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

Form 10-Q

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

For the quarterly period ended June 30, 2020

OR

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

For the transition period from to

Commission file number 001-37888

Tabula Rasa HealthCare, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**46-5726437**
(State of incorporation)	(I.R.S. Employer Identification No.)
228 Strawbridge Drive, Suite 100 **Moorestown, NJ 08057** (Address of Principal Executive Offices, including Zip Code)	**(866) 648 - 2767** (Registrant's Telephone Number, Including Area Code)

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

Title of each class:	**Trading Symbol**	**Name of each exchange on which registered:**
Common Stock, par value $0.0001 per share	TRHC	The Nasdaq Stock 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

Emerging growth company ☐

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

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

As of July 24, 2020, the Registrant had 22,960,407 shares of Common Stock outstanding.

TABULA RASA HEALTHCARE, INC.
QUARTERLY REPORT ON FORM 10-Q
For the period ended June 30, 2020

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

TABULA RASA HEALTHCARE, INC.
UNAUDITED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)

	June 30, 2020	December 31, 2019
Assets		
Current assets:		
Cash	$ 38,752	$ 42,478
Restricted cash	3,132	4,103
Accounts receivable, net of allowance of $482 and $386, respectively	36,896	29,123
Inventories	4,103	3,700
Prepaid expenses	4,173	4,299
Other current assets	6,577	10,835
Total current assets	93,633	94,538
Property and equipment, net	15,531	15,798
Operating lease right-of-use assets	22,411	22,100
Software development costs, net	23,422	18,501
Goodwill	150,760	150,760
Intangible assets, net	175,768	189,413
Other assets	1,017	1,281
Total assets	$ 482,542	$ 492,391
Liabilities and stockholders' equity		
Current liabilities:		
Current portion of long-term debt and finance leases, net	$ 8	$ 125
Current operating lease liabilities	4,579	4,350
Accounts payable	7,253	8,622
Accrued expenses and other liabilities	26,944	26,906
Total current liabilities	38,784	40,003
Long-term debt and finance leases, net	232,658	226,294
Noncurrent operating lease liabilities	21,011	21,017
Long-term acquisition-related contingent consideration	11,400	10,800
Deferred income tax liability	4,781	8,656
Other long-term liabilities	485	73
Total liabilities	309,119	306,843
Commitments and contingencies (Note 15)		
Stockholders' equity:		
Preferred stock, $0.0001 par value; 10,000,000 shares authorized; no shares issued and outstanding at June 30, 2020 and December 31, 2019	—	—
Common stock, $0.0001 par value; 100,000,000 shares authorized, 23,159,311 and 22,496,999 shares issued and 22,955,263 and 22,321,310 shares outstanding at June 30, 2020 and December 31, 2019, respectively	2	2
Treasury stock, at cost; 204,048 and 175,689 shares at June 30, 2020 and December 31, 2019, respectively	(3,956)	(3,865)
Additional paid-in capital	305,058	288,345
Accumulated deficit	(127,681)	(98,934)
Total stockholders' equity	173,423	185,548
Total liabilities and stockholders' equity	$ 482,542	$ 492,391

See accompanying notes to unaudited consolidated financial statements.

TABULA RASA HEALTHCARE, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share and per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Revenue:				
Product revenue	$ 39,373	$ 33,372	$ 76,460	$ 64,354
Service revenue	37,461	42,883	73,201	72,860
Total revenue	76,834	76,255	149,661	137,214
Cost of revenue, exclusive of depreciation and amortization shown below:				
Product cost	29,042	24,861	56,241	48,336
Service cost	22,656	20,295	43,530	38,488
Total cost of revenue, exclusive of depreciation and amortization	51,698	45,156	99,771	86,824
Operating expenses:				
Research and development	3,821	5,197	8,649	10,747
Sales and marketing	5,027	6,871	10,567	11,721
General and administrative	16,327	12,883	33,294	26,626
Change in fair value of acquisition-related contingent consideration (income) expense	(100)	1,830	600	3,006
Depreciation and amortization	10,211	9,078	20,124	15,377
Total operating expenses	35,286	35,859	73,234	67,477
Loss from operations	(10,150)	(4,760)	(23,344)	(17,087)
Interest expense, net	4,668	4,308	9,278	7,001
Loss before income taxes	(14,818)	(9,068)	(32,622)	(24,088)
Income tax benefit	(508)	(2,539)	(3,875)	(6,580)
Net loss	$ (14,310)	$ (6,529)	$ (28,747)	$ (17,508)
Net loss per share, basic and diluted	$ (0.66)	$ (0.32)	$ (1.34)	$ (0.86)
Weighted average common shares outstanding, basic and diluted	21,556,646	20,482,032	21,465,772	20,433,564

See accompanying notes to unaudited consolidated financial statements.

TABULA RASA HEALTHCARE, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except share amounts)

	Stockholders' Equity						
	Six Months Ended June 30, 2020						
	Common Stock		Treasury Stock		Additional	Accumulated	Stockholders'
	Shares	Amount	Shares	Amount	Paid-in Capital	Deficit	Equity
Balance, January 1, 2020	22,496,999	$ 2	(175,689)	$ (3,865)	$ 288,345	$ (98,934)	$ 185,548
Issuance of common stock awards	14,386	—	—	—	—	—	—
Issuance of restricted stock	388,108	—	—	—	—	—	—
Forfeitures of restricted shares	—	—	(33,371)	—	—	—	—
Exercise of stock options	116,288	—	(1,681)	(91)	1,244	—	1,153
Share adjustment	—	—	12,500	—	—	—	—
Stock-based compensation expense	—	—	—	—	7,137	—	7,137
Net loss	—	—	—	—	—	(14,437)	(14,437)
Balance, March 31, 2020	23,015,781	2	(198,241)	(3,956)	296,726	(113,371)	179,401
Issuance of restricted stock	37,702	—	—	—	—	—	—
Forfeitures of restricted shares	—	—	(5,807)	—	—	—	—
Exercise of stock options	105,828	—	—	—	1,159	—	1,159
Stock-based compensation expense	—	—	—	—	7,173	—	7,173
Net loss	—	—	—	—	—	(14,310)	(14,310)
Balance, June 30, 2020	23,159,311	$ 2	(204,048)	$ (3,956)	$ 305,058	$ (127,681)	$ 173,423

See accompanying notes to unaudited consolidated financial statements.

	Stockholders' Equity						
	Six Months Ended June 30, 2019						
	Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Deficit	Stockholders' Equity
	Shares	Amount	Shares	Amount			
Balance, January 1, 2019	20,719,297	$ 2	(161,760)	$ (3,825)	$ 209,330	$ (66,498)	$ 139,009
Issuance of common stock in connection with acquisition	149,053	—	—	—	9,504	—	9,504
Issuance of common stock awards	9,547	—	—	—	—	—	—
Issuance of restricted stock	565,840	—	—	—	—	—	—
Exercise of stock options	82,686	—	(690)	(40)	1,077	—	1,037
Issuance of common stock in connection with the settlement of acquisition-related contingent consideration	614,225	—	—	—	(609)	—	(609)
Conversion feature of convertible senior subordinated notes, net of allocated debt issuance costs, net of tax	—	—	—	—	74,049	—	74,049
Purchase of convertible note hedges	—	—	—	—	(101,660)	—	(101,660)
Sale of warrants in connection with convertible senior subordinated notes	—	—	—	—	65,910	—	65,910
Stock-based compensation expense	—	—	—	—	6,852	—	6,852
Net loss	—	—	—	—	—	(10,979)	(10,979)
Balance, March 31, 2019	22,140,648	2	(162,450)	(3,865)	264,453	(77,477)	183,113
Issuance of common stock awards	30,101	—	—	—	—	—	—
Issuance of restricted stock	23,562	—	—	—	—	—	—
Exercise of stock options	49,916	—	—	—	499	—	499
Conversion feature of convertible senior subordinated notes, net of allocated debt issuance costs, net of tax	—	—	—	—	(47)	—	(47)
Stock-based compensation expense	—	—	—	—	6,906	—	6,906
Net loss	—	—	—	—	—	(6,529)	(6,529)
Balance, June 30, 2019	22,244,227	$ 2	(162,450)	$ (3,865)	$ 271,811	$ (84,006)	$ 183,942

See accompanying notes to unaudited consolidated financial statements.

TABULA RASA HEALTHCARE, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Six Months Ended June 30,	
	2020	**2019**
Cash flows from operating activities:		
Net loss	$ (28,747)	$ (17,508)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	20,124	15,377
Amortization of deferred financing costs and debt discount	6,566	4,603
Deferred taxes	(3,875)	(6,633)
Stock-based compensation	14,310	13,758
Change in fair value of acquisition-related contingent consideration	600	3,006
Acquisition-related contingent consideration paid	—	(24,450)
Other noncash items	—	12
Changes in operating assets and liabilities, net of effect from acquisitions:		
Accounts receivable, net	(7,773)	(2,383)
Inventories	(403)	(89)
Prepaid expenses and other current assets	3,815	(1,468)
Other assets	(4)	(140)
Accounts payable	(1,588)	(5,571)
Accrued expenses and other liabilities	(49)	5,661
Other long-term liabilities	412	(40)
Net cash provided by (used in) operating activities	3,388	(15,865)
Cash flows from investing activities:		
Purchases of property and equipment	(1,447)	(3,508)
Software development costs	(8,898)	(6,618)
Proceeds from repayment of note receivable	—	1,000
Acquisitions of businesses, net of cash acquired	—	(158,762)
Net cash used in investing activities	(10,345)	(167,888)
Cash flows from financing activities:		
Proceeds from exercise of stock options	2,312	1,536
Payments for debt financing costs	—	(9,477)
Repayments of line of credit	—	(45,000)
Payments of acquisition-related contingent consideration	—	(20,342)
Repayments of long-term debt and finance leases	(52)	(541)
Proceeds from issuance of convertible senior subordinated notes	—	325,000
Proceeds from sale of warrants	—	65,910
Purchase of convertible note hedges	—	(101,660)
Net cash provided by financing activities	2,260	215,426
Net (decrease) increase in cash and restricted cash	(4,697)	31,673
Cash and restricted cash, beginning of period	46,581	25,029
Cash and restricted cash, end of period	$ 41,884	$ 56,702
Supplemental disclosure of cash flow information:		
Purchases of property and equipment and software development included in accounts payable and accrued expenses	$ 239	$ 291
Cash paid for interest	$ 2,846	$ 364
Cash paid for taxes	$ 228	$ 279
Interest costs capitalized to property and equipment and software development costs	$ 132	$ 148
Stock issued in connection with acquisitions	$ —	$ 9,504
Reconciliation of cash and restricted cash:		
Cash	$ 38,752	$ 52,137
Restricted cash	3,132	4,565
Total cash and restricted cash	$ 41,884	$ 56,702

See accompanying notes to unaudited consolidated financial statements.

TABULA RASA HEALTHCARE, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands, except share and per share data)

1. Nature of Business

Tabula Rasa HealthCare, Inc. (the "Company") focuses on optimizing drug regimens to reduce medication-related risk, specifically targeting adverse drug events, a large and growing medication therapy problem with an estimated cost of more than $528 billion annually in the United States ("U.S.") and resulting in more than 275,000 deaths per year in the U.S. in 2018. The Company delivers a range of technology-enabled solutions, software, and services including what the Company believes to be the largest clinical tele-pharmacy network in the country, powered by the Company's proprietary medication science technology, the Medication Risk Mitigation ("MRM") Matrix, that are targeted at value-based payment models and support both state and federal regulations. The Company serves a number of different organizations within the healthcare industry, including more than 350 health plans, over 15,000 pharmacies and over 100 at-risk provider groups.

2. Basis of Presentation, Summary of Significant Accounting Policies, and Recent Accounting Pronouncements

Basis of Presentation

The accompanying unaudited consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and applicable rules and regulations of the Securities and Exchange Commission (the "SEC") regarding interim financial reporting. The unaudited interim consolidated financial statements have been prepared on the same basis as the annual audited consolidated financial statements and, in the opinion of management, reflect all adjustments (consisting of normal recurring accruals and adjustments) necessary to present fairly the Company's interim consolidated financial position for the periods indicated. The interim results for the three and six months ended June 30, 2020 are not necessarily indicative of results to be expected for the year ending December 31, 2020, any other interim periods, or any future year or period. As such, the information included in this quarterly report on Form 10-Q should be read in conjunction with the audited consolidated financial statements and accompanying notes included in the Company's annual report on Form 10-K filed on March 2, 2020 ("2019 Form 10-K").

Effective January 1, 2020, in order to facilitate the administration, management, and development of the Company's business and minimize the burden on the Company's tax and regulatory reporting obligations, the Company implemented a reorganization pursuant to which all of the Company's domestic subsidiaries, other than CK Solutions, LLC, merged with and into the Company's wholly-owned subsidiary CareKinesis, Inc., which had previously changed its legal name on December 20, 2019 to TRHC OpCo, Inc. In the second quarter of 2020, TRHC OpCo, Inc. further changed its name to Tabula Rasa HealthCare Group, Inc. ("TRHC Group"). Following such reorganization, the Company's only directly owned subsidiary is TRHC Group, which is the parent of CK Solutions, LLC and of three DoseMe foreign subsidiaries.

In conjunction with the Company's reorganization, the Company now operates its business through two segments, CareVention HealthCare and MedWise HealthCare, effective January 1, 2020. Prior comparative periods have been revised to conform with the current period segment presentation. See Note 16 for a discussion of the Company's reportable segments.

Risks Related to the COVID-19 Pandemic

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency caused by a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this Quarterly Report on Form 10-Q. As such, it is uncertain as to the full magnitude of the impact that the pandemic will have on the Company's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation and the ramification on the Company's financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company is not able to estimate the effects that the COVID-19 outbreak

TABULA RASA HEALTHCARE, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands, except share and per share data)

may have on the Company's results of operations, financial condition, or liquidity for 2020. However, the Company is dependent on its workforce to sell and deliver its products and services. Developments such as social distancing and shelter-in-place directives could impact the Company's ability to deploy its workforce effectively. These same developments may affect the operations of the Company's suppliers and customers, as their own workforces and operations are disrupted by efforts to curtail the spread of this virus.

As a result of the ongoing COVID-19 pandemic, the Company has experienced challenges with revenue growth. The pandemic has delayed the closing of contracts across both the Company's CareVention HealthCare and MedWise HealthCare segments and, in some cases, shifted project timelines to 2021, resulting in fewer new business wins during the second quarter of 2020. Overall census growth for Programs of All-Inclusive Care for the Elderly ("PACE") has remained below historical levels, which has affected the Company's CareVention HealthCare segment growth. The Company's MedWise HealthCare segment has also experienced delays in the timing of implementation and closing of new business. In addition, all major pharmacy tradeshows for the third quarter of 2020 have been cancelled, negatively impacting a key selling season for the Company's PrescribeWellness business. However, the ultimate impact of the COVID-19 pandemic is highly uncertain and subject to change. The Company does not yet know the full extent of potential delays or impacts on its business, financing or other activities or on healthcare systems or the global economy as a whole. However, these effects could have a material impact on the Company's liquidity, capital resources, operations and business and those of the third parties on which it relies.

Summary of Significant Accounting Policies

There have been no changes to the Company's significant accounting policies described in the 2019 Form 10-K that have had a material impact on the consolidated financial statements and related notes.

Recent Accounting Pronouncements

In June 2016, the Financial Accounting Standard Board ("FASB") issued Accounting Standard Update ("ASU") No. 2016-13, *Financial Instruments - Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments*, and thereafter, has subsequently provided updates and improvements (as so updated and improved, "ASU 2016-13"). ASU 2016-13 requires entities to estimate expected lifetime credit losses on financial assets including (1) loans, accounts receivable, trade receivables, and other financial assets measured at amortized cost, (2) loan commitments and certain other off-balance-sheet credit exposures, (3) debt securities and other financial assets measured at fair value through other comprehensive income, and (4) beneficial interests in securitized financial assets. ASU 2016-13 is effective for financial statements issued for fiscal years beginning after December 15, 2019. The Company adopted ASU 2016-13 on January 1, 2020 using the prospective transition method. The implementation of this guidance requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates on the Company's trade receivables and contract assets. The adoption of ASU 2016-13 did not have a material impact on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* ("ASU 2017-04"). ASU 2017-04 simplifies the accounting for goodwill impairment by eliminating the requirement to calculate the implied fair value of goodwill to measure an impairment charge. Instead, entities will be required to record an impairment charge based on the excess of a reporting unit's carrying value over its fair value. ASU 2017-04 is effective for financial statements issued for fiscal years beginning after December 15, 2019 and early adoption is permitted. The Company adopted ASU 2017-04 on January 1, 2020. The adoption of ASU 2017-04 did not have a material effect on the Company's consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement* ("ASU 2018-13"). ASU 2018-13 updates the disclosure requirements for fair value measurements and is effective for financial statements issued for fiscal years beginning after December 15, 2019. The Company adopted ASU 2018-13 on January 1, 2020. The adoption of ASU 2018-13 did not have a material impact on the Company's consolidated financial statements.

TABULA RASA HEALTHCARE, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands, except share and per share data)

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract* ("ASU 2018-15"). ASU 2018-15 aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalization of implementation costs incurred to develop or obtain internal-use software and hosting arrangements that include an internal-use software license. ASU 2018-15 is effective for financial statements issued for fiscal years beginning after December 15, 2019. The Company adopted ASU 2018-15 during the fourth quarter of 2019 using the prospective transition method. The adoption of ASU 2018-15 did not have a material effect on the Company's consolidated financial statements.

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* ("ASU 2019-12"*).* ASU 2019-12 provides new guidance to simplify accounting for income taxes, modifies the accounting for certain income tax transactions, and enhances existing guidance. ASU 2019-12 is effective for financial statements issued for fiscal years beginning after December 15, 2020 and early adoption is permitted. The Company is currently evaluating the potential impact of the adoption of this standard on the Company's consolidated financial statements.

3. Revenue

The Company generates revenue from its CareVention HealthCare and MedWise HealthCare segments. See Note 16 for additional discussion of the Company's reportable segments.

Client contracts generally have a term of one to five years and, in some cases, automatically renew at the end of the initial term. In most cases, clients may terminate their contracts with a notice period ranging from 0 to 180 days without cause, thereby limiting the term in which the Company has enforceable rights and obligations. Revenue is recognized in an amount that reflects the consideration that is expected in exchange for the goods or services provided. Generally, there are not significant differences between the timing of revenue recognition and billing. Consequently, the Company has determined that client contracts do not include a financing component.

CareVention HealthCare

PACE Product Revenue

The Company provides medication fulfillment pharmacy services to PACE, and while the majority of medications are routinely filled in order to treat chronic conditions, the mix and quantity of medications can vary. Revenue from medication fulfillment services is generally billed monthly and recognized when medications are delivered and control has passed to the client. At the time of delivery, the Company has performed substantially all of its performance obligations under its client contracts. The Company does not experience a significant level of returns or reshipments.

PACE Solutions

The Company provides medication safety services and health plan management services to PACE organizations. These services include risk adjustment services, third party administration services, and electronic health records software. Revenue related to these services primarily consists of a fixed monthly fee assessed based on number of members served ("per member per month") and subscription fees, which are recognized when the Company satisfies its performance obligation to stand ready to provide PACE services, which occurs when the Company's clients have access to the PACE services. The Company generally bills for PACE services on a monthly basis.

TABULA RASA HEALTHCARE, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands, except share and per share data)

MedWise HealthCare

Product Revenue

The Company provides COVID-19 test kits to pharmacies and other clients. Revenue from the sale of these products is generally billed monthly and is recognized as the Company satisfies its performance obligations to deliver the test kits and provide the test results to the pharmacies. The Company does not experience a significant level of returns or reshipments.

Medication Safety Services

The Company provides medication safety services, which include identification of high-risk individuals, medication regimen reviews including patient and prescriber counseling, and targeted interventions to increase adherence and close gaps in care. Revenue related to these services primarily consists of per member per month fees and fees for each medication review and assessment completed. Revenue is recognized when the Company satisfies its performance obligation to stand ready to provide medication safety services, which occurs when the Company's clients have access to the medication safety service, and when medication reviews and assessments are completed. The Company generally bills for the medication safety services on a monthly basis.

Software Subscription and Services

The Company provides software as a service ("SaaS") solutions, which allow for the identification of individuals with high medication-related risk, for patient communication and engagement, for documentation of clinical interventions, for optimizing medication therapy, for targeting adherence improvement, and for precision dosing. In addition, the Company provides implementation and set up assistance services related to the SaaS solutions. Revenues related to these software services primarily consist of monthly subscription fees and are recognized monthly as the Company meets its performance obligation to provide access to the software. Revenue for implementation and set up services is generally recognized when the services are provided. The Company generally bills for the software services on a monthly basis.

Disaggregation of Revenue

In the following table, revenue is disaggregated by reportable segment. Substantially all of the Company's revenue is recognized in the U.S. and substantially all of the Company's assets are located in the U.S.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
CareVention HealthCare:				
PACE product revenue	$ 38,930	$ 33,372	$ 76,017	$ 64,354
PACE solutions	11,522	11,437	23,093	22,611
	$ 50,452	$ 44,809	$ 99,110	$ 86,965
MedWise HealthCare:				
Product revenue	$ 443	$ —	$ 443	$ —
Medication safety services	15,707	22,498	$ 30,027	37,849
Software subscription and services	10,232	8,948	20,081	12,400
	$ 26,382	$ 31,446	$ 50,551	$ 50,249
Total revenue	$ 76,834	$ 76,255	$ 149,661	$ 137,214

TABULA RASA HEALTHCARE, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands, except share and per share data)

Contract Balances

Assets and liabilities related to the Company's contracts are reported on a contract-by-contract basis at the end of each reporting period. Contract balances consist of contract assets and contract liabilities. Contract assets are recorded when the right to consideration for services is conditional on something other than the passage of time. Contract assets relating to unbilled receivables are transferred to accounts receivable when the right to consideration becomes unconditional. Contract assets are classified as current or non-current based on the timing of the Company's rights to the unconditional payments. Contract assets are generally classified as current and recorded within other current assets on the Company's consolidated balance sheets.

Contract liabilities include advance customer payments and billings in excess of revenue recognized. The Company generally classifies contract liabilities in accrued expenses and other current liabilities and in other long-term liabilities on the Company's consolidated balance sheets. The Company anticipates that it will satisfy most of its performance obligations associated with its contract liabilities within a year.

The following table provides information about the Company's contract assets and contract liabilities from contracts with clients as of June 30, 2020 and December 31, 2019.

	June 30, 2020	December 31, 2019
Contract assets	$ 3,595	$ 6,165
Contract liabilities	6,719	4,930

Significant changes in the contract assets and the contract liabilities balances during the six months ended June 30, 2020 are as follows:

	June 30, 2020
Contract assets:	
Contract assets, beginning of period	$ 6,165
Decreases due to cash received	(4,147)
Changes to the contract assets at the beginning of the period as a result of changes in estimates	394
Increases, net of reclassifications to receivables	1,183
Contract assets, end of period	$ 3,595
Contract liabilities:	
Contract liabilities, beginning of period	$ 4,930
Revenue recognized that was included in the contract liabilities balance at the beginning of the period	(3,614)
Increases due to cash received, excluding amounts recognized as revenue during the period	5,403
Contract liabilities, end of period	$ 6,719

During the six months ended June 30, 2019, the Company recognized $1,408 of revenue that was included in the December 31, 2018 contract liability balance of $1,733.

TABULA RASA HEALTHCARE, INC.
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4. Net Loss per Share

Basic net loss per share is computed by dividing net loss by the weighted average number of shares of common stock of the Company outstanding during the period. Diluted net loss per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the period plus the impact of dilutive securities using the treasury stock method, to the extent that they are not anti-dilutive.

The following table presents the calculation of basic and diluted net loss per share for the Company's common stock:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Numerator (basic and diluted):				
Net loss	$ (14,310)	$ (6,529)	$ (28,747)	$ (17,508)
Denominator (basic and diluted):				
Weighted average shares of common stock outstanding, basic and diluted	21,556,646	20,482,032	21,465,772	20,433,564
Net loss per share, basic and diluted	$ (0.66)	$ (0.32)	$ (1.34)	$ (0.86)

The following potential common shares, presented based on amounts outstanding for the three and six months ended June 30, 2020 and 2019, were excluded from the calculation of diluted net loss per share for three and six months ended June 30, 2020 and 2019 because including them would have had an anti-dilutive effect.

	June 30,	
	2020	2019
Stock options to purchase common stock	2,498,663	2,948,279
Unvested restricted stock	1,322,064	1,445,817
Common stock warrants	4,646,393	4,646,393
Contingently issuable shares	58,409	5,000
	8,525,529	9,045,489

Shares associated with the conversion of the convertible senior subordinated notes have been excluded from the table above.

5. Acquisitions

PrescribeWellness

On March 5, 2019, the Company entered into, and consummated the transactions contemplated by, a Merger Agreement (the "Merger Agreement") with Prescribe Wellness, LLC, a Nevada limited liability company ("PrescribeWellness"), and Fortis Advisors LLC, a Delaware limited liability company, solely in its capacity as the initial Holder Representative. PrescribeWellness was a standalone entity and was a leading cloud-based patient engagement solutions company that facilitated collaboration for more than 12,000 pharmacies with patients, payers, providers, and pharmaceutical companies. The Company paid $150,000 in cash consideration upon closing, subject to certain customary adjustments as set forth in the Merger Agreement. The acquisition was considered an asset acquisition for tax purposes and accordingly, the goodwill and amortization of intangible assets resulting from the acquisition is deductible for tax purposes. See Note 5 set forth in the Company's audited financial statements included as part of the 2019 Form 10-K for additional information on the PrescribeWellness acquisition.

Revenue from PrescribeWellness is primarily comprised of subscription fees for its cloud-based patient engagement solutions. Revenue for these services, and the related costs, is recognized each month as performance

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obligations are satisfied and costs are incurred, and is included in service revenue and cost of revenue – service cost, respectively, in the Company's consolidated statements of operations. For the three and six months ended June 30, 2019, service revenue of $7,919 and $10,110, respectively, from PrescribeWellness was included in the Company's consolidated statements of operations. Service revenue was recorded net of a reduction of $544 and $747 for the three and six months ended June 30, 2019, respectively, due to the purchase accounting effects of recording deferred revenue at fair value. Net loss of $2,925 and $3,796, which included amortization of $3,277 and $4,151 associated with acquired intangible assets, from PrescribeWellness, was included in the Company's consolidated statements of operations for the three and six months ended June 30, 2019, respectively.

DoseMe

On January 2, 2019, the Company completed the acquisition of all of the outstanding share capital and options to purchase the share capital of DoseMe Holdings Pty Ltd, a proprietary company limited by shares organized under the Laws of Australia ("DoseMe"). DoseMe is the developer of DoseMeRx, an advanced precision dosing tool that helps physicians and pharmacists accurately dose patients' high-risk parenteral (intravenous) medications based on individual needs. The acquisition was made pursuant to a Share Purchase Deed, made and entered into as of November 30, 2018. The consideration for the acquisition was comprised of (i) cash consideration of $10,000 paid at closing, subject to certain customary post-closing adjustments as set forth in the Share Purchase Deed, (ii) the issuance of 149,053 shares of the Company's common stock, and (iii) the potential for a contingent earn-out payment, based on the financial performance of DoseMe. During the third quarter of 2019, the Company paid $8,750 in cash in full satisfaction of the contingent purchase price consideration. The acquisition was considered an asset acquisition for tax purposes and accordingly, the goodwill and amortization of intangible assets resulting from the acquisition is deductible for U.S. tax purposes. See Note 5 set forth in the Company's audited financial statements included as part of the 2019 Form 10-K for additional information on the DoseMe acquisition.

Revenue from DoseMe is primarily comprised of subscription and license fees for use of DoseMe's advanced precision dosing software tool. Revenue for these services, and the related costs, is recognized each month as performance obligations are satisfied and costs are incurred, and is included in service revenue and cost of revenue – service cost, respectively, in the Company's consolidated statements of operations. Service revenue of $72 and $138 and net loss of $769 and $1,995, which included amortization of $579 and $1,141 associated with acquired intangible assets, from DoseMe were included in the Company's consolidated statements of operations for the three and six months ended June 30, 2019, respectively.

Pro forma

The unaudited pro forma results presented below include the results of the aforementioned acquisitions as if they had been consummated as of January 1, 2018. The unaudited pro forma results include the amortization associated with acquired intangible assets, interest expense on the debt incurred to fund these acquisitions, insurance expense for additional required business insurance coverage, stock-based compensation expense related to equity awards granted to employees of the acquired companies, adjustments to revenue for the purchase accounting effects of recording deferred revenue at fair value, and the estimated tax effect of adjustments to income (loss) before income taxes. Material nonrecurring charges, including direct acquisition costs, directly attributable to the transactions are excluded. In addition, the unaudited pro forma results do not include any expected benefits of the acquisitions. Accordingly, the unaudited pro forma results are not necessarily indicative of either future results of operations or results that might have been achieved had the acquisitions been consummated as of January 1, 2018.

	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Revenue	$ 76,255	$ 142,961
Net loss	(6,395)	(18,104)

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6. Property and Equipment

Accumulated depreciation was $15,701 and $13,728 as of June 30, 2020 and December 31, 2019, respectively. Depreciation expense on property and equipment for the three months ended June 30, 2020 and 2019 was $1,234 and $1,089, respectively. Depreciation expense on property and equipment for the six months ended June 30, 2020 and 2019 was $2,502 and $2,097, respectively.

7. Software Development Costs

The Company capitalizes certain costs incurred in connection with obtaining or developing its proprietary software platforms, which are used to support its service contracts, including external direct costs of material and services, payroll costs for employees directly involved with the software development, and interest expense related to the borrowings attributable to software development. As of June 30, 2020 and December 31, 2019, capitalized software costs consisted of the following:

	June 30, 2020	December 31, 2019
Software development costs	$ 38,607	$ 29,714
Less: accumulated amortization	(15,185)	(11,213)
Software development costs, net	$ 23,422	$ 18,501
Capitalized software development costs included above not yet subject to amortization	$ 2,148	$ 3,294

Amortization expense for the three months ended June 30, 2020 and 2019 was $2,154 and $905, respectively. Amortization expense for the six months ended June 30, 2020 and 2019 was $3,977 and $1,529, respectively.

8. Goodwill and Intangible Assets

Intangible assets consisted of the following as of June 30, 2020 and December 31, 2019:

	Weighted Average Amortization Period (in years)	Gross Value	Accumulated Amortization	Intangible Assets, net
June 30, 2020				
Trade names	3.5	$ 11,255	$ (4,577)	$ 6,678
Client relationships	12.2	128,169	(26,528)	101,641
Non-competition agreements	5.0	6,602	(3,302)	3,300
Developed technology	8.0	68,593	(20,398)	48,195
Patient database	5.0	21,700	(5,787)	15,913
Domain name	10.0	59	(18)	41
Total intangible assets		$ 236,378	$ (60,610)	$ 175,768

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	Weighted Average Amortization Period (in years)	Gross Value	Accumulated Amortization	Intangible Assets, net
December 31, 2019				
Trade names	7.1	$ 11,255	$ (3,845)	$ 7,410
Client relationships	12.2	128,169	(20,977)	107,192
Non-competition agreements	5.0	6,602	(2,641)	3,961
Developed technology	8.0	68,593	(15,870)	52,723
Patient database	5.0	21,700	(3,617)	18,083
Domain name	10.0	59	(15)	44
Total intangible assets		$ 236,378	$ (46,965)	$ 189,413

Amortization expense for intangible assets for the three months ended June 30, 2020 and 2019 was $6,823 and $7,084, respectively. Amortization expense for intangible assets for the six months ended June 30, 2020 and 2019 was $13,645 and $11,751, respectively.

The estimated amortization expense for the remainder of 2020 and each of the next five years and thereafter is as follows:

Years Ending December 31,	
2020 (July 1 - December 31)	$ 16,584
2021	26,972
2022	25,646
2023	24,436
2024	17,433
2025	11,565
Thereafter	53,132
Total estimated amortization expense	$ 175,768

9. Accrued Expenses and Other Liabilities

As of June 30, 2020 and December 31, 2019, accrued expenses and other liabilities consisted of the following:

	June 30, 2020	December 31, 2019
Employee related expenses	$ 9,122	$ 12,582
Contract liability	6,234	4,857
Client funds obligations*	3,132	4,106
Contract labor	2,143	329
Interest	2,133	2,133
Professional fees	247	337
Royalties expense	180	17
Non-income taxes payable	1,043	898
Other expenses	2,710	1,647
Total accrued expenses and other liabilities	$ 26,944	$ 26,906

*This amount represents clients' funds held by the Company, with an offsetting amount included in restricted cash.

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10. Lines of Credit and Long-Term Debt

(a) Lines of Credit

On September 6, 2017, the Company entered into an Amended and Restated Loan and Security Agreement (as subsequently amended, the "Amended and Restated 2015 Line of Credit"), whereby the Company amended and restated its revolving line of credit, originally entered into with Bridge Bank (now Western Alliance Bank) in 2015. The Amended and Restated 2015 Line of Credit provides for borrowing availability in an aggregate amount up to $60,000 to be used for general corporate purposes, with a $1,000 sublimit for cash management services, letters of credit and foreign exchange transactions. The Amended and Restated 2015 Line of Credit matures on September 6, 2020.

Interest on the Amended and Restated 2015 Line of Credit is calculated at a variable rate based upon Western Alliance Bank's prime rate plus an applicable margin which will range from (0.25%) to 0.25% depending on the Company's leverage ratio, with Western Alliance Bank's prime rate having a floor of 3.5%.

As of June 30, 2020, the Company was in compliance with all covenants related to the Amended and Restated 2015 Line of Credit.

As of June 30, 2020, the Company has an outstanding letter of credit of $200 issued pursuant to the Amended and Restated 2015 Line of Credit in connection with the Company's lease agreement for the office space in Moorestown, NJ. The letter of credit renews annually and expires in September 2027 and reduces amounts available under the Amended and Restated 2015 Line of Credit.

As of June 30, 2020 and December 31, 2019, there were no amounts outstanding under the Amended and Restated 2015 Line of Credit. Amounts available for borrowings under the Amended and Restated 2015 Line of Credit were $59,800 as of June 30, 2020.

As of June 30, 2020, the interest rate on the Amended and Restated 2015 Line of Credit was 5.58%. No interest expense was incurred for the three and six months ended June 30, 2020 as there were no aggregate borrowings outstanding during the three and six months ended June 30, 2020. As of June 30, 2019, the interest rate on the Amended and Restated 2015 Line of Credit was 5.58% and interest expense was $351 for the six months ended June 30, 2019. No interest expense was incurred for the three months ended June 30, 2019 as there were no aggregate borrowings outstanding related to the Amended and Restated 2015 Line of Credit for the three months ended June 30, 2019.

In connection with the Amended and Restated 2015 Line of Credit (and all predecessor agreements prior to the amendment or the amendment and restatement thereof), the Company recorded deferred financing costs of $793. The Company is amortizing the deferred financing costs to interest expense using the effective-interest method over the term of the Amended and Restated 2015 Line of Credit and amortized $99 and $61 to interest expense for the three months ended June 30, 2020 and 2019, respectively, and $199 and $109 for the six months ended June 30, 2020 and 2019, respectively. Deferred financing costs of $67 and $266, net of accumulated amortization, are included in other assets on the accompanying consolidated balance sheets as of June 30, 2020 and December 31, 2019, respectively.

(b) Convertible Senior Subordinated Notes

On February 12, 2019, the Company issued and sold an aggregate principal amount of $325,000 of 1.75% convertible senior subordinated notes (the "2026 Notes") in a private placement pursuant to Rule 144A under the Securities Act of 1933, as amended. The 2026 Notes bear interest at a rate of 1.75% per year, payable semiannually in arrears on February 15 and August 15 of each year, beginning on August 15, 2019. The notes will mature on February 15, 2026, unless earlier converted or repurchased. The initial conversion rate for the notes is 14.2966 shares of the Company's common stock per $1 principal amount of notes. This conversion rate is equal to an initial conversion price of approximately $69.95 per share of the Company's common stock.

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Holders may convert all or any portion of their 2026 Notes at any time prior to the close of business on the business day immediately preceding August 15, 2025 only under the following circumstances: (1) during any calendar quarter commencing after March 31, 2019 (and only during such calendar quarter), if the last reported sale price of the Company's common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (2) during the five business day period after any five consecutive trading day period (the measurement period) in which the trading price (as defined in the indenture governing the 2026 Notes) per $1 principal amount of 2026 Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of the Company's common stock and the conversion rate on each such trading day; or (3) upon the occurrence of specified corporate events, including certain distributions, the occurrence of a fundamental change or make-whole fundamental change (as defined in the indenture governing the 2026 Notes) or a transaction resulting in the Company's common stock converting into other securities or property or assets. On or after August 15, 2025 until the close of business on the first scheduled trading day immediately preceding the maturity date, a holder may convert all or any portion of its 2026 Notes regardless of the foregoing circumstances. Upon conversion, the Company will pay or deliver shares of our common stock, cash or a combination thereof at the Company's option. As of June 30, 2020, none of the conditions allowing holders of the 2026 Notes to convert had been met.

In accounting for the issuance of the 2026 Notes, the Company separated the 2026 Notes into liability and equity components. The carrying amount of the equity component representing the conversion option was $102,900 and was determined by deducting the fair value of the liability component from the par value of the 2026 Notes. The equity component is not remeasured as long as it continues to meet the conditions for equity classification. The initial associated deferred tax effect of $25,884 was recorded as a reduction of additional paid-in capital because the equity component is not currently expected to be deductible for income tax purposes. The excess of the principal amount of the liability component over its carrying amount ("debt discount") is amortized to interest expense over the term of the 2026 Notes at an effective interest rate of 8.05% over the contractual term.

Debt issuance costs related to the 2026 Notes of $9,372 were allocated to the liability and equity components of the 2026 Notes based on their relative values. Issuance costs attributable to the liability component were $6,405 and will be amortized to interest expense using the effective interest method over the contractual term. Issuance costs attributable to the equity component were netted with the equity component in stockholders' equity.

During the three months ended June 30, 2020, the Company recognized $4,638 of interest expense related to the 2026 Notes, of which $1,423 was accrued and $3,215 was non-cash accretion of the debt discounts recorded. During the six months ended June 30, 2020, the Company recognized $9,211 of interest expense related to the 2026 Notes, of which $2,844 was accrued and $6,367 was non-cash accretion of the debt discounts recorded.

During the three months ended June 30, 2019, the Company recognized $4,389 of interest expense related to the 2026 Notes, of which $1,422 was accrued and $2,967 was non-cash accretion of the debt discounts recorded. During the six months ended June 30, 2019, the Company recognized $6,659 of interest expense related to the 2026 Notes, of which $2,164 was accrued and $4,494 was non-cash accretion of the debt discounts recorded.

The 2026 Notes have been, and will be, classified as long-term debt on the Company's consolidated balance sheets until such 2026 Notes are within one year of maturity. The 2026 Notes have a carrying value of $232,658 as of June 30, 2020. Accrued interest payable on the 2026 Notes of $2,133 as of June 30, 2020 is included in accrued expenses and other liabilities on the consolidated balance sheet.

(c) Convertible Note Hedge and Warrant Transactions

In connection with the offering of the 2026 Notes, the Company entered into convertible note hedge transactions with affiliates of certain of the initial purchasers (the "option counterparties") of the 2026 Notes pursuant to the terms of call option confirmations. The Company has the option to purchase a total of 4,646,393 shares of its

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common stock at a price of approximately $69.95 per share. The total premiums paid for the note hedges were $101,660. The Company also entered into warrant transactions with the option counterparties whereby they have the option to purchase 4,646,393 shares of the Company's common stock at a price of $105.58 per share. The Company received $65,910 in cash proceeds from the sale of the warrants. As these instruments are considered indexed to the Company's own stock and are considered equity classified, the convertible note hedges and warrants are recorded in stockholders' equity, are not accounted for as derivatives and are not remeasured each reporting period. The net costs incurred in connection with the convertible note hedge and warrant transactions were recorded as a reduction to additional paid-in capital on the Company's consolidated balance sheets.

The convertible note hedge transactions are expected generally to reduce the potential dilution to the Company's common stock upon conversion of the 2026 Notes and/or offset any potential cash payments the Company is required to make in excess of the principal amount of converted 2026 Notes, as the case may be. The warrant transactions could separately have a dilutive effect on the Company's common stock to the extent that the market price per share of the Company's common stock exceeds the strike price of the warrants.

(d) Long-Term Debt

The following table represents the total long-term debt obligations of the Company at June 30, 2020 and December 31, 2019:

	June 30, 2020	December 31, 2019
Convertible senior subordinated notes	$ 325,000	$ 325,000
Unamortized discount, including debt issuance costs, on convertible senior subordinated notes	(92,342)	(98,709)
Convertible senior subordinated notes, net	232,658	226,291
Finance leases	8	128
Total long-term debt and finance leases, net	232,666	226,419
Less current portion, net	(8)	(125)
Total long-term debt and finance leases, less current portion, net	$ 232,658	$ 226,294

11. Income Taxes

For the six months ended June 30, 2020, the Company recorded an income tax benefit of $3,875, which resulted in an effective tax rate of 11.9%. The effective tax rate differs from the U.S. statutory tax rate primarily due to an increase in the valuation allowance that is currently limiting the realizability of the Company's net deferred tax assets as of June 30, 2020. Accordingly, the year to date tax benefit was limited due to unbenefited losses in the six months ended June 30, 2020. The Company calculates its provision for income taxes during its interim periods by applying the estimated annual effective tax rate for the full year ordinary income or loss to the respective reporting period's year to date income or loss, while also adding any income tax expense or benefit related to discrete items occurring within that interim period.

For the six months ended June 30, 2019, the Company recorded an income tax benefit of $6,580, which resulted in an effective tax rate of 27.3%. The tax benefit primarily consists of $3,884 based on the estimated effective tax rate for the full year and $2,186 of windfall tax benefits generated from the vesting of restricted stock, disqualifying dispositions and exercising of nonqualified stock options during the period.

12. Stockholders' Equity

In connection with the offering of the 2026 Notes, the Company issued warrants to purchase 4,646,393 shares of the Company's common stock at a price of $105.58 per share. As of June 30, 2020, no warrants have been exercised and all warrants to purchase shares of the Company's common stock were outstanding. See Note 10 for additional information related to the 2026 Notes.

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13. Stock-Based Compensation

In September 2016, the Company adopted the 2016 Equity Compensation Plan ("2016 Plan"). During the term of the 2016 Plan, the share reserve will automatically increase on the first trading day in January of each calendar year by an amount equal to the lesser of 5% of the total number of outstanding shares of common stock on the last trading day in December of the prior calendar year or such other number set by the Company's Board of Directors (the "Board"). In accordance with the terms of the 2016 Plan, the share reserve increased by 1,116,065 shares on January 2, 2020. As of June 30, 2020, 1,128,118 shares were available for future grants under the 2016 Plan.

Restricted Common Stock

The following table summarizes the restricted stock award activity under the 2016 Plan for the six months ended June 30, 2020:

	Number of shares	Weighted average grant-date fair value
Outstanding at December 31, 2019	1,213,581	$ 37.69
Granted	428,656	66.65
Vested	(280,995)	45.39
Forfeited	(39,178)	55.72
Outstanding at June 30, 2020	1,322,064	$ 44.91

For the three months ended June 30, 2020 and 2019, $4,809 and $3,361 of expense was recognized related to restricted stock awards, respectively. For the six months ended June 30, 2020 and 2019, $8,948 and $6,086 of expense was recognized related to restricted stock awards, respectively. As of June 30, 2020, there was unrecognized compensation expense of $47,428 related to non-vested restricted stock awards under the 2016 Plan, which is expected to be recognized over a weighted average period of 2.9 years.

Performance-Based Equity Awards

On August 6, 2018, the Board approved the grant of a performance-based stock award to a consultant pursuant to the 2016 Plan. The award provided that 50,000 shares of common stock would be issued based on the achievement of certain milestones. The award had a grant-date fair value of $61.85 per share based on the Company's closing stock price on the grant date. Compensation cost was recognized over the service period based on management's determination that it was probable that the milestones would be achieved. As of December 31, 2019, all milestones were achieved and there was no unrecognized compensation expense related to the performance-based stock award. During the first quarter of 2020, the Company issued 5,000 shares of common stock related to this award for the achievement of the final milestone. For the three and six months ended June 30, 2019, the Company recorded $399 and $1,314 of expense related to the performance-based stock award.

On May 4, 2020, pursuant to the 2016 Plan, the Board approved grants totaling 10,686 shares of restricted stock to an employee. The grants vest subject to certain performance conditions being achieved during the two-year period ending March 2, 2022. The awards have a grant-date fair value of $56.14 per share based on the Company's closing stock price on the grant date. Stock compensation costs associated with these grants are recognized over the service period based upon the Company's assessment of the probability that the performance conditions will be achieved. The Company recognized no stock compensation expense related to these grants for the three and six months ended June 30, 2020 as the achievement of the underlying performance conditions was considered unlikely. As of June 30, 2020, there was $600 of cumulative unrecognized compensation expense related to these performance-based restricted stock awards.

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Other Stock Awards

During the first quarter of 2020, the Board approved the grant of stock awards to select employees pursuant to the 2016 Plan. The awards provided for the issuance of 9,386 shares of the Company's common stock, which immediately vested on the grant date. These grants had a weighted average grant-date fair value of $52.29 per share. For the six months ended June 30, 2020, the Company recorded $491 of expense related to these stock awards.

During the six months ended June 30, 2019, the Board approved the grant of stock awards to select employees and a non-employee director pursuant to the 2016 Plan. The awards provide for the issuance of 19,648 shares of the Company's common stock, which immediately vested on the grant date. These grants had a weighted average grant-date fair value of $53.03 per share. For the three and six months ended June 30, 2019, the Company recorded $504 and $1,042 of expense related to these stock awards.

Stock Options

The Company recorded $2,364 and $2,642 of stock-based compensation expense related to employee and non-employee stock options for the three months ended June 30, 2020 and 2019, respectively. The Company recorded $4,871 and $5,316 of stock-based compensation expense related to employee and non-employee stock options for the six months ended June 30, 2020 and 2019, respectively. The Company records forfeitures as they occur.

The estimated fair value of options granted was calculated using a Black-Scholes option-pricing model. The computation of expected life for employees was determined based on the simplified method. The risk-free rate is based on the U.S. Treasury security with terms equal to the expected time of exercise as of the grant date. The Company's common stock had not been publicly traded until its IPO commenced on September 29, 2016; therefore, expected volatility is based on a combination of the historical volatilities of the Company's common stock and the historical volatilities of selected public companies whose services are comparable to that of the Company. The table below sets forth the weighted average assumptions for employee grants during the six months ended June 30, 2020 and 2019:

	Six Months Ended June 30,	
Valuation assumptions:	2020	2019
Expected volatility	56.10 %	69.60 %
Expected term (years)	5.25	6.02
Risk-free interest rate	1.22 %	2.50 %
Dividend yield	—	—

The weighted average grant date fair value of employee options granted during the six months ended June 30, 2020 and 2019 was $33.78 and $34.94 per share, respectively.

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The following table summarizes stock option activity under the 2016 Plan for the six months ended June 30, 2020:

	Number of shares	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
Outstanding at December 31, 2019	2,755,343	$ 25.10		
Granted	5,000	68.10		
Exercised	(223,980)	11.11		
Forfeited	(37,700)	48.73		
Outstanding at June 30, 2020	2,498,663	$ 26.08	6.6	$ 73,296
Options vested and expected to vest at June 30, 2020	2,498,663	$ 26.08	6.6	$ 73,296
Exercisable at June 30, 2020	1,715,578	$ 18.48	5.9	$ 62,853

The aggregate intrinsic value of stock options is calculated as the difference between the exercise price of the stock options and the Company's closing stock price or estimated fair value on the last trading day of the fiscal quarter for those stock options that had exercise prices lower than the fair value of the Company's common stock. This amount changes based on the fair market value of the Company's stock. The total intrinsic value of options exercised during the six months ended June 30, 2020 and 2019 was $9,656 and $5,959, respectively.

As of June 30, 2020, there was $19,044 of total unrecognized compensation cost related to nonvested stock options granted under the 2016 Plan, which is expected to be recognized over a weighted average period of 2.3 years.

Cash received from option exercises for the six months ended June 30, 2020 and 2019 was $2,312 and $1,536, respectively.

The Company recorded total stock-based compensation expense for the three and six months ended June 30, 2020 and 2019 in the following expense categories of its consolidated statements of operations:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Cost of revenue - product	$ 193	$ 313	$ 375	$ 622
Cost of revenue - service	839	994	1,602	1,978
Research and development	1,071	1,806	2,480	4,088
Sales and marketing	523	1,105	1,051	2,092
General and administrative	4,547	2,688	8,802	4,978
Total stock-based compensation expense	$ 7,173	$ 6,906	$ 14,310	$ 13,758

14. Fair Value Measurements

The Company's financial instruments consist of accounts receivable, contract assets, accounts payable, contract liabilities, accrued expenses, acquisition-related contingent consideration, and long-term debt, which includes the Company's convertible senior subordinated notes and finance leases. The carrying values of accounts receivable, contract assets, accounts payable, contract liabilities, and accrued expenses are representative of their fair value due to the relatively short-term nature of those instruments. See below for additional information on the Company's convertible senior subordinated notes.

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The Company has classified liabilities measured at fair value on a recurring basis at June 30, 2020 and December 31, 2019 as follows:

	Fair Value Measurement at Reporting Date Using			
	Level 1	Level 2	Level 3	Balance as of June 30, 2020
Liabilities				
Acquisition-related contingent consideration - long-term	$ —	$ —	$11,400	$ 11,400

	Fair Value Measurement at Reporting Date Using			
	Level 1	Level 2	Level 3	Balance as of December 31, 2019
Liabilities				
Acquisition-related contingent consideration - long-term	$ —	$ —	$10,800	$ 10,800

Acquisition-related contingent consideration is measured at fair value on a recurring basis using unobservable inputs, hence these instruments represent Level 3 measurements within the fair value hierarchy. The acquisition-related contingent consideration liability represents the estimated fair value of the additional cash and equity consideration payable that is contingent upon the achievement of certain financial and performance milestones. In accordance with Accounting Standards Codification ("ASC") 805, *Business Combinations*, all changes in liability-classified contingent consideration subsequent to the initial acquisition-date measurement are recorded in net income or loss.

In connection with the acquisition of the Cognify business, additional consideration may be payable by the Company based on a multiple of the excess of certain PACE solutions' 2021 revenues and Adjusted EBITDA over their 2018 revenues and Adjusted EBITDA, as defined in the stock purchase agreement. The Cognify acquisition-related contingent consideration, which is liability-classified, was recorded at the estimated fair value at the acquisition date of October 19, 2018. The Company, with the assistance of a third-party appraiser, utilized a Monte Carlo simulation to derive estimates of the contingent consideration payments as of the acquisition date and at each subsequent period. During the three months ended June 30, 2020, the Company recorded a $100 remeasurement gain for the change in the fair value of the Cognify acquisition-related contingent consideration liability primarily due to a decrease in the forecasted Adjusted EBITDA used in the contingent consideration payment calculation, which was offset by the impact of a decreased discount period to the final measurement date. During the six months ended June 30, 2020, the Company recorded a $600 charge for the change in the fair value of Cognify acquisition-related contingent consideration primarily due to a decreased discount period to the final measurement date. During the three and six months ended June 30, 2019, the Company recorded a $1,500 and $2,400 charge, respectively, for the change in the fair value of Cognify acquisition-related contingent consideration primarily due to a decreased discount period to the final measurement date.

The fair value of the Cognify acquisition-related contingent consideration was calculated to be $11,400 and $10,800 as of June 30, 2020 and December 31, 2019, respectively. The final amount of the contingent consideration liability will be fixed as of December 31, 2021. The maximum contingent consideration amount that could be earned under the stock purchase agreement is $14,000.

The changes in fair value of the Company's acquisition-related contingent consideration for the six months ended June 30, 2020 were as follows:

Balance at December 31, 2019	$ 10,800
Adjustments to fair value measurement	600
Balance at June 30, 2020	$ 11,400

TABULA RASA HEALTHCARE, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands, except share and per share data)

The following table presents the financial instruments that are not carried at fair value but require fair value disclosure as of June 30, 2020:

	Face Value	Carrying Value	Fair Value
1.75% Convertible Senior Subordinated Notes due 2026	$325,000	$232,658	$332,111

The fair value of the 2026 Notes at each balance sheet date is determined based on recent quoted market prices for these notes which is a Level 2 measurement. As discussed in Note 10, the 2026 Notes are carried at their aggregate face value of $325,000, less any unaccreted debt discount and unamortized debt issuance costs.

15. Commitments and Contingencies

(a) Legal Proceedings

The Company is not currently involved in any significant claims or legal actions that, in the opinion of management, are expected to have a material adverse impact on the Company.

(b) Vendor Purchase Agreements

In May 2016, the Company signed a prime vendor agreement with AmerisourceBergen Drug Corporation (“AmerisourceBergen”). The agreement was not renewed upon expiration in April 2019, but the Company continues to purchase from AmerisourceBergen from time to time on a purchase order basis. Pursuant to the terms of a security agreement entered into in connection with the prime vendor agreement, which still remains in place, AmerisourceBergen also holds a subordinated security interest in all of the Company’s assets.

On March 29, 2019, the Company entered into an Affiliated Pharmacy Agreement and Pharmaceutical Program Supply Agreement (the “Prior Thrifty Drug Agreements”) with Thrifty Drug Stores, Inc. (“Thrifty Drug”) to replace the prime vendor agreement with AmerisourceBergen. On July 1, 2020, the Company entered into a new Affiliated Pharmacy Agreement and Pharmaceutical Program Supply Agreement with Thrifty Drug (the “Thrifty Drug Agreements”) to replace the Prior Thrifty Drug Agreements, which, among other things, extended the Company’s agreement with Thrifty Drug through September 30, 2023. Pursuant to the terms of the Thrifty Drug Agreements, the Company has agreed to purchase not less than 98% of the Company’s total prescription product requirements from Thrifty Drug. The Company commenced purchasing prescription products under the Prior Thrifty Drug Agreements in May 2019 and has continued to do so under the Thrifty Drug Agreements beginning in July 2020. Both the Prior Thrifty Drug Agreements and the Thrifty Drug Agreements authorize Thrifty Drug to hold a security interest in all of the products purchased by the Company under the respective agreements.

As of June 30, 2020, the Company had $2,399 due to AmerisourceBergen and Thrifty Drug as a result of prescription drug purchases. As of December 31, 2019, the Company had $2,465 due to AmerisourceBergen and Thrifty Drug as a result of prescription drug purchases.

In December 2019, the Company entered into an updated agreement with its data aggregation partner related to the Company’s pharmacy cost management services. The agreement is effective January 1, 2020 with a three-year term expiring December 31, 2022 and commits the Company to a monthly minimum purchase obligation of $30.

TABULA RASA HEALTHCARE, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands, except share and per share data)

16. Segment Reporting

The Company operates its business through two segments. The Company's chief operating decision maker (“CODM”), the Chief Executive Officer, allocates resources and assesses performance based upon financial information at the reportable segment level. Substantially all revenues are generated and substantially all tangible assets are held in the U.S. The Company classifies its operations into two reportable segments as follows:

CareVention HealthCare primarily provides services to PACE organizations that include medication fulfillment pharmacy services and PACE solutions such as medication safety services and health plan management services.

MedWise HealthCare clients include health plans, pharmacies, and healthcare providers. Services provided to these clients include medication safety services and software subscription solutions, which allow for the identification of individuals with high medication-related risk, patient communication and engagement, documentation of clinical interventions regarding optimizing medication therapy, targeting adherence improvement and precision dosing.

Shared services primarily consist of unallocated corporate sales and marketing expenses and general and administrative expenses associated with the management and administration of the Company’s business objectives.

The CODM uses revenue in accordance with U.S. GAAP and Adjusted EBITDA as the relevant segment performance measures to evaluate the performance of the segments and allocate resources.

Adjusted EBITDA is a segment performance financial measure that offers a useful view of the overall operation of the Company’s businesses and may be different than similarly-titled segment performance financial measures used by other companies.

Adjusted EBITDA is defined as net income (loss) plus certain other expenses, which includes interest expense, provision (benefit) for income tax, depreciation and amortization, change in fair value of acquisition-related contingent consideration expense (income), acquisition-related expense and stock-based compensation expense. The Company considers acquisition-related expense to include nonrecurring direct transaction and integration costs, severance, and the impact of purchase accounting adjustments related to the fair value of acquired deferred revenue.

Management considers revenue and Adjusted EBITDA to be the appropriate metric to evaluate and compare the ongoing operating performance of the Company’s segments on a consistent basis across reporting periods as they eliminate the effect of items which are not indicative of each segment's core operating performance.

TABULA RASA HEALTHCARE, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands, except share and per share data)

The following tables present the Company's segment information:

	CareVention HealthCare	MedWise HealthCare	Consolidated
Revenue:			
Three Months Ended June 30, 2020			
Product revenue	$ 38,930	$ 443	$ 39,373
Service revenue			
PACE solutions	11,522	—	11,522
Medication safety services	—	15,707	15,707
Software subscription and services	—	10,232	10,232
Total service revenue	11,522	25,939	37,461
Total revenue	$ 50,452	$ 26,382	$ 76,834
Three Months Ended June 30, 2019			
Product revenue	$ 33,372	$ —	$ 33,372
Service revenue			
PACE solutions	11,437	—	11,437
Medication safety services	—	22,498	22,498
Software subscription and services	—	8,948	8,948
Total service revenue	11,437	31,446	42,883
Total revenue	$ 44,809	$ 31,446	$ 76,255
Six Months Ended June 30, 2020			
Product revenue	$ 76,017	$ 443	$ 76,460
Service revenue			
PACE solutions	23,093	—	23,093
Medication safety services	—	30,027	30,027
Software subscription and services	—	20,081	20,081
Total service revenue	23,093	50,108	73,201
Total revenue	$ 99,110	$ 50,551	$ 149,661
Six Months Ended June 30, 2019			
Product revenue	$ 64,354	$ —	$ 64,354
Service revenue			
PACE solutions	22,611	—	22,611
Medication safety services	—	37,849	37,849
Software subscription and services	—	12,400	12,400
Total service revenue	22,611	50,249	72,860
Total revenue	$ 86,965	$ 50,249	$ 137,214

TABULA RASA HEALTHCARE, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands, except share and per share data)

	CareVention HealthCare	MedWise HealthCare	Shared Services	Consolidated
Adjusted EBITDA (loss):				
Three Months Ended June 30, 2020				
Adjusted EBITDA (loss)	$ 12,077	$ 4,697	$ (9,640)	$ 7,134
Three Months Ended June 30, 2019				
Adjusted EBITDA (loss)	$ 11,466	$ 9,059	$ (6,873)	$ 13,652
Six Months Ended June 30, 2020				
Adjusted EBITDA (loss)	$ 23,825	$ 7,528	$ (19,412)	$ 11,941
Six Months Ended June 30, 2019				
Adjusted EBITDA (loss)	$ 22,086	$ 10,707	$ (13,450)	$ 19,343

The following table presents the Company's reconciliation of the segments' total Adjusted EBITDA to net loss as presented in the consolidated statements of operations:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Reconciliation of net loss to Adjusted EBITDA				
Net loss	$ (14,310)	$ (6,529)	$ (28,747)	$ (17,508)
Add:				
Interest expense, net	4,668	4,308	9,278	7,001
Income tax benefit	(508)	(2,539)	(3,875)	(6,580)
Depreciation and amortization	10,211	9,078	20,124	15,377
Change in fair value of acquisition-related contingent consideration (income) expense	(100)	1,830	600	3,006
Acquisition-related expense	—	598	251	4,289
Stock-based compensation expense	7,173	6,906	14,310	13,758
Adjusted EBITDA	$ 7,134	$ 13,652	$ 11,941	$ 19,343

Asset information by segment is not a key measure of performance used by the CODM. Accordingly, the Company has not disclosed asset information by segment.

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

The following discussion and analysis of our financial condition and results of operations should be read together with our unaudited consolidated financial statements and related notes and other financial information included in Part 1, Item 1 of this Quarterly Report on Form 10-Q and with our audited consolidated financial statements and related notes thereto for the year ended December 31, 2019, included in our 2019 Form 10-K.

Forward-Looking Statements

This discussion contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are identified by words such as "believe," "will," "may," "estimate," "continue," "anticipate," "intend," "should," "plan," "expect," "predict," "could," "potentially" or the negative of these terms or similar expressions. You should read these statements carefully because they discuss future expectations, contain projections of future results of operations or financial condition, or state other "forward-looking" information. These statements relate to our future plans, objectives, expectations, intentions and financial performance and the assumptions that underlie these statements. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those anticipated in the forward-looking statements. Factors that might cause such a difference include, but are not limited to, (i) the impacts of the current COVID-19 pandemic and other health epidemics; (ii) our ability to adapt to changes or trends within the market for healthcare in the U.S.; (iii) a significant increase in competition from a variety of companies in the health care industry; (iv) developments and changes in laws and regulations, including increased regulation of the healthcare industry through legislative action and revised rules and standards; (v) the extent to which we are successful in gaining new long-term relationships with clients or retaining existing clients; (vi) the growth and success of our clients, which is difficult to predict and is subject to factors outside of our control; (vii) our ability to maintain relationships with a specified drug wholesaler; (viii) increasing consolidation in the healthcare industry; (ix) managing our growth effectively; (x) fluctuations in operating results; (xi) failure or disruption of our information technology and security systems; (xii) dependence on our senior management and key employees; (xiii) our future indebtedness and our ability to obtain additional financing, reduce expenses or generate funds when necessary; and (xiv) the risks described in Part I, Item 1A of our 2019 Form 10-K and Part II, Item 1A of this Quarterly Report on Form 10-Q. Forward-looking statements are based on our management's beliefs and assumptions and on information currently available to our management. These statements, like all statements in this report, speak only as of their date, and we undertake no obligation to update or revise these statements in light of future developments, except as required by applicable law. We caution investors that our business and financial performance are subject to substantial risks and uncertainties.

Overview

We are innovating the next frontier of medication safety, creating solutions designed to empower pharmacists and providers to optimize medication regimens. Our advanced proprietary technology, MedWise™, identifies adverse drug events, so healthcare professionals can minimize harm and reduce medication-related risks. Our software and services help improve patient outcomes, reduce hospitalizations and lower healthcare costs. We also believe we have the most extensive clinical tele-pharmacy network in the United States. Our suite of solutions is trusted by health plans and pharmacies nationwide to assist them in meeting value-based payment requirements. Our vision and mission are supported by our industry-recognized leadership team, our significant investments and collaborations to advance medication safety-related pharmacotherapy research and its application in clinical practice, and our culture, best captured in the 32 "Fundamentals" known as "The TRHC Way."

We operate our business through two segments, CareVention HealthCare and MedWise HealthCare, which accounted for 66% and 34% of revenue, respectively, for both the three and six months ended June 30, 2020. Our CareVention HealthCare segment provides our clients, primarily PACE, with medication fulfillment services, cloud-based software, and clinical pharmacist services at the point-of-care. Our MedWise HealthCare segment provides our clients with cloud-based pharmacy software and full-service clinical pharmacy programs. Substantially all of our revenue is recognized in the U.S. and substantially all of our long-lived assets are located in the U.S.

Our total revenues for the three and six months ended June 30, 2020 were $76.8 million and $149.7 million, respectively, compared to $76.3 million and $137.2 million for the three and six months ended June 30, 2019, respectively. We incurred a net loss of $14.3 million and net loss of $28.7 million for the three and six months ended June 30, 2020, respectively, compared to a net loss of $6.5 million and $17.5 million for the three and six months ended June 30, 2019, respectively. Adjusted EBITDA for the three and six months ended June 30, 2020 was $7.1 million and $11.9 million, respectively, compared to $13.7 million and $19.3 million for the three and six months ended June 30, 2019, respectively. See “Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures — Adjusted EBITDA” for our definition of Adjusted EBITDA, why we present Adjusted EBITDA and a reconciliation of net loss to Adjusted EBITDA.

CareVention HealthCare

CareVention HealthCare primarily services Programs of All-Inclusive Care for the Elderly, or PACE, which is a Centers for Medicare & Medicaid Services, or CMS, sponsored program providing comprehensive medical and social services to adults age 55 and older who need a nursing facility level of care but can live safely in community settings. Our clients include Archcare Senior Life, Trinity Health, Palm Beach PACE, and St. Paul’s PACE. Within our CareVention HealthCare segment, we offer our medication fulfillment services, clinical pharmacist services at the point-of-care, cloud-based software, and health plan management services through a number of different brands including: CareKinesis, Capstone Performance Systems, PeakTPA, Mediture, and Cognify.

The majority of our CareVention HealthCare product and service offerings are fortified by our novel and proprietary Medication Risk Mitigation Matrix, or MRM Matrix, designed to increase patient safety, create and promote adherence to individualized medication regimen, and reduce the total medication burden by eliminating unnecessary prescriptions. Our medication fulfillment and reminder packaging services utilize the MRM Matrix technology to reduce medication-related risk for the high-cost, high-risk PACE population. The CareVention HealthCare suite of offerings also includes risk adjustment services, electronic health records solutions and third party administration services, which are all specifically tailored to the PACE market. The CareVention HealthCare segment revenue model is based on payments on a per-member per-month, or PMPM, basis, payments on a subscription basis, and charges and dispensing fees for medication fulfillment.

MedWise HealthCare

Our MedWise HealthCare segment is primarily comprised of service offerings from our acquisitions of SinfoníaRx in September 2017 and PrescribeWellness in March 2019. As a result of these acquisitions, we are a leading provider of Medication Therapy Management, or MTM, software and services for Medicare, Medicaid, and commercial health plans and also a leading provider of cloud-based patient engagement software and services to more than 15,000 pharmacies nationwide. More than 350 health plans including several Blue Cross Blue Shield organizations, Express Scripts, UnitedHealth Group, and CVS Health utilize our MedWise HealthCare solutions to execute a range of clinical programs. These programs support MTM, Enhanced MTM (a five-year Center for Medicare & Medicaid Innovation Part D pilot that began January 1, 2017), Medicare Part D Star Ratings, Healthcare Effectiveness Data and Information Set (HEDIS) quality measures, and post-hospital discharge care transitions through a combination of our nearly 30,000 PrescribeWellness network pharmacists and/or our clinical tele-pharmacy call centers across the country employing nearly 500 pharmacists. Within our MedWise HealthCare business unit, we offer our cloud-based software and clinical pharmacist services through a number of different brands, including MedWise, SinfoníaRx, RxCompanion, PrescribeWellness, and DoseMeRx. The MedWise HealthCare segment revenue model is based on payments on a PMPM basis, payments on a subscription basis, and payments on a fee-for-service basis for each clinical intervention.

Our Strategy

In early 2020, we articulated a long-term growth strategy based on three key tenets:

1) Further penetration of the PACE market by leveraging our existing CareVention HealthCare membership base and cross-selling to increase our average PMPM fee; growth within our existing clients in part due to the acceleration of the PACE 2.0 Initiative designed to significantly increase enrollment; and continued investments in our offerings to attract new PACE customers.

2) Accelerating the adoption of our MedWise software and clinical pharmacy programs by health plans across all lines of business, including Medicare, Medicaid, and commercial clients.

3) Increasing the number of pharmacists licensing the PrescribeWellness solution set, including the MedWise platform, across our growing pharmacy footprint of more than 15,000 pharmacies nationwide.

We believe demographic, legislative, and industry trends support our long-term growth targets. According to data from the U.S. Census Bureau, the number of Americans age 65 and older is expected to reach 74.1 million by 2030, which will represent more than one in five Americans. An April 2020 report from the Lown Institute noted polypharmacy (defined as five or more medications) has reached “epidemic proportions”. The Institute stated that 40% of seniors (age 65+) are taking five or more prescription medications to treat the growing prevalence of multiple chronic conditions including heart disease, diabetes, asthma, high blood pressure, and cancer.

From a legislative perspective, important drivers that will support our growth are: the long-term transition to value-based care; CMS Medicare Part C and Part D regulations governing Star Ratings; the ongoing Enhanced MTM pilot, and a changing pharmacy landscape, including the expanding scope and role of community pharmacists as highlighted by new state laws, for example, Ohio SB 265; and the April 8, 2020 announcement from the U.S. Department of Health & Human Services authorizing licensed pharmacists to order and administer COVID-19 tests as part of the federal government’s response to the pandemic.

From an industry perspective, we are addressing a large and growing medication therapy problem, which encompasses adverse drug events, or ADEs, compounded by the demographic trends described above. In 2018, there were 5.8 billion prescriptions dispensed in the U.S. per IQVIA Institute, an increase of 2.7% from 2017, and prescriptions for chronic, persistent conditions accounted for more than two-thirds of the total dispensed prescriptions in 2018. In 2018, a review published in the Annals of Pharmacology estimated the annual cost of prescription-related morbidity and mortality resulting from non-optimized medication therapy at $528.4 billion including 275,689 deaths per year.

To supplement our organic growth, we made a total of five acquisitions during 2018 and 2019 and we continue to evaluate strategic acquisitions across both segments of our business. Our March 2019 acquisition of PrescribeWellness allowed us to expand our target markets for our MedWise HealthCare technology to include 61,800 pharmacy practice settings across America. In addition to enhancing our capacity, PrescribeWellness’s pharmacy customers, which are located within five miles of 300 million people in the U.S., also created a local setting to deliver more clinical programs such as MTM for our health plan clients. Our 2018 acquisitions of Cognify (a provider of electronic health record solutions), Mediture (a provider of electronic health record solutions and third-party administrative services), and PeakTPA (a provider of third-party administrative services) have broadened our portfolio of CareVention HealthCare solutions to sell to our existing PACE clients, with a combined patient census of 31,820 at the end of 2019, which represented an increase of 15% from 27,690 at the end of 2018.

Key Business Metrics

We continually monitor certain corporate metrics, including the following key metrics, that are useful in evaluating and managing our operating performance compared to that of other companies in our industry.

	Three Months Ended June 30,		Change	
	2020	2019	$	%
	(Dollars in thousands)			
Revenues	$ 76,834	$ 76,255	$ 579	1 %
Net loss	(14,310)	(6,529)	(7,781)	(119)
Adjusted EBITDA	7,134	13,652	(6,518)	(48)

	Six Months Ended June 30,		Change	
	2020	2019	$	%
	(Dollars in thousands)			
Revenues	$ 149,661	$ 137,214	$ 12,447	9 %
Net loss	(28,747)	(17,508)	(11,239)	(64)
Adjusted EBITDA	11,941	19,343	(7,402)	(38)

We monitor the key metrics in the preceding table to help us evaluate trends, establish budgets, measure the effectiveness and efficiency of our operations, and gauge our cash generation. We discuss Adjusted EBITDA in more detail in “Non-GAAP Financial Measures — Adjusted EBITDA.” We also monitor revenue retention rate and client retention rate on an annual basis, which are described in our 2019 Form 10-K.

Factors Affecting our Future Performance

We believe that our future success will be dependent on many factors, including our ability to maintain and grow our relationships with existing clients, expand our client base, continue to enter new markets, and expand our offerings to meet evolving market needs. While these areas present significant opportunity, they also present risks that we must manage to ensure successful results. Please refer to “Item 1A – Risk Factors” in our 2019 Annual Report and this Quarterly Report on Form 10-Q for a discussion of certain risks and uncertainties that may impact our future success.

Recent Developments

Corporate Reorganization

Effective January 1, 2020, in order to facilitate the administration, management and development of our business and minimize the burden on our tax and regulatory reporting obligations, we implemented a reorganization pursuant to which all of our domestic subsidiaries, other than CK Solutions, LLC, merged with and into our wholly-owned subsidiary CareKinesis, Inc., which had previously changed its legal name on December 20, 2019 to TRHC OpCo, Inc. In the second quarter of 2020, TRHC OpCo, Inc. further changed its name to Tabula Rasa HealthCare Group, Inc., or the TRHC Group. Following such reorganization, our only directly owned subsidiary is TRHC Group, which is the parent of CK Solutions, LLC and of three DoseMe foreign subsidiaries

COVID-19 Pandemic

On January 30, 2020, the World Health Organization, or the WHO, announced a global health emergency caused by a new strain of coronavirus originating in Wuhan, China, or the COVID-19 outbreak, and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this Quarterly Report on Form 10-Q. As such, it is uncertain as to the full magnitude of the impact that the pandemic will have on our financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation and the ramification on our financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, we are not able to estimate the effects that the COVID-19 outbreak may have on our results of operations, financial condition, or liquidity for 2020. However, we are dependent on our workforce to sell and

deliver our products and services. Developments such as social distancing and shelter-in-place directives could impact our ability to deploy our workforce effectively. These same developments may affect the operations of our suppliers and customers, as their own workforces and operations are disrupted by efforts to curtail the spread of this virus.

As a result of the ongoing COVID-19 pandemic, we have experienced challenges with revenue growth. The pandemic has delayed the closing of contracts across both our CareVention HealthCare and MedWise HealthCare segments and, in some cases, shifted project timelines to 2021, resulting in fewer new business wins during the second quarter of 2020. Overall PACE census growth has remained below historical levels, which has affected our CareVention HealthCare segment growth. Our MedWise HealthCare segment has also experienced delays in the timing of implementation and closing of new business. In addition, all major pharmacy tradeshows for the third quarter of 2020 have been cancelled, negatively impacting a key selling season for our PrescribeWellness business. However, the ultimate impact of the COVID-19 pandemic is highly uncertain and subject to change. We do not yet know the full extent of potential delays or impacts on our business, financing or other activities or on healthcare systems or the global economy as a whole. However, these effects could have a material impact on our liquidity, capital resources, operations and business and those of the third parties on which we rely.

Components of Our Results of Operations

Revenue

Our revenue is derived from our product sales and service activities under our CareVention HealthCare and MedWise HealthCare segments. For the three months ended June 30, 2020 and 2019, product sales represented 51% and 44% of our total revenue, and service revenue represented 49% and 56% of our total revenue, respectively. For the six months ended June 30, 2020 and 2019, product sales represented 51% and 47% our total revenue, respectively, and service revenue represented 49% and 53% of our total revenue, respectively.

CareVention HealthCare

PACE Product Revenue

We provide medication fulfillment pharmacy services to PACE organizations, and while the majority of medications are routinely filled in order to treat chronic conditions, the mix and quantity of medications can vary. Revenue from medication fulfillment services is generally billed monthly and recognized when medications are delivered and control has passed to the client. At the time of delivery, we have performed substantially all of our performance obligations under our client contracts. We do not experience a significant level of returns or reshipments.

PACE Solutions

We provide services to PACE organizations, and these services primarily include medication safety services and health plan management services, which consist of risk adjustment services, electronic health records solutions, and third party administration services. Revenue related to these services primarily consists of a fixed monthly fee assessed based on number of members served, or per member per month, and subscription fees which are recognized when we satisfy our performance obligation to stand ready to provide PACE services, which occurs when our clients have access to the PACE services. We generally bill for PACE services on a monthly basis as the services are provided.

MedWise HealthCare

Product Revenue

We provide COVID-19 test kits to pharmacies and other clients. Revenue from the sale of these products is generally billed monthly and is recognized as we satisfy our performance obligations to deliver the test kits and provide the results to the pharmacies. We do not experience a significant level of returns or reshipments.

Medication Safety Services

We provide medication safety services, which include identification of high-risk individuals, medication regimen reviews including patient and prescriber counseling, and targeted interventions to increase adherence and close

gaps in care. Revenue related to these services primarily consists of per member per month fees and fees for each medication review and assessment completed. Revenue is recognized when we satisfy our performance obligation to stand ready to provide medication safety services, which occurs when our clients have access to the medication safety service, and when medication reviews and assessments are completed. We generally bill for the medication safety services on a monthly basis.

Software Subscription and Services

We provide software as a service, or SaaS, solutions, which allow for the identification of individuals with high medication-related risk; for patient communication and engagement; for documentation of clinical interventions; for optimizing medication therapy; for targeting adherence improvement; and for precision dosing. In addition, we provide implementation and set up assistance services related to the SaaS solutions. Revenues related to these software services primarily consists of monthly subscription fees and are recognized monthly as we meet our performance obligation to provide access to the software. Revenue for implementation and set up services is generally recognized when the services are provided. We generally bill for the software services on a monthly basis.

Cost of Revenue (exclusive of depreciation and amortization)

Product Cost

Cost of product revenue includes all costs directly related to the fulfillment and distribution of medications under our CareVention HealthCare offerings. Costs consist primarily of the purchase price of the prescription medications we dispense. For the three months ended June 30, 2020 and 2019, medication costs represented 77% and 79% of our total product costs, respectively. For the six months ended June 30, 2020 and 2019, medication costs represented 79% of our total product costs. In addition to costs incurred to purchase the medications we dispense, other costs include shipping; packaging; expenses associated with operating our medication fulfillment centers, including salaries and related costs, such as stock-based compensation, for personnel; and technology expenses. Such costs also include direct overhead expenses, as well as allocated indirect overhead costs. We allocate indirect overhead costs among functions based on employee headcount.

Service Cost

Cost of service revenue includes all costs directly related to servicing our CareVention HealthCare and MedWise HealthCare service contracts, which primarily consist of labor costs, including stock-based compensation; outside contractors; and expenses related to supporting our technology platforms. Cost of service revenue also includes direct overhead expenses, as well as allocated indirect overhead costs. We allocate indirect overhead costs among functions based on employee headcount.

Research and Development Expenses

Our research and development expenses consist primarily of salaries and related costs, including stock-based compensation, for personnel in our research and development functions, which include software engineers and employees engaged in scientific research, healthcare analytics, and the design and development of new scientific algorithms and the enhancement of our software and technology platforms; fees paid to third-party consultants; costs related to quality assurance and testing; and other allocated facility-related overhead and expenses.

We capitalize certain costs incurred in connection with obtaining or developing the proprietary software platforms that support our product and service contracts, including third-party contractors and payroll costs for employees directly involved with the software development. Capitalized software development costs are amortized beginning when the software project is substantially complete and the asset is ready for its intended use. Costs incurred during the preliminary project stage and post implementation stage, as well as maintenance and training costs, are expensed as incurred. We continue to focus our research and development efforts on adding new features and applications to increase the functionality of, and enhancing the ease of use of our existing suite of software solutions.

We expect our research and development expenses will increase in absolute dollars as we increase our research and development efforts to further strengthen and enhance our software solutions and service offerings, but will decrease as a percentage of revenue in the long term as we expect our revenue to increase at a greater rate than such expenses.

Sales and Marketing Expenses

Sales and marketing expenses consist principally of salaries, commissions, bonuses, stock-based compensation and employee benefits for sales and marketing personnel, as well as travel costs related to sales, marketing, and client service activities. Marketing costs also include costs for communication and branding materials, conferences, trade shows, public relations, and allocated overhead.

We expect our sales and marketing expenses to increase in absolute dollars as we strategically invest to grow our sales, account management, and marketing infrastructure as we introduce new products and enter new markets, but decrease as a percentage of revenue in the long term.

General and Administrative Expenses

General and administrative expenses consist principally of employee-related expenses, including salaries, benefits and stock-based compensation, for employees who are responsible for information systems, administration, human resources, finance, legal and executive management as well as other corporate expenses associated with these functional areas. General and administrative expenses also include professional fees for legal, consulting and accounting services and allocated overhead. General and administrative expenses are expensed when incurred.

We expect that our general and administrative expenses will increase in absolute dollars as we expand our infrastructure and continue to comply with the requirements applicable to public companies, but decrease as a percentage of revenue in the long term.

Change in Fair Value of Acquisition-related Contingent Consideration

We classify our acquisition-related contingent consideration as a liability. Acquisition-related contingent consideration is subject to remeasurement at each balance sheet date. Any change in the fair value of such acquisition-related contingent consideration is reflected in our consolidated statements of operations as a change in fair value of the liability. We will continue to adjust the carrying value of the acquisition-related contingent consideration until the contingency is finally determined.

Depreciation and Amortization Expenses

Depreciation and amortization expenses are primarily attributable to our capital investment in equipment and our capitalized software and acquisition-related intangibles.

Interest Expense

Interest expense is primarily attributable to interest expense associated with our 2026 Notes, our revolving credit facility, and our finance lease obligations. It also includes the amortization of debt discount and debt issuance costs related to these various debt arrangements.

Results of Operations

The following table summarizes our results of operations for the three and six months ended June 30, 2020 and 2019 (in thousands):

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2020	2019	$	%	2020	2019	$	%
Revenue:								
Product revenue	$ 39,373	$ 33,372	$ 6,001	18 %	$ 76,460	$ 64,354	$ 12,106	19 %
Service revenue	37,461	42,883	(5,422)	(13)	73,201	72,860	341	—
Total revenue	76,834	76,255	579	1	149,661	137,214	12,447	9
Cost of revenue, exclusive of depreciation and amortization shown below:								
Product cost	29,042	24,861	4,181	17	56,241	48,336	7,905	16
Service cost	22,656	20,295	2,361	12	43,530	38,488	5,042	13
Total cost of revenue, exclusive of depreciation and amortization	51,698	45,156	6,542	14	99,771	86,824	12,947	15
Operating expenses:								
Research and development	3,821	5,197	(1,376)	(26)	8,649	10,747	(2,098)	(20)
Sales and marketing	5,027	6,871	(1,844)	(27)	10,567	11,721	(1,154)	(10)
General and administrative	16,327	12,883	3,444	27	33,294	26,626	6,668	25
Change in fair value of acquisition-related contingent consideration (income) expense	(100)	1,830	(1,930)	105	600	3,006	(2,406)	(80)
Depreciation and amortization	10,211	9,078	1,133	12	20,124	15,377	4,747	31
Total operating expenses	35,286	35,859	(573)	(2)	73,234	67,477	5,757	9
Loss from operations	(10,150)	(4,760)	(5,390)	(113)	(23,344)	(17,087)	(6,257)	(37)
Interest expense, net	4,668	4,308	360	8	9,278	7,001	2,277	33
Loss before income taxes	(14,818)	(9,068)	(5,750)	(63)	(32,622)	(24,088)	(8,534)	(35)
Income tax benefit	(508)	(2,539)	2,031	80	(3,875)	(6,580)	2,705	41
Net loss	$ (14,310)	$ (6,529)	$ (7,781)	(119)	$ (28,747)	$ (17,508)	$ (11,239)	(64)

Comparison of the Three Months Ended June 30, 2020 and 2019

Product Revenue

Product revenue increased $6.0 million, or 18%, to $39.4 million for the three months ended June 30, 2020 compared to the same period in 2019. New CareVention HealthCare clients that started services after the end of the second quarter in 2019 contributed $1.7 million to the increase. Increased medication fulfillment volume from growth in the number of patients served by our existing clients, medication mix of prescriptions filled and payer mix contributed to $3.6 million of the increase. The increase in product revenue was also due to $677 thousand of revenue generated from the initial sale of COVID-19 test kits during the second quarter of 2020 through our CareVention HealthCare segment and PrecribeWellness pharmacy network.

Service Revenue

Service revenue decreased $5.4 million, or 13%, from $42.9 million for the three months ended June 30, 2019 to $37.5 million for the second quarter of 2020.

Service revenues generated by our MedWise HealthCare segment decreased by $5.5 million, or 18%, to $25.9 million for the three months ended June 30, 2020, as compared to the same period in 2019. The decrease was primarily due to a $4.2 million decrease in medication safety services as a result of fewer comprehensive medication reviews completed during the three months ended June 30, 2020 due to CMS Star Rating changes and a large client contract that boosted our 2019 results to record levels. In addition, data analytic fees decreased $2.6 million due to a new contract with our data aggregation partner, which began in the first quarter of 2020. These decreases were positively impacted by an increase in software subscriptions and services revenue of $1.3 million.

CareVention HealthCare service revenues increased by $85 thousand, or 1%, to $11.6 million for the three months ended June 30, 2020 as compared to the same period in 2019. Lower fees from our data analytics contract negatively impacted revenue by $969 thousand. Excluding this impact, CareVention HealthCare service revenues increased $1.0 million. The increase was attributable to growth in our PACE services as a result of new clients added and growth within existing clients since the second quarter of 2019.

Cost of Product Revenue

Cost of product revenue increased $4.2 million, or 17%, to $29.0 million for the three months ended June 30, 2020 as compared to the same period in 2019. New clients in our CareVention HealthCare segment added since the second quarter of 2019 contributed $1.0 million to the increase. In addition, increased medication volume from growth in the number of patients served by our existing customers and manufacturer price increases and medication mix of prescriptions filled for our clients contributed approximately $1.7 million to the change. The increase in cost of product revenue was also due to a $689 thousand increase in distribution charges related to higher shipping volume for the medications we fulfilled, and $583 thousand of COVID-19 test kits sold during the second quarter of 2020. In addition, personnel costs increased $263 thousand due to additional headcount as well as increases in salary and benefits for existing employees related to market adjustments and performance-based increases.

Cost of Service Revenue

Cost of service revenue increased $2.4 million, or 12%, from $20.3 million for the three months ended June 30, 2019 to $22.7 million for the three months ended June 30, 2020.

Cost of service revenue related to our MedWise HealthCare segment increased $895 thousand, or 6%, to $15.0 million for the three months ended June 30, 2020, as compared to the same period in 2019. This increase is primarily attributable to an increased use of community pharmacies to perform clinical interventions services to support our medication safety services.

Cost of service revenue related to our CareVention HealthCare segment increased $1.5 million, or 24%, to $7.7 million for the three months ended June 30, 2020, as compared to the same period in 2019. The increase is attributable to additional costs to support our PACE services, primarily related to increased headcount to support growth in our third party administration services, and technology related costs.

Research and Development Expenses

Research and development expenses decreased $1.4 million, or 26%, to $3.8 million for the three months ended June 30, 2020 as compared to the same period in 2019. The decrease includes a reduction of $735 thousand in stock-based compensation expense, primarily related to performance-based equity awards and common stock awarded during the second quarter of 2019. The remaining decrease is primarily attributable to lower payroll costs resulting from the realignment of resources associated with our Company’s reorganization in January 2020 to better support customer and business initiatives.

Sales and Marketing Expenses

Sales and marketing expenses decreased $1.9 million, or 27%, from $6.9 million for the three months ended June 30, 2020 to $5.0 million for the comparable period in 2020. The decrease includes $1.3 million of employee compensation costs, including stock-based compensation, for personnel previously included in sales and marketing, who are now dedicated to corporate strategy initiatives and recorded in general and administrative expenses. The change in allocation resulted from our Company’s reorganization in January 2020 to better align resources in order to support the achievement of our business objectives. Excluding the impact of the change in resource allocation, sales and marketing expenses decreased $573 thousand primarily due to a decrease in conference and travel-related expenses as a result of the COVID-19 pandemic.

General and Administrative Expenses

General and administrative expenses increased $3.4 million, or 27%, to $16.3 million for the three months ended June 30, 2020 as compared to the same period in 2019.

The increase in general and administrative expenses was primarily attributable to higher employee compensation costs of $3.7 million, which included a $1.9 million increase in stock-based compensation expense related to equity awards granted during the first and second quarters of 2020. The increase in employee compensation costs was also due to the realignment of resources dedicated to serving administrative functions to support the achievement of our business goals as a result of our Company’s reorganization in January 2020. These included moving resources

accounting for $1.3 million to corporate strategy from sales and marketing, and $677 thousand from the transition of key employees, previously included in cost of revenues, to executive roles. The increase in general and administrative expenses was partially offset by a decrease in travel and meeting costs as a result of the COVID-19 pandemic.

Acquisition-related Contingent Consideration Expense

During the three months ended June 30, 2020 and 2019, we recorded a $100 thousand gain and a $1.8 million charge, respectively, related to the fair value adjustments of our acquisition-related contingent consideration liabilities.

The Cognify contingent consideration is based on a multiple of the excess of certain PACE solutions' 2021 revenues and Adjusted EBITDA over their 2018 revenues and Adjusted EBITDA, as defined in the stock purchase agreement. During the three months ended June 30, 2020, we recorded a $100 thousand remeasurement gain to decrease the fair value of the Cognify acquisition-related contingent consideration primarily due to a decrease in the forecasted Adjusted EBITDA used in the contingent consideration payment calculation, which was offset by the impact of a decreased discount period to the final measurement date. During the three months ended June 30, 2019, we recorded a $1.5 million charge to increase the fair value of the Cognify acquisition-related contingent consideration primarily due to a decreased discount period to the final measurement date.

As of June 30, 2020, the Cognify contingent consideration liability was $11.4 million with the potential for up to an additional $2.6 million to be earned if the maximum contingent amount is earned, which would flow through as a charge to GAAP net income or loss. The final amount of the Cognify acquisition-related contingent consideration liability will be fixed as of December 31, 2021.

During the three months ended June 30, 2019, we recorded a $330 thousand charge to increase the fair value of the DoseMe acquisition-related contingent consideration liability primarily due to an increase in the projected incremental revenues to be added during 2019. The DoseMe acquisition-related contingent considerations was subsequently paid in full during the third quarter of 2019.

Depreciation and Amortization Expenses

Depreciation and amortization expenses increased $1.1 million, or 12%, from $9.1 million for the three months ended June 30, 2019 to $10.2 million for the three months ended June 30, 2020. This increase was primarily due to an increase in the amortization of capitalized software related to new software functionality placed into service since 2019 to support our CareVention HealthCare and MedWise HealthCare segments.

Interest Expense

Interest expense for the three months ended June 30, 2020 was $4.7 million, an increase of $360 thousand compared to the three months ended June 30, 2019. The increase is primarily due an increase of $249 thousand of interest expense on the 2026 Notes, which were issued in February 2019. The remaining increase in interest expense is mostly attributable to an increase in amortization expense related to deferred financing costs and a decrease in interest capitalized related to the borrowings attributed to software development projects.

Income Taxes

For the three months ended June 30, 2020, we recorded an income tax benefit of $508 thousand, which resulted in an effective tax rate of 3.4%. The effective tax rate differs from the U.S. statutory tax rate primarily due to an increase in the valuation allowance that is currently limiting the realizability of our net deferred tax assets as of June 30, 2020. Accordingly, the tax benefit was limited due to unbenefited losses in the three months ended June 30, 2020. We calculate the provision for income taxes during interim periods by applying the estimated annual effective tax rate for the full year ordinary income or loss to the respective reporting period's year to date income or loss, while also adding any income tax expense or benefit related to discrete items occurring within that interim period.

For the three months ended June 30, 2019, we recorded an income tax benefit of $2.5 million, which resulted in an effective tax rate of 28.0%. The tax benefit primarily consists of $1.7 million based on the estimated effective tax rate for the full year and $1.1 million of windfall tax benefits generated from the vesting of restricted stock, disqualifying dispositions and exercising of nonqualified stock options during the period.

Comparison of the Six Months Ended June 30, 2020 and 2019

Product Revenue

Product revenue increased $12.1 million, or 19%, to $76.5 million for the six months ended June 30, 2020 compared to the same period in 2019. New CareVention HealthCare clients that started services after the end of the first quarter in 2019 contributed $3.9 million to the increase. Increased medication fulfillment volume from growth in the number of patients served by our existing clients, medication mix of prescriptions filled and payer mix contributed to $7.5 million of the increase. The increase in product revenue was also due to $677 thousand of revenue generated from the initial sale of COVID-19 test kits during the second quarter of 2020 through our CareVention HealthCare segment and PrecribeWellness pharmacy network.

Service Revenue

Service revenue increased slightly from $72.9 million for the six months ended June 30, 2019 to $73.2 million for the six months ended June 30, 2020.

Service revenues generated by our MedWise HealthCare segment decreased by $141 thousand to $50.1 million for the six months ended June 30, 2020, as compared to $50.2 million for the same period in 2019. We experienced a $5.9 million decrease in medication safety services as a result of fewer comprehensive medication reviews completed during the six months ended June 30, 2020 due to CMS Star Rating changes and a large client contract that boosted our 2019 results to record levels. In addition, data analytic fees were down $1.9 million due to a new contract with our data aggregation partner, which began in the first quarter of 2020. These decreases were offset by an increase in software subscription and services revenue of $7.7 million, which was primarily attributable to the PrescribeWellness acquisition completed on March 5, 2019.

CareVention HealthCare service revenues increased by $482 thousand, or 2%, to $23.1 million for the six months ended June 30, 2020 as compared to the same period in 2019. Lower fees from our data analytics contract negatively impacted revenue by $2.0 million. Excluding this impact, CareVention HealthCare service revenues increased $2.5 million. The increase was attributable to growth in our PACE services as a result of new clients and growth with existing clients added since the first quarter of 2019.

Cost of Product Revenue

Cost of product revenue increased $7.9 million, or 16%, to $56.2 million for the six months ended June 30, 2020, as compared to the same period in 2019. New clients in our CareVention HealthCare segment added since the first quarter of 2019 contributed $2.4 million to the increase. In addition, increased medication volume from growth in the number of patients served by our existing customers and manufacturer price increases and medication mix of prescriptions filled for our clients contributed approximately $3.7 million to the change. The increase in cost of product revenue was also due to a $1.1 million increase in distribution charges related to higher shipping volume for the medications we fulfilled and $583 thousand of COVID-19 test kits sold to clients during the second quarter of 2020. The

remaining increase was due to additional headcount as well as increases in salary and benefits for existing employees related to market adjustments and performance-based increases.

Cost of Service Revenue

Cost of service revenue increased $5.0 million, or 13%, from $38.5 million for the six months ended June 30, 2019 to $43.5 million for the six months ended June 30, 2020.

Cost of service revenue related to our MedWise HealthCare segment increased $2.7 million, or 11%, to $28.9 million for the six months ended June 30, 2020, as compared to the same period in 2019. The acquisition of PrescribeWellness contributed $2.4 million to the total increase and primarily consisted of employee compensation and technology costs. The remaining increase was due to a $1.0 million increase in the use of community pharmacies to perform clinical interventions services, partially offset by a $733 thousand decrease in printing and postage for our medication safety services primarily as a result of fewer members qualifying for medication therapy management services.

Cost of service revenue related to our CareVention HealthCare segment increased $2.3 million, or 19%, to $14.6 million for the six months ended June 30, 2020, as compared to the same period in 2019. The increase was attributable to an increase in costs to support our PACE services, primarily related to additional headcount to support growth in our third party administration services and technology related costs.

Research and Development Expenses

Research and development expenses decreased $2.1 million, or 20%, to $8.6 million for the six months ended June 30, 2020, as compared to the same period in 2019. The decrease was mostly due to a reduction of $1.6 million in stock-based compensation expense, primarily related to performance-based equity awards and common stock awarded during 2019. The remaining decrease is primarily attributable to lower payroll costs resulting from the realignment of resources associated with our Company’s reorganization in January 2020 to better support customer and business initiatives.

Sales and Marketing Expenses

Sales and marketing expenses decreased $1.1 million, or 10%, from $11.7 million for the six months ended June 30, 2019 to $10.6 million for the comparable period in 2020. The decrease includes $2.5 million of employee compensation costs, including stock-based compensation, for personnel previously included in sales and marketing, who are now dedicated to corporate strategy initiatives and recorded in general and administrative expenses. The change in allocation resulted from our Company’s reorganization in January 2020 to better align resources in order to support the achievement of our business objectives. This decrease was offset by an increase of $1.3 million as a result of the acquisition of PrescribeWellness, which primarily related to employee compensation costs.

General and Administrative Expenses

General and administrative expenses increased $6.7 million, or 25%, to $33.3 million for the six months ended June 30, 2020, as compared to the same period in 2019. The acquisition of PrescribeWellness contributed $387 thousand to the increase in expenses, which consisted primarily of employee compensation costs, including stock-based compensation, and technology costs. Excluding costs related to the acquisition, general and administrative expenses increased by approximately $6.3 million.

The increase in general and administrative expenses was primarily attributable to higher employee compensation costs of $8.8 million, which included a $3.8 million increase in stock-based compensation expense related to equity awards granted during the first quarter of 2020. The increase in employee compensation costs was also due to the realignment of resources dedicated to serving administrative functions to support the achievement of our business goals as a result of our Company’s reorganization in January 2020. These included moving resources accounting for $2.5 million to corporate strategy from sales and marketing, and $1.2 million from the transition of key employees, previously included in cost of revenues, to executive roles. The remaining increase in employee compensation costs was due to an increase in headcount to support the overall growth of our operations, and increases in salaries and benefits for existing employees related to market adjustments and performance-based increases.

The increase in general and administrative expenses was also due to higher technology related expenses of $1.2 million to support the overall growth of business. These increases were partially offset by a $3.4 million decrease in acquisition related costs as result of the acquisition of PrescribeWellness in the first quarter of 2019.

Acquisition-related Contingent Consideration Expense

During the six months ended June 30, 2020 and 2019, we recorded a $600 thousand and a $3.0 million charge, respectively, related to the fair value adjustments of our acquisition-related contingent consideration liabilities.

During the six months ended June 30, 2020 and 2019, we recorded $600 thousand and $2.4 million charge, respectively, to increase the fair value of the Cognify acquisition-related contingent consideration primarily due to a decreased discount period to the final measurement date. The Cognify contingent consideration is based on a multiple of the excess of certain PACE solutions' 2021 revenues and Adjusted EBITDA over their 2018 revenues and Adjusted EBITDA, as defined in the stock purchase agreement. As of June 30, 2020, the Cognify contingent consideration liability was $11.4 million with the potential for up to an additional $2.6 million to be earned if the maximum contingent amount is earned, which would flow through as a charge to GAAP net income or loss. The final amount of the Cognify acquisition-related contingent consideration liability will be fixed as of December 31, 2021.

During the six months ended June 30, 2019, we recognized an aggregate $606 charge related to fair value adjustments for the SinfoníaRx, Peak PACE, and DoseMe acquisition-related contingent considerations, which were all subsequently paid in full during 2019.

Depreciation and Amortization Expenses

Depreciation and amortization expenses increased $4.7 million, or 31%, from $15.4 million for the six months ended June 30, 2019 to $20.1 million for the six months ended June 30, 2020. This increase was primarily due to a $2.4 million increase in the amortization of capitalized software related to new software functionality placed into service since 2019 to support our CareVention HealthCare and MedWise HealthCare segments. The increase in amortization expense was also due to a $1.9 million increase in amortization expense of intangible assets as a result of intangible assets acquired from PrescribeWellness in March 2019. Depreciation expense increased by $405 thousand primarily related to the completion of expanded office space at our Moorestown, New Jersey headquarters and our new research facility in Lake Nona, Florida.

Interest Expense

Interest expense for the six months ended June 30, 2020 was $9.3 million, an increase of $2.3 million compared to the six months ended June 30, 2019. The increase is primarily due an increase of $2.6 million of interest expense on the 2026 Notes, which were issued in February 2019. The increase was partially offset by a decrease in interest expense on the Amended and Restated 2015 Line of Credit of $351 thousand and a decrease in interest expense on finance leases.

Income Taxes

For the six months ended June 30, 2020, we recorded an income tax benefit of $3.9 million, which resulted in an effective tax rate of 11.9%. The effective tax rate differs from the U.S. statutory tax rate primarily due to an increase in the valuation allowance that is currently limiting the realizability of our net deferred tax assets as of June 30, 2020. Accordingly, the year to date tax benefit was limited due to unbenefited losses in the six months ended June 30, 2020. We calculate the provision for income taxes during interim periods by applying the estimated annual effective tax rate for the full year ordinary income or loss to the respective reporting period's year to date income or loss, while also adding any income tax expense or benefit related to discrete items occurring within that interim period.

For the six months ended June 30, 2019, we recorded an income tax benefit of $6.6 million, which resulted in an effective tax rate of 27.3%. The tax benefit primarily consists of $3.9 million based on the estimated effective tax rate for the full year and $2.2 million of windfall tax benefits generated from the vesting of restricted stock, disqualifying dispositions and exercising of nonqualified stock options during the period.

NON-GAAP FINANCIAL MEASURES

Adjusted EBITDA

To provide investors with additional information about our financial results, we disclose Adjusted EBITDA, a non-GAAP financial measure. Adjusted EBITDA consists of net income (loss) plus certain other expenses, which includes interest expense, provision (benefit) for income tax, depreciation and amortization, change in fair value of acquisition-related contingent consideration expense (income), acquisition-related expense and stock-based compensation expense. We consider acquisition-related expense to include nonrecurring direct transaction and integration costs, severance, and the impact of purchase accounting adjustments related to the fair value of acquired deferred revenue. We present Adjusted EBITDA because it is one of the measures used by our management and board of directors to understand and evaluate our core operating performance, and we consider it an important supplemental measure of performance. We believe this metric is commonly used by the financial community, and we present it to enhance investors' understanding of our operating performance and cash flows. We believe Adjusted EBITDA provides investors and other users of our financial information consistency and comparability with our past financial performance and facilitates period-to-period comparisons of operations.

Our management uses Adjusted EBITDA:

- as a measure of operating performance to assist in comparing performance from period to period on a consistent basis;
- to prepare and approve our annual budget; and
- to develop short- and long-term operational plans.

Adjusted EBITDA is not in accordance with, or an alternative to, measures prepared in accordance with GAAP. In addition, this non-GAAP measure is not based on any comprehensive set of accounting rules or principles. As a non-GAAP measure, Adjusted EBITDA has limitations in that it does not reflect all of the amounts associated with our results of operations as determined in accordance with GAAP. In particular:

- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and Adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- Adjusted EBITDA does not reflect cash interest income or expense;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not reflect the potentially dilutive impact of stock-based compensation;
- Adjusted EBITDA does not reflect tax payments that may represent a reduction in cash available to us; and
- other companies, including companies in our industry, may calculate Adjusted EBITDA or similarly titled measures differently, which reduces its usefulness as a comparative measure.

Because of these and other limitations, you should consider Adjusted EBITDA alongside other GAAP-based financial performance measures, including various cash flow metrics, net income (loss) and our other GAAP financial results and not in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. You should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in the presentation, and we do not intend to imply that our future results will be unaffected by unusual or non-recurring items.

The following is a reconciliation of Adjusted EBITDA to our net loss for the periods presented:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Reconciliation of net loss to Adjusted EBITDA				
Net loss	$ (14,310)	$ (6,529)	$ (28,747)	$ (17,508)
Add:				
Interest expense, net	4,668	4,308	9,278	7,001
Income tax benefit	(508)	(2,539)	(3,875)	(6,580)
Depreciation and amortization	10,211	9,078	20,124	15,377
Change in fair value of acquisition-related contingent consideration (income) expense	(100)	1,830	600	3,006
Acquisition-related expense	—	598	251	4,289
Stock-based compensation expense	7,173	6,906	14,310	13,758
Adjusted EBITDA	$ 7,134	$ 13,652	$ 11,941	$ 19,343

Adjusted Diluted Net Income (Loss) Per Share, or Adjusted Diluted EPS

Adjusted Diluted EPS excludes the impact of certain items and, therefore, has not been calculated in accordance with GAAP. We believe the exclusion of these items assists in providing a more complete understanding of our underlying operations, results and trends and allows for comparability with our peer company index and industry and to be more consistent with our expected capital structure on a going forward basis. Our management uses this measure along with corresponding GAAP financial measures to manage our business and to evaluate our performance compared to prior periods and the marketplace. We define Adjusted Diluted EPS as net loss before fair value adjustments for acquisition-related contingent consideration, amortization of acquired intangibles, amortization of debt discount and issuance costs, acquisition-related expense, stock-based compensation expense, and the tax impact using a normalized tax rate on pre-tax income adjusted for those items expressed on a per share basis using weighted average diluted shares outstanding. We consider acquisition-related expense to include nonrecurring direct transaction and integration costs, severance, and the impact of purchase accounting adjustments related to the fair value of acquired deferred revenue.

Adjusted Diluted EPS is a non-GAAP financial measure and should not be considered in isolation or as a substitute for financial information provided in accordance with GAAP. This non-GAAP financial measure may not be computed in the same manner as similarly titled measures used by other companies. In the future, we may incur expenses that are the same as or similar to some of the adjustments in the presentation, and we do not intend to imply that our future results will be unaffected by unusual or non-recurring items.

The following table reconciles net loss per share on a diluted basis, the most directly comparable GAAP measure, to Adjusted Diluted EPS:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2020		2019		2020		2019	
	(In thousands except per share amounts)				(In thousands except per share amounts)			
Reconciliation of diluted net loss per share to Adjusted Diluted EPS								
GAAP net loss, basic and diluted, and net loss per share, basic and diluted	$ (14,310)	$ (0.66)	$ (6,529)	$ (0.32)	$ (28,747)	$ (1.34)	$ (17,508)	$ (0.86)
Adjustments:								
Change in fair value of acquisition-related contingent consideration (income) expense	(100)		1,830		600		3,006	
Amortization of acquired intangibles	6,823		7,084		13,645		11,751	
Amortization of debt discount and issuance costs	3,215		2,967		6,367		4,494	
Acquisition-related expense	—		598		251		4,289	
Stock-based compensation expense	7,173		6,906		14,310		13,758	
Impact to income taxes [1]	(1,109)		(4,931)		(4,544)		(9,666)	
Adjusted net income and Adjusted Diluted EPS	$ 1,692	$ 0.07	$ 7,925	$ 0.35	$ 1,882	$ 0.08	$ 10,124	$ 0.44

(1) The impact to taxes was calculated using a normalized statutory tax rate applied to pre-tax loss adjusted for the respective items above and then subtracting the tax provision as determined for GAAP purposes.

The following table reconciles the diluted weighted average shares of common stock outstanding used to calculate net loss per share on a diluted basis for GAAP purposes to the diluted weighted average shares of common stock outstanding used to calculate Adjusted Diluted EPS:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Reconciliation of weighted average shares of common stock outstanding, diluted, to weighted average shares of common stock outstanding, diluted for Adjusted Diluted EPS				
Weighted average shares of common stock outstanding, basic and diluted for GAAP	21,556,646	20,482,032	21,465,772	20,433,564
Adjustments:				
Weighted average dilutive effect of stock options	1,332,551	1,500,839	1,358,715	1,587,926
Weighted average dilutive effect of restricted stock	510,783	759,118	497,881	800,626
Weighted average dilutive effect of contingent shares	58,409	21,946	66,989	25,305
Weighted average shares of common stock outstanding, diluted for Adjusted Diluted EPS [(1)]	23,458,389	22,763,935	23,389,357	22,847,421

(1) We account for the convertible senior subordinated notes utilizing the Treasury Stock Method as we currently intend to settle the notes entirely or partly in cash. Under this method, the underlying shares issuable upon conversion of the notes are excluded from the calculation of diluted EPS, except to the extent that the average stock price for the reporting period exceeds their conversion price of $69.95 per share. For the three and six months ended June 30, 2020, there was no impact on diluted EPS from the convertible senior subordinated notes as the conversion price exceeded our average stock price.

Liquidity and Capital Resources

We incurred a net loss of $28.7 million and $17.5 million for the six months ended June 30, 2020 and 2019, respectively. Our primary liquidity and capital requirements are for research and development, sales and marketing, general and administrative expenses, debt service obligations, and strategic business acquisitions. We have funded our operations, working capital needs, and investments with cash generated through operations, issuance of stock, and borrowings under our credit facilities. At June 30, 2020, we had unrestricted cash of $38.8 million.

Summary of Cash Flows

The following table shows a summary of our cash flows for the six months ended June 30, 2020 and 2019:

	Six Months Ended June 30,	
	2020	2019
Net cash provided by (used in) operating activities	$ 3,388	$ (15,865)
Net cash used in investing activities	(10,345)	(167,888)
Net cash provided by financing activities	2,260	215,426
Net (decrease) increase in cash and restricted cash	$ (4,697)	$ 31,673

Operating Activities

Net cash provided by operating activities was $3.4 million for the six months ended June 30, 2020 and consisted of our net loss of $28.7 million and changes in our operating assets and liabilities totaling $5.6 million, offset by the addition of noncash items of $37.7 million. The noncash items primarily included $20.1 million of depreciation and amortization expense; $14.3 million of stock-based compensation expense, which was primarily related to equity awards granted to employees and non-employees from 2018 to 2020; $6.6 million of amortization of deferred financing costs and debt discounts primarily related to the 2026 Notes; and $600 thousand related to the change in fair value of the Cognify acquisition-related contingent consideration, offset by changes in net deferred taxes of $3.9 million. The change in operating assets and liabilities was primarily due to an increase in accounts receivable and a decrease in accounts payable and accrued expenses and other liabilities. The increase in accounts receivable was attributable to growth across our business lines as a result of new clients and growth in existing clients, as well as timing of client payments. The decrease in accounts payable and accrued expenses and other liabilities was primarily due to timing of vendor payments and lower accrued employee compensation costs, partially offset by an increase in accrued contract labor and an increase in contract liability balances related to performance obligations for our services. The change in operating assets and liabilities was partially offset by a decrease in prepaid expenses and other current assets due to payments received related to prior year contract asset balances.

Net cash used in operating activities was $15.9 million for the six months ended June 30, 2019 and consisted primarily of $24.4 million in payments for the contingent purchase price consideration related to the SinfoníaRx acquisition, our net loss of $17.5 million, changes in net deferred taxes of $6.6 million and changes in our operating assets and liabilities totaling $4.0 million, offset by the addition of noncash items of $36.7 million. The noncash items primarily included $15.4 million of depreciation and amortization expense; $13.8 million of stock-based compensation expense, which was primarily related to equity awards granted to employees and non-employees in the third quarter of 2018 and in 2019; $4.6 million of amortization of deferred financing costs and debt discount primarily related to the 2026 Notes; and $3.0 million in the aggregate related to the change in the fair value of the acquisition-related contingent considerations for SinfoníaRx, Peak PACE, Cognify, and DoseMe. The significant factors that contributed to the change in operating assets and liabilities included an increase in accounts receivable primarily due to revenues generated as a result of the acquisitions completed in 2018 and 2019 and a decrease in accounts payable, which were partially offset by an increase in accrued expenses and other liabilities as a result of higher accrued employee compensation, contract labor, contract liability balances related to performance obligations for our services, and interest expense.

Investing Activities

Net cash used in investing activities was $10.3 million for the six months ended June 30, 2020 and $167.9 million for the six months ended June 30, 2019. Net cash used in investing activities for the six months ended June 30, 2020 reflected $8.9 million in software development costs for our CareVention Healthcare and MedWise HealthCare technologies. The net cash used in investing activities also reflected $1.4 million in purchases of property, equipment

and leasehold improvements primarily related to equipment and improvements for our new call center space in Tucson, Arizona to support our medication safety services, improvements for our expanded office space at our Moorestown, New Jersey headquarters, and equipment to support the pharmacy at our Moorestown, New Jersey location.

Net cash used in investing activities for the six months ended June 30, 2019 reflected $158.8 million paid in connection with the acquisitions of DoseMe and PrescribeWellness, net of cash acquired. In addition, net cash used in investing activities consisted of $6.6 million in software development costs and $3.5 million in purchases of property, equipment and leasehold improvements, primarily related to purchases of equipment and improvements for our expanded office space at our Moorestown, New Jersey headquarters. Net cash used in investing activities was offset by proceeds received from the repayment of the $1.0 million note receivable issued to DoseMe Holdings Pty Ltd in 2018.

Financing Activities

Net cash provided by financing activities was $2.3 million for the six months ended June 30, 2020 compared to $215.4 million for the six months ended June 30, 2019. Financing activities for the six months ended June 30, 2020 primarily reflected $2.3 million of proceeds received from the exercise of stock options, which was offset by $52 thousand in payments of long-term debt and finance leases.

Financing activities for the six months ended June 30, 2019 primarily reflected gross proceeds of $325.0 million from the issuance of the 2026 Notes, $65.9 million from the proceeds of the warrant transactions and $1.5 million of proceeds received from the exercise of stock options. Net cash provided by financing activities for the six months ended June 30, 2019 was partially offset by a payment of $101.7 million for the convertible hedge options entered into in connection with the offering of the 2026 Notes, a payment of $45.0 million to repay the amounts outstanding on the Amended and Restated 2015 Line of Credit, $20.3 million in payments for the contingent purchase price consideration related to the SinfoníaRx acquisition and Peak PACE acquisition, and $9.5 million in payments for debt financing costs.

Funding Requirements

We have $59.8 million available for borrowings under our Amended and Restated 2015 Line of Credit, and we were in compliance with all financial and operating covenants related to the Amended and Restated 2015 Line of Credit as of June 30, 2020. We currently expect to extend the maturity date of the Amended and Restated 2015 Line of Credit or enter into a new credit facility with Western Alliance Bank or another lender prior to the Amended and Restated 2015 Line of Credit's maturity date on September 6, 2020. However, there is no assurance that we will be able to extend the Amended and Restated 2015 Line of Credit or obtain a new credit facility on terms that are reasonable and acceptable to us or at all.

We believe that our unrestricted cash of $38.8 million as of June 30, 2020 and cash flows from continuing operations will be sufficient to fund our planned operations through at least August 2021. Our ability to maintain successful operations will depend on, among other things, new business, the retention of clients, and the effectiveness of sales and marketing initiatives.

We may seek additional funding through public or private debt or equity financings. There can be no assurance that additional capital resources, including debt and equity financing, will be available to us on terms that we find acceptable, or at all.

Contractual Obligations and Commitments

During the three and six months ended June 30, 2020, there were no material changes to our contractual obligations and commitments as compared to those described under "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations and Commitments*" in our Annual Report on Form 10-K for the year ended December 31, 2019.

Off-Balance Sheet Arrangements

During the periods presented, we did not have any off-balance sheet arrangements, as defined by applicable SEC rules and regulations.

Critical Accounting Policies and Significant Judgments and Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with United States generally accepted accounting principles. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported revenue generated and expenses incurred during the reporting periods. Our estimates are based on our historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

There have been no material changes in our critical accounting policies during the three and six months ended June 30, 2020, as compared to those disclosed in the *"Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Significant Judgments and Estimates"* in our Annual Report on Form 10-K for the year ended December 31, 2019.

Recent Accounting Pronouncements

See Note 2 in this Quarterly Report on Form 10-Q and Note 2 in the Annual Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2019 for a description of new accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosure about Market Risk

We are exposed to market risks in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risks are principally limited to interest rate fluctuations.

As of June 30, 2020, there were no amounts outstanding under our Amended and Restated 2015 Line of Credit. Interest on the Amended and Restated 2015 Line of Credit is based on the lender's prime rate plus an applicable margin which will range from (0.25%) to 0.25% depending on our leverage ratio, with the lender's prime rate having a floor of 3.5%, which exposes us to market risk due to changes in interest rates. This means that a change in the prevailing interest rates may cause our periodic interest payment obligations to fluctuate if we had made borrowings under the Amended and Restated 2015 Line of Credit during the three and six months ended June 30, 2020.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15(b) and Rule 15d-15(b) of the Exchange Act, our management, including our principal executive officer and our principal financial officer, conducted an evaluation as of the end of the period covered by this Quarterly Report on Form 10-Q of the effectiveness of the design and operation of our disclosure controls and procedures.

Based on that evaluation, our principal executive officer and principal financial officer concluded that, as of June 30, 2020, our disclosure controls and procedures are effective at the reasonable assurance level in ensuring that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports we file under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Inherent Limitations on Effectiveness of Controls and Procedures

Internal control over financial reporting may not prevent or detect all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Also, projections of any evaluation of effectiveness of internal control to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Accordingly, our disclosure controls and procedures are designed to provide reasonable, not absolute, assurance that the objectives of our disclosure control system are met.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that occurred during the second quarter of fiscal 2020 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

We are not currently party to any material legal proceedings. From time to time, however, we may be a party to litigation and subject to claims in the ordinary course of business. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources, and other factors.

Item 1A. Risk Factors

Stockholders and potential investors in our securities should carefully consider the risk factors set forth in Part I, "Item 1A. Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2019, which was filed with the Securities and Exchange Commission on March 2, 2020. We have identified these risk factors as important factors that could cause our actual results to differ materially from those contained in any written or oral forward-looking statements made by us or on our behalf. Other than as set forth below, there have been no material changes to such risk factors previously disclosed in our Annual Report.

The recent COVID-19 pandemic could have a material adverse effect on our business operations, results of operations, cash flows and financial position.

We continue to closely monitor the impact of the COVID-19 pandemic on all aspects of our business, including its impact on our clients and their patients, employees, suppliers, and other business partners. The COVID-19 pandemic has created significant volatility, uncertainty, and economic disruption, which will continue to adversely affect our business operations and may materially and adversely affect our results of operations, cash flows, and financial position.

The COVID-19 pandemic has negatively impacted our revenue growth during the first half of 2020 and we expect it will continue to impact our revenue growth for the remainder of 2020. For example, the pandemic has delayed the closing of certain health plan deals and, in some cases, shifted project timelines to 2021, resulting in fewer new business wins to date. Overall census growth for Programs of All-Inclusive Care for the Elderly has remained below historical levels. In addition, all major pharmacy tradeshows for the third quarter of 2020 have been cancelled, which will negatively impact a key selling season for our PrescribeWellness business. The ultimate impact of the COVID-19 pandemic on our revenue and financial performance is highly uncertain and subject to change.

We have incurred, and expect to continue to incur, additional costs resulting from our efforts to protect the health and well-being of our employees. Our three prescription fulfillment pharmacies provide essential services that require employees to continue to work on-site during the COVID-19 pandemic. We have implemented physical distancing for all employees at our prescription fulfillment pharmacies, provided pharmacy-appropriate protective equipment, instituted additional cleaning protocols, provided additional cleaning materials and encouraged the practice of frequent hand-washing. If the procedures we implement are ineffective or are not followed by our employees, or if we fail to implement procedures, our employees and others may experience illness which has the potential to increase

employee turnover, expose us to litigation, and raise our operating costs. We expect to continue to incur additional costs, which may be significant, as we continue to implement operational changes in response to this pandemic.

In addition, we have instituted work-from-home guidelines for all employees who can work remotely. An extended period of remote work arrangements could strain our business plans, introduce operational risk, including but not limited to cybersecurity risks, and impair our ability to manage our business. Further, our management is focused on mitigating the spread of COVID-19, which has required and will continue to require a substantial investment of time and resources across our business and could delay other company initiatives.

COVID-19 may also adversely impact our ability to purchase or obtain pharmaceutical products which may result in higher supply chain costs and otherwise disrupt our operations. If we do not respond appropriately to the pandemic, or if customers perceive our response to be inadequate, we could suffer damage to our reputation and our brand, which could adversely affect our business.

The extent to which the COVID-19 pandemic impacts us will depend on numerous evolving factors and future developments that we are not able to predict, including: the severity of the virus; the duration of the outbreak; governmental, business, and other actions (which could include limitations on our operations or mandates to provide products or services); the impacts on our supply chain; the impact of the pandemic on economic activity; the health of and the effect on our workforce and our ability to meet staffing needs in our prescription fulfillment pharmacies and other critical functions, particularly if members of our work force are quarantined as a result of exposure; any impairment in value of our tangible or intangible assets which could be recorded as a result of a weaker economic conditions; and the potential effects on our internal controls including those over financial reporting as a result of changes in working environments such as shelter-in-place and similar orders that are applicable to our team members and business partners, among others. In addition, if the pandemic continues to create disruptions or turmoil in the credit or financial markets, or impacts our credit ratings, it could adversely affect our ability to access capital on favorable terms and continue to meet our liquidity needs, all of which are highly uncertain and cannot be predicted.

How quickly, and to what extent, normal economic and operating conditions can resume is difficult to predict, and the resumption of normal business operations may be delayed or constrained by lingering effects of the COVID-19 pandemic. Some jurisdictions have eased government-mandated restrictions to business operations. However, a “second wave” or recurrence of COVID-19 cases could cause state and local governments to reinstate restrictions which could further limit our operations. We cannot predict the likelihood, frequency, or nature of future governmental initiatives, policies, and restrictions and such future initiatives may or may not have material adverse impacts on the company.

In addition, we cannot predict the impact that COVID-19 will have on our clients and their patients, suppliers, and other business partners, and each of their financial conditions; however, any material effect on these parties could adversely impact us. The impact of COVID-19 may also exacerbate other risks discussed in Item 1A. Risk Factors in our Annual Report on Form 10-K, any of which could have a material effect on us. This situation is changing rapidly and additional impacts may arise that we are not aware of currently.

We will purchase a significant portion of our pharmaceutical products from a group purchasing organization which receives discounts from a primary supplier.

On June 30, 2020, we entered into an Affiliated Pharmacy Agreement and Pharmaceutical Program Supply Agreement, including an associated High Volume Retailer Addendum, or the Pharmaceutical Supply Agreements, with Thrifty Drug Stores, Inc, or Thrifty Drug. Pursuant to the terms of the Pharmaceutical Supply Agreements, which have a term lasting through September 30, 2023, subject to renewal under certain circumstances, we agree to purchase not less than 98% of our total prescription product requirements from Thrifty Drug. The Pharmaceutical Supply Agreements can be terminated solely by Thrifty Drug for, among other things, a payment default that continues for ten days after notice thereof and our failure to maintain credit worthiness. If we are no longer able to purchase our pharmaceutical products from a group purchasing organization, there can be no assurance that our operations would not be disrupted or that we could obtain the necessary pharmaceutical products at similar cost or at all. In this event, failure to satisfy our clients' requirements would result in defaults under client contracts subjecting us to damages and the potential termination of those contracts.

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

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

Exhibit No.	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Filing Date	Exhibit Number	
3.1	Amended and Restated Certificate of Incorporation of Tabula Rasa HealthCare, Inc.	8-K	8/4/2016	3.1	
3.2	Amended and Restated Bylaws of Tabula Rasa HealthCare, Inc.	8-K	8/4/2016	3.2	
10.1	Affiliated Pharmacy Agreement, dated as of June 30, 2020, between Thrifty Drug Stores, Inc. and Tabula Rasa HealthCare Group, Inc.+				X
10.2	Pharmaceutical Program Supply Agreement, effective as of July 1, 2020, between Thrifty Drug Stores, Inc. and Tabula Rasa HealthCare Group, Inc.+				X
10.3	Retailer Addendum to Pharmaceutical Program Supply Agreement (High Volume), effective as of June 30, 2020, by and between Thrifty Drug Stores, Inc. and Tabula Rasa HealthCare Group, Inc.+				X
31.1	Certification of Chief Executive Officer (Principal Executive Officer) required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
31.2	Certification of Chief Financial Officer (Principal Financial Officer) required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
32.1**	Certification of Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer), as required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				X
101.INS	XBRL Instance Document				X
101.SCH	XBRL Taxonomy Extension Schema Document				X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase				X
101.DEF	XBRL Taxonomy Extension Definition Linkbase				X
101.LAB	XBRL Taxonomy Extension Label Linkbase				X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase				X
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020, formatted in Inline XBRL (contained in Exhibit 101)				X

** This certification attached as Exhibit 32.1 that accompanies this Quarterly Report on Form 10-Q is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Tabula Rasa HealthCare, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of this Form 10-Q), irrespective of any general incorporation language contained in such filing.

+ Certain confidential provisions of this Exhibit were omitted by means of marking such portions with an asterisk because the identified confidential portions are (i) not material and (ii) would be competitively harmful if publicly disclosed.

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.

TABULA RASA HEALTHCARE, INC.

Date: August 6, 2020

By: /s/ DR. CALVIN H. KNOWLTON
Name: Dr. Calvin H. Knowlton
Title: Chief Executive Officer
(Principal Executive Officer)

Date: August 6, 2020

By: /s/ BRIAN W. ADAMS
Name: Brian W. Adams
Title: Chief Financial Officer
(Principal Financial Officer)

Date: August 6, 2020

By: /s/ ANDREA C. SPEERS
Name: Andrea C. Speers
Title: Chief Accounting Officer
(Principal Accounting Officer)

TWP

Thrifty White Pharmacy
Affiliated Pharmacy Program

AFFILIATED PHARMACY AGREEMENT

THIS AFFILIATED PHARMACY AGREEMENT (**"Agreement"**), dated as of the 30th day of June, 2020, is between **Thrifty Drug Stores, Inc.**, a Minnesota corporation (**"Company"**), and Tabula Rasa HealthCare Group, Inc., an affiliated pharmacy (**"Retailer"**).

WHEREAS, the Company is in the business of providing goods, including pharmaceuticals, and services to affiliated drug stores (as well as to its Company-owned stores); and

WHEREAS, Retailer owns and operates an affiliated retail drug store(s) located at the locations specified on Exhibit A attached hereto (individually and collectively, the **"Store"**); and

WHEREAS, Retailer may desire (but is not obligated) to participate in certain programs offered by the Company pursuant to which Retailer may obtain certain services and goods from the Company and third-parties;

NOW, THEREFORE, in consideration of the mutual promises contained herein, it is agreed by and between the parties hereto as follows:

1. OBLIGATIONS OF THE COMPANY. THE COMPANY SHALL:

1.1 Make available to Retailer from time to time one or more programs pursuant to which Retailer can obtain certain services and goods from the Company and/or third-parties (the **"Program"** or **"Programs"**). Programs will be offered to Retailer on terms and conditions established by the Company from time to time. All Program offerings remain subject to discontinuance and change by the Company at any time, except to the extent the terms of a Program are documented in a writing signed by both the Company and Retailer in which the applicable terms are expressly fixed for a specified duration.

2. OBLIGATIONS OF THE RETAILER. THE RETAILER SHALL:

2.1 Abide by all Program participation requirements with respect to Programs that Retailer is eligible to and elects to participate in.

2.2 Timely pay and perform all obligations owed by Retailer to the Company and to third-party vendors under the Programs.

2.3 Indemnify and hold the Company harmless from any claims, damages, liability, costs and expenses of any type whatsoever arising out of the operation of Retailer's business, including arising out of the performance or failure of performance of third-parties under Programs arranged by the Company.

2.4 Provide Retailer's wholesale product purchase and usage history from time to time upon request in an acceptable electronic format, including NDC numbers for all items.

2.5 Comply with all applicable laws and operate in conformity with high ethical standards.

3. TERM.

3.1 This Agreement shall commence on the date hereof and shall continue thereafter through September 30, 2023, unless earlier terminated as provided in this Agreement.

3.2 Certain Programs offered to Retailer may have their own separate term. If such Program term expires or terminates prior to the expiration or termination of this Agreement, such Program shall expire or terminate in accordance with its terms. However, notwithstanding the fact that a Program term may state a period extending beyond the term of this Agreement, Retailer's right to participate in any Program and any separate written contract relating to any such Program, shall automatically terminate upon termination of this Agreement. Upon expiration or termination of this Agreement, Retailer shall return to the Company any equipment, software or other materials supplied by the Company to Retailer under the terms of any Program.

4. TERMINATION. This Agreement and Retailer's participation in any Program offered by the Company (and any separate written contract relating to any such Program) may be terminated:

4.1 By mutual written agreement of Retailer and the Company.

4.2 By the Company with or without cause upon ninety (90) days prior written notice, at Company's sole discretion.

4.3 By the Company if Retailer violates use of the Marks under the License Agreement, if such License Agreement is in place between Company and Retailer.

4.4 By the Company if Retailer is either ineligible or otherwise does not elect to participate in at least one of the Company's then offered Programs.

4.5 By the Company if Retailer fails to timely perform any payment obligation owed by Retailer to the Company or to any third-party vendor under a Program unless such failure is cured within ten (10) days after receipt of written notice of the breach or, if not curable within such time period, good faith efforts have been taken during any such cure period to commence effecting a cure and diligently pursued thereafter.

4.6 By the Company if Retailer is convicted or pleads no contest to a felony or criminal action relating to Medicare, Medicaid or health services.

4.7 By the Company if the Company undergoes a change of control, substantially all of its assets are sold, or due to any new or existing circumstance pursuant to which the Company is unable or will likely be unable to legally or practically on an economic basis consistent with prior performance perform its obligations under either this Agreement or any of the Programs.

4.8 By Company if Retailer is in material breach of this Agreement or the terms and conditions of any Program, and the breach is not capable of remedy; or the breach is capable of remedy and Retailer has failed to remedy the breach within thirty (30) days after receiving written notice of breach.

4.9 Retailer is not permitted to terminate this Agreement prior to expiration. Upon the Company's receipt from Retailer of written notice of a failure in performance relating to a Program, the Company agrees to use good faith efforts to cure any failure in the Company's performance and will work as a liaison between Retailer and third-party vendors in order to address failures in their performance. If after a reasonable time period, Retailer's issues have not been addressed in a commercially reasonable manner and Retailer and the Company are unable to agree to a reasonable process for resolving the matter, Retailer, as its exclusive remedy, may petition for a court appointed arbitrator who shall have authority to determine an appropriate process for resolving the matter while maintaining the effectiveness of this Agreement and Retailer's commitment to Programs subscribed to by the Retailer.

4.10 **Termination Based on Credit Status.** Notwithstanding any other provision in this Agreement to the contrary, Company reserves the right to terminate this Agreement upon sixty (60) days written notice for Retailer's failure to maintain credit worthiness as determined by Company's credit insurer.

5. BREACH OF PROGRAM REQUIREMENTS.

5.1 Retailer acknowledges and agrees that a failure of Retailer to comply with the terms and duration of Programs that Retailer elects to participate in may cause damage to the Company including less favorable pricing, lost rebates, lost compensation and otherwise as a result of reduced aggregate purchases under the Program. Retailer shall be liable, in addition to any other applicable damages, for a reasonable estimate of such damages regardless of whether or not the Company terminates the

Retailer's participation in the Program as a result of Retailer's breach of its agreement to comply with the terms of the Program.

5.2 The termination of this Agreement by the Company shall not relieve the Retailer from the obligations to pay any monies due to the Company nor from the performance of any other obligation of the Retailer to the Company.

6. PAYMENT.

6.1 Payment. Subject to a change in applicable credit terms, payment for all goods and services ordered under this Agreement is due and payable by Retailer to the Company on the Wednesday of the week after the charges were incurred. The Company will issue a billing statement on Monday of each week identifying the charges from the prior week. Payment is due by electronic funds transfer or other method acceptable to the Company so as to provide the Company with good funds by the payment due date. The Company may, in its discretion, modify the statement issuance and billing dates based on holidays. Retailer hereby authorizes the Company to make an electronic funds withdrawal from Retailer's bank accounts for the amount due.

6.2 Credit Terms. The Company reserves the right to adjust the payment terms, including requiring prepayment or C.O.D. payments, if Retailer is in breach of this Agreement (without regard to whether any cure period may be applicable) or based on other credit considerations which the Company, in its sole discretion, deems relevant.

6.3 Billing Adjustments/Credits/Deductions. No billing adjustments, credits or deductions may be taken until a valid credit memo is issued by the Company. Invoices to Retailer for whole or partial shipments shall be paid regardless of disputes relating to other invoices. Retailer waives the right to assert offsets or counterclaims with respect to any amounts due. Retailer shall promptly notify the Company's customer service personnel of any disputed invoice or billing statement and confirm the same by written notice. Claims by Retailer with respect to incorrect billing statements must be submitted in writing by Retailer to the Company within seven (7) days after Retailer's receipt of the weekly billing statement from the Company otherwise Retailer forever waives such claims.

6.4 Late Fees. Amounts not paid when due will be subject to a late payment fee computed daily at a rate equal to the lower of [*]% per month or the highest rate permissible by applicable law. In addition, should there be insufficient funds in Retailer's bank account to cover an electronic funds withdrawal request for any amount owing to the Company when due, the Company shall charge Retailer a [*] Dollar ($[*]) insufficient funds fee.

6.5 Collection Costs. Retailer shall be responsible for all costs and expenses (including reasonable attorneys' fees, whether or not suit is commenced) incurred by the Company to collect any amounts owed by Retailer.

6.6 Credit/Background Checks. From time to time, Retailer agrees to deliver to the Company credit information reasonably requested by the Company. Retailer hereby authorizes the Company to perform credit and background checks on the Company.

6.7 Offset Right. The Company shall be permitted to set-off any amounts that the Company owes to Retailer against amounts that Retailer owes to the Company.

7. SECURITY INTEREST.

Company retains the right to: (a) adjust Retailer's payment terms; (b) place Retailer on C.O.D. status, and/or (c) refuse orders from Retailer if Company has not received payment when due for products and services supplied by (or through) Company to Retailer or based upon reasonable credit considerations. Company retains, and Retailer hereby grants, Company, a security interest in all of Retailer's assets, including but not limited to any pharmacy inventory (brand name drugs, generic pharmaceutical goods, over-the-counter drugs and specialty drugs), purchased or hereafter acquired by Retailer, to secure any and all payment obligations now or hereafter owed by Retailer to Company. Retailer authorizes Company to file and maintain UCC financing statements evidencing such security interest.

8. CONTROLLED SUBSTANCE MONITORING PROGRAM

Controlled Substance Compliance. Retailer and Company agree to cooperate in good faith with respect to implementation and continuation of a suspicious order monitoring program for controlled substances. Retailer shall have ordering policies, controls and monitoring in place for all controlled substances and other prescription drugs that are at high risk for diversion. Upon Company's request, Retailer shall promptly provide reports that show the quantities of controlled substances in Schedules II to IV, as determined by federal and state controlled substance laws, purchased or dispensed over a defined period of time. Company shall use such information only for compliance with DEA's suspicious order monitoring program requirement.

9. GENERAL PROVISIONS. THE FOLLOWING PROVISIONS APPLY UNIVERSALLY TO THE RELATIONSHIP BETWEEN THE COMPANY AND RETAILER, INCLUDING WITH RESPECT TO EACH INDIVIDUAL PROGRAM OF THE COMPANY IN WHICH RETAILER PARTICIPATES AND ANY SEPARATE WRITTEN AGREEMENT RELATING TO SUCH PROGRAM.

9.1 Notice. Any notice or other communication required or desired to be given to a party under this Agreement shall be in writing and shall be deemed given when: (a) received by the recipient, after being sent via certified mail, return receipt requested, and addressed to that party at the address for such party set forth at the end of this Agreement; or (b) received by the recipient after being sent via Federal Express, Airborne, or similar overnight delivery service for delivery to that party at that address. A party may change its address for notices under this Agreement by giving the other parties notice of such change in accordance with the terms of this Agreement.

9.2 Relationship. The parties intend the relationship created by this Agreement to be that of buyer and seller (not distributor or/dealer or franchise/franchisee). Each is an independent contractor, and neither is the agent of the other. This Agreement does not authorize the Retailer to use, and the Retailer agrees not to use, any trademarks, trade names, logos, or any other intellectual property owned by the Company and used by its Company-owned stores, unless Retailer is subject to a License Agreement executed between Retailer and Company. Retailer acknowledges that the Company may receive discounts, rebates or other consideration in connection with the Company arranging the Programs and that the Company is entitled to retain the same with no obligation of disclosure or accounting to Retailer. The Company is not a fiduciary for the Retailer in any respect.

9.3 Proprietary and Confidential Information.

a. Retailer acknowledges that any information (except that identified below) obtained by Retailer regarding the Company, its business plans and operations, and the Programs, including, without limitation, the identity of its suppliers, the Company's prices received from its suppliers and other terms and conditions received by the Company from its suppliers, is confidential and proprietary to the Company (the "Confidential Information"). Retailer shall not disclose, transfer, copy, duplicate, or publish any Confidential Information for any purpose whatsoever other than to perform its obligations under this Agreement. Retailer shall only make available the Confidential Information to its employees, independent contractors and agents on a "need to know" basis and provided that such individuals are bound by written confidentiality obligations at least as restrictive as those imposed herein.

b. Retailer shall be responsible for the unauthorized disclosure of any Confidential Information by its employees, independent contractors and agents. Upon either the termination of this Agreement or the Company's earlier written request, Retailer shall either return to the Company or destroy, as the Company shall instruct, the Confidential Information (including all copies) in whatever form such Confidential Information exists. Retailer shall, from time to time, upon request, certify to the Company as to its compliance with the terms of these provisions and this Agreement.

c. Confidential Information shall not include any information generally known in the trade or the public (provided it did not become so known because of the act or omission of Retailer, its employees, independent contractors, or agents). Retailer may disclose Confidential Information as and to the extent required by an order of a court or pursuant to compulsory process issued by a governmental agency, body or official acting under authority of law, provided that Retailer immediately upon receipt of such order or process notifies the Company in writing thereof.

d. Retailer acknowledges that the Confidential Information is a valuable asset of the Company and that breach of this Section would cause the Company irreparable harm for which there is no adequate remedy at law. Accordingly, in the event of a breach or

alleged breach of this Section, Retailer consents to the imposition of injunctive relief in the Company's favor and any other legal and equitable remedies available to the Company.

e. The obligations of Retailer pursuant to this Section shall survive the termination of this Agreement for a period of two (2) years provided this confidentiality covenant shall co-exist with any other confidentiality covenants between the Company and Retailer which shall survive the consummation of this Agreement in order to provide the maximum legally permitted protection of the Company's Confidential Information.

f. In the case of a dispute under this Agreement, all prices, rebates and allowances received by the Company and all purchase information of the Company and its affiliated retailers shall be confidential. To the extent (if any) that a court proceeding permits any access or review of the same, such access shall be afforded only to an independent certified public accountant who is obligated pursuant to a confidentiality agreement with the Company not to disclose or use such information except as necessary in connection with the proceeding by reporting only summary conclusions without disclosing the underlying data.

9.4 Warranty Disclaimer. The Company disclaims, and Retailer waives, any claims and damages arising from the failures, errors or delays of the Company's third-party agents in connection with the provision of goods and services provided on the Company's behalf under this Agreement or any of the Programs. The Company hereby assigns to Retailer its rights against the Company's third-party agents relating to their failures or errors in connection with the provision of filling and delivering goods ordered as well as in connection with the provision of goods and services performed by them on the Company's behalf. Retailer acknowledges that failures of timely deliveries and performance by the Company or third-party vendors may occur and do not give rise to a damage claim by Retailer. THE COMPANY MAKES NO EXPRESS OR IMPLIED REPRESENTATION OR WARRANTY, WITH RESPECT TO THE GOODS SOLD AND SERVICES PROVIDED UNDER THIS AGREEMENT, INCLUDING, BUT NOT LIMITED TO, IMPLIED CONDITIONS OF FITNESS FOR A PARTICULAR PURPOSE, NONINFRINGEMENT, OR MERCHANTABILITY. NO AGENT, EMPLOYEE OR REPRESENTATIVE OF THE COMPANY HAS ANY AUTHORITY TO BIND THE COMPANY TO ANY AFFIRMATION, REPRESENTATION OR WARRANTY EXCEPT AN AUTHORIZED OFFICER OF THE COMPANY PURSUANT TO A SIGNED WRITTEN AGREEMENT.

9.5 LIMITATION OF LIABILITY. THE COMPANY SHALL HAVE NO LIABILITY TO RETAILER OR ANY OTHER PERSON FOR, AND RETAILER HEREBY EXPRESSLY WAIVES, ALL REMEDIES AND DAMAGES RELATING TO INDIRECT, INCIDENTAL, CONSEQUENTIAL, OR SPECIAL DAMAGES OF ANY DESCRIPTION. THE PARTIES EXPRESSLY AGREE THAT SUCH LIMITATION IS AN AGREED UPON ALLOCATION OF RISK. UNDER NO CIRCUMSTANCES SHALL THE COMPANY'S LIABILITY FOR ANY CAUSE EXCEED [*].

9.6 Force Majeure. Each party's obligations under this Agreement will be excused if and to the extent that any delay or failure to perform such obligations is due to causes beyond its reasonable control, including, without limitation, acts of war or terrorism, fire or other casualty, product or material shortages, strikes or labor disputes, transportation delays, manufacturer out-of-stock or delivery disruptions, acts of God, or any law or regulation issued by any government or governmental or quasi-governmental agency or any judgment or judicial, executive or administrative order or decree, whether or not ultimately held to be valid. The party experiencing such a force majeure event shall promptly notify the other party of such event and use its reasonable commercial efforts to promptly cure the same.

9.7 Assignment. This Agreement shall not be assigned in whole or in part by the Retailer without the prior written consent of the Company, and any attempted assignment shall be null and void. Subject to the Company's prior written consent, Retailer shall assign its obligations under this Agreement, including any Programs subscribed to by Retailer, to any purchaser or successor to the Store. All of the provisions of this Agreement shall be binding upon and inure to the benefit of the respective legal representatives, heirs, successors and assigns of the parties hereto.

9.8 Choice of Law. This Agreement, and the respective rights of the parties under this Agreement, shall be governed and construed by the laws of the State of Minnesota, without application of any choice of law considerations. Any claim, cause of action, suit or demand allegedly arising out of or related to this Agreement, or the relationship of the parties, shall be brought exclusively in the state or federal courts located in Minneapolis, Minnesota, and the parties irrevocably consent to the jurisdiction and venue of such courts. Each party hereto agrees that valid service of process may be effected on it by certified mail at the addresses stated on the signature page of this Agreement.

9.9 Survival. The rights and obligations of the parties intended to be observed and performed by the parties after the consummation of this Agreement shall survive the same and continue thereafter in full force and effect.

9.10 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument. Copies of this Agreement with signatures transmitted electronically (e.g., by facsimile or pdf) shall be deemed to be original signed versions of this Agreement.

9.11 Construction. Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Agreement.

9.12 Joint Liability. If Retailer shall be two or more persons, all persons signatory hereto on behalf of Retailer shall be jointly and severally liable hereunder.

9.13 Entire Agreement; Modification and Waiver. This Agreement, together with the Exhibits and the related written agreements specifically referred to herein, represents the only agreement among the parties concerning the subject matter hereof and supersedes all prior agreements, whether written or oral, relating thereto. This Agreement incorporates the Affiliated Pharmacy Commitment Agreement ("Commitment Agreement"), if such Commitment Agreement was executed by Company and Retailer. In the event of a conflict of terms between this Agreement and the Commitment Agreement, this Agreement shall control. No purported amendment, modification or waiver of any provision hereof shall be binding unless set forth in a written document signed by all parties (in the case of amendments or modifications) or by the party to be charged thereby (in the case of waivers). Any waiver shall be limited to the provision hereof and the circumstance or event specifically made subject thereto and shall not be deemed a waiver of any other term hereof or of the same circumstance or event upon any recurrence thereof. This Agreement shall not be construed against either party since each party has had the opportunity to negotiate its provisions and contribute to its drafting.

******

[Remainder of page intentionally left blank; signature page follows]

Each of the parties has caused this Affiliated Pharmacy Agreement to be executed in the manner appropriate to each intending to be legally bound.

Company Name: TRHC Group, Inc.	**Thrifty Drug Stores, Inc.**
Print Name Calvin H. Knowlton, PhD	**Print Name Scot Rewerts**
By /s/ Calvin H. Knowlton, PhD	**By /s/** Scot Rewerts
Title CEO	**Title** Director Affiliated Pharmacy Program
Date 6/30/2020	
Address: 228 Strawbridge Drive Moorestown, NJ	**Address:** 6055 Nathan Lane North # 200 Plymouth, MN 55442

EXHIBIT A

Affiliated Pharmacy Store Locations

Legal Entity Name	Name of Store	Store Address

THRIFTY ACCOUNT NOTIFICATION

APP **Yes** **THRIFTY STORE #**_____

NAME OF STORE

ADDRESS

PHONE #

FAX #

DEA #

EXPIRATION DATE

STATE PHARMACY #

EXPIRATION DATE

NCPDP #

NPI #

CONTROLLED PHARMACY #

EXPIRATION DATE

FED-ID #

PROPOSED OPENING DATE

OPENING ORDER DATE

CURRENT WHOLESALER
EXPIRATION DATE

ESTIMATED MONTHLY VOLUME

TWP

Thrifty White Pharmacy
Affiliated Pharmacy Program

AFFILIATED PHARMACY

PHARMACEUTICAL SUPPLY PROGRAM

This Pharmaceutical Program Supply Agreement (this **"Agreement"**) is effective as of July 1st, 2020 between Thrifty Drug Stores, Inc., a Minnesota corporation (the **"Company"**), and Tabua Rasa Healthcare Group, Inc., an affiliated pharmacy (**"Retailer"**). Company and Retailer may be referred to individually as a "Party" or collectively, the "Parties."

RECITALS:

A. The Company and Retailer are parties to an Affiliated Pharmacy Agreement (the **"AP Agreement"**) dated June 30, 2020.

B. Pursuant to the AP Agreement, Retailer is given the opportunity to participate in various programs provided or arranged by the Company, including this Pharmaceutical Supply Program.

C. Pursuant to the terms and conditions of this Agreement, the Company agrees to provide Retailer certain pharmaceutical and other products provided Retailer commits to purchase certain of its pharmaceutical requirements from the Company through the End Date (as defined below).

D. The Company has contracted with a prime wholesaler (**"Prime Supplier"**) to provide pharmaceuticals/prescription product needs/over the counter products as well as certain third party fulfillment and logistics services. Retailer will place orders directly with Prime Supplier, which will fill orders as contractually required. Payment by Retailer will be due directly from Retailer to the Company.

AGREEMENT:

1. Purchase Requirement. In consideration for the pricing and other incentives under this Agreement, Retailer agrees to purchase from the Company throughout the term of this Agreement not less than ninety-eight percent (98%) of Retailer's total prescription product requirements from the Company, including through the Prime Supplier, authorized non-

primary suppliers and the Warehouse Supply Feature described in Section 12 below. Retailer will maintain a minimum Generics Compliance Ratio ("GCR") throughout the term of the agreement of [*] percent ([*]%). Generics Compliance Ratio shall mean the ratio, expressed as a percentage of total net volume of generic prescription products from Prime Supplier divided by the total net purchase of prescription products. "Net purchase" shall mean purchases of the applicable products by Retailer expressed in dollars and net of all returns, rebates, allowances, and all credits and adjustments issued during the applicable period. The GCR will be calculated according to the intervals and timeframe listed in Section 4. This calculation shall exclude any [*], [*], and [*], as priced in Exhibit 1 and listed in Exhibit 3.

2. Term. This Agreement shall commence on the above stated effective date of this Agreement and shall continue in effect for the term of the contract with the Prime Supplier (anticipated to expire on approximately September 30, 2023) (the **"End Date"**), unless terminated earlier pursuant to terms set forth in the AP Agreement. Notwithstanding anything to the contrary, Retailer may not terminate this Agreement prior to its End Date. If, as of the expiration date of this Agreement, the AP Agreement has been renewed or a new AP Agreement has been executed between Retailer and the Company, and the agreement between the Company and Prime Supplier and/or another primary wholesaler has been renewed, this Agreement shall renew for the same time period as such wholesaler agreement. This Agreement shall automatically terminate upon termination of the AP Agreement. The confidentiality obligations of Retailer regarding Sections 4, 13, 14, 19 and Exhibits 1 and 2 of this Agreement shall survive the termination of this Agreement.

3. Supply Requirement. The Company has or will contract with a Prime Supplier for purposes of fulfilling Retailer's orders under this Agreement. Notwithstanding any other provision in this Agreement, neither the Company nor Prime Supplier provides any assurances that goods ordered will be in stock and each reserves their absolute right to determine what goods are carried.

4. Pricing.

4.1 Branded Pharmaceuticals. Except as otherwise set forth in this Agreement, Retailer will pay a purchase price for all branded pharmaceutical products purchased under this Agreement in an amount equal to Prime Supplier's Cost for such branded pharmaceuticals minus a certain discount percentage, plus all applicable taxes or other governmental assessments payable on such purchases as shown in Exhibit 1. The term **"Prime Supplier's Cost"** means the manufacturer's invoice price of the branded pharmaceuticals at the date of Prime Supplier's invoice to the Company without reduction for cash discounts. Retailer's initial discount percentage is [*]% at the time of invoice, plus applicable Cost of Goods markup as listed in the price matrix in Exhibit 1. Failure to maintain [*]% GCR will result in adjusted Cost of Goods based on the modifier listed in Exhibit 2.. Prices going forward may be adjusted by the Company, in its sole discretion, based on changes in the pricing that the Company receives from Prime Supplier. The pricing described in this Section 4.1 does not apply to branded products that are core specialty products priced on Exhibit 1 and listed in Exhibit 3. The table below sets forth the review periods for the

calculation of the Cost of Goods pricing, as set forth in Exhibit 1 and Exhibit 2, and the effective date of the new pricing.

Review Pd.	Affiliate Calculation Period	New Pricing Effective
Review 1	July 2020-October 2020	November 1st, 2020
Review 2	July 2020-April 2021	May 1st, 2021
Review 3	November 2020-October 2021	November 1st, 2021
Review 4	May 2021-April 2022	May 1st, 2022
Review 5	November 2021-October 2022	November 1st, 2022
Review 6	May 2022-April 2023	May 1st, 2023

4.2 Long Term Care Pharmacies. Long Term Care Pharmacy (often referred to as Closed Door) will pay a purchase price for all branded pharmaceuticals products purchased under this Agreement in an amount equal to Member GPO Contract Products for such brand pharmaceuticals minus a discount, as shown in Exhibit 1, plus all applicable taxes or other governmental assessments payable on such purchases. The GCR requirements, as explained above, shall apply to Long Term Care Pharmacies as referenced in this Section 4.2.

4.3 Generic Pharmaceuticals. Retailer will pay a purchase price for all generic pharmaceuticals purchased under this Agreement at the price applicable under Prime Supplier's generic pharmaceuticals program. The availability and terms of Prime Supplier's generic pharmaceuticals program to Retailer may change from time to time based on certain volume thresholds. Subject to certain generic purchasing volumes being met by the Company (including the volume of its participating affiliated retailers), the Company shall pay Retailer a rebate equal to [*] percent ([*]%) of the price for Prime Supplier Contract SynerGx Primary pharmaceuticals purchased and paid for by Retailer under such program. If the volume thresholds are not met, no rebate shall apply. In addition, no rebate shall be payable if this Agreement has been terminated by the Company prior the end of the rebate period or if the Prime Supplier Agreement has been terminated prior to the end of the rebate period. The rebate, as applicable, shall be paid thirty (30) days after the end of each calendar month. The Company may apply the rebate to any amounts owed by Retailer to the Company. Prime Supplier has agreed that it will provide price protection for any generic product Prime Supplier substitutes with a higher priced generic pharmaceutical product (excluding manual overrides by the Company or by Retailer) as a result of Prime Supplier's fault in availability.

4.3.1 Item Substitution. Should Prime Supplier need to substitute an item with a generic equivalent product because an item is out of stock, Prime Supplier will promptly notify Retailer and provide each month a rebate to Retailer in an amount equal to the difference between the applicable invoice price for the filled generic equivalent product (if higher) and the Net Primary SynerGx Price of the applicable item ("Item Substitution Rebate"). Prime Supplier will provide reports on a monthly basis to Retailer documenting any override occurrences and deductions. Item Substitution Rebate will be calculated, and the rebate paid by Prime Supplier

no later than thirty (30) days following the end of such month. No prior period adjustments will be made for Item Substitution Rebates. All purchases made under item substitution shall count toward purchases of the applicable item for the purposes of SynerGx Program compliance metrics and applicable item rebates at the Net Primary SynerGx Price.

4.4 Specially Priced Merchandise. Notwithstanding the foregoing, the purchase price for certain items (**"Specially Priced Merchandise"**) will be separately established from time to time and no rebate applies to such items unless separately and explicitly provided. Specially Priced Merchandise shall include products other than those that are SynerGx Products or subject to Cost of Goods pricing, and may include but is not limited to:

[*]

4.5 Core Specialty and Specialty Priced Pharmaceuticals. Notwithstanding anything to the contrary, the purchase price for certain high cost and specialty pharmaceuticals (**"Specialty Pharmaceuticals"**) are shown in Exhibit 1. A list of all Core Specialty Products is shown in Exhibit 3.

4.5.1 The Parties agree that Company shall provide to Prime Supplier a Company-specific Asembia contract formulary, containing applicable Asembia Brand Prescription Contract Products, for Prime Supplier to load in the primary GPO position. Company shall be responsible for ensuring the accuracy of such contract formulary. Within thirty (30) days following the end of each quarter, the Parties will review the Asembia Brand Prescription Contract Products ordered and purchased by Company during the immediately preceding month. Notwithstanding anything in this Agreement to the contrary, if the Parties determine that the Asembia contract formulary contained merchandise other than an Asembia Brand Prescription Contract Product and such non-Asembia Brand Prescription Contract Product was purchased, then (i) the purchase price for such item is or should have been the Contract Product pricing set forth in Exhibit 1 and (ii) Company shall be assessed an upcharge by Prime Supplier within thirty (30) days after the end of such quarter in an amount equal to the difference between the Contract Product price and the applicable Invoice Price for all such identified non -Asembia Brand Prescription Contract Products.

5. Ordering. Prime Supplier has been retained by the Company for purposes of fulfillment (including order processing) and logistics under this Agreement.

5.1 In General. Retailer's orders must be electronically transmitted (excluding emergency orders) via Company's ProcuRx Central Ordering Platform (currently supported by SureCost). The current list of certified vendors for the ProcuRx Central Ordering Platform includes Thrifty White Warehouse #899, McKesson, Anda, and ParMed. Retailer must supply, at its own expense, all hardware required to access Prime Supplier's order system, all required Internet access and any required interfaces or other network enhancements. Retailer agrees not to use Prime Supplier's system, or any other electronic order entry system provided by Prime Supplier under this Agreement, for any

purpose unrelated to this Agreement. In the event that the electronic order entry is temporarily interrupted for reasons beyond the control of Retailer or Prime Supplier, Retailer may place orders manually and both parties will use reasonable efforts to rectify the problem.

5.2 Schedule II Drugs. Orders for Schedule II controlled substances shall be submitted to Prime Supplier either electronically using the Controlled Substance Ordering System ("CSOS") or by mail using DEA Form 222, which should be mailed to the applicable Prime Supplier distribution center.

6. Delivery. Prime Supplier has contracted with the Company for purposes of fulfillment and logistics (including delivery) under this Agreement.

6.1 In General. Prime Supplier has agreed to deliver all goods F.O.B. destination in accordance with Prime Supplier's general delivery schedules as may be established from time to time by the applicable Prime Supplier servicing division (exclusive of holidays). Prime Supplier shall use good faith efforts to provide one (1) delivery per day, which includes goods ordered the prior day before 7:00 p.m., five (5) days per week (Monday through Friday, exclusive of holidays) for pharmaceuticals.

6.2 OTC Products. OTC Products will be delivered to Retailer and to Retailer LTC pharmacies five (5) times per week, on mutually agreed upon times. All delivery times are approximate and subject to periodic review and mutual adjustment. An additional charge will be assessed by the Company for additional scheduled deliveries and emergency deliveries on weekends or holidays.

6.3 Deliveries from Alternative Distribution Centers. Retailer (provided Retailer is not located in Hawaii or Alaska) may order merchandise stocked in a Prime Supplier distribution center, other than the distribution center identified by Prime Supplier as Retailer's primary distribution center, that is not available at such primary distribution center at the time of the order (whether as a result of being temporarily out of stock or otherwise), subject to the shipping and handling fees set forth in the alternate distribution center delivery charges set forth below.

6.3.1 "RED" means Remote Emergency Delivery of Rx Merchandise from a non-primary Prime Supplier distribution center to a Retailer. Prime Supplier will provide each Retailer [*] RED per quarter, at no additional cost. Any additional REDs will be subject to alternate distribution center delivery charges as forth below.

6.3.2 If the alternative distribution center delivery includes both pharmaceutical and non-pharmaceutical merchandise, then the applicable non-pharmaceutical alternative distribution center delivery fee will apply. If the prescription drug is not available within the Prime Supplier network, it will be drop-shipped from the vendor if stock is available, at Retailer's expense.

Each Alternate Distribution Center Delivery Via:	Shipping and Handling Fee (Pharmaceuticals):	Shipping and Handling Fee (Non-Pharmaceuticals):
Ground	$[*]	$[*]
Two Day	$[*]	$[*]
Overnight, Standard	$[*]	[*]
Overnight, Priority	$[*]	[*]
Same Day	[*]	[*]

*Certain hazardous items must be shipped via ground courier, and controlled substances must

be filled by the primary distribution center with the appropriate DEA forms/requirements.

6.4 The above shipping and handling charges will not apply to deliveries of merchandise that Prime Supplier does not stock on a consistent basis in Retailer's primary distribution center (unless Prime Supplier does not stock such merchandise because such merchandise does not meet a level of purchasing activity acceptable to Prime Supplier).

7. Returned Goods/Shortages/Damaaes Policy. Prime Supplier has been retained by the Company for purposes of fulfillment (including return processing) and logistics under this Agreement. Prime Supplier's Returned Goods Policy (which is subject to change by Prime Supplier) shall apply to all merchandise purchased under this Agreement. The Returned Goods Policy is contained in Exhibit 4. Retailer also agrees to fully participate in Prime Supplier's Buy-Back Program or Administration Program for processing of Retailer's eligible unsaleable pharmaceutical products, unless Retailer's return processor is a company other than Inmar. The Company will provide Retailer with the details of such programs.

8. Chance in Third Party Logistics Provider. The Company reserves the right to terminate this Agreement if the Company's relationship with Prime Supplier is terminated for any reason or if the Company's performance of this Agreement becomes illegal or economically impractical based on legal requirements.

9. Generic Program Volume Based Rebate. The rebate payable on generic pharmaceutical purchases may constitute a "discount or other reduction in price," as such terms are defined under the Medicare/Medicaid Anti-Kickback Statute. The Company and Retailer agree to comply with any and all requirements imposed on sellers and buyers, respectively, under 42 U.S.C. § 1320a-7b(b)(3)(A) and the "safe harbor" regulations regarding discounts or other reductions in price set forth in 42 C.F.R. § 1001.952(h). In this regard, Retailer may have an obligation to accurately report, under any state or federal program which provides cost or charge based reimbursement for the products or services covered by this Agreement, or as otherwise requested or required by any governmental agency, the net cost actually paid by Retailer.

10. Other Goods. Certain OTC/HBA goods, as well as other goods and services may also be made available by the Company to Retailer and delivered once per week under this Agreement. Prices for such goods and services will be established from time to time by the

Company; however, OTC/HBA purchases sourced through Prime Supplier will generally be priced at [*] plus [*] percent ([*]%) %.

11. Services and Supplies. Upon request, Prime Supplier has agreed to provide Retailer with a hand-held ordering device at no charge. Prime Supplier has also agreed to provide, at no charge, shelf labels and price stickers to Retailer for goods the Company acquires from Prime Supplier for resale to Retailer. The support fee for monthly planograms ("POGs") and retail price management is $[*], but is subjected to change based on Company's discretion. POGs will be provided monthly according to Company's POG schedule.

12. Warehouse Supply Feature. Retailer shall also have the right to purchase generic prescription pharmaceuticals and other pharmaceutical-related products and supplies offered for sale from time to time on the IRP.thriftywhite.com website (the **"Website"**) or through Company's ProcuRx online ordering tool, at the prices and on the terms set forth on the Website (**"Warehouse Supply Feature"**). The Warehouse Supply Feature is separate from the sales that are supplied through Company's fulfillment arrangement with Prime Supplier. The terms and conditions of the AP Agreement (including payment terms) apply to purchases under the Warehouse Supply Feature. Retailer agrees to all of the terms and conditions stated on Website, as may be amended from time to time. Retailer acknowledges that it is Retailer's responsibility to make itself aware of changes to such terms and conditions, which shall be binding with respect to transactions initiated on the Website when posted. Retailer acknowledges that no returns will be accepted on any purchases made through the Warehouse Supply Feature.

13. Own Use. Retailer represents and warrants that all purchases of pharmaceuticals by Retailer under this Agreement, whether through Prime Supplier or through the Warehouse Supply Feature, will be for Retailer's "own use" (as that term is defined in judicial or legislative interpretation) within licensed pharmacies owned by Retailer that are identified in the AP Agreement and not for resale to anyone other than the final consumer in the form of completed prescriptions, except for de minimis sales to other providers that directly sell the products to consumers as permitted by applicable state or federal law. In no event, however, shall Retailer sell any products purchased under this Agreement to any entity that resells such products to a non-consumer. Notwithstanding anything to the contrary, this Agreement may be immediately terminated in the event that the Company reasonably determines that Retailer is in breach of this section. Should Retailer in anyway dispense, provide, transfer or sell any pharmaceuticals purchased by Retailer under this Agreement in contravention of this Section, Retailer agrees that it shall be liable for (and shall indemnify and hold the Company harmless from) any and all damages and penalties incurred by Company.

14. Licensure. Retailer represents and warrants to the Company that Retailer has complied with, currently complies with, and will continue at all times during the term of this Agreement to comply with, all applicable licensure requirements and all federal, state and local governmental laws. Prior to purchasing pharmaceutical goods from the Company, and at all times during the term of this Agreement, Retailer will provide the Company with copies of all such licenses and any renewals, revocations, changes or notices related thereto.

15. Security Interest. The Company retains the right to: (a) adjust Retailer's payment terms; (b) place Retailer on C.O.D. status, and/or (c) refuse orders from Retailer if the Company has not received payment when due for products or services supplied by (or through) the Company to Retailer or based upon reasonable credit considerations. The Company retains, and Retailer hereby grants, the Company, a security interest in all of Retailer's assets, including but not limited to any pharmacy inventory (brand name drugs, generic pharmaceutical goods, over-the-counter drugs and specialty drugs), purchased or hereafter acquired by Retailer, to secure any and all payment obligations now or hereafter owed by Retailer to the Company. Retailer authorizes the Company to file and maintain UCC financing statements evidencing such security interest.

16. Compliance with Laws.

16.1 Company and Retailer shall fully comply with all applicable laws relating to their obligations under this Agreement or otherwise applicable to the purchase, handling, sale, distribution or dispensing of and the reimbursement for the merchandise, and represent and warrant that (i) prescription products are being purchased for dispensing or administration to patients pursuant to a legitimate prescription; and (ii) any subsequent resale by Retailer will be in compliance with all applicable laws and to a licensed healthcare provider for its dispensing or administration to patients pursuant to a legitimate prescription. Except for liability due to Company's negligence or intentional misconduct, the Company and Retailer shall defend, indemnify and hold Prime Supplier harmless from any and all liability arising out of or due to non-adherence with such legal or regulatory requirements or representation and warranty.

16.2 Company and Retailer agree that each will comply with applicable United States reporting laws applicable to pharmaceuticals including, without limitation, provisions of the Social Security Act, as amended, Sections 1128A and 1128B, 42 U.S.C. section 1320a-7, 7(a) and 7(b), including penalties involving Medicare or state health care programs, and §1320a-7b together with the regulations promulgated thereunder (including without limitation 42 C.F.R. §1001.952(h)) and comparable state laws or regulations, pertaining to illegal remuneration (including any kickback, bribe, or rebate) by, among other things, properly disclosing (including, without limitation, disclosing, to the extent required by law, any remuneration received under this Agreement that may be necessary for a Party to comply with any cost reporting obligations that such entities may have under applicable federal, state and local law) and appropriately reflecting all discounts, rebates and/or other remuneration described herein in the costs claimed or the charges made under federal health care programs (including, without limitation, the Medicaid and Medicare programs) and applicable state or private programs.

16.3 Controlled Substances and Other Regulations. In the event that performance of the terms of this Agreement would cause Prime Supplier to be noncompliant with, or in jeopardy of being noncompliant with, any federal, state or local law, rule, regulation or ordinance or any governmental requirement, guideline or pronouncement involving either controlled substances or any other regulated products or activities, including but not limited to the DEA' s regulatory requirements for verifying its customers and reporting suspicious or excessive orders, Prime Supplier may, within its sole and absolute discretion, do any of

the following: (a) limit or deny any order for controlled substances or other regulated products as warranted by any established diversion monitoring program of Prime Supplier; and (b) immediately terminate this Agreement, in whole or in part, without liability if: (i) continued performance of any part of this Agreement would violate any federal, state or local law, rule or regulation, or put Prime Supplier in jeopardy of violating any federal, state or local law, rule or regulation regarding either controlled substances or any other regulated products or activities; or (ii) Prime Supplier receives a complaint, notice, warning letter or other communication from a governmental agency alleging noncompliance with any laws, rules or regulations in relation to Prime Supplier's distribution of the merchandise (including, without limitation, controlled substances) under this Agreement or to customers' or the warehouse's actions or omissions with respect to either controlled substances or any other regulated products or activities.

16.4 Monitoring and Reporting. Retailer and Company agree to cooperate in good faith with respect to implementation and continuation of a suspicious order monitoring program for controlled substances. Retailer shall have ordering policies, controls and monitoring in place for all ordering of controlled substances and other prescription drugs that are at high risk for diversion. Company will monitor and report, as necessary, orders deemed suspicious, as well as withhold shipments that Company, in its sole discretion, deems to be suspicious ("SOM Program"). Upon Company's request, Retailer shall promptly provide reports that show the quantities of controlled substances in Schedules 11 to IV, as determined by federal and state controlled substance laws, purchased or dispensed over a defined period of time, or other requests for information and data related to orders that have been escalated as part of Company's suspicious order monitoring process. Retailer agrees to indemnify and hold harmless Company from and against all liability arising from or related to Company's SOM Program monitoring and reporting activities as well as canceling controlled substance orders.

17. Drue Supply Chain Security Act. Effective July 1, 2015, Section 582 (d) (1)(A) of the Drug Supply Chain Security Act ("DSCSA") requires pharmacies ("Dispensers") to capture and transmit the transaction history, transaction information and transaction statement (collectively "Transaction Data") for pharmaceutical products received from an authorized wholesaler(s). Company shall abide by all requirements under DSCSA and shall maintain all required Transaction Data for six (6) years beginning on the date of a transaction. Notwithstanding the foregoing, Retailer agrees that it is also responsible to maintain for six (6) years the transactional data required by the DSCSA for all product it receives.

18. External Event.

18.1 External Event: Request. For purposes of this Section, "External Event" shall mean an event or series of events external to and beyond the control of the Company that has or is likely to have a significant adverse impact on the Company's business or operations. By way of illustration and not of limitation, an External Event may include a material market fluctuation, governmental law, the actual or proposed enactment or promulgation of a regulation or administrative action, or a fundamental change in manufacturers' pricing or distribution policies. In response to an External Event, the Company may, at its option, request in writing (a "Request") that the pricing and/or other terms of this Agreement be

renegotiated so as to equitably reflect the effect of the External Event. The Request shall identify the External Event and set forth the general nature and scope of the adjustment requested. As soon as practicable after Retailer's receipt of such request, the Parties shall meet and begin good faith negotiations. If, at the end of sixty (60) days following Retailer's receipt of a Request, the Parties have been unable to agree on satisfactory pricing or other terms, the Company shall have the right to terminate this Agreement upon five (5) days' prior written notice.

18.2 Mediation. In the event that Retailer considers the reason(s) for termination to be inadequate under this provision or refuses to renegotiate this Agreement, or the Parties are unable to reach an amicable renegotiation of the Agreement, each Party agrees that prior to filing any lawsuit or other legal action against the other Party regarding such issue or dispute arising out of or otherwise relating to this External Event provision, the Parties shall participate in an expedited, non-binding mediation conducted in accordance with the Commercial Mediation Rules of the American Arbitration Association ("AAA"). A Party shall initiate such mediation by submitting a Request for Mediation ("Mediation Request") to the AAA and the other Party by hand delivery and/or facsimile. Within ten (10) days thereafter, the Parties shall agree upon a single mediator to conduct the mediation or, if they are unable to agree, request the AAA to make the appointment. The mediation shall be conducted in Minneapolis, Minnesota and, absent a written waiver executed by both Parties, shall be completed within thirty-five (35) days after either Party first submits a Mediation Request. All mediation fees payable to the AAA shall be shared equally between the Parties.

19. Confidentiality. Retailer agrees to hold the terms of this Agreement in strict confidence and hereby reaffirms its obligation to hold the terms of the AP Agreement and all Programs entered into under the AP Agreement in strict confidence and not disclose the terms of such agreements (including the terms, conditions and pricing applicable to the purchase of goods hereunder) to any person or entity without the express written consent of the Company.

20. Injunctive Relief/Indemnification. Retailer acknowledges that its breach of any obligation applicable to Retailer under Sections 4, 13, 14, 19 and Exhibits 1 and 2 of this Agreement will constitute immediate and irreparable damage to the Company that cannot be fully and adequately compensated in money damages and which will warrant preliminary and other injunctive relief, an order for specific performance or other equitable relief (without any requirement that a bond be posted by Company). Further, Retailer understands that other action may be taken and remedies enforced against it. Retailer agrees to indemnify and hold Company harmless from all costs (including reasonable attorneys' fees), damages, and liabilities Company incurs as a result of Retailer's breach of any provision of this Agreement.

21. General Provisions.

21.1 Notice. Any notice or other communication required or desired to be given to a Party under this Agreement shall be in writing and shall be deemed given when: (a) received by the recipient, after being sent via certified mail, return receipt requested, and addressed to that Party at the address for such Party set forth at the end of this Agreement;

or (b) received by the recipient after being sent via Federal Express, Airborne, or similar overnight delivery service for delivery to that Party at that address. A Party may change its address for notices under this Agreement by giving the other Parties notice of such change in accordance with the terms of this Agreement.

21.2 Relationship. The Parties intend the relationship created by this Agreement to be that of buyer and seller (not distributor or/dealer or franchise/franchisee). Each is an independent contractor, and neither is the agent of the other. This Agreement does not authorize Retailer to use, and Retailer agrees not to use, any trademarks, trade names, logos, or any other intellectual property owned by the Company and used by its Company-owned stores, except as is expressly permitted by a separate license agreement between the Parties. Retailer acknowledges that the Company may receive discounts, rebates or other consideration in connection with the Company arranging the Programs and that the Company is entitled to retain the same with no obligation of disclosure or accounting to Retailer. The Company is not a fiduciary for Retailer in any respect.

21.3 Warranty Disclaimer. The Company disclaims, and Retailer waives, any claims and damages arising from the failures, errors or delays of the Company's third-party agents in connection with the provision of goods and services provided on the Company's behalf under this Agreement or any of the Programs. The Company hereby assigns to Retailer its rights against the Company's third-party agents relating to their failures or errors in connection with the provision of filling and delivering goods ordered as well as in connection with the provision of goods and services performed by them on the Company's behalf. Retailer acknowledges that failures of timely deliveries and performance by the Company or third-party vendors may occur and do not give rise to a damage claim by Retailer. THE COMPANY MAKES NO EXPRESS OR IMPLIED REPRESENTATION OR WARRANTY, WITH RESPECT TO THE GOODS SOLD AND SERVICES PROVIDED UNDER THIS AGREEMENT, INCLUDING, BUT NOT LIMITED TO, IMPLIED CONDITIONS OF FITNESS FOR A PARTICULAR PURPOSE, NONINFRINGEMENT, OR MERCHANTABILITY. NO AGENT, EMPLOYEE OR REPRESENTATIVE OF THE COMPANY HAS ANY AUTHORITY TO BIND THE COMPANY TO ANY AFFIRMATION, REPRESENTATION OR WARRANTY EXCEPT AN AUTHORIZED OFFICER OF THE COMPANY PURSUANT TO A SIGNED WRITTEN AGREEMENT.

21.4 LIMITATION OF LIABILITY. THE COMPANY SHALL HAVE NO LIABILITY TO RETAILER OR ANY OTHER PERSON FOR, AND RETAILER HEREBY EXPRESSLY WAIVES, ALL REMEDIES AND DAMAGES RELATING TO INDIRECT, INCIDENTAL, CONSEQUENTIAL, OR SPECIAL DAMAGES OF ANY DESCRIPTION. THE PARTIES EXPRESSLY AGREE THAT SUCH LIMITATION IS AN AGREED UPON ALLOCATION OF RISK. UNDER NO CIRCUMSTANCES SHALL THE COMPANY'S LIABILITY FOR ANY CAUSE EXCEED [*].

21.5 Force Majeure. Each Party's obligations under this Agreement will be excused if and to the extent that any delay or failure to perform such obligations is due to causes beyond its reasonable control, including, without limitation, acts of war or terrorism, fire or other casualty, product or material shortages, strikes or labor disputes, transportation

delays, manufacturer out-of-stock or delivery disruptions, acts of God, or any law or regulation issued by any government or governmental or quasi-governmental agency or any judgment or judicial, executive or administrative order or decree, whether or not ultimately held to be valid. The Party experiencing such a force majeure event shall promptly notify the other Party of such event and use its reasonable commercial efforts to promptly cure the same.

21.6 Assignment. Retailer shall assign its obligations, including but not limited to the fulfillment of the term in its entirety, under this Agreement, including any Programs subscribed to by Retailer, to any purchaser or successor to the Store, subject to Company's prior written consent. All of the provisions of this Agreement shall be binding upon and inure to the benefit of the respective legal representatives, heirs, successors and assigns of the parties hereto.

21.7 Choice of Law. This Agreement, and the respective rights of the parties under this Agreement, shall be governed and construed by the laws of the State of Minnesota, without application of any choice of law considerations. Any claim, cause of action, suit or demand allegedly arising out of or related to this Agreement, or the relationship of the Parties, shall be brought exclusively in the state or federal courts located in Minneapolis, Minnesota, and the Parties irrevocably consent to the jurisdiction and venue of such courts. Each Party hereto agrees that valid service of process may be effected on it by certified mail at the addresses stated on the signature page of this Agreement.

21.8 Survival. The rights and obligations of the Parties intended to be observed and performed by the Parties after the consummation of this Agreement shall survive the same and continue thereafter in full force and effect.

21.9 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument. Copies of this Agreement with signatures transmitted electronically (e.g., by facsimile or pdf) shall be deemed to be original signed versions of this Agreement.

21.10 Construction. Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Agreement.

21.11 Entire Agreement: Modification and Waiver. This Agreement, together with any exhibits and the related written agreement(s) in the Affiliated Pharmacy Program, represent the only agreements among the parties concerning the AP Program and pharmaceutical supplies, and supersede all prior agreements, whether written or oral, relating thereto. No purported amendment, modification or waiver of any provision hereof shall be binding unless set forth in a written document signed by both Parties (in the case of amendments or modifications) or by the Party to be charged thereby (in the case of waivers). Any waiver shall be limited to the provision hereof and the circumstance or event specifically made subject thereto and shall not be deemed a waiver of any other term hereof or of the same

circumstance or event upon any recurrence thereof This Agreement shall not be construed against either Party since each Party has had the opportunity to negotiate its provisions and contribute to its drafting.

Each of the Parties has caused this Pharmaceutical Program Supply Agreement to be executed in the manner appropriate to each intending to be legally bound.

RETAILER	**THRIFTY DRUG STORES, INC.**
By /s/ Calvin H. Knowlton, PhD	**By** /s/ Scot Rewerts
Title CEO	**Title** Director Affiliated Pharmacy Program
Date 6/30/2020	**Date** 07/01/2020
Address: 228 Strawbridge Drive	**Address:** 6055 Nathan Lane North # 200
Moorestown, NJ	Plymouth, MN 55442

EXHIBIT 1
COST OF GOODS PRICING

Merchandise included within the categories listed in the chart below will be priced and invoiced at the applicable invoice price as set forth below and will be subject to the corresponding Cost of Goods markup:

ǂ Prime Supplier shall only recognize and extend [*] pricing to [*] for a single [*].

Merchandise Category	**Invoice Price**	**Cost of Goods Markup**
[*]	[*]	[*]
[*]	[*]	[*]
[*]	[*]	[*]
[*]	[*]	[*]
[*]	[*]	[*]
[*]	[*]	[*]
[*]	[*]	[*]
[*]	[*]	[*]
[*]	[*]	[*]
[*]	[*]	[*]

EXHIBIT 2

Table 1

Cost of Goods Markup Matrix						
Tier	Annual Purchases of Generic Prescription Products (Including Generic Prescription Products that are Contract Products)			Semi-Annual Applicable Cost of Goods Markup Percentage (Non-cumulative)	COGs Modifier	Semi-Annual Applicable Cost of Goods Markup Percentage +COGs Modifier
1	$[*]	-	$[*]	[*]%	[*]	[*]%
2	$[*]	-	$[*]	[*]%	[*]%	[*]%
3	$[*]	-	$[*]	[*]%	[*]%	[*]%
4	$[*]	-	$[*]	[*]%	[*]%	[*]%
5	$[*]	-	$[*]	[*]%	[*]%	[*]%
6	$[*]	-	$[*]	[*]%	[*]%	[*]%
7	$[*]	-	$[*]	[*]%	[*]%	[*]%
8	$[*]	-	$[*]	[*]%	[*]%	[*]%
9	$[*]	-	$[*]	[*]%	[*]%	[*]%
10	$[*]	-	[*]	[*]%	[*]%	[*]%

Table 2

Cost of Goods Markup Matrix for [*]					
Total of all Generic Prescription Products (Including Generic Prescription Products that are Contract Products)	Semi-Annual Applicable Cost of Goods Markup for Brand Prescription Contract Products (Non-cumulative)	COGs Modifier	Semi-Annual Applicable Cost of Goods Markup Percentage + COGs Modifier	Semi-Annual Applicable Cost of Goods Markup for Core Specialty Contract Products and Biosimilar Products (Non-cumulative)	Semi-Annual Applicable Cost of Goods Markup for [*] and [*] (Non-cumulative)
[*]	[*]		[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]	[*]

EXHIBIT 3

LIST OF CORE SPECIALTY PRODUCTS

[*]

EXHIBIT 4

Prime Supplier Returned Goods Policy

Subject to any separate policy and/or terms and conditions for returned goods adopted by [*] ("[*]") for purposes of complying with any applicable federal or state law, rule or regulation, [*] will process returned goods for items purchased by Thrifty from [*], in accordance with [*]'s Returned Goods Policy (which is subject to change by [*], effective upon thirty (30) days' prior notice to Thrifty), as follows:

1. <u>Definitions</u>

A. "Saleable" Merchandise is defined as Merchandise returned to [*] meeting all of the following criteria:

(a) a) Merchandise is resaleable by [*] without special handling, refurbishing or other expense;

(b) b) Merchandise has proper dating determined as follows:

i. For Merchandise that has been deemed permanently short-dated by [*] or manufacturers/vendors; has dating of current month plus three (3) months remaining until expiration, or

ii. ii. For all other Merchandise, has dating of current month plus six (6) months remaining until expiration.

(c) If Prescription Products, Thrifty has attested that each specific unit of returned Prescription Product was purchased from [*] and that the conditions specified by the manufacturer/vendor for storage, protection, handling and shipping have been maintained at all times. For Returned Prescription Products to be Saleable Merchandise, the Customer must include the original invoice number in order to be Saleable, in compliance with the Drug Supply Chain Security Act.

B. "Unsaleable" Merchandise is defined as Merchandise returned to [*] meeting one or more of the following criteria:

(a) Does not comply with the criteria set out in Section 1. A. above; or

(b) Is returned with torn or damaged packaging; or

(c) Has labels attached (e.g. prescription or price sticker); or

(d) Is soiled, stained or worn; or

(e) Its safety or security seals are not intact; or

(f) Is Recalled Merchandise (defined below); or

(g) Any Merchandise that [*], in its sole discretion, determines to be Unsaleable upon inspection of the returned item; or

(h) Customer does not provide an original invoice number for the Prescription Products being returned.

C. Merchandise returned pursuant to a recall, market withdrawal or any other manufacturer/vendor initiated return shall be referred to as "Recalled" Merchandise.

D. A good with respect to which Thrifty or a buying group has entered into a vendor contract with a manufacturer shall be referred to as a "Contract Product."

2. <u>Return Eligibility</u>.

A. Saleable and Unsaleable Merchandise must meet the following requirements to be eligible for return:

(a) Merchandise was purchased from [*];

(b) Merchandise is returnable by [*] to the manufacturer/vendor according to their policy,

(c) Merchandise is physically carried or stocked by the distribution center to which it is being returned; and

(d) Merchandise is in its original manufacturer container (or be an authorized partial pursuant to a Recall, in which case return must include pill counts, NDC expiration date and lot number).

B. Merchandise not eligible for return include the following:

(a) Merchandise that is blocked for return (as determined by the manufacturer/vendor or [*]);

(b) Merchandise sold as "non-returnable" (non-returnable items are identified as short-dated ("SD" or non-returnable "NR" in the item description list);

(c) Merchandise not deemed refundable to [*] or Merchandise not eligible for return to the manufacturer/vendor;

(d) Thrifty's or its buying group's private label Merchandise that is Unsaleable;

(e) Overbagged or "robot-ready" Merchandise;

(f) Repackaged Merchandise that has less than nine (9) months dating or otherwise meets the definition of Unsaleable Merchandise;

(g) ScanPak Unit Dose and ScanPak Multi Dose Merchandise that has less than nine (9) months dating or otherwise meets the definition of Unsaleable Merchandise;

(h) Merchandise discontinued by manufacturer/vendor and no longer stocked by [*];

(i) Merchandise containing hazardous materials;

(j) Partial bottles, liquids and other containers (except for Recalls);

(k) Merchandise damaged or defaced by the Thrifty ; and

(l) Home Healthcare Hub Merchandise unless said Merchandise was received damaged by Thrifty from [*].

C. Refrigerated Merchandise considered for return must comply with [*]'s cold chain policy requirements and eligibility for return will be at the discretion of the local distribution center.

D. Schedule II Controlled Substances may be eligible for return at the discretion of the local distribution center.

E. Notwithstanding the foregoing, at all times [*] reserves the right to designate Merchandise return eligibility.

3. <u>Return Authorization and Attestation</u>

In order to return eligible Merchandise, Thrifty must obtain a return authorization ("Return Authorization" or "RA"). The amount of credit issued for returned Merchandise may be reduced if the RA is not submitted within the requisite number of days or if Thrifty does not provide an invoice number, as set out in more detail in Section 4 of this Policy. For all returned Merchandise, Thrifty must attest to [*] by signing the attestation language in the RA (written or electronic signature) that the conditions specified by the manufacturer/vendor for storage, protection, handling and shipping have been maintained at all times.

For all returned Prescription Product, Thrifty must further attest to [*] that each specific unit of returned Prescription Product was purchased from [*]. Effective November 27, 2019 returned Prescription Product must also include the original invoice number in order to be Saleable, in Compliance with the Drug Supply Chain Security Act.

4. <u>Credits Issued</u>

All refunds for returned Merchandise will be made as a credit to Thrifty's account in an amount equal to the applicable percentage of the item's price. The item's price will be determined as set out in Section 5 below. The applicable percentage will be as set out in the following chart. Notwithstanding the foregoing, at all times [*] reserves the right to determine whether Merchandise is Saleable or Unsaleable and the applicable credit percentage. Any handling charges

will apply where appropriate. Final credit will be issued based on the condition of the returned goods to [*] and the days from date of invoice that the RA request is submitted.

Saleable Merchandise	**Days from date of invoice**	**Percentage**
Standard Thrifty return for non-refrigerated pharmaceutical products	[*]	[*]%
Standard Thrifty return for non- Refrigerated pharmaceutical products	[*]	[*]%
Standard Thrifty return for refrigerated pharmaceutical products	[*]	[*]%
Standard Thrifty returns for Refrigerated Merchandise only	[*]	[*]%

Unsaleable Merchandise	**Days from date of invoice**	**Percentage**
Received damaged or short-dated	[*]	[*]%
	[*]	[*]%
Standard Thrifty return*	[*]	Up to [*]% if and to the extent [*] recovers an equal percent from the manufacturer/vendor
Recalled Merchandise*	[*]	Up to [*]% if and to the extent [*] recovers an equal Percent from the manufacturer/vendor
No original invoice number provided	[*]	[*]%

*Notwithstanding anything in this Returned Goods Policy to the contrary, in the event a manufacturer/vendor fails for any reason to pay [*] for the cost of Recalled or Unsaleable Merchandise (excluding Merchandise received by Thrifty damaged or short-dated), or any amounts due to [*] with respect to such Merchandise, Thrifty shall be responsible for any such unpaid monies, and shall fully reimburse [*] including for any credits, deductions or other fon-ns of advance that have already been paid to or received by Thrifty for such Recalled or Unsaleable Merchandise.

5. Price

Thrifty will be credited an amount equal to the applicable percentage of the returned item's price. If Thrifty provided an invoice number, the price will be the item's invoice price. If no invoice number is provided, the item's price will be the lowest price as determined under the following pricing rules:

A. for a Contract Product, the price will be the contract price on the date the RA was submitted;

B. for a non-Contract brand product, the price will be a weighted average price for that item based on Thrifty's past twelve (12) month purchase history;

C. for a non-Contract generic product, the price will be the lowest price paid by Thrifty over the past twelve (12) months for the same item;

D. for a non-Contract product purchased more than twelve (12) months prior to the date the RA is created, the manufacturer's/vendor's published acquisition cost (exclusive of cash discounts) on the date the RA was created.

6. Shortages

Thrifty must notify [*] of any shortages or overages within five (5) business days. [*] will refund Thrifty in the form of a credit for any shortages provided that Thrifty provides the applicable invoice number and any claim is submitted within five (5) business days. Claims filed after five (5) business days, or claims with no invoice, will not be considered.

7. Notification of Changes

This Policy is subject to change by [*] with thirty (30) days' notice to Thrifty; provided that [*] may within its sole and absolute discretion, immediately make any change needed in order to comply with any applicable federal and/or state law, rule, regulation, FDA or other regulatory guideline

TWP

Thrifty White Pharmacy
Affiliated Pharmacy Program

Retailer Addendum to Pharmaceutical Program Supply Agreement
(High Volume)

This Retailer Addendum to Pharmaceutical Program Supply Agreement ("Addendum") is made effective as of June 30, 2020 ("Effective Date") by and between Thrifty Drug Stores, Inc. ("Company") and the undersigned pharmacy ("Retailer"). Company and Retailer are parties to an Affiliated Pharmacy Agreement ("Affiliated Pharmacy Agreement") and a related Pharmaceutical Program Supply Agreement ("Rx Program Agreement").

1. Purchasing. As a part of the Rx Program Agreement, Retailer has agreed to purchase certain of Retailer's prescription product requirements from Company. In addition to the benefits received by Retailer under the Rx Program Agreement, Company agrees to provide Retailer a volume rebate, as set forth in this Addendum, based upon Retailer's prescription product purchases from Company under the Rx Program Agreement, which includes purchases made pursuant to both Thrifty White Warehouse #899 and the current prime wholesaler. Unless terminated earlier for any reason by Company with thirty (30) days' prior written notice, the Rx Program Agreement extends to September 30, 2020.

2. Rebate Amount 7 Eligibility. Subject to the terms of this Addendum, Company agrees to pay Retailer a volume rebate ("High Volume Rebate") equal to [*]% of Retailer's Net Qualified Prescription Product Purchases (as defined below) during each calendar year (or portion thereof) under the Rx Program Agreement after the Addendum Effective Date. In order to be eligible for the High Volume Rebate, (i) the actual Net Qualified Prescription Product Purchases for such calendar year (or portion thereof in which Retailer participated in the Rx Program Agreement after the Addendum Effective Date) must equal or exceed $[*] ([*] dollars) and (ii) the Retailer must be in compliance with Section 1 of the Rx Program Agreement.

3. Net Qualified Prescription Product Purchases. "Net Qualified Prescription Product Purchases" means the price (in U.S. Dollars) of prescription products purchased by Retailer from Company under the RX Program Agreement, excluding Specialty Pharmaceuticals.

"Specialty Pharmaceuticals" include, but are not limited to, [*]. Any returns, credits, allowances, adjustments and purchases that are outstanding and past due or not timely paid at time of purchase pursuant to the terms of the Rx Program Agreement will be subtracted from the Net Qualified Prescription Product Purchases.

4. High Volume Rebate Payment

(a) Any payments outlined herein shall be prorated for any months within a calendar year that Retailer does not engage in the Rx Program Agreement.

(b) Estimated High Volume Rebate Payment — Company will compute annualized Net Qualified Prescription Product Purchases of Retailer for each calendar year covered by the Rx Program Agreement after the Effective Date of this Addendum using the [*] months of such calendar year occurring after the Effective Date to compute the High Volume Rebate potentially payable for the calendar year. [*] percent ([*]%) of such estimated High Volume Rebate will be paid by Company to Retailer within sixty (60) days after such [*] months.

(c) Final Payment and True-Up — Within two (2) months after the end of the calendar year or earlier expiration or termination of the Rx Program Agreement, Company will compute the actual High Volume Rebate (subject to the eligibility threshold stated above) and pay the actual High Volume Rebate amount for the period less any estimated payment made. If Retailer does not meet the eligibility threshold as stated above, Retailer will be liable to repay the unearned portion of the [*] percent ([*]%) estimated High Volume Rebate paid within thirty (30) days' notice from Company of payment due.

5. Miscellaneous

(a) In the event of: (i) termination of the Affiliated Pharmacy Agreement or Rx Program Agreement, (ii) a breach of this Amendment, the Affiliated Pharmacy Agreement or the Rx Program Agreement by Retailer; (iii) change of control of Company; or (iv) Retailer's sale of Retailer's pharmacy to an entity other than Company, then Retailer will be liable to immediately repay any paid but unearned portion of the High Volume Rebate (e.g., unearned portion of the [*] percent ([*]%) estimated High Volume Rebate paid) for product not purchased, and all future rebates shall be withheld. Company reserves the right to offset such unearned High Volume Rebate amounts owed by Retailer to Company against any other amounts owed by Company to Retailer. Sections 6.4 and 6.5 of the Affiliated Pharmacy Agreement shall apply with respect to Retailer's obligation to repay such amounts, which obligation survives the termination of this Addendum, the Affiliated Pharmacy Agreement and the Rx Program Agreement.

(b) REBATES PAID ARE PRICE REDUCTIONS FOR PURPOSES OF 42 U.S.C. 1320A — 7B(B)(3)(A). RETAILER IS RESPONSIBLE TO COMPLY WITH ALL APPLICABLE LAWS AND REGULATIONS (INCLUDING WITHOUT LIMITATION 42 C.F.R 1001.952(h)) REQUIRING TO ACCURATELY REPORT AND APPROPRIATELY REFLECT DISCOUNTS, REBATES AND OTHER PRICE REDUCTIONS IN COST REPORTS OR CLAIMS SUBMITTED TO MEDICARE, MEDICAID AND OTHER FEDERAL AND STATE HEALTHCARE PROGRAMS AND TO PRIVATE THIRD PARTY PAYORS. RETAILER AGREES TO RETAIN THIS AMENDMENT AND RELATED PRICE REDUCTION AND REBATE DOCUMENTATION AND TO PROVIDE SUCH DOCUMENTATION TO AUTHORIZED GOVERNMENT HEALTHCARE PROGRAM OFFICIALS ON REQUEST.

(c) Company shall have full power and authority to administer and modify this rebate plan, and all determinations made and actions taken by Company shall be conclusive and binding. Company

reserves the right to adjust the High Volume Rebate amount at any time. In the event of a conflict of terms between this Addendum, Affiliated Pharmacy Agreement, and the Rx Program Agreement, then this Addendum shall control.

(d) This Addendum is hereby made part of the Affiliated Pharmacy Agreement and Rx Program Agreement between Company and Retailer, the terms and provisions of which are hereby incorporated by reference. The Affiliated Pharmacy Agreement and Rx Program Agreement remain in full force and effect and are hereby ratified. No provision of this Addendum may be modified or amended except expressly in writing signed by both parties, nor shall any terms be waived except expressly in writing signed by the party charged with the waiver.

AGREED

Retailer	Thrifty Drug Stores, Inc.
By /s/ Calvin H. Knowlton, PhD	By /s/ Scot Rewerts
Its CEO	Its Director – Affiliated Pharmacies
Print Name Calvin H. Knowlton, PhD	Print Name Scot Rewerts
Date:6/30/2020	Date: 07/01/2020

ILLUSTRATIVE REBATE EXAMPLE

THRIFTY DRUG STORES, INC. AFFILIATED PHARMACY PROGRAM
PHARMACEUTICAL SUPPLY PROGRAM
(HIGH VOLUME ADDITIONAL REBATE)

This example is for illustration purposes only. The terms in the Retailer Addendum to Pharmaceutical
P r o g r a m Supply Agreement (High Volume) controls.

Rebate Percentage (subject to minimum calendar your Net Qualified Prescription Product Purchases of
$ [*])

Rebate Percentage of Calendar Year Net Qualified

Prescription Product Purchases [*]%

Rebate Payments

[*] ([*]%) of the estimated rebate based on annualizing the [*] months covered in the calendar year will be paid within sixty (60) days after such [*] months (the "First Rebate Installment Payment).

The annual High Volume Rebate, less the First Rebate Installment Payment, will be paid within two months after the end of the calendar year (or earlier termination of the Pharmaceutical Supply Program).

Illustration: Based on $[*] of Net Qualified Prescription Product Purchases during calendar year

2019 Volume Rebate Period (01/01/19 through 12/31/19)

Annualized Estimated Volume $[*]

First Installment Rebate ([*] of 2019 Projected Rebate)	$[*]	Estimated
Second Installment of Rebate (True up Payment on Actual Volume)	$[*]	Estimated
Estimated 2019 Total Volume Rebate	$[*]	Estimated

*First Installment Rebate to be paid sixty (60) days after [*] months of purchasing is completed

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Calvin H. Knowlton, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Tabula Rasa 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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2020

/s/ DR. CALVIN H. KNOWLTON
Dr. Calvin H. Knowlton
Chief Executive Officer
Principal Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Brian W. Adams, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Tabula Rasa 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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2020

/s/ BRIAN W. ADAMS
Brian W. Adams
Chief Financial Officer
Principal Financial Officer

Exhibit 32.1

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 of Tabula Rasa HealthCare, Inc. (the "Company") on Form 10-Q for the fiscal quarter ended June 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Calvin H. Knowlton, Chief Executive Officer of the Company, and I, Brian W. Adams, Chief Financial Officer of the Company, each hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or Section 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: August 6, 2020

By: /s/ DR. CALVIN H. KNOWLTON
Name: **Dr. Calvin H. Knowlton**
Title: **Chief Executive Officer**
(Principal Executive Officer)

Date: August 6, 2020

By: /s/ BRIAN W. ADAMS
Name: **Brian W. Adams**
Title: **Chief Financial Officer**
(Principal Financial Officer)

**This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Tabula Rasa HealthCare, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing*