[redacted]

CONSOLIDATED BALANCE SHEETS

(In thousands, except share information)

	December 31, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 59,692	$ 42,669
Accounts receivable, net	85,413	69,353
Inventories	104,115	86,538
Other current assets	12,246	11,027
Total current assets	261,466	209,587
Property, plant and equipment, net	402,974	382,377
Deferred tax assets	35,278	35,550
Other non-current assets	13,727	9,194
Total assets	$ 713,445	$ 636,708
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 19,336	$ 8,546
Accrued payroll and related benefits	67,124	56,613
Current portion of long-term debt	26,073	8,423
Current portion of notes payable to former preferred stockholders	13,780	17,951
Other current liabilities	18,354	16,341
Total current liabilities	144,667	107,874
Long-term debt, less current portion	200,729	154,432
Notes payable to former preferred stockholders, less current portion	14,051	27,548
Other non-current liabilities	6,465	24,608
Total liabilities	365,912	314,462
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Class A common stock, $0.001 par value — 25,000,000 shares authorized, 237,819 shares and 237,019 shares issued and outstanding at December 31, 2021 and 2020, respectively	—	—
Class B common stock, $0.001 par value — 24,849,255 shares authorized, 22,766,626 and 22,198,044 shares issued and outstanding at December 31, 2021 and 2020, respectively	23	22
Treasury stock, 105,389 and 98,890 shares of Class A common stock and 9,823,624 and 9,508,096 shares of Class B common stock at December 31, 2021 and 2020, respectively	(130,013)	(125,762)
Additional paid-in capital	105,670	100,725
Retained earnings	378,501	347,464
Accumulated other comprehensive loss	(6,648)	(203)
Total stockholders' equity	347,533	322,246
Total liabilities and stockholders' equity	$ 713,445	$ 636,708

The accompanying notes are an integral part of these consolidated financial statements.

[redacted]

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

	Year Ended December 31, 2021	Year Ended December 31, 2020
Net revenues	$ 649,886	$ 544,125
Cost of revenues	173,497	149,743
Gross profit	476,389	394,382
Operating expenses:		
Selling, general and administrative	292,641	221,032
Research and development	145,326	129,155
Total operating expenses	437,967	350,187
Operating income	38,422	44,195
Other income (expense):		
Interest income	82	112
Interest expense	(7,070)	(8,731)
Other income	2,404	3,315
Other expense, net	(4,584)	(5,304)
Income before taxes	33,838	38,891
Income tax provision	2,801	9,391
Net income	31,037	29,500
Other comprehensive income (loss), net of tax:		
Increase (decrease) in fair value of interest rate swaps	1,564	(813)
Increase (decrease) in fair value of foreign currency swap	567	(694)
Foreign currency translation adjustments	(8,576)	8,975
Other comprehensive (loss) income	(6,445)	7,468
Comprehensive income	$ 24,592	$ 36,968

The accompanying notes are an integral part of these consolidated financial statements.

[redacted]

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In thousands)

	Class A Common Stock		Class B Common Stock		Treasury Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance — December 31, 2019	237	$ —	22,111	$ 22	(9,407)	$ (123,252)	$ 99,975	$ 317,964	$ (7,671)	$ 287,038
Issuance of common stock upon exercise of stock options	—	—	80	—	—	—	614	—	—	614
Share-based compensation on stock options and restricted stock awards	—	—	7	—	—	—	107	—	—	107
Collections of notes receivable from stockholders	—	—	—	—	—	—	29	—	—	29
Purchase of treasury stock	—	—	—	—	(200)	(2,510)	—	—	—	(2,510)
Net income	—	—	—	—	—	—	—	29,500	—	29,500
Other comprehensive income	—	—	—	—	—	—	—	—	7,468	7,468
Balance — December 31, 2020	237	—	22,198	22	(9,607)	(125,762)	100,725	347,464	(203)	322,246
Issuance of common stock upon exercise of stock options	—	—	469	1	—	—	2,191	—	—	2,192
Share-based compensation on stock options and restricted stock awards	1	—	100	—	—	—	2,520	—	—	2,520
Collections of notes receivable from stockholders	—	—	—	—	—	—	234	—	—	234
Purchase of treasury stock	—	—	—	—	(322)	(4,251)	—	—	—	(4,251)
Net income	—	—	—	—	—	—	—	31,037	—	31,037
Other comprehensive loss	—	—	—	—	—	—	—	—	(6,445)	(6,445)
Balance — December 31, 2021	238	$ —	22,767	$ 23	(9,929)	$ (130,013)	$ 105,670	$ 378,501	$ (6,648)	$ 347,533

The accompanying notes are an integral part of these consolidated financial statements.

[redacted]

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Year Ended December 31, 2021	Year Ended December 31, 2020
Cash flows from operating activities:		
Net income	$ 31,037	$ 29,500
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	41,117	41,882
Provision for doubtful accounts	163	152
Provision for excess and obsolete inventory	46	3,255
(Reversal of) provision for warranty costs	(25)	215
Loss on property, plant and equipment	215	198
Deferred income tax (benefit) provision	(1,737)	4,482
Stock-based compensation	2,520	107
Debt issuance costs expensed on extinguishment	62	—
Changes in operating assets and liabilities:		
Accounts receivable	(18,811)	4,168
Inventories	(19,144)	(9,987)
Other current assets	(1,659)	317
Other non-current assets	(3,295)	(2,866)
Accounts payable	7,933	(2,776)
Accrued payroll and related benefits	1,042	(8,653)
Other current liabilities	(903)	1,803
Other non-current liabilities	313	13,972
Net cash provided by operating activities	38,874	75,769
Cash flows from investing activities:		
Purchases of property, plant and equipment	(64,440)	(59,572)
Proceeds from sales of property, plant and equipment	96	105
Issuance of notes receivable to employees and stockholders	(865)	(196)
Collections on notes receivable from employees and stockholders	832	795
Net cash used in investing activities	(64,377)	(58,868)
Cash flows from financing activities:		
Proceeds from exercise of stock options	2,192	614
Purchases of treasury stock	(4,251)	(2,510)
Repayments on notes payable to former preferred stockholders	(19,153)	(6,119)
Collections on nonrecourse notes receivable from stockholders	234	29
Repayments on note payable	(191)	(382)
Proceeds from long-term debt	225,475	98,000
Repayments on long-term debt	(160,000)	(104,500)
Net cash provided by (used in) financing activities	44,306	(14,868)
Effects of exchange rate changes on cash	(1,978)	1,962
Net increase in cash, cash equivalents and restricted cash	16,825	3,995
Cash, cash equivalents and restricted cash at beginning of year	42,867	38,872
Cash, cash equivalents and restricted cash at end of year	$ 59,692	$ 42,867

The accompanying notes are an integral part of these consolidated financial statements.

[redacted]

CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED

(In thousands)

	Year Ended December 31,	
	2021	2020
Supplemental disclosure of cash flow information:		
Cash paid for interest, net of capitalized interest	$ 6,794	$ 8,415
Net cash paid for income taxes	$ 5,922	$ 4,568
Non-cash investing and financing activities:		
Accrued purchases for property, plant and equipment	$ 3,124	$ 1,266
Exercise of stock options in exchange for nonrecourse notes receivable from stockholders	$ 1,884	$ —

The following provides a reconciliation of cash, cash equivalents and restricted cash balances reported within the consolidated balance sheets to the total of such balances in the consolidated statements of cash flows:

	2021	2020
Cash and cash equivalents	$ 59,692	$ 42,669
Restricted cash included in other non-current assets	—	198
Cash, cash equivalents and restricted cash reported in the consolidated statements of cash flows	$ 59,692	$ 42,867

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
($ in thousands, except share information)

1. DESCRIPTION OF BUSINESS

[redacted] (the "Company" or "AMC") is a global medical device company that develops, manufactures and markets medical devices used in surgical procedures in operating rooms and outpatient surgery centers. AMC operates manufacturing, distribution, research and development ("R&D") and administrative facilities in the United States ("U.S.") and the Netherlands, and distribution and administrative facilities in the United Kingdom, Spain, Australia, New Zealand, Japan, Mexico, Lebanon and South Korea. The Company sells its products either directly to hospitals and other end users or through distributors in the United States and internationally.

Coronavirus Global Pandemic

In December 2019, a novel strain of coronavirus disease ("COVID-19") was first reported in China. On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic and recommended containment and mitigation measures worldwide and on March 13, 2020, the U.S. declared a national emergency with respect to the COVID-19 outbreak. This outbreak has negatively impacted economic activity in all the geographic markets the Company operates. The disruption remains an evolving situation with continued uncertainty around the extent and duration. Therefore, the extent of the impact of COVID-19 on our business and financial results will depend on future developments, including the duration of the outbreak within the geographic markets in which we operate and the related impact on spending by our customers within the government agencies, hospitals and healthcare systems where we operate. The changes the Company implemented to certain operations to protect the Company's team members, while still meeting the needs of the Company's customers, remain in place. Accordingly, management will continue to monitor the situation closely and it is possible that further measures will need to be implemented.

In response to the COVID-19 outbreak, various governmental authorities globally have announced relief programs which among other items, provide reimbursement of payroll costs or payroll tax relief, as well as temporary deferrals of income and non-income based tax payments, which have had a positive impact on our cash flows and operating results for the years ended December 31, 2021 and 2020. During 2021, the Company's operations have directly or indirectly received, in the aggregate, approximately $1,484 in government economic assistance related to government programs which provide reimbursement to employers that have experienced a decline in revenues related to the COVID-19 global pandemic. Additionally, in the U.S., the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was enacted and signed into law in March 2020 in response to the market volatility and instability resulting from the COVID-19 pandemic. The CARES Act, among other items, contained provisions for the deferral of the employer portion of social security taxes incurred through the end of 2020, with 50% of the amount due on December 31, 2021 and the remaining amount due by December 31, 2022. The Company initially deferred the payment of $9,304 in social security taxes for 2020. For the year ended December 31, 2021, the Company made the first deferred payment of $4,655 with the remaining $4,649 included in other current liabilities in the accompanying consolidated balance sheets as of December 31, 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries: [redacted]. All intercompany accounts and transactions have been eliminated in consolidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates relate to the accrual for rebates, chargebacks, sales returns and other sales allowances, the allowance for doubtful accounts, the valuation allowance for deferred tax assets, accrued expenses, the valuation of inventory, the amount of direct labor and interest capitalized related to assets under construction, the valuation of common stock and stock-based awards and the determination of litigation and income tax reserves. The estimation process required to prepare financial statements requires assumptions to be made about future events and conditions and, as such, is inherently subjective and uncertain. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and investments with original maturities of less than three months when acquired. The Company maintains its cash and cash equivalents with financial institutions that are of high credit quality in the U.S. and other countries with certain foreign operations. At December 31, 2021 and 2020, the cash and cash equivalent deposits in foreign bank accounts were $32,882 and $27,173, respectively. The Company has cash deposits in U.S. financial institutions that exceed federally insured limits. The Company has not experienced any losses on deposits of cash and cash equivalents at financial institutions.

Restricted Cash

Cash is classified as restricted cash when certain funds are reserved for a specific purpose and are not available for immediate or general business use. At December 31, 2021 and 2020, restricted cash deposits in foreign bank accounts were $0 and $198, respectively.

Accounts Receivable

Accounts receivable consists of amounts due from hospitals, other end users, original equipment manufacturers and distributors. Credit is extended based on an evaluation of the customer's financial condition and granted on an unsecured basis as collateral is not required. Ongoing credit evaluations of the customers' financial condition are performed. Estimated provisions for doubtful accounts are recorded to the extent it is probable that a portion or all of a particular account will not be collected. The allowance for doubtful accounts is determined by analyzing specific customer accounts and assessing the risk of uncollectability based on insolvency, disputes, current economic trends and changes in customer payment trends or other collection issues. Account balances are charged off against the allowance when management determines that it is probable the receivable will not be recovered. Historical credit losses recognized by the Company have not exceeded management's estimates. As of December 31, 2021 and 2020, accounts receivable is presented net of allowance for doubtful accounts totaling $1,448 and $1,587, respectively.

Inventories

Inventories consist of finished goods, work-in-process, and raw materials, including components, which are semi-finished goods. Product inventories are stated at the lower of cost or net realizable value. Cost is determined using a standard cost method (which approximates first-in, first-out) and includes material, labor and overhead. Management periodically reviews inventory for excess quantities and obsolescence by evaluating quantities on hand, physical condition, technical functionality and anticipated customer demand for current products and new product introductions. Based on these evaluations, inventory is adjusted with a corresponding provision to cost of revenues.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Major renewals and improvements are capitalized while routine maintenance and repairs are expensed as incurred.

Depreciation expense is computed using the straight-line method over the estimated useful lives ranging from 5 to 25 years for buildings and improvements; 1 to 7 years for software; 1 to 7 years for tools, molds and equipment; 3 to 10 years for office furniture and fixtures; and 2 to 5 years for computer equipment. Upon sale or retirement of depreciable assets, the related cost and accumulated depreciation are removed from the accounts and any gain or loss resulting from the sale or retirement is included in selling, general and administrative expenses in the accompanying consolidated statements of comprehensive income.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment indicators include, among other conditions, cash flow deficits, historic or anticipated declines in revenue or operating profit, and adverse or regulatory developments. Recoverability of an asset to be held and used is measured based on a comparison of the carrying amount of the asset to the undiscounted future cash flows expected to be generated from the asset. If the asset is deemed impaired, the impairment to be recognized is measured by the amount by which the carrying value exceeds the estimated fair value of the asset, which is based on the estimated future discounted cash flows of the asset. There were no such impairment indicators during the years ended December 31, 2021 and 2020.

Fair Value Measurements

U.S. GAAP describes a fair value hierarchy based on three levels of input, of which the first two are considered observable and the last unobservable, that may be used to measure fair value:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Entities are allowed an irrevocable option to elect fair value for the initial and subsequent measurement for specified financial assets and liabilities on a contract-by-contract basis.

Derivative Financial Instruments

The Company's derivative financial instruments consist of interest rate swaps to convert floating-rate debt to fixed-rate debt and a foreign currency swap to hedge foreign currency risk of a net investment in a foreign operation. For the interest rate swaps, the debt and amounts that the Company hedges are determined based primarily on its current business plan and prevailing market conditions. The Company's objective in entering into these interest rate financial instruments is to mitigate its exposure to significant unplanned fluctuations in earnings caused by volatility in interest rates. For the foreign currency swap, the hedging relationship is a foreign currency hedge of a portion of a Euro based net investment in a European based entity. The Company's objective in entering into this foreign currency based financial instrument is to reduce the impact of changes in exchange rates on the net investment balance of a specific foreign subsidiary. The Company does not use any of these instruments for trading or speculative purposes. The interest rate swaps and the foreign currency swap are carried at fair values and included in other non-current assets or other non-current liabilities in the accompanying consolidated balance sheets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Treasury Stock

The Company accounts for treasury stock using the cost method and includes treasury stock as a component of stockholders' equity.

Revenue Recognition

The Company accounts for revenue in accordance with Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers (Topic 606).* The Company's principal source of revenue is product sales. The Company derives revenues from various sources including direct sales to end user hospitals, other direct customers, sales to domestic and international distributors and sales to original equipment manufacturers. Domestic and international distributors will resell the products to end user hospitals and other customers in their assigned territories. Under Topic 606, revenue is recognized using the following five steps: (i) identify the contract with the customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) a performance obligation is satisfied. The Company only applies the five-step model when it is probable that collectability of the consideration is entitled to in exchange for the goods transferred to the customer is reasonably assured. Revenue is recognized under Topic 606 when a customer obtains control of promised goods or services, in an amount that reflects the consideration expected to be received in exchange for those goods or services. The consideration expected to be received includes both fixed and variable consideration. Variable consideration arises from estimates of product returns, discounts, chargebacks and administrative fees, all of which are discussed below.

The Company introduced a product line (the "Energy System") during 2019 which requires the allocation of revenue between lease components and product sales on a pro-rata basis. The costs to manufacture the Energy System are capitalized as inventory and charged to cost of revenues as Energy System sales are recognized. Sales of the Energy System are generally structured where the Company provides an electrosurgical generator at no charge in exchange for the customer's commitment to purchase related consumables over the term of the agreement. The Company allocates the contract consideration of operating-type lease agreements to the underlying lease and non-lease components at contract inception. Revenue allocable to consumables is recognized similar to product sales. Revenue allocable to lease components under operating-type lease arrangements is generally recognized over the term of the agreement. Lease revenue from the electrosurgical generator for the years ended December 31, 2021 and 2020 was approximately $6,487 and $4,474, respectively, and is included within net revenues in the accompanying consolidated statements of comprehensive income. Net revenues for the Energy System were reported net of estimated product returns, discounts, chargebacks and administrative fees.

Customers do not have a general right of return for credit or refund on product sales; however, the Company allows customers to return product upon approval within 30 days from original sale. The Company estimates and accrues for these returns based on historical return rates. As of December 31, 2021 and 2020, the Company's reserve for general product returns totaled $496 and $683, respectively.

Certain domestic distributors purchase products at specified distributor pricing and then resell the products to end user hospitals which may have separate pricing agreements with the Company or are members of group purchasing organizations ("GPOs") that have contracts with the Company. In those situations when distributor prices are higher than the end user hospital contracted prices, the Company provides discounts or chargebacks to these distributors for the excess of the distributor prices above the end user hospital prices. Where transaction price determination involves variable consideration, the Company accrues allowances for the estimated discounts or chargebacks at the time of sale as a reduction to net revenues and accounts receivable. As of December 31, 2021 and 2020, the Company has accrued chargebacks of $988 and $1,118, respectively. Based on direct sales and distributor sales made to hospitals which are members of a GPO, the Company is required to pay administrative fees to the GPO with respect to products covered by the GPO agreement. These fees are recorded as a reduction to net revenues and an increase to accrued expenses at the time of sale. As of December 31, 2021 and 2020, the Company has accrued administrative fees to GPOs of $2,005 and $1,501, respectively.

($ in thousands, except share information)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Shipping and Handling Costs

All shipping and handling costs charged to customers are recorded within net revenues. Shipping and handling is treated as a fulfillment activity rather than a promised service and therefore is not considered a performance obligation. The associated freight costs are expensed as incurred and recorded within cost of revenues.

Taxes Collected from Customers and Remitted to Governmental Authorities

Taxes assessed by governmental authorities including sales and value-added taxes are presented on a net basis. Accordingly, these taxes are excluded from net revenues and included as accrued expenses within other current liabilities in the accompanying consolidated balance sheets.

Research and Development

R&D includes personnel costs, material costs, depreciation and amortization on the associated tangible assets and facility costs that are directly related to R&D activities. These costs are expensed as incurred.

All costs incurred to manufacture the inventory of a product in development are charged to R&D expenses until the product is ready for sale. Once a product in development is released for sale and distribution, the Company transfers all of the existing engineering finished goods and components into inventory at a cost equal to zero. All costs incurred to manufacture the inventory subsequent to the release date are recorded as inventory and charged to cost of revenues upon a sale.

Product Warranty

A majority of the Company's products are intended for single use and therefore, require limited product warranty accruals. The Company does not have a specified warranty period for its products; however, it will generally accept defective products which are returned within 60 days. Estimated warranty costs are accrued based primarily on historical warranty claims experience and recorded within cost of revenues at the time products are sold.

A summary of the warranty accrual is as follows:

	Year Ended December 31,	
	2021	2020
Warranty accrual — beginning of year	$ 448	$ 649
(Reversal of) provision for warranty costs	(25)	215
Warranty claims	(279)	(416)
Warranty accrual — end of year	$ 144	$ 448

Stock-Based Compensation

The Company measures and recognizes compensation expense for all stock-based awards made to officers, employees, consultants and non-employee directors based on estimated fair values on the date of grant. Stock-based awards consist of stock options and restricted stock. The Company accepts notes receivable as consideration for stock to be issued upon exercise of stock options. Notes receivable from stockholders are accounted for as nonrecourse loans. For accounting purposes, the nonrecourse notes are accounted for as a grant of new stock options. The estimated fair values of the newly granted stock options are recognized as compensation expense on the issuance date of the nonrecourse note. Stock-based compensation cost is measured at the grant date based on the fair value of the award as determined using an acceptable option-pricing model and is recognized as an expense over the requisite service period (vesting period), net of estimated forfeitures. Forfeitures are estimated at the time of grant and revised in subsequent periods if actual forfeitures differ from those estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Stock-Based Compensation – Continued

The Company uses the Black-Scholes option-pricing model to estimate the value of stock-based compensation expense for all stock-based awards and nonrecourse notes receivable used to exercise stock options. The fair value of restricted stock is based on the estimated fair value of the Company's stock on the date of grant. Determining the appropriate fair-value model and calculating the fair value of stock-based awards at the grant dates requires considerable judgment, including estimating the risk-free interest rate, expected option term, stock price volatility and dividend yield.

Management develops estimates based on historical data and market information, which can change significantly over time. The risk-free interest rate is based on the implied yield on U.S. Treasury notes as of the grant date with a term approximating the expected life of the options. The Company utilizes the average of the contractual term of the options and the weighted average vesting period for all options to calculate the expected option life. The expected stock price volatility is based on historical volatility of similar companies that are public and compete in the medical device industry. The Company has not historically declared dividends and therefore, the estimated annual dividend yield is 0%.

Litigation Costs and Contingencies

In the ordinary course of business, the Company is subject to various legal proceedings and claims, including employment disputes, disputes on agreements and other commercial matters. In addition, the Company operates in an industry susceptible to significant patent claims and, at any given time, may be involved as either a plaintiff or defendant in one or more patent infringement actions. If a patent infringement claim were to be determined against the Company, it may be required to make significant royalty and other payments or be subject to an injunction or other limitation on its ability to manufacture or distribute one or more products.

The Company records a charge equal to at least the minimum estimated liability for a loss contingency or litigation settlement when both of the following conditions are met: (i) information available prior to issuance of the financial statements indicates that it is probable that a liability had been incurred at the date of the financial statements, and (ii) the range of loss can be reasonably estimated. The determination of whether a loss contingency or litigation settlement is probable involves a significant amount of management judgment, as does the estimation of the range of loss given the nature of contingencies. Legal and other litigation related expenses are recognized as the services are provided.

Income Taxes

The Company accounts for income taxes using the asset and liability method, under which the Company recognizes deferred tax assets and liabilities for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and for net operating loss and tax credit carryforwards. Tax positions that meet a more likely than not recognition threshold are recognized in the first reporting period that it becomes more likely than not such tax position will be sustained upon examination. A tax position that meets this more likely than not recognition threshold is recorded at the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Previously recognized income tax positions that fail to meet the recognition threshold in a subsequent period are derecognized in that period. Differences between actual results and management's assumptions, or changes in assumptions in future periods, are recorded in the period they become known. The Company records potential accrued interest and penalties related to unrecognized tax benefits in income tax expense.

As a multinational corporation, the Company is subject to complex tax laws and regulations in various jurisdictions. The application of tax laws and regulations is subject to legal and factual interpretation, judgment, and uncertainty. Tax laws themselves are subject to change as a result of changes in fiscal policy, changes in legislation, evolution of regulations and court rulings. Therefore, the actual liability for U.S. or foreign taxes may be materially different from the Company's estimates, which could result in the need to record additional liabilities or potentially to reverse previously recorded tax liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Income Taxes – Continued

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. A valuation allowance is recorded against any deferred tax assets when, in the judgment of management, it is more likely than not that all of or part of a deferred tax asset will not be realized. In assessing the need for a valuation allowance, the Company considers all positive and negative evidence, including recent financial performance, scheduled reversals of temporary differences, projected future taxable income, and availability of taxable income in carryback periods, and tax planning strategies. In addition, the Company has made an accounting policy election to recognize the U.S. tax effects of global intangible low-taxed income as a component of income tax in the period the tax arises.

Foreign Currency Gains and Losses

The accounts of the Company's foreign subsidiaries, for which the functional currency is the local currency, have been translated into U.S. dollars using the current exchange rate at the balance sheet date for assets and liabilities and rates that approximate the average exchange rate for the period for revenues and expenses. Translation adjustments arising from the use of differing exchange rates from period to period are included in accumulated other comprehensive loss in stockholders' equity. Gains and losses resulting from foreign currency transactions are included in selling, general and administrative expenses in the accompanying consolidated statements of comprehensive income. The Company recognized foreign currency transaction losses of $622 and gains of $552 during the years ended December 31, 2021 and 2020, respectively.

Comprehensive Income

Comprehensive income includes all changes in equity other than those with stockholders and consists of net income, unrealized gains or losses on certain securities, including derivatives as well as foreign currency translation adjustments. Foreign currency translation adjustments are generally not adjusted for income taxes as they primarily relate to indefinite investments in foreign subsidiaries.

Concentration of Risk

The Company is subject to a concentration of credit risk with respect to its accounts receivable, all of which are due from hospitals, other end users, original equipment manufacturers and distributors throughout the U.S. and other countries. No individual customer accounted for more than 10% of net revenues during the years ended December 31, 2021 and 2020 or accounts receivable as of December 31, 2021 and 2020.

The Company's ability to sell its products to U.S. hospitals depends in part on its relationships with GPOs. GPOs negotiate pricing arrangements and contracts, sometimes exclusively, with medical supply manufacturers and distributors and these negotiated prices are made available to a GPO's affiliated customers. For the years ended December 31, 2021 and 2020, net revenues from U.S. customers affiliated with GPOs amounted to $215,512 and $184,106, respectively.

($ in thousands, except share information)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Geographic Information

The Company's revenues by geographical area are attributed to countries based on the location of the customer. A summary of net revenues and property, plant and equipment by geographical area is as follows:

	Year Ended December 31,	
Net revenues	**2021**	**2020**
United States of America	$ 328,268	$ 283,109
International	321,618	261,016
Total net revenues	$ 649,886	$ 544,125

	December 31,	
Property, plant and equipment	**2021**	**2020**
United States of America	$ 353,100	$ 327,513
International	49,874	54,864
Total property, plant and equipment, net	$ 402,974	$ 382,377

Recently Adopted Accounting Pronouncements

In August 2017, the Financial Accounting Standards Board ("FASB") issued ASU No. 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*, ("ASU 2017-12") and issued additional clarifications and improvements during 2018 and 2019. ASU 2017-12 amends and simplifies existing guidance in order to allow companies to more accurately present the economic effects of risk management activities in the financial statements. Initially, the amendments of ASU 2017-12 were to be effective for the Company for fiscal years beginning after December 15, 2019. ASU 2019-10 (discussed below) amended the effective date of the adoption of ASU 2017-12 to periods beginning after December 15, 2020. The Company adopted ASU 2017-12 during the year ended December 31, 2021 with no material impact to its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles–Goodwill and Other–Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract* ("ASU 2018-15"). ASU 2018-15 aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). ASU 2018-15 is effective for annual periods beginning after December 15, 2020. The Company adopted ASU 2018-15 during the year ended December 31, 2021 with no material impact on its consolidated financial statements.

The Company does not believe there are any other new accounting pronouncements that would have a material impact on its consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

New Accounting Standards Not Yet Adopted

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* (“ASU 2016-02”) and issued additional clarifications and improvements during 2018, 2019, 2020 and 2021. ASU 2016-02 requires lessees to recognize a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the balance sheet but continue to recognize lease expenses in their income statements in a manner similar to current practice. Leases will be classified as either a finance or operating type lease, with the classification affecting the pattern of expense recognition in the income statements. Initially, the amendments of ASU 2016-02 were to be effective for the Company for periods beginning after December 15, 2019, with early adoption permitted. ASU 2019-10 (discussed below) amended the effective date of the adoption of Topic 842 to periods beginning after December 15, 2020 and ASU 2020-05 (discussed below) amended the effective date of the adoption of Topic 842 to periods beginning after December 15, 2021. The Company has $13,955 of operating lease obligations as of December 31, 2021, and upon the adoption of ASU 2016-02 on January 1, 2022 will record an ROU asset and lease liability equal to the present value of these leases, which will have a material impact on its consolidated balance sheets. However, the recognition of lease expense in the consolidated statements of comprehensive income is not expected to change after the adoption of ASU 2016-02.

In July 2018, the FASB issued ASU No. 2018-10, *Codification Improvements to Topic 842, Leases*, ("ASU 2018-10"), to clarify how to apply certain aspects of the new lease accounting standard in Topic 842. The amendments in ASU 2018-10, among other things, better articulates the requirement for a lessee's reassessment of lease classification as of the effective date of a modification, clarifies that a change to an index or rate for variable lease payments does not constitute a resolution of a contingency that would result in the remeasurement of lease payments, and requires entities that apply Topic 842 retrospectively to each reporting period and do not adopt the practical expedients to write off any prior unamortized initial direct costs to equity that do not meet the definition under Topic 842. The amendments in ASU 2018-10 have the same effective date and transition requirements as ASU 2016-02 summarized above. The Company is currently evaluating the expected impact of adopting this new standard on its consolidated financial statements.

Also, in July 2018, the FASB issued ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*, ("ASU 2018-11"), to provide an additional transition method. An entity can now elect not to present comparative financial information under Topic 842 if it recognizes a cumulative-effect adjustment to retained earnings upon adoption. The Company intends to make this election. Initially, the amendments of ASU 2018-11 were to be effective for the Company for periods beginning after December 15, 2019, with early adoption permitted. The amendments in ASU 2018-11 have the same effective date and transition requirements as ASU 2016-02 summarized above. The Company is currently evaluating the expected impact of adopting this new standard on its consolidated financial statements.

In November 2019, the FASB issued ASU No. 2019-10, *Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*, ("ASU 2019-10") which provides transition guidance to assist private companies with the implementation of recent guidance issued for Topic 326, Topic 815 and Topic 842. ASU 2019-10 amends the effective dates of adoption for private companies for the implementation of ASU 2016-02 (discussed above) and ASU 2017-12 (discussed above and adopted during the year ended December 31, 2021) to periods beginning after December 15, 2020. Early adoption continues to be permitted for all guidance discussed in ASU 2019-10. The Company is currently evaluating the expected impact of adopting Topic 326 and Topic 842 in ASU 2019-10 on its consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

New Accounting Standards Not Yet Adopted – Continued

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* ("ASU 2020-04"). This new guidance provides temporary optional expedients and exceptions to the guidance in U.S. GAAP on contract modifications and hedge accounting to ease the financial reporting burdens related to the expected market transition from the London Interbank Offered Rate ("LIBOR") and other interbank offered rates to alternative reference rates, such as the Secured Overnight Financing Rate ("SOFR"). Entities can make a one-time election to sell and/or reclassify held-to-maturity debt securities that reference an interest rate affected by reference rate reform. ASU 2020-04 is effective beginning on March 12, 2020 through December 31, 2022, and the Company may elect to apply this guidance prospectively through December 31, 2022. The relief is temporary and generally cannot be applied to contract modifications that occur after December 31, 2022 or hedging relationships entered into or evaluated after that date. However, certain optional expedients can be applied to hedging relationships evaluated in periods after December 31, 2022. The Company is currently evaluating the expected impact of this standard but does not expect it to have a material impact on its consolidated financial statements upon adoption.

In June 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, ("ASU 2020-05") which amends the effective dates of adoption for private companies for the implementation of ASU 2016-02 (discussed above) and ASU 2018-11 (discussed above) to periods beginning after December 15, 2021.

In January 2021, the FASB issued ASU No. 2021-01, *Reference Rate Reform (Topic 848): Scope* ("ASU 2021-01"). ASU 2021-01 clarifies the scope and application of the original guidance. ASU No. 2021-01 is effective as of March 12, 2020 through December 31, 2022 and may be applied to contract modifications and hedging relationships from the beginning of an interim period that includes or is subsequent to March 12, 2020. The Company is currently evaluating the expected impact of adopting this standard but does not expect it to have a material impact on its consolidated financial statements.

In July 2021, the FASB issued ASU No. 2021-05, *Leases (Topic 842), Lessors-Certain Leases with Variable Lease Payments* ("ASU 2021-05"). ASU 2021-05 amends the original ASU No. 2016-02 lease standard by requiring lessors to classify leases as operating leases if they have variable lease payments that do not depend on an index or rate and would have selling losses at lease commencement if they were classified as sales-type leases. ASU 2021-05 is effective for annual reporting periods beginning after December 15, 2021, and for interim periods within those years, and may be adopted either prospectively or on a retrospective basis for leases that commenced or were modified after the date of initial adoption of ASC 842. Early adoption is permitted. The Company is currently evaluating the expected impact of this standard on its consolidated financial statements.

In October 2021, the FASB issued ASU No. 2021-07, *Compensation – Stock Compensation (Topic 718): Determining the Current Price of an Underlying Share for Equity-Classified Share-Based Awards (a consensus of the Private Company Council)*, ("ASU 2021-07"). ASU 2021-07 provides a practical expedient to allow a nonpublic company to determine the current price of an equity share underlying an equity-classified share-based award using the reasonable application of a reasonable valuation method. ASU 2021-07 is effective prospectively for all qualifying awards granted or modified during fiscal years beginning after December 15, 2021. Early adoption is permitted. The Company is currently evaluating whether it will adopt this practical expedient and the expected impact on its consolidated financial statements.

In November 2021, the FASB issued ASU No. 2021-09, *Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities*, ("ASU 2021-09"). ASU 2021-09 permits a lessee that is not a public business entity that makes the risk-free rate election more flexibility in risk-free rate decisions by allowing them to make the election by class of underlying asset, rather than at the entity-wide level. The amendments in ASU 2021-09 have the same effective date and transition requirements as ASU 2016-02 summarized above. The Company intends to make this election.

($ in thousands, except share information)

3. INVENTORIES

Inventories consisted of the following:

	December 31, 2021	December 31, 2020
Raw materials and components	$ 54,383	$ 44,663
Work-in-process	11,663	10,311
Finished goods	38,069	31,564
Total inventories	$ 104,115	$ 86,538

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following:

	December 31, 2021	December 31, 2020
Land	$ 92,903	$ 92,275
Buildings and improvements	391,680	368,351
Software	22,163	20,391
Tools, molds and equipment	187,106	176,187
Office furniture and fixtures	29,300	28,409
Computer equipment	11,731	11,577
Construction in progress	39,353	21,797
	774,236	718,987
Less accumulated depreciation	(371,262)	(336,610)
Total property, plant and equipment, net	$ 402,974	$ 382,377

The balance in construction in progress at December 31, 2021 and 2020 relates primarily to the construction of multiple co-generation projects, certain facility improvements, equipment and other projects which have not been completed or placed into service. The Company capitalized $233 and $279 of interest and $6,437 and $5,668 of labor costs related to assets under construction during the years ended December 31, 2021 and 2020, respectively.

The Company recorded losses related to certain projects in progress of $86 and $2 during the years ended December 31, 2021 and 2020, respectively. These charges, which were recorded to R&D expenses, relate primarily to tools, molds and equipment that were being constructed for internal use. In addition, losses related to certain building construction projects of $472 and $0 were recorded to selling, general and administrative expenses in the accompanying consolidated statements of comprehensive income for the years ended December 31, 2021 and 2020, respectively.

Depreciation expense was $38,784 and $40,426 during the years ended December 31, 2021 and 2020, respectively.

($ in thousands, except share information)

5. OTHER ASSETS AND OTHER LIABILITIES

Other current assets consisted of the following:

	December 31, 2021	December 31, 2020
Prepaid expenses	$ 7,611	$ 6,362
Prepaid income and other taxes	1,791	1,070
Deposits	1,291	834
Receivables from stockholders and employees	1,223	902
Other receivables	330	1,859
Total other current assets	$ 12,246	$ 11,027

Other non-current assets consisted of the following:

	December 31, 2021	December 31, 2020
Deposits	$ 7,085	$ 3,352
Equipment leased to customers, net	4,502	3,831
Prepaid expenses	898	475
Receivables from stockholders and employees	404	426
Other assets	838	912
Restricted cash	—	198
Total other non-current assets	$ 13,727	$ 9,194

Other current liabilities consisted of the following:

	December 31, 2021	December 31, 2020
Accrued expenses	$ 10,837	$ 10,052
Income and other taxes payable	6,460	5,874
Interest rate and currency swaps (Note 9)	800	-
Note payable - current portion	190	190
Deferred revenue	67	25
Accrued litigation settlement (Note 10)	—	200
Total other current liabilities	$ 18,354	$ 16,341

Other non-current liabilities consisted of the following:

	December 31, 2021	December 31, 2020
Nonqualified deferred compensation (Note 6)	$ 3,663	$ 1,543
Accrued sales retention bonuses	182	1,825
Interest rate and currency swaps (Note 9)	164	3,720
Deferred tax liabilities	26	28
Deferred long-term payroll tax liabilities	13	4,926
Accrued long-term bonuses (Note 6)	—	10,000
Other non-current liabilities	2,417	2,566
Total other non-current liabilities	$ 6,465	$ 24,608

5. OTHER ASSETS AND OTHER LIABILITIES – Continued

In January 2017, the Company implemented a retention bonus plan for its sales team members which was comprised of three programs for varying levels of the sales team. Each program has a varying amount of bonus payment based on a five-year term and the achievement of various milestones. As of December 31, 2021 and 2020, the Company accrued $3,241 and $4,859, respectively, for the total estimated amounts earned under the retention bonus programs. Accrued sales retention bonuses of $3,059 and $3,034 are included in accrued payroll and related benefits in the accompanying consolidated balance sheets as of December 31, 2021 and 2020, respectively, and $182 and $1,825 are included in other non-current liabilities in the accompanying consolidated balance sheets as of December 31, 2021 and 2020, respectively. Payments under the retention bonus plan were made totaling $3,022 and $2,588 in 2021 and 2020, respectively.

6. EMPLOYEE BENEFIT PLANS

Defined Contribution Plan

The Company sponsors a 401(k) defined contribution plan (the "Plan") covering substantially all employees who meet certain eligibility requirements. Eligible participants may elect to contribute to the Plan through tax-deferred salary deductions of up to 100% of their annual compensation, subject to maximum annual limits as set by the Internal Revenue Service.

In general, the company has matched 50% of an employee's elective contribution up to 2% of the employee's compensation, subject to a maximum amount. Effective June 1, 2021, the Company amended the Plan to increase the match to 50% of an employee's contribution up to 4% of the employee's compensation, subject to a maximum amount. The Company may also contribute to the Plan on a discretionary basis.

The 2021 amendment of the Plan introduced a vesting schedule for discretionary contributions for all employees who began employment after May 31, 2021. The Company's matching contributions were $4,386 and $0 during the years ended December 31, 2021 and 2020, respectively.

Subsequent to December 31, 2021, the Company contributed $2,096 to the Plan as a discretionary profit sharing contribution.

Long-Term Bonus Plans

The Company has adopted Long-Term Bonus Plans (the "Executive Bonus Plan" and the "Team Member Bonus Plan", together the "Bonus Plans"). The Bonus Plans provided for the establishment of bonus pools for executives and team members contingent on achieving certain performance objectives over a defined period.

[redacted]

($ in thousands, except share information)

6. EMPLOYEE BENEFIT PLANS - Continued

Nonqualified Deferred Compensation Plan

In June 2018, the Company adopted a Nonqualified Deferred Compensation Plan (the "Deferred Compensation Plan"), to provide certain members of senior management the option to defer payment of an elected amount of compensation to a future date. During the election period for each applicable plan year, eligible employees may elect to defer compensation earned during that plan year to some future date. The minimum deferral amount per year is $10 and there is no maximum deferral amount. The minimum length of deferment is two years and the maximum length of deferment is twenty years, after which distributions will be made to the employee in a single lump sum payment or biweekly installments over a predetermined number of years. Interest accrues on any deferred compensation at a rate equal to the Company's borrowing rate (as established every six months on June 30 and December 31) plus 0.5% compounded semi-annually on June 30 and December 31 of each year. The Company has accrued interest of $36 and $25 on the deferred compensation of $1,527 and $305 as of December 31, 2021 and 2020, respectively, which is included in accrued payroll and related benefits in the accompanying consolidated balance sheets. The Company has accrued interest of $90 and $61 on deferred compensation of $3,573 and $1,482 as of December 31, 2021 and 2020, respectively, which is included in other non-current liabilities in the accompanying consolidated balance sheets. The Company paid out accrued interest of $14 and deferred compensation of $150 in 2021.

7. INCOME TAXES

Income before taxes was generated from operations as follows:

	Year Ended December 31, 2021	Year Ended December 31, 2020
United States	$ 12,336	$ 21,624
International	21,502	17,267
Income before taxes	$ 33,838	$ 38,891

The income tax provision consisted of the following:

	Year Ended December 31, 2021	Year Ended December 31, 2020
Current:		
Federal	$ 738	$ 1,052
State	122	866
Foreign	3,678	2,991
	4,538	4,909
Deferred:		
Federal	(3,968)	2,640
State	385	(298)
Foreign	1,846	2,140
	(1,737)	4,482
Income tax provision	$ 2,801	$ 9,391

The fiscal year 2021 tax provision decreased by $6,590 to an effective tax rate of 8.3% compared to an effective tax rate of 24.1% for fiscal year 2020, primarily driven by the federal R&D tax credits, uncertain tax position, and partially offset by an increase in the U. S. tax on global intangible low-tax income.

($ in thousands, except share information)

7. INCOME TAXES – Continued

The components of deferred tax assets and liabilities are as follows:

	December 31, 2021	December 31, 2020
Deferred tax assets:		
Tax credit carry forwards	$ 84,400	$ 69,336
Inventories	962	965
Stock-based compensation	45	700
Accrued vacation	2,909	3,566
Deferred compensation	1,208	2,306
Workers' compensation claims	711	914
Litigation settlement (Note 10)	612	613
Intellectual property	13,973	17,320
Field retention bonus	806	1,225
Deferred payroll taxes	1,055	2,108
Interest rate and currency swaps	218	843
Other	2,631	2,381
Total deferred tax assets	109,530	102,277
Valuation allowance	(63,062)	(54,286)
Net deferred tax assets	46,468	47,991
Deferred tax liabilities:		
Depreciation	(10,340)	(11,863)
Unremitted earnings of foreign subsidiaries	(300)	—
Other	(576)	(606)
Total deferred tax liabilities	(11,216)	(12,469)
Net deferred tax assets	$ 35,252	$ 35,522

Of the net deferred tax assets, $35,278 and $ 35,550 is included in deferred tax assets in the accompanying consolidated balance sheets as of December 31, 2021 and 2020, respectively, and $26 and $28 is included in non-current liabilities as of December 31, 2021 and 2020, respectively in the accompanying consolidated balance sheets.

As of December 31, 2021, the Company has approximately $69,522 of cumulative undistributed earnings generated by its foreign subsidiaries. Because earnings have previously been subject to U.S. tax, any additional taxes due with respect to foreign earnings would be limited to foreign withholding and state taxes. The Company considers all the accumulated undistributed earnings as no longer permanently reinvested and has accrued foreign withholding and state taxes of $300.

As of December 31, 2021, the Company has $23,043 and $63,053 of federal and California R&D tax credits available for use in future years, respectively. Management considered all available evidence under existing tax law and anticipated the expiration of tax statutes and determined that a valuation allowance of $63,062 and $54,286 was required for those deferred tax assets that are not expected to provide future tax benefits as of December 31, 2021 and 2020, respectively. The valuation allowance at December 31, 2021 increased by $8,776 from the prior year and is primarily attributable to the Company's current expectation to be unable to utilize the California R&D tax credits.

The federal R&D tax credits will begin to expire in 2038 and the California R&D tax credits may be carried forward indefinitely.

($ in thousands, except share information)

7. INCOME TAXES – Continued

Differences between the provision for income tax at the U.S. federal statutory rate and the provision for income taxes in the consolidated statements of comprehensive income are as follows:

	Year Ended December 31, 2021	Year Ended December 31, 2020
Income taxes computed at statutory rate	$ 7,106	$ 8,167
Increase (decrease) in taxes resulting from:		
State taxes - net of federal benefit	424	434
Uncertain tax positions	(742)	447
R&D credits	(8,255)	(334)
Amended return R&D credit adjustment	2,341	—
Foreign rate differences	958	1,087
Foreign withholding taxes on unremitted foreign earnings	300	—
Nondeductible expenses	977	303
Foreign intellectual property amortization	32	33
U.S. tax on foreign earnings, net of credits	784	(996)
Other	(1,124)	250
Income tax provision	$ 2,801	$ 9,391

As of December 31, 2021 and 2020, the liability for income taxes associated with uncertain gross tax positions was $3,597 and $4,369, respectively. The Company recognizes interest and penalties, if any, related to uncertain tax positions in its provision for income taxes. As of December 31, 2021 and 2020, the Company has accrued $175 and $215, respectively, of interest and penalties (net of tax benefits of $9 and $11, respectively) related to uncertain tax positions.

A reconciliation of the unrecognized tax benefits is as follows:

	December 31, 2021	December 31, 2020
Gross unrecognized tax benefit at beginning of year	$ 4,369	$ 4,019
Gross increases for tax positions of prior years	—	—
Gross increases for tax positions of current year	28	350
Lapse of statute of limitations	(800)	—
Gross unrecognized tax benefit at end of year	$ 3,597	$ 4,369

The Company and its subsidiaries file income tax returns in the U.S. and various foreign jurisdictions. The primary non-U.S. jurisdictions are Australia and the Netherlands. At December 31, 2021, all material state, local, and foreign income tax matters have been concluded for years through 2016.

8. DEBT

In May 2017, the Company and its subsidiaries, [redacted] (the "Borrowers") entered into a credit agreement for a senior secured credit facility (the "2017 Senior Credit Facility"). The 2017 Senior Credit Facility consisted of (1) a $225,000 revolving credit facility, and (2) a $100,000 term loan facility.

The 2017 Senior Credit Facility was scheduled to mature in May 2022. Borrowings under the 2017 Senior Credit Facility incurred interest at a rate equal to the sum of the applicable margin of 0.5% to 2.5% (determined on the basis of the Company's total leverage ratio, as defined), plus, at the Borrowers' option, either LIBOR or an alternate base rate, as defined. In addition, the Borrowers were required to pay commitment fees, letter of credit fees and certain other fees and expenses to the arranger and agents for providing the 2017 Senior Credit Facility. The 2017 Senior Credit Facility required the Company to maintain certain financial covenants and contained customary limitations on the Borrowers' ability to incur liens or indebtedness, make investments and capital expenditures, merge with or acquire other companies, or pay dividends.

The obligations under the 2017 Senior Credit Facility were guaranteed by all existing and future domestic subsidiaries meeting established criteria. Obligations under the 2017 Senior Credit Facility were secured by a first priority security interest in all of the capital stock of the Company and each of their direct and indirect subsidiaries (limited, in the case of each foreign subsidiary, to the pledge of 65% of its equity interests) and all other existing and future assets of the Company and their subsidiaries, excluding foreign subsidiaries.

In June 2021, the Borrowers entered into a new credit agreement for a senior secured credit facility (the "2021 Senior Credit Facility"). The 2021 Senior Credit Facility consists of (1) a $250,000 revolving credit facility, (2) a $100,000 term loan facility, and (3) a $50,000 delayed draw term loan. Proceeds from the 2021 Senior Credit Facility were used to pay off all outstanding borrowings under the 2017 Senior Credit Facility and certain financing costs related to the new facility. In accordance with the accounting guidance under U.S. GAAP, the transactions surrounding the 2021 Senior Credit Facility have been appropriately accounted for. All balances and transactions for former participants of the 2017 Senior Credit Facility who were paid in full have been identified and are properly accounted for resulting in their extinguishment from the 2021 Senior Credit Facility. For participants of the 2017 Senior Credit Facility who are continuing in the 2021 Senior Credit Facility, the transaction is being accounted for as a debt modification. The Company incurred $1,714 in debt issuance costs in connection with the 2021 Senior Credit Facility, of which $1,400 was capitalized and is amortized on a straight-line basis over the five-year term of the 2021 Senior Credit Facility. Borrowings under the revolving credit facility are available for working capital needs and general corporate purposes, including the issuance of up to $20,000 in letters of credit.

The 2021 Senior Credit Facility will mature in June 2026. Borrowings under the 2021 Senior Credit Facility bear interest at a rate equal to the sum of the applicable margin of 0.25% to 2.375% (determined on the basis of the Company's total leverage ratio, as defined), plus, at the Borrowers' option, either LIBOR or an alternate base rate, as defined. In addition, the Borrowers are required to pay commitment fees, letter of credit fees and certain other fees and expenses to the arranger and agents for providing the 2021 Senior Credit Facility. The 2021 Senior Credit Facility requires the Company to maintain certain financial covenants and contains customary limitations on the Borrowers' ability to incur liens or indebtedness, make investments and capital expenditures, merge with or acquire other companies, or pay dividends. The Company was in compliance with all debt covenants as of December 31, 2021.

The obligations under the 2021 Senior Credit Facility are guaranteed by all existing and future domestic subsidiaries meeting established criteria. Obligations under the 2021 Senior Credit Facility are secured by a first priority security interest in all of the capital stock of the Company and each of their direct and indirect subsidiaries (limited, in the case of each foreign subsidiary, to the pledge of 65% of its equity interests) and all other existing and future assets of the Company and their subsidiaries, excluding foreign subsidiaries.

In December 2021 the Company and the Borrowers executed an amendment of the 2021 Senior Credit Facility by amending the "Qualified Foreign Cash" definition. Qualified Foreign Cash now means the aggregate amount of unrestricted and unencumbered cash held by all foreign subsidiaries organized in Europe not to exceed $20,000.

($ in thousands, except share information)

8. DEBT - Continued

[redacted]

Debt, net of debt issuance costs, consisted of the following:

	December 31, 2021	December 31, 2020
Term loan under the 2021 Senior Credit Facility (net of debt issuance costs of $1,474 at December 31, 2021), payable to banks in various quarterly installments and a balloon payment of $70,000 due at maturity in June 2026; interest at a variable rate of LIBOR plus 1.25% (1.354% at December 31, 2021).	$ 97,276	$ —
Revolving line of credit under the 2021 Senior Credit Facility, interest at a variable rate of LIBOR plus 1.25% (1.354% at December 31, 2021).	106,875	—
Term loan under the 2017 Senior Credit Facility (net of debt issuance costs of $463 at December 31, 2020), payable to banks in various quarterly installments and a balloon payment of $67,500 due at maturity in May 2022; interest at a variable rate of LIBOR plus 1.75% (1.897% at December 31, 2020).	—	78,287
Revolving line of credit under the 2017 Senior Credit Facility, interest at a variable rate of LIBOR plus 1.75% (1.897% at December 31, 2020).	—	60,000
[redacted] Revolving Credit Facility, due at maturity in May 2022; interest at a variable rate of EURIBOR plus 2.00% (2.00% at December 31, 2021).	22,651	24,568
Total debt	226,802	162,855
Less: Current portion of long-term debt	(26,073)	(8,423)
Long-term debt, less current portion	$ 200,729	$ 154,432

As of December 31, 2021 and 2020, the Company had outstanding standby letters of credit totaling $11,438 and $10,838, respectively, as collateral for issuances of bank guarantees and credit support for the payment of future workers' compensation obligations.

Since December 31, 2021 the Company has borrowed $40,000 on the revolving credit facility under the 2021 Senior Credit Facility, to payoff off the [redacted] Revolving Credit Facility and for normal working capital needs. The available borrowing capacity under the revolving credit facility under the 2021 Senior Credit Facility is $91,687 as of the date the audited consolidated financial statements were available to be issued.

($ in thousands, except share information)

8. DEBT - Continued

At December 31, 2021, the aggregate maturities of debt outstanding, excluding debt issuance costs of $1,474, are as follows:

Year ending December 31,	
2022	$ 26,401
2023	6,250
2024	7,500
2025	8,750
2026	179,375
Total	$ 228,276

9. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

Derivative Financial Instruments

The Company entered into three interest rate swap agreements with J.P. Morgan (the “JPM Interest Rate Swaps”) for notional amounts of $50,000 on June 29, 2017, $25,000 on September 28, 2018, and $25,000 on June 21, 2019, in which it received periodic payments at a variable rate and made periodic payments at a fixed rate. In June 2021, the Company entered into three novation agreements (the “Novation Agreements”) with J.P. Morgan (“JPM”) and Citibank, N.A, (“Citibank”) with a novation trade date of June 9, 2021, which effectively transferred the JPM Interest Rate Swaps from JPM to Citibank. Under the terms of the Novation Agreements, the first calculation period under the Citibank interest rate swaps (the “Citi Interest Rate Swaps”) would commence on May 28, 2021, the termination date is May 31, 2022 (the original maturity date of the 2017 Senior Credit Facility) and the notional amounts are the same as the JPM Interest Rate Swaps. Both the JPM Interest Rate Swaps and the Citi Interest Rate Swaps (together the “Interest Rate Swaps”) provide the Company an option for selecting the interest rate reset index and the periodic interest rate reset frequency and are cash flow hedges of interest rate risk designated under the simplified hedge accounting approach permitted for certain private companies.

On January 14, 2020, the Company entered into a foreign currency swap contract (the “Cross-Currency Swap”), which was designated as a net investment hedge. The Cross-Currency Swap has an expiration date of January 31, 2023. At maturity of the foreign currency swap contract, the Company will deliver the notional amount of €10 million and will receive $11,120 from the counterparty. The Company will receive monthly interest payments from the counterparty based on a fixed interest rate of 1.894% until the maturity of the foreign currency swap contract.

For the Interest Rate Swaps, the Company selected one-month LIBOR as its interest rate reset index, which was 1.88% on the notional amount of $50,000, 3.00% on the notional amount of $25,000 and 1.65% on the second notional amount of $25,000. The termination dates of the Interest Rate Swaps coincide with the maturity date of the 2017 Senior Credit Facility. The terms of the Interest Rate Swaps are considered to be typical or “plain vanilla”. Hedge effectiveness will continue to be assessed under the simplified hedge accounting approach as the terms of the Citi Interest Rate Swaps and the hedged instrument (the 2021 Senior Credit Facility) meet all of the conditions to apply the simplified hedge accounting approach.

Based on the Company’s current assessment, the hedges under the Citi Interest Rate Swaps should be considered perfectly effective as it is probable that there will be LIBOR based interest payments on at least the swap nominal amounts of debt principal through the maturity of the hedging instruments, the forecasted transactions are probable of occurring and Citibank continues to maintain a high enough creditworthiness. The Company updated this assessment in June 2021 and at December 31, 2021.

9. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS - Continued

In accordance with U.S. GAAP, the Company will periodically adjust the Citi Interest Rate Swaps to their settlement values (fair value) with an offsetting adjustment to other comprehensive income or loss. As interest expense is accrued on the underlying debt, gains or losses on the Citi Interest Rate Swaps previously deferred in accumulated other comprehensive income or loss are reclassified and reported as an adjustment to interest expense each period. The net effect of the accumulated other comprehensive income or loss reclassification causes the Company to recognize interest expense on the notional debts of $50,000 at a fixed rate of 1.88% plus the applicable margin, of $25,000 at a fixed rate of 3.00% plus the applicable margin, and of $25,000 at a fixed rate of 1.65% plus the applicable margin. The fair values of the Citi Interest Rate Swaps at December 31, 2021 were a liability of $354 for the notional debt of $50,000 at a fixed rate 1.88%, a liability of $294 for the notional debt of $25,000 at a fixed rate of 3.00% and a liability of $152 for the second notional debt of $25,000 at a fixed rate of 1.65%, all of which are included within other current liabilities in the accompanying consolidated balance sheets. The fair value of the Cross-Currency Swap at December 31, 2021 was a liability of $164, which is included within other non-current liabilities in the accompanying consolidated balance sheets.

On January 26, 2022, the Company entered into a foreign currency swap contract (the “2022 Cross-Currency Swap”) that economically hedges changes in spot foreign currency rates on a Euro-denominated intercompany loan. The Company elected not to designate the 2022 Cross-Currency Swap as a hedge for hedge accounting. The 2022 Cross-Currency Swap has an expiration date of January 26, 2024. At maturity of the foreign currency swap contract, the Company will deliver the notional amount of €20 million and will receive $22,600 from the counterparty. The Company will receive monthly interest payments from the counterparty based on a floating interest rate of LIBOR plus 2.375% and pay quarterly interest payments on a fixed interest rate of 2.00% in Euro until the maturity of the foreign currency swap contract.

Fair Value of Other Financial Instruments

The Company’s other financial instruments include cash and cash equivalents, accounts receivable, restricted cash, accounts payable, accrued liabilities and long-term debt. The carrying values of cash and cash equivalents, accounts receivable, restricted cash, accounts payable and accrued liabilities at December 31, 2021 and 2020 approximate their fair values due to their short-term maturities. The carrying value of long-term debt approximates the fair value due to variability of the interest rate.

Fair value is the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants. Fair values determined based on Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities. Fair values determined based on Level 2 inputs utilize observable quoted prices for similar assets and liabilities in active markets and observable quoted prices for identical or similar assets in markets that are not very active.

Instruments Measured at Fair Value on a Recurring Basis

As of December 31, 2021 and 2020, the Company did not have any Level 1 financial instruments, other than cash and cash equivalents and restricted cash, no Level 2 financial instruments, except the Interest Rate Swaps and Cross-Currency Swap, and no Level 3 financial instruments. The increase in fair value of the Interest Rate Swaps for the year ended December 31, 2021 totaled $2,022. The fair value of the Cross-Currency Swap increased by $733 for the year ended December 31, 2021. Within the consolidated statements of comprehensive income, the Interest Rate Swaps are presented net of related tax benefit of $458 and the Cross-Currency Swap is presented net of related tax benefit of $166 for the year ended December 31, 2021.

($ in thousands, except share information)

10. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leases certain facilities and automobiles under non-cancelable operating leases which expire at various dates through 2028. Some of these operating leases contain renewal options. Rent expense for all operating leases was $5,889 and $5,470 during the years ended December 31, 2021 and 2020, respectively.

As of December 31, 2021, future minimum lease payments under non-cancelable operating leases with a term of more than one year are as follows:

Year ending December 31,	
2022	$ 4,850
2023	3,987
2024	3,001
2025	1,210
2026	552
Thereafter	355
Total	$ 13,955

In July 2019, the Company entered into a lease extension agreement (the "Lease Extension") for an industrial facility in Middletown, New York. Under the terms of the Lease Extension, the original lease is extended for a period of 62 months commencing March 1, 2020 for a monthly base rent of $19 per month. Pursuant to the Lease Extension, the Company has an option to extend the lease term at the end of the 62-month lease period for an additional 60 months upon a nine-month prior written notice.

Purchase Commitments

Pursuant to contractual obligations with vendors, the Company had $12,260 of purchase commitments as of December 31, 2021. These purchase commitments have been made for the construction of a facility in the Netherlands, to secure certain sterilization equipment related to the facility construction, to secure certain equipment required for the construction of co-generation projects as well as for supplies necessary for daily co-generation operations in order to achieve better pricing. These purchase commitments are expected to be due in the following periods:

Year ending December 31,	
2022	$ 8,693
2023	1,297
2024	1,519
2025	751
Total	$ 12,260

10. COMMITMENTS AND CONTINGENCIES - Continued

Litigation

[redacted]

11. NOTES PAYABLE TO FORMER PREFERRED STOCKHOLDERS

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

12. STOCKHOLDERS' EQUITY

Common Stock and Voting Agreement

The Company's common stock is divided into two classes, Class A Common Stock and Class B Common Stock. The Class A Common Stock is entitled to one vote per share, and the Class B Common Stock is entitled to ten votes per share and is convertible into Class A Common Stock at the option of the holder thereof. In all other respects, the Class A Common Stock and Class B Common Stock are treated equally. Unissued shares of Class A and Class B Common Stock are reserved for all conversion rights.

On June 23, 2017, a group of officers, directors and employees of the Company and other stockholders entered into a Voting Agreement (the "New Voting Agreement") with the Company effective July 1, 2017, which replaced a voting agreement which was initially entered into in February 2011 and expired on June 30, 2017. The New Voting Agreement granted irrevocable proxies to a voting committee consisting of three executive officers of the Company, granting them the right to vote all of such stockholders' shares of capital stock of the Company during the term of the New Voting Agreement, which expires on June 30, 2024. As of December 31, 2021, 10,803,177 shares of Class B Common Stock and 19,680 shares of Class A Common Stock are subject to the New Voting Agreement, representing approximately 83% of the combined voting power of the Company's capital stock.

Repurchases of Common Stock

Other than the transactions described above in Note 11 Notes Payable to Former Preferred Stockholders, during the years ended December 31, 2021 and 2020, the Company also repurchased 6,499 shares and 6,200 shares, respectively, of Class A Common Stock and 315,528 shares and 193,732 shares, respectively, of Class B Common Stock for a total consideration of $4,251 and $2,510, respectively.

Stock Incentive Plans

A summary of the Company's currently active stock-based compensation plans is presented below.

The 1988 and 1998 Stock Incentive Plans

Under the 1988 Stock Incentive Plan (the "1988 Plan") and 1998 Stock Incentive Plan (the "1998 Plan" and collectively with the 1988 Plan, the "Prior Plans"), the Company was authorized to grant stock options and rights to acquire common stock. The 1988 Plan and the 1998 Plan expired by their terms on October 28, 1998 and October 29, 2008, respectively. As of December 31, 2021 and 2020, no stock options remain outstanding and no stock options were available for grant under these Prior Plans.

The 2008 Stock Incentive Plan

The 2008 Stock Incentive Plan was adopted by the Board of Directors on December 19, 2008 (the "2008 Plan") and amended and restated on February 25, 2009, August 20, 2010 and October 28, 2010 (the "Third Amended 2008 Plan"). On November 10, 2021, the Company approved the Fourth Amended and Restated 2008 Stock Incentive Plan (the "Fourth Amended 2008 Plan"). Under the Fourth Amended 2008 Plan, the Company is authorized to grant awards of stock options, restricted shares, stock appreciation rights, restricted stock units, performance units, performance shares and other equity based awards (together the "Stock Awards") to eligible officers, employees, non-employee directors and consultants. As of December 31, 2021, up to 10,088,020 shares of common stock are authorized for issuance under the Fourth Amended 2008 Plan. This share amount is subject to increase for outstanding awards under the 1998 Plan that terminate prior to exercise or shares that are forfeited. The 2008 Plan and all subsequent amendments are administered by the Board of Directors with sole discretion and authority to determine which eligible participants will receive Stock Awards, when Stock Awards will be granted and the terms and conditions of Stock Awards granted. Prior to the Fourth Amended 2008 Plan, the number of shares that have been authorized for issuance under the 2008 Plan were to be automatically increased on the first day of each fiscal year beginning in 2012 and ending in 2031, in an amount equal to the lesser of (a) 500,000 shares, (b) 2.5% of the outstanding shares of common stock on the last day of the immediately preceding year (on an as-converted basis) or (c) a lesser amount determined by the Board of Directors. Under the Fourth Amended 2008 Plan, the automatic increase was eliminated effective November 10, 2021.

($ in thousands, except share information)

12. STOCKHOLDERS' EQUITY – Continued

The 2008 Stock Incentive Plan – Continued

Stock options have terms of up to ten years from the date of grant and generally become exercisable over a service period of up to four years. As of December 31, 2021, stock options to purchase 87,600 shares of Class A Common Stock and 3,523,383 shares of Class B Common Stock and awards of 35,800 shares of restricted Class A Common Stock and 1,844,306 shares of restricted Class B Common Stock had been granted. Stock options to purchase 26,400 shares of Class A Common Stock and 108,600 shares of Class B Common Stock remain outstanding under the 2008 Plan as of December 31, 2021. As of December 31, 2021, 5,796,974 shares of common stock are available for award under the 2008 Plan.

The following table represents the stock option activity during the year ended December 31, 2021:

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding — December 31, 2020	734,275	$ 8.74		
Granted	800	13.30		
Exercised	(469,220)	8.69		
Forfeited/expired	(130,855)	9.32		
Outstanding — December 31, 2021	135,000	$ 8.40	0.41	$ 661
Exercisable — December 31, 2021	134,600	$ 8.39	0.40	$ 661
Vested and expected to vest — December 31, 2021	135,000	$ 8.40	0.41	$ 661

Stock-Based Compensation

The intrinsic value of a stock option is the amount by which the estimated fair market value of the underlying common stock exceeds the exercise price of an option. Based on the estimated fair market values of the Class A Common Stock and Class B Common Stock on the date of exercise, the total intrinsic value of stock options exercised during the years ended December 31, 2021 and 2020 was $2,165 and $450, respectively.

There are outstanding stock options held by employees and non-employee directors to purchase an aggregate of 24,000 shares of Class A Common Stock as of both December 31, 2021 and 2020, and 105,600 shares and 705,675 shares of Class B Common Stock as of December 31, 2021 and 2020, respectively, that include an "early exercise" feature, under which the options could be exercised prior to their respective vesting dates. As of December 31, 2018, all of these stock options had fully vested, removing the possibility of an early exercise. Additionally, no stock options have been issued in 2019 through 2021 with an "early exercise" feature. As of December 31, 2021, there were no shares of Class A Common Stock or Class B Common Stock that have been exercised and remain unvested.

There were 800 shares of Class A Common Stock underlying stock options granted in 2021. During both years ended December 31, 2021 and 2020, the Company recorded compensation expense in the amounts of $0 and $2, respectively, related to stock options. As of December 31, 2021, there were no unvested stock options that were outstanding.

As a nonpublic company, management estimates the current value of the underlying shares of common stock utilizing a combination of the discounted cash flow and guideline public company models along with various other assumptions to estimate fair value. The assumptions are determined by management based on company-specific historical data and forecasts as well as market and peer company information, which can change significantly over time.

($ in thousands, except share information)

12. STOCKHOLDERS' EQUITY – Continued

Restricted Stock Awards

The following table represents the restricted stock awards activity during the year ended December 31, 2021:

	Number of Shares	Weighted-Average Grant Date Fair Value	Aggregate Intrinsic Value
Outstanding — December 31, 2020	600	$ 13.00	$ —
Granted	100,162	$ 13.30	—
Vested	(100,762)	$ 13.30	—
Outstanding — December 31, 2021	—		$ —

The weighted average granted fair value for the restricted Class A Common Stock and restricted Class B Common Stock was $13.30 and $13.20 per share during the years ended December 31, 2021 and 2020, respectively. The Company recorded compensation expense in the amounts of $1,340 and $105 during the years ended December 31, 2021 and 2020, respectively, related to restricted stock. As of December 31, 2021, the Company does not expect to recognize any stock-based compensation expense for unvested restricted stock awards that were outstanding on that date.

Nonrecourse Notes Receivable

The Company maintains a program authorizing the Company to accept promissory notes from certain employees as consideration for stock to be issued upon exercise of stock options granted under the Company's stock incentive plans. The maximum principal amount of promissory notes that can be accepted under this program is $15,400. In August 2013, additional notes receivable of $11,000 were also approved for certain members of executive management in connection with stock option exercises, all of which have been paid in full as of December 31, 2021. Of the amounts outstanding as of December 31, 2021, the notes receivable bear interest ranging from 2.50% to 3.35%, have terms ranging from two to four years and are secured by a pledge of the shares issued upon exercise of the stock options. The Company received notes receivable in the amount of $1,884 and received principal repayments on these notes receivable in the aggregate amounts of $207 and $29 during the years ended December 31, 2021 and 2020, respectively. Notes receivable from stockholders are accounted for as nonrecourse loans. For accounting purposes, the nonrecourse notes are accounted for as a grant of new stock options. The estimated fair values of the newly-granted stock options are recognized as compensation expense on the issuance date of the nonrecourse note. As a result, the Company recognized compensation expense related to these notes in the amount of $1,180 and $0 for the years ended December 31, 2021 and 2020, respectively. Accordingly, the total outstanding balance of these notes receivable in the amounts of $1,690 and $12, respectively, (which are secured by a pledge of 195,939 shares and 1,241 shares of Class B Common Stock, as of December 31, 2021 and 2020, respectively) are presented as a reduction of additional paid-in capital in the accompanying consolidated balance sheets. As principal payments are made on the notes receivable, additional paid-in capital is adjusted on a pro-rata basis.

The weighted average grant date exercise price of the stock options underlying the notes receivable was $8.62 and $9.96 per share during the years ended December 31, 2021 and 2020, respectively. The intrinsic value for stock options exercised underlying the notes receivable was $985 and $0 during the years ended December 31, 2021 and 2020, respectively. At December 31, 2021, there is no unrecognized stock compensation for these options.

($ in thousands, except share information)

12. STOCKHOLDERS' EQUITY – Continued

Nonrecourse Notes Receivable – Continued

The following weighted-average assumptions were used to estimate the fair value of stock compensation for nonrecourse notes:

	Year Ended December 31,	
	2021	2020
Expected term (years)	4.0	—
Risk-free interest rate	0.45% - 0.86%	0.0%
Estimated volatility	32.0%	0.0%
Expected dividend yield	0.0%	0.0%

Stock Compensation by Function

In connection with employee stock incentive plans, restricted stock awards and the exercise of stock options with nonrecourse notes, the Company recognized stock-based compensation as follows:

	Year Ended December 31,	
	2021	2020
Selling, general and administrative	$ 2,520	$ 105
Research and development	—	2
	$ 2,520	$ 107

Shares Reserved for Future Issuance

The Company has a policy of issuing new shares to satisfy stock option exercises. The following table summarizes the number of shares of common stock at December 31, 2021 which would be outstanding assuming exercise of all outstanding stock options:

Options outstanding and options available for grant	5,931,974
Common stock assumed outstanding underlying nonrecourse notes receivable	195,939
Total	6,127,913

13. RELATED-PARTY TRANSACTIONS

[redacted] The lease agreement also granted the Company the option to purchase the facility beginning May 1, 2019 up to the end of the lease term. The purchase price will be calculated at the original purchase price paid by the lessor using a formula based on the fair market value of the building at the time the option is exercised. Rent expense on this facility totaled $1,087 and $1,056 for the years ended December 31, 2021 and 2020, respectively.

In March 2016, the Company entered into an agreement with an entity owned by certain members of the Company's senior management whereby the Company assigned its rights to purchase an industrial facility in [redacted], [redacted] comprised of approximately 24,000 square feet of office and warehouse space to the related entity in exchange for an exclusive option to purchase the property at certain predetermined times. The purchase price will be calculated at the original purchase price paid by the lessor using a formula based on the fair market value of the building at the time the option is exercised. In addition, the Company and the related entity entered into a lease agreement for the property which commenced in April 2021 and ends in July 2026, with rent due in the amount of $30 per month. Base rent expense on this facility totaled $250 for the period ended December 31, 2021.

In June 2021, a nonrecourse loan in the amount of $1,170 and a note receivable of $239 were approved for a member of executive management in connection with the exercise of stock options and the payment of income taxes related to the stock option exercise, respectively. The nonrecourse loan bears interest at 2.75% and is repayable June 15, 2025. The note receivable is non-interest bearing and is repayable on June 15, 2025. The combined amount outstanding on these loans as of December 31, 2021 was $1,377.

14. SUBSEQUENT EVENTS

The Company has evaluated all events and transactions that occurred from December 31, 2021 to April 15, 2022, the date the audited consolidated financial statements were available to be issued. During this period, other than the events disclosed here, in Note 8 DEBT and in Note 9 FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS in the accompanying consolidated financial statements, there were no events or transactions occurring which require recognition or disclosure in the aforementioned consolidated financial statements.