

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

FORM 10-Q

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

For the quarterly period ended June 30, 2024

OR

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

Commission file number: 001-38399

AdaptHealth Corp.

(Exact name of registrant as specified in its charter)

Delaware

(State of Other Jurisdiction of incorporation or Organization)

82-3677704

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

220 West Germantown Pike Suite 250, Plymouth Meeting, Pennsylvania

(Address of principal executive offices)

19462

(Zip code)

Registrant's telephone number, including area code: (610) 424-4515

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, par value \$0.0001 per share	AHCO	The Nasdaq Stock Market LLC

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

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 (§232.0405 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 August 2, 2024, there were 134,469,847 shares of the Registrant's Common Stock issued and outstanding.

ADAPTHEALTH CORP.

FORM 10-Q
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CAUTIONARY STATEMENT

In this Quarterly Report on Form 10-Q, including "[Management's Discussion and Analysis of Financial Condition and Results of Operations](#)" in [Part I Item 2](#), and the documents incorporated by reference herein, we make forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements relate to expectations for future financial performance, business strategies or expectations for our business. These statements may be preceded by, followed by or include the words "may," "might," "will," "will likely result," "should," "estimate," "plan," "project," "forecast," "intend," "expect," "anticipate," "believe," "seek," "continue," "target" or similar expressions.

These forward-looking statements are based on information available to us as of the date they were made, and involve a number of risks and uncertainties which may cause them to turn out to be wrong. Accordingly, forward-looking statements should not be relied upon as representing our views as of any subsequent date, and we do not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date they were made, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws. As a result of a number of known and unknown risks and uncertainties, our actual results or performance may be materially different from those expressed or implied by these forward-looking statements. Some factors that could cause actual results to differ include:

- competition and the ability of our business to grow and manage profitable growth;
- fluctuations in the U.S. and/or global stock markets;
- the possibility that we may be adversely affected by other economic, business, and/or competitive factors;
- changes in applicable laws or regulations; and
- other risks and uncertainties set forth in this Form 10-Q.

Investors should carefully consider the foregoing factors and the other risks and uncertainties that may affect our business including those outlined under Item 1A, Risk Factors, in our most recent annual report on Form 10-K and our quarterly reports on Form 10-Q.

PART I – FINANCIAL INFORMATION
Item 1. Interim Consolidated Financial Statements
ADAPTHEALTH CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)
(UNAUDITED)

	June 30, 2024	December 31, 2023
Assets		
Current assets:		
Cash	\$ 69,832	\$ 77,132
Accounts receivable	437,077	388,910
Inventory	123,896	113,642
Prepaid and other current assets	55,623	69,338
Total current assets	686,428	649,022
Equipment and other fixed assets, net	496,136	495,101
Operating lease right-of-use assets	106,816	110,465
Finance lease right-of-use assets	37,660	31,962
Goodwill	2,711,880	2,724,958
Identifiable intangible assets, net	119,021	130,160
Other assets	19,418	21,128
Deferred tax assets	333,553	345,854
Total Assets	\$ 4,510,912	\$ 4,508,650
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 446,560	\$ 391,994
Current portion of long-term debt	40,000	53,368
Current portion of operating lease obligations	30,785	29,270
Current portion of finance lease obligations	11,587	9,122
Contract liabilities	36,245	38,570
Warrant liability	4,464	4,021
Other liabilities	26,383	10,654
Total current liabilities	596,024	536,999
Long-term debt, less current portion	2,040,451	2,094,614
Operating lease obligations, less current portion	80,249	85,529
Finance lease obligations, less current portion	25,933	22,746
Other long-term liabilities	275,602	302,093
Total Liabilities	3,018,259	3,041,981
Commitments and contingencies (note 14)		
Stockholders' Equity:		
Common Stock, par value of \$0.0001 per share, 300,000,000 shares authorized; 133,376,523 and 132,634,850 shares issued and outstanding as of June 30, 2024 and December 31, 2023, respectively	13	13
Preferred Stock, par value of \$0.0001 per share, 5,000,000 shares authorized; 124,060 shares issued and outstanding as of June 30, 2024 and December 31, 2023	1	1
Treasury stock, at cost (3,935,035 shares at June 30, 2024 and December 31, 2023)	(43,267)	(43,267)
Additional paid-in capital	2,159,521	2,149,951
Accumulated deficit	(635,299)	(652,600)
Accumulated other comprehensive income	4,848	4,356
Total stockholders' equity attributable to AdaptHealth Corp.	1,485,817	1,458,454
Noncontrolling interest in subsidiary	6,836	8,215
Total Stockholders' Equity	1,492,653	1,466,669
Total Liabilities and Stockholders' Equity	\$ 4,510,912	\$ 4,508,650

See accompanying notes to unaudited interim consolidated financial statements.

ADAPTHEALTH CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)

(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net revenue	\$ 805,975	\$ 793,286	\$ 1,598,472	\$ 1,537,912
Costs and expenses:				
Cost of net revenue	678,973	673,397	1,354,666	1,328,793
General and administrative expenses	57,012	50,078	105,390	97,599
Depreciation and amortization, excluding patient equipment depreciation	11,395	15,549	22,760	31,081
Goodwill impairment (note 5)	6,548	—	13,078	—
Total costs and expenses	753,928	739,024	1,495,894	1,457,473
Operating income	52,047	54,262	102,578	80,439
Interest expense, net	33,038	32,552	65,510	64,507
Change in fair value of warrant liability (note 10)	(7,010)	(812)	443	(22,726)
Other (income) loss, net	(1,760)	2,082	3,345	3,257
Income before income taxes	27,779	20,440	33,280	35,401
Income tax expense	7,248	5,399	13,858	3,685
Net income	20,531	15,041	19,422	31,716
Income attributable to noncontrolling interest	1,096	1,064	2,121	2,032
Net income attributable to AdaptHealth Corp.	\$ 19,435	\$ 13,977	\$ 17,301	\$ 29,684
Weighted average common shares outstanding - basic	133,218	134,295	133,066	134,409
Weighted average common shares outstanding - diluted	136,029	136,233	135,698	138,000
Basic net income per share (note 11)	\$ 0.13	\$ 0.10	\$ 0.12	\$ 0.20
Diluted net income per share (note 11)	\$ 0.13	\$ 0.09	\$ 0.12	\$ 0.03

See accompanying notes to unaudited interim consolidated financial statements.

ADAPTHEALTH CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(IN THOUSANDS)
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net income	\$ 20,531	\$ 15,041	\$ 19,422	\$ 31,716
Other comprehensive income (loss):				
Gain (loss) on interest rate swap agreements, inclusive of reclassification adjustment, net of tax	(364)	2,454	492	(351)
Comprehensive income	20,167	17,495	19,914	31,365
Income attributable to noncontrolling interest	1,096	1,064	2,121	2,032
Comprehensive income attributable to AdaptHealth Corp.	<u>\$ 19,071</u>	<u>\$ 16,431</u>	<u>\$ 17,793</u>	<u>\$ 29,333</u>

See accompanying notes to unaudited interim consolidated financial statements.

ADAPTHEALTH CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(IN THOUSANDS)
(UNAUDITED)

	Common Stock		Preferred Stock		Treasury Stock		Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive income	Noncontrolling interest in subsidiary	Total
	Shares	Amount	Shares	Amount	Shares	Amount					
Balance, December 31, 2023	132,635	\$ 13	124	\$ 1	3,935	\$ (43,267)	\$ 2,149,951	\$ (652,600)	\$ 4,356	\$ 8,215	\$ 1,466,669
Equity-based compensation	300	—	—	—	—	—	4,533	—	—	—	4,533
Exercise of stock options	177	—	—	—	—	—	545	—	—	—	545
Payments for tax withholdings from restricted stock vesting	—	—	—	—	—	—	(1,072)	—	—	—	(1,072)
Common Stock issued in connection with employee stock purchase plan	83	—	—	—	—	—	607	—	—	—	607
Net (loss) income	—	—	—	—	—	—	—	(2,134)	—	1,025	(1,109)
Change in fair value of interest rate swaps, inclusive of reclassification adjustment	—	—	—	—	—	—	—	—	856	—	856
Balance, March 31, 2024	<u>133,195</u>	<u>\$ 13</u>	<u>124</u>	<u>\$ 1</u>	<u>3,935</u>	<u>\$ (43,267)</u>	<u>\$ 2,154,564</u>	<u>\$ (654,734)</u>	<u>\$ 5,212</u>	<u>\$ 9,240</u>	<u>\$ 1,471,029</u>
Equity-based compensation	182	—	—	—	—	—	5,218	—	—	—	5,218
Payments for tax withholdings from restricted stock vesting	—	—	—	—	—	—	(261)	—	—	—	(261)
Distribution to non-controlling interest	—	—	—	—	—	—	—	—	—	(3,500)	(3,500)
Net income	—	—	—	—	—	—	—	19,435	—	1,096	20,531
Change in fair value of interest rate swaps, inclusive of reclassification adjustment	—	—	—	—	—	—	—	—	(364)	—	(364)
Balance, June 30, 2024	<u>133,377</u>	<u>\$ 13</u>	<u>124</u>	<u>\$ 1</u>	<u>3,935</u>	<u>\$ (43,267)</u>	<u>\$ 2,159,521</u>	<u>\$ (635,299)</u>	<u>\$ 4,848</u>	<u>\$ 6,836</u>	<u>\$ 1,492,653</u>

	Common Stock		Preferred Stock		Treasury Stock		Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Noncontrolling interest in subsidiary	Total
	Shares	Amount	Shares	Amount	Shares	Amount					
Balance, December 31, 2022	134,435	\$ 13	124	\$ 1	751	\$ (13,992)	\$ 2,130,148	\$ 26,295	\$ 8,693	\$ 6,600	\$ 2,157,758
Equity-based compensation	292	—	—	—	—	—	5,916	—	—	—	5,916
Payments for tax withholdings from restricted stock vesting	—	—	—	—	—	—	(1,883)	—	—	—	(1,883)
Common Stock issued in connection with employee stock purchase plan	53	—	—	—	—	—	1,021	—	—	—	1,021
Shares purchased under share repurchase program	(632)	—	—	—	632	(9,224)	—	—	—	—	(9,224)
Net income	—	—	—	—	—	—	—	15,707	—	968	16,675
Change in fair value of interest rate swaps, inclusive of reclassification adjustment	—	—	—	—	—	—	—	—	(2,805)	—	(2,805)
Balance, March 31, 2023	134,148	\$ 13	124	\$ 1	1,383	\$ (23,216)	\$ 2,135,202	\$ 42,002	\$ 5,888	\$ 7,568	\$ 2,167,458
Equity-based compensation	156	—	—	—	—	—	6,847	—	—	—	6,847
Exercise of stock options	214	—	—	—	—	—	—	—	—	—	—
Payments for tax withholdings from restricted stock vesting and stock option exercises	—	—	—	—	—	—	(2,229)	—	—	—	(2,229)
Distribution to non-controlling interest	—	—	—	—	—	—	—	—	—	(2,500)	(2,500)
Net income	—	—	—	—	—	—	—	13,977	—	1,064	15,041
Change in fair value of interest rate swaps, inclusive of reclassification adjustment	—	—	—	—	—	—	—	—	2,454	—	2,454
June 30, 2023	134,518	\$ 13	124	\$ 1	1,383	\$ (23,216)	\$ 2,139,820	\$ 55,979	\$ 8,342	\$ 6,132	\$ 2,187,071

See accompanying notes to unaudited interim consolidated financial statements.

ADAPTHEALTH CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS) (UNAUDITED)

	Six Months Ended June 30,	
	2024	2023
Cash flows from operating activities:		
Net income	\$ 19,422	\$ 31,716
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization, including patient equipment depreciation	184,038	193,109
Goodwill impairment	13,078	—
Equity-based compensation	9,751	12,763
Change in fair value of warrant liability	443	(22,726)
Reduction in the carrying amount of operating lease right-of-use assets	17,770	16,794
Reduction in the carrying amount of finance lease right-of-use assets	4,793	3,007
Deferred income tax expense	12,103	1,413
Change in fair value of interest rate swaps, net of reclassification adjustment	(367)	(987)
Amortization of deferred financing costs	2,729	2,617
Payment of contingent consideration from an acquisition	(1,850)	—
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable	(48,166)	(5,011)
Inventory	(10,254)	13,808
Prepaid and other assets	16,225	10,199
Operating lease obligations	(17,887)	(16,662)
Operating liabilities	45,191	(13,473)
Net cash provided by operating activities	247,019	226,567
Cash flows from investing activities:		
Purchases of equipment and other fixed assets	(169,163)	(171,730)
Payments for business acquisitions, net of cash acquired	—	(17,905)
Payments for cost method investments	—	(128)
Net cash used in investing activities	(169,163)	(189,763)
Cash flows from financing activities:		
Proceeds from borrowings on lines of credit	75,000	50,000
Repayments on long-term debt and lines of credit	(145,000)	(65,000)
Repayments of finance lease obligations	(4,890)	(3,679)
Payments for shares purchased under share repurchase program	—	(9,224)
Proceeds from the exercise of stock options	545	—
Proceeds received in connection with employee stock purchase plan	607	1,021
Payments relating to the Tax Receivable Agreement	(1,432)	(3,202)
Distributions to noncontrolling interest	(3,500)	(2,500)
Payments for tax withholdings from restricted stock vesting and stock option exercises	(1,399)	(4,366)
Payments of contingent consideration and deferred purchase price from acquisitions	(5,087)	(1,000)
Net cash used in financing activities	(85,156)	(37,950)
Net decrease in cash	(7,300)	(1,146)
Cash at beginning of period	77,132	46,272
Cash at end of period	\$ 69,832	\$ 45,126
Supplemental disclosures:		
Cash paid for interest	\$ 63,276	\$ 62,782
Cash paid for income taxes, net of refunds	12,098	5,567
Noncash investing and financing activities:		
Unpaid equipment and other fixed asset purchases at end of period	40,639	32,942
Assets subject to operating lease obligations	15,967	5,112
Operating lease obligations	(15,967)	(5,112)
Write-off of assets subject to operating lease obligations	(1,845)	—
Write-off of operating lease obligations	1,845	—
Assets subject to finance lease obligations	10,895	12,203
Finance lease obligations	(10,895)	(12,203)
Deferred purchase price in connection with acquisitions	—	50

See accompanying notes to unaudited interim consolidated financial statements.

ADAPTHEALTH CORP. AND SUBSIDIARIES
Notes to Interim Consolidated Financial Statements (Unaudited)

(1) General Information

AdaptHealth Corp. and subsidiaries ("AdaptHealth" or the "Company") is a national leader in providing patient-centered, healthcare-at-home solutions including home medical equipment ("HME"), medical supplies, and related services. AdaptHealth focuses primarily on providing (i) sleep therapy equipment, supplies and related services (including CPAP and bi PAP services) to individuals suffering from obstructive sleep apnea ("OSA"), (ii) medical devices and supplies to patients for the treatment of diabetes (including continuous glucose monitors ("CGM") and insulin pumps), (iii) home medical equipment to patients discharged from acute care and other facilities, (iv) oxygen and related chronic therapy services in the home, and (v) other HME devices and supplies on behalf of chronically ill patients with wound care, urological, incontinence, ostomy and nutritional supply needs. AdaptHealth services beneficiaries of Medicare, Medicaid and commercial insurance payors.

Richard Barasch, former Chair of the Board of Directors of AdaptHealth, served as the Company's Interim Chief Executive Officer from June 30, 2023 through May 19, 2024. Effective May 20, 2024, Suzanne Foster was hired as Chief Executive Officer and appointed as a member of the board of directors of the Company. On April 10, 2024, the Company entered into an employment agreement with Ms. Foster (the "CEO Employment Agreement") that governs the terms of her employment as the Chief Executive Officer of the Company. Effective June 30, 2024, Mr. Barasch resigned as a director of the Company. For the period from May 20, 2024 through June 30, 2024, in his role as Chair of the Board of Directors, Mr. Barasch actively assisted with the transition of his duties and responsibilities as the Interim CEO to Ms. Foster. On July 2, 2024, the Company announced the appointment of Dale Wolf as Chair of the Board effective July 1, 2024.

On July 2, 2024, the Company announced that Joshua Parnes, President and a member of the board of directors of the Company, will resign from all positions that he holds with the Company effective August 31, 2024, and will continue to serve as a non-executive member of the board of directors until December 31, 2024.

The interim consolidated financial statements are unaudited, but reflect all normal recurring adjustments that are, in the opinion of management, necessary to fairly present the information set forth herein. The interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023. Interim results are not necessarily indicative of the results for a full year.

There have been no material changes in the Company's significant accounting policies as compared to the significant accounting policies described in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

(a) Basis of Presentation

The interim consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). In the opinion of management, the interim consolidated financial statements include all necessary adjustments for a fair presentation of the financial position and results of operations for the periods presented.

(b) Basis of Consolidation

The accompanying interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

(c) Concentration of Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash and trade accounts receivable. The Company maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

ADAPTHEALTH CORP. AND SUBSIDIARIES**Notes to Interim Consolidated Financial Statements (Unaudited) (Continued)****(d) Accounting Estimates**

The preparation of consolidated financial statements in conformity with U.S. 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 consolidated financial statements, and reported amounts of revenues and expenses during the reporting period. Management bases these estimates and assumptions upon historical experience, existing and known circumstances, authoritative accounting pronouncements and other factors that management believes to be reasonable. Significant areas requiring the use of management estimates relate to revenue recognition and the valuation of accounts receivable (implicit price concession), income taxes and the tax receivable agreement, equity-based compensation, warrant liability, long-lived assets, including goodwill and identifiable intangible assets, and contingencies. Actual results could differ from those estimates.

(e) Valuation of Goodwill

The Company has a significant amount of goodwill on its balance sheet that resulted from the business acquisitions the Company has made. Goodwill is not amortized, rather, it is assessed for impairment annually and also upon the occurrence of a triggering event or change in circumstances indicating a possible impairment. Such triggering events potentially warranting an annual or interim goodwill impairment assessment include, among other factors, declines in historical or projected revenue, operating income or cash flows, and sustained decreases in the Company's stock price or market capitalization. Such changes in circumstance can include, among others, changes in the legal environment, reimbursement environment, operating performance, and/or future prospects. The Company performs its annual impairment assessment of goodwill during the fourth quarter of each year. The impairment assessment can be performed on either a quantitative or qualitative basis. The Company first assesses qualitative factors to determine whether it is necessary to perform a quantitative goodwill impairment analysis. If determined necessary, the Company applies the quantitative impairment test to identify and measure the amount of impairment, if any. Fair value determinations require considerable judgment and are sensitive to changes in underlying assumptions and factors, such as estimates of a reporting unit's fair value, including the revenue growth rates, discount rate, and control premium used to estimate the reporting unit's fair value, and judgment about impairment triggering events. As a result, there can be no assurance that the estimates and assumptions made for purposes of the annual or interim goodwill impairment test will prove to be accurate predictions of the future.

(f) Long-Lived Assets

The Company's long-lived assets, such as equipment and other fixed assets, operating lease right-of-use assets, finance lease right-of-use assets and definite-lived identifiable intangible assets, are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Definite-lived identifiable intangible assets consist of tradenames, payor contracts, contractual rental agreements and developed technology. These assets are amortized using the straight-line method over their estimated useful lives, which reflects the pattern in which the economic benefits of the assets are expected to be consumed. In addition to consideration of impairment upon the events or changes in circumstances described above, management regularly evaluates the remaining useful lives of its long-lived assets. The following table summarizes the useful lives of the Company's identifiable intangible assets:

Tradenames	5 to 10 years
Payor contracts	10 years
Developed technology	5 years

The Company did not recognize any impairment charges on long-lived assets for the six months ended June 30, 2024 and 2023.

ADAPTHEALTH CORP. AND SUBSIDIARIES**Notes to Interim Consolidated Financial Statements (Unaudited) (Continued)****(g) Equity-based Compensation**

The Company accounts for its equity-based compensation in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 718, *Compensation - Stock Compensation*, which establishes accounting for share-based awards exchanged for employee services and requires companies to expense the estimated fair value of these awards over the requisite employee service period. Equity-based compensation expense related to these grants is included within general and administrative expenses and cost of net revenue in the accompanying consolidated statements of operations. The Company measures and recognizes equity-based compensation expense for such awards based on their estimated fair values on the date of grant. For share-based awards with service only or service and performance conditions, the value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service period in the Company's consolidated financial statements. For share-based awards with only a service condition, equity-based compensation expense is recognized on a straight-line basis over the requisite service period. For awards with performance conditions, equity-based compensation expense is recognized straight-line on a tranche-by-tranche basis over the employees' requisite service period subject to management's estimation of the probability of vesting of such awards. If management determines that the performance conditions are no longer probable of achievement, the Company will reverse the previously recognized equity-based compensation expense in the period of determination. For awards with market conditions, the grant-date fair value is estimated using a monte-carlo simulation analysis, which is recognized straight-line on a tranche-by-tranche basis over the employees' requisite service period regardless of whether or the extent to which the awards ultimately vest. The Company does not estimate forfeitures in connection with its accounting for equity-based compensation, and instead accounts for forfeitures as they occur. See Note 10, *Stockholders' Equity*, for additional information regarding the Company's equity-based compensation expense.

(h) Business Segment

Operating segments are defined as components of an enterprise for which discrete financial information is available that is evaluated regularly by the Chief Operating Decision Maker ("CODM") for the purposes of allocating resources and evaluating financial performance. The Company's CODM is its Chief Executive Officer, who currently reviews financial information on a consolidated level for purposes of allocating resources and evaluating financial performance, and as such, the Company's operations constitute one operating segment and one reportable segment.

(i) Accounting for Leases

The Company accounts for its leases in accordance with FASB ASC Topic 842, *Leases* ("ASC 842"). ASC 842 requires the Company to recognize a lease liability, which represents the discounted obligation to make future minimum lease payments, and a corresponding right-of-use ("ROU") asset on its consolidated balance sheet for most leases, and disclose key information about leasing arrangements. ASC 842 applies to a number of arrangements to which the Company is a party.

Generally, upon the commencement of a lease, the Company will record a lease liability and a ROU asset. However, the Company has elected, for all underlying leases with initial terms of twelve months or less (known as short-term leases), to not recognize a lease liability or ROU asset. Lease liabilities are initially recorded at lease commencement as the present value of future lease payments. ROU assets are initially recorded at lease commencement as the initial amount of the lease liability, together with the following, if applicable: (i) initial direct costs incurred by the lessee and (ii) lease payments made to the lessor net of lease incentives received, prior to lease commencement.

Over the lease term, the Company generally increases its lease liabilities using the effective interest method and decreases its lease liabilities for lease payments made. For finance leases, amortization and interest expense are recognized separately in the consolidated statements of operations, with amortization expense generally recorded on a straight-line basis over the lease term and interest expense recorded using the effective interest method. For operating leases, a single lease cost is generally recognized in the consolidated statements of operations on a straight-line basis over the lease term unless an impairment has been recorded with respect to a leased asset. Lease costs for short-term leases not recognized in the consolidated balance sheets are recognized in the consolidated statements of operations on a straight-line basis over the lease term. Variable lease costs not initially included in the lease liability and ROU asset impairment charges are expensed as incurred. ROU assets are assessed for impairment, similar to other long-lived assets.

See Note 12, *Leases*, for additional information.

ADAPTHEALTH CORP. AND SUBSIDIARIES**Notes to Interim Consolidated Financial Statements (Unaudited) (Continued)****(j) Recently Issued Accounting Pronouncements Not Yet Adopted**

In March 2024, the FASB issued Accounting Standards update "ASU" No. 2024-02, *Codification Improvements—Amendments to Remove References to the Concepts Statements*, which removes various references to concepts statements from the FASB Accounting Standards Codification. This ASU is effective for the Company beginning in the first quarter of fiscal year 2026, with early adoption permitted. The Company does not expect that the new guidance will have a material impact on its consolidated financial statements, and intends to adopt the guidance when it becomes effective in the first quarter of fiscal year 2026.

In March 2024, the FASB issued ASU No. 2024-01, *Compensation-Stock Compensation ("Topic 718")*, which provides illustrative guidance to help entities determine whether profits interest and similar awards should be accounted for as share-based payment arrangements within the scope of ASC 718. ASU 2024-01 is effective for annual periods beginning after December 15, 2024, and interim periods within those annual periods. The Company is currently evaluating the impact that this standard will have on its consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes ("Topic 740")*. This ASU improves the transparency of income tax disclosures by requiring public business entities to disclose specific categories in the annual rate reconciliation as well as disclose income tax expense (or benefit) and the amount of income taxes paid disaggregated by jurisdiction. ASU 2023-09 is effective on a prospective basis for fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact that this standard will have on its consolidated financial statements and related disclosures.

In November 2023, the FASB issued ASU No. 2023-07, *Segment Reporting ("Topic 280")*, which requires disclosure of incremental segment information, including significant segment expenses that are regularly provided to the chief operating decision maker and to disclose how reported measures of segment profit or loss are used in assessing segment performance and allocating resources. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact that this standard will have on its consolidated financial statements and related disclosures.

In August 2023, the FASB issued ASU No. 2023-05, *Business Combinations-Joint Venture Formations ("Topic 805-60")*, which requires that all entities that qualifies as either a joint venture or a corporate joint venture are required to apply a new basis of accounting. Specifically, the ASU provides that a joint venture or a corporate joint venture must initially measure its assets and liabilities at fair value on the formation date. ASU 2023-05 is effective for all joint ventures that are formed on or after January 1, 2025, with early adoption permitted. The Company is currently evaluating the impact that this standard will have on its consolidated financial statements and related disclosures.

In March 2024, the SEC issued its final climate disclosure rule, which requires registrants to provide climate-related disclosures in their annual reports and registration statements. The new disclosure requirements will be effective for the Company beginning with its annual report for the year ending December 31, 2025. In April 2024, the SEC stayed its final climate rule to allow for a judicial review of pending legal challenges. The Company is currently evaluating the impact these rules will have on its consolidated financial statements and related disclosures and will monitor the litigation progress relating to these rules for possible impacts on the disclosure requirements under the rules.

(2) Revenue Recognition and Accounts Receivable***Revenue Recognition***

The Company generates revenues for services and related products that the Company provides to patients for home medical equipment, related supplies, and other items. The Company's revenues are recognized in the period in which services and related products are provided to customers and are recorded either at a point in time for the sale of supplies and disposables, over the fixed monthly service period for equipment, or in the month in which eligible members are entitled to receive healthcare services in connection with at-risk capitation arrangements.

Revenues are recognized when control of the promised good or service is transferred to customers, in an amount that reflects the consideration to which the Company expects to receive from patients or under reimbursement arrangements with Medicare, Medicaid and third-party payors, in exchange for those goods and services.

ADAPTHEALTH CORP. AND SUBSIDIARIES**Notes to Interim Consolidated Financial Statements (Unaudited) (Continued)**

The Company determines the transaction price based on contractually agreed-upon amounts or rates, referred to as explicit price concessions, adjusted for estimates of variable consideration, such as implicit price concessions, based on historical reimbursement experience. The Company utilizes the expected value method to determine the amount of variable consideration, including implicit and explicit price concessions, that should be included to arrive at the transaction price, using contractual agreements and historical reimbursement experience. The Company applies constraint to the transaction price, such that net revenue is recorded only to the extent that it is probable that a significant reversal in the amount of the cumulative revenue recognized will not occur in the future. If actual amounts of consideration ultimately received differ from the Company's estimates, the Company adjusts these estimates, which would affect net revenue in the period such adjustments become known.

Sales revenue is recognized upon transfer of control of products or services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those products or services. Revenues for the sale of sleep therapy equipment supplies (including CPAP resupply products), home medical equipment and related supplies (including wheelchairs, hospital beds and infusion pumps), diabetic medical devices and supplies (including CGM and insulin pumps), and other HME products and supplies are recognized when control of the promised good or service is transferred to customers, which is generally upon shipment for direct to consumer medical devices and supplies and upon delivery to the home for home medical equipment.

The Company provides certain equipment to patients which is reimbursed periodically in fixed monthly payments for as long as the patient is using the equipment and medical necessity continues (in certain cases, the fixed monthly payments are capped at a certain amount). The equipment provided to the patient is based upon medical necessity as documented by prescriptions and other documentation received from the patient's physician. The patient generally does not negotiate or select the manufacturer or model of the equipment prescribed by their physician and delivered by the Company. Once initial delivery of this equipment is made to the patient for initial setup, a monthly billing process is established based on the initial setup service date. The Company recognizes the fixed monthly revenue ratably over the service period as earned, less estimated adjustments, and defers revenue for the portion of the monthly bill that is unearned. No separate revenue is earned from the initial setup process. Included in fixed monthly revenue are unbilled amounts for which the revenue recognition criteria had been met as of period-end but were not yet billed to the payor. The estimate of net unbilled fixed monthly revenue recognized is based on historical trends and estimates of future collectability.

The Company receives a per member per month ("PMPM") fee under certain at-risk capitation arrangements, which refers to a model in which the Company receives a PMPM fee from the third-party payor, and is responsible for managing a range of healthcare services and associated costs of its members. In at-risk capitation arrangements, the Company is responsible for the cost of contracted healthcare services required by those members in accordance with the terms of each agreement. Capitated revenue contracts with payors are generally multi-year arrangements and have a single monthly stand ready performance obligation to provide all aspects of necessary medical care to members for the contracted period in accordance with the scope of the agreements. The Company recognizes revenue in the month in which eligible members are entitled to receive healthcare services during the contract term. The Company's revenue recognized under its capitation arrangements by core product line for the three and six months ended June 30, 2024 is included in the table below. The Company's revenue recognized under its capitation arrangements for the three and six months ended June 30, 2023 is included in net sales revenue and net revenue from fixed monthly equipment reimbursements by core product line in the table below, which was immaterial for those periods.

The Company's billing system contains payor-specific price tables that reflect the fee schedule amounts in effect or contractually agreed upon by various government and commercial insurance payors for each item of equipment or supply provided to a customer. Revenues are recorded based on the applicable fee schedule. The Company has established a contractual allowance, referred to as an explicit price concession, to account for adjustments that result from differences between the payment amount received and the expected realizable amount. If the payment amount received differs from the net realizable amount, an adjustment is recorded to revenues in the period that these payment differences are determined. The Company reports revenues in its consolidated financial statements net of such adjustments.

The Company recognizes revenue in the consolidated statements of operations and contract assets on the consolidated balance sheets only when services have been provided. Since the Company has performed its obligation under the contract, it has unconditional rights to the consideration recorded as contract assets and therefore classifies those billed and unbilled contract assets as accounts receivable.

ADAPTHEALTH CORP. AND SUBSIDIARIES**Notes to Interim Consolidated Financial Statements (Unaudited) (Continued)**

Fixed monthly payments that the Company receives from customers in advance of providing services represent contract liabilities. Such payments primarily relate to patients who are billed monthly in advance and are recognized over the period as earned.

The Company disaggregates net revenue from contracts with customers by payor type and by core product lines. The Company believes that disaggregation of net revenue into these categories depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The payment terms and conditions within the Company's revenue-generating contracts vary by payor type and payor source.

The composition of net revenue by payor type for the three and six months ended June 30, 2024 and 2023 are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Insurance	\$ 487,787	\$ 474,828	\$ 971,152	\$ 911,612
Government	210,946	209,662	409,344	398,509
Patient pay	107,242	108,796	217,976	227,791
Net revenue	<u>\$ 805,975</u>	<u>\$ 793,286</u>	<u>\$ 1,598,472</u>	<u>\$ 1,537,912</u>

ADAPTHEALTH CORP. AND SUBSIDIARIES

Notes to Interim Consolidated Financial Statements (Unaudited) (Continued)

The composition of net revenue by core product lines for the three and six months ended June 30, 2024 and 2023 are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net sales revenue:				
Sleep	\$ 233,361	\$ 215,849	\$ 458,887	\$ 429,306
Diabetes	147,261	165,021	294,240	307,565
Supplies to the home	44,265	48,323	88,913	94,878
Respiratory	7,871	8,191	15,575	16,120
HME	25,963	27,237	51,585	55,800
Other	57,684	57,012	113,345	110,219
Total net sales revenue	<u>\$ 516,405</u>	<u>\$ 521,633</u>	<u>\$ 1,022,545</u>	<u>\$ 1,013,888</u>
Net revenue from fixed monthly equipment reimbursements:				
Sleep	\$ 82,053	\$ 86,783	\$ 162,743	\$ 167,705
Diabetes	2,382	3,886	4,661	7,717
Respiratory	138,899	145,889	276,131	280,612
HME	23,355	23,974	45,921	46,315
Other	11,637	11,121	23,208	21,675
Total net revenue from fixed monthly equipment reimbursements	<u>\$ 258,326</u>	<u>\$ 271,653</u>	<u>\$ 512,664</u>	<u>\$ 524,024</u>
Net revenue from capitated revenue arrangements:				
Sleep	\$ 6,976	\$ —	\$ 14,028	\$ —
Diabetes	1,546	—	3,144	—
Supplies to the home	3,080	—	6,290	—
Respiratory	14,456	—	29,582	—
HME	3,712	—	7,210	—
Other	1,474	—	3,009	—
Total net revenue from capitated revenue arrangements	<u>\$ 31,244</u>	<u>\$ —</u>	<u>\$ 63,263</u>	<u>\$ —</u>
Total net revenue:				
Sleep	\$ 322,390	\$ 302,632	\$ 635,658	\$ 597,011
Diabetes	151,189	168,907	302,045	315,282
Supplies to the home	47,345	48,323	95,203	94,878
Respiratory	161,226	154,080	321,288	296,732
HME	53,030	51,211	104,716	102,115
Other	70,795	68,133	139,562	131,894
Total net revenue	<u>\$ 805,975</u>	<u>\$ 793,286</u>	<u>\$ 1,598,472</u>	<u>\$ 1,537,912</u>

Accounts Receivable

Due to the continuing changes in the healthcare industry and third-party reimbursement environment, certain estimates are required to record accounts receivable at their net realizable values. Inherent in these estimates is the risk that

ADAPTHEALTH CORP. AND SUBSIDIARIES**Notes to Interim Consolidated Financial Statements (Unaudited) (Continued)**

they will have to be revised or updated as additional information becomes available. The complexity of third-party billing arrangements and laws and regulations governing Medicare and Medicaid may result in adjustments to amounts originally recorded.

The Company performs a periodic analysis to review the valuation of accounts receivable and collectability of outstanding balances. Management's evaluation takes into consideration such factors as historical cash collections experience, business and economic conditions, trends in healthcare coverage, other collection indicators and information about specific receivables. The Company's evaluation also considers the age and composition of the outstanding amounts in determining their estimated net realizable value.

Receivables are considered past due when not collected by established due dates. Specific patient balances are written off after collection efforts have been followed and the account has been determined to be uncollectible. Revisions in receivable estimates are considered implicit price concession adjustments and are recognized as an adjustment to net revenue in the period of revision. The Company does not have any material bad debt expense.

Included in accounts receivable are earned but unbilled accounts receivables. Billing delays, ranging from several days to several weeks, can occur due to the Company's policy of compiling required payor specific documentation prior to billing for its services rendered. As of June 30, 2024 and December 31, 2023, the Company's unbilled accounts receivable was \$40.2 million and \$68.4 million, respectively.

(3) Acquisitions

The Company's acquisitions are accounted for using the acquisition method pursuant to the requirements of FASB ASC Topic 805, *Business Combinations*, and are included in the Company's consolidated financial statements since the respective acquisition date.

The Company did not complete any acquisitions during the six months ended June 30, 2024. During the six months ended June 30, 2023, the Company acquired 100% of the equity interests of three providers of home medical equipment ("HME") and acquired certain assets of the home medical equipment businesses of two providers of HME. The following table summarizes the consideration paid at closing for all acquisitions during the six months ended June 30, 2023 (in thousands):

Cash	\$	18,173
Deferred payments		50
Total	\$	18,223

ADAPTHEALTH CORP. AND SUBSIDIARIES

Notes to Interim Consolidated Financial Statements (Unaudited) (Continued)

The Company allocated the consideration paid to the net assets acquired based on their estimated acquisition date fair values. Based upon management's evaluation, the consideration paid for all acquisitions during the six months ended June 30, 2023 was allocated as follows during the period (in thousands):

Cash	\$	268
Accounts receivable		1,798
Inventory		1,001
Prepaid and other current assets		10
Equipment and other fixed assets		9,863
Operating lease right-of-use assets		5,506
Finance lease right-of-use assets		200
Goodwill		6,796
Accounts payable and accrued expenses		(667)
Other current liabilities		(846)
Operating lease liabilities		(5,506)
Finance lease liabilities		(200)
Net assets acquired	\$	18,223

Net revenue and operating income in the period of acquisition since the respective acquisition dates for the acquisitions described above were immaterial for the three and six months ended June 30, 2023.

(4) Equipment and Other Fixed Assets

Equipment and other fixed assets as of June 30, 2024 and December 31, 2023 are as follows (in thousands):

	June 30, 2024	December 31, 2023
Patient medical equipment	\$ 811,940	\$ 791,349
Computers and software	91,053	85,509
Delivery vehicles	35,062	35,021
Other	22,079	20,203
Gross carrying value	960,134	932,082
Less accumulated depreciation	(463,998)	(436,981)
Equipment and other fixed assets, net	\$ 496,136	\$ 495,101

For the three months ended June 30, 2024 and 2023, the Company recorded depreciation expense of \$85.6 million and \$89.3 million, respectively. For the six months ended June 30, 2024 and 2023, the Company recorded depreciation expense of \$172.9 million and \$173.1 million, respectively.

ADAPTHEALTH CORP. AND SUBSIDIARIES

Notes to Interim Consolidated Financial Statements (Unaudited) (Continued)

(5) Goodwill and Identifiable Intangible Assets

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. The change in the carrying amount of goodwill for the six months ended June 30, 2024 was as follows (in thousands):

	Gross carrying amount
Balance at December 31, 2023	\$ 2,724,958
Goodwill impairment	(13,078)
Balance at June 30, 2024	<u>\$ 2,711,880</u>

Management is required to perform an assessment of the recoverability of goodwill on an annual basis and upon the identification of a triggering event. Triggering events potentially warranting an interim goodwill impairment assessment include, among other factors, declines in historical or projected revenue, operating results or cash flows, and sustained decreases in the Company's stock price or market capitalization. While management cannot predict if or when future goodwill impairments may occur, a non-cash goodwill impairment charge could have a material adverse effect on the Company's operating results, net assets and the Company's cost of, or access to, capital. The Company did not identify any triggering events indicating a possible impairment of goodwill at June 30, 2024.

The non-cash goodwill impairment charge included in the table above relates to a definitive agreement for the disposition of certain immaterial custom rehab technology assets which was signed subsequent to June 30, 2024, and is expected to close in the third quarter of 2024.

Identifiable intangible assets that are separable and have determinable useful lives are valued separately and amortized over the period which reflects the pattern in which the economic benefits of the assets are expected to be consumed. Identifiable intangible assets consisted of the following at June 30, 2024 and December 31, 2023 (in thousands):

	June 30, 2024	Weighted-Average Remaining Life (Years)
Tradenames, net of accumulated amortization of \$44,723	\$ 68,077	6.2
Payor contracts, net of accumulated amortization of \$32,316	49,684	6.1
Developed technology, net of accumulated amortization of \$5,040	1,260	1.0
Identifiable intangible assets, net	<u>\$ 119,021</u>	

	December 31, 2023	Weighted-Average Remaining Life (Years)
Tradenames, net of accumulated amortization of \$38,314	\$ 74,486	6.6
Payor contracts, net of accumulated amortization of \$28,216	53,784	6.6
Developed technology, net of accumulated amortization of \$4,410	1,890	1.5
Identifiable intangible assets, net	<u>\$ 130,160</u>	

Amortization expense related to identifiable intangible assets, which is included in depreciation and amortization, excluding patient equipment depreciation, in the accompanying statements of operations was \$5.6 million and \$11.1 million

ADAPTHEALTH CORP. AND SUBSIDIARIES
Notes to Interim Consolidated Financial Statements (Unaudited) (Continued)

for the three and six months ended June 30, 2024, respectively, and was \$10.0 million and \$20.0 million for the three and six months ended June 30, 2023, respectively.

Future amortization expense related to identifiable intangible assets is estimated to be as follows (in thousands):

Twelve months ending June 30,

2025	\$	22,217
2026		20,119
2027		18,384
2028		17,936
2029		17,936
Thereafter		22,429
Total	\$	119,021

The Company did not recognize any impairment charges related to identifiable intangible assets during the six months ended June 30, 2024 and 2023.

(6) Fair Value of Assets and Liabilities

FASB ASC Topic 820, *Fair Value Measurements and Disclosures* ("ASC 820"), creates a single definition of fair value, establishes a framework for measuring fair value in U.S. GAAP and expands disclosures about fair value measurements. Assets and liabilities adjusted to fair value in the balance sheet are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs, as defined by ASC 820, are as follows:

Level input	Input Definition
Level 1	Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.
Level 2	Inputs, other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with market data at the measurement date.
Level 3	Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

The following table presents the valuation of the Company's financial assets and liabilities as of June 30, 2024 and December 31, 2023 measured at fair value on a recurring basis. The fair value estimates presented herein are based on information available to management as of June 30, 2024 and December 31, 2023. These estimates are not necessarily indicative of the amounts the Company could ultimately realize.

(in thousands)	Level 1	Level 2	Level 3
June 30, 2024			
Assets			
Interest rate swap agreements-short term	\$ —	\$ 4,889	\$ —
Interest rate swap agreements-long term	—	1,635	—
Total assets measured at fair value	\$ —	\$ 6,524	\$ —
Liabilities			
Warrant liability	—	—	4,464
Total liabilities measured at fair value	\$ —	\$ —	\$ 4,464

ADAPTHEALTH CORP. AND SUBSIDIARIES

Notes to Interim Consolidated Financial Statements (Unaudited) (Continued)

(in thousands)	Level 1	Level 2	Level 3
December 31, 2023			
Assets			
Interest rate swap agreements-short term	\$ —	\$ 4,482	\$ —
Interest rate swap agreements-long term	—	986	—
Total assets measured at fair value	\$ —	\$ 5,468	\$ —
Liabilities			
Acquisition-related contingent consideration-short term	\$ —	\$ —	\$ 6,850
Warrant liability	—	—	4,021
Total liabilities measured at fair value	\$ —	\$ —	\$ 10,871

Interest Rate Swaps

The Company uses interest rate swap agreements to manage interest rate risk by converting a portion of its variable rate borrowings to a fixed rate and recognizes these derivative instruments as either assets or liabilities in the accompanying consolidated balance sheets at fair value. The valuation of these derivative instruments is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatilities. The fair value of the Company's interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash payments and the discounted expected variable cash payments receipts. The variable cash receipts are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves. To comply with the provisions of FASB ASC Topic 820, *Fair Value Measurement*, the Company incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Company has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts and guarantees.

Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with the Company's derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by the Company and the respective counterparties. The Company has determined that the significance of the impact of the credit valuation adjustments made to its derivative contracts, which determination was based on the fair value of each individual contract, was not significant to the overall valuation. As a result, all of the Company's derivatives held as of June 30, 2024 and December 31, 2023 were classified as Level 2 of the fair value hierarchy. See Note 7, *Derivative Instruments and Hedging Activities*, for additional information regarding the Company's derivative instruments.

Acquisition-Related Contingent Consideration

The Company estimates the fair value of acquisition-related contingent consideration liabilities by applying the income approach using a probability-weighted discounted cash flow model. This fair value measurement is based on significant inputs not observed in the market and thus represents a Level 3 measurement. Level 3 instruments are valued based on unobservable inputs that are supported by little or no market activity and reflect the Company's own assumptions in measuring fair value. Each period, the Company evaluates the fair value of acquisition-related contingent consideration obligations and records any changes in the fair value of such liabilities in other income/loss in the Company's consolidated statements of operations. At December 31, 2023, contingent consideration liabilities of \$6.9 million was included in other current liabilities in the accompanying consolidated balance sheets. There were no contingent consideration liabilities as of June 30, 2024. A reconciliation of the Company's contingent consideration liabilities related to acquisitions for the six months ended June 30, 2024 and 2023 is as follows (in thousands):

ADAPTHEALTH CORP. AND SUBSIDIARIES

Notes to Interim Consolidated Financial Statements (Unaudited) (Continued)

Six Months Ended June 30, 2024	Beginning Balance	Payments	Ending Balance
Contingent consideration - Level 3 liabilities	\$ 6,850	\$ (6,850)	\$ —
Six Months Ended June 30, 2023			
Contingent consideration - Level 3 liabilities	\$ 7,500	\$ —	\$ 7,500

Warrant Liability

The warrant liability represents the estimated fair value of the Company's outstanding private warrants. The fair value of the private warrants was estimated using the Black-Scholes option pricing model. See Note 10, *Stockholders' Equity*, for additional discussion of the warrant liability and the material assumptions leveraged for the pricing model.

Non-Financial Assets Measured at Fair Value on a Non-Recurring Basis

During the six months ended June 30, 2024 and 2023, there were no fair value measurements on a non-recurring basis for the Company's non-financial assets.

(7) Derivative Instruments and Hedging Activities

The Company records all derivatives on its consolidated balance sheet at fair value. As of June 30, 2024, the Company had outstanding interest rate derivatives with third parties in which the Company pays a fixed interest rate and receives a rate equal to the one-month Secured Overnight Financing Rate ("Term SOFR"). The notional amount associated with the Company's interest rate swap agreements that were outstanding as of June 30, 2024 was \$250 million and have a maturity date in January 2026. The Company has designated its swaps as effective cash flow hedges of interest rate risk. Accordingly, changes in the fair value of the interest rate swaps are recorded as a component of accumulated other comprehensive income within stockholders' equity and subsequently reclassified into interest expense in the same period during which the hedged transaction affects earnings.

The table below presents the fair value of the Company's derivatives related to its interest rate swap agreements, which are designated as hedging instruments, as well as their classification in the consolidated balance sheets at June 30, 2024 and December 31, 2023 (in thousands):

Balance Sheet Location	June 30, 2024	December 31, 2023
	Asset	
Prepaid and other current assets	\$ 4,889	\$ 4,482
Other assets	1,635	986
Total	\$ 6,524	\$ 5,468

During the three months ended June 30, 2024 and 2023, as a result of the effect of cash flow hedge accounting, the Company recognized a loss, net of tax, of \$0.3 million, and a gain, net of tax, of \$2.8 million, respectively, in other comprehensive income. In addition, during the three months ended June 30, 2023, \$0.4 million was reclassified from other comprehensive income and recognized as a reduction to interest expense, net, in the accompanying consolidated statements of operations. There was no such reclassification during the three months ended June 30, 2024. During the six months ended June 30, 2024 and 2023, as a result of the effect of cash flow hedge accounting, the Company recognized a gain, net of tax, of \$0.9 million and \$0.6 million, respectively, in other comprehensive income. In addition, during the six months ended June 30, 2024 and 2023, \$0.4 million and \$1.0 million, respectively, was reclassified from other comprehensive income and recognized as a reduction to interest expense, net, in the accompanying consolidated statements of operations.

ADAPTHEALTH CORP. AND SUBSIDIARIES

Notes to Interim Consolidated Financial Statements (Unaudited) (Continued)

(8) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses as of June 30, 2024 and December 31, 2023 consisted of the following (in thousands):

	June 30, 2024	December 31, 2023
Accounts payable	\$ 279,562	\$ 211,504
Employee-related accruals	38,502	47,462
Accrued interest	29,151	29,327
Litigation settlement	10,685	57,340
Other	88,660	46,361
Total	<u>\$ 446,560</u>	<u>\$ 391,994</u>

As previously disclosed, in February 2024, the Company learned that a cyber security threat actor had gained access to some of the information technology systems of Change Healthcare, a subsidiary of UnitedHealth Group, with which one of the Company's third-party software providers interfaces in connection with the Company's claims processing activity. UnitedHealth Group isolated the impacted systems upon learning of this threat and Change Healthcare suspended its claims processing activity with the Company's software provider. During the six months ended June 30, 2024, the Company participated in the Optum Temporary Funding Assistance Program which was designed to provide short-term cash flow relief to providers impacted by the disruption in Change Healthcare's services. As of June 30, 2024, the Company received \$39.6 million under this program which is expected to be repaid by December 31, 2024, and is included in the Other category in the table above. The Company has not incurred any fees, interest or other associated costs for participating in the program.

(9) Debt

The following is a summary of long term-debt as of June 30, 2024 and December 31, 2023 (in thousands):

	June 30, 2024	December 31, 2023
Secured term loan	\$ 650,000	\$ 720,000
Senior unsecured notes	1,450,000	1,450,000
Unamortized deferred financing fees	(19,549)	(22,018)
	2,080,451	2,147,982
Current portion	(40,000)	(53,368)
Long-term portion	<u>\$ 2,040,451</u>	<u>\$ 2,094,614</u>

In January 2021, the Company entered into a credit agreement (as amended, the "2021 Credit Agreement"). The 2021 Credit Agreement included borrowings of \$800 million under a secured term loan (the "2021 Term Loan"), and \$450 million in commitments for revolving credit loans (the "2021 Revolver"). The 2021 Revolver has a \$55 million letter of credit sublimit. The 2021 Term Loan and the 2021 Revolver both have maturities in January 2026. At the option of the Company, amounts borrowed under the 2021 Credit Agreement bear interest at variable rates based upon either the Base Rate (as defined), payable quarterly, or Term SOFR (as defined), payable monthly or quarterly. Interest periods for loans based on Term SOFR are available for one or three months at the option of the Company. Borrowings using Base Rate accrue interest at a per annum rate equal to the sum of (a) the Base Rate determined on each day (subject to a zero percent floor), plus an Applicable Margin (as defined) ranging from 0.50% to 2.25% per annum determined based on the Consolidated Senior Secured Leverage Ratio (as defined) of the Company. Borrowings using Term SOFR accrue interest at a per annum rate equal to the sum of (a) Term SOFR for the applicable interest period (subject to a zero percent floor), plus (b) a Term SOFR adjustment of 0.10%, plus (c) an Applicable Margin (as defined) ranging from 1.50% to 3.25% per annum determined based on the Consolidated Senior Secured Leverage Ratio of the Company. The 2021 Revolver carries a commitment fee during the term of the 2021 Credit Agreement ranging from 0.25% to 0.50% per annum of the actual daily undrawn portion of the 2021 Revolver depending upon the Consolidated Senior Secured Leverage Ratio of the Company.

ADAPTHEALTH CORP. AND SUBSIDIARIES**Notes to Interim Consolidated Financial Statements (Unaudited) (Continued)**

Under the 2021 Credit Agreement, the Company is subject to a number of restrictive covenants that, among other things, impose operating and financial restrictions on the Company. Financial covenants include a Consolidated Total Leverage Ratio and a Consolidated Interest Coverage Ratio, both as defined in the 2021 Credit Agreement. The 2021 Credit Agreement also contains certain customary events of default, including, among other things, failure to make payments when due thereunder, failure to observe or perform certain covenants, cross-defaults, bankruptcy and insolvency-related events, and non-compliance with healthcare laws. The Company was in compliance with the applicable covenants in the 2021 Credit Agreement as of June 30, 2024.

Any borrowing under the 2021 Credit Agreement may be repaid, in whole or in part, at any time and from time to time without premium or penalty, other than customary breakage costs, and any amounts repaid under the 2021 Revolver may be reborrowed. Mandatory prepayments are required under the 2021 Revolver when borrowings and letter of credit usage exceed the total commitments for revolving credit loans. Mandatory prepayments are also required in connection with the disposition of assets to the extent proceeds thereof are not reinvested, unpermitted debt transactions, and from annual Excess Cash Flow (as defined) if certain leverage tests are not met.

Secured Term Loan

The outstanding borrowing under the 2021 Term Loan requires quarterly principal repayments of \$10.0 million through December 31, 2025, and the unpaid principal balance is due at maturity in January 2026. As a result of the calculation of excess cash flow as of December 31, 2023, the Company was required to make a mandatory prepayment of \$13.4 million on the 2021 Term Loan, which was paid in March 2024. In addition, the Company made voluntary repayments on the 2021 Term Loan totaling \$36.6 million during the six months ended June 30, 2024. At June 30, 2024 and December 31, 2023, there was \$650.0 million and \$720.0 million, respectively, outstanding under the 2021 Term Loan. The per annum interest rate under the 2021 Term Loan was 7.43% at June 30, 2024.

Revolving Credit Facility

During the six months ended June 30, 2024, the Company borrowed \$75.0 million under the 2021 Revolver which was repaid during that period. At June 30, 2024, there was \$21.6 million outstanding under letters of credit. During the six months ended June 30, 2023, the Company borrowed \$50.0 million under the 2021 Revolver which was repaid during that period. Borrowings under the 2021 Revolver may be used for working capital and other general corporate purposes, including for capital expenditures and acquisitions permitted under the 2021 Credit Agreement. At June 30, 2024, based on the financial debt covenants under the 2021 Credit Agreement, the maximum amount the Company could borrow under the 2021 Revolver and remain in compliance with the financial debt covenants under the agreement was \$346.4 million.

Senior Unsecured Notes

In August 2021, the Company issued \$600.0 million aggregate principal amount of 5.125% senior unsecured notes (the "5.125% Senior Notes"). The 5.125% Senior Notes will mature on March 1, 2030. Interest on the 5.125% Senior Notes is payable on March 1st and September 1st of each year. The 5.125% Senior Notes will be redeemable at AdaptHealth's option, in whole or in part, at any time on or after March 1, 2025, and the redemption price for the 5.125% Senior Notes if redeemed during the 12 months beginning (i) March 1, 2025 is 102.563%, (ii) March 1, 2026 is 101.281%, (iii) March 1, 2027 and thereafter is 100.000%, in each case together with accrued and unpaid interest. AdaptHealth may also redeem some or all of the 5.125% Senior Notes before March 1, 2025 at a redemption price of 100% of the principal amount of the 5.125% Senior Notes, plus a "make-whole" premium, together with accrued and unpaid interest. In addition, AdaptHealth may redeem up to 40% of the original aggregate principal amount of the 5.125% Senior Notes before March 1, 2025 with the proceeds from certain equity offerings at a redemption price equal to 105.125% of the principal amount of the 5.125% Senior Notes, together with accrued and unpaid interest. Furthermore, AdaptHealth may be required to make an offer to purchase the 5.125% Senior Notes upon the sale of certain assets or upon specific kinds of changes of control.

In January 2021, the Company issued \$500.0 million aggregate principal amount of 4.625% senior unsecured notes (the "4.625% Senior Notes"). The 4.625% Senior Notes will mature on August 1, 2029. Interest on the 4.625% Senior Notes is payable on February 1st and August 1st of each year. The 4.625% Senior Notes will be redeemable at AdaptHealth's option, in whole or in part, at any time on or after February 1, 2024, and the redemption price for the 4.625% Senior Notes if redeemed during the 12 months beginning (i) February 1, 2024 is 102.313%, (ii) February 1, 2025 is 101.156%, and (iii) February 1, 2026 and thereafter is 100.000% in each case together with accrued and unpaid interest. AdaptHealth may also

ADAPTHEALTH CORP. AND SUBSIDIARIES**Notes to Interim Consolidated Financial Statements (Unaudited) (Continued)**

redeem some or all of the 4.625% Senior Notes before February 1, 2024 at a redemption price of 100% of the principal amount of the 4.625% Senior Notes, plus a "make-whole" premium, together with accrued and unpaid interest. In addition, AdaptHealth may redeem up to 40% of the original aggregate principal amount of the 4.625% Senior Notes before February 1, 2024 with the proceeds from certain equity offerings at a redemption price equal to 104.625% of the principal amount of the 4.625% Senior Notes, together with accrued and unpaid interest. Furthermore, AdaptHealth may be required to make an offer to purchase the 4.625% Senior Notes upon the sale of certain assets or upon specific kinds of changes of control.

In July 2020, the Company issued \$350.0 million aggregate principal amount of 6.125% senior unsecured notes (the "6.125% Senior Notes"). The 6.125% Senior Notes will mature on August 1, 2028. Interest on the 6.125% Senior Notes is payable on February 1st and August 1st of each year. The 6.125% Senior Notes will be redeemable at AdaptHealth's option, in whole or in part, at any time on or after August 1, 2023, and the redemption price for the 6.125% Senior Notes if redeemed during the 12 months beginning (i) August 1, 2023 is 103.063%, (ii) August 1, 2024 is 102.042%, (iii) August 1, 2025 is 101.021% and (iv) August 1, 2026 and thereafter is 100.000%, in each case together with accrued and unpaid interest. AdaptHealth may also redeem some or all of the 6.125% Senior Notes before August 1, 2023 at a redemption price of 100% of the principal amount of the 6.125% Senior Notes, plus a "make-whole" premium, together with accrued and unpaid interest. In addition, AdaptHealth may redeem up to 40% of the original aggregate principal amount of the 6.125% Senior Notes before August 1, 2023 with the proceeds from certain equity offerings at a redemption price equal to 106.125% of the principal amount of the 6.125% Senior Notes, together with accrued and unpaid interest. Furthermore, AdaptHealth may be required to make an offer to purchase the 6.125% Senior Notes upon the sale of certain assets or upon specific kinds of changes of control.

(10) Stockholders' Equity

Under the Company's Third Amended and Restated Certificate of Incorporation, there are 300,000,000 shares of authorized Common Stock and 5,000,000 shares of authorized Preferred Stock. Holders of Common Stock are entitled to one vote for each share. The shares of Preferred Stock shall be issued with such designations, voting and other rights and preferences as may be determined from time to time by the Company's board of directors.

Treasury Stock

In May 2022, the Company's board of directors authorized a share repurchase program for up to \$200.0 million of the Company's Common Stock, which expired on December 31, 2023 (the "Share Repurchase Program"). The timing and actual number of shares repurchased depended upon market conditions and other factors. Shares of the Company's Common Stock were repurchased from time to time on the open market through privately negotiated transactions or otherwise. During the six months ended June 30, 2023, the Company purchased 631,953 shares of the Company's Common Stock for \$9.2 million under the Share Repurchase Program, which is reflected in Treasury Stock in the accompanying consolidated statements of stockholders' equity. Subsequent to June 30, 2024, as discussed in Note 14, *Commitments and Contingencies*, the Company issued 1 million shares from its Treasury Stock in connection with a litigation settlement.

Warrants

As of June 30, 2024, the Company had 3,871,557 warrants outstanding, which have an expiration date of November 20, 2024. Each warrant is exercisable into one share of Common Stock at a price of \$11.50 per share. The exercise price and number of shares of Common Stock issuable upon exercise of the warrants may be adjusted in certain circumstances including in the event of a share dividend, or recapitalization, reorganization, merger or consolidation. However, the warrants will not be adjusted for the issuance of Common Stock at a price below its exercise price. There were no warrants exercised during the six months ended June 30, 2024 and 2023.

The Company classifies its warrants as a liability in its consolidated balance sheets because of certain terms included in the corresponding warrant agreement. The estimated fair value of the warrants is recorded as a liability, with such fair value reclassified to stockholders' equity upon the exercise of such warrants. Prior to exercise, the change in the estimated fair value of such warrants each period is recognized as a non-cash charge or gain in the Company's consolidated statements of operations.

ADAPTHEALTH CORP. AND SUBSIDIARIES

Notes to Interim Consolidated Financial Statements (Unaudited) (Continued)

A reconciliation of the changes in the warrant liability during the six months ended June 30, 2024 and 2023 was as follows (in thousands):

Estimated fair value of warrant liability at December 31, 2023	\$	4,021
Change in estimated fair value of the warrant liability		443
Estimated fair value of warrant liability at June 30, 2024	\$	4,464
Estimated fair value of warrant liability at December 31, 2022	\$	38,503
Change in estimated fair value of the warrant liability		(22,726)
Estimated fair value of warrant liability at June 30, 2023	\$	15,777

The warrant liability is classified as a current liability as of June 30, 2024 and December 31, 2023 in the accompanying consolidated balance sheets since the expiration date of the warrants is less than one year as of such dates.

Equity-based Compensation

In connection with the Company's 2019 Stock Incentive Plan (the "2019 Plan"), the Company provides equity-based compensation to attract and retain employees while also aligning employees' interest with the interests of its stockholders. The 2019 Plan permits the grant of various equity-based awards to selected employees and non-employee directors. On June 20, 2024, the stockholders of the Company approved an amendment and restatement of the 2019 Plan to increase the number of shares of Common Stock of the Company reserved under the 2019 Plan by 8,350,000 shares, to permit the grant of up to 18,350,000 shares of Common Stock, subject to certain adjustments and limitations. At June 30, 2024, 6,678,373 shares of the Company's Common Stock were available for issuance under the 2019 Plan.

Stock Options

There were no stock options granted during the six months ended June 30, 2024 and 2023. The following table provides the activity regarding the Company's outstanding stock options during the six months ended June 30, 2024 that were granted in connection with the 2019 Plan (in thousands, except per share data):

	Number of Options	Weighted-Average Grant Date Fair Value per Share	Weighted-Average Exercise Price per Share	Weighted-Average Remaining Contractual Term
Outstanding, December 31, 2023	2,219	\$ 3.75	\$ 19.36	5.1 Years
Expired	(735)	\$ 4.58	\$ 23.38	
Outstanding, June 30, 2024	1,484	\$ 3.34	\$ 17.38	4.8 Years

The following table provides the activity for all outstanding stock options during the six months ended June 30, 2024 (in thousands, except per share data):

	Number of Options	Weighted-Average Exercise Price per Share	Weighted-Average Remaining Contractual Term
Outstanding, December 31, 2023	3,409	\$ 14.90	4.9 Years
Exercised	(177)	\$ 3.08	
Expired	(735)	\$ 23.38	
Outstanding, June 30, 2024	2,497	\$ 13.24	4.7 Years

ADAPTHEALTH CORP. AND SUBSIDIARIES

Notes to Interim Consolidated Financial Statements (Unaudited) (Continued)

During the six months ended June 30, 2024, 176,623 stock options were exercised resulting in \$0.5 million of cash proceeds received by the Company and the issuance of 176,623 shares of the Company's Common Stock. During the six months ended June 30, 2023, 559,071 stock options were exercised on a cashless basis resulting in the issuance of 213,852 shares of the Company's Common Stock.

Restricted Stock

During the six months ended June 30, 2024, the Company granted the following shares of restricted stock:

- 1,398,395 shares of restricted stock to various employees which vest ratably over the two or three-year periods following the vesting commencement dates, subject to the employees' continuous employment through the applicable vesting dates. The grant-date fair value of these awards was \$11.6 million
- 52,326 shares of restricted stock to an employee which primarily vest on the two-month anniversary following the applicable vesting commencement dates. The grant-date fair value of these awards was \$0.5 million
- 122,663 shares of restricted stock to the Company's non-employee directors which vest approximately one year following the grant date. The grant-date fair value of these awards was \$1.2 million.
- 1,047,291 shares of performance-vested restricted stock units ("Performance RSUs") to certain employees of the Company which will vest on the three-year period following the vesting commencement dates subject to the achievement of specified goals relative to the Company's three-year relative total shareholder return ("Relative TSR") performance versus the Company's defined peer group (the "Peer Group"), which is considered a market condition, and is also subject to the employees' continuous employment through the vesting dates. The grant-date fair value of these awards, using a Monte-Carlo simulation analysis, was \$19.2 million. The payout of shares on the vesting dates are as follows based on the Company's Relative TSR versus the Peer Group (for performance between the stated goals noted below, straight-line interpolation will be applied):
 - Less than 25th Percentile – No payout
 - Greater than or equal to 25th Percentile – 50% of Performance RSUs
 - Equal to 50th Percentile – 100% of Performance RSUs
 - Greater than or equal to 75th Percentile – 200% of Performance RSUs

Activity related to the Company's non-vested restricted stock grants for the six months ended June 30, 2024 is presented below (in thousands, except per share data):

	Number of Shares of Restricted Stock	Weighted-Average Grant Date Fair Value per Share
Non-vested balance, December 31, 2023	2,068	\$ 19.16
Granted	2,621	\$ 12.41
Vested	(636)	\$ 33.27
Forfeited	(47)	\$ 36.48
Non-vested balance, June 30, 2024	4,006	\$ 14.93

Equity-Based Compensation Expense

The Company recorded equity-based compensation expense of \$5.2 million during the three months ended June 30, 2024, of which \$4.4 million and \$0.8 million is included in general and administrative expenses and cost of net revenue, respectively, in the accompanying consolidated statements of operations. The Company recognized equity-based compensation expense of \$6.8 million during the three months ended June 30, 2023, of which \$7.7 million is included in general and administrative expenses in the accompanying consolidated statements of operations. The equity-based

ADAPTHEALTH CORP. AND SUBSIDIARIES**Notes to Interim Consolidated Financial Statements (Unaudited) (Continued)**

compensation expense recognized during the three months ended June 30, 2023 includes a net reduction to expense of \$0.9 million included in cost of net revenue in the accompanying consolidated statements of operations. As a result of the change in the probability assessment of the vesting of certain unvested shares of restricted stock in which vesting was based on the achievement of a performance condition, during the three months ended June 30, 2023, the Company reversed \$2.2 million of previously recognized equity-based compensation expense related to performance conditions no longer deemed probable, which reduced cost of net revenue in the accompanying consolidated statements of operations in that period.

The Company recognized equity-based compensation expense of \$9.8 million during the six months ended June 30, 2024, of which \$8.0 million and \$1.8 million is included in general and administrative expenses and cost of net revenue, respectively, in the accompanying consolidated statements of operations. The Company recognized equity-based compensation expense of \$12.8 million during the six months ended June 30, 2023, of which \$12.3 million and \$0.5 million is included in general and administrative expenses and cost of net revenue, respectively, in the accompanying consolidated statements of operations.

At June 30, 2024, there was \$42.0 million of unrecognized compensation expense related to equity-based compensation awards, which is expected to be recognized over a weighted-average period of 2.2 years.

As previously disclosed, by mutual agreement with the Company, effective June 30, 2023, Stephen Griggs resigned as Chief Executive Officer of the Company. In connection with Mr. Griggs' separation, the Company accelerated the vesting of 78,130 unvested stock options and 143,739 unvested shares of restricted stock which were subject to time-based vesting conditions only. In addition, the Company modified the vesting conditions for 159,555 shares of Performance RSU's to allow for vesting based on the achievement of the applicable Relative TSR, but no longer requires continuous employment through the applicable vesting date. In connection with the accelerated vesting and modification, the Company recognized \$4.0 million of equity-based compensation expense, which is included in general and administrative expenses in the accompanying consolidated statements of operations for the three and six months ended June 30, 2023.

(11) Earnings Per Share

Earnings Per Share ("EPS") is computed by dividing net income by the weighted average number of common shares outstanding during the period on a basic and diluted basis. The Company computes diluted net income per share using the more dilutive of the treasury stock method and the two-class method after giving effect to all potential dilutive Common Stock.

The Company's potentially dilutive securities include potential common shares related to outstanding warrants, unvested restricted stock, outstanding stock options and outstanding preferred stock. See Note 10, *Stockholders' Equity*, for additional discussion of these potential dilutive securities.

Diluted net income per share considers the impact of potentially dilutive securities except when the potential common shares have an antidilutive effect. The Company's outstanding preferred stock are considered participating securities, thus requiring the two-class method of computing diluted net income per share. Computation of diluted net income per share under the two-class method excludes from the numerator any dividends paid or owed on participating securities and any undistributed earnings considered to be attributable to participating securities. The related participating securities are similarly excluded from the denominator.

ADAPTHEALTH CORP. AND SUBSIDIARIES

Notes to Interim Consolidated Financial Statements (Unaudited) (Continued)

Computations of basic and diluted net income per share were as follows (in thousands, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Numerator				
Net income attributable to AdaptHealth Corp.	\$ 19,435	\$ 13,977	\$ 17,301	\$ 29,684
Less: Earnings allocated to participating securities ⁽¹⁾	1,656	1,182	1,475	2,508
Net income for basic EPS	\$ 17,779	\$ 12,795	\$ 15,826	\$ 27,176
Change in fair value of warrant liability ⁽²⁾	—	—	—	(22,726)
Net income for diluted EPS	\$ 17,779	\$ 12,795	\$ 15,826	\$ 4,450
Denominator ⁽¹⁾⁽²⁾				
Basic weighted-average common shares outstanding	133,218	134,295	133,066	134,409
Add: Warrants ⁽²⁾	—	—	—	857
Add: Stock options	298	833	235	1,552
Add: Unvested restricted stock	2,513	1,105	2,397	1,182
Diluted weighted-average common shares outstanding	136,029	136,233	135,698	138,000
Basic net income per share	\$ 0.13	\$ 0.10	\$ 0.12	\$ 0.20
Diluted net income per share	\$ 0.13	\$ 0.09	\$ 0.12	\$ 0.03

(1) The Company's preferred stock are considered participating securities. Computation of EPS under the two-class method excludes from the numerator any dividends paid or owed on participating securities and any undistributed earnings considered to be attributable to participating securities. The related participating securities are similarly excluded from the denominator.

(2) For the six months ended June 30, 2023, the impact to earnings from the change in fair value of the Company's warrant liability is excluded from the numerator, and the corresponding security is included in the denominator, for purposes of computing diluted net income per share. This adjustment is included as the effect of the numerator and denominator adjustment for this derivative instrument is dilutive as a result of the non-cash gain recorded for the change in fair value of this instrument during the period. For the six months ended June 30, 2024 and the three months ended June 30, 2024 and 2023, this adjustment is excluded from the computation of diluted net income per share under the treasury stock method since its inclusion would have been anti-dilutive.

The table below provides the weighted-average number of potential common shares associated with outstanding securities not included in the Company's computation of diluted net income per share for the three and six months ended June 30, 2024 and 2023 because to do so would be antidilutive (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Preferred Stock	12,406	12,406	12,406	12,406
Warrants	3,872	—	3,872	—
Stock options	2,200	2,219	2,263	468
Unvested restricted stock	1,431	—	1,547	—
Total	19,909	14,625	20,088	12,874

ADAPTHEALTH CORP. AND SUBSIDIARIES

Notes to Interim Consolidated Financial Statements (Unaudited) (Continued)

(12) Leases

The Company leases its operating locations and office facilities under noncancelable lease agreements which expire at various dates through May 2038. Some of these lease agreements include an option to renew at the end of the term. The Company also leases certain office facilities on a month-to-month basis. In some instances, the Company is also required to pay its pro rata share of real estate taxes and utility costs in connection with the premises. Some of the leases contain fixed annual increases of minimum rent.

The Company's leases frequently allow for lease payments that could vary based on factors such as inflation and the incurrence of contractual charges such as those for common area maintenance or utilities.

Renewal and/or early termination options are common in the lease arrangements, particularly with respect to real estate leases. The Company's right-of-use ("ROU") assets and lease liabilities generally include periods covered by renewal options and exclude periods covered by early termination options (based on the conclusion that it is reasonably certain that the Company will exercise such renewal options and not exercise such early termination options).

The Company is also party to certain sublease arrangements related to real estate leases, where the Company acts as the lessee and intermediate lessor.

The Company leases certain of its vehicles through finance leases. The finance lease obligations represent the present value of minimum lease payments under the respective agreement, payable monthly at various interest rates.

The following table presents information about lease costs and expenses and sublease income for the three and six months ended June 30, 2024 and 2023 (in thousands). The amounts below, with the exception of interest on lease liabilities, are included in cost of net revenue in the accompanying consolidated statements of operations for the periods presented. The interest on lease liabilities is included in interest expense, net in the accompanying consolidated statements of operations for the periods presented.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Operating lease costs	\$ 10,391	\$ 10,598	\$ 21,395	\$ 21,072
Finance lease costs:				
Amortization of ROU assets	\$ 2,538	\$ 2,477	\$ 4,793	\$ 3,007
Interest on lease liabilities	\$ 551	\$ —	\$ 1,058	\$ —
Other lease costs and income:				
Variable leases costs ⁽¹⁾	\$ 6,195	\$ 4,538	\$ 12,067	\$ 10,559
Sublease income	\$ 257	\$ 409	\$ 537	\$ 787

⁽¹⁾ Amounts represent variable costs incurred that were not included in the initial measurement of the lease liability such as common area maintenance and utilities costs associated with leased real estate.

ADAPTHEALTH CORP. AND SUBSIDIARIES

Notes to Interim Consolidated Financial Statements (Unaudited) (Continued)

The following table provides the weighted average remaining lease terms and weighted average discount rates for the Company's leases as of June 30, 2024 and December 31, 2023:

	June 30, 2024	December 31, 2023
Weighted average remaining lease term, weighted based on lease liability balances:		
Operating leases	5.2 years	5.6 years
Finance leases	3.4 years	3.6 years
Weighted average discount rate, weighted based on remaining balance of lease payments:		
Operating leases	4.7 %	4.4 %
Finance leases	6.8 %	6.7 %

The following table provides the undiscounted amount of future cash flows related to the Company's operating and finance leases, as well as a reconciliation of such undiscounted cash flows to the amounts included in the Company's lease liabilities as of June 30, 2024 (in thousands):

	Operating Leases	Finance Leases
2024	\$ 18,180	\$ 6,896
2025	31,854	13,177
2026	23,396	11,973
2027	15,392	8,335
2028	12,027	1,451
Thereafter	24,776	156
Total future undiscounted lease payments	\$ 125,625	\$ 41,988
Less: amount representing interest	(14,591)	(4,468)
Present value of future lease payments (lease liability)	\$ 111,034	\$ 37,520

The following table provides certain cash flow and supplemental non-cash information related to the Company's lease liabilities for the six months ended June 30, 2024 and 2023, respectively (in thousands):

	Six Months Ended June 30,	
	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash payments for operating leases	\$ 21,432	\$ 20,847
Financing cash payments for finance leases	\$ 4,890	\$ 3,679
Lease liabilities arising from obtaining right-of-use assets:		
Operating leases	\$ 15,967	\$ 5,112
Finance leases	\$ 10,895	\$ 12,203

(13) Income Taxes

The Company is subject to U.S. federal, state, and local income taxes. For the three months ended June 30, 2024 and 2023, the Company recorded income tax expense of \$7.2 million and \$5.4 million, respectively. For the six months ended June 30, 2024 and 2023, the Company recorded income tax expense of \$13.9 million and \$3.7 million, respectively. For the six months ended June 30, 2024, the Company recognized a \$1.0 million income tax benefit, and corresponding increase to net deferred tax assets, related to non-cash goodwill impairment charges totaling \$13.1 million. See Note 5, *Goodwill and Identifiable Intangible Assets*, for additional details.

ADAPTHEALTH CORP. AND SUBSIDIARIES**Notes to Interim Consolidated Financial Statements (Unaudited) (Continued)**

As of June 30, 2024 and December 31, 2023, the Company had an unrecognized tax benefit of \$5.2 million and \$6.6 million, respectively.

Tax Receivable Agreement

AdaptHealth Corp. is party to a Tax Receivable Agreement ("TRA") with certain current and former members of AdaptHealth Holdings LLC, a Delaware limited liability company ("AdaptHealth Holdings"). The TRA provides for the payment by AdaptHealth Corp. of 85% of the tax savings, if any, that AdaptHealth Corp. realizes (or is deemed to realize in certain circumstances) as a result of (i) certain tax attributes of the corresponding sellers existing prior to the Business Combination; (ii) certain increases in tax basis resulting from exchanges of New AdaptHealth Units and shares of Class B Common Stock; (iii) imputed interest deemed to be paid by the Company as a result of payments it makes under the TRA; and (iv) certain increases in tax basis resulting from payments the Company makes under the TRA. Under the TRA, the benefits deemed realized by the Company as a result of the increase in tax basis attributable to the AdaptHealth Holdings members generally will be computed by comparing the actual income tax liability of the Company to the amount of such taxes that the Company would have been required to pay had there been no such increase in tax basis.

At June 30, 2024, the Company's liability relating to the TRA was \$290.2 million, of which \$24.3 million and \$265.9 million is included in other current liabilities and other long-term liabilities, respectively, in the accompanying consolidated balance sheets. At December 31, 2023, the Company's liability relating to the TRA was \$291.6 million, of which \$1.5 million and \$290.1 million is included in other liabilities and other long-term liabilities, respectively, in the accompanying consolidated balance sheets.

(14) Commitments and Contingencies

In the normal course of business, the Company is subject to loss contingencies, such as legal proceedings and claims arising out of its business that cover a wide range of matters. In accordance with FASB ASC Topic 450, *Accounting for Contingencies*, the Company records accruals for such loss contingencies when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. If there is no probable estimate within a range of reasonably possible outcomes, the Company's policy is to record at the low end of the range of such reasonably possible outcomes. Significant judgment is required to determine both probability and the estimated amount. The Company reviews its accruals at least quarterly and adjusts accordingly to reflect the impact of negotiations, settlements, rulings, advice of legal counsel, and updated information. At this time, the Company has no material accruals related to lawsuits, claims, investigations and proceedings, except as disclosed below. While there can be no assurance, based on the Company's evaluation of information currently available, the Company's management believes any liability that may ultimately result from resolution of such loss contingencies will not have a material adverse effect on the Company's financial conditions or results of operations. However, the Company's assessment may be affected by limited information. Accordingly, the Company's assessment may change in the future based upon availability of new information and further developments in the proceedings of such matters. The results of legal proceedings are inherently uncertain, and material adverse outcomes are possible. Professional legal fees are expensed as they are incurred.

On July 29, 2021, Robert Charles Faille Jr., a purported shareholder of the Company, filed a purported class action complaint against the Company and certain of its current and former officers in the United States District Court for the Eastern District of Pennsylvania for alleged violations of the federal securities laws arising from allegedly false and misleading statements and/or failures to disclose material information regarding changes made to the methodology used to calculate the Company's organic growth trajectory. On October 14, 2021, the court appointed Delaware County Employees Retirement System and the Bucks County Employees Retirement System as Lead Plaintiffs. On November 22, 2021, Lead Plaintiffs filed a consolidated complaint against the Company and certain of its current and former officers and directors on behalf of shareholders that purchased or otherwise acquired the Company's stock and options between November 8, 2019 and July 16, 2021 (as to the complaint, the "Consolidated Complaint"; as to the action, the "Consolidated Class Action"). The Consolidated Complaint generally alleged that the defendants violated federal securities laws by making allegedly false and misleading statements and/or failing to disclose material information regarding changes made to the methodology used to calculate the Company's organic growth trajectory and the Company's former Co-CEO's alleged tax fraud arising from certain past private activity. The Consolidated Complaint sought unspecified damages. On January 20, 2022, the defendants filed a motion to dismiss the Consolidated Complaint, which the court denied on June 9, 2022. On June 7, 2023, the court entered an order staying the Consolidated Class Action pending the outcome of a private mediation between the parties.

ADAPTHEALTH CORP. AND SUBSIDIARIES**Notes to Interim Consolidated Financial Statements (Unaudited) (Continued)**

On February 26, 2024, the defendants entered into a stipulation and agreement of settlement with the Lead Plaintiffs (the "Securities Settlement"). On March 5, 2024, the court granted preliminary approval of the settlement. On July 10, 2024, the court entered a judgment approving the class action settlement. The judgment certified the putative class for settlement purpose, found that the settlement is fair, reasonable, and adequate in all respects, and subject to certain exclusions and limitations, releases claims on behalf of the settlement class that were asserted or could have been asserted in the Consolidated Class Action against the defendants. Subject to any appeals, the judgment will become final under the Securities Settlement within 30 days of entry. The Company's portion of the settlement consists of (i) \$32.2 million of cash from the Company's insurance carriers; (ii) \$17.8 million of cash from the Company; (iii) 1 million shares of the Company's Common Stock (the "Settlement Shares"), which had a fair value of \$7.3 million recognized at December 31, 2023; and (iv) the implementation of certain corporate governance reforms. All of the aforementioned cash consideration has been paid consistent with the Securities Settlement during the six months ended June 30, 2024.

For the six months ended June 30, 2024, the Company recognized a pre-tax expense of \$2.4 million for the change in fair value of the Settlement Shares, which is included in other loss, net in the accompanying consolidated statements of operations. As of June 30, 2024, the Company recorded a liability of \$9.7 million relating to the Settlement Shares; such liability is included in accounts payable and accrued expenses in the accompanying consolidated balance sheets. In July 2024, the Company issued the Settlement Shares from available Treasury Stock. In connection with the issuance, in the third quarter of 2024, the Company expects to eliminate the \$9.7 million liability through a reduction to Treasury Stock and Additional paid-in capital of \$17.7 million and \$8.0 million, respectively.

On March 7, 2024, the Company entered into a settlement agreement with its directors and officers liability insurers to resolve a proceeding that the Company filed in Delaware Superior Court concerning coverage in connection with the Consolidated Class Action and the Derivative Action discussed immediately below. If the Securities Settlement becomes final, the insurance settlement will exhaust \$35.0 million in D&O coverage limits available to the Company for the policy period from November 8, 2020 to November 8, 2021. There can be no assurance that the conditions to closing will be satisfied, and the actual outcome of this matter may differ materially from the terms of the settlement described herein.

On December 6, 2021, a putative shareholder of the Company, Carol Hessler (the "Derivative Plaintiff"), filed a shareholder derivative complaint against certain current and former directors and officers of the Company in the United States District Court for the Eastern District of Pennsylvania (as to the complaint, the "Derivative Complaint"; as to the action, the "Derivative Action"). The Derivative Complaint generally alleges that the defendants breached their fiduciary duties owed to the Company by, among other things, allegedly causing or allowing misrepresentations and/or omissions regarding changes made to the methodology used to calculate the Company's organic growth and the Company's former Co-CEO's alleged criminal activity and engaging in insider trading. The Derivative Complaint also alleges claims for waste of corporate assets and unjust enrichment. Finally, the Derivative Complaint alleges that certain of the individual defendants violated Section 14(a) of the Securities Exchange Act by allegedly negligently issuing, causing to be issued, and participating in the issuance of materially misleading statements to stockholders in the Company's Proxy Statements on Schedule DEF 14A in connection with a Special Meeting of Stockholders, held on March 3, 2021, and the 2021 Annual Meeting of Stockholders, held on July 27, 2021. The Derivative Complaint seeks, among other things, an award of money damages.

On March 4, 2022, the parties to the Derivative Action stipulated to stay the Derivative Action pending final resolution of the Consolidated Class Action. On March 7, 2022, the court so-ordered the parties' stipulation.

On April 23, 2024, defendants entered into a stipulation and agreement of settlement with the Derivative Plaintiff. In exchange for full releases, the proposed settlement consists of (i) \$0.9 million in attorneys' fees and expenses, which will be funded with cash from the Company; and (ii) the implementation of corporate governance reforms separate from those negotiated in Securities Settlement. For the six months ended June 30, 2024, the Company recorded a pre-tax expense of \$0.9 million associated with the settlement, which is included in other loss, net in the accompanying consolidated statements of operations. As of June 30, 2024, the Company recorded a liability of \$0.9 million relating to the settlement; such liability is included in accounts payable and accrued expenses in the accompanying consolidated balance sheets.

On June 25, 2024, the court granted preliminary approval of the settlement, and set the final approval hearing for November 13, 2024. Upon the effectiveness of the proposed settlement, the Company and its directors and officers as well as the other defendants named in the Derivative Complaint will be released from the claims that were asserted or could have been asserted in the Derivative Action, with certain limitations, by class members participating in the settlement. The

ADAPTHEALTH CORP. AND SUBSIDIARIES**Notes to Interim Consolidated Financial Statements (Unaudited) (Continued)**

Company has always maintained, and continues to believe, that it did not engage in any wrongdoing or otherwise commit any violation of federal or state securities laws or other laws. The settlement includes no admission of liability or wrongdoing and is subject to court approval. There can be no assurance that the settlement will be finalized and approved and, even if approved, whether the conditions to settlement will be satisfied, and the actual outcome of this matter may differ materially from the terms of the settlement described herein.

On May 2, 2022, the U.S. Attorney's Office for the Southern District of New York issued a civil investigative demand to a subsidiary of the Company, pursuant to the False Claims Act, 31 U.S.C. § 3733 ("FCA") surrounding whether the subsidiary submitted false claims in violation of the FCA related to its billing of, and reimbursements from, federal health care programs for ventilators provided to patients from January 1, 2015 to the present. The Company is fully cooperating with the investigation. Given the stage of the investigation, it is not possible to determine whether it will have a material adverse effect on the Company.

On October 24, 2023, Allegheny County Employees' Retirement System, a purported shareholder of the Company, filed a purported class action complaint against the Company and certain of its current and former officers, and certain underwriters in the United States District Court for the Eastern District of Pennsylvania. On January 23, 2024, the court entered an order appointing Allegheny County Employees' Retirement System, International Union of Operating Engineers, Local No. 793, Members Pension Benefit Trust of Ontario, and City of Tallahassee Pension Plan as Lead Plaintiffs. On May 14, 2024, Lead Plaintiffs filed a consolidated complaint against the Company and certain of its current and former officers and directors, and certain underwriters, on behalf of shareholders that purchased or otherwise acquired the Company's stock between August 4, 2020 and November 7, 2023 (as to the complaint the "Allegheny County Consolidated Complaint"; as to the action, the "Allegheny County Consolidated Class Action"). The Allegheny County Consolidated Complaint alleges, among other things, that the defendants violated federal securities laws by making allegedly false and misleading statements and/or failing to disclose material information regarding (i) the Company's billing practices with respect to its diabetes business, and (ii) the Company's compliance programs and integration with respect to acquired companies. The Allegheny County Consolidated Complaint seeks unspecified damages. On July 23, 2024, the defendants filed a motion to dismiss the Allegheny County Consolidated Complaint. Plaintiffs' opposition brief is due to be filed on October 1, 2024; and defendants' reply brief is due to be filed on November 15, 2024.

The Company intends to vigorously defend against the allegations contained in the Allegheny County Complaint, but there can be no assurance that the defense will be successful.

On March 20, 2024, a putative shareholder of the Company, Weiding Wu, filed a shareholder derivative complaint related to the allegations in the Allegheny County Complaint, and against certain current and former directors and officers of the Company in the United States District Court for the Eastern District of Pennsylvania (as to the complaint, the "Wu Derivative Complaint"; as to the action, the "Wu Derivative Action"). The Wu Derivative Complaint alleges, among other things, that the defendants breached their fiduciary duties and violated federal securities laws by making allegedly false and misleading statements and/or failing to disclose material information regarding the Company's organic growth in its diabetes business. The Wu Derivative Complaint also alleges claims for unjust enrichment, waste of corporate assets, abuse of control, and gross mismanagement. The Derivative Complaint seeks, among other things, an award of money damages.

On July 25, 2024, the parties to the Wu Derivative Action stipulated to stay the Wu Derivative Action pending final resolution of the Allegheny County Consolidated Class Action. On July 26, 2024, the court so-ordered the parties' stipulation.

The Company intends to vigorously defend against the allegations contained in the Wu Derivative Complaint, but there can be no assurance that the defense will be successful.

(15) Related Party Transactions

The Company and one of its executive officers and shareholder own an equity interest in a vendor of the Company that provides automated order intake software. The individual's equity ownership is less than 1%. The expense related to this vendor was \$3.6 million and \$2.7 million for the three months ended June 30, 2024 and 2023, respectively, and \$7.1 million and \$5.0 million for the six months ended June 30, 2024 and 2023, respectively. The Company accounts for this investment under the cost method of accounting based on its level of equity ownership. As of June 30, 2024 and December 31, 2023, the Company had an immaterial outstanding accounts payable balance to this vendor.

ADAPTHEALTH CORP. AND SUBSIDIARIES**Notes to Interim Consolidated Financial Statements (Unaudited) (Continued)**

A director of the Company serves on the board of directors of a third-party payor that does business with the Company in the normal course of providing services to patients. Net revenue from this third-party payor was approximately 1.0% of the Company's consolidated net revenue during the three and six months ended June 30, 2024 and 2023. As of June 30, 2024 and December 31, 2023, the Company had an immaterial outstanding accounts receivable balance from this third-party payor.

A director of the Company is an employee of a beneficial owner of more than 5% of the Company's Common Stock as of June 30, 2024. This beneficial owner is also a minority shareholder of a vendor that provides medical equipment and supplies to the Company in the normal course of business. Payments to this vendor were \$27.8 million and \$9.4 million for the three months ended June 30, 2024 and 2023, respectively, and \$28.2 million and \$20.6 million, for the six months ended June 30, 2024 and 2023, respectively. As of June 30, 2024 and December 31, 2023, the Company had an immaterial outstanding accounts payable balance to this vendor.

(16) Subsequent Events

The Company evaluated subsequent events for the period from June 30, 2024 through the date that the Company's consolidated financial statements were available to be issued. There were no subsequent events requiring adjustment to the Company's consolidated financial statements or additional disclosure.

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

The following discussion should be read in conjunction with AdaptHealth Corp.'s ("AdaptHealth" or the "Company") consolidated financial statements and the accompanying notes included in this report. All amounts presented are in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"), except as noted. In addition to historical information, this discussion contains forward-looking statements that involve risks, uncertainties and assumptions that could cause actual results to differ materially from management's expectations. Factors that could cause such differences include, but are not limited to, those discussed in Item 1A, "Risk Factors", in our 2023 Annual Report on Form 10-K filed with the SEC on February 27, 2024. Certain amounts that appear in this section may not sum due to rounding.

AdaptHealth Corp. Overview

AdaptHealth is a national leader in providing patient-centered, healthcare-at-home solutions including home medical equipment ("HME"), medical supplies, and related services. The Company focuses primarily on providing (i) sleep therapy equipment, supplies and related services (including CPAP and bi PAP services) to individuals suffering from obstructive sleep apnea ("OSA"), (ii) medical devices and supplies to patients for the treatment of diabetes (including continuous glucose monitors and insulin pumps), (iii) home medical equipment to patients discharged from acute care and other facilities, (iv) oxygen and related chronic therapy services in the home, and (v) other HME devices and supplies on behalf of chronically ill patients with wound care, urological, incontinence, ostomy and nutritional supply needs. The Company services beneficiaries of Medicare, Medicaid and commercial insurance payors. As of June 30, 2024, AdaptHealth serviced approximately 4.2 million patients annually in all 50 states through its network of approximately 670 locations in 47 states. The Company's principal executive offices are located at 220 West Germantown Pike, Suite 250, Plymouth Meeting, Pennsylvania 19462.

Impact of Inflation

The cost to manufacture and distribute the equipment and products that AdaptHealth provides to patients is influenced by the cost of materials, labor, and transportation, including fuel costs. Current and future inflationary effects may be driven by, among other things, general inflationary cost increases, supply chain disruptions and governmental stimulus or fiscal policies. Increases in inflation could impact the overall demand for AdaptHealth's products and services, availability of materials, its costs for labor, equipment and products, shipping, warehousing and other operational overhead and the margins it is able to realize on its products, all of which could have an adverse impact on AdaptHealth's business, financial position, results of operations and cash flows. Additionally, it is not certain whether AdaptHealth would be able to pass increased costs onto customers to offset inflationary pressures. AdaptHealth has experienced inflationary pressure and higher costs as a result of increased cost of materials, labor and transportation. The increase in the cost of equipment and products is due in part to higher cost of shipping and general inflationary cost increases. Although there have been increases in inflation, AdaptHealth cannot predict whether these trends will continue. AdaptHealth's mitigation efforts relating to these inflationary pressures include utilizing AdaptHealth's purchasing power in negotiations with vendors and the increased use of technology to drive operating efficiencies and control costs, such as AdaptHealth's digital platform for prescriptions, orders and delivery.

Key Components of Operating Results

Net Revenue. Net revenue is recognized for services and related products that AdaptHealth provides to patients for home healthcare equipment, medical supplies to the home and related services. AdaptHealth's primary product lines are (i) sleep therapy equipment, supplies and related services (including CPAP and bi PAP services) to individuals suffering from OSA, (ii) medical devices and supplies to patients for the treatment of diabetes (including continuous glucose monitors and insulin pumps), (iii) home medical equipment to patients discharged from acute care and other facilities, (iv) oxygen and related chronic therapy services in the home, and (v) other HME devices and supplies on behalf of chronically ill patients with wound care, urological, incontinence, ostomy and nutritional supply needs. Revenues are recognized either at a point in time for the sale of supplies and disposables, over the service period for equipment rental (including, but not limited to, CPAP machines, hospital beds, wheelchairs and other equipment), net of implicit price concessions for amounts estimated to be received from patients or under reimbursement arrangements with Medicare, Medicaid and other third-party payors, including private insurers, or in the month in which eligible members are entitled to receive healthcare services in connection with at-risk capitation arrangements. Certain trends or uncertainties that may have a material impact on revenue growth and operating results include the Company's ability to obtain new patient starts and to generate referrals from patient referral sources and the ability to meet the increased demand considering inflationary pressures.

Cost of Net Revenue. Cost of net revenue primarily includes the cost of non-capitalized medical equipment and supplies, distribution expenses, labor costs, facilities and vehicle rental costs, revenue cycle management costs and depreciation for capitalized patient equipment. Distribution expenses represent the cost incurred to coordinate and deliver products and services to the patients. Included in distribution expenses are leasing, maintenance, licensing and fuel costs for the vehicle fleet; salaries, benefits and other costs related to drivers and dispatch personnel; and amounts paid to couriers.

General and Administrative Expenses. General and administrative expenses consist of corporate support costs including information technology, human resources, finance, contracting, legal, compliance, equity-based compensation, and other administrative costs.

Depreciation and Amortization, Excluding Patient Equipment Depreciation. Depreciation expense includes depreciation charges for capital assets other than patient equipment (which is included as part of the cost of net revenue). Amortization expense includes amortization of identifiable intangible assets.

Factors Affecting AdaptHealth's Operating Results

AdaptHealth's operating results and financial performance are influenced by certain unique events during the periods discussed herein, including the following:

Goodwill Impairment

AdaptHealth has a significant amount of goodwill on its balance sheet that resulted from the business acquisitions AdaptHealth has made. Goodwill is not amortized, rather, it is assessed for impairment annually and upon the occurrence of a triggering event or change in circumstances indicating a possible impairment. Such triggering events potentially warranting an annual or interim goodwill impairment assessment include, among other factors, declines in historical or projected revenue, operating income or cash flows, and sustained decreases in AdaptHealth's stock price or market capitalization. Such changes in circumstance can include, among others, changes in the legal environment, reimbursement environment, operating performance, and/or future prospects. AdaptHealth performs its annual impairment assessment of goodwill during the fourth quarter of each year. The impairment assessment can be performed on either a quantitative or qualitative basis. AdaptHealth first assesses qualitative factors to determine whether it is necessary to perform a quantitative goodwill impairment analysis. If determined necessary, AdaptHealth applies the quantitative impairment test to identify and measure the amount of impairment, if any. Fair value determinations require considerable judgment and are sensitive to changes in underlying assumptions and factors, such as estimates of a reporting unit's fair value, including the revenue growth rates, discount rate, and control premium used to estimate the reporting unit's fair value, and judgment about impairment triggering events. As a result, there can be no assurance that the estimates and assumptions made for purposes of the annual or interim goodwill impairment test will prove to be accurate predictions of the future.

Seasonality

AdaptHealth's business experiences some seasonality. Its patients are generally responsible for a greater percentage of the cost of their treatment or therapy during the early months of the year due to co-insurance, co-payments and deductibles, and therefore may defer treatment and services of certain therapies until meeting their annual deductibles. In addition, changes to employer insurance coverage often go into effect at the beginning of each calendar year which may impact eligibility requirements and delay or defer treatment. Also, net revenue generated by the Company's diabetes product line is typically higher in the fourth quarter compared to the earlier part of the year due to the timing of when patients meet their annual deductibles and their associated reordering patterns. These factors may lead to lower net revenue and cash flow in the early part of the year versus the latter half of the year. Additionally, the increased incidence of respiratory infections during the winter season may result in initiation of additional respiratory services such as oxygen therapy for certain patient populations. AdaptHealth's quarterly operating results may fluctuate significantly in the future depending on these and other factors.

Key Business Metrics

AdaptHealth focuses on Net revenue, EBITDA, Adjusted EBITDA and free cash flow as it reviews its performance. Refer to EBITDA, Adjusted EBITDA and free cash flow included in the Non-GAAP measures section below.

Total net revenue is comprised of net sales revenue, net revenue from fixed monthly equipment reimbursements, and net revenue from capitated revenue arrangements. Net sales revenue consists of revenue recognized at a point in time for the sale of supplies and disposables. Net revenue from fixed monthly equipment reimbursements consists of revenue recognized over the service period for equipment (including, but not limited to, CPAP machines, oxygen concentrators, ventilators, hospital beds, wheelchairs and other equipment). Net revenue from capitated revenue arrangements consists of revenue recognized in the month in which eligible members are entitled to receive healthcare services in connection with at-risk capitation arrangements.

Net Revenue (dollars in thousands)	Three Months Ended			
	June 30, 2024		June 30, 2023	
	Dollars	Revenue Percentage	Dollars	Revenue Percentage
(Unaudited)				
Net sales revenue:				
Sleep	\$ 233,361	29.0 %	\$ 215,849	27.2 %
Diabetes	147,261	18.3 %	165,021	20.8 %
Supplies to the home	44,265	5.5 %	48,323	6.1 %
Respiratory	7,871	1.0 %	8,191	1.0 %
HME	25,963	3.2 %	27,237	3.4 %
Other	57,684	7.1 %	57,012	7.2 %
Total net sales revenue	\$ 516,405	64.1 %	\$ 521,633	65.8 %
Net revenue from fixed monthly equipment reimbursements:				
Sleep	\$ 82,053	10.2 %	\$ 86,783	10.9 %
Diabetes	2,382	0.3 %	3,886	0.5 %
Respiratory	138,899	17.2 %	145,889	18.4 %
HME	23,355	2.9 %	23,974	3.0 %
Other	11,637	1.4 %	11,121	1.4 %
Total net revenue from fixed monthly equipment reimbursements	\$ 258,326	32.0 %	\$ 271,653	34.2 %
Net revenue from capitated revenue arrangements:				
Sleep	\$ 6,976	0.9 %	\$ —	— %
Diabetes	1,546	0.2 %	—	— %
Supplies to the home	3,080	0.4 %	—	— %
Respiratory	14,456	1.8 %	—	— %
HME	3,712	0.5 %	—	— %
Other	1,474	0.1 %	—	— %
Total net revenue from capitated revenue arrangements	\$ 31,244	3.9 %	\$ —	— %
Total net revenue:				
Sleep	\$ 322,390	40.1 %	\$ 302,632	38.1 %
Diabetes	151,189	18.8 %	168,907	21.3 %
Supplies to the home	47,345	5.9 %	48,323	6.1 %
Respiratory	161,226	20.0 %	154,080	19.4 %
HME	53,030	6.6 %	51,211	6.5 %
Other	70,795	8.6 %	68,133	8.6 %
Total net revenue	\$ 805,975	100.0 %	\$ 793,286	100.0 %

Net Revenue (dollars in thousands)	Six Months Ended			
	June 30, 2024		June 30, 2023	
	Dollars	Revenue Percentage	Dollars	Revenue Percentage
(Unaudited)				
Net sales revenue:				
Sleep	\$ 458,887	28.7 %	\$ 429,306	27.9 %
Diabetes	294,240	18.4 %	307,565	20.0 %
Supplies to the home	88,913	5.6 %	94,878	6.2 %
Respiratory	15,575	1.0 %	16,120	1.0 %
HME	51,585	3.2 %	55,800	3.6 %
Other	113,345	7.0 %	110,219	7.2 %
Total net sales revenue	<u>\$ 1,022,545</u>	<u>63.9 %</u>	<u>\$ 1,013,888</u>	<u>65.9 %</u>
Net revenue from fixed monthly equipment reimbursements:				
Sleep	\$ 162,743	10.2 %	\$ 167,705	10.9 %
Diabetes	4,661	0.3 %	7,717	0.5 %
Respiratory	276,131	17.3 %	280,612	18.2 %
HME	45,921	2.9 %	46,315	3.0 %
Other	23,208	1.4 %	21,675	1.4 %
Total net revenue from fixed monthly equipment reimbursements	<u>\$ 512,664</u>	<u>32.1 %</u>	<u>\$ 524,024</u>	<u>34.1 %</u>
Net revenue from capitated revenue arrangements:				
Sleep	\$ 14,028	0.9 %	\$ —	— %
Diabetes	3,144	0.2 %	—	— %
Supplies to the home	6,290	0.4 %	—	— %
Respiratory	29,582	1.9 %	—	— %
HME	7,210	0.5 %	—	— %
Other	3,009	0.1 %	—	— %
Total net revenue from capitated revenue arrangements	<u>\$ 63,263</u>	<u>4.0 %</u>	<u>\$ —</u>	<u>— %</u>
Total net revenue:				
Sleep	\$ 635,658	39.8 %	\$ 597,011	38.8 %
Diabetes	302,045	18.9 %	315,282	20.5 %
Supplies to the home	95,203	6.0 %	94,878	6.2 %
Respiratory	321,288	20.2 %	296,732	19.3 %
HME	104,716	6.6 %	102,115	6.6 %
Other	139,562	8.5 %	131,894	8.6 %
Total net revenue	<u>\$ 1,598,472</u>	<u>100.0 %</u>	<u>\$ 1,537,912</u>	<u>100.0 %</u>

Results of Operations

Comparison of Three Months Ended June 30, 2024 and Three Months Ended June 30, 2023.

The following table summarizes AdaptHealth's consolidated results of operations for the three months ended June 30, 2024 and 2023:

(in thousands, except percentages)	Three Months Ended June 30,					
	2024		2023		Increase/(Decrease)	
	Dollars	Revenue Percentage	Dollars	Revenue Percentage	Dollars	Percentage
	(unaudited)					
Net revenue	\$ 805,975	100.0%	\$ 793,286	100.0%	\$ 12,689	1.6%
Costs and expenses:						
Costs of net revenue:	678,973	84.2%	673,397	84.9%	5,576	0.8%
General and administrative expenses	57,012	7.1%	50,078	6.3%	6,934	13.8%
Depreciation and amortization, excluding patient equipment depreciation	11,395	1.4%	15,549	2.0%	(4,154)	(26.7)%
Goodwill impairment	6,548	0.8%	—	— %	6,548	— %
Total costs and expenses	753,928	93.5%	739,024	93.2%	14,904	2.0%
Operating income	52,047	6.5%	54,262	6.8%	(2,215)	(4.1) %
Interest expense, net	33,038	4.1%	32,552	4.1%	486	1.5%
Change in fair value of warrant liability	(7,010)	(0.9)%	(812)	(0.1) %	(6,198)	763.3%
Other (income) loss, net	(1,760)	(0.2)%	2,082	0.3 %	(3,842)	(184.5)%
Income before income taxes	27,779	3.4%	20,440	2.6%	7,339	35.9 %
Income tax expense	7,248	0.9%	5,399	0.7%	1,849	34.2%
Net income	20,531	2.5%	15,041	1.9%	5,490	36.5 %
Income attributable to noncontrolling interest	1,096	0.1%	1,064	0.1 %	32	3.0%
Net income attributable to AdaptHealth Corp.	\$ 19,435	2.4%	\$ 13,977	1.8%	\$ 5,458	39.0 %

Net Revenue. The comparability of AdaptHealth's net revenue between periods was impacted by certain factors as described below. The table below presents the items that impacted the change in AdaptHealth's net revenue between periods.

(in thousands, except percentages)	Three Months Ended June 30,	
	Variance 2024 vs. 2023	
	\$	%
Revenue change driver:	(Unaudited)	
Increase from non-acquired growth	\$ 11,882	1.5 %
Increase from acquisitions	807	0.1 %
Total change in net revenue	\$ 12,689	1.6 %

Net revenue for the three months ended June 30, 2024 and 2023 was \$806.0 million and \$793.3 million, respectively, an increase of \$12.7 million, or 1.6%. The increase in net revenue was primarily driven by non-acquired growth of \$11.9 million, as well as acquisitions, which increased revenue by \$0.8 million. Net revenue from AdaptHealth's sleep business increased by \$19.8 million, or 6.5%, for the three months ended June 30, 2024 compared to the prior year period, primarily due to increased patient census driven by strong patient demand for sleep products, including CPAP resupply products. In addition, net revenue from AdaptHealth's respiratory business increased by \$7.1 million, or 4.6%, for the three months ended June 30, 2024 compared to the prior year period, primarily due to increased patient census driven by strong

patient demand for respiratory products. These increases were partially offset by a decrease in net revenue from AdaptHealth's diabetes business, which decreased by \$17.7 million, or 10.5%, for the three months ended June 30, 2024 compared to the prior year period, primarily due to a shift in diabetes patients by certain large commercial insurance and other payors from DME suppliers to dual-benefit and pharmacy-only suppliers, and lower net revenue from insulin pumps and supplies as a result of a shift toward more pumps being sold to patients through the pharmacy channel, as well as the effect from manufacturers bringing additional distribution business in-house and a decrease in CGM supplies patient census.

For the three months ended June 30, 2024, net sales revenue (recognized at a point in time) comprised 64% of total net revenue, compared to 66% of total net revenue for the three months ended June 30, 2023. For the three months ended June 30, 2024, net revenue from fixed monthly equipment reimbursements comprised 32% of total net revenue, compared to 34% of total net revenue for the three months ended June 30, 2023. For the three months ended June 30, 2024, net revenue from capitated revenue arrangements comprised 4% of total net revenue. For the three months ended June 30, 2023, net revenue from capitated revenue arrangements was immaterial, and is included in net sales revenue and net revenue from fixed monthly equipment reimbursements by core product line.

Cost of Net Revenue.

The following table summarizes cost of net revenue for the three months ended June 30, 2024 and 2023:

(in thousands, except percentages)	Three Months Ended June 30,								Increase/(Decrease)			
	2024				2023							
	Revenue			Revenue			Dollars	Percentage	Dollars	Percentage		
	Dollars	Percentage		Dollars	Percentage							
(unaudited)												
Costs of net revenue:												
Cost of products and supplies	\$	313,958	39.0	%	\$	323,548	40.8	%	\$	(9,590)	(3.0)	%
Salaries, labor and benefits		199,967	24.8	%		191,473	24.1	%		8,494	4.4	%
Patient equipment depreciation		79,767	9.9	%		83,747	10.6	%		(3,980)	(4.8)	%
Other operating expenses		67,741	8.4	%		58,131	7.3	%		9,610	16.5	%
Rent and occupancy		17,540	2.2	%		16,498	2.1	%		1,042	6.3	%
Total cost of net revenue	\$	678,973	84.2	%	\$	673,397	84.9	%	\$	5,576	0.8	%

Cost of net revenue for the three months ended June 30, 2024 and 2023 was \$679.0 million and \$673.4 million, respectively, an increase of \$5.6 million or 0.8%. The cost of products and supplies decreased by \$9.6 million primarily as a result of lower net sales revenue and the impact of credits received from a supplier related to certain product recalls which were recognized as a reduction to the cost of products and supplies, which were partially offset by general inflationary cost increases. Salaries, labor and benefits increased by \$8.5 million, primarily due to increased benefits costs and annual merit increases, partially offset by cost savings actions implemented in the second half of 2023 resulting in headcount reductions. Patient equipment depreciation decreased by \$4.0 million, primarily due to lower net revenue from fixed monthly equipment reimbursements, partially offset by higher medical equipment prices. The increase in other operating expenses was primarily due to higher distribution expenses, vehicle rental costs, and revenue cycle management costs.

General and Administrative Expenses. General and administrative expenses for the three months ended June 30, 2024 and 2023 were \$57.0 million and \$50.1 million respectively, an increase of \$6.9 million or 13.8%. This increase is primarily due to higher legal and professional fees, incentive-based compensation, contract labor costs and other non-recurring expenses, partially offset by lower restructuring expenses related to a cost savings program that was implemented in 2023 and, to a lesser extent, equity-based compensation expense. General and administrative expenses as a percentage of net revenue was 7.1% in the 2024 period, compared to 6.3% in the 2023 period. General and administrative expenses in the 2024 period included \$4.5 million of equity-based compensation expense and other non-recurring expenses of \$9.2 million, consisting of \$5.8 million of expenses associated with systems implementation activities, \$1.6 million of expenses associated with litigation, and \$1.8 million of other expenses, primarily related to professional and consulting expenses. General and administrative expenses in the 2023 period included \$7.7 million of equity-based compensation expense and other non-recurring expenses of \$9.5 million, consisting of \$5.5 million of expenses associated with a cost savings program,

\$2.5 million of expenses associated with litigation, \$1.4 million of expenses associated with systems implementation activities, and \$0.1 million of other expenses.

Depreciation and amortization, excluding patient equipment depreciation. Depreciation and amortization, excluding patient equipment depreciation, for the three months ended June 30, 2024 and 2023 was \$11.4 million and \$15.5 million, respectively, a decrease of \$4.2 million, primarily related to lower intangible amortization expense.

Goodwill Impairment. The goodwill impairment charge for the three months ended June 30, 2024 relates to an immaterial business disposal during 2024.

Interest Expense, net. Interest expense, net for the three months ended June 30, 2024 and 2023 was \$33.0 million and \$32.6 million, respectively, an increase of \$0.5 million. Interest expense related to AdaptHealth's credit agreement decreased slightly in 2024 compared to 2023, primarily as a result of lower average outstanding borrowings in 2024 compared to 2023, offset by higher interest rates. Interest expense on AdaptHealth's finance leases increased by \$0.6 million in 2024 compared to 2023.

Change in Fair Value of Warrant Liability. AdaptHealth has outstanding warrants to purchase shares of Common Stock, as discussed in [Note 10, Stockholders' Equity](#), to the accompanying June 30, 2024 interim consolidated financial statements. These warrants are liability-classified, and the change in fair value of the warrant liability represents a non-cash gain in the 2024 and 2023 periods for the change in the estimated fair value of such liability during the respective periods.

Other Income / Loss. Other income for the three months ended June 30, 2024 consisted of a pre-tax gain of \$1.8 million for the change in fair value of shares of AdaptHealth's Common Stock that were issued in July 2024 following final court approval of the settlement of a previously disclosed securities class action lawsuit. See [Note 14, Commitments and Contingencies](#), for additional information. Other loss for the three months ended June 30, 2023 consisted of \$1.4 million of impairments of operating lease right-of-use assets and \$0.7 million of lease termination costs.

Income Tax Expense. Income tax expense for the three months ended June 30, 2024 and 2023 was \$7.2 million and \$5.4 million, respectively. Income tax expense on ordinary income increased due to higher pre-tax income, net of warrant liability fair value adjustments and a goodwill impairment charge.

Comparison of Six Months Ended June 30, 2024 and Six Months Ended June 30, 2023.

The following table summarizes AdaptHealth's consolidated results of operations for the six months ended June 30, 2024 and 2023:

	Six Months Ended June 30,										
	2024				2023						
	Revenue		Revenue		Revenue		Revenue		Increase/(Decrease)		
(in thousands, except percentages)	Dollars	Percentage			Dollars	Percentage			Dollars	Percentage	
	(unaudited)										
Net revenue	\$ 1,598,472	100.0	%	\$	1,537,912	100.0	%	\$	60,560	3.9	%
Costs and expenses:											
Cost of net revenue	1,354,666	84.7	%		1,328,793	86.4	%		25,873	1.9	%
General and administrative expenses	105,390	6.6	%		97,599	6.3	%		7,791	8.0	%
Depreciation and amortization, excluding patient equipment depreciation	22,760	1.4	%		31,081	2.0	%		(8,321)	(26.8)	%
Goodwill impairment	13,078	0.8	%		—	—	%		13,078	—	%
Total costs and expenses	1,495,894	93.6	%		1,457,473	94.8	%		38,421	2.6	%
Operating income	102,578	6.4	%		80,439	5.2	%		22,139	27.5	%
Interest expense, net	65,510	4.1	%		64,507	4.2	%		1,003	1.6	%
Change in fair value of warrant liability	443	—	%		(22,726)	(1.5)	%		23,169	(101.9)	%
Other loss, net	3,345	0.2	%		3,257	0.2	%		88	2.7	%
Income before income taxes	33,280	2.1	%		35,401	2.3	%		(2,121)	(6.0)	%
Income tax expense	13,858	0.9	%		3,685	0.2	%		10,173	276.1	%
Net income	19,422	1.2	%		31,716	2.1	%		(12,294)	(38.8)	%
Income attributable to noncontrolling interest	2,121	0.1	%		2,032	0.1	%		89	4.4	%
Net income attributable to AdaptHealth Corp.	\$ 17,301	1.1	%	\$	29,684	1.9	%	\$	(12,383)	(41.7)	%

Net Revenue. The comparability of AdaptHealth's net revenue between periods was impacted by certain factors as described below. The table below presents the items that impacted the change in AdaptHealth's net revenue between periods.

(in thousands, except percentages)	Six Months Ended June 30,	
	Variance 2024 vs. 2023	
	\$	%
Revenue change driver:	(Unaudited)	
Increase from non-acquired growth	\$ 57,965	3.8 %
Increase from acquisitions	2,595	0.2 %
Total change in net revenue	\$ 60,560	3.9 %

Net revenue for the six months ended June 30, 2024 and 2023 was \$1,598.5 million and \$1,537.9 million, respectively, an increase of \$60.6 million, or 3.9%. The increase in net revenue was primarily driven by non-acquired growth \$58.0 million, as well as acquisitions, which increased revenue by \$2.6 million. Net revenue from AdaptHealth's sleep business increased by \$38.6 million, or 6.5%, for the six months ended June 30, 2024 compared to the prior year period, primarily due to increased patient census driven by strong patient demand for sleep products, including CPAP resupply products. In addition, net revenue from AdaptHealth's respiratory business increased by \$24.6 million, or 8.3%, for the six months ended June 30, 2024 compared to the prior year period, primarily due to increased patient census driven by strong patient demand for respiratory products. These increases were partially offset by a decrease in net revenue from

AdaptHealth's diabetes business, which decreased by \$13.2 million, or 4.2%, for the six months ended June 30, 2024 compared to the prior year period, primarily due to a shift in diabetes patients by certain large commercial insurance and other payors from DME suppliers to dual-benefit and pharmacy-only suppliers, and lower net revenue from insulin pumps and supplies as a result of a shift toward more pumps being sold to patients through the pharmacy channel, as well as the effect from manufacturers bringing additional distribution business in-house, partially offset by higher CGM patient census.

For the six months ended June 30, 2024, net sales revenue comprised 64% of total net revenue, compared to 66% of total net revenue for the six months ended June 30, 2023. For the six months ended June 30, 2024, net revenue from fixed monthly equipment reimbursements comprised 32% of total net revenue, compared to 34% of total net revenue for the six months ended June 30, 2023. For the six months ended June 30, 2024, net revenue from capitated revenue arrangements comprised 4% of total net revenue. For the six months ended June 30, 2023, net revenue from capitated revenue arrangements was immaterial, and is included in net sales revenue and net revenue from fixed monthly equipment reimbursements by core product line.

Cost of Net Revenue.

The following table summarizes cost of net revenue for the six months ended June 30, 2024 and 2023:

	Six Months Ended June 30,											
	2024				2023							
	Revenue			Revenue			Increase/(Decrease)					
(in thousands, except percentages)	Dollars	Percentage		Dollars	Percentage		Dollars	Percentage				
	(unaudited)											
Costs of net revenue:												
Cost of products and supplies	\$	628,820	39.3	%	\$	634,573	41.3	%	\$	(5,753)	(0.9)	%
Salaries, labor and benefits		396,152	24.8	%		385,797	25.1	%		10,355	2.7	%
Patient equipment depreciation		161,278	10.1	%		162,028	10.5	%		(750)	(0.5)	%
Other operating expenses		132,181	8.3	%		112,645	7.3	%		19,536	17.3	%
Rent and occupancy		36,235	2.3	%		33,750	2.2	%		2,485	7.4	%
Total cost of net revenue	\$	1,354,666	84.7	%	\$	1,328,793	86.4	%	\$	25,873	1.9	%

Cost of net revenue for the six months ended June 30, 2024 and 2023 was \$1,354.7 million and \$1,328.8 million, respectively, an increase of \$25.9 million or 1.9%. The cost of products and supplies decreased by \$5.8 million. Slightly higher net sales revenue and general inflationary cost increases resulted in higher costs of products and supplies, however, the impact of credits received from a supplier related to certain product recalls which were recognized as a reduction to the cost of products and supplies contributed to the overall decrease compared to the prior year period. Salaries, labor and benefits increased by \$10.4 million, primarily due to increased benefits costs and annual merit increases, partially offset by cost savings actions implemented in the second half of 2023 resulting in headcount reductions. Patient equipment depreciation decreased by \$0.8 million, primarily due to lower net revenue from fixed monthly equipment reimbursements, partially offset by higher medical equipment prices. The increase in other operating expenses was primarily due to higher distribution expenses, vehicle rental costs, and revenue cycle management costs.

General and Administrative Expenses. General and administrative expenses for the six months ended June 30, 2024 and 2023 were \$105.4 million and \$97.6 million, respectively, an increase of \$7.8 million or 8.0%. This increase is primarily due to higher legal and professional fees, incentive-based compensation, contract labor costs and other non-recurring expenses, partially offset by lower restructuring expenses related to a cost savings program that was implemented in 2023 and, to a lesser extent, equity-based compensation expense. General and administrative expenses as a percentage of net revenue was 6.6% in the 2024 period, compared to 6.3% in the 2023 period. General and administrative expenses in the 2024 period included \$8.0 million of equity-based compensation expense and other non-recurring expenses of \$12.5 million, consisting of \$6.8 million of expenses associated with systems implementation activities, \$2.8 million of expenses associated with litigation, and \$2.9 million of other expenses, primarily related to professional and consulting expenses. General and administrative expenses in the 2023 period included \$12.3 million of equity-based compensation expense and other non-recurring expenses of \$17.6 million, consisting of \$8.5 million of expenses associated with litigation, \$6.2 million of

expenses associated with the cost savings program, \$2.6 million of expenses associated with systems implementation activities, and \$0.3 million of other expenses.

Depreciation and amortization, excluding patient equipment depreciation. Depreciation and amortization, excluding patient equipment depreciation, for the six months ended June 30, 2024 and 2023 was \$22.8 million and \$31.1 million, respectively, a decrease of \$8.3 million, primarily related to lower intangible amortization expense.

Goodwill Impairment. The goodwill impairment charge for the six months ended June 30, 2024 relates to an immaterial business disposal during 2024.

Interest Expense, net. Interest expense, net for the six months ended June 30, 2024 and 2023 was \$65.5 million and \$64.5 million, respectively, an increase of \$1.0 million. Interest expense related to AdaptHealth's credit agreement increased slightly in the 2024 period compared to the 2023 period as a result of higher interest rates, offset by lower average outstanding borrowings in 2024 compared to 2023. Interest expense on AdaptHealth's finance leases increased by \$1.1 million in 2024 compared to 2023.

Change in Fair Value of Warrant Liability. AdaptHealth has outstanding warrants to purchase shares of Common Stock, as discussed in [Note 10, Stockholders' Equity](#), to the accompanying June 30, 2024 interim consolidated financial statements. These warrants are liability-classified, and the change in fair value of the warrant liability represents a non-cash charge in the six months ended June 30, 2024 and a non-cash gain in the six months ended June 30, 2023, for the change in the estimated fair value of such liability during the respective periods.

Other Loss. Other loss for the six months ended June 30, 2024 consisted of a pre-tax expense of \$2.4 million for the change in fair value of shares of AdaptHealth's Common Stock that were issued in July 2024 following final court approval of the settlement of a previously disclosed securities class action lawsuit, as well as an expense of \$0.9 million to settle a shareholder derivative complaint. See [Note 14, Commitments and Contingencies](#), for additional information. Other loss for the six months ended June 30, 2023 consisted of \$1.4 million of impairments of operating lease right-of-use assets, \$1.2 million of expenses associated with legal settlements, and \$0.7 million of lease termination costs.

Income Tax Expense. Income tax expense for the six months ended June 30, 2024 and 2023 was \$13.9 million and \$3.7 million, respectively. The increase in income tax expense was primarily related to higher pre-tax income, net of warrant liability fair value adjustments and goodwill impairment charges.

EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin

AdaptHealth uses EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin, which are financial measures that are not in accordance with generally accepted accounting principles in the United States, or U.S. GAAP, to analyze its financial results and believes that they are useful to investors, as a supplement to U.S. GAAP measures. In addition, AdaptHealth's ability to incur additional indebtedness and make investments under its existing credit agreement is governed, in part, by its ability to satisfy tests based on a variation of Adjusted EBITDA.

AdaptHealth defines EBITDA as net income (loss) attributable to AdaptHealth Corp., plus net income (loss) attributable to noncontrolling interests, interest expense, net, income tax expense (benefit), and depreciation and amortization, including patient equipment depreciation.

AdaptHealth defines Adjusted EBITDA as EBITDA (as defined above), plus equity-based compensation expense, change in fair value of the warrant liability, goodwill impairment, litigation settlement expense (gain), and certain other non-recurring items of expense or income.

AdaptHealth defines Adjusted EBITDA Margin as Adjusted EBITDA (as defined above) as a percentage of net revenue.

AdaptHealth believes Adjusted EBITDA and Adjusted EBITDA Margin are useful to investors in evaluating AdaptHealth's financial performance. AdaptHealth uses Adjusted EBITDA as the profitability measure in its incentive compensation plans that have a profitability component and to evaluate acquisition opportunities, where it is most often used for purposes of contingent consideration arrangements.

EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin should not be considered as measures of financial performance under U.S. GAAP, and the items excluded from EBITDA and Adjusted EBITDA are significant components in understanding and assessing financial performance. Accordingly, these key business metrics have limitations as an analytical tool. They should not be considered as an alternative to net income or any other performance measures derived in accordance with U.S. GAAP or as an alternative to cash flows from operating activities as a measure of AdaptHealth's liquidity.

The following unaudited table presents the reconciliation of net income attributable to AdaptHealth Corp. to EBITDA and Adjusted EBITDA, and the reconciliation of net income attributable to AdaptHealth Corp. as a percentage of net revenue to Adjusted EBITDA Margin, for the three months ended June 30, 2024 and 2023:

	Three Months Ended June 30,			
	2024		2023	
	(Unaudited)			
(in thousands, except percentages)	Dollars	Revenue Percentage	Dollars	Revenue Percentage
Net income attributable to AdaptHealth Corp.	\$ 19,435	2.4%	\$ 13,977	1.8%
Income attributable to noncontrolling interest	1,096	0.1%	1,064	0.1%
Interest expense, net	33,038	4.1%	32,552	4.1%
Income tax expense	7,248	0.9%	5,399	0.7%
Depreciation and amortization, including patient equipment depreciation	91,162	11.3%	99,296	12.5%
EBITDA	151,979	18.8%	152,288	19.2%
Equity-based compensation expense (a)	5,218	0.6%	6,847	0.9%
Change in fair value of warrant liability (b)	(7,010)	(0.9)%	(812)	(0.1)%
Goodwill impairment (c)	6,548	0.8%	—	—%
Litigation settlement gain (d)	(1,760)	(0.2)%	—	—%
Other non-recurring expenses, net (e)	10,340	1.3%	12,722	1.6%
Adjusted EBITDA	\$ 165,315	20.5%	\$ 171,045	21.6%
Adjusted EBITDA Margin		20.5%		21.6%

- (a) Represents equity-based compensation expense for awards granted to employees and non-employee directors.
- (b) Represents a non-cash gain for the change in the estimated fair value of the warrant liability. See [Note 10, Stockholders' Equity](#), included in the accompanying notes to the interim consolidated financial statements for the three months ended June 30, 2024 for additional discussion of such non-cash gain.
- (c) Represents a non-cash goodwill impairment charge relating to an immaterial business disposal during 2024.
- (d) Represents a pre-tax gain for the change in fair value of shares of Common Stock of the Company that were issued in July 2024 following final court approval of the previously disclosed Securities Settlement. See [Note 14, Commitments and Contingencies](#), included in the accompanying notes to the interim consolidated financial statements for the three and six months ended June 30, 2024 for additional information.
- (e) The 2024 period consists of \$5.8 million of consulting expenses associated with systems implementation activities, \$1.6 million of expenses associated with litigation, \$0.9 million write-down of assets, and \$2.0 million of other non-recurring expenses. The 2023 period consists of \$2.5 million of expenses associated with litigation, \$4.9 million of severance charges (of which \$2.9 million relates to the separation of the Company's former CEO), \$1.4 million of consulting expenses associated with systems implementation activities, \$1.4 million of impairments of operating lease right-of-use assets and \$2.5 million of other non-recurring expenses.

The following unaudited table presents the reconciliation of net income attributable to AdaptHealth Corp. to EBITDA and Adjusted EBITDA, and the reconciliation of net income attributable to AdaptHealth Corp. as a percentage of net revenue to Adjusted EBITDA Margin, for the six months ended June 30, 2024 and 2023:

	Six Months Ended June 30,			
	2024		2023	
	(Unaudited)			
(in thousands, except percentages)	Dollars	Revenue Percentage	Dollars	Revenue Percentage
Net income attributable to AdaptHealth Corp.	\$ 17,301	1.1%	\$ 29,684	1.9%
Income attributable to noncontrolling interest	2,121	0.1%	2,032	0.1%
Interest expense, net	65,510	4.1%	64,507	4.2%
Income tax expense	13,858	0.9%	3,685	0.3%
Depreciation and amortization, including patient equipment depreciation	184,038	11.5%	193,109	12.6%
EBITDA	282,828	17.7%	293,017	19.1%
Equity-based compensation expense (a)	9,751	0.6%	12,763	0.8%
Change in fair value of warrant liability (b)	443	—%	(22,726)	(1.5)%
Goodwill impairment (c)	13,078	0.8%	—	—%
Litigation settlement expense (d)	3,345	0.2%	—	—%
Other non-recurring expenses, net (e)	14,355	0.9%	21,955	1.4%
Adjusted EBITDA	\$ 323,800	20.3%	\$ 305,009	19.8%
Adjusted EBITDA Margin		20.3%		19.8%

- (a) Represents equity-based compensation expense for awards granted to employees and non-employee directors.
- (b) Represents a non-cash charge or gain for the change in the estimated fair value of the warrant liability. See [Note 10, Stockholders' Equity](#), included in the accompanying notes to the interim consolidated financial statements for the three and six months ended June 30, 2024 for additional discussion of such non-cash charge or gain.
- (c) Represents non-cash goodwill impairment charges relating to an immaterial business disposal during 2024.
- (d) Represents a \$2.4 million charge for the change in fair value of shares of Common Stock of the Company that were issued in July 2024 following final court approval of the previously disclosed Securities Settlement, as well as an expense of \$0.9 million to settle a shareholder derivative complaint. See [Note 14, Commitments and Contingencies](#), included in the accompanying notes to the interim consolidated financial statements for the three and six months ended June 30, 2024 for additional information.
- (e) The 2024 period consists of \$6.8 million of consulting expenses associated with systems implementation activities, \$2.8 million of expenses associated with litigation, \$1.6 million write-down of assets, and \$3.1 million of other non-recurring expenses. The 2023 period consists of \$9.6 million of expenses associated with litigation, \$4.9 million of severance charges (of which \$2.9 million relates to the separation of the Company's former CEO), \$2.6 million of consulting expenses associated with systems implementation activities, \$1.4 million of impairments of operating lease right-of-use assets, and \$3.4 million of other non-recurring expenses.

Free Cash Flow

AdaptHealth uses free cash flow, which is a financial measure that is not in accordance with U.S. GAAP, in its operational and financial decision-making and believes free cash flow is useful to investors because similar measures are frequently used by securities analysts, investors, ratings agencies and other interested parties to evaluate AdaptHealth's competitors and to measure the ability of companies to service their debt. AdaptHealth's presentation of free cash flow should

not be construed as a measure of liquidity or discretionary cash available to AdaptHealth to fund its cash needs, including investing in the growth of its business and meeting its obligations.

Free cash flow should not be considered as a measure of financial performance under U.S. GAAP. Accordingly, this key business metric has limitations as an analytical tool. It should not be considered as an alternative to any performance measures derived in accordance with U.S. GAAP or as an alternative to cash flows from operating activities as a measure of AdaptHealth's liquidity.

AdaptHealth defines free cash flow as net cash provided by operating activities less cash paid for purchases of equipment and other fixed assets. For further discussion on free cash flow, including a reconciliation from cash flows provided by operating activities, see [Liquidity and Capital Resources - Free Cash Flow](#) below.

Liquidity and Capital Resources

AdaptHealth's principal sources of liquidity are its operating cash flows, borrowings under its credit agreements and other debt arrangements, and proceeds from equity issuances. AdaptHealth has used these funds to meet its capital requirements, which primarily consist of capital expenditures including patient equipment, product and supply costs, salaries, labor, benefits and other employee-related costs, third-party customer service, billing and collections and logistics costs, acquisitions and debt service, and to fund share repurchases. AdaptHealth's future capital expenditure requirements will depend on many factors, including its patient volume and revenue growth rates.

AdaptHealth's capital expenditures are made in advance of patients beginning service. Certain operating costs are incurred at the beginning of the equipment service period and during initial patient set up.

AdaptHealth believes that its expected operating cash flows, together with its existing cash and amounts available under its existing credit agreement, will continue to be sufficient to fund its operations and growth strategies for at least the next twelve months.

AdaptHealth may seek additional equity or debt financing in connection with the growth of its business, primarily for acquisitions. In addition, economic conditions may cause disruption in the capital markets, which could make financing more difficult and/or expensive. In the event that additional financing is required from outside sources, AdaptHealth may not be able to raise it on acceptable terms or at all. If additional capital is unavailable when desired, AdaptHealth's business, results of operations, and financial condition could be materially adversely affected.

As of June 30, 2024, AdaptHealth had approximately \$69.8 million of cash.

In January 2021, AdaptHealth entered into a credit agreement (as amended, the "2021 Credit Agreement"). As of June 30, 2024, AdaptHealth had \$650.0 million outstanding under the 2021 Credit Agreement. The 2021 Credit Agreement consisted of a \$800 million term loan (the "2021 Term Loan") and \$450 million in commitments for revolving credit loans with a \$55.0 million letter of credit sublimit (the "2021 Revolver"), both with maturities in January 2026. The outstanding borrowing under the 2021 Term Loan requires quarterly principal repayments of \$10.0 million through December 31, 2025, and the unpaid principal balance is due at maturity in January 2026. The Company made voluntary repayments on the 2021 Term Loan totaling \$36.6 million during the six months ended June 30, 2024. Borrowings under the 2021 Revolver may be used for working capital and other general corporate purposes, including for capital expenditures and acquisitions permitted under the 2021 Credit Agreement. During the six months ended June 30, 2024, the Company borrowed \$75.0 million under the 2021 Revolver which was repaid during that period. As of June 30, 2024, there was \$21.6 million outstanding under letters of credit. As of the date of this filing, there were no outstanding borrowings under the 2021 Revolver. As of June 30, 2024, based on the financial debt covenants under the 2021 Credit Agreement, the maximum amount the Company could borrow under the 2021 Revolver, net of outstanding borrowings, and remain in compliance with the financial debt covenants under the agreement was \$346.4 million.

At the option of AdaptHealth, amounts borrowed under the 2021 Credit Agreement bear interest at variable rates based upon either the Base Rate (as defined), payable quarterly, or Term SOFR (as defined), payable monthly or quarterly. Interest periods for loans based on Term SOFR are available for one or three months at the option of AdaptHealth. Borrowings using Base Rate accrue interest at a per annum rate equal to the sum of (a) the Base Rate determined on each day (subject to a zero percent floor), plus (b) an Applicable Margin (as defined) ranging from 0.50% to 2.25% per annum.

determined based on the Consolidated Senior Secured Leverage Ratio (as defined) of AdaptHealth. Borrowings using Term SOFR accrue interest at a per annum rate equal to the sum of (a) Term SOFR for the applicable interest period (subject to a zero percent floor), plus (b) a Term SOFR Adjustment (as defined) of 0.10%, plus (c) an Applicable Margin (as defined) ranging from 1.50% to 3.25% per annum determined based on the Consolidated Senior Secured Leverage Ratio of AdaptHealth. The 2021 Revolver carries a commitment fee during the term of the 2021 Credit Agreement ranging from 0.25% to 0.50% per annum of the actual daily undrawn portion of the 2021 Revolver depending on the Consolidated Senior Secured Leverage Ratio of AdaptHealth.

Under the 2021 Credit Agreement, AdaptHealth is subject to a number of restrictive covenants that, among other things, impose operating and financial restrictions on AdaptHealth. Financial covenants include a Consolidated Total Leverage Ratio and a Consolidated Interest Coverage Ratio, both as defined in the 2021 Credit Agreement. The 2021 Credit Agreement also contains certain customary events of default, including, among other things, failure to make payments when due thereunder, failure to observe or perform certain covenants, cross-defaults, bankruptcy and insolvency-related events, and non-compliance with healthcare laws. AdaptHealth was in compliance with the applicable covenants in the 2021 Credit Agreement as of June 30, 2024.

Any borrowings under the 2021 Credit Agreement may be repaid, in whole or in part, at any time and from time to time without premium or penalty, other than customary breakage costs, and any amounts repaid under the 2021 Revolver may be reborrowed. Mandatory prepayments are required under the 2021 Revolver when borrowings and letter of credit usage exceed the total commitments for revolving credit loans. Mandatory prepayments are also required in connection with the disposition of assets to the extent the proceeds thereof are not reinvested, unpermitted debt transactions, and from annual Excess Cash Flow (as defined) if certain leverage tests are not met.

At June 30, 2024, AdaptHealth had \$1,450.0 million aggregate principal amount of unsecured senior notes outstanding. In August 2021, AdaptHealth issued \$600.0 million aggregate principal amount of 5.125% senior unsecured notes (the "5.125% Senior Notes"). The 5.125% Senior Notes will mature on March 1, 2030. Interest on the 5.125% Senior Notes is payable on March 1st and September 1st of each year. The 5.125% Senior Notes will be redeemable at AdaptHealth's option, in whole or in part, at any time on or after March 1, 2025, and the redemption price for the 5.125% Senior Notes if redeemed during the 12 months beginning (i) March 1, 2025 is 102.563%, (ii) March 1, 2026 is 101.281%, (iii) March 1, 2027 and thereafter is 100.000%, in each case together with accrued and unpaid interest. AdaptHealth may also redeem some or all of the 5.125% Senior Notes before March 1, 2025 at a redemption price of 100% of the principal amount of the 5.125% Senior Notes, plus a "make-whole" premium, together with accrued and unpaid interest. In addition, AdaptHealth may redeem up to 40% of the original aggregate principal amount of the 5.125% Senior Notes before March 1, 2025 with the proceeds from certain equity offerings at a redemption price equal to 105.125% of the principal amount of the 5.125% Senior Notes, together with accrued and unpaid interest. Furthermore, AdaptHealth may be required to make an offer to purchase the 5.125% Senior Notes upon the sale of certain assets or upon specific kinds of changes of control.

In January 2021, AdaptHealth issued \$500.0 million aggregate principal amount of 4.625% senior unsecured notes (the "4.625% Senior Notes"). The 4.625% Senior Notes will mature on August 1, 2029. Interest on the 4.625% Senior Notes is payable on February 1st and August 1st of each year. The 4.625% Senior Notes will be redeemable at AdaptHealth's option, in whole or in part, at any time on or after February 1, 2024, and the redemption price for the 4.625% Senior Notes if redeemed during the 12 months beginning (i) February 1, 2024 is 102.313%, (ii) February 1, 2025 is 101.156%, and (iii) February 1, 2026 and thereafter is 100.000% in each case together with accrued and unpaid interest. AdaptHealth may also redeem some or all of the 4.625% Senior Notes before February 1, 2024 at a redemption price of 100% of the principal amount of the 4.625% Senior Notes, plus a "make-whole" premium, together with accrued and unpaid interest. In addition, AdaptHealth may redeem up to 40% of the original aggregate principal amount of the 4.625% Senior Notes before February 1, 2024 with the proceeds from certain equity offerings at a redemption price equal to 104.625% of the principal amount of the 4.625% Senior Notes, together with accrued and unpaid interest. Furthermore, AdaptHealth may be required to make an offer to purchase the 4.625% Senior Notes upon the sale of certain assets or upon specific kinds of changes of control.

In July 2020, AdaptHealth issued \$350.0 million aggregate principal amount of 6.125% senior unsecured notes (the "6.125% Senior Notes"). The 6.125% Senior Notes will mature on August 1, 2028. Interest on the 6.125% Senior Notes is payable on February 1st and August 1st of each year. The 6.125% Senior Notes will be redeemable at AdaptHealth's option, in whole or in part, at any time on or after August 1, 2023, and the redemption price for the 6.125% Senior Notes if redeemed during the 12 months beginning (i) August 1, 2023 is 103.063%, (ii) August 1, 2024 is 102.042%, (iii) August 1, 2025 is 101.021% and (iv) August 1, 2026 and thereafter is 100.000%, in each case together with accrued and unpaid interest.

AdaptHealth may also redeem some or all of the 6.125% Senior Notes before August 1, 2023 at a redemption price of 100% of the principal amount of the 6.125% Senior Notes, plus a "make-whole" premium, together with accrued and unpaid interest. In addition, AdaptHealth may redeem up to 40% of the original aggregate principal amount of the 6.125% Senior Notes before August 1, 2023 with the proceeds from certain equity offerings at a redemption price equal to 106.125% of the principal amount of the 6.125% Senior Notes, together with accrued and unpaid interest. Furthermore, AdaptHealth may be required to make an offer to purchase the 6.125% Senior Notes upon the sale of certain assets or upon specific kinds of changes of control.

As of June 30, 2024 and December 31, 2023, AdaptHealth had working capital of \$90.4 million and \$112.0 million, respectively. A significant portion of AdaptHealth's current assets consists of accounts receivable from third-party payors that are responsible for payment for the products and services that AdaptHealth provides.

Cash Flow. The following table presents selected data from AdaptHealth's consolidated statements of cash flows for the six months ended June 30, 2024 and 2023:

(in thousands)	Six Months Ended June 30,	
	2024	2023
	(unaudited)	
Net cash provided by operating activities	\$ 247,019	\$ 226,567
Net cash used in investing activities	(169,163)	(189,763)
Net cash used in financing activities	(85,156)	(37,950)
Net decrease in cash	(7,300)	(1,146)
Cash at beginning of period	77,132	46,272
Cash at end of period	\$ 69,832	\$ 45,126

Net cash provided by operating activities for the six months ended June 30, 2024 and 2023 was \$247.0 million and \$226.6 million, respectively, an increase of \$20.5 million. The increase was the result of a \$12.3 million reduction in net income, a net increase of \$38.3 million in non-cash charges, primarily from goodwill impairment charges, depreciation and amortization, the change in the estimated fair value of the warrant liability, deferred income taxes, and the reduction in the carrying amount of operating and finance lease right-of-use assets, a payment of \$1.9 million for contingent consideration in connection with an acquisition, and a net \$3.8 million decrease resulting from the change in operating assets and liabilities, primarily from the change in accounts receivable, inventory and accounts payable and accrued expenses.

Net cash used in investing activities for the six months ended June 30, 2024 and 2023 was \$169.2 million and \$189.8 million, respectively. The use of funds in the 2024 period related to equipment and other fixed asset purchases. The use of funds in the 2023 period consisted of \$171.7 million for equipment and other fixed asset purchases, \$17.9 million for business acquisitions, and \$0.1 million for other investments.

Net cash used in financing activities for the six months ended June 30, 2024 and 2023 was \$85.2 million and \$38.0 million, respectively. Net cash used in financing activities for the 2024 period consisted of repayments of \$149.9 million on long-term debt and finance lease liabilities, a payment of \$5.1 million for contingent consideration and deferred purchase price in connection with acquisitions, a payment of \$3.5 million for a distribution to the noncontrolling interest, payments of \$1.4 million in connection with the Company's liability relating to the TRA, and payments of \$1.4 million for tax withholdings associated with equity-based compensation, offset by borrowings on lines of credit of \$75.0 million, proceeds of \$0.6 million in connection with the employee stock purchase plan and proceeds of \$0.5 million relating to stock option exercises. Net cash used in financing activities for the 2023 period consisted of repayments of \$68.7 million on long-term debt and finance lease liabilities, payments of \$9.2 million for Common Stock purchases under a share repurchase program, payments of \$3.2 million in connection with the Company's liability relating to the TRA, payments of \$4.4 million for tax withholdings associated with equity-based compensation and stock option exercises, a payment of \$2.5 million for a distribution to the noncontrolling interest, and payments of \$1.0 million for deferred purchase price in connection with acquisitions, offset by borrowings of long-term debt of \$50.0 million and proceeds of \$1.0 million in connection with the employee stock purchase plan.

Free Cash Flow

The following table reconciles net cash provided by operating activities to free cash flow, which is a non-GAAP measure, for the three and six months ended June 30, 2024 and 2023:

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(Unaudited)			
Net cash provided by operating activities	\$ 197,984	\$ 86,319	\$ 247,019	\$ 226,567
Purchases of equipment and other fixed assets	(81,272)	(82,610)	(169,163)	(171,730)
Free cash flow	<u>\$ 116,712</u>	<u>\$ 3,709</u>	<u>\$ 77,856</u>	<u>\$ 54,837</u>

Free cash flow was \$116.7 million for the three months ended June 30, 2024 compared to \$3.7 million for the three months ended June 30, 2023. The increase in free cash flow was due to higher net cash provided by operating activities, primarily due to a net increase in the source of cash from operating assets and liabilities related to accounts receivable, inventory and accounts payable and accrued expenses. In addition, during the three months ended June 30, 2024, free cash flow was positively impacted by the release of pending claims related to the Change Healthcare cybersecurity incident and funds received in connection with AdaptHealth's participation in the Optum Temporary Funding Assistance Program (see further discussion below). The increase in free cash flow was also, to a lesser extent, due to a decrease in, and timing of, purchases of patient medical equipment for operating requirements.

Free cash flow was \$77.9 million for the six months ended June 30, 2024 compared to \$54.8 million for the six months ended June 30, 2023. The increase in free cash flow was due to higher net cash provided by operating activities, primarily from funds received in connection with AdaptHealth's participation in the Optum Temporary Funding Assistance Program (see further discussion below). The increase in free cash flow was also, to a lesser extent, due to a decrease in, and timing of, purchases of patient medical equipment for operating requirements.

As previously disclosed, in February 2024, the Company learned that a cyber security threat actor had gained access to some of the information technology systems of Change Healthcare, a subsidiary of UnitedHealth Group, with which one of the Company's third-party software providers interfaces in connection with the Company's claims processing activity. UnitedHealth Group isolated the impacted systems upon learning of this threat and Change Healthcare suspended its claims processing activity with the Company's software provider. The Company has worked with its software provider to identify and implement alternative processes to help maintain its claims processing activity. Pending claims from this incident peaked shortly following the data breach, however, all pending claims have been processed and the impacted accounts receivable balances have been substantially collected by June 30, 2024. This incident impacted the timing of collection of certain accounts receivable. These payment collection delays materially adversely impacted the Company's operating cash flows during the three months ended March 31, 2024, however, the issues relating to the payment collection delays resulting from this incident were primarily resolved during the three months ended June 30, 2024. Given these impacts, and certain other cash requirements, including the previously disclosed class action securities litigation settlement, the Company borrowed \$75.0 million under the 2021 Revolver to fund its operating cash requirements during the three months ended March 31, 2024, which was repaid in April 2024.

During the six months ended June 30, 2024, the Company participated in the Optum Temporary Funding Assistance Program which was designed to provide short-term cash flow relief to providers impacted by the disruption in Change Healthcare's services. As of June 30, 2024, the Company received \$39.6 million under this program which is expected to be repaid by December 31, 2024. The Company has not incurred any fees, interest or other associated costs for participating in the program.

Critical Accounting Policies and Estimates

The discussion and analysis of the Company's financial condition and results of operations is based upon the Company's consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of the Company's consolidated financial statements requires its management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses and related disclosures of contingent assets and liabilities. The

Company's management bases its estimates, assumptions and judgments on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Different assumptions and judgments would change the estimates used in the preparation of the Company's consolidated financial statements which, in turn, could change the results from those reported. In addition, actual results may differ from these estimates and such differences could be material to the Company's financial position and results of operations.

Critical estimates are those that the Company's management considers the most important to the portrayal of the Company's financial condition and results of operations because they require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. The Company's critical estimates in relation to its consolidated financial statements include those related to revenue recognition and valuation of goodwill. There have been no material changes in the Company's critical accounting policies and critical estimates as compared to the critical accounting policies and critical estimates described in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

Commitments and Contingencies

In the normal course of business, the Company is subject to loss contingencies, such as legal proceedings and claims arising out of its business that cover a wide range of matters. In accordance with FASB ASC Topic 450, *Accounting for Contingencies*, the Company records accruals for such loss contingencies when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. If there is no probable estimate within a range of reasonably possible outcomes, the Company's policy is to record at the low end of the range of such reasonably possible outcomes. Significant judgment is required to determine both probability and the estimated amount. The Company reviews its accruals at least quarterly and adjusts accordingly to reflect the impact of negotiations, settlements, rulings, advice of legal counsel, and updated information. At this time, the Company has no material accruals related to lawsuits, claims, investigations and proceedings, except as disclosed below. While there can be no assurance, based on the Company's evaluation of information currently available, the Company's management believes any liability that may ultimately result from resolution of such loss contingencies will not have a material adverse effect on the Company's financial conditions or results of operations. However, the Company's assessment may be affected by limited information. Accordingly, the Company's assessment may change in the future based upon availability of new information and further developments in the proceedings of such matters. The results of legal proceedings are inherently uncertain, and material adverse outcomes are possible. Professional legal fees are expensed as they are incurred.

On July 29, 2021, Robert Charles Faille Jr., a purported shareholder of the Company, filed a purported class action complaint against the Company and certain of its current and former officers in the United States District Court for the Eastern District of Pennsylvania for alleged violations of the federal securities laws arising from allegedly false and misleading statements and/or failures to disclose material information regarding changes made to the methodology used to calculate the Company's organic growth trajectory. On October 14, 2021, the court appointed Delaware County Employees Retirement System and the Bucks County Employees Retirement System as Lead Plaintiffs. On November 22, 2021, Lead Plaintiffs filed a consolidated complaint against the Company and certain of its current and former officers and directors on behalf of shareholders that purchased or otherwise acquired the Company's stock and options between November 8, 2019 and July 16, 2021 (as to the complaint, the "Consolidated Complaint"; as to the action, the "Consolidated Class Action"). The Consolidated Complaint generally alleged that the defendants violated federal securities laws by making allegedly false and misleading statements and/or failing to disclose material information regarding changes made to the methodology used to calculate the Company's organic growth trajectory and the Company's former Co-CEO's alleged tax fraud arising from certain past private activity. The Consolidated Complaint sought unspecified damages. On January 20, 2022, the defendants filed a motion to dismiss the Consolidated Complaint, which the court denied on June 9, 2022. On June 7, 2023, the court entered an order staying the Consolidated Class Action pending the outcome of a private mediation between the parties.

On February 26, 2024, the defendants entered into a stipulation and agreement of settlement with the Lead Plaintiffs (the "Securities Settlement"). On March 5, 2024, the court granted preliminary approval of the settlement. On July 10, 2024, the court entered a judgment approving the class action settlement. The judgment certified the putative class for settlement purpose, found that the settlement is fair, reasonable, and adequate in all respects, and subject to certain exclusions and limitations, releases claims on behalf of the settlement class that were asserted or could have been asserted in the Consolidated Class Action against the defendants. Subject to any appeals, the judgment will become final under the Securities Settlement within 30 days of entry. The Company's portion of the settlement consists of (i) \$32.2 million of cash

from the Company's insurance carriers; (ii) \$17.8 million of cash from the Company; (iii) 1 million shares of the Company's Common Stock (the "Settlement Shares"), which had a fair value of \$7.3 million recognized at December 31, 2023; and (iv) the implementation of certain corporate governance reforms. All of the aforementioned cash consideration has been paid consistent with the Securities Settlement during the six months ended June 30, 2024.

For the six months ended June 30, 2024, the Company recognized a pre-tax expense of \$2.4 million for the change in fair value of the Settlement Shares, which is included in other loss, net in the accompanying consolidated statements of operations. As of June 30, 2024, the Company recorded a liability of \$9.7 million relating to the Settlement Shares; such liability is included in accounts payable and accrued expenses in the accompanying consolidated balance sheets. In July 2024, the Company issued the Settlement Shares from available Treasury Stock. In connection with the issuance, in the third quarter of 2024, the Company expects to eliminate the \$9.7 million liability through a reduction to Treasury Stock and Additional paid-in capital of \$17.7 million and \$8.0 million, respectively.

On March 7, 2024, the Company entered into a settlement agreement with its directors and officers liability insurers to resolve a proceeding that the Company filed in Delaware Superior Court concerning coverage in connection with the Consolidated Class Action and the Derivative Action discussed immediately below. If the Securities Settlement becomes final, the insurance settlement will exhaust \$35.0 million in D&O coverage limits available to the Company for the policy period from November 8, 2020 to November 8, 2021. There can be no assurance that the conditions to closing will be satisfied, and the actual outcome of this matter may differ materially from the terms of the settlement described herein.

On December 6, 2021, a putative shareholder of the Company, Carol Hessler (the "Derivative Plaintiff"), filed a shareholder derivative complaint against certain current and former directors and officers of the Company in the United States District Court for the Eastern District of Pennsylvania (as to the complaint, the "Derivative Complaint"; as to the action, the "Derivative Action"). The Derivative Complaint generally alleges that the defendants breached their fiduciary duties owed to the Company by, among other things, allegedly causing or allowing misrepresentations and/or omissions regarding changes made to the methodology used to calculate the Company's organic growth and the Company's former Co-CEO's alleged criminal activity and engaging in insider trading. The Derivative Complaint also alleges claims for waste of corporate assets and unjust enrichment. Finally, the Derivative Complaint alleges that certain of the individual defendants violated Section 14(a) of the Securities Exchange Act by allegedly negligently issuing, causing to be issued, and participating in the issuance of materially misleading statements to stockholders in the Company's Proxy Statements on Schedule DEF 14A in connection with a Special Meeting of Stockholders, held on March 3, 2021, and the 2021 Annual Meeting of Stockholders, held on July 27, 2021. The Derivative Complaint seeks, among other things, an award of money damages.

On March 4, 2022, the parties to the Derivative Action stipulated to stay the Derivative Action pending final resolution of the Consolidated Class Action. On March 7, 2022, the court so-ordered the parties' stipulation.

On April 23, 2024, defendants entered into a stipulation and agreement of settlement with the Derivative Plaintiff. In exchange for full releases, the proposed settlement consists of (i) \$0.9 million in attorneys' fees and expenses, which will be funded with cash from the Company; and (ii) the implementation of corporate governance reforms separate from those negotiated in Securities Settlement. For the six months ended June 30, 2024, the Company recorded a pre-tax expense of \$0.9 million associated with the settlement, which is included in other loss, net in the accompanying consolidated statements of operations. As of June 30, 2024, the Company recorded a liability of \$0.9 million relating to the settlement; such liability is included in accounts payable and accrued expenses in the accompanying consolidated balance sheets.

On June 25, 2024, the court granted preliminary approval of the settlement, and set the final approval hearing for November 13, 2024. Upon the effectiveness of the proposed settlement, the Company and its directors and officers as well as the other defendants named in the Derivative Complaint will be released from the claims that were asserted or could have been asserted in the Derivative Action, with certain limitations, by class members participating in the settlement. The Company has always maintained, and continues to believe, that it did not engage in any wrongdoing or otherwise commit any violation of federal or state securities laws or other laws. The settlement includes no admission of liability or wrongdoing and is subject to court approval. There can be no assurance that the settlement will be finalized and approved and, even if approved, whether the conditions to settlement will be satisfied, and the actual outcome of this matter may differ materially from the terms of the settlement described herein.

On May 2, 2022, the U.S. Attorney's Office for the Southern District of New York issued a civil investigative demand to a subsidiary of the Company, pursuant to the False Claims Act, 31 U.S.C. § 3733 ("FCA") surrounding whether

the subsidiary submitted false claims in violation of the FCA related to its billing of, and reimbursements from, federal health care programs for ventilators provided to patients from January 1, 2015 to the present. The Company is fully cooperating with the investigation. Given the stage of the investigation, it is not possible to determine whether it will have a material adverse effect on the Company.

On October 24, 2023, Allegheny County Employees' Retirement System, a purported shareholder of the Company, filed a purported class action complaint against the Company and certain of its current and former officers, and certain underwriters in the United States District Court for the Eastern District of Pennsylvania. On January 23, 2024, the court entered an order appointing Allegheny County Employees' Retirement System, International Union of Operating Engineers, Local No. 793, Members Pension Benefit Trust of Ontario, and City of Tallahassee Pension Plan as Lead Plaintiffs. On May 14, 2024, Lead Plaintiffs filed a consolidated complaint against the Company and certain of its current and former officers and directors, and certain underwriters, on behalf of shareholders that purchased or otherwise acquired the Company's stock between August 4, 2020 and November 7, 2023 (as to the complaint the "Allegheny County Consolidated Complaint"; as to the action, the "Allegheny County Consolidated Class Action"). The Allegheny County Consolidated Complaint alleges, among other things, that the defendants violated federal securities laws by making allegedly false and misleading statements and/or failing to disclose material information regarding (i) the Company's billing practices with respect to its diabetes business, and (ii) the Company's compliance programs and integration with respect to acquired companies. The Allegheny County Consolidated Complaint seeks unspecified damages. On July 23, 2024, the defendants filed a motion to dismiss the Allegheny County Consolidated Complaint. Plaintiffs' opposition brief is due to be filed on October 1, 2024; and defendants' reply brief is due to be filed on November 15, 2024.

The Company intends to vigorously defend against the allegations contained in the Allegheny County Complaint, but there can be no assurance that the defense will be successful.

On March 20, 2024, a putative shareholder of the Company, Weiding Wu, filed a shareholder derivative complaint related to the allegations in the Allegheny County Complaint, and against certain current and former directors and officers of the Company in the United States District Court for the Eastern District of Pennsylvania (as to the complaint, the "Wu Derivative Complaint"; as to the action, the "Wu Derivative Action"). The Wu Derivative Complaint alleges, among other things, that the defendants breached their fiduciary duties and violated federal securities laws by making allegedly false and misleading statements and/or failing to disclose material information regarding the Company's organic growth in its diabetes business. The Wu Derivative Complaint also alleges claims for unjust enrichment, waste of corporate assets, abuse of control, and gross mismanagement. The Derivative Complaint seeks, among other things, an award of money damages.

On July 25, 2024, the parties to the Wu Derivative Action stipulated to stay the Wu Derivative Action pending final resolution of the Allegheny County Consolidated Class Action. On July 26, 2024, the court so-ordered the parties' stipulation.

The Company intends to vigorously defend against the allegations contained in the Wu Derivative Complaint, but there can be no assurance that the defense will be successful.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our exposure to market risk relates to fluctuations in interest rates from borrowings under the 2021 Credit Agreement. As of June 30, 2024, there was \$650.0 million outstanding under the 2021 Term Loan, \$21.6 million outstanding under letters of credit, and based on the financial debt covenants under the 2021 Credit Agreement, the maximum amount the Company could borrow under the 2021 Revolver and remain in compliance with the financial debt covenants under the agreement was \$346.4 million. Amounts borrowed under the 2021 Credit Agreement bear interest at variable rates determined in relation to the Base Rate (as defined) or Term SOFR (as defined), at our option. Due to the interest rates being variable, fluctuations in interest rates may impact our earnings. Based on our current level of debt, we estimate that a 100 basis point change in interest rates would have a \$4.7 million annual impact on our net income (loss) before taxes.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) as of June 30, 2024. Disclosure controls and procedures are designed to ensure that information required to be disclosed by us in our Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, during the period covered by this Quarterly Report, our disclosure controls and procedures were not effective due to material weaknesses in internal control over financial reporting, as further described below in Management's Report on Internal Control Over Financial Reporting.

As previously disclosed in Part II, Item 9A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, management identified material weaknesses in internal control over financial reporting. The following material weaknesses in internal control over financial reporting were identified by the Company as of December 31, 2023:

- The Company uses a third-party service provider under a software as a service contract to initiate and process the majority of its revenue transactions. The service provider uses a subservice organization to consolidate and reformat transactional revenue data before it is recorded in the Company's general ledger. The Company obtains from the service provider a System and Organization Controls (SOC) 1 Type 2 report as part of the evidence used in its evaluation of the Company's internal control over financial reporting. Due to insufficient communication between the Company and the service provider regarding its expectations for controls over the activities of the subservice organization, the SOC 1 Type 2 report for the service provider did not provide evidence of design, implementation, and operating effectiveness of controls over the completeness and accuracy of the Company's transactional revenue data processed by the subservice organization. The Company also did not design and implement such controls on its own. Substantially all manual and automated controls within the revenue process rely on the integrity of the information processed by the third-party service provider and its subservice organization and, therefore, are also considered to be ineffective.
- The Company did not design and implement a three-way match control (comparing the purchase order, delivery receipt, and invoice) over its procurement of medical equipment inventory through a third-party distribution channel. Specifically, because these procurement transactions are initiated through technology that is not integrated with the technology utilized for vendor invoice payments, the Company was not able to reconcile the quantities of the equipment invoiced by its vendors to the quantities actually received which could affect the completeness, existence, and accuracy of the Company's cost of sales and the related accounts payable.
- The Company did not design and implement process-level controls over the determination of excess or obsolete medical equipment and other inventory balances. Specifically, the Company did not have a mechanism in place to track the movement and status of specific medical equipment and other inventory which could affect the valuation of its inventory.

Notwithstanding the identified material weaknesses, management, including our principal executive officer and principal financial officer, believes the interim consolidated financial statements included in this Quarterly Report on Form 10-Q fairly represent in all material respects our financial condition, results of operations and cash flows at and for the periods presented in accordance with U.S. GAAP.

Remediation of Previously Reported Material Weaknesses in Internal Control Over Financial Reporting

With respect to the material weaknesses that existed as of December 31, 2023, management continues to take steps to remediate such material weaknesses, including 1) working with the third-party service provider to ensure its SOC 1 Type 2 report includes evidence of implementation and testing of controls for all relevant sub-service providers impacting the revenue transactional data used by the Company, 2) completing the implementation of technology to bring the third-party distribution channel transaction information into one system to facilitate a three-way match of the purchase order, delivery

receipt and invoice, 3) expanding the implementation of a perpetual inventory system to a larger number of Company locations, and 4) using the information from the perpetual inventory system to support the determination of excess or obsolete medical equipment and other inventory. While management has completed a risk assessment to identify controls, the material weaknesses cannot be considered remediated until the enhanced controls have been fully implemented and determined to be operating effectively for a sufficient period of time.

Changes in Internal Control over Financial Reporting

Except with respect to the changes in connection with the implementation of the initiatives to remediate the material weaknesses noted above, there were no changes in the Company's internal control over financial reporting that occurred during the quarter ended June 30, 2024 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

See Item 2. "[Management's Discussion and Analysis of Financial Condition and Results of Operations —Commitments and Contingencies](#)".

Item 1A. Risk Factors

Factors that could cause our actual results to differ materially from those in this report are any of the risks disclosed under the heading "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023 filed with the SEC on February 27, 2024. Any of those factors could result in a significant or material adverse effect on our results of operations or financial condition. Additional risk factors not presently known to us or that we currently deem immaterial may also impair our business or results of operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

We had no sales of unregistered equity securities during the period covered by this report that were not previously reported in a Quarterly Report on Form 10-Q or a Current Report on Form 8-K. In connection with the securities settlement of the consolidated securities class action in the United States District Court for the Eastern District of Pennsylvania in the matter styled Delaware County Employees Retirement System, et al. v. AdaptHealth Corp. f/k/a DFB Healthcare Acquisitions Corp., et al., the Company issued one million shares of the Company's common stock (the "Settlement Shares") in July 2024. The Settlement Shares were issued without registration pursuant to a Section 3(a)(10) exemption from registration under the Securities Act of 1933 and the rules and regulations promulgated thereunder (see Note 14, *Commitments and Contingencies*).

There were no purchases of our Common Stock made during the three months ended June 30, 2024 by us or any of our "affiliated purchasers" as defined in Rule 10b-18(a)(3) under the Exchange Act.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

On August 2, 2024, the board of directors of the Company approved the Second Amended and Restated Bylaws (the "A&R Bylaws"), effective as of such date. The A&R Bylaws include provisions to provide stockholders with access to Company proxy materials for a stockholder, or a group of up to 20 stockholders, owning in the aggregate at least three percent of the Company's voting stock for at least three years to nominate the greater of (i) two director candidates and (ii) 20% of the board of directors in any given year, subject to the stockholder(s) and the nominee(s) satisfying the requirements specified in the A&R Bylaws. The A&R Bylaws also (i) address matters relating to the universal proxy rules set forth in Rule 14a-19 under the Securities Exchange Act of 1934, (ii) make conforming amendments to reflect amendments to the Company's Certificate of Incorporation approved by the Company stockholders at the 2024 annual meeting to limit the liability of certain officers, as permitted by law, (iii) update certain of the procedures and information requirements for the nomination of persons for election to the board of directors, and (iv) make certain other administrative, clarifying and conforming changes.

The foregoing description is a summary only and is qualified in its entirety by reference to the complete text of the A&R Bylaws, which is filed as Exhibit 3.2 to this Form 10-Q and incorporated herein by reference.

Item 6. Exhibits

See [Exhibit Index](#) for documents filed or furnished herewith and incorporated herein by reference.

EXHIBIT INDEX

Exhibit Number	Description
3.1	Fourth Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K, filed with the SEC on June 21, 2024).
3.2*	Second Amended and Restated Bylaws of the Company, effective as of August 2, 2024.
3.3	Certificate of Designation of Preferences, Rights and Limitations of Series B-1 Convertible Preferred Stock (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on June 26, 2020).
10.1†	Employment Agreement by and between AdaptHealth Corp. and Suzanne Foster, dated April 10, 2024. (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the SEC on April 17, 2024).
10.2†	Fifth Amendment to Letter Agreement between AdaptHealth Corp. and Richard Barasch, dated April 15, 2024. (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed with the SEC on April 17, 2024).
10.3†	Amendment to Employment Agreement between AdaptHealth Corp. and Jason Clemens, dated April 15, 2024. (incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K filed with the SEC on April 17, 2024).
10.4†	Amended and Restated 2019 Stock Incentive Plan of the Company (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the SEC on June 21, 2024).
10.5†	Transition Letter Agreement, between AdaptHealth Corp. and Joshua Parnes, dated July 2, 2024 (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the SEC on July 3, 2024).
31.1*	Certification of Chief Executive Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32**	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS***	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH***	XBRL Taxonomy Extension Schema Document
101.CAL***	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF***	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB***	XBRL Taxonomy Extension Label Linkbase Document
101.PRE***	XBRL Taxonomy Extension Presentation Linkbase Document
Exhibit 104***	Cover Page Interactive Data File - The cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document

* Filed herewith.

** Furnished herewith.

*** XBRL (eXtensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

† Management contract or compensatory plan or arrangement.

SIGNATURES

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

AdaptHealth Corp.

August 6, 2024

By: /s/ Suzanne Foster
Suzanne Foster
Chief Executive Officer and Director
(Principal Executive Officer)

August 6, 2024

By: /s/ Jason Clemens
Jason Clemens
Chief Financial Officer
(Principal Financial Officer)

August 6, 2024

By: /s/ Christine E. Archbold
Christine E. Archbold
Chief Accounting Officer
(Principal Accounting Officer)

**SECOND AMENDED AND RESTATED BY LAWS
OF
ADAPTHEALTH CORP. (THE "CORPORATION")**

ARTICLE I

OFFICES

Section 1.1. Registered Office. The registered office of the Corporation within the State of Delaware shall be located at either (a) the principal place of business of the Corporation in the State of Delaware or (b) the office of the corporation or individual acting as the Corporation's registered agent in Delaware.

Section 1.2. Additional Offices. The Corporation may, in addition to its registered office in the State of Delaware, have such other offices and places of business, both within and outside the State of Delaware, as the Board of Directors of the Corporation (the "**Board**") may from time to time determine or as the business and affairs of the Corporation may require.

ARTICLE II

STOCKHOLDERS MEETINGS

Section 2.1. Annual Meetings. The annual meeting of stockholders shall be held at such place, either within or without the State of Delaware, and time and on such date as shall be determined by the Board and stated in the notice of the meeting, provided that the Board may in its sole discretion determine that the meeting shall not be held at any place, but may instead be held solely by means of remote communication pursuant to Section 9.5(a). At each annual meeting, the stockholders shall elect those directors of the Corporation to fill any term of a directorship that expires on the date of such annual meeting and may transact any other business as may properly be brought before the meeting.

Section 2.2. Special Meetings. Subject to the rights, if any, of the holders of any outstanding series of the Preferred Stock, and to the requirements of applicable law, special meetings of stockholders of the Corporation may be called only by the Chair of the Board, the Chief Executive Officer of the Corporation, or the Board pursuant to a resolution adopted by a majority of the Board. Except as provided in the foregoing sentence, special meetings of stockholders of the Corporation may not be called by another person or persons. Special meetings of stockholders shall be held at such place, either within or without the State of Delaware, and time and on such date as shall be determined by the Board and stated in the Corporation's notice of the meeting, provided that the Board may in its sole discretion determine that the meeting shall not be held at any place, but may instead be held solely by means of remote communication pursuant to Section 9.5(a).

Section 2.3. Notices. Written notice of each stockholders meeting stating the place, if any, date, and time of the meeting, and the means of remote communication, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting, and the record date for determining the stockholders entitled to vote at the meeting, if such date is different from the record date for determining stockholders entitled to notice of the meeting, shall be given in the manner permitted by Section 9.3 to each stockholder entitled to vote thereat as of the record date for determining the stockholders entitled to notice of the meeting, by the Corporation not less than 10 nor more than 60 days before the date of the meeting unless otherwise required by the General Corporation Law of the State of Delaware (the "**DGCL**"). If said notice is for a stockholders meeting other than an annual meeting, it shall in addition state the purpose or purposes for which the meeting is called, and the business transacted at such meeting shall be limited to the matters so stated in the Corporation's notice of meeting (or any supplement thereto). Any meeting of stockholders as to which notice has been given may be postponed, and any meeting of stockholders as to which notice has been given may be cancelled, by the Board upon public announcement (as defined in Section 2.7(c)) given before the date previously scheduled for such meeting.

Section 2.4. Quorum. Except as otherwise provided by applicable law, the Corporation's Certificate of Incorporation, as the same may be amended or restated from time to time (the "**Certificate of Incorporation**") or these By Laws, the presence, in person or by proxy, at a stockholders meeting of the holders of

shares of outstanding capital stock of the Corporation representing a majority of the voting power of all outstanding shares of capital stock of the Corporation entitled to vote at such meeting shall constitute a quorum for the transaction of business at such meeting, except that when specified business is to be voted on by a class or series of stock voting as a class, the holders of shares representing a majority of the voting power of the outstanding shares of such class or series shall constitute a quorum of such class or series for the transaction of such business. If a quorum shall not be present or represented by proxy at any meeting of the stockholders of the Corporation, the chair of the meeting may adjourn the meeting from time to time in the manner provided in [Section 2.6](#) until a quorum shall attend. The stockholders present at a duly convened meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum. Shares of its own stock belonging to the Corporation or to another corporation, if a majority of the voting power of the shares entitled to vote in the election of directors of such other corporation is held, directly or indirectly, by the Corporation, shall neither be entitled to vote nor be counted for quorum purposes; provided, however, that the foregoing shall not limit the right of the Corporation or any such other corporation to vote shares held by it in a fiduciary capacity.

Section 2.5. Voting of Shares.

(a) Voting Lists. The officer who has charge of the stock ledger of the Corporation shall prepare and make, at least 10 days before every meeting of stockholders, a complete list of the stockholders of record entitled to vote at such meeting; provided, however, that if the record date for determining the stockholders entitled to vote is less than 10 days before the meeting date, the list shall reflect the stockholders entitled to vote as of the tenth day before the meeting date, arranged in alphabetical order and showing the address and the number of shares registered in the name of each stockholder. Nothing contained in this [Section 2.5\(a\)](#) shall require the Corporation to include electronic mail addresses or other electronic contact information on such list. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours for a period of at least 10 days prior to the meeting: (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting, or (ii) during ordinary business hours, at the principal place of business of the Corporation. In the event that the Corporation determines to make the list available on an electronic network, the Corporation may take reasonable steps to ensure that such information is available only to stockholders of the Corporation. The stock ledger shall be the only evidence as to who are the stockholders entitled to examine the list required by this [Section 2.5\(a\)](#) or to vote in person or by proxy at any meeting of stockholders.

(b) Manner of Voting. At any stockholders meeting, every stockholder entitled to vote may vote in person or by proxy. If authorized by the Board, the voting by stockholders or proxy holders at any meeting conducted by remote communication may be effected by a ballot submitted by electronic transmission (as defined in [Section 9.3](#)), provided that any such electronic transmission must either set forth or be submitted with information from which the Corporation can determine that the electronic transmission was authorized by the stockholder or proxy holder. The Board, in its discretion, or the chair of the meeting of stockholders, in such person's discretion, may require that any votes cast at such meeting shall be cast by written ballot. Any stockholder directly or indirectly soliciting proxies in connection with a nomination made pursuant to [Section 2.9](#) or [Section 3.2](#) from other stockholders may use any proxy card color other than white, which shall be reserved for exclusive use by the Board.

(c) Proxies. Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for such stockholder by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. Without limiting the manner in which a stockholder may authorize another person or persons to act for such stockholder as proxy, either of the following shall constitute a valid means by which a stockholder may grant such authority.

(i) A stockholder may execute a writing authorizing another person or persons to act for such stockholder as proxy. Execution may be accomplished by the stockholder or such stockholder's authorized officer, director, employee or agent signing such writing or causing such person's signature to be affixed to such writing by any reasonable means, including, but not limited to, by facsimile signature.

(ii) A stockholder may authorize another person or persons to act for such stockholder as proxy by transmitting or authorizing the transmission of an electronic transmission to the person who will be the holder of the proxy or to a proxy solicitation firm, proxy support service organization or like agent duly authorized by the person who will be the holder of the proxy to receive such transmission, provided that any such electronic transmission must either set forth or be submitted with information from which it can be determined that the electronic transmission was authorized by the stockholder. Any copy, telecommunication or other reliable reproduction of the writing or transmission authorizing another person or persons to act as proxy for a stockholder may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used; provided that such copy, telecommunication or other reproduction shall be a complete reproduction of the entire original writing or transmission.

(d) Required Vote. Subject to the rights of the holders of one or more series of preferred stock of the Corporation ("Preferred Stock"), voting separately by class or series, to elect directors pursuant to the terms of one or more series of Preferred Stock, at all meetings of stockholders at which a quorum is present, the election of directors shall be determined by a plurality of the votes cast by the stockholders present in person or represented by proxy at the meeting and entitled to vote thereon. All other matters presented to the stockholders at a meeting at which a quorum is present shall be determined by the vote of a majority of the votes cast by the stockholders present in person or represented by proxy at the meeting and entitled to vote thereon, unless the matter is one upon which, by applicable law, the Certificate of Incorporation, these By Laws or applicable stock exchange rules, a different vote is required, in which case such provision shall govern and control the decision of such matter.

(e) Inspectors of Election. The Board may, and shall if required by law, in advance of any meeting of stockholders, appoint one or more persons as inspectors of election, who may be employees of the Corporation or otherwise serve the Corporation in other capacities, to act at such meeting of stockholders or any adjournment thereof and to make a written report thereof. The Board may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspectors of election or alternates are appointed by the Board, the chair of the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before discharging his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspectors shall ascertain and report the number of outstanding shares and the voting power of each; determine the number of shares present in person or represented by proxy at the meeting and the validity of proxies and ballots; count all votes and ballots and report the results; determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors; and certify their determination of the number of shares represented at the meeting and their count of all votes and ballots. No person who is a candidate for an office at an election may serve as an inspector at such election. Each report of an inspector shall be in writing and signed by the inspector or by a majority of them if there is more than one inspector acting at such meeting. If there is more than one inspector, the report of a majority shall be the report of the inspectors.

Section 2.6. Adjournments. Any meeting of stockholders, annual or special, may be adjourned, from time to time, whether or not there is a quorum, to reconvene at the same or some other place. Notice need not be given of any such adjourned meeting if the date, time, and place, if any, thereof, and the means of remote communication, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such adjourned meeting are announced at the meeting at which the adjournment is taken. At the adjourned meeting the stockholders, or the holders of any class or series of stock entitled to vote separately as a class, as the case may be, may transact any business that might have been transacted at the original meeting. If the adjournment is for more than 30 days, notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. If after the adjournment a new record date for stockholders entitled to vote is fixed for the adjourned meeting, the Board shall fix a new record date for notice of such adjourned meeting in accordance with Section 9.2, and shall give notice of the adjourned meeting to each stockholder of record entitled to vote at such adjourned meeting as of the record date fixed for notice of such adjourned meeting.

Section 2.7. Advance Notice for Business.

(a) Annual Meetings of Stockholders. No business (other than nominations of individual(s) for election to the Board) may be transacted at an annual meeting of stockholders, other than business that is either (i) specified in the Corporation's notice of meeting (or any supplement thereto), (ii) otherwise properly brought before the annual meeting by or at the direction of the Board or (iii) otherwise properly brought before the annual meeting by any stockholder of the Corporation (x) who is a stockholder of record on the date of the giving of the notice provided for in this Section 2.7(a) and on the record date for the determination of stockholders entitled to vote at such annual meeting and (y) who complies with the notice procedures set forth in this Section 2.7(a). Notwithstanding anything in this Section 2.7(a) to the contrary, only persons nominated for election as a director to fill any term of a directorship that expires on the date of the annual meeting pursuant to Section 3.2 will be considered for election at such meeting.

(i) In addition to any other applicable requirements, for business (other than nominations) to be properly brought before an annual meeting by a stockholder, such stockholder must have given timely notice thereof in proper written form to the Secretary of the Corporation and such business must otherwise be a proper matter for stockholder action. Subject to Section 2.7(a)(iii), a stockholder's notice to the Secretary with respect to such business, to be timely, must be delivered personally to, or mailed to and received by the Secretary at the principal executive offices of the Corporation not later than the close of business on the 90th day nor earlier than the close of business on the 120th day before the anniversary date of the immediately preceding annual meeting of stockholders; provided, however, that in the event that the annual meeting is more than 30 days before or more than 70 days after such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the 120th day before the meeting and not later than the later of (x) the close of business on the 90th day before the meeting or (y) the close of business on the 10th day following the day on which public announcement of the date of the annual meeting is first made by the Corporation. The public announcement of an adjournment or postponement of an annual meeting shall not commence a new time period (or extend any time period) for the giving of a stockholder's notice as described in this Section 2.7(a).

(ii) To be in proper written form, a stockholder's notice to the Secretary with respect to any business (other than nominations) must set forth as to each such matter such stockholder proposes to bring before the annual meeting (A) a brief description of the business desired to be brought before the annual meeting, the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event such business includes a proposal to amend these By Laws, the language of the proposed amendment) and the reasons for conducting such business at the annual meeting, (B) the name and record address of such stockholder and the name and address of the beneficial owner, if any, on whose behalf the proposal is made, (C) the class or series and number of shares of capital stock of the Corporation that are owned beneficially and of record by such stockholder and by the beneficial owner, if any, on whose behalf the proposal is made, (D) a description of all arrangements or understandings between such stockholder and the beneficial owner, if any, on whose behalf the proposal is made and any other person or persons (including their names) in connection with the proposal of such business by such stockholder, (E) any material interest of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made in such business and (F) a representation that such stockholder (or a Qualified Representative of such stockholder) intends to appear in person or by proxy at the annual meeting to bring such business before the meeting.

(iii) The foregoing notice requirements of this Section 2.7(a) shall be deemed satisfied by a stockholder as to any proposal (other than nominations) if the stockholder has notified the Corporation of such stockholder's intention to present such proposal at an annual meeting in compliance with Rule 14a-8 (or any successor thereof) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and such stockholder has complied with the requirements of such Rule for inclusion of such proposal in a proxy statement prepared by the Corporation to solicit proxies for such annual meeting. No business shall be conducted at the annual meeting of stockholders except business brought before the annual meeting in accordance with the procedures set forth in this Section 2.7(a), provided, however, that once business has been properly brought before the annual meeting in accordance with such procedures, nothing in this Section 2.7(a) shall be deemed to preclude discussion by any stockholder of any such business. If

the Board or the chair of the annual meeting determines that any stockholder proposal was not made in accordance with the provisions of this Section 2.7(a) or that the information provided in a stockholder's notice does not satisfy the information requirements of this Section 2.7(a), such proposal shall not be presented for action at the annual meeting. Notwithstanding the foregoing provisions of this Section 2.7(a), if the stockholder (or a Qualified Representative of the stockholder) does not appear at the annual meeting of stockholders of the Corporation to present the proposed business, such proposed business shall not be transacted, notwithstanding that proxies in respect of such matter may have been received by the Corporation.

(iv) In addition to the provisions of this Section 2.7(a), a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth herein. Nothing in this Section 2.7(a) shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

(b) Special Meetings of Stockholders. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of persons for election to the Board may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of meeting only pursuant to Section 3.2.

(c) Public Announcement. For purposes of these By Laws, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act (or any successor thereto).

Section 2.8. Conduct of Meetings. The chair of each annual and special meeting of stockholders shall be the Chair of the Board or, in the absence (or inability or refusal to act) of the Chair of the Board, the Chief Executive Officer (if he or she shall be a director) or, in the absence (or inability or refusal to act) of the Chief Executive Officer or if the Chief Executive Officer is not a director, the President (if he or she shall be a director) or, in the absence (or inability or refusal to act) of the President or if the President is not a director, such other person as shall be appointed by the Board. The Board may adopt such rules and regulations for the conduct of the meeting of stockholders as it shall deem appropriate. Except to the extent inconsistent with these By Laws or such rules and regulations as adopted by the Board, the chair of any meeting of stockholders shall have the right and authority to convene and to adjourn the meeting, to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chair, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board or prescribed by the chair of the meeting, may include, without limitation, the following: (a) the establishment of an agenda or order of business for the meeting; (b) rules and procedures for maintaining order at the meeting and the safety of those present; (c) limitations on attendance at or participation in the meeting to stockholders of record of the Corporation, their duly authorized and constituted proxies or such other persons as the chair of the meeting shall determine; (d) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (e) limitations on the time allotted to questions or comments by participants. Unless and to the extent determined by the Board or the chair of the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure. The secretary of each annual and special meeting of stockholders shall be the Secretary or, in the absence (or inability or refusal to act) of the Secretary, an Assistant Secretary so appointed to act by the chair of the meeting. In the absence (or inability or refusal to act) of the Secretary and all Assistant Secretaries, the chair of the meeting may appoint any person to act as secretary of the meeting.

Section 2.9. Proxy Access.

(a) Information to be Included in the Corporation's Proxy Materials. Subject to the provisions of this Section 2.9 and to the extent permitted by applicable law, for an annual meeting of stockholders, the Corporation shall include in its proxy statement and in its form of proxy for such annual meeting, in addition to any persons nominated for election by or at the direction of the Board (or any committee thereof), the name and the Required Information (as defined in Section 2.9(b)) of any person

nominated for election to the Board who satisfies the eligibility requirements in this Section 2.9 (a "Proxy Access Nominee") and who is identified in a proper written notice (the "Proxy Access Notice") that complies with, and is timely delivered pursuant to, this Section 2.9 by an Eligible Stockholder (as defined in Section 2.9(d)), in each case as determined by the Board or a committee thereof. Notwithstanding anything to the contrary contained in this Section 2.9, the Corporation may omit from its proxy materials any information or Supporting Statement (as defined in Section 2.9(c)) (or portions thereof) that it, in good faith, believes (i) would violate any applicable law or regulation or (ii) directly or indirectly impugns the character, integrity or personal reputation of, or directly or indirectly makes charges concerning improper, illegal or immoral conduct or associations, without factual foundation, with respect to any person or entity.

(b) Definition of Required Information. For the purposes of this Section 2.9, the "Required Information" that the Corporation shall include in its proxy statement is (i) the information concerning the Proxy Access Nominee and the Eligible Stockholder that the Corporation determines is required to be disclosed in the Corporation's proxy statement by the applicable requirements of the Exchange Act and the rules and regulations promulgated thereunder and (ii) if the Eligible Stockholder so elects, a Supporting Statement. Nothing in this Section 2.9 shall limit the Corporation's ability to solicit against or for, and include in its proxy materials its own statements relating to, any Eligible Stockholder or Proxy Access Nominee.

(c) Definition of Supporting Statement. For each of its Proxy Access Nominees, the Eligible Stockholder may, at its option, provide to the Secretary, at the time the Proxy Access Notice is provided, one written statement, not to exceed 500 words, in support of such Proxy Access Nominee's candidacy (a "Supporting Statement"). Only one Supporting Statement may be submitted by an Eligible Stockholder (including any group of persons together constituting an Eligible Stockholder) for each Proxy Access Nominee.

(d) Definition of Eligible Stockholder. For the purposes of this Section 2.9, an "Eligible Stockholder" is one or more persons who:

(i) own and have owned (in each case, as defined in Section 2.9(f)) continuously for at least three years prior to the date the Proxy Access Notice is received at the principal executive offices of the Corporation (the "Minimum Holding Period") a number of shares of stock of the Corporation that represents at least 3% of the voting power of all shares of capital stock of the Corporation issued and outstanding and entitled to vote in the election of directors as of the most recent date for which such amount is set forth in any public disclosure made by the Corporation prior to the date the Proxy Access Notice is received at the principal executive offices of the Corporation (the "Required Shares");

(ii) continues to own the Required Shares through the date of the annual meeting of stockholders; and

(iii) satisfies all other requirements of, and complies with all applicable procedures set forth in, this Section 2.9; provided that the aggregate number of record stockholders and beneficial owners whose stock ownership is counted for the purposes of satisfying the foregoing ownership requirement shall not exceed 20. Two or more funds that are part of the same Qualifying Fund Group (as defined in Section 2.9(e)) shall be treated as one record stockholder or beneficial owner for purposes of determining the aggregate number of record stockholders and beneficial owners in this paragraph and shall be treated as one person for the purpose of determining "ownership" as defined in Section 2.9(f). No record stockholder (other than a Custodian Holder (as defined below)) or beneficial owner may be a member of more than one group constituting an Eligible Stockholder with respect to any annual meeting of stockholders, and no shares may be attributed to more than one Eligible Stockholder or group constituting an Eligible Stockholder. If any person (other than a Custodian Holder) purports to be a member of more than one group constituting an Eligible Stockholder, such person shall only be deemed to be a member of the group that has the largest ownership position (as reflected in the applicable Proxy Access Notice). "Custodian Holder," with respect to any Eligible Stockholder, means any broker, bank or custodian (or similar nominee) who (i) is acting solely as a nominee on behalf of a beneficial owner and (ii) does not own (as defined in Section 2.9(f)) any of the shares comprising

the Required Shares of the Eligible Stockholder. For the avoidance of doubt, Required Shares will qualify as such if and only if the beneficial owner of such shares as of the date of the Proxy Access Notice has itself beneficially owned such shares continuously for the Minimum Holding Period and through the date of the annual meeting of stockholders (in addition to the other applicable requirements being met).

Whenever the Eligible Stockholder consists of a group of persons (including a group of funds that are part of the same Qualifying Fund Group), each provision in this Section 2.9 that requires the Eligible Stockholder to provide any written statements, representations, undertakings, agreements or other instruments or to meet any other conditions shall be deemed to require each such person (including each individual fund) that is a member of such group (other than a Custodian Holder) to provide such statements, representations, undertakings, agreements or other instruments and to meet such other conditions (except that the members of such group may aggregate the shares that each member has owned continuously for the Minimum Holding Period in order to meet the 3% ownership requirement of the "Required Shares" definition).

(e) Definition of Qualifying Fund Group. For the purposes of this Section 2.9, a "Qualifying Fund Group" means two or more funds that are (i) under common management and investment control, (ii) under common management and funded primarily by the same employer or (iii) a "group of investment companies," as such term is defined in Section 12(d)(1)(G)(ii) of the Investment Company Act of 1940, as amended.

(f) Definition of Ownership. For the purposes of this Section 2.9, a person shall be deemed to "own" only those outstanding shares of stock of the Corporation as to which the person possesses both:

(i) the full voting and investment rights pertaining to such shares; and

(ii) the full economic interest in (including the opportunity for profit and risk of loss on) such shares; provided that the number of shares calculated in accordance with the foregoing clause (i) and this clause (ii) shall not include any shares:

(A) sold by such person or any of its affiliates in any transaction that has not been settled or closed;

(B) borrowed by such person or any of its affiliates for any purpose or purchased by such person or any of its affiliates pursuant to an agreement to resell; or

(C) subject to any option, warrant, forward contract, swap, contract of sale, other derivative or similar agreement entered into by such person or any of its affiliates, whether any such instrument or agreement is to be settled with shares or with cash based on the notional amount or value of outstanding shares of the Corporation, in any such case which instrument or agreement has, or is intended to have, or if exercised would have, the purpose or effect of:

(1) reducing in any manner, to any extent or at any time in the future, such person's or any of its affiliates' full right to vote or direct the voting of any such shares; or

(2) hedging, offsetting or altering to any degree gain or loss arising from the full economic ownership of such shares by such person or any of its affiliates.

A person's ownership of shares shall be deemed to continue during any period in which the person has:

(iii) delegated any voting power by means of a proxy, power of attorney or other instrument or arrangement that is revocable at any time by the person without condition; or

(iv) loaned such shares; provided that the person has the power to recall such loaned shares on not more than five business days' notice and has recalled such loaned shares as of the date of the annual meeting of stockholders.

The terms "owned," "owning" and other variations of the word "own" shall have correlative meanings. For the purposes of this Section 2.9, "affiliate" shall have the meaning ascribed thereto in the rules and regulations promulgated under the Exchange Act. Whether outstanding shares of the common stock of the Corporation are "owned" for the purposes of this Section 2.9 shall be determined by the Board or any committee thereof.

(g) Notice Period. To be timely under this Section 2.9, the Proxy Access Notice must be delivered personally to, or mailed to and received by the Secretary at the principal executive offices of the Corporation not later than the 120th day nor earlier than the 150th day prior to the first anniversary of the filing date of the Corporation's definitive proxy statement for the prior year's annual meeting of stockholders, provided, however, that in the event that the annual meeting is more than 30 days before or more than 70 days after such anniversary date, the Proxy Access Notice must be received (i) no earlier than 150 days prior to such annual meeting and (ii) no later than the later of 120 days prior to such annual meeting and 10 days following the day the notice of such annual meeting was made by mail or public disclosure. In no event shall an adjournment or postponement, or public disclosure of an adjournment or postponement, of an annual meeting of stockholders commence a new time period (or extend any time period) for the giving of the Proxy Access Notice pursuant to this Section 2.9.

(h) Form of Notice. To be in proper written form, the Proxy Access Notice must include or be accompanied by the following:

(i) a written statement by the Eligible Stockholder certifying as to the number of shares it owns and has owned continuously for the Minimum Holding Period, and the Eligible Stockholder's agreement to provide (A) within five business days following the later of the record date for the annual meeting of stockholders or the date on which notice of the record date is first publicly disclosed, a written statement by the Eligible Stockholder certifying as to the number of shares it owns and has owned continuously through the record date and (B) prompt notice if the Eligible Stockholder ceases to own a number of shares at least equal to the Required Shares prior to the date of the annual meeting;

(ii) if the Eligible Stockholder is not a record stockholder of the Required Shares, proof that the Eligible Stockholder owns, and has owned continuously for the Minimum Holding Period, the Required Shares, in a form that would be deemed by the Corporation to be acceptable pursuant to Rule 14a-8(b)(2) under the Exchange Act (or any successor rule) for purposes of a shareholder proposal;

(iii) a copy of the Schedule 14N that has been or is concurrently being filed with the SEC as required by Rule 14a-18 under the Exchange Act;

(iv) as to the Eligible Stockholder, the information required by Section 3.2(d)(ii) to the extent not otherwise required by this Section 2.9, and, as to each Proxy Access Nominee, the information required by Section 3.2(d)(i) to the extent not otherwise required by this Section 2.9;

(v) as to each Proxy Access Nominee:

(A) an agreement, in a form deemed satisfactory by the Board or its designee (which form shall be provided by the Corporation reasonably promptly upon written request therefor), pursuant to which such Proxy Access Nominee shall not be named in any other person's proxy statement or form of proxy;

(B) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material

relationships, between or among the Eligible Stockholder, such Proxy Access Nominee or their respective "associates" (as defined in Rule 14a-1 under the Exchange Act), or others acting in concert therewith, including all information that would be required to be disclosed pursuant to Rule 404 promulgated under Regulation S-K if the Eligible Stockholder or its affiliates or any person acting in concert therewith were the "registrant" for purposes of such rule and the person were a director or executive of such registrant; and

(C) a questionnaire and written representation and agreement required to be submitted by director nominees pursuant to Section 3.2(f).

(vi) an executed agreement, in a form deemed satisfactory by the Board or its designee (which form shall be provided by the Corporation reasonably promptly upon written request therefor), pursuant to which the Eligible Stockholder:

(A) represents that it and each of its Proxy Access Nominees are not excludable under Section 2.9(i);

(B) represents that it intends to continue to hold the Required Shares through the date of, and to vote the Required Shares at, the annual meeting of stockholders;

(C) represents that it acquired the Required Shares in the ordinary course of business and not with the intent to change or influence control of the Corporation, and does not presently have such intent;

(D) represents and agrees that it has not nominated and will not nominate for election to the Board at the annual meeting of stockholders any person other than the Proxy Access Nominee(s) it is nominating pursuant to this Section 2.9;

(E) represents and agrees that it is not currently engaged as of the date of the agreement, and will not engage, in, and is not currently as of the date of the agreement, and will not be, a "participant" in another person's, "solicitation" within the meaning of Rule 14a-1(l) under the Exchange Act in support of the election of any individual as a director at the annual meeting other than its Proxy Access Nominee(s) or a nominee of the Board;

(F) represents and agrees that it has not distributed and will not distribute to any stockholder any form of proxy for the annual meeting other than the form distributed by the Corporation;

(G) represents and agrees that it is currently in compliance as of the date of the agreement, and will comply, with all laws and regulations (including, without limitation, Rule 14a-9(a) under the Exchange Act) applicable to solicitations and the use, if any, of soliciting material in connection with the annual meeting;

(H) an undertaking that the Eligible Stockholder agrees to (1) assume all liability stemming from any legal or regulatory violation arising out of the Eligible Stockholder's communications with the stockholders of the Corporation or out of the information that the Eligible Stockholder provided to the Corporation and (2) indemnify and hold harmless the Corporation and each of its directors, officers and

employees individually against any liability, loss or damages (including attorneys' fees) in connection with any threatened or pending action, suit or proceeding, whether legal, administrative or investigative, against the Corporation or any of its directors, officers or employees arising out of any nomination submitted by the Eligible Stockholder pursuant to this [Section 2.9](#); and

(I) agrees to file with the SEC any written solicitation of the stockholders relating to the meeting at which its Proxy Access Nominee(s) will be nominated, regardless of whether any such filing is required under Regulation 14A of the Exchange Act or whether any exemption from filing is available for such solicitation or other communication under Regulation 14A of the Exchange Act;

(vii) in the case of a nomination by a group of persons together constituting an Eligible Stockholder, the designation by all group members of one member of the group that is authorized to receive communications, notices and inquiries from the Corporation and to act on behalf of all members of the group with respect to all matters relating to the nomination under this [Section 2.9](#) (including withdrawal of the nomination); and

(viii) in the case of a nomination by a group of persons together constituting an Eligible Stockholder in which two or more funds that are part of the same Qualifying Fund Group are counted as one record stockholder or beneficial owner for purposes of qualifying as an Eligible Stockholder, documentation reasonably satisfactory to the Corporation that demonstrates that the funds are part of the same Qualifying Fund Group.

(i) Additional Required Information. In addition to the information required pursuant to [Section 2.9\(h\)](#) or any other provision of these By Laws, (i) the Corporation may require any proposed Proxy Access Nominee to furnish any other information (A) that may reasonably be required by the Corporation to determine whether the Proxy Access Nominee would be independent under the Independence Standards (as defined in [Section 2.9\(i\)](#)), (B) that could be material to a reasonable stockholder's understanding of the independence, or lack thereof, of such Proxy Access Nominee, (C) that may reasonably be required by the Corporation to determine the eligibility of such Proxy Access Nominee to serve as a director of the Corporation.

(j) Exclusion From Proxy Materials. Notwithstanding anything to the contrary contained in this [Section 2.9](#), (i) the Corporation shall not be required to include any Proxy Access Nominees in its proxy materials pursuant to this [Section 2.9](#) for any annual meeting of stockholders for which the Secretary of the Corporation receives a notice that a stockholder intends to nominate one or more persons for election to the Board pursuant to [Section 3.2](#) and (ii) the Corporation shall not be required pursuant to this [Section 2.9](#) to include a Proxy Access Nominee in its proxy materials for any annual meeting of stockholders, or, if the proxy statement has already been filed, to allow the nomination of a Proxy Access Nominee, notwithstanding that proxies in respect of such vote may have been received by the Board if the Board or any committee thereof determines that:

(A) such Proxy Access Nominee would not be an independent director under the applicable rules and listing standards of the principal U.S. securities exchanges upon which the stock of the Corporation is listed or traded, any applicable rules of the SEC or any other regulatory body with jurisdiction over the Corporation, or any publicly disclosed standards used by the Board in determining and disclosing the independence of the Corporation's directors (collectively, the "**Independence Standards**");

(B) election of the Proxy Access Nominee as a member of the Board would cause the Corporation to be in violation of its Certificate of Incorporation, these By Laws, the rules or listing standards of the principal U.S. securities exchanges upon which the stock of the Corporation is listed or traded, or any applicable law, rule or regulation;

(C) the Proxy Access Nominee is, or has been within the past three years, an officer or director of a competitor, as defined in Section 8 of the Clayton Antitrust Act of 1914;

(D) the Proxy Access Nominee is a named subject of a pending criminal proceeding (excluding traffic violations and other minor offenses) or has been convicted in such a criminal proceeding within the past 10 years;

(E) the Proxy Access Nominee is subject to any order of the type specified in Rule 506(d) of Regulation D promulgated under the Securities Act of 1933, as amended;

(F) who otherwise becomes ineligible for inclusion in the Corporation's proxy materials pursuant to this Section 2.9 or otherwise becomes ineligible, not qualified or unavailable for election at the annual meeting of stockholders, in each case as determined by the Board or any committee thereof pursuant to Section 2.9(n) or the person presiding over the annual meeting;

(G) such Proxy Access Nominee or the applicable Eligible Stockholder (or any member of any group of persons that together is such Eligible Stockholder) provided information to the Corporation in connection with such nomination that was untrue in any material respect or omitted to state a material fact necessary in order to make any statement made, in light of the circumstances under which it was made, not misleading; or

(H) such Proxy Access Nominee or the applicable Eligible Stockholder (or any member of any group of persons that together is such Eligible Stockholder) otherwise breaches or fails to comply with its representations, undertakings or obligations pursuant to these By Laws, including, without limitation, this Section 2.9; or

(I) the Eligible Stockholder ceases to be an Eligible Stockholder for any reason, including but not limited to not owning the Required Shares through the date of the applicable annual meeting.

(k) Permitted Number of Proxy Access Nominees.

(i) The maximum number of Proxy Access Nominees nominated by all Eligible Stockholders that will appear in the Corporation's proxy materials with respect to an annual meeting of stockholders shall not exceed the greater of two or 20% of the number of directors in office and subject to election by the holders of capital stock as of the last day on which a Proxy Access Notice may be delivered pursuant to this Section 2.9 with respect to the annual meeting, or if the number of directors calculated in this clause (i) is not a whole number, the closest whole number below 20% but not less than one (such number, determined pursuant to this clause (i) or clause (ii), as applicable, the "**Permitted Number**"); provided, however, that if one or more vacancies on the Board for any reason occur after the deadline in Section 2.9(g) for delivery of the Proxy Access Notice and before the date of the applicable annual meeting of stockholders and the Board resolves to reduce the size of the Board in connection therewith such that the number of directors subject to election by the holders of capital stock is reduced, the Permitted Number shall be calculated based on the number of directors in office as so reduced. The Permitted Number shall also be reduced by (A) the number of director candidates who will be included in the Corporation's proxy materials with respect to such annual meeting of stockholders as nominees unopposed (by the Corporation) or recommended by the Board pursuant to an agreement, arrangement or other understanding with a stockholder or group of stockholders (other than any such agreement, arrangement or understanding entered into in connection with an acquisition of stock from the Corporation by such stockholder or group of stockholders), (B) the number of incumbent director candidates who were previously elected to the Board as Proxy Access Nominees at any of the preceding two annual meetings of stockholders pursuant to this Section 2.9 and whose re-election at the upcoming annual meeting is being recommended by the Board and (C) the number of director candidates whose names were submitted for inclusion in the Corporation's proxy materials pursuant to this Section 2.9 for the upcoming annual meeting of stockholders, but who were thereafter nominated for election at such meeting by the Board.

(ii) If the number of Proxy Access Nominees submitted by Eligible Stockholders pursuant to this Section 2.9 exceeds the Permitted Number, each Eligible Stockholder will select one Proxy Access Nominee for inclusion in the Corporation's proxy materials until the Permitted Number is reached, going in order of the amount (largest to smallest) of shares of capital stock of the Corporation each Eligible Stockholder disclosed as owned in its respective Proxy Access Notice submitted to the Corporation. If the Permitted Number is not reached after each Eligible Stockholder has selected one Proxy Access Nominee, this selection process will continue as many times as necessary, following the same order each time, until the Permitted Number is reached. After reaching the Permitted Number of Proxy Access Nominees, if any Proxy Access Nominee who satisfies the eligibility requirements in this Section 2.9 thereafter (A) is nominated by the Board for election at the upcoming annual meeting of stockholders, (B) is not submitted for director election for any reason (including the failure to comply with or satisfy the eligibility requirements in this Section 2.9) other than due to a failure by the Corporation to include such Proxy Access Nominee in the Corporation's proxy materials in violation of this Section 2.9, (C) withdraws his or her nomination (or his or her nomination is withdrawn by the applicable Eligible Stockholder) or (D) becomes unwilling to serve on the Board, then, in each such case, no other nominee or nominees shall be included in the Corporation's proxy materials or otherwise submitted for director election pursuant to this Section 2.9 in substitution for such Proxy Access Nominee with respect to the annual meeting of stockholders.

(l) Attendance of Eligible Stockholder at Annual Meeting. Notwithstanding the foregoing provisions of this Section 2.9, unless otherwise required by law or otherwise determined by the person presiding over the meeting, if none of (i) the Eligible Stockholder or (ii) a Qualified Representative (as defined below) of the Eligible Stockholder appears at the annual meeting of stockholders to present such Eligible Stockholder's Proxy Access Nominee(s), such nomination or nominations shall be disregarded and conclusively deemed withdrawn, notwithstanding that proxies in respect of the election of the Proxy Access Nominee(s) may have been received by the Corporation. A "**Qualified Representative**" of a stockholder (including, but not limited to, an Eligible Stockholder) means a person that is a duly authorized officer, manager or partner of such Eligible Stockholder or is authorized by a writing (i) executed by such Eligible Stockholder, (ii) delivered (or a reliable reproduction or electronic transmission of the writing is delivered) by such Eligible Stockholder to the Corporation prior to the taking of the action taken by such person on behalf of such Eligible Stockholder and (iii) stating that such person is authorized to act for such Eligible Stockholder with respect to the action to be taken.

(m) Restrictions on Re-nominations. Any Proxy Access Nominee who is included in the Corporation's proxy materials for a particular annual meeting of stockholders but either (i) withdraws (or is deemed to have withdrawn pursuant to this Section 2.9) from or becomes ineligible or unavailable for election at that annual meeting, or (ii) does not receive a number of votes cast in favor of his or her election at least equal to 25% of the votes present in person or represented by proxy and entitled to vote in the election of directors, will be ineligible to be a Proxy Access Nominee pursuant to this Section 2.9 for the next two annual meetings of stockholders.

(n) Duty to Update, Supplement and Correct. Any information required by this Section 2.9 to be provided to the Corporation must be updated and supplemented by the Eligible Stockholder or Proxy Access Nominee, as applicable, by delivery to the Secretary (i) no later than 10 days after the record date for determining the stockholders entitled to vote at the annual meeting of stockholders, of such information as of such record date and (ii) no later than five days before the annual meeting of stockholders, of such information as of the date that is 10 days before the annual meeting of stockholders. Further, in the event that any information or communications provided (pursuant to this Section 2.9 or otherwise) by the Eligible Stockholder or the Proxy Access Nominee to the Corporation or its stockholders ceases to be true and correct in any respect or omits a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading, each Eligible Stockholder or Proxy Access Nominee, as the case may be, shall promptly notify the Secretary of any such inaccuracy or omission in such previously provided information and of the information that is required to make such information or communication true and correct. For the avoidance of doubt, the requirement to update, supplement and correct such information shall not permit any Eligible Stockholder or other person to change or add any proposed Proxy Access Nominee or be deemed to cure any defects or limit the remedies

(including without limitation under these By Laws) available to the Corporation relating to any defect (including any inaccuracy or omission).

ARTICLE III

DIRECTORS

Section 3.1. Powers. The business and affairs of the Corporation shall be managed by or under the direction of the Board, which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Certificate of Incorporation or by these By Laws required to be exercised or done by the stockholders. Directors need not be stockholders or residents of the State of Delaware.

Section 3.2. Advance Notice for Nomination of Directors.

(a) Only persons who are nominated in accordance with the procedures set forth in Section 2.9 or this Section 3.2 shall be eligible for election as directors of the Corporation, except as may be otherwise provided by the terms of one or more series of Preferred Stock with respect to the rights of holders of one or more series of Preferred Stock to elect directors. Notwithstanding the procedures set forth in Section 2.9, nominations of persons for election to the Board at any annual meeting of stockholders, or at any special meeting of stockholders called for the purpose of electing directors as set forth in the Corporation's notice of such special meeting, may be made (i) by or at the direction of the Board or (ii) by any stockholder of the Corporation (x) who is a stockholder of record on the date of the giving of the notice provided for in this Section 3.2 and on the record date for the determination of stockholders entitled to vote at such meeting and (y) who complies with the notice procedures set forth in this Section 3.2.

(b) In addition to any other applicable requirements, for a nomination to be made by a stockholder, such stockholder must have given timely notice thereof in proper written form to the Secretary of the Corporation. To be timely, a stockholder's notice to the Secretary must be delivered personally to, or mailed to and received by the Secretary at the principal executive offices of the Corporation (i) in the case of an annual meeting, not later than the close of business on the 90th day nor earlier than the close of business on the 120th day before the anniversary date of the immediately preceding annual meeting of stockholders; provided, however, that in the event that the annual meeting is more than 30 days before or more than 70 days after such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the 120th day before the meeting and not later than the later of (x) the close of business on the 90th day before the meeting or (y) the close of business on the 10th day following the day on which public announcement of the date of the annual meeting was first made by the Corporation; and (ii) in the case of a special meeting of stockholders called for the purpose of electing directors, not later than the close of business on the 10th day following the day on which public announcement of the date of the special meeting is first made by the Corporation. In no event shall the public announcement of an adjournment or postponement of an annual meeting or special meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described in this Section 3.2.

(c) Notwithstanding anything in paragraph (b) to the contrary, in the event that the number of directors to be elected to the Board at an annual meeting is greater than the number of directors whose terms expire on the date of the annual meeting and there is no public announcement by the Corporation naming all of the nominees for the additional directors to be elected or specifying the size of the increased Board before the close of business on the 100th day prior to the anniversary date of the immediately preceding annual meeting of stockholders, a stockholder's notice required by this Section 3.2 shall also be considered timely, but only with respect to nominees for the additional directorships created by such increase that are to be filled by election at such annual meeting, if it shall be delivered personally to, or mailed to and received by the Secretary at the principal executive offices of the Corporation not later than the close of business on the 10th day following the date on which such public announcement was first made by the Corporation.

(d) To be in proper written form, a stockholder's notice to the Secretary must set forth (i) as to each person whom the stockholder proposes to nominate for election as a director (A) the name, age,

business address and residence address of the person, (B) the principal occupation or employment of the person, (C) the class or series and number of shares of capital stock of the Corporation, if any, that are owned beneficially or of record by the person, (D) any other information relating to the person that would be 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 pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder, without regard to the application of the Exchange Act to either the nomination or the Corporation; and (ii) as to the stockholder giving the notice (the "**Noticing Stockholder**") (A) the name and record address of such Noticing Stockholder as they appear on the Corporation's books and the name and address of the beneficial owner, if any, on whose behalf the nomination is made, (B) the class or series and number of shares of capital stock of the Corporation that are owned beneficially and of record by such Noticing Stockholder and the beneficial owner, if any, on whose behalf the nomination is made, (C) a description of all arrangements or understandings relating to the nomination to be made by such Noticing Stockholder among the Noticing Stockholder, the beneficial owner, if any, on whose behalf the nomination is made, each proposed nominee and any other person or persons (including their names), (D) a representation that such Noticing Stockholder (or a Qualified Representative of such Noticing Stockholder) intends to appear in person or by proxy at the meeting to nominate the persons named in its notice, (E) any other information relating to such Noticing Stockholder and the beneficial owner, if any, on whose behalf the nomination is made that would be 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 pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder. Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected, and (F) a representation as to whether such Noticing Stockholder intends or is part of a group that intends to (1) solicit proxies in support of the election of any proposed nominee submitted by such Noticing Stockholder in accordance with Rule 14a-19 under the Exchange Act or (2) engage in a solicitation (within the meaning of Exchange Act Rule 14a-1(l)) with respect to the nomination, as applicable, submitted by such Noticing Stockholder and if so, the name of each participant (as defined in Item 4 of Schedule 14A under the Exchange Act) in such solicitation.

(e) Notwithstanding anything to the contrary in this Section 3.2, unless otherwise required by law, if a Noticing Stockholder (A) provides notice pursuant to Rule 14a-19(b) under the Exchange Act with respect to any proposed nominee for election as a director of the Corporation and (B) subsequently fails to comply with the requirements of Rule 14a-19(a)(2) or Rule 14a-19(a)(3) under the Exchange Act (or fails to timely provide reasonable evidence sufficient to satisfy the Corporation that such stockholder has met the requirements of Rule 14a-19(a)(3) under the Exchange Act in accordance with the following sentence), then the nomination of each such proposed nominee shall be disregarded, notwithstanding that the nominee is included as a nominee in the Corporation's proxy statement, notice of meeting or other proxy materials for any meeting (or any supplement thereto) and notwithstanding that proxies or votes in respect of the election of such proposed nominees may have been received by the Corporation (which proxies and votes shall be disregarded). Upon request by the Corporation, if any Noticing Stockholder provides notice pursuant to Rule 14a-19(b) under the Exchange Act, such stockholder shall deliver to the Corporation, no later than five business days prior to the applicable meeting, reasonable evidence that it has met the requirements of Rule 14a-19(a)(3) under the Exchange Act.

(f) In addition to the other requirements of this Section 3.2, each director nominee nominated pursuant to this Section 3.2 must deliver personally to, or mail to (in accordance with the time periods prescribed for delivery of notice under this Section 3.2) the Secretary at the principal executive offices of the Corporation (x) a written questionnaire (which questionnaire shall be provided by the Secretary upon written request of any stockholder of record identified by name within five business days of such written request) and (y) a written representation and agreement (in the form provided by the Secretary upon written request of any stockholder of record identified by name within five business days of such written request) that such person (i) is not and will not become a party to (1) any agreement, arrangement, or understanding (whether written or oral) with, and has not given any commitment or assurance to, any person or entity as to how such person, if elected as a director of the Corporation, will act or vote on any issue or question (a "**Voting Commitment**") that has not been disclosed to the Corporation or (2) any Voting Commitment that could limit or interfere with such person's ability to comply, if elected as a director of the Corporation, with such person's fiduciary duties under applicable law, (ii) is not and will not become a party to any agreement, arrangement or understanding with any person or entity other than the

Corporation with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a director that has not been disclosed to the Corporation and (iii) if elected as a director of the Corporation, would be in compliance and will comply with all applicable rules of exchanges upon which the securities of the Corporation are listed and all applicable publicly disclosed policies and guidelines of the Corporation.

(g) If the Board or the chair of the meeting of stockholders determines that any nomination made pursuant to this Section 3.2 was not made in accordance with the provisions of this Section 3.2 or that the information provided in a Noticing Stockholder's notice does not satisfy the information requirements of this Section 3.2, then such nomination shall not be considered at the meeting in question. Notwithstanding the foregoing provisions of this Section 3.2, if the Noticing Stockholder (or a Qualified Representative of the Noticing Stockholder) does not appear at the meeting of stockholders of the Corporation to present the nomination, such nomination shall be disregarded, notwithstanding that proxies in respect of such nomination may have been received by the Corporation.

(h) In addition to the provisions of this Section 3.2, a stockholder shall also comply with all of the applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth herein. Nothing in this Section 3.2 shall be deemed to affect any rights of the holders of Preferred Stock to elect directors pursuant to the Certificate of Incorporation.

Section 3.3. Compensation. Unless otherwise restricted by the Certificate of Incorporation or these By Laws, the Board shall have the authority to fix the compensation of directors, including for service on a committee of the Board. The directors may be reimbursed their expenses, if any, of attendance at each meeting of the Board. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of committees of the Board may be allowed like reimbursement of expenses for service on the committee.

ARTICLE IV

BOARD MEETINGS

Section 4.1. Annual Meetings. The Board shall meet as soon as practicable after the adjournment of each annual stockholders meeting at the place of the annual stockholders meeting unless the Board shall fix another time and place and give notice thereof in the manner required herein for special meetings of the Board. No notice to the directors shall be necessary to legally convene this meeting, except as provided in this Section 4.1.

Section 4.2. Regular Meetings. Regularly scheduled, periodic meetings of the Board may be held without notice at such times, dates and places (within or without the State of Delaware) as shall from time to time be determined by the Board.

Section 4.3. Special Meetings. Special meetings of the Board (a) may be called by the Chair of the Board or President and (b) shall be called by the Chair of the Board, President or Secretary on the written request of at least a majority of directors then in office, or the sole director, as the case may be, and shall be held at such time, date and place (within or without the State of Delaware) as may be determined by the person calling the meeting or, if called upon the request of directors or the sole director, as specified in such written request. Notice of each special meeting of the Board shall be given, as provided in Section 9.3, to each director (i) at least 24 hours before the meeting if such notice is oral notice given personally or by telephone or written notice given by hand delivery or by means of a form of electronic transmission and delivery; (ii) at least two days before the meeting if such notice is sent by a nationally recognized overnight delivery service; and (iii) at least five days before the meeting if such notice is sent through the United States mail. If the Secretary shall fail or refuse to give such notice, then the notice may be given by the officer who called the meeting or the directors who requested the meeting. Any and all business that may be transacted at a regular meeting of the Board may be transacted at a special meeting. Except as may be otherwise expressly provided by applicable law, the Certificate of Incorporation, or these By Laws, neither the business to be transacted at, nor the purpose of, any special meeting need be specified in the notice or waiver of notice of such meeting.

Section 4.4. Quorum; Required Vote. A majority of the Board shall constitute a quorum for the transaction of business at any meeting of the Board, and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board, except as may be otherwise specifically provided by applicable law, the Certificate of Incorporation or these By Laws. If a quorum shall not be present at any meeting, a majority of the directors present may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present.

Section 4.5. Consent In Lieu of Meeting. Unless otherwise restricted by the Certificate of Incorporation or these By Laws, any action required or permitted to be taken at any meeting of 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, consent thereto in writing or by electronic transmission, and the writing or writings or electronic transmission or transmissions (or paper reproductions thereof) are filed with the minutes of proceedings of the Board or committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

Section 4.6. Organization. The chair of each meeting of the Board shall be the Chair of the Board or, in the absence (or inability or refusal to act) of the Chair of the Board, the Chief Executive Officer (if he or she shall be a director) or, in the absence (or inability or refusal to act) of the Chief Executive Officer or if the Chief Executive Officer is not a director, the President (if he or she shall be a director) or in the absence (or inability or refusal to act) of the President or if the President is not a director, a chair elected from the directors present. The Secretary shall act as secretary of all meetings of the Board. In the absence (or inability or refusal to act) of the Secretary, an Assistant Secretary shall perform the duties of the Secretary at such meeting. In the absence (or inability or refusal to act) of the Secretary and all Assistant Secretaries, the chair of the meeting may appoint any person to act as secretary of the meeting.

ARTICLE V

COMMITTEES OF DIRECTORS

Section 5.1. Establishment. The Board may by resolution of the Board designate one or more committees, each committee to consist of one or more of the directors of the Corporation. Each committee shall keep regular minutes of its meetings and report the same to the Board when required by the resolution designating such committee. The Board shall have the power at any time to fill vacancies in, to change the membership of, or to dissolve, any such committee.

Section 5.2. Available Powers. Any committee established pursuant to Section 5.1 hereof, to the extent permitted by applicable law and by resolution of the Board, shall have and may exercise all of the powers and authority of the Board in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers that may require it.

Section 5.3. Alternate Members. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of such committee. In the absence or disqualification of a member of the committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he, she or they constitute a quorum, may unanimously appoint another member of the Board to act at the meeting in place of any such absent or disqualified member.

Section 5.4. Procedures. Unless the Board otherwise provides, the time, date, place, if any, and notice of meetings of a committee shall be determined by such committee. At meetings of a committee, a majority of the number of members of the committee (but not including any alternate member, unless such alternate member has replaced any absent or disqualified member at the time of, or in connection with, such meeting) shall constitute a quorum for the transaction of business. The act of a majority of the members present at any meeting at which a quorum is present shall be the act of the committee, except as otherwise specifically provided by applicable law, the Certificate of Incorporation, these By Laws or the Board. If a quorum is not present at a meeting of a committee, the members present may adjourn the meeting from time to time, without notice other than an announcement at the meeting, until a quorum is present. Unless the Board otherwise provides and except as provided in these By Laws, each committee designated by the Board may make, alter, amend and repeal rules for the conduct of its business. In

the absence of such rules each committee shall conduct its business in the same manner as the Board is authorized to conduct its business pursuant to Article IV of these By Laws.

ARTICLE VI

OFFICERS

Section 6.1. Officers. The officers of the Corporation elected by the Board shall be a Chair of the Board, a Chief Executive Officer, a President, a Chief Financial Officer, a Secretary and such other officers (including without limitation, Vice Presidents, Assistant Secretaries and a Treasurer) as the Board from time to time may determine. Officers elected by the Board shall each have such powers and duties as generally pertain to their respective offices, subject to the specific provisions of this Article VI. Such officers shall also have such powers and duties as from time to time may be conferred by the Board. The Chief Executive Officer or President may also appoint such other officers (including without limitation one or more Vice Presidents and Controllers) as may be necessary or desirable for the conduct of the business of the Corporation. Such other officers shall have such powers and duties and shall hold their offices for such terms as may be provided in these By Laws or as may be prescribed by the Board or, if such officer has been appointed by the Chief Executive Officer or President, as may be prescribed by the appointing officer.

(a) Chair of the Board. The Chair of the Board shall preside when present at all meetings of the stockholders and the Board. The Chair of the Board shall have general supervision and control of the acquisition activities of the Corporation subject to the ultimate authority of the Board, and shall be responsible for the execution of the policies of the Board with respect to such matters. In the absence (or inability or refusal to act) of the Chair of the Board, the Chief Executive Officer (if he or she shall be a director) shall preside when present at all meetings of the stockholders and the Board. The powers and duties of the Chair of the Board shall not include supervision or control of the preparation of the financial statements of the Corporation (other than through participation as a member of the Board). The position of Chair of the Board and Chief Executive Officer may be held by the same person.

(b) Chief Executive Officer. The Chief Executive Officer shall be the chief executive officer of the Corporation, shall have general supervision of the affairs of the Corporation and general control of all of its business subject to the ultimate authority of the Board, and shall be responsible for the execution of the policies of the Board with respect to such matters, except to the extent any such powers and duties have been prescribed to the Chair of the Board pursuant to Section 6.1(a) above. In the absence (or inability or refusal to act) of the Chair of the Board, the Chief Executive Officer (if he or she shall be a director) shall preside when present at all meetings of the stockholders and the Board. The position of Chief Executive Officer and President may be held by the same person.

(c) President. The President shall make recommendations to the Chief Executive Officer on all operational matters that would normally be reserved for the final executive responsibility of the Chief Executive Officer. In the absence (or inability or refusal to act) of the Chair of the Board and Chief Executive Officer, the President (if he or she shall be a director) shall preside when present at all meetings of the stockholders and the Board. The President shall also perform such duties and have such powers as shall be designated by the Board. The position of President and Chief Executive Officer may be held by the same person.

(d) Vice Presidents. In the absence (or inability or refusal to act) of the President, the Vice President (or in the event there be more than one Vice President, the Vice Presidents in the order designated by the Board) shall perform the duties and have the powers of the President. Any one or more of the Vice Presidents may be given an additional designation of rank or function.

(e) Secretary.

(i) The Secretary shall attend all meetings of the stockholders, the Board and (as required) committees of the Board and shall record the proceedings of such meetings in books to be kept for that purpose. The Secretary shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board and shall perform such other duties as may be

prescribed by the Board, the Chair of the Board, Chief Executive Officer or President. The Secretary shall have custody of the corporate seal of the Corporation and the Secretary, or any Assistant Secretary, shall have authority to affix the same to any instrument requiring it, and when so affixed, it may be attested by his or her signature or by the signature of such Assistant Secretary. The Board may give general authority to any other officer to affix the seal of the Corporation and to attest the affixing thereof by his or her signature.

(ii) The Secretary shall keep, or cause to be kept, at the principal executive offices of the Corporation or at the office of the Corporation's transfer agent or registrar, if one has been appointed, a stock ledger, or duplicate stock ledger, showing the names of the stockholders and their addresses, the number and classes of shares held by each and, with respect to certificated shares, the number and date of certificates issued for the same and the number and date of certificates cancelled.

(f) Assistant Secretaries. The Assistant Secretary or, if there be more than one, the Assistant Secretaries in the order determined by the Board shall, in the absence (or inability or refusal to act) of the Secretary, perform the duties and have the powers of the Secretary.

(g) Chief Financial Officer. The Chief Financial Officer shall perform all duties commonly incident to that office (including, without limitation, the care and custody of the funds and securities of the Corporation, which from time to time may come into the Chief Financial Officer's hands and the deposit of the funds of the Corporation in such banks or trust companies as the Board, the Chief Executive Officer or the President may authorize).

(h) Treasurer. The Treasurer shall, in the absence (or inability or refusal to act) of the Chief Financial Officer, perform the duties and exercise the powers of the Chief Financial Officer.

Section 6.2. Term of Office; Removal; Vacancies. The elected officers of the Corporation shall hold office until their successors are duly elected and qualified or until their earlier death, resignation, retirement, disqualification, or removal from office. Any officer may be removed, with or without cause, at any time by the Board. Any officer appointed by the Chief Executive Officer or President may also be removed, with or without cause, by the Chief Executive Officer or President, as the case may be, unless the Board otherwise provides. Any vacancy occurring in any elected office of the Corporation may be filled by the Board. Any vacancy occurring in any office appointed by the Chief Executive Officer or President may be filled by the Chief Executive Officer, or President, as the case may be, unless the Board then determines that such office shall thereupon be elected by the Board, in which case the Board shall elect such officer.

Section 6.3. Multiple Officeholders; Stockholder and Director Officers. Any number of offices may be held by the same person unless the Certificate of Incorporation or these By Laws otherwise provide. Officers need not be stockholders or residents of the State of Delaware.

ARTICLE VII

SHARES

Section 7.1. Certificated and Uncertificated Shares. The shares of the Corporation may be certificated or uncertificated, subject to the sole discretion of the Board and the requirements of the DGCL.

Section 7.2. Multiple Classes of Stock. If the Corporation shall be authorized to issue more than one class of stock or more than one series of any class, the Corporation shall (a) cause the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights to be set forth in full or summarized on the face or back of any certificate that the Corporation issues to represent shares of such class or series of stock or (b) in the case of uncertificated shares, within a reasonable time after the issuance or transfer of such shares, send to the registered owner thereof a written notice containing the information required to be set forth on certificates as specified in clause (a) above; provided, however, that, except as otherwise provided by applicable law, in lieu of the foregoing requirements, there may be set forth on the face or back of such certificate or, in the case of uncertificated

shares, on such written notice a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences or rights.

Section 7.3. Signatures. Each certificate representing capital stock of the Corporation shall be signed by or in the name of the Corporation by (a) the Chair of the Board, the Chief Executive Officer, the President or a Vice President and (b) the Chief Financial Officer, Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary of the Corporation. Any or all the signatures on the certificate may be a facsimile. In case 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, such certificate may be issued by the Corporation with the same effect as if such person were such officer, transfer agent or registrar on the date of issue.

Section 7.4. Consideration and Payment for Shares.

(a) Subject to applicable law and the Certificate of Incorporation, shares of stock may be issued for such consideration, having in the case of shares with par value a value not less than the par value thereof, and to such persons, as determined from time to time by the Board. The consideration may consist of cash, tangible or intangible property or any benefit to the Corporation or any combination thereof.

(b) Subject to applicable law and the Certificate of Incorporation, shares may not be issued until the full amount of the consideration has been paid, unless upon the face or back of each certificate issued to represent any partly paid shares of capital stock or upon the books and records of the Corporation in the case of partly paid uncertificated shares, there shall have been set forth the total amount of the consideration to be paid therefor and the amount paid thereon up to and including the time said certificate representing certificated shares or said uncertificated shares are issued.

Section 7.5. Lost, Destroyed or Wrongfully Taken Certificates.

(a) If an owner of a certificate representing shares claims that such certificate has been lost, destroyed or wrongfully taken, the Corporation shall issue a new certificate representing such shares or such shares in uncertificated form if the owner: (i) requests such a new certificate before the Corporation has notice that the certificate representing such shares has been acquired by a protected purchaser; (ii) if requested by the Corporation, delivers to the Corporation a bond sufficient to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, wrongful taking or destruction of such certificate or the issuance of such new certificate or uncertificated shares; and (iii) satisfies other reasonable requirements imposed by the Corporation.

(b) If a certificate representing shares has been lost, apparently destroyed or wrongfully taken, and the owner fails to notify the Corporation of that fact within a reasonable time after the owner has notice of such loss, apparent destruction or wrongful taking and the Corporation registers a transfer of such shares before receiving notification, the owner shall be precluded from asserting against the Corporation any claim for registering such transfer or a claim to a new certificate representing such shares or such shares in uncertificated form.

Section 7.6. Transfer of Stock.

(a) If a certificate representing shares of the Corporation is presented to the Corporation with an endorsement requesting the registration of transfer of such shares or an instruction is presented to the Corporation requesting the registration of transfer of uncertificated shares, the Corporation shall register the transfer as requested if:

(i) in the case of certificated shares, the certificate representing such shares has been surrendered;

(ii) (A) with respect to certificated shares, the endorsement is made by the person specified by the certificate as entitled to such shares; (B) with respect to uncertificated

shares, an instruction is made by the registered owner of such uncertificated shares; or (C) with respect to certificated shares or uncertificated shares, the endorsement or instruction is made by any other appropriate person or by an agent who has actual authority to act on behalf of the appropriate person;

(iii) the Corporation has received a guarantee of signature of the person signing such endorsement or instruction or such other reasonable assurance that the endorsement or instruction is genuine and authorized as the Corporation may request;

(iv) the transfer does not violate any restriction on transfer imposed by the Corporation that is enforceable in accordance with Section 7.8(a); and

(v) such other conditions for such transfer as shall be provided for under applicable law have been satisfied.

(b) Whenever any transfer of shares shall be made for collateral security and not absolutely, the Corporation shall so record such fact in the entry of transfer if, when the certificate for such shares is presented to the Corporation for transfer or, if such shares are uncertificated, when the instruction for registration of transfer thereof is presented to the Corporation, both the transferor and transferee request the Corporation to do so.

Section 7.7. Registered Stockholders. Before due presentment for registration of transfer of a certificate representing shares of the Corporation or of an

instruction requesting registration of transfer of uncertificated shares, the Corporation may treat the registered owner as the person exclusively entitled to inspect for any proper purpose the stock ledger and the other books and records of the Corporation, vote such shares, receive dividends or notifications with respect to such shares and otherwise exercise all the rights and powers of the owner of such shares, except that a person who is the beneficial owner of such shares (if held in a voting trust or by a nominee on behalf of such person) may, upon providing documentary evidence of beneficial ownership of such shares and satisfying such other conditions as are provided under applicable law, may also so inspect the books and records of the Corporation.

Section 7.8. Effect of the Corporation's Restriction on Transfer.

(a) A written restriction on the transfer or registration of transfer of shares of the Corporation or on the amount of shares of the Corporation that may be owned by any person or group of persons, if permitted by the DGCL and noted conspicuously on the certificate representing such shares or, in the case of uncertificated shares, contained in a notice sent pursuant to Section 7.2, may be enforced against the holder of such shares or any successor or transferee of the holder including an executor, administrator, trustee, guardian or other fiduciary entrusted with like responsibility for the person or estate of the holder.

(b) A restriction imposed by the Corporation on the transfer or the registration of shares of the Corporation or on the amount of shares of the Corporation that may be owned by any person or group of persons, even if otherwise lawful, is ineffective against a person without actual knowledge of such restriction unless: (i) the shares are certificated and such restriction is noted conspicuously on the certificate; or (ii) the shares are uncertificated and such restriction was contained in a notice sent pursuant to Section 7.2.

Section 7.9. Regulations. The Board shall have power and authority to make such additional rules and regulations, subject to any applicable requirement of law, as the Board may deem necessary and appropriate with respect to the issue, transfer or registration of transfer of shares of stock or certificates representing shares. The Board may appoint one or more transfer agents or registrars and may require for the validity thereof that certificates representing shares bear the signature of any transfer agent or registrar so appointed.

ARTICLE VIII

INDEMNIFICATION

Section 8.1. Limitation of Director Liability. A director or officer of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director or officer, except to the extent such exemption from liability or limitation thereof is not permitted under the DGCL as the same exists or may hereafter be amended unless a director or officer violated his or her duty of loyalty to the Corporation or its stockholders, acted in bad faith, knowingly or intentionally violated the law, authorized unlawful payments of dividends, unlawful stock purchases or unlawful redemptions, or derived improper personal benefit from his or her actions as a director or, in the case of an officer, in any action by or in the right of the Corporation. Any amendment, modification or repeal of the foregoing sentence shall not adversely affect any right or protection of a director or officer of the Corporation hereunder in respect of any act or omission occurring prior to the time of such amendment, modification or repeal.

Section 8.2. Right to Indemnification and Advancement of Expenses.

(a) To the fullest extent permitted by applicable law, as the same exists or may hereafter be amended, the Corporation shall indemnify, defend and hold harmless each person who is or was made a party or is threatened to be made a party to or is otherwise involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (a "**proceeding**"), by reason of the fact that he or she 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, other enterprise or nonprofit entity, including service with respect to an employee benefit plan (an "**Indemnitee**"), whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent, or in any other capacity while serving as a director, officer, employee or agent, against all liability and loss suffered and expenses (including, without limitation, attorneys' fees, judgments, fines, ERISA excise taxes and penalties and amounts paid in settlement) reasonably incurred by such Indemnitee in connection with such proceeding. The Corporation shall to the fullest extent not prohibited by applicable law pay the expenses (including attorneys' fees) incurred by an Indemnitee in defending or otherwise participating in any proceeding in advance of its final disposition; provided, however, that, to the extent required by applicable law, such payment of expenses in advance of the final disposition of the proceeding shall be made only upon receipt of an undertaking, by or on behalf of the Indemnitee, to repay all amounts so advanced if it shall ultimately be determined that the Indemnitee is not entitled to be indemnified under this Section 8.2 or otherwise. The rights to indemnification and advancement of expenses conferred by this Section 8.2 shall be contract rights and such rights shall continue as to an Indemnitee who has ceased to be a director, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators. Notwithstanding the foregoing provisions of this Section 8.2(a), except for proceedings to enforce rights to indemnification and advancement of expenses, the Corporation shall indemnify and advance expenses to an Indemnitee in connection with a proceeding (or part thereof) initiated by such Indemnitee only if such proceeding (or part thereof) was authorized by the Board.

(b) The rights to indemnification and advancement of expenses conferred on any Indemnitee by this Section 8.2 shall not be exclusive of any other rights that any Indemnitee may have or hereafter acquire under law, these By Laws, the Certificate of Incorporation, an agreement, vote of stockholders or disinterested directors, or otherwise.

Section 8.3. Right of Indemnitee to Bring Suit. If a claim under Section 8.2 is not paid in full by the Corporation within 60 days after a written claim therefor has been received by the Corporation, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be 20 days, the Indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, or in a suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the Indemnitee shall also be entitled to be paid the expense of prosecuting or defending such suit. In (a) any suit brought by the Indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by an Indemnitee to enforce a right to an advancement of expenses) it shall be a defense that, and (b) in any suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the Corporation shall be entitled to recover such expenses upon a final judicial decision from which there is no further right to appeal (hereinafter a "**final adjudication**") that, the Indemnitee has not met any applicable

standard for indemnification set forth in the DGCL. Neither the failure of the Corporation (including its directors who are not parties to such action, a committee of such directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the Indemnitee is proper in the circumstances because the Indemnitee has met the applicable standard of conduct set forth in the DGCL, nor an actual determination by the Corporation (including a determination by its directors who are not parties to such action, a committee of such directors, independent legal counsel, or its stockholders) that the Indemnitee has not met such applicable standard of conduct, shall create a presumption that the Indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the Indemnitee, shall be a defense to such suit. In any suit brought by the Indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder, or by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the Indemnitee is not entitled to be indemnified, or to such advancement of expenses, under this Article VIII or otherwise shall be on the Corporation.

Section 8.4. Non-Exclusivity of Rights. The rights provided to any Indemnitee pursuant to this Article VIII shall not be exclusive of any other right, which such Indemnitee may have or hereafter acquire under applicable law, the Certificate of Incorporation, these By Laws, an agreement, a vote of stockholders or disinterested directors, or otherwise.

Section 8.5. Insurance. The Corporation may maintain insurance, at its expense, to protect itself and/or any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the DGCL.

Section 8.6. Indemnification of Other Persons. This Article VIII shall not limit the right of the Corporation to the extent and in the manner authorized or permitted by law to indemnify and to advance expenses to persons other than Indemnitees. Without limiting the foregoing, the Corporation may, to the extent authorized from time to time by the Board, grant rights to indemnification and to the advancement of expenses to any employee or agent of the Corporation and to any other person who 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 or other enterprise, including service with respect to an employee benefit plan, to the fullest extent of the provisions of this Article VIII with respect to the indemnification and advancement of expenses of Indemnitees under this Article VIII.

Section 8.7. Amendments. Any repeal or amendment of this Article VIII by the Board or the stockholders of the Corporation or by changes in applicable law, or the adoption of any other provision of these By Laws inconsistent with this Article VIII, will, to the extent permitted by applicable law, be prospective only (except to the extent such amendment or change in applicable law permits the Corporation to provide broader indemnification rights to Indemnitees on a retroactive basis than permitted prior thereto), and will not in any way diminish or adversely affect any right or protection existing hereunder in respect of any act or omission occurring prior to such repeal or amendment or adoption of such inconsistent provision; provided, however, that amendments or repeals of this Article VIII shall require the affirmative vote of the stockholders holding at least a majority of the voting power of all outstanding shares of capital stock of the Corporation.

Section 8.8. Certain Definitions. For purposes of this Article VIII, (a) references to "other enterprise" shall include any employee benefit plan; (b) references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; (c) references to "serving at the request of the Corporation" shall include any service that imposes duties on, or involves services by, a person with respect to any employee benefit plan, its participants, or beneficiaries; and (d) a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interest of the Corporation" for purposes of Section 145 of the DGCL.

Section 8.9. Contract Rights. The rights provided to Indemnitees pursuant to this Article VIII shall be contract rights and such rights shall continue as to an Indemnitee who has ceased to be a director, officer, agent or employee and shall inure to the benefit of the Indemnitee's heirs, executors and administrators.

Section 8.10. Severability. If any provision or provisions of this Article VIII shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the

remaining provisions of this Article VIII shall not in any way be affected or impaired thereby; and (b) to the fullest extent possible, the provisions of this Article VIII (including, without limitation, each such portion of this Article VIII containing any such provision held to be invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

ARTICLE IX

MISCELLANEOUS

Section 9.1. Place of Meetings. If the place of any meeting of stockholders, the Board or committee of the Board for which notice is required under these By Laws is not designated in the notice of such meeting, such meeting shall be held at the principal business office of the Corporation; provided, however, that if the Board has, in its sole discretion, determined that a meeting shall not be held at any place, but instead shall be held by means of remote communication pursuant to Section 9.5 hereof, then such meeting shall not be held at any place.

Section 9.2. Fixing Record Dates.

(a) In order that the Corporation may determine the stockholders entitled to notice of any meeting of stockholders or any adjournment thereof, the Board may fix a record date, which shall not precede the date upon which the resolution fixing the record date is adopted by the Board, and which record date shall not be more than 60 nor less than 10 days before the date of such meeting. If the Board so fixes a date, such date shall also be the record date for determining the stockholders entitled to vote at such meeting unless the Board determines, at the time it fixes such record date, that a later date on or before the date of the meeting shall be the date for making such determination. If no record date is fixed by the Board, the record date for determining stockholders entitled to notice of and 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 business day next preceding the day on which the meeting is held. 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; provided, however, that the Board may fix a new record date for the adjourned meeting, and in such case shall also fix as the record date for stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote in accordance with the foregoing provisions of this Section 9.2(a) at the adjourned meeting.

(b) In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than 60 days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board adopts the resolution relating thereto.

Section 9.3. Means of Giving Notice.

(a) Notice to Directors. Whenever under applicable law, the Certificate of Incorporation or these By Laws notice is required to be given to any director, such notice shall be given either (i) in writing and sent by mail, or by a nationally recognized delivery service, (ii) by means of telecommunication, electronic mail or other form of electronic transmission, or (iii) by oral notice given personally or by telephone. A notice to a director will be deemed given as follows: (A) if given by hand delivery, orally, or by telephone, when actually received by the director, (B) if sent through the United States mail, when deposited in the United States mail, with postage and fees thereon prepaid, addressed to the director at the director's address appearing on the records of the Corporation, (C) if sent for next day delivery by a nationally recognized overnight delivery service, when deposited with such service, with fees thereon prepaid, addressed to the director at the director's address appearing on the records of the Corporation, (D) if sent by telecommunication, when sent to the transmission number for such director appearing on the records of the Corporation, (E) if sent by electronic mail, when sent to the electronic mail

address for such director appearing on the records of the Corporation, or (F) if sent by any other form of electronic transmission, when sent to the address, location or number (as applicable) for such director appearing on the records of the Corporation.

(b) Electronic Transmission. "**Electronic transmission**" means any form of communication, not directly involving the physical transmission of paper, that creates a record that may be retained, retrieved and reviewed by a recipient thereof, and that may be directly reproduced in paper form by such a recipient through an automated process.

(c) Notice to Stockholders Sharing Same Address. Without limiting the manner by which notice otherwise may be given effectively by the Corporation to stockholders, any notice to stockholders given by the Corporation under any provision of the DGCL, the Certificate of Incorporation or these By Laws shall be effective if given by a single written notice to stockholders who share an address if consented to by the stockholders at that address to whom such notice is given. A stockholder may revoke such stockholder's consent by delivering written notice of such revocation to the Corporation. Any stockholder who fails to object in writing to the Corporation within 60 days of having been given written notice by the Corporation of its intention to send such a single written notice shall be deemed to have consented to receiving such single written notice.

(d) Exceptions to Notice Requirements. Whenever notice is required to be given, under the DGCL, the Certificate of Incorporation or these By Laws, to any person with whom communication is unlawful, the giving of such notice to such person shall not be required and there shall be no duty to apply to any governmental authority or agency for a license or permit to give such notice to such person. Any action or meeting that shall be taken or held without notice to any such person with whom communication is unlawful shall have the same force and effect as if such notice had been duly given. In the event that the action taken by the Corporation is such as to require the filing of a certificate with the Secretary of State of Delaware, the certificate shall state, if such is the fact and if notice is required, that notice was given to all persons entitled to receive notice except such persons with whom communication is unlawful.

Whenever notice is required to be given by the Corporation, under any provision of the DGCL, the Certificate of Incorporation or these By Laws, to any stockholder to whom (1) notice of two consecutive annual meetings of stockholders and all notices of stockholder meetings to such stockholder during the period between such two consecutive annual meetings, or (2) all, and at least two payments (if sent by first-class mail) of dividends or interest on securities during a 12-month period, have been mailed addressed to such stockholder at such stockholder's address as shown on the records of the Corporation and have been returned undeliverable, the giving of such notice to such stockholder shall not be required. Any action or meeting that shall be taken or held without notice to such stockholder shall have the same force and effect as if such notice had been duly given. If any such stockholder shall deliver to the Corporation a written notice setting forth such stockholder's then-current address, the requirement that notice be given to such stockholder shall be reinstated. In the event that the action taken by the Corporation is such as to require the filing of a certificate with the Secretary of State of Delaware, the certificate need not state that notice was not given to persons to whom notice was not required to be given pursuant to Section 230(b) of the DGCL. The exception in subsection (1) of the first sentence of this paragraph to the requirement that notice be given shall not be applicable to any notice returned as undeliverable if the notice was given by electronic transmission.

Section 9.4. Waiver of Notice. Whenever any notice is required to be given under applicable law, the Certificate of Incorporation, or these By Laws, a written waiver of such notice, signed by the person or persons entitled to said notice, or a waiver by electronic transmission by the person entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent to such required notice. Attendance at a meeting shall constitute a waiver of notice of such meeting, except where a person attends for the express purpose of objecting to the transaction of any business on the ground that the meeting was not lawfully called or convened.

Section 9.5. Meeting Attendance via Remote Communication Equipment.

(a) Stockholder Meetings. If authorized by the Board in its sole discretion, and subject to such guidelines and procedures as the Board may adopt, stockholders and proxy holders not physically present at a meeting of stockholders may, by means of remote communication:

(i) participate in a meeting of stockholders; and

(ii) be deemed present in person and vote at a meeting of stockholders, whether such meeting is to be held at a designated place or solely by means of remote communication, provided that (A) the Corporation shall implement reasonable measures to verify that each person deemed present and permitted to vote at the meeting by means of remote communication is a stockholder or proxy holder, (B) the Corporation shall implement reasonable measures to provide such stockholders and proxy holders a reasonable opportunity to participate in the meeting and to vote on matters submitted to the stockholders, including an opportunity to read or hear the proceedings of the meeting substantially concurrently with such proceedings, and (C) if any stockholder or proxy holder votes or takes other action at the meeting by means of remote communication, a record of such votes or other action shall be maintained by the Corporation.

(b) Board Meetings. Unless otherwise restricted by applicable law, the Certificate of Incorporation or these By Laws, members of the Board or any committee thereof may participate in a meeting of the Board or any committee thereof by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other. Such participation in a meeting shall constitute presence in person at the meeting.

Section 9.6. Dividends. The Board may from time to time declare, and the Corporation may pay, dividends (payable in cash, property or shares of the Corporation's capital stock) on the Corporation's outstanding shares of capital stock, subject to applicable law and the Certificate of Incorporation.

Section 9.7. Reserves. The Board may set apart out of the funds of the Corporation available for dividends a reserve or reserves for any proper purpose and may abolish any such reserve.

Section 9.8. Contracts and Negotiable Instruments. Except as otherwise provided by applicable law, the Certificate of Incorporation or these By Laws, any contract, bond, deed, lease, mortgage or other instrument may be executed and delivered in the name and on behalf of the Corporation by such officer or officers or other employee or employees of the Corporation as the Board may from time to time authorize. Such authority may be general or confined to specific instances as the Board may determine. The Chair of the Board, the Chief Executive Officer, the President, the Chief Financial Officer, the Treasurer or any Vice President may execute and deliver any contract, bond, deed, lease, mortgage or other instrument in the name and on behalf of the Corporation. Subject to any restrictions imposed by the Board, the Chair of the Board, the Chief Executive Officer, the President, the Chief Financial Officer, the Treasurer or any Vice President may delegate powers to execute and deliver any contract, bond, deed, lease, mortgage or other instrument in the name and on behalf of the Corporation to other officers or employees of the Corporation under such person's supervision and authority, it being understood, however, that any such delegation of power shall not relieve such officer of responsibility with respect to the exercise of such delegated power.

Section 9.9. Fiscal Year. The fiscal year of the Corporation shall be fixed by the Board.

Section 9.10. Seal. The Board may adopt a corporate seal, which shall be in such form as the Board determines. The seal may be used by causing it or a facsimile thereof to be impressed, affixed or otherwise reproduced.

Section 9.11. Books and Records. The books and records of the Corporation may be kept within or outside the State of Delaware at such place or places as may from time to time be designated by the Board.

Section 9.12. Resignation. Any director, committee member or officer may resign by giving notice thereof in writing or by electronic transmission to the Chair of the Board, the Chief Executive Officer, the President or the Secretary. The resignation shall take effect at the time it is delivered unless the resignation specifies

a later effective date or an effective date determined upon the happening of an event or events. Unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 9.13. Surety Bonds. Such officers, employees and agents of the Corporation (if any) as the Chair of the Board, the Chief Executive Officer, the President or the Board may direct, from time to time, shall be bonded for the faithful performance of their duties and for the restoration to the Corporation, in case of their death, resignation, retirement, disqualification or removal from office, of all books, papers, vouchers, money and other property of whatever kind in their possession or under their control belonging to the Corporation, in such amounts and by such surety companies as the Chair of the Board, Chief Executive Officer, President or the Board may determine. The premiums on such bonds shall be paid by the Corporation and the bonds so furnished shall be in the custody of the Secretary.

Section 9.14. Securities of Other Corporations. Powers of attorney, proxies, waivers of notice of meeting, consents in writing and other instruments relating to securities owned by the Corporation may be executed in the name of and on behalf of the Corporation by the Chair of the Board, the Chief Executive Officer, the President, or any officers authorized by the Board. Any such officer may, in the name of and on behalf of the Corporation, take all such action as any such officer may deem advisable to vote in person or by proxy at any meeting of security holders of any corporation in which the Corporation may own securities, or to consent in writing, in the name of the Corporation as such holder, to any action by such corporation, and at any such meeting or with respect to any such consent shall possess and may exercise any and all rights and power incident to the ownership of such securities and which, as the owner thereof, the Corporation might have exercised and possessed. The Board may from time to time confer like powers upon any other person or persons.

Section 9.15. Amendments. In furtherance and not in limitation of the powers conferred upon it by law, the Board shall have the power and is expressly authorized to adopt, amend, alter or repeal these By Laws by the affirmative vote of a majority of the total number of directors present at a regular or special meeting of the Board at which there is a quorum or by unanimous written consent. These By Laws also may be adopted, amended, altered or repealed by the stockholders of the Corporation; provided, however, that in addition to any vote of the holders of any class or series of capital stock of the Corporation required by law or by the Certificate of Incorporation, the affirmative vote of the holders of at least a majority of the voting power of all then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required for the stockholders of the Corporation to adopt, amend, alter or repeal these By Laws; and provided further, however, that no By Laws hereafter adopted by the stockholders of the Corporation shall invalidate any prior act of the Board that would have been valid if such By Laws had not been adopted.

CERTIFICATION
PURSUANT TO RULES 13A-14 AND 15D-14
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Suzanne Foster, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of AdaptHealth Corp.;
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 the 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:
 - (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.

August 6, 2024

/s/ Suzanne Foster

Suzanne Foster

Chief Executive Officer and Director

(Principal Executive Officer)

CERTIFICATION
PURSUANT TO RULES 13A-14 AND 15D-14
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Jason Clemens, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of AdaptHealth Corp.;
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 the 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:
 - (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.

August 6, 2024

/s/ Jason Clemens

Jason Clemens

Chief Financial Officer

(Principal Financial Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS REQUIRED BY
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of AdaptHealth Corp. (the "Company") on Form 10-Q for the quarter ended June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned hereby certify that to the best of our knowledge:

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

August 6, 2024	/s/ Suzanne Foster Suzanne Foster	Chief Executive Officer and Director (Principal Executive Officer)
August 6, 2024	/s/ Jason Clemens Jason Clemens	Chief Financial Officer (Principal Financial Officer)