executive's employment by the Company, the value of such accelerated incentive compensation shall be payable in accordance with this Section 4.4.5.

5. PROTECTION OF CONFIDENTIAL INFORMATION; NON-SOLICIT.

5.1 Executive acknowledges that his work for the Company will bring him into close contact with many confidential affairs of the Company not readily available to the public, and hereby agrees that he will not at any time (both during the Term and thereafter) disclose to any person, including any legal entity (except the Company and its Affiliates), any Confidential Information, and will only use Confidential Information for the Company's benefit; provided, however, that Executive may use and disclose Confidential Information to the extent necessary to assert any right or defend against any claim arising under this Agreement or pertaining to Confidential Information or its use, to the extent necessary to comply with any applicable statute, constitution, treaty, rule, regulation, ordinance or order, or if Executive receives a request to disclose all or any part of the information contained in the Confidential Information under the terms of a subpoena, order, civil investigative demand or similar process issued by a court of competent jurisdiction or by a governmental body or agency after giving prior notice to the Company so the Company can interpose any objection it may have. "Confidential Information" includes but is not limited to information or documents Executive has access to during the Term which relate to the Company's or its Affiliates' or related entities' operations, marketing, sales, or

product development including, without limitation, records that are identified as, or that can reasonably be characterized as, confidential; employee names, duties and contact information; customer identities and lists, customer contacts, information about customer requirements and preferences; forecasts, budgets, and other financial information; plans, strategic, tactical or otherwise; data, computer programs, manuals, formulae, specifications, processes, methods, intangible rights and other similar items; provided that "Confidential Information" does not include information that at the time of disclosure has previously been made generally available to the public by any authorized action of the Company or is otherwise available to the public. "Affiliate" is a person or entity that directly, or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, the Company.

5.2 Executive acknowledges that Executive has been notified in accordance with the federal Defend Trade Secrets Act (18 U.S. Code § 1833(b) (1)) that an individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (a) is made (i) in confidence to a federal, state, or local government official, either

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directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

5.3 Executive also acknowledges that nothing in this Agreement shall be construed to prohibit Executive from reporting possible violations of law or regulation to any governmental agency or regulatory body or making other disclosures that are protected under any law or regulation, or from filing a charge with or participating in any investigation or proceeding conducted by any governmental agency or regulatory body. Additionally, Executive's confidentiality obligations set forth herein shall not be interpreted or applied in a manner that would conflict with Executive's rights, if any, under the NLRA, as defined and further described in Section 8.5 below.

5.4 Upon termination of this Agreement for any reason, Executive shall immediately return to the Company all Confidential Information in his possession, custody or control.

5.5 Executive agrees that he will not, during the Term and for a period of eighteen (18) months thereafter, solicit, directly or indirectly, (other than by means of general publication or advertisement) any individual who was an executive, supervisor or manager of the Company as of the Completion Date, or within 90 days prior to the Completion Date, to terminate his/her employment with the Company. Nothing herein shall prevent Executive from, at some point in the future, working for an entity which may also employ former employees of the Company.

6. GRANT OF RIGHTS.

6.1 Executive hereby grants, transfers, conveys and assigns to the Company, its successors and assigns, all right, title, and interest in and to all work, materials and intellectual property of any and all forms constituting or otherwise relating to his performance of his duties hereunder, including the copyright, patent, trade secret rights, and all other right, title, and interest therein, and consisting of all source code, object code, documentation, flow charts, design documents, and record and file layouts relating thereto, and all trademarks, service marks, logos and trade dress associated therewith, and any discovery, concept or idea, whether or not patentable, made during such performance including, but not limited to, processes, methods, formulae and techniques, improvements thereof and know-how relating thereto (collectively, the "Property"). This exclusive conveyance shall include, but is not limited to, all rights to publish, reproduce, transmit, adapt, prepare derivative works, sell, or otherwise make use of the Property (including all subsequent additions, revisions, supplements to, and versions of the Property and derivatives, regardless of nature) throughout the world, in any form or medium and in any language, and to license or otherwise transfer to others the rights commensurate herewith in connection with the Property, to file copyright and patent applications in the United States and throughout the world for the Property in the name of the Company, its successors and assigns. Executive hereby agrees that the Company, its successors and assigns may act as attorney-in-fact to execute any document that the Company, its successors or assigns deem necessary to record this grant with the United States Copyright Office, the United States Patent and Trademark Office, or elsewhere. If requested, Executive agrees to execute any and all copyright, patent, or trade secret assignments, certificates, applications or documents requested by the Company, its successors and assigns related to the Property. Executive's grant of rights in this Agreement is irrevocable and without right of rescission by Executive.

6.2 In furtherance of, and not in contravention, limitation and/or in place of, the provisions of Section 6.1 above, Company hereby notifies Executive of California Labor Code Section 2870, which provides:

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6.2.1 (a) Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities, or trade secret information except for those inventions that either: (1) Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or (2) Result from any work performed by the employee for the employer.

6.2.2 (b) To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable."

6.3 Executive acknowledges that he has been notified by the Company of this law, and understands that this Agreement does not apply to Property which is otherwise fully protected under the provisions of said Labor Code Section 2870. Therefore, Executive agrees to promptly disclose in writing to the Company all Property, whether or not Executive personally considers it patentable, which Executive alone, or with others, conceives or makes during his employment with Company or as is otherwise required and set forth under this Section 6.2. Company shall hold said information in strict confidence to determine the applicability of California Labor Code Section 2870 to said Property and, to the extent said Section 2870 does not apply, Executive hereby assigns and agrees to assign all his right, title and interest in and to the Property which relates to business of the Company and Executive agrees not to disclose any of such Property to others without the prior written express consent of Company. Executive agrees to notify Company in writing prior to making any disclosure or performing any work during the term of his employment with Company which may conflict with any proprietary rights or technical know-how claimed by Executive as his property. In the event Executive fails to give Company notice of such conflict, Executive agrees that Executive shall have no further right or claim with respect to any such conflicting proprietary rights or technical know-how.

7. **EQUITABLE REMEDIES.** The parties hereto intend that the covenants contained in Sections 5 and 6 shall be enforced to the fullest extent permissible under the laws of the State of California. Executive acknowledges and agrees that his breach of any provision of Sections 5 and 6 will result in irreparable harm and injury to the Company, and further acknowledges and agrees that in the event of any such breach it would be extremely difficult to fix or assess actual damages resulting therefrom. In addition to any other remedy that may be available to the Company at law or in equity, the Company shall be entitled, from any court of competent jurisdiction, to a decree of specific performance and to a temporary and permanent injunction enjoining and restricting the breach, or a threatened breach, by Executive of any such provision of this Agreement.

8. **MISCELLANEOUS.**

8.1 **Entire Agreement.** This Agreement and the plans and policies referenced herein constitutes the entire agreement between the parties pertaining to the subject matter hereof and supersedes and preempts any prior understandings, agreements or representations by or between the parties, written or oral, which may have related in any manner to the subject matter hereof. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by all the parties. The rule that a contract is construed against the party

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drafting the contract is hereby waived, and shall have no applicability in construing this Agreement or the terms hereof.

8.2 **Counterparts.** This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

8.3 **Successors and Assigns.** Except as provided herein, this Agreement shall be binding on, and shall inure to the benefit of, the parties to it and their respective heirs, legal representatives, and permitted successors and assigns.

8.4 **Notices.** All notices required under this Agreement shall be given in writing and shall be served in person, by express mail, by certified mail, by overnight delivery, or by facsimile. Delivery shall be deemed conclusively made (i) at the time of service, if personally served, (ii) five days after deposit in

the United States mail, properly addressed and postage prepaid, if delivered by express mail or certified mail, (iii) upon confirmation of delivery by the private overnight deliverer, if served by overnight delivery, and (iv) at the time of electronic transmission (as confirmed in writing), provided a copy is mailed within 24 hours after such transmission. Notices to the Company shall be delivered to the Company's then-current principal offices, to the attention of the Chief Executive Officer. Notices to the Executive shall be delivered to the address (or facsimile number, if any) provided to the Company by the Executive as his principal residence, or such other address or facsimile number as Executive may designate by written notice.

8.5 **NLRA Compliance.** All terms of this Agreement shall be interpreted and applied in a manner that complies with the National Labor Relations Act ("NLRA"), including without limitation, Section 7 thereof. Thus, to the extent Executive is covered by the NLRA, no provision of this Agreement, notwithstanding the language thereof, shall prohibit Executive, alone or with other Company employees, from (i) filing unfair labor practice charges; (ii) assisting others who are filing such charges; (iii) cooperating with the investigative process of National Labor Relations Board (the "NLRB") and other government agencies; (iv) self-organizing, forming, joining or assisting labor organizations; (v) bargaining collectively through representatives of their own choosing; (vi) discussing wages, hours, working conditions, other labor policies, or unionism for the purpose of collective bargaining or other mutual aid or protection; (vii) taking or posting pictures or videos of employees engaged in such activities or other activities involving collective bargaining or other mutual aid or protection; (viii) taking other action with one or more co-workers to improve working conditions by, among other means, raising work-related complaints directly with the Company or with a government agency, or seeking help from a union; or (ix) choosing not to engage in any of the foregoing activities.

8.6 **Governing Law.** This Agreement shall be construed in accordance with and governed by the laws of the State of California.

8.7 **Venue.** The Parties (i) agree that any dispute between the Parties, including, without limitation, any dispute concerning or arising out of this Agreement or Executive's employment hereunder (or termination thereof) that is not subject to the arbitration provisions of Section 8.15 shall be litigated exclusively in an appropriate state or federal court in or closest to Los Angeles, California; (ii) hereby consent, and waive any objection, to the jurisdiction of any such court; (iii) agree that service of process in any such litigation may be effected by mailing a copy of such process by registered or certified mail (or any substantially similar form of mail), postage prepaid, to such Party at Executive's or the Company's address as provided herein; and (v) agree that nothing in this Agreement shall affect the right to effect service of process in any other manner permitted by the laws of California.

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8.8 **Severability.** If any provision of this Agreement, as applied to any party or to any circumstance, shall be found by a court or arbitrator of competent jurisdiction to be void, invalid or unenforceable, the same shall in no way affect any other provision of this Agreement, the application of any such provision in any other circumstance, or the validity or enforceability of this Agreement, and any provision which is found to be void, invalid or unenforceable shall be curtailed and limited only to the extent necessary to bring such provision within the requirements of the law.

8.9 **Headings.** Titles or captions contained herein are inserted as a matter of convenience and for reference, and in no way, define, limit, extend or describe the scope of this Agreement or any provision thereof. No provision in this Agreement is to be interpreted for or against either party because that party or its legal representative drafted such provision.

8.10 **Further Assurances.** Each party agrees to execute and acknowledge such other instruments as may be reasonably necessary to effect the transactions contemplated herein.

8.11 **Remedies Cumulative.** All remedies shall be cumulative and pursuit of any one shall not waive any other.

8.12 **Waiver.** No waiver by any party at any time of any breach by any other party of, or compliance with, any condition or provision of the Agreement to be performed by any other party shall be deemed a waiver of any other provisions or conditions at the same time or at any prior or subsequent time.

8.13 **Application of Section 409A.** To the extent applicable, it is intended that this Agreement comply with the provisions of Section 409A of the Internal Revenue Code and the guidance promulgated thereunder ("Section 409A"). This Agreement shall be administered in a manner consistent with this intent, and any provision that would cause the Agreement to fail to satisfy Section 409A shall have no force and effect until amended by the parties to comply with Section 409A (which amendment may be retroactive to the extent permitted by Section 409A). Unless otherwise expressly provided, any payment of compensation by the Company to Executive, whether pursuant to this Agreement or otherwise, shall be made no later than the 15th day of the third month (i.e., 2½ months) after the later of the end of the calendar year or the Company's fiscal year in which Executive's right to such payment vests (i.e., is not subject to a "substantial risk of forfeiture" for purposes of Code Section 409A). For purposes of this Agreement, "Separation from Service" shall have the meaning given to

such term under Section 409A. Each payment and each installment of any severance payments provided for under this Agreement shall be treated as a separate payment for purposes of application of Section 409A. To the extent that any severance payments come within the definition of "short term deferrals" or "involuntary severance" under Section 409A, such amounts shall be excluded from "deferred compensation" as allowed under Section 409A, and shall not be subject to the following Section 409A compliance requirements. All payments of "nonqualified deferred compensation" (within the meaning of Section 409A) are intended to comply with the requirements of Section 409A, and shall be interpreted in accordance therewith. Neither party individually or in combination may accelerate, offset or assign any such deferred payment, except in compliance with Section 409A. No amount shall be paid prior to the earliest date on which it is permitted to be paid under Section 409A and Executive shall have no discretion with respect to the timing of payments except as permitted under Section 409A. Any payments to which Section 409A applies which are subject to execution of a waiver and release which may be executed and/or revoked in a calendar year following the calendar year in which the payment event (such as Separation from Service) occurs shall commence payment only in the calendar year in which the release revocation period ends if necessary to comply with Section 409A. In the event that Executive is determined to be a "key

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employee" (as defined and determined under Section 409A) of the Company at a time when its stock is deemed to be publicly traded on an established securities market, payments determined to be "nonqualified deferred compensation" payable upon Separation from Service shall be made no earlier than (i) the first day of the seventh (7th) complete calendar month following such termination of employment, or (ii) Executive's death, if required and consistent with the provisions of Section 409A. Any payment delayed by reason of the prior sentence shall be paid out in a single lump sum at the end of such required delay period in order to catch up to the original payment schedule. All expense reimbursement or in-kind benefits subject to Section 409A provided under this Agreement or, unless otherwise specified in writing, under any Company program or policy, shall be subject to the following rules to the extent necessary to comply with Section 409A: (i) the amount of expenses eligible for reimbursement or in-kind benefits provided during one calendar year may not affect the benefits provided during any other year; (ii) reimbursements shall be paid no later than the end of the calendar year following the year in which Executive incurs such expenses, and Executive shall take all actions necessary to claim all such reimbursements on a timely basis to permit the Company to make all such reimbursement payments prior to the end of said period, and (iii) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit. Notwithstanding anything herein to the contrary, no amendment may be made to this Agreement if it would cause the Agreement or any payment hereunder not to be in compliance with Section 409A.

8.14 Attorneys Fees. Should any litigation or arbitration occur between the parties relating to this Agreement, the prevailing party shall be entitled to recover its reasonable attorneys' fees and other costs in connection with such litigation, including reasonable attorneys' fees, unless otherwise prohibited by statute or other applicable law, up to but not to exceed one hundred and fifty thousand dollars (\$150,000) which shall be due and payable no later than sixty (60) days following the date such judgment is entered. Any judgment shall include an attorneys' fees clause that shall entitle the judgment creditor to recover attorneys' fees incurred to enforce a judgment on this Agreement, which attorneys' fees shall be an element of post-judgment costs. The foregoing notwithstanding, if any party incurs costs in collecting any amounts due and payable under this Agreement, the collecting party shall be entitled to recover from the paying party the full amount of all such costs (limited only by reasonability) and such costs shall be added to, and made part of, the principal amount due and owing.

8.15 Arbitration.

8.15.1 Any claim, dispute, or controversy between the Executive and the Company (which, for this purpose, shall include including any of the Company's partners, affiliated companies, successors, assigns, owners, directors, officers, shareholders, employees, managers, members and agents), including without limitation, those arising out of or relating to this Agreement, Executive's employment with the Company or the termination thereof shall be submitted to final and binding arbitration pursuant to the Federal Arbitration Act ("FAA"). Notwithstanding the foregoing, the following shall not be subject to mandatory arbitration pursuant to this provision: (i) applications by any Party for temporary or preliminary injunctive relief in aid of arbitration or for the maintenance of the status quo pending arbitration; (ii) claims for workers' compensation benefits; (iii) claims for unemployment insurance compensation benefits; (iv) to the extent required by law, administrative claims or charges before applicable federal and state administrative agencies (such as the Equal Employment Opportunity Commission or comparable state agency, and any unfair labor charge which is to be brought under the NLRA); and (v) claims that may not be subject to pre-dispute mandatory arbitration agreements, such as claims for sexual harassment or sexual assault to the extent Executive determines that Executive would prefer to proceed in a court of law. Further, notwithstanding anything herein to the contrary, to

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the extent permitted by applicable law and applicable JAMS rules and standards without invalidating this arbitration provision, either Party shall be entitled to a court action for temporary equitable relief in accordance with Section 8.6.

8.15.2 To the maximum extent permitted by applicable law, the Parties agree that any claim each brings may not be initiated, maintained, heard or determined on a class action, collective action, or representative action basis either in court or in arbitration, and that each is not entitled to serve or participate as a class, collective or representative action member or representative or to receive any recovery from a class, collective or representative action involving a claim against the other Party either in court or in arbitration. Any claim brought by one Party may not be joined or consolidated with any other claim that does not involve precisely the same parties. If a Party is included within any class action, collective action, or representative action in court or in arbitration involving a claim against the other Party, such Party will take all steps necessary to opt-out of the action or refrain from opting in, as the case may be. Insofar as any claim between the Parties is permitted to proceed on a class action, collective action, or representative action basis, notwithstanding this Section, it must do so in court pursuant to Section 8.6.

8.15.3 The arbitration process shall be confidential and private and administered by JAMS pursuant to its Employment Arbitration Rules & Procedures in effect at the time the dispute is submitted (the "Arbitration Rules"), which can be found at <http://www.jamsadr.com>, a copy of which will be provided to Executive upon Executive's request. Claims must be submitted to JAMS for arbitration in accordance with the Arbitration Rules for commencing an arbitration, and within the applicable statute of limitations. The arbitration shall be conducted on a strictly confidential basis, and Executive shall not disclose the existence or nature of any claim or defense; any documents, correspondence, pleadings, briefing, exhibits, arguments, testimony, evidence, or information exchanged or presented in connection with any claim or defense; or any rulings, decisions, or results of any claim or defense (collectively, "Arbitration Materials") to any third party, with the sole exception of Executive's legal counsel, whom Executive shall ensure complies with these confidentiality terms, and the arbitrator. The Parties may file and the arbitrator shall hear and decide at any point in the proceedings any motion permitted by the Federal Rules of Civil Procedure, including but not limited to motions to compel discovery, motions for protective orders, motions to dismiss, motions for summary judgment, and motions in limine. In addition, the arbitration shall be subject to the same burdens of proof and statutes of limitations as if the claim at issue was being heard in the federal or state court provided by Section 8.6 above. The arbitration proceedings will be held before a single, neutral arbitrator in or close to Los Angeles County, California. The fees of the arbitrator and all other costs that are unique to the arbitration process shall be paid by the Company to the extent required by law. Each party shall be solely responsible for paying his/her/its own costs for the arbitration, including, but not limited to attorneys' fees. The arbitrator shall have the authority to award any damages or relief authorized by law, except the arbitrator shall have no authority to award any punitive or exemplary damages and the Parties waive, to the full extent permitted by law, any right to recover such damages in such arbitration. The award of the arbitrator shall be in writing and shall contain the arbitrator's factual findings, legal conclusions and reasons for the award. The award may be entered as a judgment in any court with jurisdiction over either Executive or the Company. Either Party may bring an action in any court of competent jurisdiction to compel arbitration under this Agreement, to enforce an arbitration award and to vacate an arbitration award. However, in actions seeking to vacate an award, the standard of review to be applied by said court to the arbitrator's findings of fact and conclusions of law will be the same as that applied by an appellate court reviewing a decision of a trial court sitting without a jury. The Parties agree to take all steps necessary to protect the confidentiality of the Arbitration Materials in connection with any court proceeding.

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agree to use their reasonable best efforts to file any court proceeding permitted herein and all Confidential Information (and all documents containing Confidential Information) under seal, and agree to the entry of an appropriate protective order encompassing the confidentiality terms of this Agreement. To the extent any of the terms, conditions or requirements of this Agreement conflict with the Arbitration Rules, the terms, conditions or requirements of this Agreement shall govern.

8.15.4 Notwithstanding any provision of the Arbitration Rules to the contrary, any issue concerning the validity or enforceability of any of the class action, collective action, and representative action waivers contained in this Agreement ("Waivers") shall be governed by and determined under and in accordance with the FAA and shall be decided by a court of competent jurisdiction pursuant to Section 8.7. Any issue concerning arbitrability of a particular issue or claim pursuant to this Agreement (except for issues concerning the validity or enforceability of any of the Waivers) must be resolved by the arbitrator, not the court. **The Parties understand that by agreeing to arbitration, they are giving up their right to a trial in a court of law.**

8.16 **Clawback Policy.** Notwithstanding anything contained herein or in any incentive compensation plan, program or arrangement sponsored by the Company, all incentive or performance based compensation shall be subject to reduction or repayment by reason of a restatement of the Company's financial statements if and to the extent such reduction or repayment is required by any applicable law or the Company's policy regarding clawbacks.

8.17 **Limitation on Remedies.** Executive acknowledges and agrees that this Agreement is being executed voluntarily, knowingly and without duress. Executive's exclusive remedy against the Company in the event the Company materially breaches this Agreement shall be to invoke the provisions of Section 4.3.1 and Section 4.4 hereof. If Executive brings a claim based on breach of the Company's obligation to provide any of the benefits and compensation promised to him in this Agreement, and it is determined that the Company breached such obligation, the amount of any award to Executive shall not exceed the amounts provided under Section 4.4 and, except as specifically provided in Sections 4.4.2 and 8.13, shall not be reduced by alternative income or benefits he receives before or after his separation from the Company, nor shall he otherwise be required to mitigate his damages based on breach of this Agreement.

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IN WITNESS WHEREOF, the parties hereto have executed this Employment Agreement to be effective as of the date first set forth above.

EXECUTIVE

/s/ Victor Sze

Victor Sze

OSI SYSTEMS, INC.

/s/ Deepak Chopra

By: Deepak Chopra, CEO

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Plan and any other nonqualified deferred compensation plan or portion thereof that is treated as a single plan under such section.**EXHIBIT A**

TO THE EXECUTIVE EMPLOYMENT AGREEMENT

SECTION 280G RULES

2.31.1. **Plan Year.** Plan Year means January 1 through December 31. The following rules shall apply for purposes of determining the amounts payable under Section 4.4.2(b) of the Agreement. For the avoidance of doubt, in the event there is a conflict between the terms of any agreement relating to payments of amount payable in the event of a 280G Event (including, but not limited to any equity, stock options and incentive compensation agreements) and this Agreement, the terms of the Agreement (including this Exhibit A) shall prevail.

2.34.2. **Retirement Account.** Retirement Account means an Account established Whether the payment under Section 4.4.2(b)(1) is greater than the amount of the Alternative Payment under Section 4.2.2(b)(2) shall be determined on a net after-tax basis after taking into account the Excise Tax, if any, on the amounts described in Section 4.4.2(b)(1) and the amount of all applicable federal, state and local income and employment taxes that would be payable by the Executive with respect to amounts described in Section 4.2.2 calculated at the highest marginal income tax rate for each year in which the foregoing shall be paid to the Executive (based on the rate in effect for such year as set forth in the Participant's initial Compensation Deferral Code as in effect at the time of the first payment of the foregoing).

3. All determinations under Section 4.4.2(b) of the Agreement upon his and this Exhibit A will be made by an accounting firm or her initial participation in law firm that is selected for this purpose by the Plan in order Company prior to record such Participant's Deferrals allocated a 280G Event (the "280G Firm"). All fees and expenses of the 280G Firm shall be borne by the Company. The Company will direct the 280G Firm to such Account (and submit any discretionary Company Contributions described in Article V, if any) and payable as part of a Participant's Separation from Service Benefit determination it makes under Sections 6.1(a) and 6.2(a) and as otherwise provided under the terms Section 4.4.2(b) of this Plan (for clarity, Agreement and this Exhibit A and detailed supporting calculations to both the Executive and the Company as soon as reasonably practicable.
4. If the 280G Firm determines that the Alternative Payment is to be made under Section 4.4.2(b)(2) and one or more reductions are required under it to avoid the Excise Tax, the 280G Firm shall also determine which payments shall be reduced (first from cash payments and then from non-cash benefits) to the extent permitted by the Committee, a Participant may establish one or more Separation from Service Accounts under any Compensation Deferral Agreement, such Account to have a different Payment Schedule from his or her Retirement Account and may allocate Deferrals to such Separation from Service Account, necessary so that no portion thereof shall be subject to the limits, terms Excise Tax, and conditions described herein). Each "Separation from Service Account" (for clarity, including the Company shall pay such accounts referred to as "Retirement/Termination Accounts" under applicable Compensation Deferral Agreements) established under a Compensation Deferral Agreement that became effective and irrevocable prior reduced amount to the Second Restatement Date is redesignated as Executive. The 280G Firm shall make reductions required under Section 4.4.2(b) of this Agreement in a Retirement Account as of manner that maximizes the Second Restatement Date, net after-tax amount payable to the Executive.

2.35. Separation from Service. An Employee incurs a Separation from Service upon termination of employment with the Employer. Whether a Separation from Service has occurred shall be determined by the Committee in accordance with Code Section 409A.

Except in the case of an Employee on a bona fide leave of absence as provided below, an Employee is deemed to have incurred a Separation from Service if the Employer and the Employee reasonably anticipated that the level of services to be performed by the Employee after a date certain would be reduced to twenty percent (20%) or less of the average services rendered by the Employee during the immediately preceding thirty-six (36) month period (or the total period of employment, if less than thirty-six (36) months), disregarding periods during which the Employee was on a bona fide leave of absence.

An Employee who is absent from work due to military leave, sick leave, or other bona fide leave of absence shall incur a Separation from Service on the first (1st) date immediately following the later of: (i) the six (6) month anniversary of the commencement of the leave; or (ii) the expiration of the Employee's right, if any, to reemployment under statute or contract. Notwithstanding the preceding, however, an Employee who is absent from work due to a physical or mental impairment that is expected to result in death or last for a continuous period of at least six (6) months and that prevents the Employee from performing the duties of his position of employment or a similar position shall incur a Separation from Service on the first (1st) date immediately following the twenty-ninth (29) month anniversary of the commencement of the leave.

For purposes of determining whether a Separation from Service has occurred, the Employer means the Employer as defined in Section 2.23 of the Plan, except that for purposes of

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determining whether another organization is an Affiliate of the Company, common ownership of at least fifty percent (50%) shall be determinative.

The Committee specifically reserves the right to determine whether a sale or other disposition of substantial assets to an unrelated party constitutes a Separation from Service with respect to a Participant providing services to the seller immediately prior to the transaction and providing services to the buyer after the transaction. Such determination shall be made in accordance with the requirements of Code Section 409A.

2.36 **Separation from Service Account.** Separation from Service Account means an Account established pursuant to a Participant's Compensation Deferral Agreement that becomes effective and irrevocable on or after the Second Restatement Date and shall be payable as part of a Participant's Separation from Service Benefit under Sections 6.1(a) and 6.2(a) and as otherwise provided under the terms of this Plan. The Participant's Compensation Deferral Agreement that establishes a Separation from Service Account shall also designate a Payment Schedule that applies only to the Account Balance of such Account.

2.37 **Separation from Service Benefit.** Separation from Service Benefit means the benefit payable to a Participant under Sections 6.1(a) and 6.2(a) of the Plan as a result of the Participant's Separation from Service.

2.38 **Specified Date Account.** uncertainty in the application of Section 280G at the time that the 280G Firm makes its determinations under Section 4.4.2(b)(2) of this Agreement, it is possible that amounts will have been paid or distributed to the Executive that should not have been paid or distributed (collectively, the "Overpayments"), or that additional amounts should be paid or distributed to the Executive (collectively, the "Underpayments"). A Specified Date Account means an Account established if the 280G Firm determines, based on either the assertion of a deficiency by the Committee to record the amounts payable at a future date as specified in the Participant's applicable Compensation Deferral Agreement.

2.39 **Specified Date Benefit.** Specified Date Benefit means any benefit(s) payable to a Participant under the Plan in accordance with Section 6.1(b).

2.40 **Specified Employee.** Specified Employee means an Employee who, as of the date of his Separation from Internal Revenue Service is a "key employee" of the Company or any Affiliate, any stock the Executive, which assertion the 280G Firm believes has a high probability of which is actively traded on success or controlling precedent or substantial authority, that an established securities market Overpayment has been made, the Executive must repay to the Company the Overpayment. If the 280G Firm determines, based upon controlling precedent or otherwise.

An Employee is a key employee if he or she meets the requirements of Code Section 416(i)(1)(A)(i), (ii), or (iii) (applied in accordance with applicable regulations thereunder and without regard to Code Section 416(i)(5)) at any time during the twelve (12) month period ending on the Specified Employee Identification Date. Such Employee shall be treated as a key employee for the entire twelve (12) month period beginning on the Specified Employee Effective Date.

For purposes of determining whether an Employee is a Specified Employee, the compensation of the Employee shall be determined in accordance with the definition of compensation provided under Treas. Reg. Section 1.415(c)-2(d)(3) (wages within the meaning of Code section 3401(a) for purposes of income tax withholding at the source, plus amounts excludable from gross income under section 125(a), 132(f)(4), 402(e)(3), 402(h)(1)(B), 402(k) or 457(b), without regard to rules that limit the remuneration included in wages based on the nature or location of the employment or the services performed);

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provided, however, that, with respect to a nonresident alien who is not a Participant in the Plan, compensation shall not include compensation that is not includable in the gross income of the Employee under Code Sections 872, 893, 894, 911, 931 and 933, provided such compensation is not effectively connected with the conduct of a trade or business within the United States.

Notwithstanding anything in this paragraph to the contrary: (i) if a different definition of compensation has been designated by the Company with respect to another nonqualified deferred compensation plan in which a key employee participates, the definition of compensation shall be the definition provided in Treas. Reg. Section 1.409A-1(i)(2); and (ii) the Company may through action that is legally binding with respect to all nonqualified deferred compensation plans maintained by the Company, elect to use a different definition of compensation.

In the event of corporate transactions described in Treas. Reg. Section 1.409A-1(i)(6), the identification of Specified Employees shall be determined in accordance with the default rules described therein, unless the Employer elects to utilize the available alternative methodology through designations made within the timeframes specified therein.

2.41 **Specified Employee Effective Date.** Specified Employee Effective Date means substantial authority, that an Underpayment has occurred, the first (1st) day 280G Firm will notify the Executive and the Company of that determination and the fourth month following amount of that Underpayment will be paid to the Specified Employee Identification Date, or such earlier date as is selected Executive promptly by the Committee.

2.42 **Specified Employee Identification Date.** Specified Employee Identification Date means December 31, unless the Employer has elected a different date through action that is legally binding with respect to all nonqualified deferred compensation plans maintained by the Employer.

2.43 **Unforeseeable Emergency.** An Unforeseeable Emergency means a severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant's spouse, the Participant's dependent (as defined in Code section 152, without regard to section 152(b)(1), (b)(2), and (d)(1)(B)), or a Beneficiary; loss of the Participant's property due to casualty (including the need to rebuild a home following damage to a home not otherwise covered by insurance, for example, as a result of a natural disaster); or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The types of events which may qualify as an Unforeseeable Emergency may be limited by the Committee.

2.44 **Valuation Date.** Valuation Date shall mean each Business Day.

ARTICLE III

Eligibility and Participation

3.1 **Eligibility and Participation.** An Eligible Employee becomes a Participant upon the earlier to occur of: (i) a credit of Company Contributions under Article V; or (ii) notification of eligibility to participate by the Committee or its authorized representative. Company.

3.26. **Duration.** A Participant shall be eligible. The Executive will provide the 280G Firm access to, defer Compensation and receive allocations copies of, Company Contributions, subject to the terms of the Plan, for as long as such Participant remains an Eligible Employee. A Participant who is no longer an Eligible Employee but has not experienced a Separation from Service may not defer Compensation under the Plan but may otherwise exercise all of the rights of a Participant under the Plan with respect to his or her Account(s). On any books, records, and after a Separation from Service, a Participant shall remain a Participant as long as his or her Account Balance is greater than zero, and during such time may continue to make allocation elections as provided in Section 8.4. An individual shall cease being a Participant documents in the Plan when all benefits under the Plan to which he or she is entitled have been paid.

ARTICLE IV

Deferrals

4.1 **Deferral Elections, Generally.**

(a) **Compensation Deferral Agreements.** A Participant may elect to defer Compensation by submitting a Compensation Deferral Agreement during the enrollment periods established Executive's possession as reasonably requested by the Committee 280G Firm, and in the manner specified by the Committee, but in any event, in accordance with Section 4.2. A Compensation Deferral Agreement that is not timely submitted with respect to a service period or component of Compensation shall be considered void and shall have no effect with respect to such service period or Compensation. The Committee may modify any Compensation Deferral Agreement prior to the date the election becomes irrevocable under the rules of Section 4.2 and may limit in its sole discretion the format, timing, components and other elements of any election to defer Compensation under this Article IV, subject to the limitations contained in the Plan.

(b) **Accounts; Allocations.** The Participant shall specify on his or her Compensation Deferral Agreement (i) the amount of Deferrals for the applicable Plan Year(s), (ii) the allocation of such Deferrals among Accounts in accordance with this Section 4.1(b), and (iii) with respect to any Account established under such Compensation Deferral Agreement, a Payment Schedule consistent otherwise cooperate with the requirements of Sections 6.1 and 6.2. To the extent that the allocation of Deferrals amongst a Participant's Accounts has not been specified in a Participant's Compensation Deferral Agreement, Deferrals under such Compensation Deferral Agreement shall be allocated to the Participant's Retirement Account. The Committee may, in its discretion, establish a minimum deferral period for Specified Date Accounts (for example, the third (3rd) Plan Year following the Plan Year in which Deferrals are first allocated to such Account.

(c) **Payment Schedules.** A Participant shall specify in his or her Compensation Deferral Agreement the Payment Schedule applicable to each Account established by such Compensation Deferral Arrangement (as applicable). To the extent that a Participant has not specified the Payment Schedule applicable to any Account, the

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Payment Schedule applicable to such Account(s) to which Deferrals have been allocated in accordance with Section 4.1(b) above shall be a payment on the commencement date specified in Section 6.1 for such Account and the form of payment specified in Section 6.2 for such Account. For clarity, a Participant's Compensation Deferral Agreement may establish one or more Separation from Service Accounts and/or Specified Date Accounts with different Payment Schedules from any such Accounts established under prior Compensation Deferral Agreements, subject to the limitation on the number of Accounts set forth in Section 4.1(d) below.

(d) **Limit on Accounts.** Notwithstanding the foregoing or anything contained herein to the contrary, unless otherwise determined by the Committee, in no event shall any Participant be permitted to have more than five (5) Separation from Service Accounts and/or Specified Date Accounts in total (in addition to the Retirement Account) with an Account Balance greater than zero, and any new Deferrals made once such limits are reached may only be made to an existing Account.

(e) **Corrective Distribution Equivalent Deferrals.** A deferral election shall also indicate whether a Participant elects to defer an additional amount of Compensation equal in amount to any Corrective Distribution received during the Plan Year to which the deferral election refers ("Corrective Distribution Equivalent Deferral"). Unless otherwise determined by the Committee, in the event that a Participant elects a Corrective Distribution Equivalent Deferral, the total amount of such Deferral will be divided by the number of pay periods remaining in the Plan Year following the receipt by the Participant of the Corrective Distribution, and the resulting amount will be added to the percentage of base salary deferred by such Participant.

4.2 Timing Requirements for Compensation Deferral Agreements.

(a) *First Year of Eligibility.* In the case of the first (1st) year in which an Eligible Employee becomes eligible to participate in the Plan, if permitted by the Committee, he or she has up to thirty (30) days following his or her initial eligibility to submit a Compensation Deferral Agreement with respect to Compensation to be earned during such year. The Compensation Deferral Agreement described in this paragraph becomes irrevocable upon the end of such thirty (30) day period, or such earlier date as the Committee may provide. The determination of whether an Eligible Employee may file a Compensation Deferral Agreement under this paragraph shall be determined in accordance with the rules of Code Section 409A, including the provisions of Treas. Reg. Section 1.409A-2(a)(7). A Compensation Deferral Agreement submitted under this paragraph applies only to Compensation earned on and after the date the Compensation Deferral Agreement becomes irrevocable.

(b) *Prior Year Election.* Except as otherwise provided in this Section 4.2, if permitted by the Committee, Participants may defer Compensation by filing a Compensation Deferral Agreement no later than December 31 of the year prior to the year in which

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the Compensation to be deferred is earned. A Compensation Deferral Agreement described in this paragraph shall become irrevocable with respect to such Compensation as of January 1 of the year in which such Compensation is earned.

(c) *Performance-Based Compensation.* If permitted by the Committee, Participants may file a Compensation Deferral Agreement with respect to Performance-Based Compensation no later than the date that is six (6) months before the end of the performance period, provided that:

- (i) the Participant performs services continuously from the later of the beginning of the performance period or the date the criteria are established through the date the Compensation Deferral Agreement is submitted; and
- (ii) the Compensation is not readily ascertainable as of the date the Compensation Deferral Agreement is filed.

A Compensation Deferral Agreement becomes irrevocable with respect to Performance-Based Compensation as of the day immediately following the latest date for filing such election. Any election to defer Performance-Based Compensation that is made in accordance with this paragraph and that becomes payable as a result of the Participant's death or disability (as defined in Treas. Reg. Section 1.409A-1(e)) or upon a change in control (as defined in Treas. Reg. Section 1.409A-3(i)(5)) prior to the satisfaction of the performance criteria, will be void.

(d) *Sales Commissions.* Sales commissions (as defined in Treas. Reg. Section 1.409A-2(a)(12)(i)) are considered to be earned by the Participant in the taxable year of the Participant in which the sale occurs. The Compensation Deferral Agreement applicable to any sales commissions, [if permitted by the Committee,] must be filed before the last day of the year preceding the year in which the sales commissions are earned, and becomes irrevocable after that date.

(e) *Certain Forfeitable Rights.* With respect to a legally binding right to a payment in a subsequent year that is subject to a forfeiture condition requiring the Participant's continued services for a period of at least twelve (12) months from the date the Participant obtains the legally binding right, an election to defer such Compensation may [if permitted by the Committee,] be made on or before the thirtieth (30th) day after the Participant obtains the legally binding right to the Compensation, provided that the election is made at least twelve (12) months in advance of the earliest date at which the forfeiture condition could lapse. The Compensation Deferral Agreement described in this paragraph becomes irrevocable after such thirtieth (30th) day. If the forfeiture condition applicable to the payment lapses before the end of the required service period as a result of the Participant's death or disability (as defined in Treas. Reg. Section 1.409A-3(i)(4)) or upon a change in control (as defined in Treas. Reg. Section 1.409A-3(i)(5)), the Compensation Deferral

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Agreement will be void unless it would be considered timely under another rule described in this Section.

(f) *"Evergreen" Deferral Elections.* The Committee, in its discretion, may provide in the Compensation Deferral Agreement that such Compensation Deferral Agreement will continue in effect for each subsequent year or performance period. Such "evergreen" Compensation Deferral Agreements will become effective with respect to an item of Compensation on the date such election becomes irrevocable under this Section 4.2 with respect to such item of Compensation. An evergreen Compensation Deferral Agreement may be terminated or modified prospectively with respect to Compensation for which such election remains revocable under this Section 4.2. A Participant whose Compensation Deferral Agreement is cancelled in accordance with Section 4.6 will be required to file a new Compensation Deferral Agreement under this Article IV in order to recommence Deferrals under the Plan.

4.3 Reserved.

4.4 Deductions from Pay. The Committee has the authority to determine the payroll practices under which any component of Compensation subject to a Compensation Deferral Agreement will be deducted from a Participant's Compensation.

4.5 Vesting. Participant Deferrals shall be one hundred percent (100%) vested at all times.

4.6 Cancellation of Deferrals. The Committee may cancel a Participant's Deferrals: (i) for the balance of the Plan Year in which an Unforeseeable Emergency occurs; or (ii) during periods in which the Participant is unable to perform the duties of his or her position or any substantially similar position due to a mental or physical impairment that can be expected to result in death or last for a continuous period of at least six months, provided cancellation occurs by the later of the end of the taxable year of the Participant or the fifteenth (15th) day of the third (3rd) month following the date the Participant incurs the disability (as defined in this clause (ii)).

ARTICLE V

Company Contributions

5.1 Discretionary Company Contributions. The Participating Employer may, from time to time in its sole and absolute discretion, credit Company Contributions to any of its Employee Participants in any amount determined by the Participating Employer. Such contributions shall be credited to a Participant's Retirement Account and subject to the Payment Schedule applicable thereto.

5.2 **Vesting.** Company Contributions described in Section 5.1, above, and the Earnings thereon, shall vest in accordance with the vesting schedule(s) established by the Committee at the time that the Company Contribution is made. The Participating Employer may, at any time, in its sole discretion, increase a Participant's vested interest in a Company Contribution. Company Contributions will become one hundred percent (100%) vested

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upon the Participant's death or Disability while employed by the Company and immediately prior to a Change in Control. The portion of a Participant's Accounts that remains unvested upon his or her Separation from Service after the application of the terms of this Section 5.2 shall be forfeited.

ARTICLE VI

Benefits

6.1 **Benefits, Generally.** A Participant shall be entitled to the following benefits under the Plan:

- (a) **Separation from Service Benefit.** Upon the Participant's Separation from Service for reasons other than death, he or she shall be entitled to a Separation from Service Benefit. The Separation from Service Benefit shall be equal to the vested portion (as applicable) of (i) the Participant's Retirement Account, (ii) any Separation from Service Account(s), and (iii) any Specified Date Accounts with respect to which payments have not yet commenced, based on the value of such Account(s) as of the end of the calendar month immediately preceding the calendar month of distribution, payable in accordance with Section 6.2(a) below. Notwithstanding the foregoing, if a Participant is a Specified Employee on the date of such Participant's Separation from Service, the distribution from such Accounts will be made or begin on the first (1st) day of the seventh (7th) calendar month following the calendar month in which the Separation from Service occurs, to the extent necessary to avoid a "prohibited distribution" under §409A(a)(2)(B)(i) of the Code (with any amounts otherwise payable prior to such seventh calendar month instead paid on the first (1st) day of such seventh (7th) calendar month). If the Separation from Service Benefit is to be paid in the form of installments, any subsequent installment payments will be paid on the anniversary of the first (1st) day of the seventh (7th) month.
- (b) **Specified Date Benefit.** If the Participant has established one or more Specified Date Accounts, he or she shall be entitled to a Specified Date Benefit with respect to each such Specified Date Account. The Specified Date Benefit shall be equal to the vested portion of the Specified Date Account, based on the value of that Account as of the end of the month designated by the Participant in the applicable Compensation Deferral Agreement. Payment of the Specified Date Benefit will be made or begin no later than the end of the month following the designated month, with the actual payment or commencement date determined in the sole discretion of the Committee.
- (c) **Death Benefit.** In the event of the Participant's death, his or her designated Beneficiary(ies) shall be entitled to a Death Benefit. The Death Benefit shall be equal to the vested portion of the Participant's entire unpaid Account Balance for all Accounts. The Death Benefit shall be based on the Account Balance determined as of the end of the month in which death occurred, with payment made no later than December 31 of the year next following the year in which the Participant's

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death occurred. The actual payment date will be determined in the sole discretion of the Committee.

Each Participant may, pursuant to such procedures as the Committee may specify, designate one or more Beneficiaries in connection with the Plan. If a Participant is married or has a registered domestic partner and names someone other than his or her spouse or domestic partner, as applicable, as a primary Beneficiary with respect to any portion of his or her Accounts, spousal/partner consent shall be required to be provided in a form designated by the Committee, executed by such Participant's spouse/partner and returned to the Committee. A Participant may change or revoke a Beneficiary designation by delivering to the Committee a new designation (or revocation). Any designation or revocation shall be effective only if it is received in proper form by the Committee. However, when so received, the designation or revocation shall be effective as of the date the notice is executed, but without prejudice to any Employer on account of any payment made before the change is recorded. The last effective designation received by the Committee shall supersede all prior designations. If a Participant dies without having effectively designated a Beneficiary, or if no Beneficiary survives the Participant, the Death Benefit shall be payable (i) to his or her surviving spouse/domestic partner, or (ii) if the Participant is not survived by his or her spouse/domestic partner, to his or her estate. A former spouse/domestic partner shall have no interest under the Plan, as Beneficiary or otherwise, unless the Participant designates such person as a Beneficiary after dissolution of the marriage/partnership, except to the extent provided under the terms of a domestic relations order as described in Code Section 414(p)(1)(B).

(d) **Unforeseeable Emergency Payments.** A Participant who experiences an Unforeseeable Emergency may submit a written request to the Committee to receive payment of all or any portion of his or her vested Accounts. Whether a Participant or Beneficiary is faced with an Unforeseeable Emergency permitting an emergency payment shall be determined by the Committee based on the relevant facts and circumstances of each case, but, in any case, a distribution on account of Unforeseeable Emergency may not be made to the extent that such emergency is or may be reimbursed through insurance or otherwise, by liquidation of the Participant's assets, to the extent the liquidation of such assets would not cause severe financial hardship, or by cessation of Deferrals under this Plan. If an emergency payment is approved by the Committee, the amount of the payment shall not exceed the amount reasonably necessary to satisfy the need, taking into account the additional compensation that is available to the Participant as the result of cancellation of deferrals to the Plan, including amounts necessary to pay any taxes or penalties that the Participant reasonably anticipates will result from the payment. The amount of the emergency payment shall be subtracted first from the vested portion of the Participant's Retirement Account and any applicable Separation from Service Account(s) on a pro rata basis until depleted and then from the vested Specified Date Account(s), beginning with the Specified Date Account with the latest payment commencement date. Emergency payments shall be paid in a single

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lump sum within the ninety (90) day period following the date the payment is approved by the Committee.

(e) **Disability Benefit.** In the event that a Participant becomes Disabled, he or she shall be entitled to a Disability Benefit. The Disability Benefit shall be equal to the vested portion of the Participant's entire unpaid Account Balance for all Accounts. The payment date for the Disability Benefit shall be no later than the end of the month following the calendar month in which the Committee determined that the Participant has become Disabled, with the actual payment date determined in the sole discretion of the Committee, and the Disability Benefit shall be based on the value of the vested (and, as applicable, unpaid) portion of the Accounts as of the last day of the calendar month in which the Committee makes a determination as to the Participant's Disability.

6.2 Form of Payment.

(a) **Separation from Service Benefit.** A Participant who is entitled to receive a Separation from Service Benefit shall receive payment of his or her Retirement Account and each Separation from Service Account in a single lump sum, unless the Participant has elected on his or her Compensation Deferral Agreement to have an Account paid in annual installments.

Annual installment payments are determined and paid in accordance with Section 6.2(f), over a period of two (2) to fifteen (15) years, as elected by the Participant in his or her initial Compensation Deferral Agreement establishing the Account. The Retirement Account shall be established automatically in a Participant's initial Compensation Deferral Agreement following his or her entry into the Plan. If for any reason a Retirement Account is not established or the payment schedule not designated, the Participant shall be deemed to have established a Retirement Account that pays in a lump sum.

The Payment Schedule that the Participant has designated for the Participant's Retirement Account applies to amounts paid from the Retirement Account and any Specified Date Accounts included in the Separation from Service Benefit. For the avoidance of doubt, the Payment Schedule designated by a Participant for the Retirement Account shall not apply to any Separation from Service Account, and the Payment Schedule designated by a Participant for any Separation from Service Account shall not apply to the Retirement Account, any Specified Date Account or any other Separation from Service Account. The payment of a lump sum or the initial payment of annual installments from any Account as provided under this Section 6.2(a) shall be subject to the payment delay for Specified Employees set forth in Section 6.1(a).

(b) **Specified Date Benefit.** The Specified Date Benefit shall be paid in a single lump sum, unless the Participant has elected on the applicable Compensation Deferral Agreement with which the Account was established to have the Specified Date

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Account paid in annual installments, determined and paid in accordance with Section 6.2(f), over a period of two (2) to five (5) years, as elected by the Participant.

Notwithstanding any Specified Date election of a Participant, if a Participant incurs a Separation from Service, dies or becomes Disabled, in each case before distributions with respect to a Specified Date Account have commenced, such amounts shall be paid in accordance with the time and form of payment applicable to the Participant's Separation from Service Benefit, Death Benefit or Disability Benefit (as applicable). With respect to Specified Date Account, Balances that have commenced to be paid in installment payments prior to the date of the Separation from Service, death or Disability, such Specified Date accounts shall continue to be paid in accordance with the form of payment election applicable to the Specified Date Account.

(c) **Death Benefit.** In the event of the Participant's death, his or her designated Beneficiary(ies) shall be entitled to a Death Benefit as set forth in Section 6.1(c). The Death Benefit shall be equal to the vested portion of the Participant's unpaid vested Account Balances and shall be payable in a single lump sum.

(d) **Change in Control.** A Participant will receive his or her entire unpaid vested Account Balance in a single lump sum payment if Separation from Service occurs within twenty-four (24) months following a Change in Control. Payment will be made at the time set forth in Section 6.1(a).

A Participant or Beneficiary receiving installment payments when a Change in Control occurs will receive his or her remaining Account Balance in a single lump sum within ninety (90) days following the Change in Control with the actual payment date determined in the sole discretion of the Committee.

(e) *Small Account Balances.* The Committee shall pay the value of the Participant's Accounts upon a Separation from Service in a single lump sum if the balance of such Accounts is not greater than the applicable dollar amount under Code Section 402(g)(1)(B), provided the payment represents the complete liquidation of the Participant's interest in the Plan.

(f) *Rules Applicable to Installment Payments.* If a Payment Schedule specifies installment payments, annual payments will be made beginning as of the payment commencement date for such installments and shall continue on each anniversary thereof until the number of installment payments specified in the Payment Schedule has been paid. The amount of each installment payment shall be determined by dividing (a) by (b), where (a) equals the Account Balance as of the Valuation Date and (b) equals the remaining number of installment payments.

For purposes of Article VII, installment payments will be treated as a single payment. If a lump sum equal to less than one hundred percent (100%) of the

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Separation from Service Benefit is paid, the payment commencement date for the installment form of payment will be the first (1st) anniversary of the payment of the lump sum.

(g) *Disability Benefit.* A Participant who is entitled to receive a Disability Benefit shall receive payment of such benefit in a single lump sum.

6.3 *Acceleration of or Delay in Payments.* The Committee, in its sole and absolute discretion, may elect to accelerate the time or form of payment of a benefit owed to the Participant hereunder, provided such acceleration is permitted under Treas. Reg. Section 1.409A-3(j)(4). The Committee may also, in its sole and absolute discretion, delay the time for payment of a benefit owed to the Participant hereunder, to the extent permitted under Treas. Reg. Section 1.409A-2(b)(7). If the Plan receives a domestic relations order (within the meaning of Code Section 414(p)(1)(B)) directing that all or a portion of a Participant's Accounts be paid to an "alternate payee," any amounts to be paid to the alternate payee(s) shall be paid in a single lump sum.

ARTICLE VII

Modifications to Payment Schedules

7.1 *Participant's Right to Modify.* A Participant may modify any or all of the alternative Payment Schedules with respect to an Account, consistent with the permissible Payment Schedules available under the Plan, provided such modification complies with the requirements of this Article VII. For clarity, a modification of the Payment Schedule applicable to a Participant's Retirement Account shall also apply to all Specified Date Accounts payable under Sections 6.1(a) and 6.2(a).

7.2 *Time of Election.* The date on which a modification election is submitted to the Committee must be at least twelve (12) months prior to the date on which payment is scheduled to commence under the Payment Schedule in effect prior to the modification.

7.3 *Date of Payment under Modified Payment Schedule.* Except with respect to modifications that relate to the payment of a Death Benefit or a Disability Benefit, the date payments are to commence under the modified Payment Schedule must be no earlier than five (5) years after the date payment would have commenced under the original Payment Schedule. Under no circumstances may a modification election result in an acceleration of payments in violation of Code Section 409A.

7.4 *Effective Date.* A modification election submitted in accordance with this Article VII is irrevocable upon receipt by the Committee and becomes effective twelve (12) months after such date.

7.5 **Effect on Accounts.** An election to modify a Payment Schedule is specific to the Account or payment event to which it applies and shall not be construed to affect the Payment Schedules of any other Accounts.

ARTICLE VIII

Valuation of Account Balances; Investments

8.1 **Valuation.** Deferrals shall be credited to appropriate Accounts on the date such Compensation would have been paid to the Participant absent the Compensation Deferral Agreement. Company Contributions shall be credited to a Participant's Retirement Account at the time(s) determined by the Committee. Valuation of Accounts shall be performed under procedures approved by the Committee.

8.2 **Earnings Credit.** Each Account will be credited with Earnings on each Business Day, based upon the Participant's investment allocation among a menu of investment options selected in advance by the Committee, in accordance with the provisions of this Article VIII ("investment allocation").

8.3 **Investment Options.** Investment options will be determined by the Committee. The Committee, in its sole discretion, shall be permitted to add or remove investment options from the Plan menu from time to time, provided that any such additions or removals of investment options shall not be effective with respect to any period prior to the effective date of such change. In addition, following a Change in Control, the Committee may add or remove an investment option, provided however, that (i) any decision to add or remove an investment option shall be made in good faith, and (ii) there shall at all times be no less than the number of investment options that existed immediately prior to the Change in Control.

8.4 **Investment Allocations.** A Participant's investment allocation constitutes a deemed, not actual, investment among the investment options comprising the investment menu. At no time shall a Participant have any real or beneficial ownership in any investment option included in the investment menu, nor shall the Participating Employer or any trustee acting on its behalf have any obligation to purchase actual securities as a result of a Participant's investment allocation. A Participant's investment allocation shall be used solely for purposes of adjusting the value of a Participant's Account Balances.

A Participant shall specify an investment allocation for each of his Accounts in accordance with procedures established by the Committee. Allocation among the investment options must be designated in increments of one percent (1%). The Participant's investment allocation will become effective on the same Business Day or, in the case of investment allocations received after a time specified by the Committee, the next Business Day.

A Participant may change an investment allocation on any Business Day, both with respect to future credits to the Plan and with respect to existing Account Balances, in accordance with procedures adopted by the Committee. Changes shall become effective on the same

Business Day or, in the case of investment allocations received after a time specified by the Committee, the next Business Day, and shall be applied prospectively.

8.5 **Unallocated Deferrals and Accounts.** If the Participant fails to make an investment allocation with respect to an Account, such Account shall be invested in an investment option, the primary objective of which is the preservation of capital, as determined by the Committee.

ARTICLE IX

Administration

9.1 **Plan Administration.** This Plan shall be administered by the Committee which shall have discretionary authority to make, amend, interpret and enforce all appropriate rules and regulations for the administration of this Plan and to utilize its discretion to decide or resolve any and all questions, including but not limited to eligibility for benefits and interpretations of this Plan and its terms, as may arise 280G Firm in connection with the Plan. Claims for benefits shall be filed with the Committee preparation and resolved in accordance with the claims procedures in Article XII.

9.2 **Withholding.** The Participating Employer shall have the right to withhold from any payment due under the Plan (or with respect to any amounts credited to the Plan) any taxes required by law to be withheld in respect of such payment (or credit). Withholdings with respect to amounts credited to the Plan shall be deducted from Compensation that has not been deferred to the Plan.

9.3 **Indemnification.** The Participating Employers shall indemnify and hold harmless each employee, officer, director, agent or organization, to whom or to which are delegated duties, responsibilities, and authority under the Plan or otherwise with respect to administration issuance of the Plan, including, without limitation, the Committee determinations and its agents, against all claims, liabilities, fines and penalties, and all expenses reasonably incurred calculations contemplated by or imposed upon him or it (including but not limited to reasonable attorney fees) which arise as a result of his or its actions or failure to act in connection with the operation and administration Section 4.4.2(b) of the Plan to the extent lawfully allowable Agreement and to the extent that such claim, liability, fine, penalty, or expense is not paid for by liability insurance purchased or paid for by the Participating Employer. Notwithstanding the foregoing, the Participating Employer shall not indemnify any person or organization if his or its actions or failure to act are due to gross negligence or willful misconduct or for any such amount incurred through any settlement or compromise of any action unless the Participating Employer consents in writing to such settlement or compromise.

9.4 **Delegation of Authority.** In the administration of this Plan, the Committee may, from time to time, employ agents and delegate to them such administrative duties as it sees fit, and may from time to time consult with legal counsel who shall be legal counsel to the Company and such other professional advisors as the Committee may determine.

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9.5 **Binding Decisions or Actions** Exhibit A. The decision or action of the Committee in respect of any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations thereunder shall be final and conclusive and binding upon all persons having any interest in the Plan.

ARTICLE X

Amendment and Termination

10.1 **Amendment and Termination.** The Company may at any time and from time to time amend the Plan or may terminate the Plan as provided in this Article X. Each Participating Employer may also terminate its participation in the Plan.

10.2 **Amendments.** The Company, by action taken by its Board of Directors, may amend the Plan at any time and for any reason, provided that any such amendment shall not reduce the vested Account Balances of any Participant accrued as of the date of any such amendment or restatement (as if the Participant had incurred a voluntary Separation from Service on such date) or reduce any rights of a Participant under the Plan or other Plan features with respect to Deferrals made prior to the date of any such amendment or restatement without the consent of the Participant. The Board of Directors of the Company may delegate to the Committee the authority to amend the Plan without the consent of the Board of Directors for the purpose of: (i) conforming the Plan to the requirements of law; (ii) facilitating the administration of the Plan; (iii) clarifying provisions based on the Committee's interpretation of the document; and (iv) making such other amendments as the Board of Directors may authorize.

10.3 **Termination.** The Company, by action taken by its Board of Directors, may terminate the Plan and pay Participants and Beneficiaries their Account Balances in a single lump sum at any time, to the extent and in accordance with Treas. Reg. Section 1.409A-3(j)(4)(ix). If a Participating Employer terminates its participation in the Plan, the benefits of affected Employees shall be paid at the time provided in Article VI.

10.4 **Accounts Taxable Under Code Section 409A.** The Plan is intended to constitute a plan of deferred compensation that meets the requirements for deferral of income taxation under Code Section 409A. The Committee, pursuant to its authority to interpret the Plan, may sever from the Plan or any Compensation Deferral Agreement any provision or exercise of a right that otherwise would result in a violation of Code Section 409A.

ARTICLE XI

Informal Funding

11.1 **General Assets.** Obligations established under the terms of the Plan may be satisfied from the general funds of the Participating Employers, or a trust described in this Article XI. No Participant, spouse or Beneficiary shall have any right, title or interest whatever in assets of the Participating Employers. Nothing contained in this Plan, and no action taken

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pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship, between the Participating Employers and any Employee, spouse, or Beneficiary. To the extent that any person acquires a right to receive payments hereunder, such rights are no greater than the right of an unsecured general creditor of the Participating Employer.

11.2 **Rabbi Trust.** A Participating Employer may, in its sole discretion, establish a grantor trust, commonly known as a rabbi trust, as a vehicle for accumulating assets to pay benefits under the Plan. Payments under the Plan may be paid from the general assets of the Participating Employer or from the assets of any such rabbi trust. Payment from any such source shall reduce the obligation owed to the Participant or Beneficiary under the Plan.

ARTICLE XII

Claims

12.1 **Filing a Claim.** Any controversy or claim arising out of or relating to the Plan shall be filed in writing with the Committee which shall make all determinations concerning such claim. Any claim filed with the Committee and any decision by the Committee denying such claim shall be in writing and shall be delivered to the Claimant.

(a) *In General.* Notice of a denial of benefits (other than Disability Benefits) will be provided within ninety (90) days of the Committee's receipt of the Claimant's claim for benefits. If the Committee determines that it needs additional time to review the claim, the Committee will provide the Claimant with a notice of the extension before the end of the initial ninety (90) day period. The extension will not be more than ninety (90) days from the end of the initial ninety (90) day period and the notice of extension will explain the special circumstances that require the extension and the date by which the Committee expects to make a decision.

(b) *Contents of Notice.* If a claim for benefits is completely or partially denied, notice of such denial shall be in writing and shall set forth the reasons for denial in plain language. The notice shall: (i) cite the pertinent provisions of the Plan document; and (ii) explain, where appropriate, how the Claimant can perfect the claim, including a description of any additional material or information necessary to complete the claim and why such material or information is necessary. The claim denial also shall include an explanation of the claims review procedures and the time limits applicable to such procedures, including a statement of the Claimant's right to bring a civil action under Section 502(a) of ERISA following an adverse decision on review. In the case of a complete or partial denial of a Disability Benefit claim, the notice shall provide a statement that the Committee will provide to the Claimant, upon request and free of charge, a copy of any internal rule, guideline, protocol, or other similar criterion that was relied upon in making the decision.

(c) *Disability Benefits.* Notice of denial of Disability Benefits will be provided within forty-five (45) days of the Committee's receipt of the Claimant's claim for Disability Benefits. If the Committee determines that it needs additional time to

review the Disability claim, the Committee will provide the Claimant with a notice of the extension before the end of the initial 45-day period. If the Committee determines that a decision cannot be made within the first (1st) extension period due to matters beyond the control of the Committee, the time period for making a determination may be further extended for an additional thirty (30) days. If such an additional extension is necessary, the Committee shall notify the Claimant prior to the expiration of the initial thirty (30) day extension. Any notice of extension shall indicate the circumstances necessitating the extension of time, the date by which the Committee expects to furnish a notice of decision, the specific standards on which such entitlement to a benefit is based, the unresolved issues that prevent a decision on the claim and any additional information needed to resolve those issues. A Claimant will be provided a minimum of 45 days to submit any necessary additional information to the Committee. In the event that a thirty (30) day extension is necessary due to a Claimant's failure to submit information necessary to decide a claim, the period for furnishing a notice of decision shall be tolled from the date on which the notice of the extension is sent to the Claimant until the earlier of the date the Claimant responds to the request for additional information or the response deadline.

12.2 *Appeal of Denied Claims.* A Claimant whose claim has been completely or partially denied shall be entitled to appeal the claim denial by filing a written appeal with a committee designated by the Committee to hear such appeals (the "Appeals Committee"). A Claimant who timely requests a review of the denied claim (or his or her authorized representative) may review, upon request and free of charge, copies of all documents, records and other information relevant to the denial and may submit written comments, documents, records and other information relevant to the claim to the Appeals Committee. All written comments, documents, records, and other information shall be considered "relevant" if the information: (i) was relied upon in making a benefits determination; (ii) was submitted, considered or generated in the course of making a benefits decision regardless of whether it was relied upon to make the decision; or (iii) demonstrates compliance with administrative processes and safeguards established for making benefit decisions. The Appeals Committee may, in its sole discretion and if it deems appropriate or necessary, decide to hold a hearing with respect to the claim appeal.

(a) *In General.* Appeal of a denied benefits claim (other than a Disability Benefits claim) must be filed in writing with the Appeals Committee no later than sixty (60) days after receipt of the written notification of such claim denial. The Appeals Committee shall make its decision regarding the merits of the denied claim within sixty (60) days following receipt of the appeal (or within one hundred twenty (120) days after such receipt, in a case where there are special circumstances requiring extension of time for reviewing the appealed claim). If an extension of time for reviewing the appeal is required because of special circumstances, written notice of the extension shall be furnished to the Claimant prior to the commencement of the extension. The notice will indicate the special circumstances requiring the extension of time and the date by which the Appeals Committee expects to render the determination on review. The review will take into account comments,

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documents, records and other information submitted by the Claimant relating to the claim without regard to whether such information was submitted or considered in the initial benefit determination.

(b) *Contents of Notice.* If a benefits claim is completely or partially denied on review, notice of such denial shall be in writing and shall set forth the reasons for denial in plain language.

The decision on review shall set forth: (i) the specific reason or reasons for the denial; (ii) specific references to the pertinent Plan provisions on which the denial is based; (iii) a statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all documents, records, or other information relevant (as defined above) to the Claimant's claim; and (iv) a statement describing any voluntary appeal procedures offered by the plan and a statement of the Claimant's right to bring an action under Section 502(a) of ERISA.

(c) *Disability Benefits.* Appeal of a denied Disability Benefits claim must be filed in writing with the Appeals Committee no later than one hundred eighty (180) days after receipt of the written notification of such claim denial. The review shall be conducted by the Appeals Committee (exclusive of the person who made the initial adverse decision or such person's subordinate). In reviewing the appeal, the Appeals Committee shall: (i) not afford deference to the initial denial of the claim, (ii) consult a medical professional who has appropriate training and experience in the field of medicine relating to the Claimant's Disability and who was neither consulted as part of the initial denial nor is the subordinate of such individual, and (iii) identify the medical or vocational experts whose advice was obtained with respect to the initial benefit denial, without regard to whether the advice was relied upon in making the decision. The Appeals Committee shall make its decision regarding the merits of the denied claim within 45 days following receipt of the appeal (or within ninety (90) days after such receipt, in a case where there are special circumstances requiring extension of time for reviewing the appealed claim). If an extension of time for reviewing the appeal is required because of special circumstances, written notice of the extension shall be furnished to the Claimant prior to the commencement of the extension. The notice will indicate the special circumstances requiring the extension of time and the date by which the Appeals Committee expects to render the determination on review. Following its review of any additional information submitted by the Claimant, the Appeals Committee shall render a decision on its review of the denied claim.

(d) For the denial of a Disability Benefit, the notice will also include a statement that the Appeals Committee will provide, upon request and free of charge: (i) any internal rule, guideline, protocol or other similar criterion relied upon in making the decision, (ii) any medical opinion relied upon to make the decision, and (iii) the required statement under Section 2560.503-1 (j)(5)(iii) of the Department of Labor regulations.

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12.3 **Legal Action.** A Claimant may not bring any legal action, including commencement of any arbitration, relating to a claim for benefits under the Plan unless and until the Claimant has followed the claims procedures under the Plan and exhausted his or her administrative remedies under such claims procedures.

If a Participant or Beneficiary prevails in a legal proceeding brought under the Plan to enforce the rights of such Participant or any other similarly situated Participant or Beneficiary, in whole or in part, the Participating Employer shall reimburse such Participant or Beneficiary for all legal costs, expenses, attorneys' fees and such other liabilities incurred as a result of such proceedings. If the legal proceeding is brought in connection with a Change in Control, or a "change in control" as defined in a rabbi trust described in Section 11.2, the Participant or Beneficiary may file a claim directly with the trustee for reimbursement of such costs, expenses and fees. For purposes of the preceding sentence, the amount of the claim shall be treated as if it were an addition to the Participant's or Beneficiary's Account Balance and will be included in determining the Participating Employer's trust funding obligation under Section 11.2.

12.4 **Discretion of Appeals Committee.** All interpretations, determinations and decisions of the Appeals Committee with respect to any claim shall be made in its sole discretion and shall be final and conclusive.

ARTICLE XIII

General Provisions

13.1 **Anti-assignment Rule.** No interest of any Participant, spouse or Beneficiary under this Plan and no benefit payable hereunder shall be assigned as security for a loan, and any such purported assignment shall be null, void and of no effect, nor shall any such interest or any such benefit be subject in any manner, either voluntarily or involuntarily, to anticipation, sale, transfer, assignment or encumbrance by or through any Participant, spouse or Beneficiary. Notwithstanding anything to the contrary herein, however, the Committee has the discretion to make payments to an alternate payee in accordance with the terms of a domestic relations order (as defined in Code Section 414(p)(1)(B)).

13.2 **No Legal or Equitable Rights or Interest.** No Participant or other person shall have any legal or equitable rights or interest in this Plan that are not expressly granted in this Plan. Participation in this Plan does not give any person any right to be retained in the service of the Participating Employer. The right and power of a Participating Employer to dismiss or discharge an Employee is expressly reserved. The Participating Employers make no representations or warranties as to the tax consequences to a Participant or a Participant's beneficiaries resulting from a deferral of income pursuant to the Plan.

13.3 **No Employment Contract.** Nothing contained herein shall be construed to constitute a contract of employment between an Employee and a Participating Employer.

13.4 **Notice.** Any notice or filing required or permitted to be delivered to the Committee under this Plan shall be delivered in writing, in person, or through such electronic means as is

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established by the Committee. Notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification. Written transmission shall be sent by certified mail to:

OSI SYSTEMS, INC.
ATTN: CHIEF HUMAN RESOURCES OFFICER
12525 CHADRON AVENUE
HAWTHORNE, CA 90250

Any notice or filing required or permitted to be given to a Participant under this Plan shall be sufficient if in writing or hand-delivered, or sent by mail to the last known address of the Participant.

13.5 **Headings.** The headings of Sections are included solely for convenience of reference, and if there is any conflict between such headings and the text of this Plan, the text shall control.

13.6 **Invalid or Unenforceable Provisions.** If any provision of this Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof and the Committee may elect in its sole discretion to construe such invalid or unenforceable provisions in a manner that conforms to applicable law or as if such provisions, to the extent invalid or unenforceable, had not been included.

13.7 **Lost Participants or Beneficiaries.** Any Participant or Beneficiary who is entitled to a benefit from the Plan has the duty to keep the Committee advised of his or her current mailing address. If benefit payments are returned to the Plan or are not presented for payment after a reasonable amount of time, the Committee shall presume that the payee is missing. The Committee, after making such efforts as in its discretion it deems reasonable and appropriate to locate the payee, shall stop payment on any uncashed checks and may discontinue making future payments until contact with the payee is restored.

13.8 **Facility of Payment to a Minor.** If a distribution is to be made to a minor, or to a person who is otherwise incompetent, then the Committee may, in its discretion, make such distribution: (i) to the legal guardian, or if none, to a parent of a minor payee with whom the payee maintains his or her residence; or (ii) to the conservator or committee or, if none, to the person having custody of an incompetent payee. Any such distribution shall fully discharge the Committee, the Company, and the Plan from further liability on account thereof.

13.9 **Governing Law.** To the extent not preempted by ERISA, the laws of the State of California shall govern the construction and administration of the Plan.

EXHIBIT 31.1

CERTIFICATION

*Certification required by Rule 13a-14(a) or Rule 15d-14(a)
and under Section 302 of the Sarbanes-Oxley Act of 2002*

I, Deepak Chopra, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of OSI Systems, 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 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 and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- (a) *All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and*
- (b) *Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.*

Date: **January 26, 2024** April 30, 2024

/s/ Deepak Chopra

Deepak Chopra
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION

*Certification required by Rule 13a-14(a) or Rule 15d-14(a)
and under Section 302 of the Sarbanes-Oxley Act of 2002*

I, Alan Edrick, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of OSI Systems, 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 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)
 - (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 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)
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **January 26, 2024** April 30, 2024

/s/ Alan Edrick

 Alan Edrick
 Chief Financial Officer
 (Principal Financial and Accounting Officer)

EXHIBIT 32.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350
 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

*In connection with the Quarterly Report of OSI Systems, Inc. (the "Company") on Form 10-Q for the quarter ended **December 31, 2023** **March 31, 2024**, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Deepak Chopra, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:*

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods presented in the Report.

Date: January 26, 2024 April 30, 2024

/s/ Deepak Chopra

Deepak Chopra

Chief Executive Officer

(Principal Executive Officer)

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350, is not being filed as part of the Report or as a separate disclosure document, and is not being incorporated by reference into any filing of the Company 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 Report), irrespective of any general incorporation language contained in such filing. The signed original of this certification required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of OSI Systems, Inc. (the "Company") on Form 10-Q for the quarter ended December 31, 2023 March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Alan Edrick, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods presented in the Report.

Date: January 26, 2024 April 30, 2024

/s/ Alan Edrick

Alan Edrick

Chief Financial Officer

(Principal Financial and Accounting Officer)

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350, is not being filed as part of the Report or as a separate disclosure document, and is not being incorporated by reference into any filing of the Company 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 Report), irrespective of any general incorporation language contained in such filing. The signed original of this certification required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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