

UNITED STATES
SECURITIES and EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2021

or

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

Commission file number: 001-12537

NEXTGEN HEALTHCARE, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

3525 Piedmont Rd., NE, Building 6, Suite 700, Atlanta, GA
(Address of principal executive offices)

95-2888568

(IRS Employer Identification No.)

30305

(Zip Code)

(404) 467-1500

(Registrant's telephone number, including area code)

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

| <i>Title of each class</i> | <i>Trading Symbol</i> | <i>Name of each exchange on which registered</i> |
|---------------------------------------|-----------------------|--|
| Common Stock, \$0.01 Par Value | NXGN | NASDAQ Global Select Market |

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Non-accelerated filer

Accelerated filer

Small reporting company

Emerging growth company

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

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

The number of outstanding shares of the Registrant's common stock as of October 26, 2021 was 68,387,405 shares.

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FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2021

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

NEXTGEN HEALTHCARE, INC.
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (In thousands, except per share data)
 (Unaudited)

| | September 30, 2021 | March 31, 2021 |
|---|--------------------|----------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 75,303 | \$ 73,295 |
| Restricted cash and cash equivalents | 6,261 | 5,280 |
| Accounts receivable, net | 71,988 | 77,541 |
| Contract assets | 20,521 | 19,481 |
| Income taxes receivable | 9,066 | 765 |
| Prepaid expenses and other current assets | 27,574 | 31,282 |
| Total current assets | 210,713 | 207,644 |
| Equipment and improvements, net | 12,030 | 14,539 |
| Capitalized software costs, net | 41,570 | 41,474 |
| Operating lease assets | 14,431 | 18,446 |
| Deferred income taxes, net | 19,445 | 19,474 |
| Contract assets, net of current | 1,991 | 1,976 |
| Intangibles, net | 30,502 | 36,700 |
| Goodwill | 267,212 | 267,212 |
| Other assets | 37,628 | 37,021 |
| Total assets | \$ 635,522 | \$ 644,486 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 12,687 | \$ 11,378 |
| Contract liabilities | 53,506 | 52,863 |
| Accrued compensation and related benefits | 34,053 | 50,374 |
| Income taxes payable | 201 | 584 |
| Operating lease liabilities | 11,290 | 12,735 |
| Other current liabilities | 59,440 | 52,699 |
| Total current liabilities | 171,177 | 180,633 |
| Deferred compensation | 7,275 | 6,620 |
| Operating lease liabilities, net of current | 14,646 | 18,453 |
| Other noncurrent liabilities | 7,148 | 7,136 |
| Total liabilities | 200,246 | 212,842 |
| Commitments and contingencies (Note 15) | | |
| Shareholders' equity: | | |
| Common stock | | |
| \$0.01 par value; authorized 100,000 shares; issued and outstanding 68,394 and 67,069 shares at September 30, 2021 and March 31, 2021, respectively | 684 | 671 |
| Additional paid-in capital | 311,793 | 304,263 |
| Accumulated other comprehensive loss | (1,912) | (1,924) |
| Retained earnings | 124,711 | 128,634 |
| Total shareholders' equity | 435,276 | 431,644 |
| Total liabilities and shareholders' equity | \$ 635,522 | \$ 644,486 |

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

NEXTGEN HEALTHCARE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
(In thousands, except per share data)
(Unaudited)

| | Three Months Ended September | | Six Months Ended September 30, | |
|---|------------------------------|------------------|--------------------------------|-----------------|
| | 2021 | 2020 | 2021 | 2020 |
| Revenues: | | | | |
| Recurring | \$ 135,609 | \$ 125,691 | \$ 267,990 | \$ 245,213 |
| Software, hardware, and other non-recurring | 13,677 | 14,311 | 27,380 | 25,668 |
| Total revenues | <u>149,286</u> | <u>140,002</u> | <u>295,370</u> | <u>270,881</u> |
| Cost of revenue: | | | | |
| Recurring | 57,119 | 52,906 | 114,279 | 103,335 |
| Software, hardware, and other non-recurring | 7,610 | 6,083 | 15,107 | 12,124 |
| Amortization of capitalized software costs and acquired intangible assets | 7,969 | 9,961 | 16,053 | 19,860 |
| Total cost of revenue | <u>72,698</u> | <u>68,950</u> | <u>145,439</u> | <u>135,319</u> |
| Gross profit | 76,588 | 71,052 | 149,931 | 135,562 |
| Operating expenses: | | | | |
| Selling, general and administrative | 63,891 | 41,950 | 112,377 | 82,687 |
| Research and development costs, net | 18,518 | 17,692 | 37,839 | 35,914 |
| Amortization of acquired intangible assets | 881 | 1,112 | 1,762 | 2,224 |
| Impairment of assets | 1,195 | — | 1,577 | — |
| Restructuring costs | — | — | 539 | 2,562 |
| Total operating expenses | <u>84,485</u> | <u>60,754</u> | <u>154,094</u> | <u>123,387</u> |
| Income (loss) from operations | (7,897) | 10,298 | (4,163) | 12,175 |
| Interest income | 17 | 12 | 29 | 18 |
| Interest expense | (320) | (1,135) | (637) | (2,242) |
| Other expense, net | (12) | (18) | (34) | (2) |
| Income (loss) before provision for (benefit of) income taxes | (8,212) | 9,157 | (4,805) | 9,949 |
| Provision for (benefit of) income taxes | (1,441) | (1,298) | (882) | 318 |
| Net income (loss) | <u>\$ (6,771)</u> | <u>\$ 10,455</u> | <u>\$ (3,923)</u> | <u>\$ 9,631</u> |
| Other comprehensive income: | | | | |
| Foreign currency translation, net of tax | 50 | 102 | 12 | 89 |
| Comprehensive income (loss) | <u>\$ (6,721)</u> | <u>\$ 10,557</u> | <u>\$ (3,911)</u> | <u>\$ 9,720</u> |
| Net income (loss) per share: | | | | |
| Basic | \$ (0.10) | \$ 0.16 | \$ (0.06) | \$ 0.14 |
| Diluted | \$ (0.10) | \$ 0.16 | \$ (0.06) | \$ 0.14 |
| Weighted-average shares outstanding: | | | | |
| Basic | 67,406 | 66,688 | 67,291 | 66,493 |
| Diluted | 67,406 | 66,689 | 67,291 | 66,493 |

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

NEXTGEN HEALTHCARE, INC.
STATEMENTS OF CONDENSED CONSOLIDATED STOCKHOLDERS' EQUITY
(In thousands)
(Unaudited)

| | Six Months Ended September 30, 2021 | | | | | |
|---|--|---------------|---|------------------------------|---|---|
| | Common Stock | | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Loss | Total Shareholders' Equity |
| | Shares | Amount | | | | |
| Balance, March 31, 2021 | 67,069 | 671 | 304,263 | 128,634 | (1,924) | 431,644 |
| Common stock issued under stock plans, net of shares withheld for taxes | 293 | 3 | (2,301) | — | — | (2,298) |
| Stock-based compensation | — | — | 6,412 | — | — | 6,412 |
| Components of other comprehensive income: | | | | | | |
| Translation adjustments | — | — | — | — | (38) | (38) |
| Net income | — | — | — | 2,848 | — | 2,848 |
| Balance, June 30, 2021 | 67,362 | 674 | 308,374 | 131,482 | (1,962) | 438,568 |
| Common stock issued under stock plans, net of shares withheld for taxes | 1,032 | 10 | (1,804) | — | — | (1,794) |
| Stock-based compensation | — | — | 5,223 | — | — | 5,223 |
| Components of other comprehensive income (loss): | | | | | | |
| Translation adjustments | — | — | — | — | 50 | 50 |
| Net income (loss) | — | — | — | (6,771) | — | (6,771) |
| Balance, September 30, 2021 | 68,394 | 684 | 311,793 | 124,711 | (1,912) | 435,276 |
| | Six Months Ended September 30, 2020 | | | | | |
| | Common Stock | | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Loss | Total Shareholders' Equity |
| | Shares | Amount | | | | |
| Balance, March 31, 2020 | 66,134 | 661 | 282,857 | 119,119 | (2,143) | 400,494 |
| Common stock issued under stock plans, net of shares withheld for taxes | 535 | 6 | (1,414) | — | — | (1,408) |
| Stock-based compensation | — | — | 5,393 | — | — | 5,393 |
| Components of other comprehensive income (loss): | | | | | | |
| Translation adjustments | — | — | — | — | (13) | (13) |
| Net income (loss) | — | — | — | (824) | — | (824) |
| Balance, June 30, 2020 | 66,669 | 667 | 286,836 | 118,295 | (2,156) | 403,642 |
| Common stock issued under stock plans, net of shares withheld for taxes | 65 | — | (45) | — | — | (45) |
| Stock-based compensation | — | — | 5,437 | — | — | 5,437 |
| Components of other comprehensive income: | | | | | | |
| Translation adjustments | — | — | — | — | 102 | 102 |
| Net income | — | — | — | 10,455 | — | 10,455 |
| Balance, September 30, 2020 | 66,734 | 667 | 292,228 | 128,750 | (2,054) | 419,591 |

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

NEXTGEN HEALTHCARE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

| | Six Months Ended September 30, | |
|--|---------------------------------------|-------------------|
| | 2021 | 2020 |
| Cash flows from operating activities: | | |
| Net income (loss) | \$ (3,923) | \$ 9,631 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Amortization of capitalized software costs | 11,617 | 9,853 |
| Amortization of debt issuance costs | 254 | 355 |
| Amortization of other intangibles | 6,198 | 12,232 |
| Change in fair value of contingent consideration | — | 50 |
| Deferred income taxes | 29 | (27) |
| Depreciation | 3,781 | 3,937 |
| Excess tax deficiency from share-based compensation | 640 | 941 |
| Impairment of assets | 1,577 | — |
| Loss on disposal of equipment and improvements | 77 | — |
| Non-cash operating lease costs | 3,087 | 3,421 |
| Provision for bad debts | 679 | 1,399 |
| Share-based compensation | 11,635 | 10,830 |
| Changes in assets and liabilities: | | |
| Accounts receivable | 4,874 | 3,505 |
| Contract assets | (1,055) | (2,481) |
| Accounts payable | 1,108 | (3,756) |
| Contract liabilities | 643 | (8,344) |
| Accrued compensation and related benefits | (16,321) | 8,348 |
| Income taxes | (9,324) | (2,083) |
| Deferred compensation | 655 | 840 |
| Operating lease liabilities | (5,360) | (5,224) |
| Other assets and liabilities | 9,608 | 4,605 |
| Net cash provided by operating activities | 20,479 | 48,032 |
| Cash flows from investing activities: | | |
| Additions to capitalized software costs | (11,713) | (12,083) |
| Additions to equipment and improvements | (1,685) | (764) |
| Acquisition related working capital adjustment payments | — | (206) |
| Net cash used in investing activities | (13,398) | (13,053) |
| Cash flows from financing activities: | | |
| Proceeds from line of credit | — | 50,000 |
| Repayments on line of credit | — | (115,000) |
| Proceeds from issuance of shares under employee plans | 1,109 | 798 |
| Payments for taxes related to net share settlement of equity awards | (5,201) | (2,251) |
| Net cash used in financing activities | (4,092) | (66,453) |
| Net increase (decrease) in cash, cash equivalents, and restricted cash | 2,989 | (31,474) |
| Cash, cash equivalents, and restricted cash at beginning of period | 78,575 | 140,319 |
| Cash, cash equivalents, and restricted cash at end of period | \$ 81,564 | \$ 108,845 |
| Supplemental disclosures of cash flow information: | | |
| Cash paid for income taxes | \$ 7,827 | \$ 1,566 |
| Cash refunds from income taxes | 19 | 107 |
| Cash paid for interest | 190 | 1,905 |
| Cash paid for amounts included in the measurement of operating lease liabilities | 5,914 | 6,264 |
| Operating lease assets obtained in exchange for operating lease liabilities | 197 | 3,107 |
| Accrued purchases of equipment and improvements | 201 | 57 |

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

NEXTGEN HEALTHCARE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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NEXTGEN HEALTHCARE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except shares and per share data)
(Unaudited)

1. Summary of Significant Accounting Policies

Principles of Consolidation. The condensed consolidated financial statements include the accounts of NextGen Healthcare, Inc. and its wholly-owned subsidiaries (collectively, the “Company”). Each of the terms “we,” “us,” or “our” as used herein refers collectively to the Company, unless otherwise stated. All intercompany accounts and transactions have been eliminated.

Basis of Presentation. The accompanying unaudited condensed consolidated financial statements as of September 30, 2021 and for the three and six months ended September 30, 2021 have been prepared in accordance with the requirements of Quarterly Report on Form 10-Q and Article 10 of the Securities and Exchange Commission Regulation S-X and therefore do not include all information and notes which would be presented were such condensed consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements presented in our Annual Report on Form 10-K for the fiscal year ended March 31, 2021. In the opinion of management, the accompanying condensed consolidated financial statements reflect all adjustments which are necessary for a fair statement of the results of operations and cash flows for the periods presented. The results of operations for such interim periods are not necessarily indicative of results of operations to be expected for the full year.

References to amounts in the condensed consolidated financial statement sections are in thousands, except shares and per share data, unless otherwise specified.

Share-Based Compensation. The following table summarizes total share-based compensation expense included in the condensed consolidated statements of net income (loss) and comprehensive income (loss) for the three and six months ended September 30, 2021 and 2020:

| | Three Months Ended September | | Six Months Ended September | |
|-------------------------------------|------------------------------|----------|----------------------------|----------|
| | 30, | | 30, | |
| | 2021 | 2020 | 2021 | 2020 |
| Costs and expenses: | | | | |
| Cost of revenue | \$ 554 | \$ 589 | \$ 1,058 | \$ 1,013 |
| Research and development costs | 1,110 | 1,026 | 2,153 | 1,943 |
| Selling, general and administrative | 3,559 | 3,822 | 8,424 | 7,874 |
| Total share-based compensation | 5,223 | 5,437 | 11,635 | 10,830 |
| Income tax benefit | (1,151) | (1,305) | (2,733) | (2,569) |
| Decrease in net income | \$ 4,072 | \$ 4,132 | \$ 8,902 | \$ 8,261 |

Recently Adopted Accounting Pronouncements. Recently adopted accounting pronouncements are discussed below or in the notes, where applicable.

In December 2019, the Financial Accounting Standards Board (“FASB”) issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* (“ASU 2019-12”), which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. ASU 2019-12 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Early adoption is permitted, including adoption in an interim period. The adoption of ASU 2019-12 on April 1, 2021 did not have a material impact on our condensed consolidated financial statements.

Recent Accounting Standards Not Yet Adopted. Recent accounting pronouncements requiring implementation in current or future periods are discussed below or in the notes, where applicable.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* (“ASU 2020-04”). ASU 2020-04 provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments in ASU 2020-04 apply only to contracts, hedging relationships, and other transactions that reference the London Interbank Offered Rate (“LIBOR”) or another reference rate expected to be discontinued because of reference rate reform. In January 2021, the FASB issued ASU 2021-01, *Reference Rate Reform (Topic 848): Scope* (“ASU 2021-01”), which clarifies the application of certain optional expedients and exceptions. *Topic 848* may be applied prospectively through December 31, 2022. We are currently evaluating the effect that ASU 2020-04 may have on our contracts that reference LIBOR, such as our amended and restated revolving credit agreement (see Note 9). We have not elected to apply any of the provisions of *Topic 848*, and we are currently in the process of evaluating the potential impact of adoption of this updated authoritative guidance on our condensed consolidated financial statements.

We do not believe that any other recently issued, but not yet effective accounting standards, if adopted, would have a material impact on our condensed consolidated financial statements.

2. Revenue from Contracts with Customers

Revenue Recognition and Performance Obligations

We generate revenue from sales of licensing rights and subscriptions to our software solutions, hardware and third-party software products, support and maintenance, managed services, EDI, and other non-recurring services, including implementation, training, and consulting services. Our contracts with customers may include multiple performance obligations that consist of various combinations of our software solutions and related services, which are generally capable of being distinct and accounted for as separate performance obligations.

The total transaction price is allocated to each performance obligation within a contract based on estimated standalone selling prices. We generally determine standalone selling prices based on the prices charged to customers, except for certain software licenses that are based on the residual approach because their standalone selling prices are highly variable and certain maintenance customers that are based on substantive renewal rates. In instances where standalone selling price is not sufficiently observable, such as RCM services and software licenses included in our RCM arrangements, we estimate standalone selling price utilizing an expected cost plus a margin approach. When standalone selling prices are not observable, significant judgment is required in estimating the standalone selling price for each performance obligation.

Revenue is recognized when control of the promised goods or services is transferred to our customers in an amount that reflects the consideration that we expect to be entitled to in exchange for those goods or services.

We exclude sales tax from the measurement of the transaction price and record revenue net of taxes collected from customers and subsequently remitted to governmental authorities.

The following table presents our revenues disaggregated by our major revenue categories and by occurrence:

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|--|-------------------------------------|-------------------|-----------------------------------|-------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Recurring revenues: | | | | |
| Subscription services | \$ 41,139 | \$ 36,867 | \$ 79,423 | \$ 72,227 |
| Support and maintenance | 39,004 | 38,076 | 77,490 | 76,623 |
| Managed services | 29,506 | 26,218 | 58,937 | 48,711 |
| Electronic data interchange and data services | 25,960 | 24,530 | 52,140 | 47,652 |
| Total recurring revenues | 135,609 | 125,691 | 267,990 | 245,213 |
| Software, hardware, and other non-recurring revenues: | | | | |
| Software license and hardware | 8,068 | 8,014 | 15,282 | 12,754 |
| Other non-recurring services | 5,609 | 6,297 | 12,098 | 12,914 |
| Total software, hardware and other non-recurring revenues | 13,677 | 14,311 | 27,380 | 25,668 |
| Total revenues | \$ 149,286 | \$ 140,002 | \$ 295,370 | \$ 270,881 |

Recurring revenues consists of subscription services, support and maintenance, managed services, and EDI and data services. Software, hardware, and other non-recurring revenues consists of revenue from sales of software license and hardware and certain non-recurring services, such as implementation, training, and consulting performed for clients who use our products.

We generally recognize revenue for our most significant performance obligations as follows:

Subscription services. Performance obligations involving subscription services, which include annual libraries, are satisfied over time as the customer simultaneously receives and consumes the benefits of the services throughout the contract period. Our subscription services primarily include our software-as-a-service ("SaaS") based offerings, such as our electronic health records and practice management, mobile, patient portal, and population health management solutions. Our SaaS-based offerings may include multiple goods and services, such as providing access to our technology-based solutions together with our managed cloud hosting services. These offerings are concurrently delivered with the same pattern of transfer to our customers and are accounted for as a single performance obligation because the technology-based solutions and other goods and services included within our overall SaaS-based offerings are each individually not capable of being distinct as the customer receives benefits based on the combined offering. Our annual libraries primarily consist of providing stand-ready access to certain content, knowledgebase, databases, and SaaS-based educational tools, which are frequently updated to meet the most current standards and requirements, to be utilized in

conjunction with our core solutions. We recognize revenue related to these subscription services, including annual libraries, ratably over the respective noncancelable contract term.

Support and maintenance. Performance obligations involving support and maintenance are satisfied over time as the customer simultaneously receives and consumes the benefits of the maintenance services provided. Our support and maintenance services may consist of separate performance obligations, such as unspecified upgrades or enhancements and technical support, which are considered stand-ready in nature and can be offered at various points during the service period. Since the efforts associated with the combined support and maintenance services are rendered concurrently and provided evenly throughout the service period, we consider the series of support and maintenance services to be a single performance obligation. Therefore, we recognize revenue related to these services ratably over the respective noncancelable contract term.

Managed services. Managed services consist primarily of RCM and related services, but also includes our hosting services, which we refer to as managed cloud services, transcription services, patient pay services, and certain other recurring services. Performance obligations associated with RCM services are satisfied over time as the customer simultaneously receives and consumes the benefits of the services executed throughout the contract period. The majority of service fees under our RCM arrangements are variable consideration contingent upon collections by our clients. We estimate the variable consideration which we expect to be entitled to over the noncancelable contract term associated with our RCM service arrangements. The estimate of variable consideration included in the transaction price typically involves estimating the amounts we will ultimately collect on behalf of our clients and the relative fee we charge that is generally calculated as a percentage of those collections. Inputs to these estimates include, but are not limited to, historical service fees and collections amounts, timing of historical collections relative to the timing of when claims are submitted by our clients to their respective payers, macroeconomic trends, and anticipated changes in the number of providers. Significant judgement is required when estimating the total transaction price based on the variable consideration. We may apply certain constraints when appropriate whereby we include in the transaction price estimated variable consideration only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Such estimates are assessed at the contract level. RCM and related services may not be rendered evenly over the contract period as the timing of services are based on customer collections, which may vary throughout the service period. We recognize revenue for RCM based on the amount of collections received throughout the contract term as it most closely depicts our efforts to transfer our service obligations to the customer. Our managed cloud services represent a single performance obligation to provide cloud hosting services to our customers and related revenue is recognized ratably over the respective noncancelable contract term. Performance obligations related to the transcription services, patient pay services, and other recurring services are satisfied as the corresponding services are provided and revenue is recognized as such services are rendered.

Electronic data interchange and data services. Performance obligations related to EDI and other transaction processing services are satisfied at the point in time the services are rendered. The transfer of control occurs when the transaction processing services are delivered and the customer receives the benefits from the services provided.

Software license and hardware. Software license and hardware are considered point-in-time performance obligations as control is transferred to customers upon the delivery of the software license and hardware. Our software licenses are considered functional licenses, and revenue recognition generally occurs on the date of contract execution as the customer is provided with immediate access to the license. We generally determine the amount of consideration allocated to the software license performance obligation using the residual approach, except for certain RCM arrangements where the amount allocated to the software license performance obligation is determined based on estimated relative standalone selling prices. For hardware, we recognize revenue upon transfer of such hardware or devices to the customer.

Other non-recurring services. Performance obligations related to other non-recurring services, including implementation, training, and consulting services, are generally satisfied as the corresponding services are provided. Once the services have been provided to the customer, the transfer of control has occurred. Therefore, we recognize revenue as such services are rendered.

Transaction Price Allocated to Remaining Performance Obligations

As of September 30, 2021, the aggregate amount of transaction price related to remaining unsatisfied or partially unsatisfied performance obligations over the respective noncancelable contract term was approximately \$531,800, of which we expect to recognize approximately 10% as services are rendered or goods are delivered, 52% over the next 12 months, and the remainder thereafter.

As of September 30, 2020, the aggregate amount of transaction price related to remaining unsatisfied or partially unsatisfied performance obligations over the respective noncancelable contract term was approximately \$471,700, of which we expect to recognize approximately 10% as services are rendered or goods are delivered, 53% over the next 12 months, and the remainder thereafter.

Contract Balances

Contract balances result from the timing differences between our revenue recognition, invoicing, and cash collections. Such contract balances include accounts receivables, contract assets and liabilities, and other customer deposits and liabilities balances.

Accounts receivables include invoiced amounts where the right to receive payment is unconditional and only subject to the passage of time. Contract assets, consisting of unbilled receivables, include amounts where revenue recognized exceeds the amount invoiced to the customer and the right to payment is not solely subject to the passage of time. Contract assets are generally associated with our sales of software licenses, but may also be associated with other performance obligations such as subscription services, support and maintenance, annual libraries, and professional services, where control has been transferred to our customers but the associated payments are based on future customer collections (in the case of our RCM service arrangements) or based on future milestone payment due dates. In such instances, the revenue recognized may exceed the amount invoiced to the customer and such balances are included in contract assets since our right to receive payment is not unconditional, but rather is conditional upon customer collections or the continued functionality of the software and our ongoing support and maintenance obligations. Contract liabilities consist mainly of fees invoiced or paid by our clients for which the associated services have not been performed and revenues have not been recognized. Contract assets and contract liabilities are reported in a net position on an individual contract basis at the end of each reporting period. Contract assets are classified as current or long-term on our condensed consolidated balance sheets based on the timing of when we expect to complete the related performance obligations and invoice the customer. Contract liabilities are classified as current on our condensed consolidated balance sheets since the revenue recognition associated with the related customer payments and invoicing is expected to occur within the next twelve months.

During the three months ended September 30, 2021 and 2020, we recognized \$17,607 and \$19,319, respectively, of revenues that were included in the contract liability balance or invoiced to customers since the beginning of the corresponding periods. During the six months ended September 30, 2021 and 2020, we recognized \$35,388 and \$40,145, respectively, of revenues that were included in the contract liability balance or invoiced to customers since the beginning of the corresponding periods.

Our contracts with customers do not include any major financing components.

Costs to Obtain or Fulfill a Contract

We capitalize all incremental costs of obtaining a contract with a customer to the extent that such costs are directly related to a contract and expected to be recoverable. Our sales commissions and related sales incentives are considered incremental costs requiring capitalization. Capitalized contract costs are amortized to expense utilizing a method that is consistent with the transfer of the related goods or services to the customer. The amortization period ranges from less than one year up to five years, based on the period over which the related goods and services are transferred, including consideration of the expected customer renewals and the related useful lives of the products.

Capitalized commissions costs were \$30,437 as of September 30, 2021, of which \$10,880 is classified as current and included as prepaid expenses and other current assets and \$19,557 is classified as long-term and included within other assets on our condensed consolidated balance sheets, based on the expected timing of expense recognition. During the three months ended September 30, 2021 and 2020, we recognized \$3,056 and \$2,636, respectively, of commissions expense. During the six months ended September 30, 2021 and 2020, we recognized \$5,982 and \$4,876, respectively, of commissions expense. Commissions expense primarily relate to the amortization of capitalized commissions costs, which is included as a selling, general and administrative expense in the condensed consolidated statements of net income (loss) and comprehensive income (loss).

3. Accounts Receivable

Accounts receivable includes invoiced amounts where the right to receive payment is unconditional and only subject to the passage of time. Allowance for doubtful accounts are reported as a component of accounts receivable as summarized below:

| | September 30, 2021 | March 31, 2021 |
|---------------------------------|---------------------------|-----------------------|
| Accounts receivable, gross | \$ 75,641 | \$ 81,746 |
| Allowance for doubtful accounts | (3,653) | (4,205) |
| Accounts receivable, net | <u>\$ 71,988</u> | <u>\$ 77,541</u> |

The following table represents the changes in the allowance for doubtful accounts, as of and for the three months ended September 30, 2021:

| | | |
|---|-----------|----------------|
| Balance as of June 30, 2021 | \$ | (4,099) |
| Additions charged to costs and expenses | | (40) |
| Deductions | | 486 |
| Balance as of September 30, 2021 | <u>\$</u> | <u>(3,653)</u> |

The following table represents the changes in the allowance for doubtful accounts, as of and for the six months ended September 30, 2021:

| | | |
|---|----|----------------|
| Balance as of March 31, 2021 | \$ | (4,205) |
| Additions charged to costs and expenses | | (679) |
| Deductions | | 1,231 |
| Balance as of September 30, 2021 | \$ | <u>(3,653)</u> |

4. Fair Value Measurements

The following tables set forth by level within the fair value hierarchy our financial assets and liabilities that were accounted for at fair value on a recurring basis at September 30, 2021 and March 31, 2021:

| | Balance At September 30, 2021 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Unobservable Inputs (Level 3) |
|--|----------------------------------|--|---|-------------------------------------|
| ASSETS | | | | |
| Cash and cash equivalents (1) | \$ 75,303 | \$ 75,303 | \$ — | \$ — |
| Restricted cash and cash equivalents | 6,261 | 6,261 | — | — |
| | <u>\$ 81,564</u> | <u>\$ 81,564</u> | <u>\$ —</u> | <u>\$ —</u> |
| LIABILITIES | | | | |
| Contingent consideration related to acquisitions | \$ 533 | \$ — | \$ 533 | \$ — |
| | <u>\$ 533</u> | <u>\$ —</u> | <u>\$ 533</u> | <u>\$ —</u> |

| | Balance At March 31, 2021 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Unobservable Inputs (Level 3) |
|--|------------------------------|--|---|-------------------------------------|
| ASSETS | | | | |
| Cash and cash equivalents (1) | \$ 73,295 | \$ 73,295 | \$ — | \$ — |
| Restricted cash and cash equivalents | 5,280 | 5,280 | — | — |
| | <u>\$ 78,575</u> | <u>\$ 78,575</u> | <u>\$ —</u> | <u>\$ —</u> |
| LIABILITIES | | | | |
| Contingent consideration related to acquisitions | \$ 533 | \$ — | \$ 533 | \$ — |
| | <u>\$ 533</u> | <u>\$ —</u> | <u>\$ 533</u> | <u>\$ —</u> |

(1) Cash equivalents consist primarily of money market funds.

We believe that the fair value of our other financial assets and liabilities, including accounts receivable, accounts payable, and line of credit, approximate their respective carrying values due to their nominal credit risk.

As of September 30, 2021 and March 31, 2021, the contingent consideration liability balance of \$533 relates to the acquisition of Topaz Information Systems, LLC, for which we may pay up to an additional \$2,000 of cash contingent consideration in the form of an earnout, subject to the achievement of certain operational targets through April 2021. The fair value of the contingent consideration liability was calculated based on actual earnout achievement through the end of the performance period.

Non-Recurring Fair Value Measurements

We have certain assets, including goodwill and other intangible assets, which are measured at fair value on a non-recurring basis and are adjusted to fair value only if an impairment charge is recognized. The categorization of the framework used to measure fair value of the assets is considered to be within the Level 3 valuation hierarchy due to the subjective nature of the unobservable inputs used.

5. Leases

Our leasing arrangements are reflected on the balance sheet as right-of-use assets and liabilities pertaining to the rights and obligations created by the leased assets.

Right-of-use lease assets and corresponding lease liabilities are recognized at commencement date based on the present value of lease payments over the expected lease term. Since the interest rate implicit in our lease arrangements is not readily determinable,

we determine an incremental borrowing rate for each lease based on the approximate interest rate on a collateralized basis with similar remaining terms and payments as of the lease commencement date to determine the present value of future lease payments. Our lease terms may include options to extend or terminate the lease. Currently, it is not reasonably certain that we will exercise those options and therefore, we utilize the initial, noncancelable, lease term to calculate the lease assets and corresponding liabilities for all our leases. We have certain insignificant short-term leases with an initial term of twelve months or less that are not recorded in our condensed consolidated balance sheets. Operating right-of-use lease assets are classified as operating lease assets on our condensed consolidated balance sheets. We determine whether an arrangement is a lease at inception and classify it as finance or operating. All of our existing material leases are classified as operating leases. Our leases do not contain any residual value guarantees.

Our lease agreements generally contain lease and non-lease components. Non-lease components primarily include payments for maintenance and utilities. We have applied the practical expedient to combine fixed payments for non-lease components with our lease payments for all of our leases and account for them together as a single lease component, which increases the amount of our lease assets and corresponding liabilities. Payments under our lease arrangements are primarily fixed, however, certain lease agreements contain variable payments, which are expensed as incurred and not included in the operating lease assets and liabilities.

Operating lease costs are recognized on a straight-line basis over the lease term and included as a selling, general and administrative expense in the condensed consolidated statements of net income (loss) and comprehensive income (loss). Total operating lease costs were \$1,685 and \$2,265 for the three months ended September 30, 2021 and 2020, respectively. Total operating lease costs were \$3,549 and \$4,535 for the six months ended September 30, 2021 and 2020, respectively.

Components of operating lease costs are summarized as follows:

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|-----------------------------|----------------------------------|----------|--------------------------------|----------|
| | 2021 | 2020 | 2021 | 2020 |
| Operating lease costs | \$ 1,602 | \$ 2,093 | \$ 3,435 | \$ 4,184 |
| Short-term lease costs | 2 | 6 | 8 | 13 |
| Variable lease costs | 204 | 289 | 361 | 586 |
| Less: Sublease income | (123) | (123) | (255) | (248) |
| Total operating lease costs | \$ 1,685 | \$ 2,265 | \$ 3,549 | \$ 4,535 |

Supplemental cash flow information related to operating leases is summarized as follows:

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|--|----------------------------------|----------|--------------------------------|----------|
| | 2021 | 2020 | 2021 | 2020 |
| Cash paid for amounts included in the measurement of operating lease liabilities | \$ 2,950 | \$ 3,132 | \$ 5,914 | \$ 6,264 |
| Operating lease assets obtained in exchange for operating lease liabilities | 197 | 3,107 | 197 | 3,107 |

We have operating lease agreements for our offices in the United States and India with lease periods expiring between 2022 and 2026. As of September 30, 2021, our operating leases had a weighted average remaining lease term of 3.0 years and a weighted average discount rate of 3.6%. Future minimum aggregate lease payments under operating leases as of September 30, 2021 are summarized as follows:

| For the year ended March 31, | |
|------------------------------|-----------|
| 2022 (remaining six months) | \$ 7,853 |
| 2023 | 8,283 |
| 2024 | 6,337 |
| 2025 | 3,824 |
| 2026 | 1,257 |
| Total future lease payments | 27,554 |
| Less interest | (1,618) |
| Total lease liabilities | \$ 25,936 |

In the three and six months ended September 30, 2021, we vacated portions of certain leased locations and recorded impairments of \$1,195 and \$1,577, respectively, to our right-of-use assets and certain related fixed assets associated with the vacated locations, or portions thereof, in Irvine, CA and Fairport, NY based on projected sublease rental income and estimated sublease commencement dates. The impairment analysis was performed at the asset group level and the impairment charge was estimated by comparing the fair value of each asset group based on the expected cash flows to its respective book value. We determined the discount rate for each asset group based on the approximate interest rate on a collateralized basis with similar remaining terms and payments as of the impairment date. Significant judgment was required to estimate the fair value of each asset group and actual results could vary from the estimates, resulting in potential future adjustments to amounts previously recorded.

6. Goodwill

We test goodwill for impairment annually during our first fiscal quarter, referred to as the annual test date. We will also test for impairment between annual test dates if an event occurs or circumstances change that would indicate the carrying amount may be impaired. Impairment testing for goodwill is performed at a reporting-unit level, which is defined as an operating segment or one level below an operating segment (referred to as a component). We operate as one segment and have a single reporting unit. The measures evaluated by our chief operating decision maker ("CODM"), consisting of the Chief Executive Officer, to assess company performance and make decisions about the allocation of resources include consolidated revenue and consolidated operating results.

We have not identified any events or circumstances as of September 30, 2021 that would require an interim goodwill impairment test.

We do not amortize goodwill as it has been determined to have an indefinite useful life. The carrying amount of goodwill as of September 30, 2021 and March 31, 2021 was \$267,212.

7. Intangible Assets

Our definite-lived intangible assets, other than capitalized software development costs, are summarized as follows:

| | September 30, 2021 | | | |
|--------------------------|------------------------|---------------|---------------------|------------------|
| | Customer Relationships | Trade Names | Software Technology | Total |
| Gross carrying amount | \$ 39,200 | \$ 250 | \$ 49,000 | \$ 88,450 |
| Accumulated amortization | (28,086) | (92) | (29,770) | (57,948) |
| Net intangible assets | <u>\$ 11,114</u> | <u>\$ 158</u> | <u>\$ 19,230</u> | <u>\$ 30,502</u> |

| | March 31, 2021 | | | |
|--------------------------|------------------------|---------------|---------------------|------------------|
| | Customer Relationships | Trade Names | Software Technology | Total |
| Gross carrying amount | \$ 39,200 | \$ 250 | \$ 91,500 | \$ 130,950 |
| Accumulated amortization | (26,349) | (67) | (67,834) | (94,250) |
| Net intangible assets | <u>\$ 12,851</u> | <u>\$ 183</u> | <u>\$ 23,666</u> | <u>\$ 36,700</u> |

Amortization expense related to customer relationships and trade names recorded as operating expenses in the condensed consolidated statements of net income (loss) and comprehensive income (loss) was \$881 and \$1,112 for the three months ended September 30, 2021 and 2020, respectively. Amortization expense related to software technology recorded as cost of revenue was \$2,218 and \$4,872 for the three months ended September 30, 2021 and 2020, respectively.

Amortization expense related to customer relationships and trade names recorded as operating expenses in the condensed consolidated statements of net income (loss) and comprehensive income (loss) was \$1,762 and \$2,224 for the six months ended September 30, 2021 and 2020, respectively. Amortization expense related to software technology recorded as cost of revenue was \$4,436 and \$10,008 for the six months ended September 30, 2021 and 2020, respectively.

The following table summarizes the remaining estimated amortization of definite-lived intangible assets as of September 30, 2021:

| | Estimated Remaining Amortization Expense | | |
|------------------------------|--|------------------|------------------|
| | Operating Expense | Cost of Revenue | Total |
| For the year ended March 31, | | | |
| 2022 (remaining six months) | \$ 1,762 | \$ 4,436 | \$ 6,198 |
| 2023 | 2,820 | 5,154 | 7,974 |
| 2024 | 2,279 | 3,573 | 5,852 |
| 2025 | 1,846 | 3,573 | 5,419 |
| 2026 | 1,377 | 2,251 | 3,628 |
| 2027 and beyond | 1,188 | 243 | 1,431 |
| Total | \$ 11,272 | \$ 19,230 | \$ 30,502 |

8. Capitalized Software Costs

Our capitalized software costs are summarized as follows:

| | September 30, 2021 | March 31, 2021 |
|--------------------------------|--------------------|------------------|
| Gross carrying amount | \$ 106,810 | \$ 96,908 |
| Accumulated amortization | (65,240) | (55,434) |
| Net capitalized software costs | <u>\$ 41,570</u> | <u>\$ 41,474</u> |

Amortization expense related to capitalized software costs was \$5,751 and \$5,090 for the three months ended September 30, 2021 and 2020, respectively, and is recorded as cost of revenue in the condensed consolidated statements of net income (loss) and comprehensive income (loss).

Amortization expense related to capitalized software costs was \$11,617 and \$9,853 for the six months ended September 30, 2021 and 2020, respectively.

The following table presents the remaining estimated amortization of capitalized software costs as of September 30, 2021. The estimated amortization is comprised of (i) amortization of released products and (ii) the expected amortization for products that are not yet available for sale based on their estimated economic lives and projected general release dates.

| For the year ended March 31, | |
|------------------------------|------------------|
| 2022 (remaining six months) | \$ 14,000 |
| 2023 | 17,400 |
| 2024 | 7,800 |
| 2025 | 2,200 |
| 2026 | 170 |
| Total | <u>\$ 41,570</u> |

9. Line of Credit

On March 12, 2021, we entered into a \$300,000 second amended and restated revolving credit agreement (the "Credit Agreement") with JPMorgan Chase Bank, N.A., as administrative agent (in such capacity, the "Administrative Agent"), U.S. Bank National Association and Bank of the West, as co-syndication agents, and certain other agents and lenders. The Credit Agreement replaces our prior \$300,000 amended and restated revolving credit agreement, originally entered into on January 4, 2016 and amended on March 29, 2018 ("Original Credit Agreement"). The Credit Agreement provides a subfacility of up to \$10,000 for letters of credit and a subfacility of up to \$10,000 for swing-line loans. The Credit Agreement also provides us with the ability to obtain up to \$150,000 in the aggregate of additional revolving credit commitments and/or term loans thereunder (i.e., in excess of \$300,000) upon satisfaction of certain conditions, including receipt of commitments from new or existing lenders to provide such additional revolving credit commitments and/or term loans.

The Credit Agreement matures on March 12, 2026 and the full balance of the revolving loans and all other obligations under the Credit Agreement must be paid at that time. In addition, we are required to prepay the revolving loan balance if at any time the aggregate principal amount outstanding under the Credit Agreement exceeds the aggregate commitments thereunder. The Credit Agreement is secured by substantially all of our existing and future property and our material domestic subsidiaries. The revolving loans under the Credit Agreement will be available for letters of credit, permitted acquisitions, working capital and general corporate purposes. We were in compliance with all financial and non-financial covenants under the Credit Agreement as of September 30, 2021.

As of September 30, 2021 and March 31, 2021, we had no outstanding loans and \$300,000 of unused credit under the Credit Agreement.

Interest expense related to the Credit Agreement was \$193 and \$928 for the three months ended September 30, 2021 and 2020, respectively. Amortization of deferred debt issuance costs was \$127 and \$178 for the three months ended September 30, 2021 and 2020, respectively.

Interest expense related to the Credit Agreement was \$383 and \$1,856 for the six months ended September 30, 2021 and 2020, respectively. Amortization of deferred debt issuance costs was \$254 and \$355 for the six months ended September 30, 2021 and 2020, respectively.

10. Composition of Certain Financial Statement Captions

Cash, cash equivalents, and restricted cash are summarized as follows:

| | September 30, 2021 | March 31, 2021 |
|---|---------------------------|-----------------------|
| Cash and cash equivalents | \$ 75,303 | \$ 73,295 |
| Restricted cash and cash equivalents | 6,261 | 5,280 |
| Cash, cash equivalents, and restricted cash | <u>\$ 81,564</u> | <u>\$ 78,575</u> |

Prepaid expenses and other current assets are summarized as follows:

| | September 30, 2021 | March 31, 2021 |
|---|---------------------------|-----------------------|
| Prepaid expenses | \$ 15,969 | \$ 20,679 |
| Capitalized commissions costs | 10,880 | 9,399 |
| Other current assets | 725 | 1,204 |
| Prepaid expenses and other current assets | <u>\$ 27,574</u> | <u>\$ 31,282</u> |

Equipment and improvements are summarized as follows:

| | September 30, 2021 | March 31, 2021 |
|---|---------------------------|-----------------------|
| Computer equipment | \$ 35,977 | \$ 35,244 |
| Internal-use software | 18,828 | 18,174 |
| Furniture and fixtures | 10,720 | 11,555 |
| Leasehold improvements | 14,406 | 14,418 |
| Equipment and improvements, gross | 79,931 | 79,391 |
| Accumulated depreciation and amortization | (67,901) | (64,852) |
| Equipment and improvements, net | <u>\$ 12,030</u> | <u>\$ 14,539</u> |

Other assets are summarized as follows:

| | September 30, 2021 | March 31, 2021 |
|------------------------------|---------------------------|-----------------------|
| Capitalized commission costs | \$ 19,557 | \$ 19,104 |
| Deposits | 5,896 | 5,505 |
| Debt issuance costs | 2,260 | 2,521 |
| Other noncurrent assets | 9,915 | 9,891 |
| Other assets | <u>\$ 37,628</u> | <u>\$ 37,021</u> |

Accrued compensation and related benefits are summarized as follows:

| | September 30, 2021 | March 31, 2021 |
|---|---------------------------|-----------------------|
| Accrued bonus | \$ 14,377 | \$ 29,382 |
| Accrued vacation | 11,667 | 12,038 |
| Accrued commissions | 3,655 | 4,628 |
| Deferred payroll taxes | 3,817 | 3,817 |
| Accrued payroll and other | 537 | 509 |
| Accrued compensation and related benefits | <u>\$ 34,053</u> | <u>\$ 50,374</u> |

Other current and noncurrent liabilities are summarized as follows:

| | September 30, 2021 | March 31, 2021 |
|---|--------------------|------------------|
| Accrued legal expense | \$ 8,501 | \$ 6,302 |
| Accrued hosting costs | 8,228 | 6,158 |
| Care services liabilities | 6,261 | 5,280 |
| Sales returns reserves and other customer liabilities | 6,016 | 9,449 |
| Accrued proxy contest expense | 5,873 | — |
| Customer credit balances and deposits | 4,917 | 4,638 |
| Accrued consulting and outside services | 3,972 | 3,002 |
| Accrued employee benefits and withholdings | 3,518 | 4,649 |
| Accrued self insurance expense | 2,468 | 1,737 |
| Accrued outsourcing costs | 2,234 | 2,266 |
| Accrued EDI expense | 1,927 | 2,020 |
| Accrued royalties | 829 | 3,125 |
| Accrued taxes payable | 640 | 586 |
| Contingent consideration related to acquisitions | 533 | 533 |
| Other accrued expenses | 3,523 | 2,954 |
| Other current liabilities | <u>\$ 59,440</u> | <u>\$ 52,699</u> |
| Deferred payroll taxes | \$ 3,817 | 3,817 |
| Uncertain tax positions | 3,175 | 3,175 |
| Other liabilities | 156 | 144 |
| Other noncurrent liabilities | <u>\$ 7,148</u> | <u>\$ 7,136</u> |

11. Income Taxes

The benefit of income taxes in the three months ended September 30, 2021 and 2020 was \$1,441 and \$1,298, respectively, reflecting an effective tax rate of 17.5% and an effective tax rate benefit of 14.2%, respectively.

The benefit of income taxes in the six months ended September 30, 2021 was \$882, reflecting an effective tax rate benefit of 18.4%. The provision for income taxes in the six months ended September 30, 2020 was \$318, reflecting an effective tax rate of 3.2%.

The increases in the effective tax rates for the three and six months ended September 30, 2021 compared to the prior period was primarily due to a net decrease of the research and development credit, foreign rate differential benefit, and higher nondeductible officer compensation.

The deferred tax assets and liabilities are presented net in the accompanying condensed consolidated balance sheets as noncurrent. We expect to receive the full benefit of the deferred tax assets recorded, with the exception of certain state credits and state net operating loss carryforwards, for which we have recorded a valuation allowance.

We had unrecognized tax benefits of \$4,438 and \$4,426 related to various federal, state, and local income tax matters as of September 30, 2021 and March 31, 2021, respectively. The unrecognized benefits consisted of liabilities of \$3,164 and \$3,175 and reserves as of September 30, 2021 and March 31, 2021, respectively, against deferred tax assets of \$1,274 and \$1,251 as of September 30, 2021 and March 31, 2021, respectively. If recognized, this amount would reduce our effective tax rate.

We are no longer subject to United States federal income tax examinations for tax years before fiscal year ended 2017. With a few exceptions, we are no longer subject to state or local income tax examinations for tax years before fiscal year ended 2016. We do not anticipate the total unrecognized tax benefits to significantly change due to the settlement of audits or the expiration of statute of limitations within the next twelve months.

12. Earnings per Share

The dual presentation of “basic” and “diluted” earnings per share is provided below. Share amounts below are in thousands.

| | Three Months Ended | | Six Months Ended September 30, | | | |
|---|--------------------|-----------|--------------------------------|----------|------|--|
| | September 30, | | 2021 | | 2020 | |
| | 2021 | 2020 | 2021 | 2020 | | |
| Earnings per share — Basic: | | | | | | |
| Net income (loss) | \$ (6,771) | \$ 10,455 | \$ (3,923) | \$ 9,631 | | |
| Weighted-average shares outstanding — Basic | 67,406 | 66,688 | 67,291 | 66,493 | | |
| Net income (loss) per common share — Basic | \$ (0.10) | \$ 0.16 | \$ (0.06) | \$ 0.14 | | |
| Earnings per share — Diluted: | | | | | | |
| Net income (loss) | \$ (6,771) | \$ 10,455 | \$ (3,923) | \$ 9,631 | | |
| Weighted-average shares outstanding | 67,406 | 66,688 | 67,291 | 66,493 | | |
| Effect of potentially dilutive securities | — | 1 | — | — | | |
| Weighted-average shares outstanding — Diluted | 67,406 | 66,689 | 67,291 | 66,493 | | |
| Net income (loss) per common share — Diluted | \$ (0.10) | \$ 0.16 | \$ (0.06) | \$ 0.14 | | |

The computation of diluted net income (loss) per share does not include 697 and 2,787 options to acquire shares of common stock for the three months ended September 30, 2021 and September 30, 2020, respectively, because their inclusion would have an anti-dilutive effect on net income (loss) per share.

The computation of diluted net income (loss) per share does not include 254 and 2,954 options to acquire shares of common stock for the six months ended September 30, 2021 and September 30, 2020, respectively, because their inclusion would have an anti-dilutive effect on net income (loss) per share.

13. Share-Based Awards

Equity Incentive Plans

In October 2005, our shareholders approved a stock option and incentive plan (the “2005 Plan”) under which 4,800,000 shares of common stock were reserved for the issuance of awards, including incentive stock options and non-qualified stock options, stock appreciation rights, restricted stock, unrestricted stock, restricted stock units, performance shares, performance units (including performance options) and other share-based awards. The 2005 Plan provides that our employees and directors may, at the discretion of the Board of Directors (“Board”) or a duly designated compensation committee, be granted certain share-based awards. In the case of option awards granted under the 2005 Plan, the exercise price of each option is determined based on the date of grant and expire no later than 10 years from the date of grant. Awards granted pursuant to the 2005 Plan are subject to the vesting schedule or performance metrics set forth in the agreements pursuant to which they are granted. Upon a change of control of our Company, as such term is defined in the 2005 Plan, awards under the 2005 Plan will fully vest under certain circumstances. The 2005 Plan expired on May 25, 2015. As of September 30, 2021, there were 84,200 outstanding options under the 2005 Plan.

In August 2015, our shareholders approved a stock option and incentive plan (the “2015 Plan”) under which 11,500,000 shares of common stock were reserved for the issuance of awards, including incentive stock options and non-qualified stock options, stock appreciation rights, restricted stock awards and restricted stock unit awards, performance stock awards and other share-based awards. In August 2017, our shareholders approved an amendment to the 2015 Plan, (the “Amended 2015 Plan”), to, among other items, increase the number of shares of common stock reserved for issuance thereunder by 6,000,000, which was further amended in August 2019 as approved by our shareholders, to, among other items, increase the number of shares of common stock reserved for issuance thereunder by an additional 3,575,000. The Amended 2015 Plan provides that our employees and directors may, at the discretion of the Board or a duly designated compensation committee, be granted certain share-based awards. In the case of option awards granted under the Amended 2015 Plan, the exercise price of each option is determined based on the date of grant and expire no later than 10 years from the date of grant. Awards granted pursuant to the Amended 2015 Plan are subject to the vesting schedule or performance metrics set forth in the agreements pursuant to which they are granted. Upon a change of control of our Company, as such term is defined in the Amended 2015 Plan, awards under the Amended 2015 Plan will fully vest under certain circumstances. As of September 30, 2021, there were 1,618,864 outstanding options, 1,815,406 outstanding shares of restricted stock awards, certain outstanding performance stock unit awards as described further below, and 1,506,567 shares available for future grant under the Amended 2015 Plan.

In September 2021, the Board adopted the 2021 Employment Inducement Equity Incentive Plan (the “Inducement Plan”) and initially reserved 1,500,000 shares of common stock for issuance under the Inducement Plan. The Inducement Plan was adopted by the Board without stockholder approval pursuant to Rule 5635(c)(4) of the Nasdaq Listing Rules. In accordance with Rule 5635(c)(4) of the Nasdaq Listing Rules, awards under the Inducement Plan may only be made to an employee who has not previously been an employee or member of the Board or the board of directors or any parent or subsidiary, or following a bona fide period of non-employment by the Company or a parent or subsidiary, if he or she is granted such award in connection with his or her commencement of employment with the Company or a subsidiary and such grant is an inducement material to his or her entering into employment with the Company or such subsidiary. The terms of the Inducement Plan are substantially similar to the terms of our Amended 2015 Plan, with the exception that incentive stock options may not be granted under the Inducement Plan. As of September 30, 2021, there were 1,037,614 outstanding shares of restricted stock awards, 450,000 outstanding performance stock unit awards, and 12,386 shares available for future grant under the Inducement Plan.

Stock Options

The following table summarizes the stock option transactions during the six months ended September 30, 2021:

| | Number of Shares | Weighted- Average Exercise Price per Share | Weighted- Average Remaining Contractual Life (years) | Aggregate Intrinsic Value (in thousands) |
|---|---------------------|--|--|---|
| Outstanding, March 31, 2021 | 2,791,084 | \$ 14.47 | 3.7 | \$ 10,303 |
| Exercised | (1,010,700) | 13.41 | 3.2 | 1,618 |
| Forfeited/Canceled | (20,820) | 21.08 | 4.7 | |
| Expired | (56,500) | 18.85 | | |
| Outstanding, September 30, 2021 | <u>1,703,064</u> | \$ 14.88 | 3.4 | \$ 309 |
| Vested and expected to vest, September 30, 2021 | <u>1,671,176</u> | \$ 14.87 | 3.4 | \$ 309 |
| Exercisable, September 30, 2021 | <u>1,502,682</u> | \$ 14.85 | 3.2 | \$ 307 |

Share-based compensation expense related to stock options was \$290 and \$627 for the three months ended September 30, 2021 and 2020, respectively. Share-based compensation expense related to stock options was \$999 and \$1,359 for the six months ended September 30, 2021 and 2020, respectively.

Non-vested stock option award activity during the six months ended September 30, 2021 is summarized as follows:

| | Number of Shares | Weighted- Average Grant-Date Fair Value per Share |
|---------------------------------|---------------------|---|
| Outstanding, March 31, 2021 | 459,339 | \$ 5.96 |
| Vested | (248,957) | 5.87 |
| Forfeited/Canceled | (10,000) | 8.74 |
| Outstanding, September 30, 2021 | <u>200,382</u> | \$ 5.94 |

As of September 30, 2021, \$386 of total unrecognized compensation costs related to stock options is expected to be recognized over a weighted-average period of 0.3 years. This amount does not include the cost of new options that may be granted in future periods or any changes in our forfeiture percentage. The total fair value of options vested during the six months ended September 30, 2021 and 2020 was \$1,461 and \$1,771, respectively.

Restricted Stock Awards

Restricted stock awards activity during the six months ended September 30, 2021 is summarized as follows:

| | Number of Shares | Weighted- Average Grant-Date Fair Value per Share |
|---------------------------------|---------------------|---|
| Outstanding, March 31, 2021 | 2,263,569 | \$ 14.58 |
| Granted | 1,605,649 | 15.46 |
| Vested | (871,842) | 14.98 |
| Canceled | (144,356) | 14.74 |
| Outstanding, September 30, 2021 | <u>2,853,020</u> | <u>\$ 14.95</u> |

Share-based compensation expense related to restricted stock awards was \$3,889 and \$4,150 for the three months ended September 30, 2021 and 2020, respectively. Share-based compensation expense related to restricted stock awards was \$10,347 and \$8,189 for the six months ended September 30, 2021 and 2020, respectively.

The weighted-average grant date fair value for the restricted stock awards was estimated using the market price of the common stock on the date of grant. The fair value of the restricted stock awards is amortized on a straight-line basis over the vesting period, which is generally between one to three years.

As of September 30, 2021, \$35,632 of total unrecognized compensation costs related to restricted stock awards is expected to be recognized over a weighted-average period of 2.3 years. This amount does not include the cost of new restricted stock awards that may be granted in future periods.

Performance Stock Units and Awards

On October 23, 2018, the Compensation Committee of the Board approved 248,140 performance stock unit awards to be granted to certain executives and non-executive members of the executive leadership team, which vest only in the event certain performance goals are achieved and with continuous service through the date the goals are certified. Approximately 34% of the performance stock units are tied to our cumulative 3-year total shareholder return, 33% are tied to our fiscal year 2021 revenue, and 33% are tied to our fiscal year 2021 adjusted earnings per share goals, each as specifically defined in the equity award agreements. The number of shares to be issued may vary between 50% and 200% of the number of performance stock units depending on performance, and no such shares will be issued if threshold performance is not achieved. The weighted-average grant date fair value of the awards was \$17.84 per share, which was estimated using a Monte Carlo-based valuation model for the awards based on total shareholder return and using a probability-adjusted achievement rate combined with the market price of the common stock on the date of grant for the awards based on revenue and earnings per share targets. Share-based compensation expense related to the performance stock unit awards tied to the revenue and adjusted earnings per share goals was not significant. Share-based compensation expense related to the performance stock unit awards tied to total shareholder return was \$63 and \$114 for the three months ended September 30, 2021 and 2020, respectively. Share-based compensation expense related to the performance stock unit awards was a benefit of \$375 for the six months ended September 30, 2021 primarily due to cancellation of awards associated with the departure of our former Chief Executive Officer. Share-based compensation expense related to the performance stock unit awards tied to total shareholder return was \$229 for the six months ended September 30, 2020.

On December 26, 2019 and January 27, 2020, the Compensation Committee of the Board approved a total of 279,587 performance stock unit awards to be granted to certain executives and non-executive members of the executive leadership team, which vest only in the event certain performance goals are achieved and with continuous service through the date the goals are certified. Approximately 80% of the performance stock units are tied to the Company's fiscal year 2021 revenue goal and 20% are tied to the Company's fiscal year 2022 revenue goal. Performance stock unit awards funded for fiscal year 2021 and fiscal year 2022 revenue performance will be modified for cumulative 3-year total shareholder return ("TSR") on the three-year grant anniversary, which is also the cliff vest date. The number of shares to be issued may vary between 42.5% and 172.5% of the number of performance stock units depending on performance, and no such shares will be issued if threshold performance is not achieved. The weighted-average grant date fair value of the awards was \$16.02 per share, which was estimated using a Monte Carlo-based valuation model for the awards based on total shareholder return and using a probability adjusted achievement rate combined with the market price of the common stock on the date of grant for the awards based on revenue targets. Share-based compensation expense related to the performance stock unit awards was \$226 and \$344 for the three months ended September 30, 2021 and 2020, respectively. Share-based compensation expense related to the performance stock unit awards was a benefit of \$231 for the six months ended September 30, 2021 primarily due to cancellation of awards associated with the resignation of our former Chief Executive Officer. Share-based compensation expense related to the performance stock unit awards was \$625 for the six months ended September 30, 2020.

On October 26, 2020, the Compensation Committee of the Board approved 408,861 performance stock unit awards to be granted to certain executives and non-executive members of the executive leadership team, which vest only in the event certain performance goals are achieved and with continuous service through the date the goals are certified. Approximately 80% of the performance stock units are tied to the Company's fiscal year 2022 revenue goal and 20% are tied to the Company's fiscal year 2023 revenue goal. Performance stock unit awards funded for fiscal year 2022 and fiscal year 2023 revenue performance will be modified for cumulative 3-year TSR on the three-year grant date anniversary, which is also the cliff vest date. The number of shares to be issued may vary between 8.5% and 199.5% of the number of target performance stock units depending on performance, and no such shares will be issued if threshold performance is not achieved. The weighted-average grant date fair value of the awards was \$16.25 per share, which was estimated using a Monte Carlo-based valuation model for the awards based on total shareholder return and using a probability adjusted achievement rate combined with the market price of the common stock on the date of grant for the awards based on revenue targets. Share-based compensation expense related to the performance stock unit awards was \$575 and \$514 for the three and six months ended September 30, 2021, respectively.

On September 20, 2021, the Compensation Committee of the Board approved an award of 450,000 performance stock units to be granted to our Chief Executive Officer. The award has a grant date of September 22, 2021 and portions of the award vest upon both the attainment of five separate pre-determined stock price milestones during a five-year performance period and continued service over a period of three years following the grant date. The fair value and derived service period for each share-price milestone tranche was estimated separately using a Monte-Carlo based valuation model. The expense for each share-price milestone tranche is amortized over the longer of the derived service period or the explicit service period. The weighted-average grant date fair value of the award was \$10.52 per share. Share-based compensation expense related to the performance stock unit award was \$50 for the three months ended September 30, 2021.

As of September 30, 2021, \$9,577 of total estimated unrecognized compensation costs related to performance stock units and awards is expected to be recognized over a weighted-average period of 2.4 years. This amount does not include the cost of new performance stock units and awards that may be granted in future periods.

Employee Share Purchase Plan

On August 11, 2014, our shareholders approved an Employee Share Purchase Plan (the "Purchase Plan") under which 4,000,000 shares of common stock were reserved for future grant. The Purchase Plan allows eligible employees to purchase shares through payroll deductions of up to 15% of total base salary at a price equal to 90% of the lower of the fair market values of the shares as of the beginning or the end of the corresponding offering period. Any shares purchased under the Purchase Plan are subject to a six-month holding period. Employees are limited to purchasing no more than 1,500 shares on any single purchase date and no more than \$25 in total fair market value of shares during any one calendar year. As of September 30, 2021, we have issued 824,267 shares under the Purchase Plan and 3,175,733 shares are available for future issuance.

Share-based compensation expense recorded for the employee share purchase plan was \$129 and \$140 for the three months ended September 30, 2021 and 2020, respectively. Share-based compensation expense recorded for the employee share purchase plan was \$330 and \$304 for the six months ended September 30, 2021 and 2020, respectively.

14. Concentration of Credit Risk

We had cash deposits at United States banks and financial institutions which exceeded federally insured limits at September 30, 2021. We are exposed to credit loss for amounts in excess of insured limits in the event of non-performance by the institutions; however, we do not anticipate non-performance by these institutions.

15. Commitments, Guarantees and Contingencies

Commitments and Guarantees

Our software license agreements include a performance guarantee that our software products will substantially operate as described in the applicable program documentation for a period of 365 days after delivery. To date, we have not incurred any significant costs associated with our performance guarantee or other related warranties and do not expect to incur significant warranty costs in the future. Therefore, no accrual has been made for potential costs associated with these warranties. Certain arrangements also include performance guarantees related to response time, availability for operational use, and other performance-related guarantees. Certain arrangements also include penalties in the form of maintenance credits should the performance of the software fail to meet the performance guarantees. To date, we have not incurred any significant costs associated with these warranties and do not expect to incur significant warranty costs in the future. Therefore, no accrual has been made for potential costs associated with these warranties.

We historically have accepted sales returns under limited circumstances. We estimate expected sales returns and other forms of variable consideration considering our customary business practice and contract-specific facts and circumstances, and we consider such estimated potential returns as variable consideration when allocating the transaction price to the extent it is probable that there will not be a significant reversal of cumulative revenue recognized.

Our standard sales agreements contain an indemnification provision pursuant to which we shall indemnify, hold harmless, and reimburse the indemnified party for losses suffered or incurred by the indemnified party in connection with any United States patent, any copyright or other intellectual property infringement claim by any third-party with respect to our software. As we have not incurred any significant costs to defend lawsuits or settle claims related to these indemnification agreements, we believe that our estimated exposure on these agreements is currently minimal. Accordingly, we have no liabilities recorded for these indemnification obligations.

Hussein Litigation

On October 7, 2013, a complaint was filed against our Company and certain of our officers and directors in the Superior Court of the State of California for the County of Orange, captioned Ahmed D. Hussein v. Sheldon Razin, Steven Plochocki, Quality Systems, Inc. and Does 1-10, inclusive, No. 30-2013-00679600-CU-NP-CJC, by Ahmed Hussein, a former director and significant shareholder of our Company. After the court sustained our demurrer to the initial complaint, Hussein filed an amended complaint on April 25, 2014. The amended complaint generally alleges fraud and deceit, constructive fraud, negligent misrepresentation and breach of fiduciary duty in connection with statements made to our shareholders regarding our financial condition and projected future performance. The amended complaint seeks actual damages, exemplary and punitive damages and costs. Hussein's breach of fiduciary duty claims were dismissed on demurrer, and we filed an answer and cross-complaint against Hussein, alleging that he breached fiduciary duties owed to the Company. On September 16, 2015, the Court granted summary judgment with respect to Hussein's remaining claims, dismissing all claims against us. The cross-complaint against Hussein went to trial, but the Court granted judgment in favor of Hussein on our cross-complaint. Final judgment over Hussein's claims and our cross-claims was entered on January 9, 2018. Hussein appealed the order granting summary judgment over his claims, and we appealed the court's decision granting Hussein's motion for judgment on our cross-complaint. On October 8, 2019, the California State Court of Appeal for the Fourth Appellate District, Division Three, reversed the Superior Court's grant of summary judgment on Hussein's affirmative claims and affirmed the trial court's judgement on the Company's breach of fiduciary duty claims against Hussein. As a result, the case has returned to the trial court for resolution of Hussein's claims against us. Trial commenced on July 6, 2021. On July 29, 2021, the jury rendered a verdict in favor of the Company and the individual defendants on all counts. Hussein has filed a Motion for New Trial, which the Court has not yet addressed.

Separately, Hussein has issued an arbitration demand seeking indemnification for the fees he incurred defending against our cross-complaint. Following briefing and a hearing at the liability phase of the arbitration, the arbitrator held that Hussein is entitled to indemnification for "expenses" (as that term is defined in Hussein's indemnification agreement with NextGen) incurred in defense of NextGen's cross-complaint against him. The arbitrator reserved all other claims related to costs and damages for a second phase of the arbitration. On June 10, 2021, the arbitrator heard arguments on the quantum of indemnifiable expenses. On September 2, 2021, the arbitrator awarded Hussein indemnification for fees and costs incurred defending the cross-complaint. After trebling the fees incurred pursuant to Hussein's supplemental agreement with his attorneys, and adding in interest and costs, the arbitrator calculated that the Company owes Mr. Hussein \$11,370 in indemnification, which we subsequently paid on September 30, 2021.

Other Regulatory Matters

Commencing in April 2017, we have received requests for documents and information from the United States Attorney's Office for the District of Vermont and other government agencies in connection with an investigation concerning the certification we obtained for our software under the United States Department of Health and Human Services' Electronic Health Record (EHR) Incentive Program. The requests for information relate to, among other things: (a) data used to determine objectives and measures under the Meaningful Use (MU) and the Physician Quality Reporting System (PQRS) programs, (b) our EHR product and its performance, (c) the software code used in certifying our EHR software and information, and (d) payments provided for the referral of EHR business. We continue to cooperate in this investigation. Requests and investigations of this nature may lead to future requests for information and ultimately the assertion of claims or the commencement of legal proceedings against us, as well as other material liabilities. In addition, our responses to these and any future requests require time and effort, which can result in additional cost to us. At this time, we are unable to estimate the probability or the amount of liability, if any, related to this matter. Given the highly-regulated nature of our industry, we may, from time to time, be subject to subpoenas, requests for information, or investigations from various government agencies. It is our practice to respond to such matters in a cooperative, thorough and timely manner.

16. Restructuring Plan

In the six months ended September 30, 2021 and 2020, we recorded restructuring costs of \$539 and \$2,562, respectively, consisting of payroll-related costs, such as severance, outplacement costs, and continuing healthcare coverage, associated with the involuntary separation of employees pursuant to a one-time benefit arrangement, within operating expenses in our condensed consolidated statements of net income (loss) and comprehensive income (loss). These amounts were accrued when it was probable that the benefits would be paid, and the amounts were reasonably estimable. The payroll-related costs for the three months ended September 30, 2021 have been substantially paid.

17. Subsequent Events

On October 13, 2021, we announced the results of our annual shareholders' meeting, including the approval of, among other items, the amendment and restatement of the Amended 2015 Plan.

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q ("Report") and certain information incorporated herein by reference contain forward-looking statements within the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. All statements included or incorporated by reference in this Report, other than statements that are purely historical, are forward-looking statements. Words such as "anticipate," "expect," "intend," "plan," "believe," "seek," "estimate," "will," "should," "would," "could," "may," and similar expressions also identify forward-looking statements. These forward-looking statements include, without limitation, discussions of the impact of the COVID-19 pandemic and measures taken in response thereto, as well as our product development plans, business strategies, future operations, financial condition and prospects, developments in and the impacts of government regulation and legislation and market factors influencing our results. Our expectations, beliefs, objectives, intentions and strategies regarding our future results are not guarantees of future performance and are subject to risks and uncertainties, both foreseen and unforeseen, that could cause actual results to differ materially from results contemplated in our forward-looking statements. These risks and uncertainties include, but are not limited to, our ability to continue to develop new products and increase systems sales in markets characterized by rapid technological evolution, consolidation, and competition from larger, better-capitalized competitors. Many other economic, competitive, governmental and technological factors could affect our ability to achieve our goals, and interested persons are urged to review any risks that may be described in "Item 1A. Risk Factors" as set forth herein and other risk factors appearing in our most recent Annual Report on Form 10-K for the fiscal year ended March 31, 2021 ("Annual Report"), as supplemented by additional risk factors, if any, in our interim filings on our Quarterly Reports on Form 10-Q, as well as in our other public disclosures and filings with the Securities and Exchange Commission ("SEC"). Because of these risk factors, as well as other variables affecting our financial condition and results of operations, past financial performance may not be a reliable indicator of future performance and historical trends should not be used to anticipate results or trends in future periods. We assume no obligation to update any forward-looking statements. You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of the filing of this Report. Each of the terms "NextGen Healthcare," "NextGen," "we," "us," "our," or the "Company" as used throughout this Report refers collectively to NextGen Healthcare, Inc. and its wholly-owned subsidiaries, unless otherwise indicated.

This management's discussion and analysis of financial condition and results of operations ("MD&A") is provided as a supplement to the condensed consolidated financial statements and notes thereto included elsewhere in this Report in order to enhance your understanding of our results of operations and financial condition and should be read in conjunction with, and is qualified in its entirety by, the condensed consolidated financial statements and related notes thereto included elsewhere in this Report. Historical results of operations, percentage margin fluctuations and any trends that may be inferred from the discussion below are not necessarily indicative of the operating results for any future period.

Company Overview

NextGen Healthcare is a leading provider of software and services that empower ambulatory healthcare practices to manage the risk and complexity of delivering care in the rapidly evolving U.S. healthcare system. Our combination of technological breadth, depth and domain expertise makes us a preferred solution provider and trusted advisor for our clients. In addition to highly configurable core clinical and financial capabilities, our portfolio includes tightly integrated solutions that deliver on ambulatory healthcare imperatives including: population health, care management, patient outreach, telemedicine and nationwide clinical information exchange.

We serve clients across all 50 states. Over 100,000 providers use NextGen Healthcare solutions to deliver care in nearly every medical specialty in a wide variety of practice models including accountable care organizations ("ACOs"), independent physician associations ("IPAs"), managed service organizations ("MSOs"), Veterans Service Organizations ("VSOs"), and Dental Service Organizations ("DSOs"). Our clients include some of the largest and most progressive multi-specialty groups in the country. With the addition of behavioral health to our medical and oral health capabilities, we continue to extend our share not only in Federally Qualified Health Centers ("FQHCs"), but also in the growing integrated care market.

NextGen Healthcare has historically enhanced our offering through both organic and inorganic activities. In October 2015, we divested our former Hospital Solutions division to focus exclusively on the ambulatory marketplace. In January 2016, we acquired HealthFusion Holdings, Inc. and its cloud-based electronic health record and practice management solution. In April 2017, we acquired Entrada, Inc. and its cloud-based, mobile platform for clinical documentation and collaboration. In August 2017, we acquired EagleDream Health, Inc. and its cloud-based population health analytics solution. In January 2018, we acquired Inforth Technologies for its specialty-focused clinical content. In October 2019, we acquired Topaz Information Systems, LLC ("Topaz") for its behavioral health solutions. In December 2019, we acquired Medfusion, Inc. ("Medfusion") for its Patient Experience Platform (i.e., patient portal, self-scheduling, and patient pay) capabilities and OTTO Health, LLC ("OTTO") for its integrated virtual care solutions, notably telemedicine. The integration of these acquired technologies has made NextGen Healthcare's solutions among the most comprehensive in the market.

Our company was incorporated in California in 1974. Previously named Quality Systems, Inc., we changed our corporate name to NextGen Healthcare, Inc. in September 2018. Our principal executive offices are located at 3525 Piedmont Rd., NE, Building 6, Suite 700, Atlanta, Georgia, and our principal website is www.nextgen.com. We operate on a fiscal year ending on March 31.

Industry and Regulatory Background, Market Opportunity, and Trends

We believe that the trends and events described below have contributed to our consolidated results of operations and may continue to impact our future results.

Over the last decade, the ambulatory healthcare market has experienced significant regulatory change, which has driven the need for improved technology to enable practice transformation. Recognizing it was imperative to digitize the U.S. health system to stem the escalating cost of healthcare and improve the quality of care being delivered, Congress enacted the Health Information Technology for Economic and Clinical Health Act in 2009 ("HITECH Act"). The legislation stimulated healthcare organizations to not only adopt electronic health records, but to use them to collect discrete data that could be used to drive quality care. This standardization supported early pay-for-reporting and pay-for-performance programs.

In 2010, the Affordable Care Act ("ACA") established the roadmap for shifting American healthcare from volume (fee-for-service) to a value-based care ("VBC") system that rewards improved outcomes at lower costs (fee-for-value). This was followed by the Medicare Access and CHIP Reauthorization Act of 2015 ("MACRA"), bipartisan legislation that further changed the way Medicare rewards clinicians for value vs. volume. Initially focused on government-funded care, the domain of the Centers for Medicare & Medicaid Services ("CMS"), these programs are now firmly established on the commercial insurance side of the industry as well.

Importantly, the introduction of VBC programs was only an element of the broader approach to reducing healthcare expenditure. The drive to reduce costs initially led to consolidation in the healthcare system that was followed by a significant shift of care from the inpatient to lower cost outpatient setting. Among other factors, consumerism is set to play a major role in driving volume increases outside of the hospital. In addition, providers continue to seek new tools and means to connect with patients in new ways. Patients are expecting care to be personalized and tailored to their preferences and are seeking much greater transparency about the costs for visits, medications, and procedures as well as improved convenience and access to care. Along with the continued expansion of telehealth, there will be growth in technologies which facilitate the digital connection between patient and provider. The need to sustain revenue has made it extremely important for practices to secure their patient market share, elevating patient loyalty to a significant determinant of provider success. In addition to being loyal, groups participating in value-based contracts realized that patients also needed to be engaged in their care and interested in improving their own health. The need to attract, retain and engage patients has made patient experience one of the most important aspects of evolving care delivery in the United States. Capturing patient market share and thriving in a market driven by VBC requires both an integrated platform and a full view of the patient population's clinical and cost data, neither of which could be accomplished without new technologies to collect and analyze multi-sourced patient data. Effectively implemented, these new technologies allow organizations to enhance financial viability while exercising the freedom to join, affiliate, integrate or interoperate in ways that maximize strategic control.

Although the HITECH Act led to the meaningful adoption of electronic health records, many in the healthcare industry were dissatisfied with the level of exchange of health information between different providers and across different software platforms. With the passing of the MACRA law in 2015, the U.S. Congress declared it a national objective to achieve widespread exchange of health information through interoperable certified electronic health records ("EHR") technology. Then, in December 2016, the 21st Century Cures Act ("Cures Act") was passed and signed into law. Among many other policies, the law includes numerous provisions intended to encourage nationwide interoperability.

In January 2020, the U.S. Department of Health and Human Services ("HHS") officially declared that a public health emergency ("PHE") existed as a result of the COVID-19 pandemic. Then, in March and April 2020, HHS issued a series of rules and orders to offer healthcare providers flexibility or waivers from certain regulatory requirements during the PHE.

Among other changes, HHS and the Centers for Medicare and Medicaid Services ("CMS") eliminated the patient geographic and originating site restrictions for Medicare telehealth services that outside of the PHE restrict the services to patients in rural geographic areas who are physically present at a healthcare facility at the time of service. Other flexibilities authorized CMS to reimburse telehealth visits at the same payment rates as in-person office visits during the PHE. State Medicaid programs and commercial insurers instituted similar policies to promote virtual visits as an alternative to in-person care during the pandemic.

Now, looking beyond the eventual end of the PHE, Congress is considering legislation that would make some of these temporary telehealth policies permanent. In April 2021, bipartisan legislation was introduced in both the U.S. House of Representatives and the U.S. Senate that would permanently expand Medicare's telehealth services program to all geographies and allow patients to receive services from their homes.

In March 2020, the HHS Office of the National Coordinator for Health Information Technology ("ONC") released a final regulation which implements the key interoperability provisions included in the Cures Act. The rule calls on developers of certified EHRs to adopt standardized application programming interfaces ("APIs") and to meet a list of other new certification and maintenance of certification requirements in order to retain approved federal government certification status.

The ONC rule also implements the information blocking provisions of the Cures Act, including identifying reasonable and necessary activities that do not constitute information blocking. Under the Cures Act, HHS has the regulatory authority to investigate and assess civil monetary penalties of up to \$1,000,000 against certified health IT developers found to be in violation of "information blocking."

The \$2.2 trillion Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was signed into law in late March 2020. While this law created the "Paycheck Protection Program" for small businesses, which would include many physician groups, the CARES

Act also increased funding for the Public Health and Social Services Emergency Fund by \$127 billion, with \$100 billion of that earmarked to reimburse eligible hospitals and healthcare providers for healthcare-related expenses or lost revenues not otherwise reimbursed that are directly attributable to COVID-19. The law also provided \$1.32 billion in supplemental funding to community health centers.

The Consolidated Appropriations Act, 2021 was passed by Congress and signed into law in December 2020. This \$2.3 trillion legislative package combines the \$1.4 trillion fiscal year 2021 appropriations bills with a \$900 billion coronavirus aid package. The law adds \$3 billion in additional funding for HHS's Provider Relief Fund, which was established by the CARES Act (March 2020) and previously funded with \$175 billion to reimburse providers for healthcare related expenses and lost revenue attributable to the pandemic. The law also provides a three-year extension (federal fiscal years 2021, 2022, 2023) of federal grant funding for community health centers and provides \$4.25 billion in supplemental grant funding for substance abuse disorder, mental health, and behavioral health programs run by HHS's Substance Abuse and Mental Health Services Administration ("SAMHSA"). Support for telehealth services was included through provisions that permanently remove Medicare's patient geographic and site limitations and an appropriation of \$250 million for the Federal Communications Commission's ("FCC's") COVID-19 Telehealth Program, which grants non-profit healthcare providers financial support to implement telehealth solutions.

In March 2021, President Joe Biden signed into law the \$1.9 trillion American Rescue Plan Act. This legislation includes additional coronavirus-related relief measures and is the latest in a series of pandemic-related aid legislation enacted since March 2020. Among other provisions, this law provides \$7.6 billion in supplemental federal grant funding for FQHCs. As a comparison, the CARES Act provided \$1.3 billion in supplemental federal grant funding for FQHCs. In addition, this law provides \$3.5 billion in funding for block grant programs that address mental health and substance use disorders and are administered by HHS's SAMHSA.

The new regulations will require significant compliance efforts for not only healthcare information technology ("HIT") companies, networks, and exchanges, but also for healthcare providers. However, the Cures Act also creates opportunities for improving care delivery and outcomes through increased data exchange between providers, and easier patient access to their own health information. Key to unlocking these benefits is the introduction of new Fast Healthcare Interoperability Resources ("FHIR") standards, which ONC requires certified HIT companies to adopt through APIs. Meanwhile, CMS is requiring hospitals to provide electronic admission, discharge and transfer notification to other healthcare facilities, providers and designated care team members. All healthcare providers are required to comply with the information blocking rules as of the initial April 5, 2021 compliance date. As of December 31, 2022, providers participating in federal programs that require the use of certified HIT will need to use the new "2015 Edition Cures Update" certified version of EHR software to comply with the Cures Act certification requirements. Through enhanced interoperability functionality and standardized APIs, the Spring '21 release of NextGen® Enterprise will help healthcare providers meet these dual mandates included in the Cures Act.

Through the expansion of our NextGen® Share interoperability services platform and API partner marketplace, we will address the increased demand for moving and sharing patient data from the EHR easily, quickly and securely. Interoperability improves patient experience and care coordination, enhances patient safety, and reduces costs. We are also expanding resources such as educational webinars, blogs and videos on interoperability to help educate and support healthcare providers.

In recent years, there has been incremental investment to improve the delivery of behavioral healthcare. One of the central drivers of this investment has been the opioid epidemic which claims more than 80,000 lives a year in the United States. The integrated care model prevalent in FQHCs, a model which calls for integration of behavioral health and primary care in single care settings, has also gained momentum. Both behavioral health and the integrated care workflows require broad, purpose built, tailored HIT capabilities, many of which are supported by the NextGen Healthcare platform. As a result of the COVID-19 pandemic, ambulatory practices have come to appreciate the importance of business continuity, particularly in administrative business functions which are non-core to medical care and may turn to NextGen Healthcare more often for managed services.

COVID-19 Pandemic

In late 2019, the emergence of a novel coronavirus, or COVID-19, was reported and in January 2020, the World Health Organization ("WHO"), declared it a Public Health Emergency of International Concern. In March 2020, the WHO escalated COVID-19 as a pandemic. We proactively responded to the pandemic by creating an executive task force to monitor the COVID-19 situation daily and immediately restricted non-essential travel and migrated to a fully remote workforce while maintaining complete operational effectiveness.

The need to access care while still social distancing was addressed early on with the limited use of telemedicine (also known as virtual visits) and was energized when the federal government reduced regulatory barriers and addressed payment parity between virtual and in-person visits. With these tailwinds, telemedicine quickly became regarded as a safer way for patients and providers to engage each other while also relieving economic pressure on the medical practice. We believe that the uptake of telemedicine will transcend COVID-19 and that virtual visits will become a permanent and important change in the way care is delivered. Keeping patients out of the transit system, out of the waiting room and away from other sick patients is simply good medicine.

At present, we are conducting business as usual with certain modifications to employee travel, employee work locations, and marketing events, among other modifications. We continue to monitor the broader implications of the global COVID-19 pandemic

and may take further actions that we determine are in the best interests of our employees, customers, partners, suppliers, and shareholders.

Our Strategy

We empower the transformation of ambulatory care by delivering solutions that enable groups to be successful under all models of care, including emerging value-based care models that include down-side risk. We primarily serve organizations that provide care in an ambulatory setting and do so across diverse practice sizes, specialties, and business models. Furthermore, we support the advances in integrated care that focuses on the whole person. Our platform is uniquely positioned to successfully enable our clients to expand access to care, enhance the coordination and management of care, and optimize patient outcomes through an integrated medical record that extends across their medical, mental, and oral health and care needs.

Effective and frictionless interoperability is essential to all models of care. Our experience powering many of the nation's Health Information Exchanges ("HIE's") places us in a unique position to enable our clients to leverage this technology to lower the cost of care and improve the patient and provider experience by providing an integrated community patient record.

Patient experience is directly correlated to patient engagement and an engaged patient is a key to positive outcomes. Today's patient is also an active consumer of their healthcare, each searching for the best experience. Our platform enables our clients to create a personalized care experience that enhances trust and drives patient loyalty.

Our longstanding success in the ambulatory market has enabled us to build significant expertise across many relevant disciplines that our clients actively request. We partner with our clients to operate and optimize their IT systems and operations, enhance revenue cycle processes, service line expansion and operations, as well as advise on long-term strategy.

As one of the leading healthcare information technology players in the U.S. ambulatory marketplace, we plan to continue investing in our current capabilities as well as building and/or acquiring new capabilities as we guide our clients through the market's transformation. We expect to continue to empower the transformation of care through the following strategic priorities:

- Be a learning organization and transform ahead of the industry
- Be a trusted advisor for our customers and prospects
- Deliver breadth, depth and configurability to enable our clients to effectively execute their strategies
- Use automation to drive unwanted variability and cost from our clients' operations
- Drive real innovation in patient experience and patient-provider interactions
- Help our clients be recognized as interoperability leaders in their regions and areas of specialty
- Integrate new capabilities (whether organic or inorganic) more quickly and successfully than others.

Results of Operations

The following table sets forth the percentage of revenue represented by each item in our condensed consolidated statements of net income for the three and six months ended September 30, 2021 and 2020 (certain percentages below may not sum due to rounding):

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|---|----------------------------------|-------|--------------------------------|-------|
| | 2021 | 2020 | 2021 | 2020 |
| Revenues: | | | | |
| Recurring | 90.8% | 89.8% | 90.7% | 90.5% |
| Software, hardware, and other non-recurring | 9.2 | 10.2 | 9.3 | 9.5 |
| Total revenues | 100.0 | 100.0 | 100.0 | 100.0 |
| Cost of revenue: | | | | |
| Recurring | 38.3 | 37.8 | 38.7 | 38.1 |
| Software, hardware, and other non-recurring | 5.1 | 4.3 | 5.1 | 4.5 |
| Amortization of capitalized software costs and acquired intangible assets | 5.3 | 7.1 | 5.4 | 7.3 |
| Total cost of revenue | 48.7 | 49.2 | 49.2 | 50.0 |
| Gross profit | 51.3 | 50.8 | 50.8 | 50.0 |
| Operating expenses: | | | | |
| Selling, general and administrative | 42.8 | 30.0 | 38.0 | 30.5 |
| Research and development costs, net | 12.4 | 12.6 | 12.8 | 13.3 |
| Amortization of acquired intangible assets | 0.6 | 0.8 | 0.6 | 0.8 |
| Impairment of assets | 0.8 | 0.0 | 0.5 | 0.0 |
| Restructuring costs | 0.0 | 0.0 | 0.2 | 0.9 |
| Total operating expenses | 56.6 | 43.4 | 52.2 | 45.6 |
| Income (loss) from operations | (5.3) | 7.4 | (1.4) | 4.5 |
| Interest income | 0.0 | 0.0 | 0.0 | 0.0 |
| Interest expense | (0.2) | (0.8) | (0.2) | (0.8) |
| Other expense, net | 0.0 | 0.0 | 0.0 | 0.0 |
| Income (loss) before provision for (benefit of) income taxes | (5.5) | 6.5 | (1.6) | 3.7 |
| Provision for (benefit of) income taxes | (1.0) | (0.9) | (0.3) | 0.1 |
| Net income (loss) | (4.5)% | 7.5% | (1.3)% | 3.6% |

Revenues

The following table presents our disaggregated revenues for the three and six months ended September 30, 2021 and 2020 (in thousands):

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|--|----------------------------------|------------|--------------------------------|------------|
| | 2021 | 2020 | 2021 | 2020 |
| Recurring revenues: | | | | |
| Subscription services | \$ 41,139 | \$ 36,867 | \$ 79,423 | \$ 72,227 |
| Support and maintenance | 39,004 | 38,076 | 77,490 | 76,623 |
| Managed services | 29,506 | 26,218 | 58,937 | 48,711 |
| Electronic data interchange and data services | 25,960 | 24,530 | 52,140 | 47,652 |
| Total recurring revenues | 135,609 | 125,691 | 267,990 | 245,213 |
| Software, hardware, and other non-recurring revenues: | | | | |
| Software license and hardware | 8,068 | 8,014 | 15,282 | 12,754 |
| Other non-recurring services | 5,609 | 6,297 | 12,098 | 12,914 |
| Total software, hardware and other non-recurring revenues | 13,677 | 14,311 | 27,380 | 25,668 |
| Total revenues | \$ 149,286 | \$ 140,002 | \$ 295,370 | \$ 270,881 |
| Recurring revenues as a percentage of total revenues | 90.8% | 89.8% | 90.7% | 90.5% |

We generate revenue from sales of licensing rights and subscriptions to our software solutions, hardware and third-party software products, support and maintenance, managed services, electronic data interchange (“EDI”) and data services, and other non-recurring services, including implementation, training, and consulting services performed for clients who use our products.

Consolidated revenue for the three months ended September 30, 2021 increased \$9.3 million compared to the prior year period due to a \$9.9 million increase in recurring revenues, partially offset by a \$0.6 million decrease in software, hardware and other non-recurring revenues. The increase in recurring revenues was driven by a \$4.3 million increase in subscription services, \$3.3 million increase in managed services, \$1.4 million increase in EDI and data services, and a \$0.9 million increase in support and maintenance. The increase in subscription services was primarily due to higher subscriptions of our mobile platform associated with higher recent bookings, growth in subscriptions of our telehealth solutions, which benefited from higher demand driven by the COVID-19 pandemic, plus increases in revenue from our core NextGen Enterprise, NextGen Office, financial analytics, and connected health and interoperability subscriptions due to higher recent bookings. The increase in managed services revenue was primarily due to an increase in revenue cycle management revenues from higher patient volumes and billings compared to the prior year, which was negatively impacted by the COVID-19 pandemic, as well as an increase in hosting services associated with higher recent bookings. EDI and data services increased due to higher patient and transaction volumes compared to the prior year, which was also negatively impacted by the COVID-19 pandemic. Support and maintenance increased primarily due to annual CPI increases, partially offset by client attrition. The decrease in software, hardware, and other non-recurring revenues was primarily driven by lower professional services revenue as less professional services projects and hours were completed compared to the prior year.

Consolidated revenue for the six months ended September 30, 2021 increased \$24.5 million compared to the prior year period due to a \$22.8 million increase in recurring revenues, and a \$1.7 million increase in software, hardware and other non-recurring revenues. The increase in recurring revenues was driven by a \$10.2 million increase in managed services, \$7.2 million increase in subscription services, \$4.5 million in EDI and data services, and a \$0.9 million increase in support and maintenance. The increase in managed services revenue was primarily due to an increase in revenue cycle management revenues from higher patient volumes and billings compared to the prior year, which was negatively impacted by the COVID-19 pandemic. The increase in subscription services was primarily due to growth in subscriptions associated with our telehealth platforms driven by the COVID-19 pandemic, increases in subscriptions of our mobile platform, NextGen Office solutions, connected health and interoperability solutions, and financial analytics revenues. EDI and data services increased due to higher patient and transaction volumes compared to the prior year, which was also negatively impacted by the COVID-19 pandemic. The increase in software, hardware, and other non-recurring services revenues was due to an increase of \$2.5 million in software license and hardware revenue resulting from higher bookings and sales volume, partially offset by a \$0.8 million decrease in other non-recurring services related to completion of less professional services projects and hours compared to the prior year.

Bookings reflect the estimated annual value of our executed contracts, adjusted to include the effect of pre-acquisition bookings if applicable, and are believed to provide a broad indicator of the general direction and progress of the business. Total bookings were \$39.1 million and \$31.2 million for the three months ended September 30, 2021 and 2020, respectively. The increase is due to higher bookings of non-recurring services, higher RCM and managed cloud services bookings, and higher bookings of our mobile, transcription, and other recurring services, partially offset by lower bookings associated with our telehealth platform, which had benefited from the onset of the COVID-19 pandemic in the prior year.

Total bookings were \$73.4 million and \$56.8 million for the six months ended September 30, 2021 and 2020, respectively. The increase is due to higher bookings of software and non-recurring services, higher bookings of revenue cycle management, and higher bookings of our mobile, transcription, and other recurring services, partially offset by lower bookings associated with our telehealth platform, which had benefited from the onset of the COVID-19 pandemic in the prior year.

Cost of Revenue and Gross Profit

The following table presents our consolidated cost of revenue and gross profit for the three and six months ended September 30, 2021 and 2020 (in thousands):

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|---|-------------------------------------|------------------|-----------------------------------|-------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Cost of revenue: | | | | |
| Recurring | \$ 57,119 | \$ 52,906 | \$ 114,279 | \$ 103,335 |
| Software, hardware, and other non-recurring | 7,610 | 6,083 | 15,107 | 12,124 |
| Amortization of capitalized software costs and acquired intangible assets | 7,969 | 9,961 | 16,053 | 19,860 |
| Total cost of revenue | <u>\$ 72,698</u> | <u>\$ 68,950</u> | <u>\$ 145,439</u> | <u>\$ 135,319</u> |
| Gross profit | \$ 76,588 | \$ 71,052 | \$ 149,931 | \$ 135,562 |
| Gross margin % | 51.3% | 50.8% | 50.8% | 50.0% |

Cost of revenue consists primarily of compensation expense, including share-based compensation, for personnel that deliver our products and services. Cost of revenue also includes amortization of capitalized software costs and acquired technology, third party consultant and outsourcing costs, costs associated with our EDI business partners and clearinghouses, hosting service costs, third party software costs and royalties, and other costs directly associated with delivering our products and services. Refer to Note 7, "Intangible Assets" and Note 8, "Capitalized Software Costs" of our notes to condensed consolidated financial statements included elsewhere in this Report for additional information on current period amortization of capitalized software costs and acquired technology and an estimate of future expected amortization.

Share-based compensation expense included in cost of revenue was \$0.6 million for both the three months ended September 30, 2021 and 2020, respectively. Share-based compensation expense included in cost of revenue was \$1.1 million and \$1.0 million for the six months ended September 30, 2021 and 2020, respectively.

Gross profit for the three months ended September 30, 2021 increased \$5.5 million compared to the prior year due to a \$9.3 million increase in revenues as discussed above, offset by a \$3.7 million increase in cost of revenue associated with the higher revenues. Our gross margin increased to 51.3% for the three months ended September 30, 2021 compared to 50.8% in the prior year driven largely by lower amortization of capitalized software costs and acquired intangible assets.

Gross profit for the six months ended September 30, 2021 increased \$14.4 million compared to the prior year period due to a \$24.5 million increase in revenues as discussed above, offset by a \$10.1 million increase in cost of revenue associated with the higher revenues. Our gross margin increased to 50.8% for the six months ended September 30, 2021 compared to 50.0% in the prior year driven largely by lower amortization of capitalized software costs and acquired intangible assets.

The increase in cost of revenue for the three and six months ended September 30, 2021 compared to the prior year periods was due to higher cost of subscription services and managed services associated with higher revenues, higher salaries and benefits from increased employee headcount, and higher hosting costs. EDI costs also increased due to higher transaction volume. Software, hardware, and other non-recurring services revenue costs increased compared to the prior periods primarily due to higher salaries and benefits from increased employee headcount and an increase in consulting costs associated to the delivery of our professional services. These increases in cost of revenue was partially offset by lower amortization of capitalized software costs and acquired intangible assets, as noted above.

Selling, General and Administrative Expense

The following table presents our selling, general and administrative expense for the three and six months ended September 30, 2021 and 2020 (in thousands):

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|---|-------------------------------------|-----------|-----------------------------------|-----------|
| | 2021 | 2020 | 2021 | 2020 |
| Selling, general and administrative | \$ 63,891 | \$ 41,950 | \$ 112,377 | \$ 82,687 |
| Selling, general and administrative, as a percentage of revenue | 42.8% | 30.0% | 38.0% | 30.5% |

Selling, general and administrative expense consists of compensation expense, including share-based compensation, for management and administrative personnel, selling and marketing expense, facilities costs, depreciation, professional service fees, including legal and accounting services, legal settlements, acquisition and transaction-related costs, and other general corporate and administrative expenses.

Share-based compensation expense included in selling, general and administrative expenses was \$3.6 million and \$3.8 million for the three months ended September 30, 2021 and 2020, respectively. Share-based compensation expense included in selling, general and administrative expenses was \$8.4 million and \$7.9 million for the six months ended September 30, 2021 and 2020, respectively. Refer to Note 13, "Share-Based Awards" of our notes to condensed consolidated financial statements included elsewhere in this Report for additional information of our share-based awards and related incentive plans.

Selling, general and administrative expenses increased \$21.9 million and \$29.7 million for the three and six months ended September 30, 2021, respectively, compared to the prior year. These increases were primarily due to increased legal fees associated with our shareholder disputes and related matters, including the \$11.4 million payment related to the indemnification of certain expenses as discussed in Note 15, "Commitments, Guarantees and Contingencies," of which approximately \$3.5 million was previously accrued in the prior quarter based on our best available information and \$7.9 million recorded in the three months ended September 30, 2021 and approximately \$7.4 million of incremental proxy contest expenses associated with our annual shareholders' meeting as discussed further in Note 17, "Subsequent Events," increases in annual bonus expense and other personnel costs, including costs of our 401(k) employer match that was temporarily suspended in the prior year as a cost-savings measure after the onset of the COVID-19 pandemic; increase in travel and conferences costs as these activities begin to resume at moderate levels; and higher consulting costs. These increases were partially offset by decreases in facilities and depreciation costs.

Research and Development Costs, net

The following table presents our consolidated net research and development costs, capitalized software costs, and gross expenditures prior to capitalization, for the three and six months ended September 30, 2021 and 2020 (in thousands):

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|--|-------------------------------------|------------------|-----------------------------------|------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Gross expenditures | \$ 24,693 | \$ 24,163 | \$ 49,552 | \$ 47,997 |
| Capitalized software costs | (6,175) | (6,471) | (11,713) | (12,083) |
| Research and development costs, net | <u>\$ 18,518</u> | <u>\$ 17,692</u> | <u>\$ 37,839</u> | <u>\$ 35,914</u> |
| Research and development costs, as a percentage of revenue | 12.4% | 12.6% | 12.8% | 13.3% |
| Capitalized software costs as a percentage of gross expenditures | 25.0% | 26.8% | 23.6% | 25.2% |

Gross research and development expenditures, including costs expensed and costs capitalized, consist of compensation expense, including share-based compensation for research and development personnel, certain third-party consultant fees, software maintenance costs, and other costs related to new product development and enhancement to our existing products.

The healthcare information systems and services industry is characterized by rapid technological change, requiring us to engage in continuing investments in our research and development to update, enhance and improve our systems. This includes expansion of our software and service offerings that support pay-for-performance initiatives around accountable care organizations, bringing greater ease of use and intuitiveness to our software products, enhancing our managed cloud and hosting services to lower our clients' total cost of ownership, expanding our interoperability and enterprise analytics capabilities, and furthering development and enhancements of our portfolio of specialty-focused templates within our electronic health records software.

The capitalization of software development costs results in a reduction to our reported net research and development costs. Our software capitalization rate, or capitalized software costs as a percentage of gross expenditures, has varied historically and may continue to vary based on the nature and status of specific projects and initiatives in progress. Although changes in software capitalization rates have no impact on our overall cash flows, it results in fluctuations in the amount of software development costs that may be capitalized or expensed up front and the amount of net research and development costs reported in our condensed consolidated statements of net income (loss) and comprehensive income (loss), and ultimately also affects the future amortization of our previously capitalized software development costs. Refer to Note 8, "Capitalized Software Costs" of our notes to condensed consolidated financial statements included elsewhere in this Report for additional information on current period amortization of capitalized software costs and an estimate of future expected amortization.

Share-based compensation expense included in research and development costs was \$1.1 million and \$1.0 million for the three months ended September 30, 2021 and 2020, respectively. Share-based compensation expense included in research and development costs was \$2.2 million and \$1.9 million for the six months ended September 30, 2021 and 2020, respectively.

Net research and development costs for the three months ended September 30, 2021 increased \$0.8 million compared to the prior year period due to \$0.5 million higher gross expenditures and \$0.3 million lower capitalization of software costs.

Net research and development costs for the six months ended September 30, 2021 increased \$1.9 million compared to the prior year period due to \$1.5 million higher gross expenditures and \$0.4 million lower capitalization of software costs.

The increase in gross expenditures in the three and six months ended September 30, 2021 compared to the prior year was primarily driven by higher consulting costs, increases in annual bonus expense and other personnel costs, including costs of our 401(k) employer match that was temporarily suspended in the prior year as a cost-savings measure after the onset of the COVID-19 pandemic, and higher internal hosting costs, partially offset by lower salaries and wages due to lower employee headcount. Capitalization of software costs decreased in the three and six months ended September 30, 2021 compared to the prior year periods due to several projects going live in the current period. Our software capitalization rate fluctuates due to differences in the nature and status of our projects and initiatives during a given year, which affects the amount of development costs that may be capitalized.

Amortization of Acquired Intangible Assets

The following table presents our amortization of acquired intangible assets for the three and six months ended September 30, 2021 and 2020 (in thousands):

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|--|-------------------------------------|----------|-----------------------------------|----------|
| | 2021 | 2020 | 2021 | 2020 |
| Amortization of acquired intangible assets | \$ 881 | \$ 1,112 | \$ 1,762 | \$ 2,224 |

Amortization of acquired intangible assets included in operating expense consists of the amortization related to our customer relationships and trade names intangible assets acquired as part of our business combinations. Refer to Note 7, "Intangible Assets" of our notes to condensed consolidated financial statements included elsewhere in this Report for an estimate of future expected amortization.

Amortization of acquired intangible assets for the three and six months ended September 30, 2021 decreased \$0.2 million and \$0.5 million, respectively compared to the prior year periods due to lower amortization of the customer relationships intangible assets associated with Medfusion and HealthFusion as these assets are amortized under the accelerated method of amortization.

Restructuring Costs and Impairment of Assets

In the six months ended September 30, 2021 and 2020, we recorded restructuring costs of \$0.5 million and \$2.6 million, respectively, consisting of payroll-related costs, such as severance, outplacement costs, and continuing healthcare coverage, associated with the involuntary separation of employees pursuant to a one-time benefit arrangement, within operating expenses in our condensed consolidated statements of net income (loss) and comprehensive income (loss).

In the three and six months ended September 30, 2021, we vacated portions of certain leased locations and recorded impairments of \$1.2 million and \$1.6 million, respectively, to our right-of-use assets and certain related fixed assets associated with the vacated locations, or portions thereof, in Irvine, CA and Fairport, NY based on projected sublease rental income and estimated sublease commencement dates.

Interest and Other Income and Expense

The following table presents our interest expense for the three and six months ended September 30, 2021 and 2020 (in thousands):

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|--------------------|-------------------------------------|---------|-----------------------------------|---------|
| | 2021 | 2020 | 2021 | 2020 |
| Interest income | \$ 17 | \$ 12 | \$ 29 | \$ 18 |
| Interest expense | (320) | (1,135) | (637) | (2,242) |
| Other expense, net | (12) | (18) | (34) | (2) |

Interest expense relates to our revolving credit agreement and the related amortization of deferred debt issuance costs. Refer to Note 9, "Line of Credit" of our notes to condensed consolidated financial statements included elsewhere in this Report for additional information.

The changes in interest expense is primarily caused by fluctuations in outstanding balances under our revolving credit agreement and the related amortization of debt issuance costs. As of September 30, 2021, we had no outstanding balances under the revolving credit agreement, compared to \$64.0 million outstanding as of September 30, 2020. The fluctuations of other income and expense compared to the prior year periods are primarily due to changes to the India foreign exchange rates.

Provision for (Benefit of) Income Taxes

The following table presents our provision for (benefit of) income taxes for the three and six months ended September 30, 2021 and 2020 (in thousands):

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|---|-------------------------------------|------------|-----------------------------------|--------|
| | 2021 | 2020 | 2021 | 2020 |
| Provision for (benefit of) income taxes | (1,441) | \$ (1,298) | \$ (882) | \$ 318 |
| Effective tax rate | 17.5% | (14.2)% | 18.4% | 3.2% |

The increases in the effective tax rates for the three and six months ended September 30, 2021 compared to the prior period was primarily due to a net decrease of the research and development credit, foreign rate differential benefit, and higher nondeductible officer compensation.

Net Income

The following table presents our net income (in thousands) and net income per share and for the three and six months ended September 30, 2021 and 2020:

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|------------------------------|-------------------------------------|-----------|-----------------------------------|----------|
| | 2021 | 2020 | 2021 | 2020 |
| Net income (loss) | \$ (6,771) | \$ 10,455 | \$ (3,923) | \$ 9,631 |
| Net income (loss) per share: | | | | |
| Basic | \$ (0.10) | \$ 0.16 | \$ (0.06) | \$ 0.14 |
| Diluted | \$ (0.10) | \$ 0.16 | \$ (0.06) | \$ 0.14 |

As a result of the foregoing changes in revenue and expense, net income for the three months ended September 30, 2021 decreased \$17.2 million compared to the prior year period.

As a result of the foregoing changes in revenue and expense, net income for the six months ended September 30, 2021 decreased \$13.6 million compared to the prior period.

Liquidity and Capital Resources

The following table presents selected financial statistics and information for the six months ended September 30, 2021 and 2020 (in thousands):

| | Six Months Ended September 30, | |
|--|--------------------------------|------------|
| | 2021 | 2020 |
| Cash and cash equivalents | \$ 75,303 | \$ 103,440 |
| Unused portion of revolving credit agreement (1) | 300,000 | 236,000 |
| Total liquidity | \$ 375,303 | \$ 339,440 |
| Net income (loss) | \$ (3,923) | \$ 9,631 |
| Net cash provided by operating activities | \$ 20,479 | \$ 48,032 |

(1) As of September 30, 2021, we had no outstanding loans under our \$300.0 million revolving credit agreement.

We had no outstanding borrowings under our revolving credit agreement as of September 30, 2021 and March 31, 2021 compared to \$64.0 million as of September 30, 2020. Our principal sources of liquidity are our cash generated from operations, driven mostly by our net income and working capital management, our cash and cash equivalents, and our revolving credit agreement.

We believe that our cash and cash equivalents balance as of September 30, 2021, together with our cash flows from operating activities and liquidity provided by our revolving credit agreement, will be sufficient to meet our working capital and capital expenditure requirements for the next twelve months.

During the challenging and uncertain period brought on by the initial phases of the COVID-19 pandemic in the prior year, we had proactively strengthened our cash position by increasing the outstanding borrowings under our revolving credit agreement as of September 30, 2020, which was subsequently repaid based on the reassessment of our short-term cash flow and working capital requirements. We have no outstanding borrowings under our revolving credit agreement as of September 30, 2021.

At present, we are conducting business as usual with certain modifications to employee travel, employee work locations, and marketing events, among other modifications. However, the extent to which COVID-19 may continue to impact our business, financial results, cash flows, and liquidity requirements depends on numerous evolving factors including, but not limited to, the magnitude and duration of COVID-19; the impact on our employees; the extent to which it impacts worldwide macroeconomic conditions, including interest rates, employment rates, and health insurance coverage; the speed of the recovery; and governmental and business reactions to the pandemic. We continue to monitor the broader implications of the global COVID-19 pandemic and may take further actions that we determine are in the best interests of our employees, customers, partners, suppliers, and shareholders.

Cash and Cash Equivalents

As of September 30, 2021, our cash and cash equivalents balance of \$75.3 million compares to \$73.3 million as of March 31, 2021 and \$103.4 million as of September 30, 2020.

We may continue to use a portion of our funds as well as available financing from our revolving credit agreement for future acquisitions or other similar business activities, although the specific timing and amount of funds to be used is not currently determinable. We intend to expend some of our available funds for the development of products complementary to our existing product line as well as new versions of certain of our products. These developments are intended to take advantage of more powerful technologies and to increase the integration of our products.

Our investment policy is determined by our Board of Directors. Excess cash, if any, may be invested in very liquid short term assets including tax exempt and taxable money market funds, certificates of deposit and short term municipal bonds with average maturities of 365 days or less at the time of purchase. Our Board of Directors continues to review alternate uses for our cash including an expansion of our investment policy and other items. Any or all of these programs could significantly impact our investment income in future periods.

Cash Flows from Operating Activities

The following table summarizes our condensed consolidated statements of cash flows for the six months ended September 30, 2021 and 2020 (in thousands):

| | Six Months Ended September 30, | |
|--|---------------------------------------|-------------|
| | 2021 | 2020 |
| Net income (loss) | \$ (3,923) | \$ 9,631 |
| Non-cash expenses | 39,574 | 42,991 |
| Cash from net income, as adjusted | \$ 35,651 | \$ 52,622 |
| Change in contract assets and liabilities, net | (412) | (10,825) |
| Change in accounts receivable | 4,874 | 3,505 |
| Change in all other assets and liabilities | (19,634) | 2,730 |
| Net cash provided by operating activities | \$ 20,479 | \$ 48,032 |

For the six months ended September 30, 2021, cash provided by operating activities decreased \$27.6 million compared to the prior year period, primarily due to decreases of \$22.4 million in changes in other assets and liabilities and \$17.0 million lower cash from net income, as adjusted for non-cash expenses, including the \$11.4 million of incremental costs related to the indemnification of certain expenses as discussed in Note 15, "Commitments, Guarantees and Contingencies," that was paid and impacted net income in the six months ended September 30, 2021 and the \$7.4 million of incremental proxy contest expenses associated with our annual shareholders' meeting as discussed further in Note 17, "Subsequent Events;" partially offset by increases of \$10.4 million from net changes in contract assets and liabilities and \$1.4 million increases from changes in accounts receivable.

The decrease in cash from net changes in other assets and liabilities is primarily due to higher payments of cash incentive bonuses compared to the prior year due to a higher rate of bonus achievement and an increase in income tax receivable. These decreases were partially offset by an increase in accruals for proxy contest expenses and an increase in cash from changes in accounts payable due to timing of invoice payments. Net income for the six months decreased \$13.6 million compared to the prior year period, as described in the "Net Income" section above. Non-cash expenses decreased primarily due to lower amortization of intangible assets. The increase in cash from changes in net contract assets and liabilities was primarily due to higher subscriptions invoicing associated with higher bookings and sales volume. Accounts receivable balances continue to decrease from our efforts to collect and resolve aged balances, resulting in a corresponding increase in cash provided by operating activities of \$4.9 million and \$3.5 million in the six months ended September 30, 2021 and 2020, respectively.

Cash Flows from Investing Activities

Net cash used in investing activities for the six months ended September 30, 2021 was \$13.4 million compared with \$13.1 million in the prior year period. The increase in net cash used in investing activities is primarily due to higher additions in equipment and improvements, partially offset by lower additions to capitalized software and payments of acquisition related working capital adjustments in the prior period.

Cash Flows from Financing Activities

Net cash used in financing activities for the six months ended September 30, 2021 was \$4.1 million compared with \$66.5 million cash used in financing activities in the prior year period. The decrease in cash used in financing activities is primarily due to net

principal repayments of \$65.0 million on our revolving credit agreement in six months ended September 30, 2020, partially offset by higher payments for taxes related to net share settlement of equity awards in the six months ended September 30, 2021.

Contractual Obligations

We have minimum purchase commitments of \$36.2 million related to payments due under certain non-cancelable agreements to purchase goods and services.

The following table summarizes our significant contractual obligations at September 30, 2021 and the effect that such obligations are expected to have on our liquidity and cash in future periods (in thousands):

| Contractual Obligations | For the year ended March 31, | | | | | | 2027 and beyond |
|--|------------------------------|--------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | Total | 2022 (remaining six months) | 2023 | 2024 | 2025 | 2026 | |
| Operating lease obligations | \$ 16,216 | \$ 3,542 | \$ 5,017 | \$ 4,137 | \$ 2,486 | \$ 1,034 | \$ — |
| Remaining lease obligations for vacated properties (1) | 11,338 | 4,311 | 3,266 | 2,200 | 1,338 | 223 | — |
| Total | \$ 27,554 | \$ 7,853 | \$ 8,283 | \$ 6,337 | \$ 3,824 | \$ 1,257 | \$ — |

(1) Remaining lease obligations for vacated properties relates to remaining lease obligations at certain locations, including Cary, Brentwood, North Canton, Phoenix and portions of Atlanta, Irvine, Horsham, St. Louis and Fairport, that we have vacated and are actively marketing the locations for sublease as part of our reorganization efforts. Refer to Note 6, "Leases" and Note 17, "Restructuring Plan" of our notes to consolidated financial statements included elsewhere in this Report for additional information. Total obligations have not been reduced by projected sublease rentals or by minimum sublease rentals of \$0.9 million due in future periods under non-cancelable subleases.

The deferred compensation liability as of September 30, 2021 was \$7.3 million, which is not included in the table above as the timing of future benefit payments to employees is not determinable.

The impact of our uncertain tax positions is not included in the table above as the timing of expected payments is not determinable. Refer to Note 11, "Income Taxes" of our notes to condensed consolidated financial statements included elsewhere in this Report for additional information.

New Accounting Pronouncements

Refer to Note 1, "Summary of Significant Accounting Policies" of our notes to condensed consolidated financial statements included elsewhere in this Report for a discussion of new accounting standards.

Critical Accounting Policies and Estimates

The discussion and analysis of our condensed consolidated financial statements and results of operations is based upon our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of these condensed consolidated financial statements requires us to make estimates and judgments that affect our reported amounts of assets, liabilities, revenue and expenses, and related disclosures. We base our assumptions, estimates and judgments on historical experience, current trends, and other factors we believe to be reasonable under the circumstances, and we evaluate these estimates on an ongoing basis. On a regular basis, we review the accounting policies and update our assumptions, estimates, and judgments, as needed, to ensure that our condensed consolidated financial statements are presented fairly and in accordance with GAAP. Actual results could differ materially from our estimates under different assumptions or conditions. To the extent that there are material differences between our estimates and actual results, our financial condition or results of operations will be affected.

We describe our significant accounting policies in Note 1, "Summary of Significant Accounting Policies," of our notes to consolidated financial statements included in our Annual Report. We discuss our critical accounting policies and estimates in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," of our Annual Report.

There have been no other material changes in our significant accounting policies or critical accounting policies and estimates since the fiscal year ended March 31, 2021.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

As of September 30, 2021, we were subject to minimal market risk on our cash and cash equivalents as we maintained our balances in very liquid funds with maturities of 90 days or less at the time of purchase.

As of September 30, 2021, we had no outstanding loans under our revolving credit agreement. The revolving loans under the Credit Agreement bear interest at either, at our option of either, (a) for base rate loans, a base rate based on the highest of (i) 1%, (ii) the "prime rate" quoted in the Wall Street Journal for the United States of America, (iii) the overnight bank funding rate (not to be less than zero) as determined by the Federal Reserve Bank of New York plus 0.50% or (iv) the LIBOR-based rate for one month Eurodollar deposits plus 1%, and (b) for Eurodollar loans, the LIBOR-based rate for one, two, three or six months (as selected by the Company) Eurodollar deposits plus, in each case, an applicable margin based on our net leverage ratio from time to time, ranging from 0.50% to 1.75% for base rate loans, and from 1.50% to 2.75% for Eurodollar loans. Accordingly, we are exposed to interest rate risk, primarily changes in LIBOR (including the transition away from LIBOR), due to our loans under the revolving credit agreement. Refer to Note 9, "Line of Credit" of our notes to condensed consolidated financial statements included elsewhere in this Report for additional information.

As of September 30, 2021, we had international operations that exposed us to the risk of fluctuations in foreign currency exchange rates against the United States dollar. However, the impact of foreign currency fluctuations has not been material to our financial position or operating results.

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

Our Chief Executive Officer and Chief Financial Officer (our principal executive officer and principal financial officer, respectively) have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Security Exchange Act of 1934, as amended, the "Exchange Act") as September 30, 2021, the end of the period covered by this Quarterly Report on Form 10-Q (the "Evaluation Date"). They have concluded that, as of the Evaluation Date, these disclosure controls and procedures were effective to ensure that material information relating to the Company and its consolidated subsidiaries would be made known to them by others within those entities and would be disclosed on a timely basis. The Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are designed, and are effective, to give reasonable assurance that the information required to be disclosed by us in reports that we file under the Exchange Act is recorded, processed, summarized and reported within the time period specified in the rules and forms of the Securities and Exchange Commission. They have also concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports that are filed or submitted under the Exchange Act are accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

During the quarter ended September 30, 2021, there were no changes in our "internal control over financial reporting" (as defined in Rule 13a-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 1. LEGAL PROCEEDINGS.

Hussein Litigation

On October 7, 2013, a complaint was filed against our Company and certain of our officers and directors in the Superior Court of the State of California for the County of Orange, captioned Ahmed D. Hussein v. Sheldon Razin, Steven Plochocki, Quality Systems, Inc. and Does 1-10, inclusive, No. 30-2013-00679600-CU-NP-CJC, by Ahmed Hussein, a former director and significant shareholder of our Company. After the court sustained our demurrer to the initial complaint, Hussein filed an amended complaint on April 25, 2014. The amended complaint generally alleges fraud and deceit, constructive fraud, negligent misrepresentation and breach of fiduciary duty in connection with statements made to our shareholders regarding our financial condition and projected future performance. The amended complaint seeks actual damages, exemplary and punitive damages and costs. Hussein's breach of fiduciary duty claims were dismissed on demurrer, and we filed an answer and cross-complaint against Hussein, alleging that he breached fiduciary duties owed to the Company. On September 16, 2015, the Court granted summary judgment with respect to Hussein's remaining claims, dismissing all claims against us. The cross-complaint against Hussein went to trial, but the Court granted judgment in favor of Hussein on our cross-complaint. Final judgment over Hussein's claims and our cross-claims was entered on January 9, 2018. Hussein appealed the order granting summary judgment over his claims, and we appealed the court's decision granting Hussein's motion for judgment on our cross-complaint. On October 8, 2019, the California State Court of Appeal for the Fourth Appellate District, Division Three, reversed the Superior Court's grant of summary judgment on Hussein's affirmative claims and affirmed the trial court's judgement on the Company's breach of fiduciary duty claims against Hussein. As a result, the case has returned to the trial court for resolution of Hussein's claims against us. Trial commenced on July 6, 2021. On July 29, 2021, a jury rendered a verdict in favor of the Company and the individual defendants on all counts.

Separately, Hussein has issued an arbitration demand seeking indemnification for the fees he incurred defending against our cross-complaint. Following briefing and a hearing at the liability phase of the arbitration, the arbitrator held that Hussein is entitled to indemnification for "expenses" (as that term is defined in Hussein's indemnification agreement with NextGen) incurred in defense of NextGen's cross-complaint against him. The arbitrator reserved all other claims related to costs and damages for a second phase of the arbitration. On June 10, 2021, the arbitrator heard arguments on the quantum of indemnifiable expenses. On September 2, 2021, the arbitrator awarded Hussein indemnification for fees and costs incurred defending the cross-complaint. After trebling the fees incurred pursuant to Hussein's supplemental agreement with his attorneys, and adding in interest and costs, the arbitrator calculated that the Company owes Mr. Hussein \$11.4 million in indemnification, which we subsequently paid on September 30, 2021.

Other Regulatory Matters

Commencing in April 2017, we have received requests for documents and information from the United States Attorney's Office for the District of Vermont and other government agencies in connection with an investigation concerning the certification we obtained for our software under the United States Department of Health and Human Services' Electronic Health Record (EHR) Incentive Program. The requests for information relate to, among other things: (a) data used to determine objectives and measures under the Meaningful Use (MU) and the Physician Quality Reporting System (PQRS) programs, (b) our EHR product and its performance, (c) the software code used in certifying our EHR software and information, and (d) payments provided for the referral of EHR business. We continue to cooperate in this investigation. Requests and investigations of this nature may lead to future requests for information and ultimately the assertion of claims or the commencement of legal proceedings against us, as well as other material liabilities. In addition, our responses to these and any future requests require time and effort, which can result in additional cost to us. At this time, we are unable to estimate the probability or the amount of liability, if any, related to this matter. Given the highly-regulated nature of our industry, we may, from time to time, be subject to subpoenas, requests for information, or investigations from various government agencies. It is our practice to respond to such matters in a cooperative, thorough and timely manner.

ITEM 1A. RISK FACTORS.

Our business is subject to many risks and uncertainties, which may materially and adversely affect our future business, prospects, financial condition and results of operations. These risk factors are disclosed in "Item 1A. Risk Factors" in our Annual Report.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not Applicable.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

| Exhibit Number | Exhibit Description | Filed Herewith | Incorporated by Reference | | |
|----------------|---|----------------|---------------------------|---------|-------------|
| | | | Form | Exhibit | Filing Date |
| 2.1 | Agreement and Plan of Merger, dated October 13, 2021, by and between NextGen Healthcare, Inc., a California corporation, and NextGen Healthcare, Inc., a Delaware corporation. | | 8-K | 2.1 | 19-Oct-21 |
| 3.1 | Certificate of Incorporation of NextGen Healthcare, Inc., a Delaware corporation. | | 8-K | 3.1 | 19-Oct-21 |
| 3.2 | Bylaws of NextGen Healthcare, Inc., a Delaware corporation. | | 8-K | 3.2 | 19-Oct-21 |
| 4.1 | Description of the Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934 | | 10-K | 4.1 | 27-May-21 |
| 5.1 | Opinion of Latham & Watkins LLP | | S-8 | 5.1 | 21-Sept-21 |
| 10.1 | NextGen Healthcare, Inc. Amended and Restated 2015 Equity Incentive Plan. | | 8-K | 10.1 | 19-Oct-21 |
| 10.2 | NextGen Healthcare, Inc. 2021 Employment Inducement Equity Incentive Plan | | S-8 | 10.1 | 21-Sept-21 |
| 10.3 | Form of Restricted Stock Award Grant Notice and Restricted Stock Award Agreement pursuant to the NextGen Healthcare, Inc. 2021 Employment Inducement Equity Incentive Plan | | S-8 | 10.2 | 21-Sept-21 |
| 10.4 | Form of Performance Share Unit Award Grant Notice and Performance Share Unit Award Agreement pursuant to the NextGen Healthcare, Inc. 2021 Employment Inducement Equity Incentive Plan | | S-8 | 10.3 | 21-Sept-21 |
| 10.5 | Employment Agreement, dated as of September 18, 2021, between David Sides and NextGen Healthcare, Inc. | X | | | |
| 23.1 | Consent of Independent Registered Public Accounting Firm - PricewaterhouseCoopers LLP | | S-8 | 23.1 | 21-Sept-21 |
| 23.2 | Consent of Latham & Watkins LLP (included in Exhibit 5.1 hereto). | | S-8 | 23.3 | 21-Sept-21 |
| 31.1 | Certification of Principal Executive Officer Required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | X | | | |
| 31.2 | Certification of Principal Financial Officer Required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | X | | | |

| Exhibit Number | Exhibit Description | Filed Herewith | Incorporated by Reference | | |
|----------------|--|----------------|---------------------------|---------|-------------|
| | | | Form | Exhibit | Filing Date |
| 32.1 | Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. | X | | | |
| 101.INS** | Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. | | | | |
| 101.SCH** | Inline XBRL Taxonomy Extension Schema Document | | | | |
| 101.CAL** | Inline XBRL Taxonomy Extension Calculation Linkbase Document | | | | |
| 101.DEF** | Inline XBRL Taxonomy Extension Definition Linkbase Document | | | | |
| 101.LAB** | Inline XBRL Taxonomy Extension Label Linkbase Document | | | | |
| 101.PRE** | Inline XBRL Taxonomy Extension Presentation Linkbase Document | | | | |
| 104 | The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021, has been formatted in Inline XBRL. | | | | |

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

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NEXTGEN HEALTHCARE, INC.

Date: October 28, 2021

By: /s/ David Sides
David Sides
Chief Executive Officer
(Principal Executive Officer)

Date: October 28, 2021

By: /s/ James R. Arnold, Jr.
James R. Arnold, Jr.
Chief Financial Officer
(Principal Financial Officer)

Date: October 28, 2021

By: /s/ David Ahmadzai
David Ahmadzai
Chief Accounting Officer
(Principal Accounting Officer)

EMPLOYMENT AGREEMENT

This Employment Agreement (this “Agreement”) is dated as of September 18, 2021, and is made by and between NextGen Healthcare, Inc., a California corporation (together with any successor thereto, the “Company”), and David Sides (“Executive”) (collectively referred to herein as the “Parties” or individually referred to as a “Party”).

RECITALS

- A. It is the desire of the Company to assure itself of the services of Executive as of the Start Date (as defined below) and thereafter by entering into this Agreement.
- B. Executive and the Company mutually desire that Executive provide services to the Company on the terms herein provided.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and of the respective covenants and agreements set forth below, the Parties hereto agree as follows:

1. Employment.

(a) General. On or about September 20, 2021 (“Start Date”), the Company shall employ Executive, and Executive shall be employed by the Company, for the period and in the positions set forth in this Section 1, and subject to the other terms and conditions herein provided.

(b) At-Will Employment. The Company and Executive acknowledge that Executive’s employment shall be “at-will,” as defined under applicable law, and that Executive’s employment with the Company may be terminated by either Party at any time for any or no reason (subject specifically to the notice requirements of Section 3(b) of this Agreement and the termination provisions set forth in Section 3 of this Agreement and the severance payment provisions set forth in Section 4 of this Agreement generally). This “at-will” nature of Executive’s employment shall remain unchanged during Executive’s tenure as an employee and may not be changed, except in an express writing signed by Executive and a duly authorized officer of the Company. If Executive’s employment terminates for any reason, Executive shall not be entitled to any payments, benefits, damages, award or compensation other than as provided in this Agreement or otherwise agreed to in writing by the Company or as provided by applicable law.

(c) Positions and Duties. From and after the Start Date, Executive shall serve as President and Chief Executive Officer of the Company, with such responsibilities, duties and authority normally associated with such position and as may from time to time be assigned to Executive by the Board of Directors of the Company or an authorized committee thereof (in either case, the “Board”), provided all such responsibilities, duties and authority shall be consistent with the position and title of President and Chief Executive Officer of the Company. Executive shall devote substantially all of Executive’s working time and efforts to the business and affairs of the Company (which shall include service to its affiliates, if applicable) and shall not engage in outside business activities (including serving on outside boards or committees) without the prior written consent of the Board, provided that Executive shall be permitted to (i) manage Executive’s personal, financial and legal affairs, (ii) participate in trade associations, and (iii)

serve on the board of directors of not-for-profit or tax-exempt charitable organizations, in each case, subject to compliance with this Agreement and provided that such activities do not materially interfere with Executive's performance of Executive's duties and responsibilities hereunder. Executive agrees to observe and comply with the rules and policies of the Company as adopted by the Company from time to time, in each case, as amended from time to time, and as delivered or made available to Executive (collectively, the "Policies" and, each, a "Policy").

2. Compensation and Related Matters.

(a) Annual Base Salary. From and after the Start Date, Executive shall receive a base salary at an annualized rate of \$675,000 per annum, which shall be paid in accordance with the customary payroll practices of the Company and shall be pro-rated for partial years of employment. Such annual base salary shall be reviewed (and may be adjusted) from time to time by the Board, *provided, however*, that the Base Salary shall never be decreased from the greater of (i) \$675,000 per annum or (ii) from any such increased amount, unless Executive provides his prior written consent to such decrease (such annual base salary, as it may be adjusted from time to time, the "Annual Base Salary"). Notwithstanding anything contained in this Agreement to the contrary, Executive's Annual Base Salary may be decreased by a reduction of ten percent (10%) or less if such reduction is implemented as part of an across-the-board, proportionate reduction of base salaries for other members of the Company's management team.

(b) Annual Cash Bonus Opportunity. From and after the Start Date, Executive will be eligible to participate in an annual incentive program established by the Board. Executive's annual incentive compensation under such incentive program (the "Annual Bonus") shall be targeted at 100% of Executive's Annual Base Salary (such target, as may be increased by the Board from time to time, the "Target Annual Bonus"). The Annual Bonus payable under the incentive program shall be based on the achievement of performance goals to be determined by the Board. The payment of any Annual Bonus pursuant to the incentive program shall be subject to Executive's continued employment with the Company through the date of payment, except as otherwise provided in Sections 4(b) and 4(c) of this Agreement. Notwithstanding anything to the contrary in the Company's annual incentive program, Executive's Annual Bonus for fiscal year 2021 shall be no less than \$675,000.

(c) Signing Bonus. Executive shall be paid a signing bonus of \$100,000 (the "Signing Bonus"), which will be paid in the first payroll period following the Start Date, but will not be earned in full until the date that is eighteen (18) months following the Start Date. In the event Executive (i) resigns Executive's employment with the Company (other than (x) a resignation for Good Reason (as defined below) or (y) due to death or Disability) or (ii) is terminated by the Company for Cause (as defined below), in either case prior to the date that is eighteen (18) months following the Start Date, then Executive shall be required and agrees to repay the Signing Bonus (on an after-tax basis). Any such repayment shall be made to the Company within thirty (30) days following the Date of Termination (as defined below).

(d) Benefits. From and after the Start Date, Executive shall be eligible to participate in employee benefit plans, programs, policies, and arrangements of the Company (including medical, dental and 401(k) plans) applicable to senior-level executives, subject to the terms and eligibility requirements thereof and as such plans, programs, policies and arrangements may be amended from time to time. In no event shall Executive be eligible to participate in any severance plan or program of the Company, except as set forth in Section 4 of this Agreement.

(e) Vacation or Paid Time Off. From and after the Start Date, Executive shall be entitled to paid personal leave in accordance with the Company's Policies.

(f) Business Expenses. From and after the Start Date, the Company shall promptly reimburse Executive for all reasonable travel and other business expenses incurred by Executive in the performance of Executive's duties to the Company in accordance with the Company's expense reimbursement Policy.

(g) Equity Awards.

(i) On or about the Start Date, Executive shall be granted 169,500 shares of the Company's common stock as a restricted stock award (the "New Hire RSA Award"). The New Hire RSA Award shall be subject to the terms and conditions of the Plan (as defined below) and the Restricted Stock Award Agreement in the form attached hereto as Exhibit A (the "New Hire RSA Award Agreement").

(ii) On or about the Start Date, Executive shall be granted 450,000 performance stock units (the "New Hire PSU Award"). The New Hire PSU Award shall be subject to the terms and conditions of the Plan and the Performance Stock Unit Award Agreement in the form attached hereto as Exhibit B (the "New Hire PSU Award Agreement").

(iii) On or about the Start Date, Executive shall be granted 471,000 shares of the Company's common stock as a restricted stock award (the "Special Incentive RSA Award"). The Special Incentive RSA Award shall be subject to the terms and conditions of the Plan and the Restricted Stock Award Agreement to be executed by the Company and Executive in the form attached hereto as Exhibit C (the "Special Incentive RSA Agreement")

3. Termination. Executive's employment hereunder may be terminated by the Company or Executive, as applicable, without any breach of this Agreement under the following circumstances:

(a) Circumstances.

(i) *Death*. Executive's employment hereunder shall terminate upon Executive's death.

(ii) *Disability*. If Executive has incurred a Disability (as defined below), the Company may terminate Executive's employment.

(iii) *Termination for Cause*. The Company may terminate Executive's employment for Cause.

(iv) *Termination without Cause*. The Company may terminate Executive's employment without Cause.

(v) *Resignation from the Company with Good Reason*. Executive may resign Executive's employment with the Company with Good Reason.

(vi) *Resignation from the Company without Good Reason*. Executive may resign Executive's employment with the Company for any reason other than Good Reason or for no reason.

(b) Notice of Termination. Any termination of Executive's employment by the Company or by Executive under this Section 3 (other than termination pursuant to Section 3(a)(i)) of this Agreement shall be communicated by a written notice to the other Party hereto (i) indicating the specific termination provision in this Agreement relied upon, (ii) setting forth in reasonable detail the facts and circumstances

claimed to provide a basis for termination of Executive's employment under the provision so indicated, if applicable, and (iii) specifying a Date of Termination which, if submitted by Executive, shall be at least thirty (30) days following the date of such notice (a "Notice of Termination"); *provided, however*, that in the event that Executive delivers a Notice of Termination to the Company, the Company may, in its sole discretion, change the Date of Termination to any date that occurs following the date of the Company's receipt of such Notice of Termination and is prior to the date specified in such Notice of Termination, but the termination will still be considered a resignation by Executive. A Notice of Termination submitted by the Company may provide for a Date of Termination on the date Executive receives the Notice of Termination, or any date thereafter elected by the Company. The failure by either Party to set forth in the Notice of Termination any fact or circumstance that contributes to a showing of Cause or Good Reason shall not waive any right of the Party hereunder or preclude the Party from asserting such fact or circumstance in enforcing the Party's rights hereunder.

(c) Company Obligations upon Termination. Upon termination of Executive's employment pursuant to any of the circumstances listed in this Section 3, Executive (or Executive's estate) shall be entitled to receive the sum of: (i) the portion of Executive's Annual Base Salary earned through the Date of Termination, but not yet paid to Executive; (ii) any expense reimbursements owed to Executive pursuant to Section 2(e) of this Agreement; and (iii) any amount accrued and arising from Executive's participation in, or benefits accrued under any employee benefit plans, programs, policies or arrangements, which amounts shall be payable in accordance with the terms and conditions of such employee benefit plans, programs or arrangements (collectively, the "Company Arrangements"). Except as otherwise expressly required by law (e.g., the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA")) or as specifically provided herein, all of Executive's rights to salary, severance, benefits, bonuses and other compensatory amounts hereunder (if any) shall cease upon the termination of Executive's employment hereunder. In the event that Executive's employment is terminated by the Company for any reason, Executive's sole and exclusive remedy shall be to receive the payments and benefits described in this Section 3(c) or Section 4 of this Agreement, as applicable.

(d) Deemed Resignation. Upon termination of Executive's employment for any reason, Executive shall be deemed to have resigned from all offices and directorships, if any, then held with the Company or any of its subsidiaries.

4. Severance Payments.

(a) Termination for Cause, or Termination Upon Death, Disability or Resignation from the Company Without Good Reason. If Executive's employment shall terminate as a result of Executive's death pursuant to Section 3(a)(i) of this Agreement, as a result of Disability pursuant to Section 3(a)(ii) of this Agreement, for Cause pursuant to Section 3(a)(iii) or for Executive's resignation from the Company without Good Reason pursuant to Section 3(a)(iv) of this Agreement, then Executive shall not be entitled to any severance payments or benefits, except as provided in Section 3(c) of this Agreement.

(b) Termination without Cause, or Resignation from the Company with Good Reason. If Executive's employment terminates without Cause pursuant to Section 3(a)(iv) of this Agreement, or pursuant to Section 3(a)(v) of this Agreement due to Executive's resignation with Good Reason, and such termination does not occur during the Change in Control Period (as defined below), then, subject to Executive signing on or before the twenty-first (21st) day following Executive's Separation from Service (as defined below) or in the event that such Separation from Service is "in connection with an exit incentive or other employment termination program" (as such phrase is defined in the Age Discrimination in Employment Act of 1967, as amended) on or before the forty-fifth (45th) day following Executive's Separation from Service, and not revoking, a release of claims substantially in the form attached as Exhibit D to this Agreement (the "Release"), and Executive's continued compliance with Section 5 of this

Agreement, Executive shall receive, in addition to payments and benefits set forth in Section 3(c) of this Agreement, the following:

(i) an amount in cash equal to 1.5 times the sum of (A) the Annual Base Salary plus (B) the Target Annual Bonus, payable, and subject to Section 9(k)(ii) of this Agreement in regular installments over the 18-month period following the date of Executive's Separation from Service (the "Severance Period") in accordance with the Company's normal payroll practices; and

(ii) to the extent unpaid as of the Date of Termination, an amount of cash equal to any Annual Bonus that would otherwise be payable for the Company's fiscal year preceding the fiscal year in which the Date of Termination occurs, based on the level of achievement of the applicable performance goals for such year, as determined in good faith by the Board or its Compensation Committee, which Annual Bonus, if any, shall be paid to Executive in the fiscal year in which the Date of Termination occurs when bonuses for such prior fiscal year are paid in the ordinary course to the Company's management team, but in no event more than seventy-five (75) days following the last day of the fiscal year to which such Annual Bonus relates; and

(iii) an amount of cash equal to any Annual Bonus that would otherwise be payable for the Company's fiscal year during which the Date of Termination occurs had Executive remained an active employee in an amount equal to (A) the Annual Bonus, if any, that Executive would have earned for the entire fiscal year in which the Date of Termination occurs, based on the level of achievement of the applicable performance goals for such year, as determined in good faith by the Board, multiplied by (B) a fraction, the numerator of which is the number of days Executive was employed by the Company during the fiscal year in which the Date of Termination occurs and the denominator of which is the number of days in such fiscal year. Any payment pursuant to this Section 4(b)(iii) of this Agreement shall be in lieu of any Annual Bonus payment that Executive would otherwise receive for the fiscal year in which the Date of Termination occurs. Any such pro-rated Annual Bonus, if any, shall be paid to Executive when bonuses for such fiscal year are paid in the ordinary course to the Company's management team, but in no event more than seventy-five (75) days following the last day of the fiscal year to which such pro-rated Annual Bonus relates; and

(iv) if Executive timely elects to receive continued medical, dental or vision coverage under one or more of the Company's group medical, dental or vision plans pursuant to COBRA, then the Company shall directly pay, or reimburse Executive for, the COBRA premiums for Executive and Executive's covered dependents under such plans, less the amount Executive would have had to pay to receive such coverage as an active employee based on the cost sharing levels in effect on the Date of Termination, during the period commencing on Executive's Separation from Service and ending upon the earliest of (A) the last day of the Severance Period, (B) the date that Executive and/or Executive's covered dependents become no longer eligible for COBRA, or (C) the date Executive becomes eligible to receive medical, dental or vision coverage, as applicable, from a subsequent employer (and Executive agrees to promptly notify the Company of such eligibility). Notwithstanding the foregoing, if the Company determines in its sole discretion that it cannot provide the foregoing benefit without potentially violating applicable law (including, without limitation, Section 2716 of the Public Health Service Act) or incurring an excise tax, the Company shall in lieu thereof provide to Executive a taxable monthly payment in an amount equal to the monthly COBRA premium that Executive would be required to pay to continue Executive's and Executive's covered dependents' group health coverage in effect on the Date of Termination (which amount shall be based on the premium for the first month of COBRA coverage), less the amount Executive would have had to pay to receive group health coverage as an active employee for Executive and his or her covered dependents based on the cost sharing levels in effect on the

Date of Termination, which payments shall be made regardless of whether Executive elects COBRA continuation coverage and shall commence in the month following the month in which the Date of Termination occurs and shall end on the earliest of (X) the last day of the Severance Period, (Y) the date that Executive and/or Executive's covered dependents become no longer eligible for COBRA, or (Z) the date Executive becomes eligible to receive healthcare coverage from a subsequent employer (and Executive agrees to promptly notify the Company of such eligibility); and

(v) all unvested equity or equity-based awards held by Executive under any Company equity compensation plans that vest solely based on the passage of time (other than the Special Incentive RSA Award) shall immediately become vested as to such portion of the awards that would have vested during the eighteen (18) months following the Date of Termination had Executive remained continuously employed by the Company during such period (with pro-rated vesting for awards on an annual vesting schedule) (for the avoidance of doubt, with any such awards that vest in whole or in part based on the attainment of performance-vesting conditions being governed by the terms of the applicable award agreement); and

(vi) the Special Incentive RSA Award shall immediately become 100% vested.

(c) Change in Control. In lieu of the payments and benefits set forth in Section 4(b) of this Agreement, in the event Executive's employment terminates without Cause pursuant to Section 3(a)(iv), of this Agreement or due to Executive's resignation with Good Reason pursuant to Section 3(a)(v) of this Agreement, in either case, within sixty (60) days prior or eighteen (18) months following the date of a Change in Control (the "Change in Control Period"), subject to Executive signing on or before the twenty-first (21st) day following Executive's Separation from Service or in the event that such Separation from Service is "in connection with an exit incentive or other employment termination program" (as such phrase is defined in the Age Discrimination in Employment Act of 1967, as amended) on or before the forty-fifth (45th) day following Executive's Separation from Service, and not revoking, the Release, Executive shall receive, in addition to the payments and benefits set forth in Section 3(c) of this Agreement, the following:

(i) an amount in cash equal to 1.5 times the sum of (A) the Annual Base Salary plus (B) the Target Annual Bonus, payable (A) if such termination occurs within sixty (60) days prior to a Change in Control, subject to Section 9(k)(ii), in regular installments over the Severance Period in accordance with the Company's normal payroll practices, or (B) if such termination occurs within eighteen (18) months following the date of a Change in Control, in a lump sum on the First Payment Date; and

(ii) the amount set forth in Section 4(b)(ii) of this Agreement, payable as set forth therein; and

(iii) an amount in cash equal to the Target Annual Bonus for the fiscal year in which the Date of Termination occurs, pro-rated to reflect the portion of such fiscal year that has elapsed prior to the Date of Termination, payable in a lump sum on the First Payment Date; and

(iv) the benefits set forth in Section 4(b)(iv) of this Agreement; and

(v) all unvested equity or equity-based awards held by Executive under any Company equity compensation plans that vest solely based on the passage of time (including, without limitation, the Special Incentive RSA Award) shall immediately become 100% vested (for the avoidance of doubt, with any such awards that vest in whole or in part based on the attainment of performance-vesting conditions being governed by the terms of the applicable award agreement).

(d) No Mitigation; No Offset. In the event of any termination of the Executive's employment under this Agreement, Executive shall be under no obligation to seek other employment and there shall be no offset against amounts due Executive under this Agreement on account of any compensation attributable to any subsequent employment that he may obtain.

(e) Survival. Notwithstanding anything to the contrary in this Agreement, the provisions of Sections 3 through 9 of this Agreement will survive the termination of Executive's employment and the termination of this Agreement.

5. **Restrictive Covenants**. In connection with his execution of this Agreement, Executive has executed the Agreement for Protection of Company Information attached hereto as Exhibit E (the "Restrictive Covenant Agreement"). Executive acknowledges and agrees that the terms of the Restrictive Covenant Agreement are incorporated by reference herein. Executive acknowledges that the provisions of the Restrictive Covenant Agreement will survive the termination of Executive's employment and the this Agreement for the periods set forth in the Restrictive Covenant Agreement.

6. **Assignment and Successors**. The Company may assign its rights and obligations under this Agreement to any of its affiliates or to any successor to all or substantially all of the business or the assets of the Company (by merger or otherwise), and may assign or encumber this Agreement and its rights hereunder as security for indebtedness of the Company and its affiliates. This Agreement shall be binding upon and inure to the benefit of the Company, Executive and their respective successors, assigns, personnel and legal representatives, executors, administrators, heirs, distributees, devisees, and legatees, as applicable. None of Executive's rights or obligations may be assigned or transferred by Executive, other than Executive's rights to payments hereunder, which may be transferred only by will or operation of law. Notwithstanding the foregoing, Executive shall be entitled, to the extent permitted under applicable law and applicable Company Arrangements, to select and change a beneficiary or beneficiaries to receive compensation hereunder following Executive's death by giving written notice thereof to the Company.

7. **Certain Definitions**.

(a) Cause. The Company shall have "Cause" to terminate Executive's employment hereunder upon:

(i) Executive's continued failure to substantially perform his duties with the Company after Executive actually receives in writing notification from the Board that he is failing to substantially perform such duties;

(ii) Executive's intentional failure to substantially follow and comply with the specific, reasonable and lawful directives of the Board;

(iii) Executive's commission of an act of fraud or dishonesty directly resulting in actual and material economic, financial or reputational injury to the Company;

(iv) Executive's willful engagement in illegal conduct, gross misconduct or an act of moral turpitude involving material economic, financial or reputational injury to the Company;

(v) Executive's material violation of any material written policy, guideline, code, handbook or similar document governing the conduct of directors, officers or employees of the Company resulting in actual and material economic, financial or reputational injury to the Company or an affiliate; or

(vi) Executive's intentional, material violation of any contract or agreement between Executive and the Company.

The determination as to whether Executive is being terminated for Cause will be made in good faith by a two-third's (2/3) majority vote of the Board and will be final and binding on Executive. The foregoing definition does not in any way limit the Company's ability to terminate Executive's employment relationship at any time, and the term "Company" will be interpreted to include any subsidiary, parent, affiliate or successor thereto, if applicable.

(b) Change in Control. "Change in Control" shall have the meaning set forth in the Plan. Notwithstanding the foregoing, if a Change in Control constitutes a payment event with respect to any amount hereunder that provides for the deferral of compensation that is subject to Section 409A, to the extent required to avoid the imposition of additional taxes under Section 409A, the transaction or event shall only constitute a Change in Control for purposes of the payment timing of such amount if such transaction also constitutes a "change in control event," as defined in Treasury Regulation Section 1.409A-3(i)(5).

(c) Code. "Code" shall mean the Internal Revenue Code of 1986, as amended, and the regulations and guidance promulgated thereunder.

(d) Date of Termination. "Date of Termination" shall mean (i) if Executive's employment is terminated by Executive's death, the date of Executive's death; or (ii) if Executive's employment is terminated pursuant to Section 3(a)(ii) – (vi) of this Agreement either the date indicated in the Notice of Termination or the date specified by the Company pursuant to Section 3(b) of this Agreement, whichever is earlier.

(e) Disability. "Disability" means, with respect to Executive, the inability of Executive to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or that has lasted or can be expected to last for a continuous period of not less than twelve (12) months, as provided in Sections 22(e)(3) and 409A(a)(2)(c)(i) of the Code, and will be determined in good faith by a majority vote of the Board on the basis of such medical evidence as the Board deems warranted under the circumstances. In the event of a dispute between the Board and Executive as to whether Executive is disabled, the Company may refer Executive to a licensed practicing physician who is mutually acceptable to Executive and the Company, and Executive agrees to submit to such tests and examination as such physician shall deem appropriate to determine Executive's capacity to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months. In such event, Executive and the Company hereby agree that the decision of such physician as to his Disability shall be final and binding on both parties. Notwithstanding anything contained in this Agreement to the contrary, any determination of Disability shall not be made until after 180 days from the date Executive first exhibited physical or mental impairment that would cause Executive to not being able to engage in any substantial gainful activity.

(f) Good Reason. For the sole purpose of determining Executive's right to severance payments and benefits as described above, Executive's resignation will be with "Good Reason" if Executive resigns within ninety (90) days after any of the following events, unless Executive consents in writing prior to the applicable event:

(i) a reduction in Executive's Annual Base Salary or Target Annual Bonus, other than a reduction of ten percent (10%) or less of Executive's Annual Base Salary implemented as

part of an across-the-board, proportionate reduction of base salaries for other members of the Company's management team;

(ii) a material decrease or a material adverse change in Executive's authority, title, duties or areas of responsibility, including a requirement that Executive report to a corporate officer instead of reporting directly and solely to the Board;

(iii) the assignment to Executive of authority, titles, duties or areas of responsibility that are inconsistent with the title and position of President and Chief Executive of the Company;

(iii) the relocation of Executive's primary work location to a location that increases Executive's one-way commute by more than fifty (50) miles from Executive's primary work location as of the Start Date (provided that a requirement that Executive relocate to the city in which the Company's principal executive offices are then located shall not constitute "Good Reason" for purposes of this Agreement); or

(iv) the Company's breach of a material provision of this Agreement.

Notwithstanding the foregoing, no Good Reason will have occurred unless and until Executive has: (a) provided the Company, within sixty (60) days of Executive's knowledge of the occurrence of the facts and circumstances underlying the Good Reason event, written notice stating with specificity the applicable facts and circumstances underlying such finding of Good Reason; (b) provided the Company with an opportunity to cure the same (if curable) within thirty (30) days after the receipt of such notice; and (c) the Company shall have failed to so cure within such period.

(g) Plan. "Plan" means the NextGen Healthcare, Inc. 2021 Employment Inducement Equity Incentive Plan.

8. Parachute Payments.

(a) Notwithstanding any other provisions of this Agreement or any Company equity plan or agreement, in the event that any payment or benefit by the Company or otherwise to or for the benefit of Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (all such payments and benefits, including the payments and benefits under Section 4 of this Agreement, being hereinafter referred to as the "Total Payments"), would be subject (in whole or in part) to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), then the Total Payments shall be reduced (in the order provided in Section 8(b)) of this Agreement to the minimum extent necessary to avoid the imposition of the Excise Tax on the Total Payments, but only if the net amount of such Total Payments, as so reduced (and after subtracting the net amount of federal, state and local income and employment taxes on such reduced Total Payments and after taking into account the phase out of itemized deductions and personal exemptions attributable to such reduced Total Payments), is greater than or equal to the net amount of such Total Payments without such reduction (but after subtracting the net amount of federal, state and local income and employment taxes on such Total Payments and the amount of the Excise Tax to which Executive would be subject in respect of such unreduced Total Payments and after taking into account the phase out of itemized deductions and personal exemptions attributable to such unreduced Total Payments).

(b) The Total Payments shall be reduced in the following order: (I) reduction on a pro-rata basis of any cash severance payments that are exempt from Section 409A of the Code ("Section 409A"), (ii) reduction on a pro-rata basis of any non-cash severance payments or benefits that are exempt from Section 409A, (iii) reduction on a pro-rata basis of any other payments or benefits that are exempt from

Section 409A and (iv) reduction of any payments or benefits otherwise payable to Executive on a pro-rata basis or such other manner that complies with Section 409A; *provided*, in case of clauses (ii), (iii) and (iv), that reduction of any payments attributable to the acceleration of vesting of Company equity awards shall be first applied to Company equity awards that would otherwise vest last in time.

(c) All determinations regarding the application of this Section 8 shall be made by an accounting firm or consulting group with experience in performing calculations regarding the applicability of Section 280G of the Code and the Excise Tax selected by the Company (the “Independent Advisors”). For purposes of determinations, no portion of the Total Payments shall be taken into account which, in the opinion of the Independent Advisors, (i) does not constitute a “parachute payment” within the meaning of Section 280G(b)(2) of the Code (including by reason of Section 280G(b)(4)(A) of the Code) or (ii) constitutes reasonable compensation for services actually rendered, within the meaning of Section 280G(b)(4)(B) of the Code, in excess of the “base amount” (as defined in Section 280G(b)(3) of the Code) allocable to such reasonable compensation. The costs of obtaining such determination and all related fees and expenses (including related fees and expenses incurred in any later audit) shall be borne by the Company.

(d) In the event it is later determined that a greater reduction in the Total Payments should have been made to implement the objective and intent of this Section 8, the excess amount shall be returned promptly by Executive to the Company.

9. Miscellaneous Provisions.

(a) Governing Law; Venue. This Agreement shall be governed, construed, interpreted and enforced in accordance with its express terms, and otherwise in accordance with the substantive laws of the State of Georgia without reference to the principles of conflicts of law of the State of Georgia or any other jurisdiction that would result in the application of the laws of a jurisdiction other than the State of Georgia, and where applicable, the laws of the United States. Any claims or legal actions by one Party against the other arising out of the relationship between the Parties contemplated herein (whether or not arising under this Agreement) will be commenced or maintained in any state or federal court located in Atlanta, Georgia, and Executive and the Company hereby submit to the jurisdiction and venue of any such court.

(b) Validity. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

(c) Notices. Any notice, request, claim, demand, document and other communication hereunder to any Party shall be effective upon receipt (or refusal of receipt) and shall be in writing and delivered personally or sent by facsimile or certified or registered mail, postage prepaid, as follows:

- (i) If to the Company, to the General Counsel of the Company at the Company’s headquarters,
- (ii) If to Executive, to the last address that the Company has in its personnel records for Executive, or
- (iii) At any other address as any Party shall have specified by notice in writing to the other Party.

(d) Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same Agreement. Signatures delivered by facsimile or PDF shall be deemed effective for all purposes.

(e) Entire Agreement. The terms of this Agreement, and the Restrictive Covenant Agreement incorporated herein by reference as set forth in Section 5 of this Agreement, are intended by the Parties to be the final expression of their agreement with respect to the subject matter hereof and supersede all prior understandings and agreements, whether written or oral, including any prior employment offer letter or employment agreement between Executive and the Company. The Parties further intend that this Agreement shall constitute the complete and exclusive statement of their terms and that no extrinsic evidence whatsoever may be introduced in any judicial, administrative or other legal proceeding to vary the terms of this Agreement.

(f) Amendments; Waivers. This Agreement may not be modified, amended or terminated except by an instrument in writing, signed by Executive and a duly authorized officer of Company. By an instrument in writing similarly executed, Executive or a duly authorized officer of the Company may waive compliance by the other Party with any specifically identified provision of this Agreement that such other Party was or is obligated to comply with or perform; *provided, however*, that such waiver shall not operate as a waiver of, or estoppel with respect to, any other or subsequent failure. No failure to exercise and no delay in exercising any right, remedy or power hereunder will preclude any other or further exercise of any other right, remedy or power provided herein or by law or in equity.

(g) Construction. This Agreement shall be deemed drafted equally by both the Parties. Its language shall be construed as a whole and according to its fair meaning. Any presumption or principle that the language is to be construed against any Party shall not apply. The headings in this Agreement are only for convenience and are not intended to affect construction or interpretation. Any references to paragraphs, subparagraphs, sections or subsections are to those parts of this Agreement, unless the context clearly indicates to the contrary. Also, unless the context clearly indicates to the contrary, (i) the plural includes the singular and the singular includes the plural; (ii) “and” and “or” are each used both conjunctively and disjunctively; (iii) “any,” “all,” “each,” or “every” means “any and all” and “each and every”; (iv) “includes” and “including” are each “without limitation”; (v) “herein,” “hereof,” “hereunder” and other similar compounds of the word “here” refer to the entire Agreement and not to any particular paragraph, subparagraph, section or subsection; and (vi) all pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural as the identity of the entities or persons referred to may require.

(h) Arbitration.

(i) Agreement to Arbitrate. The Company and Executive hereby agree to resolve by final and binding arbitration any and all claims or controversies in any way arising out of, relating to or associated with Executive’s employment with the Company or any of its parents, affiliates, or subsidiaries, or the termination of such employment or any breach of this Agreement. This mutual agreement to arbitrate includes any claims that the Company may have against Executive, or that Executive may have against the Company or against any of its officers, directors, employees, agents, successors, or parent, subsidiary, or affiliated entities so long as such claim is related to Executive’s employment with the Company. The Company and Executive agree that arbitration, as provided for in this Agreement, shall be the exclusive forum for the resolution of any covered dispute between the Parties. The Company and Executive agree that their mutual agreement to arbitrate shall constitute sufficient consideration by each Party for the promises made in this Section 9(h).

(ii) Scope of Agreement. The claims covered by this Section 9(h) include, but are not limited to, claims for breach of any contract or covenant, express or implied; claims for breach of any fiduciary duty or other duty owed to Executive by Company or to Company by Executive; tort claims; claims for wages or other compensation due; claims for discrimination or harassment, including but not limited to discrimination or harassment based on race, sex, pregnancy, religion, national origin, ancestry, age, marital status, physical disability, mental disability, medical condition, or sexual orientation; and claims for violation of any federal, state or other governmental constitution, statute, ordinance or regulation (as originally enacted and as amended), including but not limited to claims under Title VII of the Civil Rights Act of 1964 ("Title VII"), the Fair Labor Standards Act ("FLSA"), the Employee Retirement Income Security Act ("ERISA"), the Consolidated Omnibus Budget Reconciliation Act ("COBRA"), and the Family and Medical Leave Act ("FMLA") (collectively, "Arbitrable Disputes").

(iii) Procedure. Executive's request to arbitrate must be directed to the Board at the Company's principal place of business. A request submitted by the Company shall be sent to Executive at Executive's address as reflected on the Company's personnel records. Any arbitration shall be conducted before a single arbitrator of JAMS under the Employment Arbitration Rules and Procedures (the "Rules") of JAMS then in effect. Executive can obtain a copy of the Rules on the website of JAMS, which is www.jamsadr.com and a copy will be provided to Executive upon request. JAMS has previously maintained the Rules at this URL: <http://www.jamsadr.com/rules-employment-arbitration>. The arbitration will be conducted in Atlanta, Georgia, and Executive and the Company consent to jurisdiction and venue in Atlanta, Georgia. If Executive is making a claim, the Company will pay any arbitration filing fee in excess of the amount Executive would have been required to pay (if any) to file the claim in court, and the Company will pay all of the arbitrator's fees and other arbitration expenses. If the Company is making a claim, the Company will pay all filing fees and all expenses of the arbitration, including the arbitrator's fees. Each Party shall bear its, his, or her own costs of legal representation; *provided, however*, if any Party prevails on a claim entitling the prevailing Party to attorneys' fees and/or costs, the arbitrator may award reasonable fees and/or costs to the prevailing Party in accordance with such claim. The arbitrator shall have the authority to order such discovery by way of deposition, interrogatory, document production, or otherwise, as the arbitrator considers necessary to a full and fair exploration of the issues in dispute, consistent with the expedited nature of arbitration. The arbitrator shall issue a written decision that reveals the essential findings and conclusions on which the decision is based, and the arbitrator's decision shall be subject to such judicial review as is provided by law. The mutual agreement to arbitrate claims as set forth in this Section 9(h) is enforceable under and governed by the Federal Arbitration Act, 9 U.S.C. § 1 et seq. (the "FAA"), but if the FAA is held not to apply to this Agreement for any reason, this mutual agreement to arbitrate claims shall be enforced under the laws of the State of Georgia.

(iv) Administrative Relief. This Section 9(h) does not limit Executive's right to file an administrative charge with the National Labor Relations Board ("NLRB"), the Equal Employment Opportunity Commission ("EEOC"), or any state agency charged with enforcement of fair employment practice laws, but Executive agrees to arbitrate under this Agreement all rights to any form of recovery or relief, including monetary or other damages. This agreement also does not apply to or cover claims for workers' compensation benefits or compensation, claims for unemployment compensation benefits, or claims based upon an employee pension or benefit plan the terms of which contain an arbitration or other non-judicial dispute resolution procedure, in which case the provisions of such plan shall apply.

(v) Voluntary Nature of Agreement. Executive acknowledges and agrees that Executive is executing this Agreement voluntarily and without any duress or undue influence by

the Company or anyone else. Executive further acknowledges and agrees that Executive has carefully read this Agreement and that Executive has asked any questions needed for Executive to understand the terms, consequences and binding effect of this Section 9(h) of this Agreement and fully understands it, including that **EXECUTIVE EXPLICITLY WAIVES THE RIGHT TO TRIAL BY JURY**. Finally, Executive agrees that Executive has been provided an opportunity to seek the advice of an attorney of Executive's choice before signing this Agreement.

(i) Enforcement. If any provision of this Agreement is held to be illegal, invalid or unenforceable under present or future laws, such provision shall be fully severable; this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a portion of this Agreement; and the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance from this Agreement. Furthermore, in lieu of such illegal, invalid or unenforceable provision there shall be added automatically as part of this Agreement a provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible and be legal, valid and enforceable.

(j) Withholding. The Company shall be entitled to withhold from any amounts payable under this Agreement any federal, state, local or foreign withholding or other taxes or charges which the Company is required to withhold. The Company shall be entitled to rely on the advice of counsel if any questions as to the amount or requirement of withholding shall arise.

(k) Section 409A.

(i) *General*. The intent of the Parties is that the payments and benefits under this Agreement comply with or be exempt from Section 409A and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith.

(ii) *Separation from Service*. Notwithstanding anything in this Agreement to the contrary, any compensation or benefits payable under this Agreement that is designated under this Agreement as payable upon Executive's termination of employment shall be payable only upon Executive's "separation from service" with the Company within the meaning of Section 409A (a "Separation from Service") and, except as provided below, any such compensation or benefits described in Section 4 of this Agreement shall not be paid, or, in the case of installments, shall not commence payment, until the sixtieth (60th) day following Executive's Separation from Service (the "First Payment Date"). Any installment payments that would have been made to Executive during the sixty (60) day period immediately following Executive's Separation from Service but for the preceding sentence shall be paid to Executive on the First Payment Date and the remaining payments shall be made as provided in this Agreement.

(iii) *Specified Employee*. Notwithstanding anything in this Agreement to the contrary, if Executive is deemed by the Company at the time of Executive's Separation from Service to be a "specified employee" for purposes of Section 409A, to the extent delayed commencement of any portion of the benefits to which Executive is entitled under this Agreement is required in order to avoid a prohibited distribution under Section 409A, such portion of Executive's benefits shall not be provided to Executive prior to the earlier of (i) the expiration of the six-month period measured from the date of Executive's Separation from Service with the Company or (ii) the date of Executive's death. Upon the first business day following the expiration of the applicable Section 409A period, all payments deferred pursuant to the preceding sentence shall be paid in a lump sum to Executive (or Executive's estate or beneficiaries), and any remaining payments due to Executive under this Agreement shall be paid as otherwise provided herein.

(iv) **Expense Reimbursements.** To the extent that any reimbursements under this Agreement are subject to Section 409A, any such reimbursements payable to Executive shall be paid to Executive no later than December 31 of the year following the year in which the expense was incurred. Executive will submit Executive's reimbursement request promptly following the date the expense is incurred, and the amount of expenses reimbursed in one year shall not affect the amount eligible for reimbursement in any subsequent year, other than medical expenses referred to in Section 105(b) of the Code. Executive's right to reimbursement under this Agreement will not be subject to liquidation or exchange for another benefit.

(v) **Installments.** Executive's right to receive any installment payments under this Agreement, including without limitation any continuation salary payments that are payable on Company payroll dates, shall be treated as a right to receive a series of separate payments and, accordingly, each such installment payment shall at all times be considered a separate and distinct payment as permitted under Section 409A. Except as otherwise permitted under Section 409A, no payment hereunder shall be accelerated or deferred unless such acceleration or deferral would not result in additional tax or interest pursuant to Section 409A.

(l) **Key Person Insurance.** The Company shall have the right (but not the obligation) to insure the life of Executive for the Company's sole benefit. The Company shall have the right to determine the amount of insurance and the type of policy. Executive shall reasonably cooperate with the Company in obtaining such insurance by submitting to physical examinations, by supplying all information reasonably required by any insurance carrier and by executing all necessary documents reasonably required by any insurance carrier, provided that any information provided to an insurance company or broker shall not be provided to the Company without the prior written authorization of Executive. Executive shall incur no financial obligation by executing any required document and shall have no interest in any such policy.

(m) **Indemnification.** In connection with his commencement of employment, Executive has executed the Indemnification Agreement attached hereto as **Exhibit F** (the "**Indemnification Agreement**"). The Company and Executive acknowledge and agree that the terms of the Indemnification Agreement are incorporated by reference herein.

(n) **Controlling Document.** If any provision of any agreement, plan, program, policy, arrangement or other written document between or relating to the Company and Executive conflicts with any provision of this Agreement, the provision of this Agreement shall control and prevail unless the terms of such other agreement, plan, program, policy arrangement or document explicitly provides that its provisions are intended to supersede the terms of this Agreement and Executive consents in writing to such other agreement, plan, program, policy arrangement or document.

(o) **Beneficiaries/References.** Executive shall be entitled, to the extent permitted under any applicable law, to select and change a beneficiary or beneficiaries to receive any compensation or benefit payable hereunder following Executive's death by giving the Company written notice thereof. In the event of Executive's death or a judicial determination of his incompetence, reference in this Agreement to Executive shall be deemed, where appropriate, to refer to his beneficiary, estate or other legal representative.

10. Executive Acknowledgement. Executive acknowledges that Executive has read and understands this Agreement, is fully aware of its legal effect, has not acted in reliance upon any representations or promises made by the Company other than those contained in writing herein, and has entered into this Agreement freely based on Executive's own judgment.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties have executed this Agreement on the date first written above.

NEXTGEN HEALTHCARE, INC.

By: /s/ Craig A. Barbarosh
Name: Craig A. Barbarosh
Title: Vice Chairman of the Board and Director

EXECUTIVE

/s/ David Sides
David Sides

[Signature Page to Employment Agreement]

EXHIBIT A

NEW HIRE RSA AWARD AGREEMENT

[attached]

EXHIBIT B

NEW HIRE PSU AWARD AGREEMENT

[attached]

EXHIBIT C

SPECIAL INCENTIVE RSA AWARD AGREEMENT

[attached]

EXHIBIT D

SEPARATION AGREEMENT AND RELEASE

This Separation Agreement and Release (this "Release") is made by and between David Sides ("Executive") and NextGen Healthcare, Inc. (the "Company") (collectively referred to as the "Parties" or individually referred to as a "Party"). Capitalized terms used but not defined in this Release shall have the meanings set forth in the Employment Agreement (as defined below).

WHEREAS, the Parties have previously entered into that certain Employment Agreement, dated as of October 4, 2021 (the "Employment Agreement"), and that certain Agreement for Protection of Company Information, dated as of October 4, 2021 (the "Restrictive Covenant Agreement"); and

WHEREAS, in connection with Executive's termination of employment with the Company or a subsidiary or affiliate of the Company effective [_____, ____], the Parties wish to resolve any and all disputes, claims, complaints, grievances, charges, actions, petitions and demands that Executive may have against the Company and any of the Releasees as defined below.

NOW, THEREFORE, in consideration of the severance payments and benefits described in Section 4 of the Employment Agreement, which, pursuant to the Employment Agreement, are conditioned on Executive's execution and non-revocation of this Release, and in consideration of the mutual promises made herein, the Company and Executive hereby agree as follows:

1. Severance Payments and Benefits; Salary and Benefits. The Company agrees to provide Executive with the severance payments and benefits described in Section 4 of the Employment Agreement, payable at the times set forth in, and subject to the terms and conditions of, the Employment Agreement. In addition, to the extent not already paid, and subject to the terms and conditions of the Employment Agreement, the Company shall pay or provide to Executive all other payments or benefits described in Section 3(c) of the Employment Agreement, subject to and in accordance with the terms thereof.

2. Release of Claims. Executive agrees that the consideration to be paid in accordance with in Section 4 of the Employment Agreement represents settlement in full of all outstanding obligations owed to Executive by the Company and its current and former officers, directors, employees, agents, investors, attorneys, stockholders, administrators, affiliates, benefit plans, plan administrators, insurers, trustees, divisions, and subsidiaries, and predecessor and successor corporations and assigns (collectively, the "Releasees"). Executive, on Executive's own behalf and on behalf of Executive's respective heirs, family members, executors, agents, and assigns, hereby and forever releases the Releasees from, and agrees not to sue concerning, or in any manner to institute, prosecute, or pursue, any claim, complaint, charge, duty, obligation, demand, or cause of action relating to any matters of any kind, whether presently known or unknown, suspected or unsuspected, that Executive may possess against any of the Releasees arising from any omissions, acts, facts, or damages that have occurred from the beginning of time and up until and including the date of Executive's execution of this Release, including, without limitation the following:

(a) any and all claims relating to or arising from Executive's employment relationship with the Company and the termination of that relationship;

(b) any and all claims relating to, or arising from, Executive's right to purchase, or actual purchase of shares of stock of the Company, including, without limitation, any claims for fraud, misrepresentation, breach of fiduciary duty, breach of duty under applicable state corporate law, and securities fraud under any state or federal law;

(c) any and all claims for wrongful discharge of employment; termination in violation of public policy; discrimination; harassment; retaliation; breach of contract, both express and implied; breach of covenant of good faith and fair dealing, both express and implied; promissory estoppel; negligent or intentional infliction of emotional distress; fraud; negligent or intentional misrepresentation; negligent or intentional interference with contract or prospective economic advantage; unfair business practices; defamation; libel; slander; negligence; personal injury; assault; battery; invasion of privacy; false imprisonment; conversion; and disability benefits;

(d) any and all claims for violation of any federal, state, or municipal statute, including, but not limited to, Title VII of the Civil Rights Act of 1964; the Civil Rights Act of 1991; the Rehabilitation Act of 1973; the Americans with Disabilities Act of 1990; the Equal Pay Act; the Fair Labor Standards Act; the Fair Credit Reporting Act; the Age Discrimination in Employment Act of 1967; the Older Workers Benefit Protection Act; the Employee Retirement Income Security Act of 1974; the Worker Adjustment and Retraining Notification Act; the Family and Medical Leave Act; the Sarbanes-Oxley Act of 2002; the California Fair Employment and Housing Act, as amended, Cal. Lab. Code § 12940 et seq.; the California Equal Pay Law, as amended, Cal. Lab. Code §§ 1197.5(a), 1199.5; the Moore-Brown-Roberti Family Rights Act of 1991, as amended, Cal. Gov't Code §§ 12945.2, 19702.3; the California Labor Code; the California Business & Professions Code; the California WARN Act, Cal. Lab. Code § 1400 et seq.; the California False Claims Act, Cal. Gov't Code § 12650 et seq.; or the California Corporate Criminal Liability Act, Cal. Penal Code § 387; the Georgia Equal Pay Act; the Georgia Prohibition of Age Discrimination in Employment Act; the Georgia Equal Employment for Persons with Disabilities Code; and the Georgia Discriminatory Wage Practices Based on Sex Act;

(e) any and all claims for violation of the federal, or any state, constitution;

(f) any and all claims arising out of any other laws and regulations relating to employment or employment discrimination;

(g) any claim for any loss, cost, damage, or expense arising out of any dispute over the non-withholding or other tax treatment of any of the proceeds received by Executive as a result of this this Release; and

(h) any and all claims for attorneys' fees and costs.

Executive agrees that the release set forth in this Section 2 will be and remain in effect in all respects as a complete general release as to the matters released. The Release does not release claims that cannot be released as a matter of law, including, but not limited to, Executive's right to report possible violations of federal law or regulation to any governmental agency or entity in accordance with the provisions of and rules promulgated under Section 21F of the Securities Exchange Act of 1934 or Section 806 of the Sarbanes-Oxley Act of 2002, or any other whistleblower protection provisions of state or federal law or regulation and any right to receive an award for information provided thereunder. Executive represents that Executive has made no assignment or transfer of any right, claim, complaint, charge, duty, obligation, demand, cause of action, or other matter waived or released by this Section 2. Nothing in this Release waives (i) Executive's rights to indemnification or any payments under any fiduciary insurance policy, if any, provided by any act or agreement of the Company, state or federal law or policy of insurance, or any other indemnification rights to which Executive may be entitled under the organizational documents, by contract, as a matter of law, or otherwise, or under any power that the Company may have to indemnify

Executive or hold Executive harmless; (ii) any vested rights Executive (and/or his dependents) may have under the employee benefit plans, programs, policies or arrangements of the Company and its affiliates; (iii) Executive's right to file a charge with or participate in a charge by the Equal Employment Opportunity Commission, or any other local, state or federal administrative body or government agency that is authorized to enforce or administer laws related to employment, against the Company for discrimination (with the understanding that Executive's release of claims herein bars Executive from recovering such monetary relief from the Company or any Releasee for any alleged discriminatory treatment); (iv) claims for unemployment compensation or any state disability insurance benefits pursuant to the terms of applicable state law; (v) claims to continued participation in certain of the Company's group benefit plans pursuant to the terms and conditions of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended; (vi) claims for breach of any of the Company's continuing obligations to Executive under the Employment Agreement; and (vii) any right that may not be waived by private agreement.

3. Acknowledgment of Waiver of Claims under ADEA. Executive understands and acknowledges that Executive is waiving and releasing any rights Executive may have under the Age Discrimination in Employment Act of 1967 ("ADEA"), and that this waiver and release is knowing and voluntary. Executive understands and agrees that this waiver and release does not apply to any rights or claims that may arise under the ADEA after the date Executive signs this Release. Executive understands and acknowledges that the consideration given for this waiver and release is in addition to anything of value to which Executive was already entitled. Executive further understands and acknowledges that Executive has been advised by this writing that: (a) Executive should consult with an attorney prior to executing this Release; (b) Executive has [twenty-one (21)][forty-five (45)] days within which to consider this Release, and the Parties agree that such time period to review this Release shall not be extended upon any material or immaterial changes to this Release; (c) Executive has seven (7) business days following Executive's execution of this Release to revoke this Release pursuant to written notice to the General Counsel of the Company; (d) this Release shall not be effective until after the revocation period has expired; and (e) nothing in this Release prevents or precludes Executive from challenging or seeking a determination in good faith of the validity of this waiver under the ADEA, nor does it impose any condition precedent, penalties or costs for doing so, unless specifically authorized by federal law. In the event Executive signs this Release and returns it to the Company in less than the [twenty-one (21)][forty-five (45)] day period identified above, Executive hereby acknowledges that Executive has freely and voluntarily chosen to waive the time period allotted for considering this Release.

4. Unknown Claims. Executive acknowledges that Executive has been advised to consult with legal counsel and is familiar with the provisions of California Civil Code Section 1542, a statute that otherwise prohibits the release of unknown claims, which provides as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, THAT IF KNOWN BY HIM OR HER WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

Executive, being aware of California Civil Code Section 1542, agrees to expressly waive any rights Executive may have thereunder, as well as under any other statute or common law principles of similar effect.

5. No Pending or Future Lawsuits. Executive represents that Executive has no lawsuits, claims, or actions pending in Executive's name, or on behalf of any other person or entity, against the Company or any of the other Releasees. Executive also represents that Executive does not intend to bring any claims on Executive's own behalf or on behalf of any other person or entity against the Company or any of the other Releasees. Executive confirms that Executive has no knowledge of any wrongdoing involving improper or false claims against a federal or state governmental agency, or any other wrongdoing that involves Executive or any other present or former Company employees, including violations of the federal and state securities laws.

6. Sufficiency of Consideration. Executive hereby acknowledges and agrees that Executive has received good and sufficient consideration for every promise, duty, release, obligation, agreement and right contained in this Release.

7. Restrictive Covenants. Executive acknowledges that Executive remains bound by the Restrictive Covenants Agreement, which is incorporated by reference herein as if re-executed along with this Release.

8. Indemnification. The Company acknowledges and agrees that it remains bound by the Indemnification Agreement, which is incorporated by reference herein as if re-executed along with this Release.

9. No Cooperation. Subject to Section 2 of this Release, Executive agrees that Executive will not knowingly encourage, counsel, or assist any attorneys or their clients in the presentation or prosecution of any disputes, differences, grievances, claims, charges, or complaints by any third party against any of the Releasees, unless under a subpoena or other court order to do so or as related directly to the ADEA waiver in this Release. Executive agrees both to immediately notify the Company upon receipt of any such subpoena or court order, and to furnish, within three (3) business days of its receipt, a copy of such subpoena or other court order. If approached by anyone for counsel or assistance in the presentation or prosecution of any disputes, differences, grievances, claims, charges, or complaints against any of the Releasees, Executive will state no more than that Executive cannot provide any such counsel or assistance.

10. No Admission of Liability. Executive understands and acknowledges that this Release constitutes a compromise and settlement of any and all actual or potential disputed claims by Executive. No action taken by the Company hereto, either previously or in connection with this Release, will be deemed or construed to be (a) an admission of the truth or falsity of any actual or potential claims or (b) an acknowledgment or admission by the Company of any fault or liability whatsoever to Executive or to any third party.

11. Severability. In the event that any provision or any portion of any provision hereof or any surviving agreement made a part hereof becomes or is declared by a court of competent jurisdiction or arbitrator to be illegal, unenforceable or void, this Release shall continue in full force and effect without said provision or portion of provision.

12. No Oral Modification. This Release may only be amended in a writing signed by Executive and a duly authorized officer of the Company.

13. Governing Law; Dispute Resolution. This Release shall be subject to the provisions of Sections 9(a), 9(c) and 9(h) of the Employment Agreement.

14. Effective Date. Executive understands that this Release shall become effective, irrevocable, and binding upon Executive on the day following the seventh (7th) business day from the date upon which Executive signs this Release, so long as Executive has not revoked it within the time period and in the manner specified in Section 3 above. Executive further understands that Executive will not be given any severance benefits under the Agreement unless this Release becomes effective pursuant to its terms.

15. Voluntary Execution of Agreement. Executive understands and agrees that Executive executed this Release voluntarily, without any duress or undue influence on the part or behalf of the Company or any third party, with the full intent of releasing all of Executive's claims against the Company and any of the other Releasees. Executive acknowledges that: (a) Executive has read this Release; (b) Executive has not relied upon any representations or statements made by the Company that are not specifically set forth in this Release; (c) Executive has been represented in the preparation, negotiation and execution of this Release by legal counsel of Executive's own choice or has elected not to retain legal counsel; (d) Executive understands the terms and consequences of this Release and of the releases it contains; and (e) Executive is fully aware of the legal and binding effect of this Release.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties have executed this Release on the respective dates set forth below.

EXECUTIVE

Dated:

David Sides

NEXTGEN HEALTHCARE, INC.

Dated:

By:

Name:

Title:

EXHIBIT E

Restrictive Covenant Agreement

[attached]

EXHIBIT F

Indemnification Agreement

[attached]

**Certification of Principal Executive Officer Required by
Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended,
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, David Sides, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of NextGen Healthcare, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 28, 2021

By: /s/ David Sides

David Sides
Chief Executive Officer
(Principal Executive Officer)

**Certification of Principal Financial Officer Required by
Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended,
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, James R. Arnold, Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of NextGen Healthcare, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 28, 2021

By: /s/ James R. Arnold, Jr.

James R. Arnold, Jr.
Chief Financial Officer
(Principal Financial Officer)

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

In connection with the Quarterly Report on Form 10-Q of NextGen Healthcare, Inc. (the "Company") for the quarterly period ended September 30, 2021 (the "Report"), the undersigned hereby certify in their capacities as Chief Executive Officer and Chief Financial Officer of the Company, respectively, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: October 28, 2021

By: /s/ David Sides

David Sides
Chief Executive Officer
(Principal Executive Officer)

Date: October 28, 2021

By: /s/ James R. Arnold, Jr.

James R. Arnold, Jr.
Chief Financial Officer
(Principal Financial Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signatures that appear in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.