
**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 31, 2022

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

 SYSTEMS, INC.

OSI SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

33-0238801
(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 24, 2023, there were 16,853,406 shares of the registrant's common stock outstanding.

OSI SYSTEMS, INC.

INDEX

	<u>PAGE</u>
<u>PART I — FINANCIAL INFORMATION</u>	3
<u>Item 1 — Financial Statements (Unaudited)</u>	3
<u>Condensed Consolidated Balance Sheets at June 30, 2022 and December 31, 2022</u>	3
<u>Condensed Consolidated Statements of Operations for the three and six months ended December 31, 2021 and 2022</u>	4
<u>Condensed Consolidated Statements of Comprehensive Income for the three and six months ended December 31, 2021 and 2022</u>	5
<u>Condensed Consolidated Statements of Stockholders' Equity for the three and six months ended December 31, 2021 and 2022</u>	6
<u>Condensed Consolidated Statements of Cash Flows for the six months ended December 31, 2021 and 2022</u>	8
<u>Notes to Condensed Consolidated Financial Statements</u>	9
<u>Item 2 — Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	23
<u>Item 3 — Quantitative and Qualitative Disclosures about Market Risk</u>	31
<u>Item 4 — Controls and Procedures</u>	31
<u>PART II — OTHER INFORMATION</u>	32
<u>Item 1 — Legal Proceedings</u>	32
<u>Item 1A — Risk Factors</u>	32
<u>Item 2 — Unregistered Sales of Equity Securities and Use of Proceeds</u>	32
<u>Item 3 — Defaults Upon Senior Securities</u>	32
<u>Item 4 — Mine Safety Disclosures</u>	32
<u>Item 5 — Other Information</u>	32
<u>Item 6 — Exhibits</u>	34
<u>Signatures</u>	35

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, 2022	December 31, 2022
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 64,202	\$ 45,600
Accounts receivable, net	307,973	322,756
Inventories	333,907	361,376
Prepaid expenses and other current assets	40,062	37,703
Total current assets	746,144	767,435
Property and equipment, net	109,684	107,763
Goodwill	336,357	339,185
Intangible assets, net	138,370	138,040
Other assets	112,595	113,807
Total assets	<u>\$ 1,443,150</u>	<u>\$ 1,466,230</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Bank lines of credit	\$ 60,000	\$ 235,000
Current portion of long-term debt	244,575	8,100
Accounts payable	125,204	129,336
Accrued payroll and related expenses	46,379	29,557
Advances from customers	19,917	22,715
Other accrued expenses and current liabilities	117,879	113,534
Total current liabilities	613,954	538,242
Long-term debt	48,668	140,057
Deferred income taxes	11,112	12,214
Other long-term liabilities	130,992	127,963
Total liabilities	804,726	818,476
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, 16,870,050 shares at June 30, 2022 and 16,819,609 shares at December 31, 2022	17	2,530
Retained earnings	663,869	672,371
Accumulated other comprehensive loss	(25,462)	(27,147)
Total stockholders' equity	638,424	647,754
Total liabilities and stockholders' equity	<u>\$ 1,443,150</u>	<u>\$ 1,466,230</u>

See accompanying notes to condensed consolidated financial statements.

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

	<u>Three Months Ended December 31,</u>		<u>Six Months Ended December 31,</u>	
	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>
Net revenues:				
Products	\$ 205,377	\$ 216,885	\$ 412,589	\$ 413,839
Services	71,304	78,712	143,349	149,829
Total net revenues	<u>276,681</u>	<u>295,597</u>	<u>555,938</u>	<u>563,668</u>
Cost of goods sold:				
Products	139,060	158,294	281,966	301,663
Services	37,848	41,096	74,869	78,301
Total cost of goods sold	<u>176,908</u>	<u>199,390</u>	<u>356,835</u>	<u>379,964</u>
Gross profit	<u>99,773</u>	<u>96,207</u>	<u>199,103</u>	<u>183,704</u>
Operating expenses:				
Selling, general and administrative	54,879	54,003	112,202	107,441
Research and development	14,977	14,456	29,794	28,996
Impairment, restructuring and other charges, net	831	2,257	3,341	3,476
Total operating expenses	<u>70,687</u>	<u>70,716</u>	<u>145,337</u>	<u>139,913</u>
Income from operations	29,086	25,491	53,766	43,791
Interest and other expense, net	(2,217)	(5,180)	(4,233)	(8,612)
Income before income taxes	26,869	20,311	49,533	35,179
Provision for income taxes	(7,072)	(3,957)	(10,684)	(7,590)
Net income	<u>\$ 19,797</u>	<u>\$ 16,354</u>	<u>\$ 38,849</u>	<u>\$ 27,589</u>
Earnings per share:				
Basic	<u>\$ 1.11</u>	<u>\$ 0.97</u>	<u>\$ 2.17</u>	<u>\$ 1.63</u>
Diluted	<u>\$ 1.09</u>	<u>\$ 0.96</u>	<u>\$ 2.13</u>	<u>\$ 1.61</u>
Shares used in per share calculation:				
Basic	<u>17,838</u>	<u>16,841</u>	<u>17,892</u>	<u>16,882</u>
Diluted	<u>18,106</u>	<u>17,103</u>	<u>18,203</u>	<u>17,140</u>

See accompanying notes to condensed consolidated financial statements.

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

	<u>Three Months Ended December 31,</u>		<u>Six Months Ended December 31,</u>	
	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>
Net income	\$ 19,797	\$ 16,354	\$ 38,849	\$ 27,589
Other comprehensive income (loss):				
Foreign currency translation adjustment, net of tax	(624)	4,914	(2,926)	(4,878)
Net unrealized gain (loss) on investments and derivatives, net of tax	—	(1,012)	—	2,528
Other, net of tax	131	332	264	665
Other comprehensive income (loss)	(493)	4,234	(2,662)	(1,685)
Comprehensive income	<u>\$ 19,304</u>	<u>\$ 20,588</u>	<u>\$ 36,187</u>	<u>\$ 25,904</u>

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended December 31, 2021				
	Common Stock		Retained Earnings	Accumulated Other Comprehensive Loss	Total
	Number of Shares	Amount			
Balance—September 30, 2021	17,941,393	\$ 53,377	\$ 586,850	\$ (16,915)	\$ 623,312
Exercise of stock options	2,219	156	—	—	156
Vesting of RSUs	18,995	—	—	—	—
Stock-based compensation expense	—	6,975	—	—	6,975
Repurchase of common stock	(312,790)	(29,049)	—	—	(29,049)
Taxes paid related to net share settlement of equity awards	(5,914)	(550)	—	—	(550)
Net income	—	—	19,797	—	19,797
Other comprehensive loss	—	—	—	(493)	(493)
Balance—December 31, 2021	<u>17,643,903</u>	<u>\$ 30,909</u>	<u>\$ 606,647</u>	<u>\$ (17,408)</u>	<u>\$ 620,148</u>

	Three Months Ended December 31, 2022				
	Common Stock		Retained Earnings	Accumulated Other Comprehensive Loss	Total
	Number of Shares	Amount			
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	<u>16,819,609</u>	<u>2,530</u>	<u>672,371</u>	<u>(27,147)</u>	<u>647,754</u>

	Six Months Ended December 31, 2021				
	Common Stock		Retained Earnings	Accumulated Other Comprehensive Loss	Total
	Number of Shares	Amount			
Balance—June 30, 2021	17,854,110	\$ 105,724	\$ 548,842	\$ (14,746)	\$ 639,820
Exercise of stock options	164,612	311	—	—	311
Vesting of RSUs	329,072	—	—	—	—
Shares issued under employee stock purchase program	27,960	1,990	—	—	1,990
Stock-based compensation expense	—	14,088	—	—	14,088
Repurchase of common stock	(481,296)	(45,280)	—	—	(45,280)
Taxes paid related to net share settlement of equity awards	(250,555)	(19,161)	—	—	(19,161)
Adoption of ASU 2020-06 for convertible notes	—	(26,763)	18,956	—	(7,807)
Net income	—	—	38,849	—	38,849
Other comprehensive loss	—	—	—	(2,662)	(2,662)
Balance—December 31, 2021	<u>17,643,903</u>	<u>\$ 30,909</u>	<u>\$ 606,647</u>	<u>\$ (17,408)</u>	<u>\$ 620,148</u>

	Six Months Ended December 31, 2022				
	Common Stock		Retained Earnings	Accumulated Other Comprehensive Loss	Total
	Number of Shares	Amount			
Balance—June 30, 2022	16,870,050	\$ 17	\$ 663,869	\$ (25,462)	\$ 638,424
Exercise of stock options	7,766	439	—	—	439
Vesting of RSUs	306,528	—	—	—	—
Shares issued under employee stock purchase program	28,603	1,969	—	—	1,969
Stock-based compensation expense	—	14,416	—	—	14,416
Repurchase of common stock	(261,761)	(4,705)	(17,079)	—	(21,784)
Taxes paid related to net share settlement of equity awards	(131,577)	(9,606)	(2,008)	—	(11,614)
Net income	—	—	27,589	—	27,589
Other comprehensive loss	—	—	—	(1,685)	(1,685)
Balance—December 31, 2022	<u>16,819,609</u>	<u>2,530</u>	<u>672,371</u>	<u>(27,147)</u>	<u>647,754</u>

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

	Six Months Ended December 31,	
	2021	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 38,849	\$ 27,589
Adjustments to reconcile net income to net cash provided by operating activities, net of effects from acquisitions:		
Depreciation and amortization	19,190	19,143
Stock-based compensation expense	14,088	14,416
Recovery of losses on accounts receivable	(3,934)	(1,353)
Deferred income taxes	(9)	1,205
Amortization of debt discount and issuance costs	697	196
Other	111	(64)
Changes in operating assets and liabilities—net of business acquisitions:		
Accounts receivable	5,547	(13,348)
Inventories	(42,247)	(27,317)
Prepaid expenses and other assets	(8,264)	(10,076)
Accounts payable	(12,775)	4,429
Accrued payroll and related expenses	(12,899)	(16,526)
Advances from customers	1,155	2,828
Deferred revenue	5,003	12,714
Other	(1,066)	(5,672)
Net cash provided by operating activities	<u>3,446</u>	<u>8,164</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(7,401)	(6,982)
Proceeds from sale of property and equipment	258	235
Purchases of certificates of deposit	(126)	(674)
Acquisition of businesses, net of cash acquired	—	(3,477)
Payments for intangible and other assets	(8,122)	(8,002)
Net cash used in investing activities	<u>(15,391)</u>	<u>(18,900)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings on bank lines of credit	81,622	175,000
Proceeds from long-term debt	143	100,502
Payments on long-term debt	(491)	(245,777)
Proceeds from exercise of stock options and employee stock purchase plan	2,301	2,408
Payments of contingent consideration	(1,500)	(2,466)
Repurchases of common stock	(45,280)	(21,784)
Taxes paid related to net share settlement of equity awards	(19,161)	(11,614)
Net cash provided by (used in) financing activities	<u>17,634</u>	<u>(3,731)</u>
Effect of exchange rate changes on cash	30	(4,135)
Net change in cash and cash equivalents	5,719	(18,602)
Cash and cash equivalents—beginning of period	80,613	64,202
Cash and cash equivalents—end of period	<u>\$ 86,332</u>	<u>\$ 45,600</u>
Supplemental disclosure of cash flow information:		
Cash paid, net during the period for:		
Interest	\$ 3,501	\$ 8,978
Income taxes	<u>\$ 7,787</u>	<u>\$ 11,935</u>

See accompanying notes to condensed consolidated financial statements.

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 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, 2022 filed with the SEC. The results of operations for the three and six months ended December 31, 2022 are not necessarily indicative of the operating results to be expected for the full 2023 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, 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):

	<u>Three Months Ended December 31,</u>		<u>Six Months Ended December 31,</u>	
	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>
Net income available to common stockholders	\$ 19,797	\$ 16,354	\$ 38,849	\$ 27,589
Weighted average shares outstanding—basic	17,838	16,841	17,892	16,882
Dilutive effect of equity awards	268	262	311	258
Weighted average shares outstanding—diluted	18,106	17,103	18,203	17,140
Basic earnings per share	\$ 1.11	\$ 0.97	\$ 2.17	\$ 1.63
Diluted earnings per share	\$ 1.09	\$ 0.96	\$ 2.13	\$ 1.61
Shares excluded from diluted earnings per share due to their anti-dilutive effect	62	101	25	79

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.

[Table of Contents](#)

Our cash and cash equivalents totaled \$45.6 million at December 31, 2022. Of this amount, approximately 98% was held by our foreign subsidiaries and subject to repatriation tax considerations. These foreign funds were held primarily by our subsidiaries in the United Kingdom, Singapore, Malaysia, Mexico, Canada and India, and to a lesser extent in Indonesia, Albania and Australia. We have cash holdings in financial institutions that exceed insured limits for such financial institutions; we mitigate this risk, however, by utilizing international financial institutions 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 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, 2022 and December 31, 2022.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Level 1 category includes assets and liabilities measured at quoted prices in active markets for identical assets and liabilities. The Level 2 category includes assets and liabilities measured from observable inputs other than quoted market prices. The Level 3 category includes 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, 2022				December 31, 2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets—Insurance company contracts	\$ —	\$ 40,284	\$ —	\$ 40,284	\$ —	\$ 42,238	\$ —	\$ 42,238
Assets – Interest rate swap contract	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3,434	\$ —	\$ 3,434
Liabilities—Convertible debt	\$ —	\$ 242,302	\$ —	\$ 242,302	\$ —	\$ —	\$ —	\$ —
Liabilities—Contingent consideration	\$ —	\$ —	\$ 28,212	\$ 28,212	\$ —	\$ —	\$ 22,654	\$ 22,654

Derivative Instruments and Hedging Activity

Our use of derivatives consists of foreign currency forward contracts and an interest rate swap agreement. The 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 through the use of 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 the consolidated statements of operations. The amounts reported in the consolidated statements of operations for the three and six months ended December 31, 2021 and 2022 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, 2022 and December 31, 2022, we held foreign currency forward contracts with notional amounts totaling \$22.9 million and \$19.8 million, respectively. Unrealized gains and losses from our foreign currency forward contracts as of December 31, 2021 and 2022 were not significant.

[Table of Contents](#)

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 the consolidated financial statements and are reclassified as net income when the underlying hedged interest impacts earnings. A qualitative and quantitative assessment over the 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, 2022 and December 31, 2022, the notional amount of the derivative instruments designated as an interest rate swap hedge was \$0 and \$175 million, respectively. The fair value of the interest rate swap contract as of December 31, 2022 was \$3.3 million and is recorded in Other assets within the condensed consolidated balance sheet.

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

	<u>Three Months Ended December 31,</u> <u>2021</u>	<u>2022</u>	<u>Six Months Ended December 31,</u> <u>2021</u>	<u>2022</u>
Total interest and other expense, net presented in the condensed consolidated statements of operations in which the effects of cash flow hedges are recorded	\$ (2,217)	\$ (5,180)	\$ (4,233)	\$ (8,612)
Gain (loss) recognized in other comprehensive income (loss)	—	(1,012)	—	2,528
Amount reclassified from accumulated other comprehensive income (loss) to interest expense, net	—	(149)	—	(29)

Recently Adopted Accounting Pronouncements

Contract Assets and Contract Liabilities from Revenue Contracts with Customers in a Business Combination

In October 2021, the FASB issued Accounting Standards Update 2021-08, an accounting standard update to improve the accounting for contract assets and contract liabilities from revenue contracts with customers in a business combination (Topic 805). This amendment improves comparability for both the recognition and measurement of acquired revenue contracts with customers at the date of and after a business combination. This authoritative guidance is effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years, with early adoption permitted. We early adopted the new guidance effective January 1, 2022 using the prospective approach and applied the amendments to the business combinations that occurred during the year ended June 30, 2022 and the six months ended December 31, 2022. The adoption of ASU 2021-08 did not have a material impact on 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. Any adjustments subsequent to the conclusion of such measurement period are reflected in reported earnings.

Fiscal Year 2023 Business Acquisitions

In December 2022, we (through our Security division) acquired in a bankruptcy proceeding certain assets of a provider of baggage and parcel inspection systems for approximately \$1.6 million. The acquisition was financed with cash on hand.

[Table of Contents](#)

In August 2022, we (through our Security division) acquired a privately held provider of training software and solutions for approximately \$1.9 million plus an immaterial amount of potential contingent consideration. The acquisition was financed with cash on hand. The goodwill recognized for this business is not deductible for income tax purposes.

Fiscal Year 2022 Business Acquisitions

In February 2022, we (through our Security division) acquired a privately held provider of intelligent inspection, sensory, and recognition solutions for approximately \$14 million plus up to \$25 million in potential contingent consideration. The acquisition was financed with cash on hand and borrowings under our revolving bank line of credit. The goodwill recognized for this business is not deductible for income tax purposes.

We (through our Security division) also acquired in February 2022 a privately held sales and services company for approximately \$1.1 million, plus an immaterial amount of potential contingent consideration. The acquisition was financed with cash on hand. The goodwill recognized for this transaction is deductible for income tax purposes.

These business acquisitions, 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.

3. Balance Sheet Details

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

	June 30, 2022	December 31, 2022
Accounts receivable, net		
Accounts receivable	\$ 326,849	\$ 340,097
Less allowance for doubtful accounts	(18,876)	(17,341)
Total	<u>\$ 307,973</u>	<u>\$ 322,756</u>
Inventories		
Raw materials	\$ 213,290	\$ 236,658
Work-in-process	46,873	56,847
Finished goods	73,744	67,871
Total	<u>\$ 333,907</u>	<u>\$ 361,376</u>
Property and equipment, net		
Land	\$ 15,028	\$ 15,036
Buildings, civil works and improvements	47,309	47,262
Leasehold improvements	11,599	13,146
Equipment and tooling	128,425	131,423
Furniture and fixtures	3,592	3,506
Computer equipment	21,208	22,090
Computer software	25,153	26,256
Computer software implementation in process	9,422	9,254
Construction in process	5,283	5,285
Total	<u>267,019</u>	<u>273,258</u>
Less accumulated depreciation and amortization	<u>(157,335)</u>	<u>(165,495)</u>
Property and equipment, net	<u>\$ 109,684</u>	<u>\$ 107,763</u>

Depreciation and amortization expense for property and equipment was \$5.3 million and \$4.8 million for the three months ended December 31, 2021 and 2022, respectively, and \$10.6 million and \$9.7 million for the six months ended December 31, 2021 and 2022, respectively.

4. Goodwill and Intangible Assets

The changes in the carrying value of goodwill by segment for the six-month period ended December 31, 2022 were as follows (in thousands)

	Security Division	Healthcare Division	Optoelectronics And Manufacturing Division	Consolidated
Balance as of June 30, 2022	\$ 225,555	\$ 43,187	\$ 67,615	\$ 336,357
Goodwill acquired or adjusted during the period	3,702	—	—	3,702
Foreign currency translation adjustment	(4)	(26)	(844)	(874)
Balance as of December 31, 2022	<u>\$ 229,253</u>	<u>\$ 43,161</u>	<u>\$ 66,771</u>	<u>\$ 339,185</u>

Intangible assets consisted of the following (in thousands):

	June 30, 2022			December 31, 2022		
	Gross Carrying Value	Accumulated Amortization	Intangibles Net	Gross Carrying Value	Accumulated Amortization	Intangibles Net
Amortizable assets:						
Software development costs	\$ 64,096	\$ (18,934)	\$ 45,162	\$ 69,645	\$ (18,348)	\$ 51,297
Patents	8,541	(2,987)	5,554	8,640	(3,206)	5,434
Developed technology	66,901	(31,071)	35,830	67,097	(34,647)	32,450
Customer relationships	53,736	(32,785)	20,951	54,108	(36,143)	17,965
Total amortizable assets	193,274	(85,777)	107,497	199,490	(92,344)	107,146
Non-amortizable assets:						
In-process R&D	533	—	533	533	—	533
Trademarks	30,340	—	30,340	30,361	—	30,361
Total intangible assets	<u>\$ 224,147</u>	<u>\$ (85,777)</u>	<u>\$ 138,370</u>	<u>\$ 230,384</u>	<u>\$ (92,344)</u>	<u>\$ 138,040</u>

Amortization expense related to intangible assets was \$4.2 million and \$4.8 million for the three months ended December 31, 2021 and 2022, respectively. For the six months ended December 31, 2021 and 2022, amortization expense related to intangible assets was \$8.6 million and \$9.4 million, respectively.

At December 31, 2022, the estimated future amortization expense for intangible assets was as follows (in thousands):

Fiscal Year

2023 (remaining 6 months)	\$ 9,339
2024	17,934
2025	17,815
2026	16,623
2027	12,420
Thereafter	33,015
Total	<u>\$ 107,146</u>

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 current revenues for a product bear 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 the three months ended December 31, 2021 and 2022, we capitalized software development costs in the amounts of \$3.6 million and \$4.0 million, respectively. For the six months ended December 31, 2021 and 2022, we capitalized software development costs in the amounts of \$7.7 million and \$7.9 million, respectively.

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 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.

The table below shows the balance of contract assets and liabilities as of June 30, 2022 and December 31, 2022, including the change between the periods. There were no substantial non-current contract assets for the periods presented.

Contract Assets (in thousands)

	June 30, 2022	December 31, 2022	Change	% Change
Unbilled revenue (included in accounts receivable, net)	\$ 43,287	\$ 48,547	\$ 5,260	12 %

Contract Liabilities (in thousands)

	June 30, 2022	December 31, 2022	Change	% Change
Advances from customers	\$ 19,917	\$ 22,715	\$ 2,798	14 %
Deferred revenue—current	31,396	43,474	12,078	38 %
Deferred revenue—long-term	20,476	21,055	579	3 %

Contract assets increased during the six months ended December 31, 2022 primarily due to satisfaction of performance obligations for aviation, cargo and vehicle inspection customers in our Security division which have not yet been billed. The overall increase in contract liabilities was primarily due to receipt of upfront deposits from customers and deferred revenue from receipt of payments under service and warranty contracts primarily in our Security division.

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 period. As of December 31, 2022, the portion of the transaction price allocated to remaining performance obligations was approximately \$338.9 million. We expect to recognize revenue on approximately 58% of the remaining performance obligations over the next 12 months, and the remainder is expected to be recognized thereafter. During the six months ended December 31, 2022, we recognized revenue of \$37.5 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 as fulfillment activities 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 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 December 31,		Six Months Ended December 31,	
	2021	2022	2021	2022
Operating lease cost	\$ 2,375	\$ 2,850	\$ 4,650	\$ 5,675
Variable lease cost	202	320	387	727
Short-term lease cost	307	201	586	424
	<u>\$ 2,884</u>	<u>\$ 3,371</u>	<u>\$ 5,623</u>	<u>\$ 6,826</u>

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

	Balance Sheet Category	June 30, 2022	December 31, 2022
Operating lease ROU assets, net	Other assets	<u>\$ 39,461</u>	<u>\$ 35,635</u>
	Other accrued expenses and current liabilities	\$ 9,700	\$ 9,926
Operating lease liabilities, current portion			
Operating lease liabilities, long-term	Other long-term liabilities	30,363	26,376
Total operating lease liabilities		<u>\$ 40,063</u>	<u>\$ 36,302</u>
Weighted average remaining lease term			4.9 years
Weighted average discount rate			3.7 %

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

	Six Months Ended December 31,	
	2021	2022
Cash paid for operating lease liabilities	\$ 4,732	\$ 5,838
ROU assets obtained in exchange for new lease obligations	5,564	1,596

Maturities of operating lease liabilities at December 31, 2022 were as follows (in thousands):

	December 31, 2022
Less than one year	\$ 11,098
1 – 2 years	9,261
2 – 3 years	7,248
3 – 4 years	6,554
4 – 5 years	3,869
Thereafter	1,702
	<u>39,732</u>
Less: imputed interest	(3,430)
Total lease liabilities	<u>\$ 36,302</u>

7. Impairment, 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, 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.

[Table of Contents](#)

During the three months ended December 31, 2021, we recognized \$0.8 million in restructuring and other charges, which included \$0.5 million in legal charges primarily related to class action litigation and government investigations and \$0.3 million for employee terminations. During the six months ended December 31, 2021, we recognized \$3.3 million in restructuring and other charges, which primarily included \$0.7 million in employee terminations and \$2.7 million in legal charges.

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

	Three Months Ended December 31, 2021				
	Security Division	Healthcare Division	Optoelectronics and Manufacturing Division	Corporate	Total
Employee termination costs	\$ 332	\$ —	\$ —	\$ —	\$ 332
Facility closures/consolidation	22	—	—	—	22
Legal costs, net	—	—	—	477	477
Total expensed	<u>\$ 354</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 477</u>	<u>\$ 831</u>

	Three Months Ended December 31, 2022				
	Security Division	Healthcare Division	Optoelectronics and Manufacturing Division	Corporate	Total
Acquisition-related costs	—	—	—	78	78
Employee termination costs	\$ 35	\$ 210	\$ —	\$ —	\$ 245
Legal costs, net	42	1,942	—	(50)	1,934
Total	<u>\$ 77</u>	<u>\$ 2,152</u>	<u>\$ —</u>	<u>\$ 28</u>	<u>\$ 2,257</u>

	Six Months Ended December 31, 2021				
	Security Division	Healthcare Division	Optoelectronics and Manufacturing Division	Corporate	Total
Employee termination costs	\$ 668	\$ —	\$ —	\$ —	\$ 668
Facility closures/consolidation	(40)	—	—	—	(40)
Legal costs, net	—	—	—	2,713	2,713
Total expensed	<u>\$ 628</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,713</u>	<u>\$ 3,341</u>

	Six Months Ended December 31, 2022				
	Security Division	Healthcare Division	Optoelectronics and Manufacturing Division	Corporate	Total
Acquisition-related costs	\$ 23	\$ —	\$ —	\$ 78	\$ 101
Employee termination costs	275	210	15	—	500
Legal costs, net	567	2,236	—	72	2,875
Total	<u>\$ 865</u>	<u>\$ 2,446</u>	<u>\$ 15</u>	<u>\$ 150</u>	<u>\$ 3,476</u>

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 period ended December 31, 2022 were as follows (in thousands):

	Acquisition-Related Costs	Employee Termination Costs	Facility Closure/Consolidation Cost	Legal Costs and Settlements	Total
Balance as of June 30, 2022	\$ —	\$ 181	\$ 23	\$ 1,780	\$ 1,984
Restructuring and other charges, net	101	500	—	2,876	3,477
Payments, adjustments and reimbursements, net	(48)	(408)	(19)	(2,051)	(2,526)
Balance as of December 31, 2022	<u>\$ 53</u>	<u>\$ 273</u>	<u>\$ 4</u>	<u>\$ 2,605</u>	<u>\$ 2,935</u>

8. Borrowings

Revolving Credit Facility

In December 2021, we entered into an amendment to the senior secured credit facility that increased the aggregate amount available to borrow from \$535 million to \$750 million. The amended facility matures in December 2026 and is comprised of a \$600 million revolving credit facility and a \$150 million delayed draw term loan. 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 the greater of \$250 million or such amount as would not cause our secured leverage ratio to exceed a specified level. Borrowings under the amended facility bore interest at SOFR plus a margin of 1.25% as of December 31, 2022 (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 bore a commitment fee of 0.15% as of December 31, 2022 (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, 2022, there were \$235 million of borrowings outstanding under the revolving credit facility, \$66.8 million outstanding under the letters of credit sub-facility, and \$146.9 million outstanding under the term loan. As of December 31, 2022, the amount available to borrow under the revolving credit facility was \$298.2 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, 2022, 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.

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

In February 2017, we issued \$287.5 million of the Notes in a private offering. The Notes were governed by an indenture dated February 22, 2017. The maturity date for the payment of principal was September 1, 2022. The Notes bore interest at the rate of 1.25% and were payable in cash semiannually in arrears on each March 1 and September 1. On September 1, 2022, we repurchased and cancelled the then-remaining \$242.3 million balance of the Notes utilizing proceeds from the senior secured credit facility.

Issuance costs of \$7.7 million were allocated between debt (\$6.5 million) and equity (\$1.2 million) components with the portion allocated to the debt presented as an offset against long-term debt in the consolidated balance sheet and was being amortized as interest expense over the life of the Notes using the effective interest method. Total interest expense recognized for the three and six months ended December 31, 2021 related to the Notes was \$1.2 and \$2.5 million, respectively, which consisted of \$0.9 million and \$1.8 million of contractual interest expense and \$0.3 million and \$0.7 million of amortization of debt issuance costs. Total interest expense recognized for the three and six months ended December 31, 2022 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, 2022, \$48.5 million was outstanding under these letter-of-credit facilities. As of December 31, 2022, the total amount available under these credit facilities was \$20.5 million.

[Table of Contents](#)

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

	June 30, 2022	December 31, 2022
1.25% convertible notes due September 1, 2022:		
Principal amount	\$ 242,302	\$ —
Unamortized debt issuance costs	(196)	—
	242,106	—
Term loan	50,000	146,875
Other long-term debt	1,137	1,282
	293,243	148,157
Less current portion of long-term debt	(244,575)	(8,100)
Long-term portion of debt	<u>\$ 48,668</u>	<u>\$ 140,057</u>

9. Stockholders' Equity

Stock-based Compensation

As of December 31, 2022, 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,	
	2021	2022	2021	2022
Cost of goods sold	\$ 205	\$ 241	\$ 411	\$ 457
Selling, general and administrative	6,642	6,870	13,410	13,710
Research and development	127	128	267	249
Stock-based compensation expense	<u>\$ 6,974</u>	<u>\$ 7,239</u>	<u>\$ 14,088</u>	<u>\$ 14,416</u>

As of December 31, 2022, total unrecognized compensation cost related to share-based compensation grants under the OSI Plan were estimated at \$1.0 million for stock options and \$27.4 million for restricted stock units ("RSUs"). We expect to recognize these costs over a weighted average period of 2.4 years with respect to the stock options and 1.8 years with respect to the RSUs.

The following summarizes stock option activity during the six months ended December 31, 2022:

	Number of Options	Weighted Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value (in thousands)
Outstanding at June 30, 2022	110,645	\$ 82.43		
Granted	23,351	87.90		
Exercised	(7,766)	68.07		
Expired or forfeited	(1,515)	80.91		
Outstanding at December 31, 2022	<u>124,715</u>	84.37	6.7 years	\$ 384
Exercisable at December 31, 2022	<u>73,356</u>	80.06	5.1 years	\$ 384

[Table of Contents](#)

The following summarizes RSU award activity during the six months ended December 31, 2022:

	Shares	Weighted-Average Fair Value
Nonvested at June 30, 2022	427,447	\$ 90.17
Granted	356,110	89.11
Vested	(306,528)	96.38
Forfeited	(12,821)	88.87
Nonvested at December 31, 2022	<u>464,208</u>	<u>\$ 85.29</u>

As of December 31, 2022, there were approximately 0.8 million shares available for grant under the OSI Plan. 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 96,620 and 110,811 performance-based RSUs during the six months ended December 31, 2021 and 2022, 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 depends 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 months ended December 31, 2022, we repurchased 261,761 shares of our common stock. As of December 31, 2022, there were 1,860,339 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 \$50.0 million as of December 31, 2022.

We account for such contingent payments for acquisitions which occurred through the end of fiscal year 2009 as additions to the purchase price of the acquired business. We made contingent payments relating to such acquisitions of \$1.0 million and \$1.3 million, respectively, during the three and six months ended December 31, 2021 and \$1.8 million and \$2.2 million, respectively, during the three and six months ended December 31, 2022.

[Table of Contents](#)

For acquisitions completed after fiscal 2009, pursuant to ASC 805, the estimated fair value of these obligations is recorded as a liability at the time of the acquisition with subsequent revisions recorded in Selling, general and administrative expense in the consolidated financial statements. The estimated fair value measurements of contingent earnout obligations are primarily based on unobservable inputs, which may include projected revenues, gross margins, operating income and the estimated probability of achieving the earnouts.

These projections and 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, 2022 to December 31, 2022 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, 2022	\$ 28,212
Addition of contingent earnout obligations	712
Foreign currency translation adjustment	(101)
Changes in fair value for contingent earnout obligations	(5,933)
Payments on contingent earnout obligations	(230)
Ending fair value, December 31, 2022	<u>\$ 22,660</u>

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 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 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, 2022.

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 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 bonus is recorded in the financial statements over the remaining term of the employment agreement and is included in other long-term liabilities.

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.

[Table of Contents](#)

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

	Six Months Ended December 31,	
	2021	2022
Balance at beginning of period	\$ 19,736	\$ 13,347
Additions	1,455	1,705
Reductions for warranty repair costs and adjustments	(4,242)	(4,318)
Balance at end of period	\$ 16,949	\$ 10,734

Legal Proceedings

We are involved in various 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 such 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, 2021 and 2022 were 26.3% and 19.5%, respectively. During the three month period ended December 31, 2021, we recognized a net discrete tax expense of \$0.3 million related to equity-based compensation under ASU 2016-09 and changes in prior year tax estimates. During the three month period 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 from changes in prior year estimates.

The effective tax rate for the six months ended December 31, 2021 and 2022 was 21.6% for both periods. During the six months ended December 31, 2021, we recognized a net discrete tax benefit of \$1.8 million related to equity-based compensation under ASU 2016-09 partially offset by a discrete tax expense for changes in prior year tax estimates of \$0.2 million. During the six months ended December 31, 2022, we recognized discrete tax benefit of \$0.5 million related to equity-based compensation under ASU 2016-09 and \$0.4 million from changes in prior year estimates.

12. Segment Information

We have determined that we operate in three identifiable industry segments: (a) security and inspection systems (Security division), (b) medical monitoring systems (Healthcare division) and (c) optoelectronic devices and manufacturing (Optoelectronics and Manufacturing 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 for the segments are the same as described in Note 1, Basis of Presentation.

[Table of Contents](#)

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	2021	2022	2021	2022
Revenues (1) —by Segment:				
Security division	\$ 145,918	\$ 167,444	\$ 295,435	\$ 312,436
Healthcare division	52,425	43,520	103,013	87,083
Optoelectronics and Manufacturing division, including intersegment revenues	91,490	98,709	183,795	192,625
Intersegment revenues elimination	(13,152)	(14,076)	(26,305)	(28,476)
Total	<u>\$ 276,681</u>	<u>\$ 295,597</u>	<u>\$ 555,938</u>	<u>\$ 563,668</u>
Income (loss) from operations —by Segment:				
Security division	\$ 18,171	\$ 21,593	\$ 39,764	\$ 36,518
Healthcare division	7,030	1,404	12,950	3,032
Optoelectronics and Manufacturing division	13,382	12,212	23,165	23,470
Corporate	(9,663)	(9,276)	(22,126)	(19,424)
Intersegment eliminations	166	(442)	13	195
Total	<u>\$ 29,086</u>	<u>\$ 25,491</u>	<u>\$ 53,766</u>	<u>\$ 43,791</u>
Assets (2) —by Segment:				
Security division			\$ 839,769	\$ 881,875
Healthcare division			231,423	217,676
Optoelectronics and Manufacturing division			301,483	317,773
Corporate			104,834	83,786
Eliminations (3)			(34,359)	(34,880)
Total			<u>\$ 1,443,150</u>	<u>\$ 1,466,230</u>

- (1) For each of the three and six month periods ended December 31, 2021 and 2022, no customer accounted for greater than 10% of total net revenues.
- (2) As of June 30, 2022 and December 31, 2022, no customer accounted for greater than 10% of accounts receivable.
- (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.

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, 2022 and results of operations for the three and six months ended December 31, 2022 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, 2022 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 include, without limitation, information provided regarding impact of the COVID-19 pandemic and the Russia-Ukraine conflict. 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, 2022 (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; changes in domestic and foreign government spending, budgetary, procurement and trade policies adverse to our businesses; the impact of the Russia-Ukraine conflict, including the potential for broad economic disruption; global economic uncertainty; impacts on our business related to or resulting from the COVID-19 pandemic such as 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 same fiscal year; enforcement actions in respect of any noncompliance with laws and regulations including export control and environmental regulations and the matters that are the subject of some or all of our investigations and compliance reviews, contract and regulatory compliance matters, and actions, which if brought, could result in judgments, settlements, fines, injunctions, debarment or penalties; and other risks and uncertainties, including but not limited to those detailed herein and from time to time in our other SEC filings, which could have a material and adverse impact on our business, financial condition and results of operation. Many of the referenced risks could be amplified by the magnitude and duration of the COVID-19 pandemic. 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.

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 for weapons, explosives, drugs, radioactive and nuclear materials and other contraband. Revenues from our Security division accounted for 53% and 55% of our total consolidated revenues for the six months ended December 31, 2021 and 2022, 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 19% and 16% of our total consolidated revenues for the six months ended December 31, 2021 and 2022, 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 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 28% and 29% of our total consolidated revenues for the six months ended December 31, 2021 and 2022, 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.

Coronavirus Pandemic. The coronavirus disease 2019 (“COVID-19”) pandemic, including the emergence of new variants, has dramatically impacted the global health and economic environment, with millions of confirmed cases, business slowdowns and shutdowns, and market volatility. The COVID-19 pandemic has caused, and is likely to continue to cause, significant economic disruptions and has impacted, and is expected to 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 associated with employee absences, travel restrictions, site access, quarantine restrictions, remote work, and adjusted work schedules. Our ability to continue to operate without significant negative impacts will in part depend on our ability to protect our employees and our supply chain and to keep our manufacturing facilities open and operating effectively. We have endeavored to implement government and health authority recommendations to protect our employees worldwide including with respect to vaccine administration. There is substantial uncertainty regarding the duration, scope, and ultimate impact of the COVID-19 pandemic. 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 has been delayed, most notably with respect to our aviation and cargo products, and our revenues have been adversely impacted as a result of the pandemic. As many customers of our Security division continue to be impacted by the pandemic, we have received and could receive further requests to delay deliveries of equipment and modify service arrangements or the scheduling of factory or site acceptance tests, which has impacted, and could further impact, timing of revenue recognition. In addition, as a result of COVID-19 related government regulations, certain of our global manufacturing facilities have had to limit operations and might have to limit operations in the future. While we have been able to broadly maintain our operations, we experienced some disruption in our supply chain in certain markets due primarily to materials shortages, longer lead times on deliveries and transportation constraints. If these business interruptions resulting from COVID-19 were to be prolonged or expanded in scope, our business, financial condition, results of operations and cash flows would be materially and adversely impacted. We intend to continue to actively monitor the situation and may take further actions that alter our business operations as may be required by federal, state or local authorities or that we determine are in our best interests and the best interests of our employees, suppliers and customers. The ultimate impact of COVID-19 on our operations and financial performance in future periods, including our ability to execute our programs in the expected timeframe, remains uncertain and will depend on future pandemic-related developments, including the duration of the pandemic, potential subsequent waves of COVID-19 infection or potential new variants, the effectiveness and adoption of COVID-19 vaccines and therapeutics, supplier impacts and related government actions to prevent and manage disease spread, including the implementation of any federal, state, local or foreign vaccine mandates, all of which are uncertain and difficult to predict. The long-term impacts of COVID-19 on government budgets and other funding priorities, including international priorities, that impact demand for our products and services are also difficult to predict, but could negatively affect our future results and performance.

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. Further, global economic conditions continue to be highly volatile due to the COVID-19 pandemic, resulting in market size contractions in certain countries due to economic slowdowns and government restrictions on movement. In addition to the COVID-19 pandemic, these other global macroeconomic factors, coupled with the U.S. political climate and political unrest internationally, have created uncertainty and impacted demand for certain of our products and services. Also, the invasion of Ukraine by Russia 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. In addition to the COVID-19 pandemic, 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 above, 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. Increased healthcare capital purchases made in prior periods may result in fewer capital purchases in subsequent periods. The pandemic may also impact our ability to manufacture product needed to timely fill orders if we experience supply chain disruptions or need to close any manufacturing facility due to employee COVID-19 cases or local government regulations.

European Union Threat Detection Standards. The EU has implemented regulations for all airports within the EU that use explosive detection systems to have hold baggage screening systems that are compliant with the European Civil Aviation Conference (ECAC) Standard 3. The deadline for compliance with this mandate was initially set for September 2020. Given the uncertainty surrounding the COVID-19 pandemic, the EU revised the regulations, and the date by which airports using explosive detection systems for hold baggage screening must meet Standard 3 has been changed to March 2024, with certain larger airports required to meet earlier installation dates. Our Security division’s real time tomography (RTT) product has passed the ECAC explosive detection system Standard 3 threat detection requirement.

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, including U.S. and foreign government policies to manage the COVID-19 pandemic, such as travel restrictions or site closures.

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 bottleneck. 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. This increased cost environment has been exacerbated by the COVID-19 pandemic. 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 negatively impacted reported sales by approximately 1.7% for the six months ended December 31, 2022 compared to the six months ended December 31, 2021, primarily due to the strengthening of the U.S. dollar against other foreign currencies in 2022. Any further strengthening of the U.S. dollar against foreign currencies would adversely impact our sales for the remainder of the year, and any weakening of the U.S. dollar against foreign currencies would positively impact our sales for the remainder of the year.

Results of Operations for the Three Months Ended December 31, 2021 (Q2 Fiscal 2022) Compared to the Three Months Ended December 31, 2022 (Q2 Fiscal 2023) (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 Fiscal 2022	% of Net Revenues	Q2 Fiscal 2023	% of Net Revenues	\$ Change	% Change
Security	\$ 145.9	53 %	\$ 167.4	57 %	\$ 21.5	15 %
Healthcare	52.4	19	43.5	15	(8.9)	(17)
Optoelectronics and Manufacturing	78.4	28	84.7	28	6.3	8
Total net revenues	<u>\$ 276.7</u>	<u>100 %</u>	<u>\$ 295.6</u>	<u>100 %</u>	<u>\$ 18.9</u>	<u>7 %</u>

[Table of Contents](#)

Revenues for the Security division during the three months ended December 31, 2022 increased year-over-year due to increases in product and service revenues of approximately \$13.8 million and \$7.7 million, respectively. The increase in both product and service revenue was primarily driven by increased sales of cargo and vehicle inspection systems which was partially offset by a decrease in aviation related revenues.

Revenues for the Healthcare division during the three months ended December 31, 2022 decreased year-over-year due to a reduction in patient monitoring sales of \$7.3 million due in part to elevated demand related to COVID in the prior year period, a decrease in cardiology sales of \$1.4 million and a decrease in service revenue of \$0.2 million.

Revenues for the Optoelectronics and Manufacturing division during the three months ended December 31, 2022 increased year-over-year as a result of an increase in revenue in our optoelectronics business and contract manufacturing business of approximately \$2.5 million and \$3.8 million, respectively.

Gross Profit

	Q2 Fiscal 2022	% of Net Revenues	Q2 Fiscal 2023	% of Net Revenues
Gross profit	\$ 99.8	36.1 %	\$ 96.2	32.5 %

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 revenues and higher raw material costs. Gross profit as a percentage of net revenues during the quarter ended December 31, 2022 decreased on a year-over-year basis due to (i) a reduction in the Security division gross margins due to a decrease in margin from product sales driven by a less favorable product mix and increased component costs, (ii) a reduction in sales in the Healthcare division, which carries the highest gross margin of our three divisions, and (iii) an increase in sales in the Optoelectronics and Manufacturing division, which carries the lowest gross margin of our three divisions.

Operating Expenses

	Q2 Fiscal 2022	% of Net Revenues	Q2 Fiscal 2023	% of Net Revenues	\$ Change	% Change
Selling, general and administrative	\$ 54.9	19.8 %	\$ 54.0	18 %	\$ (0.9)	(2)%
Research and development	15.0	5.4	14.5	5	(0.5)	(3)
Impairment, restructuring and other charges, net	0.8	0.3	2.2	1	1.4	171
Total operating expenses	\$ 70.7	25.5 %	\$ 70.7	24 %	\$ 0.0	0 %

Selling, general and administrative. Our significant selling, general and administrative (SG&A) expenses include employee compensation, sales commissions, travel, professional services, marketing expenses, and depreciation and amortization expense. SG&A expense for the three months ended December 31, 2022 was \$0.9 million lower than such expenses in the same prior-year period primarily due to reduced compensation costs offset primarily by a provision for bad debts compared to a bad debt recovery in the second quarter of fiscal 2022.

Research and development. Research and development (R&D) expenses include research related to new product development and product enhancements. R&D expense during the three months ended December 31, 2022 was approximately \$0.5 million lower than such expenses in the same prior-year period primarily due to a decrease in outside services incurred by our Security and Healthcare divisions partially offset by increases in compensation and professional fees.

Impairment, restructuring and other charges. Impairment, restructuring and other charges generally consist of charges relating to reductions in our workforce, facilities consolidation, impairment of assets, costs related to acquisition activity, legal charges and other non-recurring charges. During the three months ended December 31, 2022, impairment, restructuring and other charges primarily consisted of \$1.9 million for legal charges and \$0.2 million in charges for employee terminations. During the three months ended December 31, 2021, impairment, restructuring and other charges primarily consisted of \$0.5 million for legal charges and \$0.3 million in charges for employee terminations.

Interest and other expense, net. For the three months ended December 31, 2022, interest and other expense, net was \$5.2 million as compared to \$2.2 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 the three months ended December 31, 2022 in comparison with the levels of borrowing during the same period in the prior year. The 1.25% convertible notes that were previously outstanding during the three month period ended December 31, 2021 were retired in September 2022 using borrowings from our credit facility which carries a higher interest rate.

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 the three months ended December 31, 2022, we recognized a provision for income taxes of \$4.0 million compared to \$7.1 million for the comparable prior-year period. The effective tax rates for the three months ended December 31, 2021 and 2022 were 26.3% and 19.5%, 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 from changes in prior year estimates. During the three-month periods ended December 31, 2021, we recognized a net discrete tax provision of \$0.3 million for changes in prior year tax estimates and equity-based compensation under ASU 2016-09.

Results of Operations for the Six Months Ended December 31, 2021 (YTD Q2 Fiscal 2022) Compared to the Six Months Ended December 31, 2022 (YTD Q2 Fiscal 2023) (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 Fiscal 2022	% of Net Revenues	YTD Q2 Fiscal 2023	% of Net Revenues	\$ Change	% Change
Security	\$ 295.4	53 %	\$ 312.4	55 %	\$ 17.0	6 %
Healthcare	103.0	19	87.2	16	(15.8)	(15)
Optoelectronics and Manufacturing	157.5	28	164.1	29	6.6	4
Total net revenues	\$ 555.9	100 %	\$ 563.7	100 %	\$ 7.8	1 %

Revenues for the Security division during the six months ended December 31, 2022 increased year-over-year due to an increase in product and service revenues of approximately \$11.1 million and \$5.9 million, respectively. The increase in both product and service revenue was primarily driven by increased sales of cargo and vehicle inspection systems which was partially offset by a decrease in aviation related revenues.

Revenues for the Healthcare division during the six months ended December 31, 2022 decreased year-over-year due to a reduction in patient monitoring sales of \$14.1 million due in part to elevated demand related to COVID in the prior year period, and a decrease in cardiology sales of \$2.5 million, offset by an increase in service revenues of \$0.8 million.

Revenues for the Optoelectronics and Manufacturing division during the six months ended December 31, 2022 increased year-over year as a result of an increase in revenue in our optoelectronics business of approximately \$6.6 million.

Gross Profit

	YTD Q2 Fiscal 2022	% of Net Revenues	YTD Q2 Fiscal 2023	% of Net Revenues
Gross profit	\$ 199.1	35.8 %	\$ 183.7	32.6 %

Our cost of goods sold increased year-over-year primarily as a result of the increase in revenues and higher raw material costs. Gross profit as a percentage of net revenues during the six months ended December 31, 2022 decreased on a year-over-year basis due to (i) a reduction in the Security division gross margins due to a decrease in margin from product sales driven by a less favorable product mix and increased component costs, (ii) a reduction in sales in the Healthcare division, which carries the highest gross margin of our three divisions, and (iii) an increase in sales in the Optoelectronics and Manufacturing division, which carries the lowest gross margin of our three divisions.

Operating Expenses

	YTD Q2 Fiscal 2022	% of Net Revenues	YTD Q2 Fiscal 2023	% of Net Revenues	\$ Change	% Change
Selling, general and administrative	\$ 112.2	20 %	\$ 107.4	77 %	\$ (4.8)	(4)%
Research and development	29.8	5	29.0	21	(0.8)	(3)
Impairment, restructuring and other charges, net	3.3	1	3.5	2	0.2	4
Total operating expenses	<u>\$ 145.3</u>	<u>26 %</u>	<u>\$ 139.9</u>	<u>100 %</u>	<u>\$ (5.4)</u>	<u>(4)%</u>

Selling, general and administrative. SG&A expense for the six months ended December 31, 2022 was \$4.8 million lower than such expenses in the same prior-year period primarily due to a reduction in compensation, professional fees and favorable foreign exchange rates partially offset by a provision for bad debts compared to a bad debt recovery in the prior period.

Research and development. R&D expense during the six months ended December 31, 2022 decreased as compared to the same prior-year period primarily due to a decrease in outside services partially offset by increases in compensation and travel in our Security and Healthcare divisions.

Impairment, restructuring and other charges. During the six months ended December 31, 2022, impairment, restructuring and other charges primarily consisted of \$2.9 million in legal charges primarily relating to government investigations and \$0.5 million for employee terminations. During the six months ended December 31, 2021, impairment, restructuring and other charges consisted of \$2.7 million for legal charges and \$0.7 million in charges for employee terminations.

Interest and other expense, net. For the six months ended December 31, 2022, interest and other expense, net was \$8.6 million as compared to \$4.2 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 the six months ended December 31, 2022 in comparison with the levels of borrowing during the same period in the prior year. The 1.25% convertible notes that were previously outstanding during the six-month period ended December 31, 2021 were retired in September 2022 using borrowings from our credit facility which carries a higher interest rate.

Income taxes. For the six months ended December 31, 2022, we recognized a provision for income taxes of \$7.6 million compared to \$10.7 million for the comparable prior-year period. The effective tax rates for the six months ended December 31, 2021 and 2022 were 21.6% for both periods. During the six months ended December 31, 2022, we recognized discrete tax benefit of \$0.5 million related to equity-based compensation under ASU 2016-09 and \$0.4 million from changes in prior year estimates. During the six months ended December 31, 2021, we recognized a net discrete tax benefit of \$1.8 million, which was comprised of \$2.0 million related to equity-based compensation under ASU 2016-09 partially offset by a discrete tax expense for prior year tax estimates of \$0.2 million.

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 \$45.6 million at December 31, 2022, a decrease of \$18.6 million, or 29.0%, from \$64.2 million at June 30, 2022. We currently anticipate that our available funds, credit facilities and cash flow from operations will be sufficient to meet our operational cash needs for the next 12 months and 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.

We have a \$750 million credit facility that is comprised of a \$600 million revolving credit facility, which includes a \$300 million sub-facility for letters of credit, and a \$150 million term loan. As of December 31, 2022, there was \$235.0 million outstanding under our revolving credit facility, \$146.9 million outstanding under the term loan and \$66.8 million of outstanding letters of credit. As of December 31, 2022, the total amount available under these credit facilities was \$298.2 million.

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. During the six months ended December 31, 2022, we generated cash from operations of \$8.2 million compared to \$3.4 million of cash generated in the same prior-year period. The increase was driven primarily by the positive impact in working capital changes.

Cash Used in Investing Activities. Net cash used in investing activities was \$18.9 million for the six months ended December 31, 2022 as compared to \$15.4 million in the same prior-year period. Cash used to acquire businesses was \$3.5 million during the six-month period ended December 31, 2022 compared to nil in the prior year. Capital expenditures in the six-month period ended December 31, 2022 were \$7.0 million compared to \$7.4 million in the same prior-year period. Expenditures for intangible and other assets in the six-month period ended December 31, 2022 were \$8.0 million compared to \$8.1 million in the same prior-year period.

Cash Provided by (Used in) Financing Activities. Net cash used in financing activities was \$3.7 million during the six months ended December 31, 2022 compared to net cash provided by financing activities of \$17.6 million during the same prior-year period. The increase in cash used in financing activities was due to the increase in net payments on long-term debt by \$145 million, of which \$242.3 million pertains to the repurchase and cancellation of the 1.25% Convertible Senior Notes utilizing proceeds of the senior secured credit facility, that was partially offset by the increase in net borrowings on bank lines of credit by \$93 million. Cash used to repurchase of common stock and taxes paid related to the net settlement of equity awards was \$33.4 million in the six-months ended December 31, 2022 compared to \$64.4 in the same prior-year period.

Borrowings

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

Cash Held by Foreign Subsidiaries

Our cash and cash equivalents totaled \$45.6 million at December 31, 2022. Of this amount, approximately 98% was held by our foreign subsidiaries and subject to repatriation tax considerations. These foreign funds were held primarily by our subsidiaries in the United Kingdom, Singapore, Malaysia, Mexico, Canada and India and, to a lesser extent, in Indonesia, Albania and Australia. 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.

Issuer Purchases of Equity Securities

The following table contains information about the shares of common stock we purchased during the quarter ended December 31, 2022:

	Total number of shares (or units) purchased	Average price paid per share (or unit)	Total number of shares (or units) purchased as part of publicly announced plans or programs	Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs (1)
October 1 to October 31, 2022	7,500	\$ 82.11	7,500	1,906,173
November 1 to November 30, 2022	18,730	\$ 84.49	18,730	1,887,443
December 1 to December 31, 2022	27,104	\$ 84.84	27,104	1,860,339
	<u>53,334</u>		<u>53,334</u>	

(1) In April 2020, the Board of Directors authorized a share repurchase program of up to 1,000,000 shares of common stock. In August 2020, the Board of Directors increased to 3,000,000 shares the maximum number of shares authorized under the stock repurchase program. In September 2022, when there were 1,131,301 shares remaining authorized and yet to be repurchased under the plan, the Board of Directors renewed the authorization and revised the maximum number of shares to 2,000,000 shares authorized under the stock repurchase program. Upon repurchase, the shares are restored to the status of authorized but unissued shares, and we record them as a reduction in the number of shares of common stock issued and outstanding in our consolidated financial statements.

Contractual Obligations

During the six months ended December 31, 2022, 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, 2022. See Notes 1, 6, 8 and 10 to the condensed consolidated financial statements for additional information regarding our contractual obligations.

Recent Accounting Pronouncements

For information with respect to recent accounting pronouncements and the potential impact of those pronouncements on our condensed consolidated financial statements, see Note 1 to the condensed consolidated financial statements.

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, 2022. There have been no material changes in our exposure to market risk during the six months ended December 31, 2022 from that described in the Annual Report.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of December 31, 2022, 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 quarter of fiscal 2023 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.

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.

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, 2022 should be read together with the risk factors contained in our Annual Report on Form 10-K for the fiscal year ended June 30, 2022, filed with the SEC on August 19, 2022, 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, 2022.

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

(a) None

(b) Not applicable

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable

ITEM 5. OTHER INFORMATION

On January 25, 2023, our Board of Directors approved and adopted an amendment and restatement of our bylaws (as so amended, the "Amended and Restated Bylaws"), which became immediately effective. Among other things, the amendments contained in the Amended and Restated Bylaws:

- Address the universal proxy rules adopted by the U.S. Securities and Exchange Commission by clarifying that no person may solicit proxies in support of a nominee other than the Board of Director's nominee unless such person has complied with Rule 14a-19 under the Securities and Exchange Act of 1934, as amended, and provide that any stockholder directly or indirectly soliciting proxies from other stockholders must use a proxy card color other than white, which shall be reserved for the exclusive use by the Board of Directors;
- With respect to advance notice disclosure requirements for business or nominations brought before a meeting, require a stockholder proposing business or nominating directors to provide additional information about the stockholder, any other beneficial holder or "participant" (as defined in paragraphs (a)(ii)-(vi) of Instruction 3 to Item 4 of Schedule 14A) in the solicitation, and any candidate the stockholder proposes to nominate for election as director;
- With respect to advance notice disclosure requirements for business brought before an annual meeting, require a stockholder proposing business to provide additional information and representations about the proposed business, and any related agreements between such stockholder and any other beneficial holder or participant in the solicitation;
- Require any candidate for the Board of Directors, whether nominated by the Board of Directors or a stockholder, to provide certain background information and representations;

[Table of Contents](#)

- Require that the information provided in a stockholder’s notice or materials be updated or provided, as the case may be, so that such notice shall be true and correct as of the record date for stockholders entitled to vote at the meeting and as of the date that is ten (10) days prior to the meeting;
- With respect to stockholder demands to call a special meeting of stockholders and stockholder actions by written consent in lieu of a meeting, require a stockholder requesting to fix such a record date to provide additional information about the stockholder, the purpose or purposes of the special meeting and the business proposed to be conducted at the special meeting, the action or actions proposed to be taken by written consent, and any candidate the stockholder proposes to nominate for election as director, each as the case may be;
- Provide that (i) the Court of Chancery of the State of Delaware (the “Chancery Court”) (or, in the event that the Chancery Court does not have jurisdiction, the federal district court for the District of Delaware or other state courts of the State of Delaware) shall be the exclusive forum for actions, suits or proceedings brought against the Company, and (ii) the federal district courts shall be the exclusive forum for the resolution of any complaint or cause of action arising under the Securities Act of 1933, as amended;
- Enable us to initiate an action against a stockholder to enforce the exclusive forum requirements should the stockholder sue, or threaten to sue, in another jurisdiction; and
- Include certain other ministerial, clarifying, modernizing and conforming changes.

The Amended and Restated Bylaws are filed herewith as Exhibit 3.1. The foregoing description of the changes contained in the Amended and Restated Bylaws does not purport to be complete and is qualified in its entirety by reference to the full text of the Amended and Restated Bylaws, which is incorporated herein by reference.

ITEM 6. EXHIBITS

<u>Exhibit Number</u>	<u>Description</u>
3.1	Amended and Restated Bylaws of 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	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101)

**AMENDED AND RESTATED
BYLAWS
OF
OSI SYSTEMS, INC.
(a Delaware corporation)**

As adopted on January 25, 2023

OFFICES

Registered Office. The registered office of OSI Systems, Inc., a Delaware corporation (the “Corporation”), shall be fixed in the Certificate of Incorporation of the Corporation.

Other Offices. The Corporation shall also have and maintain a principal executive office at 12525 Chadron Avenue, Hawthorne, CA 90250 and other offices at such place or places within and without the State of Delaware as the Board of Directors (the “Board”) may from time to time determine or the business of the Corporation may require.

MEETINGS OF STOCKHOLDERS

Place of Meetings. Meetings of stockholders shall be held either at the principal executive office of the Corporation or at any other place within or without the State of Delaware which may be designated by the Board and provided in notice of the meeting.

Annual Meetings. The annual meetings of the stockholders shall be held on such date and at such time as may be fixed by the Board. At such meetings, directors shall be elected and any other proper business may be transacted.

Special Meetings.

Special meetings of the stockholders for any purpose or purposes may be called only (i) by the Chairman of the Board of Directors, (ii) by the Board of Directors, pursuant to a resolution approved by a majority of the entire Board of Directors, (iii) the Chief Executive Officer or (iv) by the Secretary of the Corporation, following his or her receipt of one or more written demands to call a special meeting of the stockholders in accordance with, and subject to, this Section 3 from stockholders of record as of the record date fixed in accordance with Section 3(d) who hold, in the aggregate, at least 10% percent of the voting power of the outstanding shares of the Corporation. The notice of a special meeting shall state the purpose or purposes of such special meeting. The business to be conducted at the special meeting shall be limited to the purpose or purposes stated in such notice. Except in accordance with this Section 3, stockholders shall not be permitted to propose business to be brought before a special meeting of the stockholders. Stockholders who nominate persons for election to the board of directors at a special meeting must also comply with the requirements set forth in Section 14 and Section 15.

No stockholder may demand that the Secretary of the Corporation call a special meeting of the stockholders pursuant to Section 3(a) unless a stockholder of record has first submitted a request in writing that the Board of Directors fix a record date (a “Demand Record Date”) for the purpose of determining the stockholders entitled to demand that the Secretary of the Corporation call such special meeting, which request shall be in proper form and delivered to, or mailed and received by, the Secretary of the Corporation at the principal executive offices of the Corporation.

To be in proper form for purposes of this Section 3, a request by a stockholder for the Board of Directors to fix a Demand Record Date shall set forth:

As to each Requesting Person (as defined below), the Stockholder Information (as defined in Section 13(c)(i), except that for purposes of this Section 3 the term “Requesting Person” shall be substituted for the term “Proposing Person” in all places it appears in Section 13(c)(i));

As to each Requesting Person, any Disclosable Interests (as defined in Section 13(c)(ii), except that for purposes of this Section 3 the term “Requesting Person” shall be substituted for the term “Proposing Person” in all places it appears in Section 13(c)(ii) and the disclosure in clause (G) of Section 13(c)(ii) shall be made with respect to the business proposed to be conducted at the special meeting or the proposed election of directors at the special meeting, as the case may be);

As to the purpose or purposes of the special meeting, (A) a reasonably brief description of the purpose or purposes of the special meeting and the business proposed to be conducted at the special meeting, the reasons for conducting such business at the special meeting and any material interest in such business of each Requesting Person, and (B) a reasonably detailed description of all agreements, arrangements and understandings (x) between or among any of the Requesting Persons or (y) between or among any Requesting Person and any other record or beneficial holder of the shares of any class or series of the Corporation (including their names) in connection with the request for the special meeting or the business proposed to be conducted at the special meeting; and

If directors are proposed to be elected at the special meeting, the Nominee Information for each person whom a Requesting Person expects to nominate for election as a director at the special meeting.

For purposes of this Section 3(c), the term "Requesting Person" shall mean (i) the stockholder making the request to fix a Demand Record Date for the purpose of determining the stockholders entitled to demand that the Secretary call a special meeting, (ii) the beneficial owner or beneficial owners, if different, on whose behalf such request is made, and (iii) any affiliate of such stockholder or beneficial owner.

Within ten (10) days after receipt of a request to fix a Demand Record Date in proper form and otherwise in compliance with this Section 3 from any stockholder of record, the Board of Directors may adopt a resolution fixing a Demand Record Date for the purpose of determining the stockholders entitled to demand that the Secretary of the Corporation call a special meeting, which date shall not precede the date upon which the resolution fixing the Demand Record Date is adopted by the Board of Directors. If no resolution fixing a Demand Record Date has been adopted by the Board of Directors within the ten (10) day period after the date on which such a request to fix a Demand Record Date was received, the Demand Record Date in respect thereof shall be deemed to be the twentieth (20th) day after the date on which such a request is received. Notwithstanding anything in this Section 3 to the contrary, no Demand Record Date shall be fixed if the Board of Directors determines that the demand or demands that would otherwise be submitted following such Demand Record Date could not comply with the requirements set forth in clauses (ii), (iv), (v) or (vi) of Section 3(f).

Without qualification, a special meeting of the stockholders shall not be called pursuant to Section 3(a) unless stockholders of record as of the Demand Record Date who hold, in the aggregate, more than 10 percent of the voting power of the outstanding shares of common stock of the Corporation (the "Requisite Percentage") timely provide one or more demands to call such special meeting in writing and in proper form to the Secretary of the Corporation at the principal executive offices of the Corporation. Only stockholders of record on the Demand Record Date shall be entitled to demand that the Secretary of the Corporation call a special meeting of the stockholders pursuant to Section 3(a). To be timely, a stockholder's demand to call a special meeting must be delivered to, or mailed and received at, the principal executive offices of the Corporation not later than the sixtieth (60th) day following the Demand Record Date. To be in proper form for purposes of this Section 3, a demand to call a special meeting shall set forth (i) the business proposed to be conducted at the special meeting or the proposed election of directors at the special meeting, as the case may be, (ii) the text of the proposal or business (including the text of any resolutions proposed for consideration), if applicable, and (iii) with respect to any stockholder or stockholders submitting a demand to call a special meeting (except for any stockholder that has provided such demand in response to a solicitation made pursuant to, and in accordance with, Section 14(a) of the Securities Exchange Act of 1934, and the rules and regulations thereunder (as so amended and inclusive of such rules and regulations, the "Exchange Act"), by way of a solicitation statement filed on Schedule 14A) (a "Solicited Stockholder") the information required to be provided pursuant to this Section 3 by a Requesting Person. A stockholder may revoke a demand to call a special meeting by written revocation delivered to the Secretary at any time prior to the special meeting. If any such revocation(s) are received by the Secretary after the Secretary's receipt of written demands from the holders of the Requisite Percentage of stockholders, and as a result of such revocation(s), there no longer are unrevoked demands from the Requisite Percentage of stockholders to call a special meeting, the Board of Directors shall have the discretion to determine whether or not to proceed with the special meeting.

The Secretary shall not accept, and shall consider ineffective, a written demand from a stockholder to call a special meeting (i) that does not comply with this Section 3, (ii) that relates to an item of business to be transacted at such meeting that is not a proper subject for stockholder action under applicable law, (iii) that includes an item of business to be transacted at such meeting that did not appear on the written request that resulted in the determination of the Demand Record Date, (iv) that relates to an item of business (other than the election of directors) that is identical or substantially similar to an item of business (a "Similar Item") for which a record date for notice of a stockholder meeting (other than the Demand Record Date) was previously fixed and such demand is delivered between the time beginning on the 61st day after such previous record date and ending on the one-year anniversary of such previous record date, (v) if a Similar Item will be submitted for stockholder approval at any stockholder meeting to be held on or before the 90th day after the Secretary receives such demand, or (vi) if a Similar Item has been presented at the most recent annual meeting or at any special meeting held within one year prior to receipt by the Secretary of such demand to call a special meeting.

After receipt of demands in proper form and in accordance with this Section 3 from a stockholder or stockholders holding the Requisite Percentage, the Board of Directors shall duly call, and determine the place, date and time of a special meeting of stockholders for the purpose or purposes and to conduct the business specified in the demands received by the Corporation. Notwithstanding anything in these Bylaws to the contrary, the Board of Directors may submit its own proposal or proposals for consideration at such a special meeting. The record date for notice and voting for such a special meeting shall be fixed in accordance

with Section 8 of these Bylaws. The Board of Directors shall provide written notice of such special meeting to the stockholders in accordance with Section 4.

In connection with a special meeting called in accordance with this Section 3, the stockholder or stockholders (except for any Solicited Stockholder) who requested that the Board of Directors fix a record date for notice and voting for the special meeting in accordance with this Section 3 or who delivered a demand to call a special meeting to the Secretary shall further update and supplement the information previously provided to the Corporation in connection with such request or demand, if necessary, so that the information provided or required to be provided in such request or demand pursuant to this Section 3 shall be true and correct as of the record date for stockholders entitled to vote at the special meeting and as of the date that is ten (10) business days prior to the special meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered to, or mailed and received by, the Secretary at the principal executive offices of the Corporation not later than five (5) business days after the record date for stockholders entitled to vote at the special meeting (in the case of the update and supplement required to be made as of such record date), and not later than eight (8) business days prior to the date for the special meeting or, if practicable, any adjournment or postponement thereof (and, if not practicable, on the first practicable date prior to the date to which the special meeting has been adjourned or postponed) (in the case of the update and supplement required to be made as of ten (10) business days prior to the special meeting or any adjournment or postponement thereof). For the avoidance of doubt, the obligation to update and supplement as set forth in this paragraph or any other Section of these Bylaws shall not limit the Corporation's rights with respect to any deficiencies in any request or demand provided by a stockholder, extend any applicable deadlines hereunder or enable or be deemed to permit a stockholder who has previously submitted a request or demand hereunder to amend or update any such request or demand, including by changing or adding nominees, matters, business or resolutions proposed to be brought before a meeting of the stockholders.

Notwithstanding anything in these Bylaws to the contrary, the Secretary shall not be required to call a special meeting pursuant to this Section 3 except in accordance with this Section 3. If the Board of Directors shall determine that any request to fix a record date for notice and voting for the special meeting or demand to call and hold a special meeting was not properly made in accordance with this Section 3, or shall determine that the stockholder or stockholders requesting that the Board of Directors fix such record date or submitting a demand to call the special meeting have not otherwise complied with this Section 3, then the Board of Directors shall not be required to fix such record date or to call and hold the special meeting. In addition to the requirements of this Section 3, each Requesting Person shall comply with all requirements of applicable law, including all requirements of the Exchange Act, with respect to any request to fix a record date for notice and voting for the special meeting or demand to call a special meeting.

Notice of Annual or Special Meeting. Except as otherwise provided by law, written notice of each annual or special meeting of stockholders shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder entitled to vote thereat. Such notice shall state the place, date and hour of the meeting and (a) in the case of a special meeting, the purpose or purposes for which the meeting is called, and no other business may be transacted, or (b) in the case of the annual meeting, those matters which the Board, at the time of the mailing of the notice, intends to present for action by the stockholders, but, subject to the provisions of applicable law, the Certificate of Incorporation and these Bylaws, any proper matter may be presented at the meeting for such action. The notice of any meeting at which directors are to be elected shall include the names of nominees intended at the time of the notice to be presented by management for election.

Notice of a stockholders' meeting shall be given either personally or by mail or by other means of written or electronic communication, addressed to the stockholder at the address of such stockholder appearing on the books of the Corporation or given by the stockholder to the Corporation for the purpose of notice; or, if no such address appears or is given, at the place where the principal executive office of the Corporation is located or by publication at least once in a newspaper of general circulation in the county in which the principal executive office is located. Notice by mail shall be deemed to have been given at the time a written notice is deposited in the United States mails, postage prepaid. Any other written notice shall be deemed to have been given at the time it is directed to the stockholder in the manner consented to by the stockholder. Any notice to stockholders may be given by electronic mail or other electronic transmission, in the manner provided by Section 232 of the Delaware General Corporation Law. An affidavit of the Secretary or an Assistant Secretary or of the transfer agent of the Corporation that the notice has been given shall, in the absence of fraud, be prima facie evidence of the giving of such notice. Notice of the time, place and purpose of any meeting of stockholders may be waived in writing, either before or after the meeting, and to the extent permitted by law, will be waived by any stockholder by attendance thereat, in person or by proxy, except when the person objects at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened. Notwithstanding the foregoing provisions of this Section 4, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to matters set forth in this Section 4.

Quorum. A majority of the issued and outstanding stock entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of stockholders. If a quorum is not present or represented at any meeting of the stockholders, then either (a) the chairman of the meeting or (b) holders of a majority of the shares of stock entitled to vote who are present, in person or in proxy, at the place of the meeting shall have power to adjourn the meeting to another place, date or time in accordance with Section 6 of this Article.

Adjourned Meeting and Notice Thereof. When a meeting is adjourned to another time or place, unless these Bylaws otherwise require, it shall not be necessary to give any notice of the time and place of the adjourned meeting or of the business to be transacted thereat, other than by announcement at the meeting at which such adjournment is taken or in any other manner permitted by the Delaware General Corporation Law; provided, however, when any stockholders' meeting is adjourned for more than thirty (30) days or, if after adjournment a new record date is fixed for the adjourned meeting, notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting as in the case of an original meeting.

Voting. Except as may be otherwise provided in the Certificate of Incorporation, each stockholder shall be entitled to one vote for each share of capital stock held by such stockholder. All elections shall be determined by a plurality of the votes cast, and except as otherwise required by the Certificate of Incorporation, these bylaws, applicable law or any other rules and regulations applicable to the Corporation or shares of its capital stock (including the rules and regulations of any stock exchange on which shares of the Corporation's capital stock are traded), all other matters shall be determined by a majority of the votes cast affirmatively or negatively.

Record Date. The Board may fix, in advance, a record date for the determination of the stockholders entitled to notice of any meeting to vote or entitled to receive payment of any dividend or other distribution, or any allotment of rights, or to exercise rights in respect of any other lawful action. The record date so fixed shall be not more than sixty (60) days nor less than ten (10) days prior to the date of the meeting nor more than sixty (60) days prior to any other action. When a record date is so fixed, only stockholders of record on that date are entitled to notice of and to vote at the meeting or to receive the dividend, distribution, or allotment of rights, or to the exercise of the rights, as the case may be, notwithstanding any transfer of shares on the books of the Corporation after the record date. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting unless the Board fixes a new record date for the adjourned meeting. The Board shall fix a new record date if the meeting is adjourned for more than thirty (30) days. If no record date is fixed by the Board, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the business day next preceding the day on which notice is given or, if notice is waived, at the close of business on the next business day next preceding the day on which the meeting is held.

Consent of Absentees. The transactions of any meeting of stockholders, however called and noticed, and wherever held, are as valid as though had at a meeting duly held after regular call and notice, if a quorum is present either in person or by proxy, and if, either before or after the meeting, each of the persons entitled to vote, not present in person or by proxy, signs a written waiver of notice, or a consent to the holding of the meeting or an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting. Neither the business to be transacted at nor the purpose of any regular or special meeting of stockholders need be specified in any written waiver of notice, except as provided in the Certificate of Incorporation or these Bylaws.

Action by Written Consent in Lieu of a Meeting.

Any action required or permitted to be taken at an annual or special meeting of stockholders may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by holders of record on the record date established as pursuant to Section 10(b) below (the "Written Consent Record Date") of outstanding shares of the Corporation having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted; provided, however, that in the case of the election or removal of directors by written consent, such consent shall be effective only if signed by the holders of all outstanding shares entitled to vote for the election of directors; provided, further, however, that a director may be elected at any time to fill a vacancy on the Board of Directors that has not theretofore been filled by the directors, by the written consent of the holders of a majority of the outstanding shares entitled to vote for the election of directors. Any such consent shall be delivered to the Corporation at its registered office in the State of Delaware, at its principal place of business or to an officer or agent of the Corporation having custody of the minute books in which proceedings of meetings of stockholders are recorded. Delivery shall be made by hand or by certified or registered mail, return receipt requested. Every written consent shall bear the date of the signature of each stockholder who signs the consent, and no written consent shall be effective to take corporate action unless, within sixty (60) days of the earliest dated valid consent delivered in the manner described in this Section 10, written consents signed by a sufficient number of holders to take such action are delivered to the Corporation in the manner described in this Section 10. Only stockholders of record on the Written Consent Record Date shall be entitled to consent to corporate action in writing without a meeting.

Without qualification, any stockholder of record seeking to have the stockholders authorize or take any action by written consent shall first request in writing that the Board of Directors fix a Written Consent Record Date for the purpose of determining the stockholders entitled to take such action, which request shall be in proper form and delivered to, or mailed and received by, the Secretary of the Corporation at the principal executive offices of the Corporation. Within ten (10) days after receipt of a request in proper form and otherwise in compliance with this Section 10(b) from any such stockholder, the Board of Directors may adopt a resolution fixing a Written Consent Record Date for the purpose of determining the stockholders entitled to take such action, which date shall not be more than ten (10) days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. If no resolution fixing a record date has been adopted by the Board of Directors within such ten (10) day period after the date on which such

a request is received, (i) the Written Consent Record Date for determining stockholders entitled to consent to such action, when no prior action of the Board of Directors is required by applicable law, shall be the first date on which a valid signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation in the manner described in this Section 10, and (ii) the Written Consent Record Date for determining stockholders entitled to consent to such action, when prior action by the Board of Directors is required by applicable law, shall be at the close of business on the date on which the Board of Directors adopts the resolution taking such prior action.

To be in proper form for purposes of this Section 10, a request by a stockholder for the Board of Directors to fix a Written Consent Record Date shall set forth:

As to each Soliciting Person (as defined below), the Stockholder Information (as defined in Section 13(c)(i), except that for purposes of this Section 10 the term "Soliciting Person" shall be substituted for the term "Proposing Person" in all places it appears in Section 13(c)(i));

As to each Soliciting Person, any Disclosable Interests (as defined in Section 13(c)(ii), except that for purposes of this Section 10 the term "Soliciting Person" shall be substituted for the term "Proposing Person" in all places it appears in Section 13(c)(ii) and the disclosure in Section 13(c)(iii) shall be made with respect to the action or actions proposed to be taken by written consent);

As to the action or actions proposed to be taken by written consent, (A) a reasonably brief description of the action or actions, the reasons for taking such action or actions and any material interest in such action or actions of each Soliciting Person, (B) the text of the resolutions or consent proposed to be acted upon by written consent of the stockholders, and (C) a reasonably detailed description of all agreements, arrangements and understandings (x) between or among any of the Soliciting Persons and (y) between or among any Soliciting Person and any other record or beneficial owner of capital stock of the Corporation (including their names) in connection with the request or such action or actions; and

If directors are proposed to be elected by written consent, the Nominee Information for each person whom a Requesting Person proposes to elect as a director by written consent.

For purposes of this Section 10, the term "Soliciting Person" shall mean (i) the stockholder making a request for the Board of Directors to fix a record date and proposing the action or actions to be taken by written consent, (ii) the beneficial owner or beneficial owners, if different, on whose behalf such request is made, and (iii) any affiliate of such stockholder or beneficial owner.

In connection with an action or actions proposed to be taken by written consent in accordance with this Section 10, the stockholder or stockholders seeking such action or actions shall further update and supplement the information previously provided to the Corporation in connection therewith, if necessary, so that the information provided or required to be provided pursuant to this Section 10 shall be true and correct as of the record date for determining the stockholders eligible to take such action and as of the date that is five (5) business days prior to the date the consent solicitation is commenced, and such update and supplement shall be delivered to, or mailed and received by, the Secretary at the principal executive offices of the Corporation not later than five (5) business days after the record date for determining the stockholders eligible to take such action (in the case of the update and supplement required to be made as of the record date), and not later than three (3) business days prior to the date that the consent solicitation is commenced (in the case of the update and supplement required to be made as of five (5) business days prior to the commencement of the consent solicitation). For the avoidance of doubt, the obligation to update and supplement as set forth in this paragraph or any other Section of these Bylaws shall not limit the Corporation's rights with respect to any deficiencies in any written consent provided by a stockholder, extend any applicable deadlines hereunder or enable or be deemed to permit a stockholder who has previously submitted a written consent hereunder to amend or update any proposal, including by changing or adding nominees, matters, business or proposed resolutions.

Notwithstanding anything in these Bylaws to the contrary, no action may be taken by the stockholders by written consent except in accordance with this Section 10. If the Board of Directors shall determine that any request to fix a Written Consent Record Date or to take stockholder action by written consent was not properly made in accordance with this Section 10, or the stockholder or stockholders seeking to take such action do not otherwise comply with this Section 10, then the Board of Directors shall not be required to fix a Written Consent Record Date and any such purported action by written consent shall be null and void to the fullest extent permitted by applicable law. In addition to the requirements of this Section 10 with respect to stockholders seeking to take an action by written consent, each such Soliciting Person shall comply with all requirements of applicable law, including all requirements of the Exchange Act, with respect to such action.

Proxies. Each stockholder entitled to vote at a meeting of stockholders has the right to do so either in person or by one or more persons authorized to act for such stockholder by proxy authorized by an instrument in writing or by a transmission permitted by law, including Rule 14a-19 promulgated under the Exchange Act, filed in accordance with the procedure established for the meeting, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. The revocability

of a proxy that states on its face that it is irrevocable shall be governed by the provisions of Section 212 of the Delaware General Corporation Law. A stockholder may revoke any proxy which is not irrevocable by attending the meeting and voting in person or by delivering to the Secretary of the Corporation a revocation of the proxy or a new proxy bearing a later date. Any stockholder directly or indirectly soliciting proxies from other stockholders must use a proxy card color other than white, which shall be reserved for the exclusive use by the Board of Directors.

Inspector of Election. In advance of any meeting of stockholders, the Board may appoint any person to act as the inspector of election at such meeting and any adjournment thereof. If the inspector of election is not so appointed, or if any person so appointed fails to appear or refuses to act, the chairman of any such meeting may, and on the request of any stockholder or stockholder's proxy shall, make such appointment at the meeting. The duties of such inspector shall include: determining, and certifying as appropriate, the number of shares outstanding and the voting power of each; the shares represented at the meeting; the existence of a quorum; the authenticity, validity and effect of proxies; receiving votes, ballots or consents; hearing and determining all challenges and questions in any way arising in connection with the right to vote; counting and tabulating all votes or consents; determining when the polls shall close; determining the result; and doing such acts as may be proper to conduct the election or vote with fairness to all stockholders.

Notice of Business to be Brought Before a Meeting.

At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be (i) specified in a notice of meeting given by or at the direction of the Board of Directors, (ii) if not specified in a notice of meeting, otherwise brought before the meeting by the Board of Directors or the Chairman of the Board, or (iii) otherwise properly brought before the meeting by a stockholder present in person who (A) (1) was a record owner of shares of the Corporation both at the time of giving the notice provided for in this Section 13 and at the time of the meeting, (2) is entitled to vote at the meeting, and (3) has complied with this Section 13 in all applicable respects or (B) properly made such proposal in accordance with Rule 14a-8 under the Exchange Act. The foregoing clause (iii) shall be the exclusive means for a stockholder to propose business to be brought before an annual meeting of the stockholders. For purposes of this Section 13, "present in person" shall mean that the stockholder proposing that the business be brought before the annual meeting of the Corporation, or a qualified representative of such proposing stockholder, appear at such annual meeting. A "qualified representative" of such proposing stockholder shall be a duly authorized officer, manager or partner of such stockholder or any other person authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of stockholders and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the meeting of stockholders. Stockholders seeking to nominate persons for election to the Board must comply with Section 14 and this Section 13 shall not be applicable to nominations except as expressly provided in Section 14.

Without qualification, for business to be properly brought before an annual meeting by a stockholder, the stockholder must (i) provide Timely Notice (as defined below) thereof in writing and in proper form to the Secretary of the Corporation and (ii) provide any updates or supplements to such notice at the times and in the forms required by this Section 13. To be timely, a stockholder's notice must be delivered to, or mailed and received at, the principal executive offices of the Corporation not less than ninety (90) days nor more than one hundred twenty (120) days prior to the one-year anniversary of the preceding year's annual meeting; provided, however, that if the date of the annual meeting is more than thirty (30) days before or more than sixty (60) days after such anniversary date, notice by the stockholder to be timely must be so delivered, or mailed and received, not more than the one hundred twentieth (120th) day prior to such annual meeting and not later than (i) the ninetieth (90th) day prior to such annual meeting or, (ii) if later, the tenth (10th) day following the day on which public disclosure of the date of such annual meeting was first made by the Corporation (such notice within such time periods, "Timely Notice"). In no event shall any adjournment of an annual meeting or the announcement thereof commence a new time period for the giving of Timely Notice as described above.

To be in proper form for purposes of this Section 13, a stockholder's notice to the Secretary shall set forth:

As to each Proposing Person (as defined below), (A) the name and address of such Proposing Person (including, if applicable, the name and address that appear on the Corporation's books and records); and (B) the class or series and number of shares of the Corporation that are, directly or indirectly, owned of record or beneficially owned (within the meaning of Rule 13d-3 under the Exchange Act) by such Proposing Person, except that such Proposing Person shall in all events be deemed to beneficially own any shares of any class or series of the Corporation as to which such Proposing Person has a right to acquire beneficial ownership at any time in the future (the disclosures to be made pursuant to the foregoing clauses (A) and (B) are referred to as "Stockholder Information");

As to each Proposing Person, (A) the full notional amount of any securities that, directly or indirectly, underlie any "derivative security" (as such term is defined in Rule 16a-1(c) under the Exchange Act) that constitutes a "call equivalent position" (as such term is defined in Rule 16a-1(b) under the Exchange Act) ("Synthetic Equity Position") and that is, directly or indirectly, held or maintained by such Proposing Person with respect to any shares of any class or series of shares of the Corporation; provided that, for the purposes of the definition of "Synthetic Equity Position," the term "derivative security" shall also include any security or instrument that would not otherwise constitute a "derivative security" as a result of any feature that would make any

conversion, exercise or similar right or privilege of such security or instrument becoming determinable only at some future date or upon the happening of a future occurrence, in which case the determination of the amount of securities into which such security or instrument would be convertible or exercisable shall be made assuming that such security or instrument is immediately convertible or exercisable at the time of such determination; and, provided, further, that any Proposing Person satisfying the requirements of Rule 13d-1(b)(1) under the Exchange Act (other than a Proposing Person that so satisfies Rule 13d-1(b)(1) under the Exchange Act solely by reason of Rule 13d-1(b)(1)(ii)(E)) shall not be deemed to hold or maintain the notional amount of any securities that underlie a Synthetic Equity Position held by such Proposing Person as a hedge with respect to a bona fide derivatives trade or position of such Proposing Person arising in the ordinary course of such Proposing Person's business as a derivatives dealer, (B) any rights to dividends on the shares of any class or series of shares of the Corporation owned beneficially by such Proposing Person that are separated or separable from the underlying shares of the Corporation, (C) any material pending or threatened legal proceeding in which such Proposing Person is a party or material participant involving the Corporation or any of its officers or directors, or any affiliate of the Corporation, (D) any other material relationship between such Proposing Person, on the one hand, and the Corporation or any affiliate of the Corporation, on the other hand, (E) any direct or indirect material interest in any material contract or agreement of such Proposing Person with the Corporation or any affiliate of the Corporation (including, in any such case, any employment agreement, collective bargaining agreement or consulting agreement), (F) a representation that such Proposing Person intends or is part of a group which intends to deliver a proxy statement or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to approve or adopt the proposal or otherwise solicit proxies from stockholders in support of such proposal, and (G) any other information relating to such Proposing Person that would be required to be disclosed in a proxy statement or other filing required to be made in connection with solicitations of proxies or consents by such Proposing Person in support of the business proposed to be brought before the meeting pursuant to Section 14(a) of the Exchange Act (the disclosures to be made pursuant to the foregoing clauses (A) through (G) are referred to as "Disclosable Interests"); provided, however, that Disclosable Interests shall not include any such disclosures with respect to the ordinary course business activities of any broker, dealer, commercial bank, trust company or other nominee who is a Proposing Person solely as a result of being the stockholder directed to prepare and submit the notice required by these Bylaws on behalf of a beneficial owner; and

As to each item of business that the stockholder proposes to bring before the annual meeting, (A) a brief description of the business desired to be brought before the annual meeting, the reasons for conducting such business at the annual meeting and any material interest in such business of each Proposing Person, (B) the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend the Bylaws, the language of such proposed amendment), (C) a reasonably detailed description of all agreements, arrangements and understandings (x) between or among any of the Proposing Persons or (y) between or among any Proposing Person and any other record or beneficial holder(s) or person(s) who have a right to acquire beneficial ownership at any time in the future of the shares of any class or series of the Corporation (including their names) in connection with the proposal of such business by such stockholder, and (D) any other information relating to such item of business that would be required to be disclosed in a proxy statement or other filing required to be made in connection with solicitations of proxies in support of the business proposed to be brought before the meeting pursuant to Section 14(a) of the Exchange Act; provided, however, that the disclosures required by this paragraph (iii) shall not include any disclosures with respect to any broker, dealer, commercial bank, trust company or other nominee who is a Proposing Person solely as a result of being the stockholder directed to prepare and submit the notice required by these Bylaws on behalf of a beneficial owner.

For purposes of this Section 13, the term "Proposing Person" shall mean (i) the stockholder providing the notice of business proposed to be brought before an annual meeting, (ii) the beneficial owner or beneficial owners, if different, on whose behalf the notice of the business proposed to be brought before the annual meeting is made, and (iii) any participant (as defined in paragraphs (a)(ii)-(vi) of Instruction 3 to Item 4 of Schedule 14A) with such stockholder in such solicitation.

A Proposing Person shall update and supplement its notice to the Corporation of its intent to propose business at an annual meeting, if necessary, so that the information provided or required to be provided in such notice pursuant to this Section 13 shall be true and correct as of the record date for stockholders entitled to vote at the meeting and as of the date that is ten (10) business days prior to the meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered to, or mailed and received by, the Secretary at the principal executive offices of the Corporation not later than five (5) business days after the record date for stockholders entitled to vote at the meeting (in the case of the update and supplement required to be made as of such record date), and not later than eight (8) business days prior to the date for the meeting or, if practicable, any adjournment or postponement thereof (and, if not practicable, on the first practicable date prior to the date to which the meeting has been adjourned or postponed) (in the case of the update and supplement required to be made as of ten (10) business days prior to the meeting or any adjournment or postponement thereof). For the avoidance of doubt, the obligation to update and supplement as set forth in this paragraph or any other Section of these Bylaws shall not limit the Corporation's rights with respect to any deficiencies in any notice provided by a stockholder, extend any applicable deadlines hereunder or enable or be deemed to permit a stockholder who has previously submitted notice hereunder to amend or update any proposal or to submit any new proposal, including by changing or adding matters, business or resolutions proposed to be brought before a meeting of the stockholders.

Notwithstanding anything in these Bylaws to the contrary, no business shall be conducted at an annual meeting that is not properly brought before the meeting in accordance with this Section 13. The presiding officer of the meeting shall, if the facts

warrant, determine that the business was not properly brought before the meeting in accordance with this Section 13, and if he or she should so determine, he or she shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.

This Section 13 is expressly intended to apply to any business proposed to be brought before an annual meeting of stockholders other than any proposal made in accordance with Rule 14a-8 under the Exchange Act and included in the Corporation's proxy statement. In addition to the requirements of this Section 13 with respect to any business proposed to be brought before an annual meeting, each Proposing Person shall comply with all applicable requirements of the Exchange Act with respect to any such business. Nothing in this Section 13 shall be deemed to affect the rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

For purposes of these Bylaws, "public disclosure" shall mean disclosure in a press release reported by a national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Sections 13, 14 or 15(d) of the Exchange Act.

Notice of Nominations for Election to the Board of Directors.

Nominations of any person for election to the Board of Directors at an annual meeting or at a special meeting (but only if the election of directors is a matter specified in the notice of meeting given by or at the direction of the person calling such special meeting) may be made at such meeting only (i) by or at the direction of the Board of Directors, including by any committee or persons authorized to do so by the Board of Directors or these Bylaws, or (ii) by a stockholder present in person who (A) was a record owner of shares of the Corporation both at the time of giving the notice provided for in this Section 14 and at the time of the meeting, (B) is entitled to vote at the meeting, and (C) has complied with this Section 14 and Section 15 as to such notice and nomination. For purposes of this Section 14, "present in person" shall mean that the stockholder nominating any person for election to the Board of Directors at the meeting of the Corporation, or a qualified representative of such stockholder, appear at such meeting. A "qualified representative" of such proposing stockholder shall be a duly authorized officer, manager or partner of such stockholder or any other person authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of stockholders and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the meeting of stockholders. The foregoing clause (ii) shall be the exclusive means for a stockholder to make any nomination of a person or persons for election to the Board of Directors at an annual meeting or special meeting.

Without qualification, for a stockholder to make any nomination of a person or persons for election to the Board of Directors at an annual meeting, the stockholder must (1) provide Timely Notice (as defined in Section 13) thereof in writing and in proper form to the Secretary of the Corporation, (2) provide the information, agreements and questionnaires with respect to such stockholder and its candidate for nomination as required to be set forth by this Section 14 and Section 15, and (3) provide any updates or supplements to such notice at the times and in the forms required by this Section 14 and Section 15. Without qualification, if the election of directors is a matter specified in the notice of meeting given by or at the direction of the person calling a special meeting, then for a stockholder to make any nomination of a person or persons for election to the Board of Directors at a special meeting, the stockholder must (i) provide timely notice thereof in writing and in proper form to the Secretary of the Corporation at the principal executive offices of the Corporation, (ii) provide the information with respect to such stockholder and its candidate for nomination as required by this Section 14 and Section 15 and (iii) provide any updates or supplements to such notice at the times and in the forms required by this Section 14. To be timely, a stockholder's notice for nominations to be made at a special meeting must be delivered to, or mailed and received at, the principal executive offices of the Corporation not earlier than the one hundred twentieth (120th) day prior to such special meeting and not later than the ninetieth (90th) day prior to such special meeting or, if later, the tenth (10th) day following the day on which public disclosure (as defined in Section 13) of the date of such special meeting was first made. In no event shall any adjournment or postponement of an annual meeting or special meeting or the announcement thereof commence a new time period for the giving of a stockholder's notice as described above. In no event may a Nominating Person provide Timely Notice with respect to a greater number of director candidates than are subject to election by stockholders at the applicable meeting. If the Corporation shall, subsequent to such notice, increase the number of directors subject to election at the meeting, such notice as to any additional nominees shall be due on the later of (i) the conclusion of the time period for Timely Notice, (ii) the date set forth in this Section 14(b) or (iii) the tenth day following the date of public disclosure (as defined in Section 13) of such increase.

To be in proper form for purposes of this Section 14, a stockholder's notice to the Secretary shall set forth:

As to each Nominating Person (as defined below), the Stockholder Information (as defined in Section 13(c)(i), except that for purposes of this Section 14 the term "Nominating Person" shall be substituted for the term "Proposing Person" in all places it appears in Section 13(c)(i));

As to each Nominating Person, any Disclosable Interests (as defined in Section 13(c)(ii), except that for purposes of this Section 14 the term "Nominating Person" shall be substituted for the term "Proposing Person" in all places it appears in Section 13(c)(ii) and the disclosure with respect to the business to be brought before the meeting in of Section 13(c)(ii) shall be made

with respect to the election of directors at the meeting); and provided that, in lieu of including the information set forth in Section 13(c) (ii)(F), the Nominating Person's notice for purposes of this Section 14 shall include a representation as to whether the Nominating Person intends or is part of a group which intends to (x) deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to elect any nominee or (y) solicit the holders of shares representing at least 67% of the voting power of shares entitled to vote on the election of directors in support of director nominees other than the Corporation's nominees in accordance with Rule 14a-19 promulgated under the Exchange Act; and

As to each candidate whom a Nominating Person proposes to nominate for election as a director, (A) all information with respect to such candidate for nomination that would be required to be set forth in a stockholder's notice pursuant to this Section 14 and Section 15 if such candidate for nomination were a Nominating Person, (B) all information relating to such candidate for nomination that is required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors in a contested election pursuant to Section 14(a) under the Exchange Act (including such candidate's written consent to being named in a proxy statement and accompanying proxy card relating to the Corporation's next meeting of shareholders at which directors are to be elected and to serving as a director for a full term if elected), (C) a description of any direct or indirect material interest in any material contract or agreement between or among any Nominating Person, on the one hand, and each candidate for nomination or his or her respective associates or any other participants in such solicitation, on the other hand, including, without limitation, all information that would be required to be disclosed pursuant to Item 404 under Regulation S-K if such Nominating Person were the "registrant" for purposes of such rule and the candidate for nomination were a director or executive officer of such registrant (the disclosures to be made pursuant to the foregoing clauses (A) through (C) are referred to as "Nominee Information"), and (D) a completed and signed questionnaire, representation and agreement as provided in Section 15.

For purposes of this Section 14, the term "Nominating Person" shall mean (i) the stockholder providing the notice of the nomination proposed to be made at the meeting, (ii) the beneficial owner or beneficial owners, if different, on whose behalf the notice of the nomination proposed to be made at the meeting is made, and (iii) any other participant in such solicitation

A stockholder providing notice of any nomination proposed to be made at a meeting shall further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice pursuant to this Section 14 shall be true and correct as of the record date for stockholders entitled to vote at the meeting and as of the date that is ten (10) business days prior to the meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered to, or mailed and received by, the Secretary at the principal executive offices of the Corporation not later than five (5) business days after the record date for stockholders entitled to vote at the meeting (in the case of the update and supplement required to be made as of such record date), and not later than eight (8) business days prior to the date for the meeting or, if practicable, any adjournment or postponement thereof (and, if not practicable, on the first practicable date prior to the date to which the meeting has been adjourned or postponed) (in the case of the update and supplement required to be made as of ten (10) business days prior to the meeting or any adjournment or postponement thereof). For the avoidance of doubt, the obligation to update and supplement as set forth in this paragraph or any other Section of these Bylaws shall not limit the Corporation's rights with respect to any deficiencies in any notice provided by a stockholder, extend any applicable deadlines hereunder or enable or be deemed to permit a stockholder who has previously submitted notice hereunder to amend or update any nomination or to submit any new nomination.

In addition to the requirements of this Section 14 with respect to any nomination proposed to be made at a meeting, each Nominating Person shall comply with all applicable requirements of the Exchange Act with respect to any such nominations. Notwithstanding the foregoing provisions of this Section 14, unless otherwise required by law, (i) no Nominating Person shall solicit proxies in support of director nominees other than the Corporation's nominees unless such Nominating Person has complied with Rule 14a-19 promulgated under the Exchange Act in connection with the solicitation of such proxies, including the provision to the Corporation of notices required thereunder in a timely manner and (ii) if any Nominating Person (1) provides notice pursuant to Rule 14a-19(b) promulgated under the Exchange Act and (2) subsequently fails to comply with the requirements of Rule 14a-19(a)(2) and Rule 14a-19(a)(3) promulgated under the Exchange Act, including the provision to the Corporation of notices required thereunder in a timely manner, or fails to timely provide reasonable evidence sufficient to satisfy the Corporation that such Nominating Person has met the requirements of Rule 14a-19(a)(3) promulgated under the Exchange Act in accordance with the following sentence, then the Corporation shall disregard any proxies or votes solicited for the Nominating Person's candidates. If any Nominating Person provides notice pursuant to Rule 14a-19(b) promulgated under the Exchange Act, such Nominating Person shall deliver to the Corporation, no later than seven (7) business days prior to the applicable meeting, reasonable evidence that it has met the requirements of Rule 14a-19(a) (3) promulgated under the Exchange Act.

Additional Requirements for Valid Nominations of Candidates to Serve as Director and, If Elected, to be Seated as Directors.

To be eligible to be a candidate for election as a director of the Corporation at an annual or special meeting, a candidate must be nominated in the manner prescribed in Section 14 and the candidate for nomination, whether nominated by the Board of Directors or by a stockholder of record, must have previously delivered (in accordance with the time period prescribed for delivery in a notice to such candidate given by or on behalf of the Board of Directors), to the Secretary at the principal executive offices of the Corporation, (i) a completed written questionnaire (in the form provided by the Corporation upon written request of any stockholder of

record therefor) with respect to the background, qualifications, stock ownership and independence of such proposed nominee and (ii) a written representation and agreement (in the form provided by the Corporation upon written request of any stockholder of record therefor) that such candidate for nomination (A) is not and, if elected as a director during his or her term of office, will not become a party to (1) any agreement, arrangement or understanding with, and has not given and will not give any commitment or assurance to, any person or entity as to how such proposed nominee, if elected as a director of the Corporation, will act or vote on any issue or question (a "Voting Commitment") or (2) any Voting Commitment that could limit or interfere with such proposed nominee's ability to comply, if elected as a director of the Corporation, with such proposed nominee's fiduciary duties under applicable law, (B) is not, and will not become party to, any agreement, arrangement or understanding with any person or entity other than the Corporation with respect to any direct or indirect compensation or reimbursement for service as a director that has not been disclosed to the Corporation, (C) if elected as a director of the Corporation, will comply with all applicable corporate governance, conflict of interest, confidentiality, stock ownership and trading and other policies and guidelines of the Corporation applicable to directors and in effect during such person's term in office as a director (and, if requested by any candidate for nomination, the Secretary of the Corporation shall provide to such candidate for nomination all such policies and guidelines then in effect), and (D) if elected as director of the Corporation, intends to serve the entire term until the next meeting at which such candidate would face re-election.

The Board of Directors may also require any proposed candidate for nomination as a Director to furnish such other information as may reasonably be requested by the Board of Directors in writing prior to the meeting of stockholders at which such candidate's nomination is to be acted upon. Without limiting the generality of the foregoing, the Board of Directors may request such other information in order for the Board of Directors to determine the eligibility of such candidate for nomination to be an independent director of the Corporation or to comply with the Director qualification standards and additional selection criteria in accordance with the Corporation's Corporate Governance Guidelines. Such other information shall be delivered to, or mailed and received by, the Secretary at the principal executive offices of the Corporation (or any other office specified by the Corporation in any public announcement) not later than five (5) business days after the request by the Board of Directors has been delivered to, or mailed and received by, the Nominating Person.

A candidate for nomination as a director shall further update and supplement the materials delivered pursuant to this Section 15, if necessary, so that the information provided or required to be provided pursuant to this Section 15 shall be true and correct as of the record date for stockholders entitled to vote at the meeting and as of the date that is ten (10) business days prior to the meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered to, or mailed and received by, the Secretary at the principal executive offices of the Corporation (or any other office specified by the Corporation in any public announcement) not later than five (5) business days after the record date for stockholders entitled to vote at the meeting (in the case of the update and supplement required to be made as of such record date), and not later than eight (8) business days prior to the date for the meeting or, if practicable, any adjournment or postponement thereof (and, if not practicable, on the first practicable date prior to the date to which the meeting has been adjourned or postponed) (in the case of the update and supplement required to be made as of ten (10) business days prior to the meeting or any adjournment or postponement thereof). For the avoidance of doubt, the obligation to update and supplement as set forth in this paragraph or any other Section of these Bylaws shall not limit the Corporation's rights with respect to any deficiencies in any notice provided by a stockholder, extend any applicable deadlines hereunder or enable or be deemed to permit a stockholder who has previously submitted notice hereunder to amend or update any nomination or to submit any new proposal, including by changing or adding nominees, matters, business or resolutions proposed to be brought before a meeting of the stockholders.

No candidate shall be eligible for nomination as a director of the Corporation unless such candidate for nomination and the Nominating Person seeking to place such candidate's name in nomination has complied with Section 14 and this Section 15, as applicable. The presiding officer at the meeting shall, if the facts warrant, determine that a nomination was not properly made in accordance with Section 14 and this Section 15, and if he or she should so determine, he or she shall so declare such determination to the meeting, the defective nomination shall be disregarded and any ballots cast for the candidate in question (but in the case of any form of ballot listing other qualified nominees, only the ballots cast for the nominee in question) shall be void and of no force or effect.

Notwithstanding anything in these Bylaws to the contrary, no candidate for nomination shall be eligible to be seated as a director of the Corporation unless nominated and elected in accordance with Section 14 and this Section 15.

DIRECTORS

Powers. Subject to limitations of the Certificate of Incorporation, of these Bylaws and of the Delaware General Corporation Law relating to action required to be approved by the stockholders or by the outstanding shares, the business and affairs of the Corporation shall be managed and all corporate powers shall be exercised by or under the direction of the Board. The Board may delegate the management of the day-to-day operation of the business of the Corporation to a management company or other person provided that the business and affairs of the Corporation shall be managed and all corporate powers shall be exercised under the ultimate direction of the Board.

Number of Directors. The number of directors shall be determined from time to time by resolution of the Board, within the range set forth in the Certificate of Incorporation. No reduction of the authorized number of directors shall have the effect of shortening the term of any incumbent director.

Election and Term of Office. The directors shall be elected at each annual meeting of the stockholders, but if any such annual meeting is not held or the directors are not elected thereat, the directors may be elected at any special meeting of stockholders held for that purpose. Each director shall hold office until the next annual meeting and until a successor has been elected and qualified.

Vacancies. Any director may resign effective upon giving written notice to the Chairman of the Board, the President, the Secretary or the Board, unless the notice specifies a later time for the effectiveness of such resignation. If the resignation is effective at a future time, a successor may be elected to take office when the resignation becomes effective.

Except as otherwise provided by law, vacancies in the Board may be filled by a majority of the remaining directors, though less than a quorum, or by a sole remaining director, provided that a vacancy created by the removal of a director by the stockholders may be filled only by the vote of a majority of the shares entitled to vote for the election of such director in person or represented at a duly called and convened meeting of stockholders, or by the written consent of holders of a majority of the outstanding shares entitled to vote in the election of such director. Each director so elected shall hold office until the next annual meeting and until such director's successor has been elected and qualified.

Any person who has been declared of unsound mind by an order of court or convicted of a felony shall cease to be qualified as a director.

No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of the director's term of office.

Place of Meeting. Regular or special meetings of the Board shall be held at any place within or without the State of Delaware which has been designated from time to time by the Board. In the absence of such designation, regular meetings shall be held at the principal executive office of the Corporation.

Regular Meetings. Immediately following each annual meeting of stockholders, the Board shall hold a regular meeting for the purpose of organization, election of officers and the transaction of other business. Call and notice of all such regular meetings of the Board is hereby dispensed with. Other regular meetings of the Board shall be held without call on such dates and at such times as may be fixed by the Board, and shall be subject to the notice requirements set forth in Section 7 of this Article.

Special Meetings. Special meetings of the Board for any purpose or purposes may be called at any time by the Chief Executive Officer, Chairman of the Board, or by any two (2) directors.

Special meetings of the Board shall be held upon three (3) days' written notice by mail or twenty-four (24) hours' notice given personally or by telephone, telecopier, e-mail or other similar means of communication. Any such notice shall be addressed or delivered to each director at such director's address as it is shown upon the records of the Corporation or as may have been given to the Corporation by the director for purposes of notice or, if such address is not shown on such records or is not readily ascertainable, at the place in which the meetings of the directors are regularly held.

Notice by mail shall be deemed to have been given at the time a written notice is deposited in the United States mails, postage prepaid. Any other written notice shall be deemed to have been given at the time it is personally delivered to the recipient or is delivered to a common carrier for transmission, or actually transmitted by the person giving the notice by electronic means, to the recipient. Oral notice shall be deemed to have been given at the time it is communicated in person or by telephone or wireless, to the recipient or to a person at the office or residence of the recipient who the person giving the notice has reason to believe will promptly communicate it to the recipient.

Quorum. A majority of the authorized number of directors, constitutes a quorum of the Board for the transaction of business, except to adjourn as hereinafter provided. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board, unless a greater number be required by law or by the Certificate of Incorporation.

Participation in Meetings by Conference Telephone. Members of the Board or any committee thereof may participate in a meeting through use of conference telephone or similar communications equipment, so long as all members participating in such meeting can hear one another, and such participation shall constitute presence in person at such meeting.

Waiver of Notice. The transactions of any meeting of the Board, however called and noticed or wherever held, are as valid as though had at a meeting duly held after regular call and notice if a quorum be present and if, either before or after the meeting, each of

the directors not present signs a written waiver of notice or delivers a waiver by electronic transmission. All such waivers shall be filed with the corporate records or made a part of the minutes of the meeting.

Adjournment. A majority of the directors present, whether or not a quorum is present, may adjourn any directors' meeting to another time and place. Notice of the time and place of holding an adjourned meeting need not be given to absent directors if the time and place be fixed at the meeting adjourned. If the meeting is adjourned for more than twenty-four (24) hours, notice of any adjournment to another time or place shall be given prior to the time of the adjourned meeting to the directors who were not present at the time of the adjournment.

Fees and Compensation. Directors and members of committees may receive such compensation, if any, for their services, and such reimbursement for expenses, as may be fixed or determined by the Board.

Action Without Meeting. Any action required or permitted to be taken by the Board, or any committee thereof, may be taken without a meeting if all members of the Board or committee, as the case may be, shall consent in writing or by electronic communication to such action, and such writing or writings (or communications) are duly filed with the minutes of proceedings of the Board or committee, as the case may be.

Rights and Inspection. Every director shall have the absolute right at any reasonable time to inspect and copy all books, records and documents of every kind and to inspect the physical properties of the Corporation and also of its subsidiary corporations, domestic or foreign. Such inspection by a director may be made in person or by agent or attorney and includes the right to copy and obtain extracts.

Committees. The Board may appoint one or more committees, each consisting of one or more directors, and delegate to such committees any of the authority of the Board except with respect to:

The approval of any action for which the Delaware General Corporation Law also requires stockholders' approval;

The filling of vacancies on the Board or in any committee;

The amendment or repeal of Bylaws or the adoption of new Bylaws;

The amendment or repeal of any resolution of the Board which by its express terms is not so amendable or repealable; or

The appointment of other committees of the Board or the members thereof.

Any such committee must be appointed by resolution adopted by a majority of the authorized number of directors and may be designated a name as the Board shall specify. The Board shall have the power to prescribe the manner in which proceedings of any such committee shall be conducted. In the absence of any such prescription, such committee shall have the power to prescribe the manner in which its proceedings shall be conducted. Unless the Board or such committee shall otherwise provide, the regular and special meetings and other actions of any such committee shall be governed by the provisions of this Article applicable to meetings and actions of the Board. Minutes shall be kept of each meeting of each committee.

Submission of Resignation Upon Material Change in Occupation or Business Association. A director shall submit a letter of resignation to the Board upon such individual director's material change in principal occupation or business association. Such a letter of resignation shall become effective only if accepted by the Board.

OFFICERS

Officers. The officers of the Corporation shall be a Chief Executive Officer, a Secretary and a Chief Financial Officer. The Corporation may also have, at the discretion of the Board, a Chairman of the Board, a President, a Chief Operating Officer, one or more Vice Presidents (who may be designated as executive or senior vice presidents as the Board may, from time to time, deem necessary), one or more Assistant Secretaries, one or more Assistant Financial Officers and such other officers as may be elected or appointed in accordance with the provisions of Section 3 of this Article. Any number of offices may be held by the same person.

Election. The officers of the Corporation, except such officers as may be appointed in accordance with the provisions of Section 3 or Section 5 of this Article, shall be chosen annually by, and shall serve at the pleasure of the Board, and shall hold their respective offices until their resignation, removal or other disqualification from service, or until their respective successors shall be elected.

Subordinate Officers. The Board may appoint, and may empower the Chief Executive Officer or the President to appoint, such other officers as the business of the Corporation may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in these Bylaws or as the Board may from time to time determine. Any officer appointed pursuant to this Section 3 may be removed, with or without cause, by the Board or any such officer upon whom the power of removal has been conferred by the Board at any time. Any such removal shall be without prejudice to the rights, if any, of the officer under any contract of employment.

Removal and Resignation. Any officer not appointed in accordance with the provisions of Section 3 or 5 hereof may be removed, either with or without cause, by the Board at any time. Any such removal shall be without prejudice to the rights, if any, of the officer under any contract of employment.

Any officer may resign at any time by giving written notice to the Corporation, but without prejudice to the rights, if any, of the Corporation under any contract to which the officer is a party. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these Bylaws for regular election or appointment to such office.

Chairman of the Board. The Chairman of the Board, shall, if present, preside at all meetings of the Board and exercise and perform such other powers and duties as may be from time to time assigned by the Board.

Chief Executive Officer. The Chief Executive Officer, shall be subject to the control of the Board and have general supervision, direction and control of the business and the officers of the corporation. The Chief Executive Officer shall preside at all meetings of the stockholders and shall act as Chairman of the Board unless the Board has appointed a different person as Chairman.

President; Chief Operating Officer. The President or the Chief Operating Officer has the general powers and duties of management usually vested in the office of president, general manager and chief operating officer of a corporation and such other powers and duties as may be prescribed by the Board. In the absence of the Chief Executive Officer, the President shall perform the duties required of the Chief Executive Officer under these Bylaws.

Vice President. In the absence or disability of the President, the Vice Presidents in order of their rank as fixed by the Board or, if not ranked, the Vice President designated by the Board, shall perform all the duties of the President and, when so acting, shall have all the powers of, and be subject to all the restrictions upon, the President. The Vice Presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the Board.

Secretary. The Secretary shall keep or cause to be kept, at the principal executive office and such other place as the Board may order, a book of minutes of all meetings of stockholders, the Board and its committees, with the time and place of holding, whether regular or special, and if special, how authorized, the notice thereof given, the names of those present at Board and committee meetings, the number of shares present or represented at stockholders' meetings, and the proceedings thereof. The Secretary shall keep, or cause to be kept, a copy of the Bylaws of the Corporation at the principal executive offices or business office.

The Secretary shall keep, or cause to be kept, at the principal executive office or at the office of the Corporation's transfer agent or registrar, if one be appointed, a share register, or a duplicate share register, showing the names of the stockholders and their addresses, the number and classes of shares held by each, the number and date of certificates issued for the same and the number and date of cancellation of every certificate surrendered for cancellation.

The Secretary shall give, or cause to be given, notice of all meetings of the stockholders of the Board and of any committees thereof required by these Bylaws or by law to be given, shall keep the seal of the Corporation in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the Board.

Chief Financial Officer. The Chief Financial Officer is the principal financial officer of the Corporation and shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the Corporation, and shall send or cause to be sent to the stockholders of the Corporation such financial statements and reports as are by law or these Bylaws required to be sent to them. The books of account shall at all times be open to inspection by any director.

The Chief Financial Officer shall deposit all monies and other valuables in the name and to the credit of the Corporation with such depositories as may be designated by the Board. The Chief Financial Officer shall disburse the funds of the Corporation as may be ordered by the Board, shall render to the Chief Executive Officer or the President or directors, whenever they request it, an account of all transactions entered into as Chief Financial Officer and of the financial condition of the Corporation, and shall have such other powers and perform such other duties as may be prescribed by the Board.

OTHER PROVISIONS

Inspection of Corporate Records. The Corporation shall, either at its principal executive offices or at such place or places as designated by the Board, keep a record of its stockholders listing their names and addresses and the number and class of shares held by each stockholder, a copy of these Bylaws as amended to date, accounting books, and other records.

Any stockholder of record, in person or by attorney or other agent, shall, upon written demand under oath stating the purpose thereof, have the right during the usual hours for business to inspect for any proper purpose the Corporation's stock ledger, a list of its stockholders, and its other books and records permitted by the Delaware General Corporation Law and to make copies or extracts therefrom. A proper purpose shall mean a purpose reasonably related to such person's interest as a stockholder. In every instance where an attorney or other agent is the person who seeks the right to inspection, the demand under oath shall be accompanied by a power of attorney or such other writing which authorizes the attorney or other agent to so act on behalf of the stockholder. The demand under oath shall be directed to the Corporation at its registered office in Delaware or at its principal place of business.

In addition to the inspections rights set forth in Section 1(a) above and those available under the Delaware General Corporation Law, any stockholder or stockholders holding at least 5 percent in the aggregate of the outstanding voting shares of the Corporation or who hold at least 1 percent of those voting shares and have filed a Schedule 14A with the United States Securities and Exchange Commission shall have an absolute right to do either or both of the following: (1) inspect and copy the record of stockholder's names and addresses and stockholdings during usual business hours upon five business days' prior written demand upon the Corporation, or (2) obtain from the transfer agent for the Corporation, upon written demand and upon the tender of its usual charges for such a list (the amount of which charges shall be stated to the stockholder by the transfer agent upon request), a list of the stockholders' names and addresses, who are entitled to vote for the election of directors, and their stockholdings, as of the most recent record date for which it has been compiled or as of a date specified by the stockholder subsequent to the date of demand. The list shall be made available on or before the later of five business days after the demand is received or the date specified therein as the date as of which the list is to be compiled. The Corporation shall have the responsibility to cause its transfer agent to comply with this subsection.

A complete list of stockholders entitled to vote at any meeting of stockholders, arranged in alphabetical order for each class of stock and showing the address of each such stockholder and the number of shares registered in each such stockholder's name, shall be open to the examination of any such stockholder for a period of at least ten (10) days prior to the meeting in the manner provided by law. The stock list shall also be open to the examination of any stockholder during the whole time of the meeting as provided by law. This list shall presumptively determine the identity of the stockholders entitled to vote at the meeting and the number of shares held by each of them.

Inspection of Bylaws. The Corporation shall keep in its principal executive office the original or a copy of these Bylaws as amended to date, which shall be open to inspection by stockholders at all reasonable times, during office hours. If the principal executive office of the Corporation is located outside the State of Delaware and the Corporation has no principal business office in such state, it shall upon the written notice of any stockholder furnish to such stockholder a copy of these Bylaws as amended to date.

Endorsement of Documents; Contracts. Subject to the provisions of applicable law, any note, mortgage, evidence of indebtedness, contract, share certificate, conveyance or other instrument in writing and any assignment or endorsements thereof executed or entered into between the Corporation and any other person, when signed by the Chief Executive Officer, the Chairman of the Board or the President, shall be valid and binding on the Corporation in the absence of actual knowledge on the part of the other person that the signing officers had no authority to execute the same. Any such instruments may be signed by another person or persons and in such manner as from time to time shall be determined by the Board, and, unless so authorized by the Board, no officer, agent or employee shall have any power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or amount.

Certificates of Stock. The shares of stock of the Corporation shall be represented by certificates, provided that the Board may provide by resolution or resolutions that some or all of any or all classes or series of the Corporation's stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the Corporation. Notwithstanding the adoption of such a resolution by the Board, every holder of stock represented by certificates and, upon request, every holder of uncertificated shares, shall be entitled to have a certificate signed in the name of the Corporation by the Chairman of the Board, the Chief Executive Officer, the President, the Chief Operating Officer or a Vice President and by the Chief Financial Officer or an Assistant Financial Officer or the Secretary or an Assistant Secretary, certifying the number of shares and the class or series of shares owned by the stockholder. Any or all of the signatures on the certificate may be facsimile. If any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were an officer, transfer agent or registrar at the date of issue.

Certificates for shares may be issued prior to full payment under such restrictions and for such purposes as the Board may provide; provided, however, that on any certificate issued to represent any partly paid shares, the total amount of the consideration to be paid therefor and the amount paid thereon shall be stated.

Except as provided in this section, no new certificate for shares shall be issued in lieu of an old one unless the latter is surrendered and cancelled at the same time. The Board may, however, if any certificate for shares is alleged to have been lost, stolen or destroyed, authorize the issuance of a new certificate in lieu thereof, and the Corporation may require that the Corporation be given a bond or other adequate security sufficient to indemnify it against any claim that may be made against it (including expense or liability) on account of the alleged loss, theft or destruction of such certificate or the issuance of such new certificate.

Representation of Shares of other Corporations. The President, the Chief Executive Officer, the Chief Financial Officer or any other officer or officers authorized by the Board, the Chief Executive Officer, the President or the Chief Financial Officer are each authorized to vote, represent and exercise on behalf of the Corporation all rights incident to any and all shares of any other corporation or corporations standing in the name of the Corporation. The authority herein granted may be exercised either by any such officer in person or by any other person authorized so to do by proxy or power of attorney duly executed by said officer.

Stock Purchase Plans. The Corporation may adopt and carry out a stock purchase plan or agreement or stock option plan or agreement providing for the issue and sale for such consideration as may be fixed of its unissued shares, or of issued shares acquired or to be acquired, to one or more of the employees or directors of the Corporation or of a subsidiary or to a trustee on their behalf and for the payment for such shares in installments or at one time, and may provide for aiding any such persons in paying for such shares by compensation for services rendered, promissory notes or otherwise.

Any such stock purchase plan or agreement or stock option plan or agreement may include, among other features, the fixing of eligibility for participation therein, the class and price of shares to be issued or sold under the plan or agreement, the number of shares which may be subscribed for, the method of payment therefor, the reservation of title until full payment therefor, the effect of the termination of employment and option or obligation on the part of the Corporation to repurchase the shares upon termination of employment, restrictions upon transfer of the shares, the time limits of and termination of the plan, and any other matters, not in violation of applicable law, as may be included in the plan as approved or authorized by the Board or any committee of the Board.

Stockholder Rights Plans.

Except as provided in Section 7(b), the Board shall seek stockholder approval prior to its adoption of (a) any Stockholder Rights Plan with a term of more than 12 months or (b) any amendment which has the effect of extending the term of a Stockholder Rights Plan.

The Board may adopt any Stockholders Right Plan or amendment which has the effect of extending the term of a Stockholder Rights Plan, provided that the Board, in the exercise of its fiduciary duties, determines that, under the circumstances existing at the time, it is in the best interests of the stockholders of the Corporation to adopt or extend a Stockholders Rights Plan without delay, and provided further that the Board submits any Stockholders Right Plan adopted or extended pursuant to this Section 7(b) to the stockholders for ratification at a meeting to be held within 12 months of such adoption or extension of the Stockholders Rights Plan by the Board. If the adoption or extension of the Stockholders Rights Plan is not approved by the majority of the outstanding shares entitled to vote at the meeting, then the Stockholders Rights Plan shall immediately terminate.

“Stockholder Rights Plan” refers in this Section 7 to any stockholder rights plan, rights agreement or any other form of rights plan generally referred to as a “poison pill” which is designed to or has the effect of making an acquisition of significant holdings of the corporation’s shares of stock more difficult or expensive.

Construction and Definitions. Unless the context otherwise requires, the general provisions, rules of construction and definitions contained in the Delaware General Corporation Law shall govern the construction of these Bylaws.

INDEMNIFICATION

Right to Indemnification. The Corporation shall indemnify and hold harmless, to the fullest extent permitted by applicable law as it presently exists or may hereafter be amended, any person (a “Covered Person”) who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a “proceeding”), by reason of the fact that he or she, or a person for whom he or she is the legal representative, is or was a director or officer of the corporation or, while a director or officer of the corporation, is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, enterprise or nonprofit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses (including attorneys’ fees) reasonably incurred by such Covered Person. Notwithstanding the preceding sentence, except as otherwise provided in Section 4, the Corporation shall be

required to indemnify a Covered Person in connection with a proceeding (or part thereof) commenced by such Covered Person only if the commencement of such proceeding (or part thereof) by the Covered Person was authorized in the specific case by the Board.

Insurance. The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee, trustee or agent of another corporation, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise, against any liability or expense asserted against or incurred by such person in or arising from that capacity, or arising out of his or her status as such, whether or not the Corporation would otherwise have the power or the obligation to indemnify the person against such liability or expense. The Corporation shall not be obligated under these Bylaws to make any payment in connection with any claim made against any person if and to the extent that such person has actually received payment therefor under any insurance policy or policies.

Expenses Payable in Advance. Expenses (including attorneys' fees and expenses) incurred by a director or officer, or a former director or officer, in defending, investigating, preparing to defend, or being or preparing to be a witness in, a threatened or pending action, suit, proceeding or claim against him or her in his or her capacity as an officer or director of the Corporation, whether civil or criminal, shall be paid by the Corporation in advance of the final disposition of such action, suit, proceeding or claim upon receipt by the Corporation of a request therefor and an undertaking by or on behalf of the director or officer, or former director or officer, to repay such amounts if it ultimately shall be determined by final judicial decision from which there is no further right of appeal that he or she is not entitled to be indemnified by the Corporation.

Claims. If a claim for indemnification (following the final disposition of such proceeding) or advancement of expenses under this Article VI is not paid in full within thirty days after a written claim therefor by the Covered Person has been received by the corporation, the Covered Person may file suit to recover the unpaid amount of such claim and, if successful in whole or in part, shall be entitled to be paid the expense of prosecuting such claim to the fullest extent permitted by law. In any such action the corporation shall have the burden of proving that the Covered Person is not entitled to the requested indemnification or advancement of expenses under applicable law.

Nonexclusivity of Rights. The rights conferred on any Covered Person by this Article VI shall not be exclusive of any other rights which such Covered Person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, these Bylaws, agreement, vote of stockholders or disinterested directors or otherwise.

Other Sources. The Corporation's obligation, if any, to indemnify or to advance expenses to any Covered Person who was or is serving at its request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, enterprise or nonprofit entity shall be reduced by any amount such Covered Person may collect as indemnification or advancement of expenses from such other corporation, partnership, joint venture, trust, enterprise or non-profit enterprise.

Amendment or Repeal. Any repeal or modification of the provisions of this Article VI shall not adversely affect any right or protection hereunder of any Covered Person in respect of any proceeding (regardless of when such proceeding is first threatened, commenced or completed) arising out of, or related to, any act or omission occurring prior to the time of such repeal or modification.

Other Indemnification and Advancement of Expenses. This Article VI shall not limit the right of the Corporation, to the extent and in the manner permitted by law, to indemnify and to advance expenses to persons other than Covered Persons when and as authorized by appropriate corporate action.

FORUM SELECTION

Unless the Corporation consents in writing to the selection of an alternative forum, (a) the Court of Chancery (the "Chancery Court") of the State of Delaware (or, in the event that the Chancery Court does not have jurisdiction, the federal district court for the District of Delaware or other state courts of the State of Delaware) shall, to the fullest extent permitted by law, be the sole and exclusive forum for (i) any derivative action, suit or proceeding brought on behalf of the Corporation, (ii) any action, suit or proceeding asserting a claim of breach of a fiduciary duty owed by any director or officer of the Corporation to the Corporation or to the Corporation's stockholders, (iii) any action, suit or proceeding arising pursuant to any provision of the Delaware General Corporation Law or the Certificate of Incorporation or these Bylaws (as either may be amended from time to time) or (iv) any action, suit or proceeding asserting a claim against the Corporation governed by the internal affairs doctrine; and (b) subject to the preceding provisions of this Article VII, the federal district courts of the United States of America shall be the exclusive forum for the resolution of any complaint asserting a cause or causes of action arising under the Securities Act of 1933, as amended, including all causes of action asserted against any defendant to such complaint. If any action the subject matter of which is within the scope of clause (a) of the immediately preceding sentence is filed in a court other than the courts in the State of Delaware (a "Foreign Action") in the name of any stockholder, such stockholder shall be deemed to have consented to (x) the personal jurisdiction of the state and federal courts in the State of Delaware in connection with any action brought in any such court to enforce the provisions of clause (a) of the immediately preceding sentence and

(y) having service of process made upon such stockholder in any such action by service upon such stockholder's counsel in the Foreign Action as agent for such stockholder.

Any person or entity purchasing or otherwise acquiring any interest in any security of the Corporation shall be deemed to have notice of and consented to this Article VII. This provision is intended to benefit and may be enforced by the Corporation, its officers and directors, the underwriters to any offering giving rise to such complaint, and any other professional or entity whose profession gives authority to a statement made by that person or entity and who has prepared or certified any part of the documents underlying the offering. Notwithstanding the foregoing, the provisions of this Article VII shall not apply to suits brought to enforce any liability or duty created by the Exchange Act or any other claim for which the federal courts of the United States have exclusive jurisdiction.

If any provision or provisions of this Article VII shall be held to be invalid, illegal or unenforceable as applied to any circumstance for any reason whatsoever, (a) the validity, legality and enforceability of such provisions in any other circumstance and of the remaining provisions of this Article VII (including, without limitation, each portion of any paragraph of this Article VII containing any such provision held to be invalid, illegal or unenforceable that is not itself held to be invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and (b) the application of such provision to other persons or entities and circumstances shall not in any way be affected or impaired thereby.

AMENDMENTS

These Bylaws may be repealed, altered or amended or new Bylaws adopted at any meeting of the stockholders, either annual or special, by the affirmative vote of at least a majority of the stock entitled to vote at such meeting, unless a larger vote is required by these Bylaws or the Certificate of Incorporation. The Board shall also have the authority to repeal, alter or amend these Bylaws or adopt new Bylaws by unanimous written consent or at any annual, regular, or special meeting of the Board by the affirmative vote of a majority of the whole number of directors.

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 27, 2023

/s/ Deepak Chopra

Deepak Chopra
Chief Executive Officer
(Principal Executive Officer)

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) 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 27, 2023

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

**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, 2022, 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 27, 2023

/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.

**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, 2022, 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 27, 2023

/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.
