UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2021

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: 001-36309

INOGEN, INC.

(Exact name of registrant as specified in its charter)

Delaware	**33-0989359**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
301 Coromar Drive Goleta, CA	**93117**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (805) 562-0500

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.001 par value	**INGN**	**The NASDAQ Stock Market LLC (NASDAQ Global Select Market)**

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

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

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

Large accelerated filer	☐	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 October 29, 2021, the registrant had 22,724,098 shares of common stock, par value $0.001, outstanding.

TABLE OF CONTENTS

INOGEN, INC.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Inogen, Inc.
Consolidated Balance Sheets
(unaudited)
(amounts in thousands)

	September 30, 2021	December 31, 2020
Assets		
Current assets		
Cash and cash equivalents	$ 241,576	$ 211,962
Marketable securities	3,552	19,257
Accounts receivable, net	32,905	29,717
Inventories, net	31,785	24,815
Income tax receivable	1,787	2,048
Prepaid expenses and other current assets	24,226	17,898
Total current assets	335,831	305,697
Property and equipment		
Rental equipment, net	55,612	46,953
Manufacturing equipment and tooling	11,811	10,361
Computer equipment and software	8,375	7,356
Furniture and equipment	3,033	2,293
Leasehold improvements	6,682	4,592
Land and building	125	125
Construction in process	1,826	2,344
Total property and equipment	87,464	74,024
Less accumulated depreciation	(50,398)	(45,794)
Property and equipment, net	37,066	28,230
Goodwill	33,028	33,165
Intangible assets, net	62,299	68,797
Operating lease right-of-use asset	25,830	8,827
Deferred tax asset - noncurrent	15,481	14,467
Other assets	3,322	2,669
Total assets	$ 512,857	$ 461,852

See accompanying condensed notes to the consolidated financial statements.

Inogen, Inc.
Consolidated Balance Sheets (continued)
(unaudited)
(amounts in thousands, except share and per share amounts)

	September 30, 2021	December 31, 2020
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable and accrued expenses	$ 29,223	$ 33,712
Accrued payroll	12,223	7,091
Warranty reserve - current	6,310	5,740
Operating lease liability - current	3,518	1,931
Deferred revenue - current	8,424	6,994
Income tax payable	235	1,242
Total current liabilities	59,933	56,710
Long-term liabilities		
Warranty reserve - noncurrent	8,606	8,654
Operating lease liability - noncurrent	24,121	8,078
Earnout liability - noncurrent	17,118	26,940
Deferred revenue - noncurrent	12,135	11,822
Deferred tax liability - noncurrent	24	25
Total liabilities	121,937	112,229
Commitments and contingencies (Note 9)		
Stockholders' equity		
Common stock, $0.001 par value per share; 200,000,000 authorized; 22,721,619 and 22,131,447 shares issued and outstanding as of September 30, 2021 and December 31, 2020, respectively	23	22
Additional paid-in capital	297,097	273,521
Retained earnings	92,149	75,605
Accumulated other comprehensive income	1,651	475
Total stockholders' equity	390,920	349,623
Total liabilities and stockholders' equity	$ 512,857	$ 461,852

See accompanying condensed notes to the consolidated financial statements.

Inogen, Inc.
Consolidated Statements of Comprehensive Income (Loss)
(unaudited)
(amounts in thousands, except share and per share amounts)

	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Revenue				
Sales revenue	$ 80,974	$ 66,809	$ 248,359	$ 215,561
Rental revenue	12,131	7,520	33,241	18,948
Total revenue	93,105	74,329	281,600	234,509
Cost of revenue				
Cost of sales revenue	40,437	37,714	129,637	120,914
Cost of rental revenue, including depreciation of $2,315 and $1,475, for the three months ended and $6,257 and $3,995 for the nine months ended, respectively	4,981	3,609	14,068	9,474
Total cost of revenue	45,418	41,323	143,705	130,388
Gross profit				
Gross profit-sales revenue	40,537	29,095	118,722	94,647
Gross profit-rental revenue	7,150	3,911	19,173	9,474
Total gross profit	47,687	33,006	137,895	104,121
Operating expense				
Research and development	3,754	3,511	11,892	10,406
Sales and marketing	28,301	22,882	83,109	72,131
General and administrative	9,258	8,586	26,981	28,087
Total operating expense	41,313	34,979	121,982	110,624
Income (loss) from operations	6,374	(1,973)	15,913	(6,503)
Other income (expense)				
Interest income	21	114	107	842
Other income (expense)	(466)	(54)	(472)	5,586
Total other income (expense), net	(445)	60	(365)	6,428
Income (loss) before provision (benefit) for income taxes	5,929	(1,913)	15,548	(75)
Provision (benefit) for income taxes	(6,245)	(214)	(996)	633
Net income (loss)	12,174	(1,699)	16,544	(708)
Other comprehensive income (loss), net of tax				
Change in foreign currency translation adjustment	(251)	385	(585)	405
Change in net unrealized gains (losses) on foreign currency hedging	494	(82)	2,028	162
Less: reclassification adjustment for net (gains) losses included in net income	106	(213)	(267)	(67)
Total net change in unrealized gains (losses) on foreign currency hedging	600	(295)	1,761	95
Change in net unrealized gains (losses) on marketable securities	(1)	(1)	—	(6)
Total other comprehensive income, net of tax	348	89	1,176	494
Comprehensive income (loss)	$ 12,522	$ (1,610)	$ 17,720	$ (214)
Basic net income (loss) per share attributable to common stockholders (Note 6)	$ 0.54	$ (0.08)	$ 0.74	$ (0.03)
Diluted net income (loss) per share attributable to common stockholders (Note 6)	$ 0.53	$ (0.08)	$ 0.73	$ (0.03)
Weighted-average number of shares used in calculating net income (loss) per share attributable to common stockholders:				
Basic common shares	22,619,272	21,998,299	22,416,575	21,959,521
Diluted common shares	22,854,229	21,998,299	22,803,355	21,959,521

See accompanying condensed notes to the consolidated financial statements.

Inogen, Inc.
Consolidated Statements of Stockholders' Equity
(unaudited)
(amounts in thousands, except share amounts)

	Three months ended September 30, 2021 and September 30, 2020						
	Common stock		Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Total stockholders' equity
	Shares	Amount				
Balance, June 30, 2020	22,065,961	$ 22	$ 268,349	$ 82,425	$ 318	$ 351,114
Stock-based compensation	—	—	2,050	—	—	2,050
Employee stock purchases	40,513	—	996	—		996
Vesting of restricted stock units	11,431	—	(3)	—	—	(3)
Shares withheld related to net restricted stock settlement	(1,614)	—	(47)	—	—	(47)
Net loss	—	—	—	(1,699)	—	(1,699)
Other comprehensive income	—	—	—	—	89	89
Balance, September 30, 2020	22,116,291	$ 22	$ 271,345	$ 80,726	$ 407	$ 352,500
Balance, June 30, 2021	22,578,696	$ 23	$ 289,615	$ 79,975	$ 1,303	$ 370,916
Stock-based compensation	—	—	2,792	—	—	2,792
Employee stock purchases	22,600	—	1,021	—	—	1,021
Vesting of restricted stock units	12,131	—	(39)	—	—	(39)
Shares withheld related to net restricted stock settlement	(545)	—	(33)	—	—	(33)
Stock options exercised	108,737	—	3,741	—	—	3,741
Net income	—	—	—	12,174	—	12,174
Other comprehensive income	—	—	—	—	348	348
Balance, September 30, 2021	22,721,619	$ 23	$ 297,097	$ 92,149	$ 1,651	$ 390,920

	Nine months ended September 30, 2021 and September 30, 2020					
	Common stock		Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Total stockholders' equity
	Shares	Amount				
Balance, December 31, 2019	22,031,410	$ 22	$ 263,252	$ 81,434	$ (87)	$ 344,621
Stock-based compensation	—	—	6,111	—	—	6,111
Employee stock purchases	68,467	—	2,084	—	—	2,084
Restricted stock awards issued, net of forfeitures	(27,729)	—	—	—	—	—
Vesting of restricted stock units	41,647	—	(14)	—	—	(14)
Shares withheld related to net restricted stock settlement	(6,828)	—	(274)	—	—	(274)
Stock options exercised	9,324	—	186	—	—	186
Net loss	—	—	—	(708)	—	(708)
Other comprehensive income	—	—	—	—	494	494
Balance, September 30, 2020	22,116,291	$ 22	$ 271,345	$ 80,726	$ 407	$ 352,500
Balance, December 31, 2020	22,131,447	$ 22	$ 273,521	$ 75,605	$ 475	$ 349,623
Stock-based compensation	—	—	8,547	—	—	8,547
Employee stock purchases	60,299	—	1,948	—	—	1,948
Restricted stock awards issued, net of forfeitures	(41,344)	—	—	—	—	—
Vesting of restricted stock units	89,052	—	(396)	—	—	(396)
Shares withheld related to net restricted stock settlement	(3,873)	—	(221)	—	—	(221)
Stock options exercised	486,038	1	13,698	—	—	13,699
Net income	—	—	—	16,544	—	16,544
Other comprehensive income	—	—	—	—	1,176	1,176
Balance, September 30, 2021	22,721,619	$ 23	$ 297,097	$ 92,149	$ 1,651	$ 390,920

See accompanying condensed notes to the consolidated financial statements.

Inogen, Inc.
Consolidated Statements of Cash Flows
(unaudited)
(amounts in thousands)

	Nine months ended September 30,	
	2021	**2020**
Cash flows from operating activities		
Net income (loss)	$ 16,544	$ (708)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	15,861	13,654
Loss on rental units and other fixed assets	952	502
Gain on sale of former rental assets	(59)	(84)
Provision for sales revenue returns and doubtful accounts	8,248	8,341
Provision for rental revenue adjustments	3,543	2,115
Provision for inventory losses	1,452	720
Stock-based compensation expense	8,547	6,111
Deferred income taxes	(1,014)	369
Change in fair value of earnout liability	(9,822)	(166)
Changes in operating assets and liabilities:		
Accounts receivable	(15,232)	(7,716)
Inventories	(9,935)	2,597
Income tax receivable	261	(129)
Prepaid expenses and other current assets	(6,323)	(8,695)
Operating lease right-of-use asset	(17,005)	(3,463)
Other noncurrent assets	73	2,105
Accounts payable and accrued expenses	(3,015)	(1,495)
Accrued payroll	5,141	1,017
Warranty reserve	522	1,356
Deferred revenue	1,743	375
Income tax payable	(979)	265
Operating lease liability	17,632	3,744
Net cash provided by operating activities	17,135	20,815
Cash flows from investing activities		
Purchases of marketable securities	—	(6,531)
Maturities of marketable securities	15,705	11,057
Investment in intangible assets	(132)	(215)
Investment in property and equipment	(4,807)	(3,352)
Production and purchase of rental equipment	(13,156)	(8,217)
Proceeds from sale of former assets	122	140
Net cash used in investing activities	(2,268)	(7,118)

(continued on next page)

See accompanying condensed notes to the consolidated financial statements.

Inogen, Inc.
Consolidated Statements of Cash Flows (continued)
(unaudited)
(amounts in thousands)

	Nine months ended September 30,	
	2021	**2020**
Cash flows from financing activities		
Proceeds from stock options exercised	13,699	186
Proceeds from employee stock purchases	1,948	2,084
Payment of employment taxes related to release of restricted stock	(617)	(288)
Net cash provided by financing activities	15,030	1,982
Effect of exchange rates on cash	(283)	268
Net increase in cash and cash equivalents	29,614	15,947
Cash and cash equivalents, beginning of period	211,962	198,037
Cash and cash equivalents, end of period	$ 241,576	$ 213,984
Supplemental disclosures of cash flow information		
Cash paid during the period for income taxes, net of refunds received	$ 1,284	$ 158
Supplemental disclosure of non-cash transactions		
Property and equipment in accounts payable and accrued liabilities	333	32

See accompanying condensed notes to the consolidated financial statements.

1. Business overview

Inogen, Inc. (Company or Inogen) was incorporated in Delaware on November 27, 2001. The Company is a medical technology company that primarily develops, manufactures and markets innovative portable oxygen concentrators (POCs) used to deliver supplemental long-term oxygen therapy to patients suffering from chronic respiratory conditions. Traditionally, these patients have relied on stationary oxygen concentrator systems for use in the home and oxygen tanks or cylinders for mobile use, which the Company calls the delivery model. The tanks and cylinders must be delivered regularly and have a finite amount of oxygen, which requires patients to plan activities outside of their homes around delivery schedules and a finite oxygen supply. Additionally, patients must attach long, cumbersome tubing to their stationary concentrators simply to enable mobility within their homes. The Company's proprietary Inogen One® systems concentrate the air around the patient to offer a single source of supplemental oxygen anytime, anywhere with a single battery and can be plugged into an outlet when at home, in a car, or in a public place with outlets available. The Company's Inogen One systems reduce the patient's reliance on stationary concentrators and scheduled deliveries of tanks with a finite supply of oxygen, thereby improving patient quality of life and fostering mobility.

Since adopting the Company's direct-to-consumer rental strategy in 2009, the Company has directly sold or rented more than1,131,000 of its Inogen oxygen concentrators as of September 30, 2021.

The Company incorporated Inogen Europe Holding B.V., a Dutch limited liability company, on April 13, 2017. On May 4, 2017, Inogen Europe Holding B.V. acquired all issued and outstanding capital stock of MedSupport Systems B.V. (MedSupport) and began operating under the name Inogen Europe B.V. The Company merged Inogen Europe Holding B.V. and Inogen Europe B.V. on December 28, 2018. Inogen Europe B.V. is the remaining legal entity. Inogen completed the acquisition of New Aera, Inc. (New Aera) on August 9, 2019.

2. Basis of presentation and summary of significant accounting policies

The consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

The results of operations for the three months and nine months ended September 30, 2021 shown in this report are not necessarily indicative of results to be expected for the full year ending December 31, 2021. In the opinion of the Company's management, the information contained herein reflects all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of the Company's results of operations, financial position, cash flows and stockholders' equity. Certain footnote disclosures normally included in annual consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to Securities and Exchange Commission (SEC) rules and regulations relating to interim financial statements. The accompanying consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K filed with the SEC on February 24, 2021. Except as further described below, there have been no significant changes in the Company's accounting policies from those disclosed in its Annual Report on Form 10-K filed with the SEC on February 24, 2021.

Basis of consolidation

The consolidated financial statements include the accounts of Inogen, Inc. and its wholly owned subsidiary. All intercompany balances and transactions have been eliminated.

(amounts in thousands, except share and per share amounts)

Use of estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Management bases these estimates and assumptions upon historical experience, existing and known circumstances, authoritative accounting pronouncements and other factors that management believes to be reasonable. Significant areas requiring the use of management estimates relate to revenue recognition, warranty reserves and expense, determining the stand-alone selling price (SSP) and service period of performance obligations, rental asset valuations and write-downs, accounts receivable allowances for bad debts, returns and adjustments, impairment of long-lived assets, stock-based compensation expense, income taxes, fair value of acquired intangible assets and goodwill and fair value of earnout liabilities. Actual results could differ from these estimates.

Recently adopted accounting pronouncements

In December 2019, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes.* The new guidance simplifies the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The new guidance also improves consistent application of and simplifies U.S. GAAP for other areas of Topic 740 by clarifying and amending the existing guidance. The Company adopted this standard on January 1, 2021, and adoption of this standard did not have a material impact on the Company's consolidated financial statement presentation or results.

Business segments

The Company operates and reports in only one operating and reportable segment – development, manufacturing, marketing, sales, and rental of respiratory products. Management reports financial information on a consolidated basis to the Company's chief operating decision maker.

3. Fair value measurements

Accounting Standards Codification (ASC) 820 — *Fair Value Measurements and Disclosures* creates a single definition of fair value, establishes a framework for measuring fair value in U.S. GAAP and expands disclosures about fair value measurements. ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and states that a fair value measurement is to estimate the price at which an orderly transaction to sell an asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. Assets and liabilities adjusted to fair value in the balance sheet are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs, as defined by ASC 820, are as follows:

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

The Company's financial instruments consist of cash and cash equivalents, marketable securities, accounts receivable, accounts payable and accrued expenses. The carrying values of its financial instruments approximate fair value based on their short-term nature.

(amounts in thousands, except share and per share amounts)

Cash, cash equivalents and marketable securities

The Company obtained the fair value of its available-for-sale investments, which are not in active markets, from a third-party professional pricing service using quoted market prices for identical or comparable instruments, rather than direct observations of quoted prices in active markets. The Company's professional pricing service gathers observable inputs for all of its fixed income securities from a variety of industry data providers (e.g., large custodial institutions) and other third-party sources. Once the observable inputs are gathered, all data points are considered, and the fair value is determined. The Company validates the quoted market prices provided by its primary pricing service by comparing their assessment of the fair values against the fair values provided by its investment managers. The Company's investment managers use similar techniques to its professional pricing service to derive pricing as described above. As all significant inputs were observable, derived from observable information in the marketplace or supported by observable levels at which transactions are executed in the marketplace, the Company has classified its marketable securities within Level 2 of the fair value hierarchy.

The following table summarizes fair value measurements by level for the assets measured at fair value on a recurring basis for cash, cash equivalents and marketable securities:

	As of September 30, 2021				
	Adjusted cost	Gross unrealized gains	Fair value	Cash and cash equivalents	Marketable securities
Cash	$ 38,653	$ —	$ 38,653	$ 38,653	$ —
Level 1:					
Money market accounts	202,923	—	202,923	202,923	—
Level 2:					
Agency mortgage-backed securities	3,552	—	3,552	—	3,552
Total	$ 245,128	$ —	$ 245,128	$ 241,576	$ 3,552

	As of December 31, 2020				
	Adjusted cost	Gross unrealized gains (losses)	Fair value	Cash and cash equivalents	Marketable securities
Cash	$ 52,812	$ —	$ 52,812	$ 52,812	$ —
Level 1:					
Money market accounts	159,150	—	159,150	159,150	—
Level 2:					
Corporate bonds	11,549	(1)	11,548	—	11,548
U.S. Treasury securities	4,107	—	4,107	—	4,107
Agency mortgage-backed securities	3,601	1	3,602	—	3,602
Total	$ 231,219	$ —	$ 231,219	$ 211,962	$ 19,257

(amounts in thousands, except share and per share amounts)

Derivative instruments and hedging activities

The Company transacts business in foreign currencies and has international sales and expenses denominated in foreign currencies, subjecting the Company to foreign currency risk. The Company has entered into foreign currency forward contracts, generally with maturities of twelve months or less, to reduce the volatility of cash flows primarily related to forecasted revenue denominated in certain foreign currencies. These contracts allow the Company to sell Euros in exchange for U.S. dollars at specified contract rates. Forward contracts are used to hedge forecasted sales over specific months. Changes in the fair value of these forward contracts designed as cash flow hedges are recorded as a component of accumulated other comprehensive income within stockholders' equity and are recognized in the consolidated statements of comprehensive income during the period which approximates the time the corresponding sales occur. The Company may also enter into foreign exchange contracts that are not designated as hedging instruments for financial accounting purposes. These contracts are generally entered into to offset the gains and losses on certain asset and liability balances until the expected time of repayment. Accordingly, any gains or losses resulting from changes in the fair value of the non-designated contracts are reported in other expense, net in the consolidated statements of comprehensive income (loss). The gains and losses on these contracts generally offset the gains and losses associated with the underlying foreign currency-denominated balances, which are also reported in other income (expense), net.

The Company records the assets or liabilities associated with derivative instruments and hedging activities at fair value based on Level 2 inputs in other current assets or other current liabilities, respectively, in the consolidated balance sheet. The Company had a related receivable of $1,536 and a related payable $863 as of September 30, 2021 and December 31, 2020, respectively.

The Company documents the hedging relationship and its risk management objective and strategy for undertaking the hedge, the hedging instrument, the hedged transaction, the nature of the risk being hedged, how the hedging instrument's effectiveness in offsetting the hedged risk will be assessed prospectively and retrospectively, and a description of the method used to measure ineffectiveness. The Company assesses hedge effectiveness and ineffectiveness at a minimum quarterly but may assess it monthly. For derivative instruments that are designed and qualify as part of a cash flow hedging relationship, the effective portion of the gain or loss on the derivative is reported in other comprehensive income and reclassified into earnings in the same periods during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current period earnings.

The Company will discontinue hedge accounting prospectively when it determines that the derivative is no longer effective in offsetting cash flows attributable to the hedge risk. The cash flow hedge is de-designated because a forecasted transaction is not probable of occurring, or management determines to remove the designation of the cash flow hedge. In all situations in which hedge accounting is discontinued and the derivative remains outstanding, the Company continues to carry the derivative at its fair value on the balance sheet and recognizes any subsequent changes in the fair value in earnings. When it is probable that a forecasted transaction will not occur, the Company will discontinue hedge accounting and recognize immediately in earnings gains and losses that were accumulated in other comprehensive income related to the hedging relationship.

Accumulated other comprehensive income

The components of accumulated other comprehensive income were as follows:

	Foreign currency translation adjustments	Unrealized gains on marketable securities	Unrealized gains (losses) on cash flow hedges	Accumulated other comprehensive income
Balance as of December 31, 2020	$ 1,128	$ —	$ (653)	$ 475
Other comprehensive income (loss)	(585)	—	1,761	1,176
Balance as of September 30, 2021	$ 543	$ —	$ 1,108	$ 1,651

Comprehensive income is the total net earnings and all other non-owner changes in equity. Except for net income and unrealized gains and losses on cash flow hedges, the Company does not have any transactions or other economic events that qualify as other comprehensive income (loss).

(amounts in thousands, except share and per share amounts)

Earnout liability

The Company has obligations to pay up to $31,400 in earnout payments in cash if certain future financial results are met.The earnout liability was valued using Level 3 inputs. The fair value of the earnout was determined by employing a Monte Carlo simulation in a risk-neutral framework. The underlying simulated variable includes recognized revenue. The recognized revenue volatility estimate was based on a study of historical asset volatility for a set of comparable public companies. The model includes other assumptions including the market price of risk, which was calculated as the weighted-average cost of capital (WACC) less the long-term risk-free rate. The earnout period for recognized revenue is each calendar year beginning with calendar year 2019 and ending on the calendar year in which the earnout consideration equals the earnout cap.

The following table provides quantitative information about Level 3 inputs for fair value measurement of the earnout liability as of September 30, 2021 and December 31, 2020. Significant increases or decreases in these inputs in isolation could result in a significant impact on the fair value measurement:

Simulation input	**As of September 30, 2021**	**As of December 31, 2020**
Revenue volatility	30.00 %	35.00 %
WACC	12.50 %	12.00 %
20-year risk free rate	2.02 %	1.45 %
Market price of risk	5.00 %	8.00 %

The reconciliation of the earnout liability measured and carried at fair value on a recurring basis is as follows:

	Three months ended September 30, 2021	**Nine months ended September 30, 2021**
Balance at beginning of period	$ 19,795	$ 27,612
Change in fair value	(2,052)	(9,869)
Balance at end of period	$ 17,743	$ 17,743

The Company included $625 and $672 of preacquisition loss recoveries that can be withheld from any earnout amounts payablein the earnout liability as of September 30, 2021 and December 31, 2020, respectively.

4. Balance sheet components

Cash, cash equivalents and marketable securities

The Company considers all short-term highly liquid investments with a maturity of three months or less to be cash equivalents. The Company's marketable debt securities are classified and accounted for as available-for-sale. Cash equivalents are recorded at cost plus accrued interest, which is considered adjusted cost, and approximates fair value. Marketable debt securities are included in cash equivalents and marketable securities based on the maturity date of the security. Short-term investments are included in marketable securities in the current period presentation.

The Company considers investments with maturities greater than three months, but less than one year, to be marketable securities. Investments are reported at fair value with realized and unrealized gains or losses reported in other income (expense), net.

The Company reviews its investments to identify and evaluate investments that have an indication of possible impairment. Factors considered in determining whether a loss is temporary include the length of time and extent to which fair value has been less than the cost basis, the financial condition and near-term prospects of the investee, and the Company's intent and ability to hold the investment for a period of time sufficient to allow for any anticipated recovery in market value. Credit losses and other-than-temporary impairments are declines in fair value that are not expected to recover and are charged to other income (expense), net.

(amounts in thousands, except share and per share amounts)

Cash, cash equivalents, and marketable securities consist of the following:

Cash and cash equivalents	**September 30, 2021**	**December 31, 2020**
Cash	$ 38,653	$ 52,812
Money market accounts	202,923	159,150
Total cash and cash equivalents	$ 241,576	$ 211,962
Marketable securities		
Corporate bonds	$ —	$ 11,548
U.S. Treasury securities	—	4,107
Agency mortgage-backed securities	3,552	3,602
Total marketable securities	$ 3,552	$ 19,257

Accounts receivable and allowance for bad debts, returns, and adjustments

Accounts receivable are customer obligations due under normal sales and rental terms. The Company performs credit evaluations of the customers' financial condition and generally does not require collateral. The allowance for doubtful accounts is maintained at a level that, in management's opinion, is adequate to absorb potential losses related to accounts receivable and is based upon the Company's continuous evaluation of the collectability of outstanding balances. Management's evaluation takes into consideration such factors as past bad debt experience, economic conditions and information about specific receivables. The Company's evaluation also considers the age and composition of the outstanding amounts in determining their net realizable value.

The allowance for doubtful accounts is based on estimates, and ultimate losses may vary from current estimates. As adjustments to these estimates become necessary, they are reported in general and administrative expense for sales revenue and as a reduction of rental revenue in the periods in which they become known. The allowance is increased by bad debt provisions, net of recoveries, and is reduced by direct write-offs.

The Company generally does not allow returns from providers for reasons not covered under its standard warranty. Therefore, provision for returns applies primarily to direct-to-consumer sales. This reserve is calculated primarily based on actual historical return rates under the Company's 30-day return program and is applied to the related sales revenue for the last month of the quarter reported.

The Company also records an allowance for rental revenue adjustments which is recorded as a reduction of rental revenue and net rental accounts receivable balances. These adjustments result from contractual adjustments, audit adjustments, untimely claims filings, or billings not paid due to another provider performing same or similar functions for the patient in the same period, all of which prevent billed revenue from becoming realizable. The reserve is based on historical revenue adjustments as a percentage of rental revenue billed and unbilled during the related period.

When recording the allowance for doubtful accounts for sales revenue, the bad debt expense account (general and administrative expense account) is charged; when recording allowance for sales returns, the sales returns account (contra sales revenue account) is charged; and when recording the allowances for rental reserve adjustments and doubtful accounts, the rental revenue adjustments account (contra rental revenue account) is charged.

As of September 30, 2021 and December 31, 2020, included in accounts receivable on the consolidated balance sheets were earned but unbilled receivables of $1,400 and $459, respectively. These balances reflect gross unbilled receivables prior to any allowances for adjustments and write-offs. The Company consistently applies its allowance estimation methodology from period-to-period. The Company's best estimate is made on an accrual basis and adjusted in future periods as required. Any adjustments to the prior period estimates are included in the current period. As additional information becomes known, the Company adjusts its assumptions accordingly to change its estimate of the allowance.

(amounts in thousands, except share and per share amounts)

Gross accounts receivable balance concentrations by major category as of September 30, 2021 and December 31, 2020 were as follows:

Gross accounts receivable	**September 30, 2021**	**December 31, 2020**
Rental (1)	$ 6,368	$ 4,190
Business-to-business and other receivables (2)	28,284	26,717
Total gross accounts receivable	$ 34,652	$ 30,907

Net accounts receivable (gross accounts receivable, net of allowances) balance concentrations by major category as of September 30, 2021 and December 31, 2020 were as follows:

Net accounts receivable	**September 30, 2021**	**December 31, 2020**
Rental (1)	$ 5,417	$ 3,794
Business-to-business and other receivables (2)	27,488	25,923
Total net accounts receivable	$ 32,905	$ 29,717

(1) Rental includes Medicare, Medicaid/other government, private insurance and patient pay.

(2) Business-to-business receivables included one customer with a gross accounts receivable balance of $6,674 and $7,044 as of September 30, 2021 and December 31, 2020, respectively. This customer received extended payment terms through a direct financing plan offered. The Company also has a credit insurance policy in place, which allocated up to $10,000 in coverage as of September 30, 2021 and December 31, 2020 for this customer with a $400 deductible and 10% retention.

The following tables set forth the accounts receivable allowances as of September 30, 2021 and December 31, 2020:

Allowances - accounts receivable	**September 30, 2021**	**December 31, 2020**
Doubtful accounts	$ 47	$ 52
Rental revenue adjustments	951	396
Sales returns	749	742
Total allowances - accounts receivable	$ 1,747	$ 1,190

Concentration of credit risk

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash, cash equivalents, marketable securities and accounts receivable. At times, cash account balances may be in excess of the amounts insured by the Federal Deposit Insurance Corporation (FDIC). However, management believes the risk of loss to be minimal. The Company performs periodic evaluations of the relative credit standing of these institutions and has not experienced any losses on its cash and cash equivalents to date. The Company has also entered into hedging relationships with a single counterparty to offset the forecasted Euro-based revenues. The credit risk has been reduced due to a net settlement arrangement whereby the Company is allowed to net settle transactions with a single net amount payable by one party to the other.

Concentration of customers and vendors

The Company primarily sells its products to traditional home medical equipment providers, distributors, and resellers in the United States and in foreign countries on a credit basis. The Company also sells its products direct-to-consumers on a primarily prepayment basis. One single customer represented more than 10% of the Company's total revenue for the nine months ended September 30, 2021 and for the nine months ended September 30, 2020. Two customers each represented more than 10% of the Company's net accounts receivable balance with accounts receivable balances of $6,674 and $5,513, respectively, as of September 30, 2021, and $8,417 and $7,044, respectively, as of December 31, 2020.

(amounts in thousands, except share and per share amounts)

The Company currently purchases raw materials from a limited number of vendors, which resulted in a concentration of three major vendors. The three major vendors supply the Company with raw materials used to manufacture the Company's products. For the nine months ended September 30, 2021, the Company's three major vendors accounted for 17.0%, 12.6% and 10.8%, respectively, of total raw material purchases. For the nine months ended September 30, 2020, the Company's three major vendors accounted for 20.7%, 11.1% and 9.7%, respectively, of total raw material purchases.

A portion of revenue is earned from sales outside the United States. Approximately71.0% and 83.4% of the non-U.S. revenue for the three months ended September 30, 2021 and September 30, 2020, respectively, were invoiced in Euros. Approximately 71.9% and 75.6% of the non-U.S. revenue for the nine months ended September 30, 2021 and September 30, 2020, respectively, were invoiced in Euros. A breakdown of the Company's revenue from U.S. and non-U.S. sources for the three and nine months ended September 30, 2021 and September 30, 2020, respectively, is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
U.S. revenue	$ 71,271	$ 59,748	$ 222,223	$ 185,971
Non-U.S. revenue	21,834	14,581	59,377	48,538
Total revenue	$ 93,105	$ 74,329	$ 281,600	$ 234,509

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using a standard cost method, including material, labor and manufacturing overhead, whereby the standard costs are updated at least quarterly to reflect approximate actual costs using the first-in, first-out (FIFO) method. The Company records adjustments at least quarterly to inventory for potentially excess, obsolete, slow-moving or impaired items. The Company recorded noncurrent inventory related to inventories that are expected to be realized or consumed after one year of $1,879 and $1,153 as of September 30, 2021 and December 31, 2020, respectively. Noncurrent inventories are primarily related to raw materials purchased in bulk to support long-term expected repairs to reduce costs and are classified in other assets. The Company prepaid for raw materials of $12,126 as of September 30, 2021 that are classified in prepaid expenses and other current assets. During the nine months ended September 30, 2021 and September 30, 2020, $817 and $1,795, respectively, of inventory was transferred to rental equipment and was considered a noncash transaction in the production and purchase of rental equipment on the consolidated statements of cash flows. Inventories that are considered current consist of the following:

	September 30, 2021	December 31, 2020
Raw materials and work-in-progress	$ 25,354	$ 22,318
Finished goods	8,171	3,743
Less: reserves	(1,740)	(1,246)
Inventories, net	$ 31,785	$ 24,815

Property and equipment

Property and equipment are stated at cost. Depreciation and amortization are calculated using the straight-line method over the assets' estimated useful lives as follows:

Rental equipment	1.5-5 years
Manufacturing equipment and tooling	3-5 years
Computer equipment and software	2-3 years
Furniture and equipment	3-5 years
Leasehold improvements	Lesser of estimated useful life or remaining lease term

(amounts in thousands, except share and per share amounts)

Expenditures for additions, improvements and replacements are capitalized and depreciated to a salvage value of $0. Repair and maintenance costs on rental equipment are included in cost of rental revenue on the consolidated statements of comprehensive income. Repair and maintenance expense, which includes labor, parts and freight, for rental equipment was $858 and $653 for the three months ended September 30, 2021 and September 30, 2020, respectively, and $2,531 and $1,776 for the nine months ended September 30, 2021 and September 30, 2020, respectively.

Included within property and equipment is construction in process, primarily related to the design and engineering of tooling, jigs and other machinery. In addition, this item also includes computer software or development costs that have been purchased but have not completed the final configuration process for implementation into the Company's systems. These items have not been placed in service; therefore, no depreciation or amortization was recognized for these items in the respective periods.

Depreciation and amortization expense related to rental equipment and other property and equipment are summarized below for the three and nine months ended September 30, 2021 and September 30, 2020, respectively.

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Rental equipment	$ 2,315	$ 1,475	$ 6,257	$ 3,995
Other property and equipment	1,052	982	2,982	2,912
Total depreciation and amortization	$ 3,367	$ 2,457	$ 9,239	$ 6,907

Property and equipment and rental equipment with associated accumulated depreciation is summarized below as of September 30, 2021 and December 31, 2020, respectively.

	September 30, 2021	December 31, 2020
Property and equipment		
Rental equipment, net of allowances of $1,100 and $575, respectively	$ 55,612	$ 46,953
Other property and equipment	31,852	27,071
Property and equipment	87,464	74,024
Accumulated depreciation		
Rental equipment	32,178	30,283
Other property and equipment	18,220	15,511
Accumulated depreciation	50,398	45,794
Property and equipment, net		
Rental equipment, net of allowances of $1,100 and $575, respectively	23,434	16,670
Other property and equipment	13,632	11,560
Property and equipment, net	$ 37,066	$ 28,230

Long-lived assets

The Company accounts for the impairment and disposition of long-lived assets in accordance with ASC 360— *Property, Plant, and Equipment*. In accordance with ASC 360, long-lived assets to be held are reviewed for events or changes in circumstances that indicate that their carrying value may not be recoverable. During the three months ended June 30, 2021, the Company determined that an impairment indicator was present as a result of the court order to dismiss the Company's preliminary injunction related to the Department of Health and Human Services and the Centers for Medicare and Medicaid Services lawsuit. The relevant long-lived asset grouping was evaluated for impairment. An undiscounted cash flow analysis demonstrated sufficient undiscounted cash flows in excess of the asset group's carrying value. Estimates and significant assumptions included in the long-lived asset impairment analysis included identification of the asset group and undiscounted cash flow projections. The Company concluded that its definite-lived intangible assets and long-lived assets were not impaired based on the results of the quantitative analyses performed. No impairments were recorded as of September 30, 2021 and September 30, 2020.

(amounts in thousands, except share and per share amounts)

Goodwill

The changes in the carrying amount of goodwill for the nine months ended September 30, 2021 were as follows:

Balance as of December 31, 2020	$	33,165
Translation adjustment		(137)
Balance as of September 30, 2021	$	33,028

As of September 30, 2021, the Company had no accumulated impairment losses related to goodwill.

Intangible assets

There were no accumulated impairment losses related to the Company's intangible assets as of September 30, 2021 and December 31, 2020.

The following tables represent the changes in net carrying values of intangible assets as of the respective dates:

September 30, 2021	**Average estimated useful lives (in years)**	**Gross carrying amount**	**Accumulated amortization**	**Net amount**
Technology	10	$ 77,700	$ 16,511	$ 61,189
Licenses	10	185	180	5
Patents and websites	5	4,488	3,560	928
Customer relationships	4	1,391	1,391	—
Commercials	2-3	865	688	177
Total		$ 84,629	$ 22,330	$ 62,299

December 31, 2020	**Average estimated useful lives (in years)**	**Gross carrying amount**	**Accumulated amortization**	**Net amount**
Technology	10	$ 77,700	$ 10,684	$ 67,016
Licenses	10	185	174	11
Patents and websites	5	4,488	3,015	1,473
Customer relationships	4	1,474	1,351	123
Commercials	2-3	733	559	174
Total		$ 84,580	$ 15,783	$ 68,797

Annual estimated amortization expense for each of the succeeding fiscal years is as follows:

		September 30, 2021
Remaining 3 months of 2021	$	2,152
2022		8,484
2023		7,881
2024		7,832
2025		7,784
Thereafter		28,166
	$	62,299

(amounts in thousands, except share and per share amounts)

Current liabilities

Accounts payable and accrued expenses as of September 30, 2021 and December 31, 2020 consisted of the following:

		September 30, 2021		December 31, 2020
Accounts payable	$	15,939	$	12,520
Accrued inventory (in-transit and unvouchered receipts) and trade payables		9,838		9,023
Accrued litigation settlement		—		8,000
Accrued purchasing card liability		2,269		2,468
Accrued franchise, sales and use taxes		488		449
Other accrued expenses		689		1,252
Accounts payable and accrued expenses	$	29,223	$	33,712

Accrued payroll as of September 30, 2021 and December 31, 2020 consisted of the following:

		September 30, 2021		December 31, 2020
Accrued bonuses	$	5,548	$	4
Accrued wages and other payroll related items		3,448		3,796
Accrued vacation		3,049		2,642
Accrued employee stock purchase plan deductions		178		649
Accrued payroll	$	12,223	$	7,091

5. Leases

The Company has entered into operating leases primarily for commercial buildings. These leases have terms which range from2 years to 11 years, some of which include options to extend the leases for up to5 years. There are no economic penalties for the Company to extend the lease, and it is not reasonably certain that the Company will exercise the extension options. Operating lease right-of-use assets and liabilities commencing after January 1, 2019 are recognized at commencement date based on the present value of lease payments over the lease term. The operating leases do not contain material residual value guarantees or material restrictive covenants.

Rent expense, including short-term lease cost, was $1,007 and $675 for the three months ended September 30, 2021 and September 30, 2020, respectively, and $3,099 and $2,183 for the nine months ended September 30, 2021 and September 30, 2020, respectively.

Information related to the Company's right-of-use assets and related operating lease liabilities were as follows:

	Nine months ended September 30,			
		2021		2020
Cash paid for operating lease liabilities	$	2,273	$	1,803
Operating lease cost		2,842		2,045
Non-cash right-of-use assets obtained in exchange for new operating lease obligations		19,417		5,234
Weighted-average remaining lease term		3.0 years		2.9 years
Weighted-average discount rate		3.0 %		3.3 %

(amounts in thousands, except share and per share amounts)

Maturities of lease liabilities due in the 12-month period ending September 30,		
2022	$	4,083
2023		3,957
2024		3,976
2025		2,731
2026		2,699
Thereafter		12,783
		30,229
Less imputed interest		(2,590)
Total lease liabilities	$	27,639
Operating lease liability - current	$	3,518
Operating lease liability - noncurrent	$	24,121
Total lease liabilities	$	27,639

6. Earnings (loss) per share

Earnings (loss) per share (EPS) is computed in accordance with ASC 260—*Earnings per Share* and is calculated using the weighted-average number of common shares outstanding during each period. Diluted EPS assumes the conversion, exercise or issuance of all potential common stock equivalents (which can include dilution of outstanding stock options, restricted stock units and restricted stock awards) unless the effect is to reduce a loss or increase the income per share. For purposes of this calculation, common stock subject to repurchase by the Company, options, and other dilutive awards are considered to be common stock equivalents and are only included in the calculation of diluted earnings per share when their effect is dilutive.

Basic earnings (loss) per share is calculated using the Company's weighted-average outstanding common shares. Diluted earnings (loss) per share is calculated using the Company's weighted-average outstanding common shares including the dilutive effect of stock awards as determined under the treasury stock method.

(amounts in thousands, except share and per share amounts)

The computation of EPS is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Numerator—basic and diluted:				
Net income (loss)	$ 12,174	$ (1,699)	$ 16,544	$ (708)
Denominator:				
Weighted-average common shares - basic common stock (1)	22,619,272	21,998,299	22,416,575	21,959,521
Weighted-average common shares - diluted common stock	22,854,229	21,998,299	22,803,355	21,959,521
Net income (loss) per share - basic common stock	$ 0.54	$ (0.08)	$ 0.74	$ (0.03)
Net income (loss) per share - diluted common stock (2)	$ 0.53	$ (0.08)	$ 0.73	$ (0.03)
Denominator calculation from basic to diluted:				
Weighted-average common shares - basic common stock (1)	22,619,272	21,998,299	22,416,575	21,959,521
Stock options and other dilutive awards	234,957	206,274	386,780	252,096
Weighted-average common shares - diluted common stock	22,854,229	22,204,573	22,803,355	22,211,617
Shares excluded from diluted weighted-average shares:				
Stock options	88,391	655,953	54,498	473,390
Restricted stock units and restricted stock awards	67,374	395,395	69,062	218,080
Shares excluded from diluted weighted-average shares	155,765	1,051,348	123,560	691,470

(1) Unvested restricted stock units and restricted stock awards are not included as shares outstanding in the calculation of basic earnings per share. Vested restricted stock units and restricted stock awards are included in basic earnings per share if all vesting and performance criteria have been met. Performance-based restricted stock units and restricted stock awards are included in the number of shares used to calculate diluted earnings per share as long as all applicable performance criteria are met, and their effect is dilutive. Restricted stock awards are eligible to receive all dividends declared on the Company's common shares during the vesting period; however, such dividends are not paid until the restrictions lapse.

(2) Due to a net loss for the three and nine months ended September 30, 2020, diluted loss per share is the same as basic.

7. Income taxes

The Company accounts for income taxes in accordance with ASC 740— *Income Taxes*. Under ASC 740, income taxes are recognized for the amount of taxes payable or refundable for the current period and deferred tax liabilities and assets are recognized for the future tax consequences of transactions that have been recognized in the Company's consolidated financial statements or tax returns. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided when it is more likely than not that some portion, or all, of the deferred tax asset will not be realized.

The Company accounts for uncertainties in income taxes in accordance with ASC 740-10— *Accounting for Uncertainty in Income Taxes*. ASC 740-10 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This accounting standard also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

The Company recognizes interest and penalties on taxes, if any, within its income tax provision on its consolidated statements of comprehensive income.

In determining the interim provision for income taxes, the Company has historically calculated its income tax provision by applying an estimate of theannual effective tax rate for the full fiscal year to ordinary income or loss for the reporting period. For the three and nine months ended September 30, 202, the Company utilized the discrete effective tax rate method, as allowed by ASC 740-270 — *Income Taxes – Interim Reporting*. Given the significant uncertainty with respect to the impact of the COVID-19 pandemic and related public health emergency on its supply chain and the developments during the three months ended September 30, 2021 in its ability to forecast the supply and cost of semiconductor chips, the Company was not able to reliably estimate its annual effective income tax rate forthe year ending December 31,2021. The discrete method treats the year-to-date period as if it were the annual period and determines the income tax expense or benefit on that basis.

8. Stockholders' equity

The Company has a 2002 Stock Incentive Plan (2002 Plan) as amended, under which the Company granted options to purchase shares of its common stock. As of September 30, 2021, there are no remaining options to purchase shares of common stock under the 2002 Plan. The 2002 Plan was terminated in March 2012 in connection with the adoption of the 2012 Plan, and, accordingly, no new options are available for issuance under this plan.

The Company has a 2012 Equity Incentive Plan (2012 Plan) under which the Company granted options to purchase shares of its common stock. As of September 30, 2021, options to purchase 71,452 shares of common stock remained outstanding under the 2012 Plan. The 2012 Plan was terminated in connection with the Company's initial public offering in February 2014, and accordingly, no new options are available for issuance under this plan. The 2012 Plan continues to govern outstanding awards granted thereunder.

The Company has a 2014 Equity Incentive Plan (2014 Plan) that provides for the grant of incentive stock options, within the meaning of Section 422 of the Internal Revenue Code, to the Company's employees and any parent and subsidiary corporation's employees, and for the grant of nonstatutory stock options, restricted stock, restricted stock units, restricted stock awards, stock appreciation rights, performance units and performance shares to its employees, directors and consultants and its parent and subsidiary corporations' employees and consultants.

As of September 30, 2021, awards with respect to 799,150 shares of the Company's common stock were outstanding, and1,450,669 shares of common stock remained available for issuance under the 2014 Plan. The shares available for issuance under the 2014 Plan will be increased by any shares returned to the 2012 Plan and 2014 Plan as a result of expiration or termination of awards (provided that the maximum number of shares that may be added to the 2014 Plan pursuant to such previously granted awards under the 2012 Plan is 2,328,569 shares). The number of shares available for issuance under the 2014 Plan also is increased annually on the first day of each fiscal year by an amount equal to the least of:

- 895,346 shares;
- 4% of the outstanding shares of common stock as of the last day of the Company's immediately preceding fiscal year; or
- such other amount as the Company's board of directors may determine.

For 2021, no additional shares were added to the 2014 Plan share reserve pursuant to the provision described above.

Stock options

Options typically expire betweenseven and ten years from the date of grant and vest over one to four year terms. Options have been granted to employees, directors and consultants of the Company, as determined by the board of directors, at the deemed fair market value of the shares underlying the options at the date of grant.

(amounts in thousands, except share and per share amounts)

The activity for stock options under the Company's stock plans for the nine months ended September 30, 2021 is as follows:

	Options	Price per share	Weighted-average exercise price	Remaining weighted-average contractual terms (in years)	Per share average intrinsic value
Outstanding as of December 31, 2020	955,479	$0.75-$83.30	$ 35.49	1.85	$ 11.81
Exercised	(486,038)	0.75-46.66	28.19		
Forfeited	(10,000)	83.30	83.30		
Outstanding as of September 30, 2021	459,441	1.17-83.30	42.18	1.61	6.29
Vested and exercisable as of September 30, 2021	459,441	1.17-83.30	42.18	1.61	6.29
Vested and expected to vest as of September 30, 2021	459,441	$1.17-$83.30	$ 42.18	1.61	$ 6.29

The total intrinsic value of options exercised during the nine months ended September 30, 2021 and September 30, 2020 was $14,524 and $269, respectively. As of September 30, 2021, all stock-based compensation expense for options granted under the Plans was recognized.

Stock incentive awards

The Company grants restricted stock units (RSUs) and restricted stock awards (RSAs) under the 2014 Plan (Stock Awards). The Stock Awards vest either based solely on the satisfaction of time-based service conditions or on the satisfaction of time-based service conditions combined with performance criteria. Stock Awards are subject to forfeiture if the holder's services to the Company terminate before vesting.

Stock Awards granted with only time-based service vesting conditions generally vest over a four-year service period, as defined in the terms of each award. Stock Awards that vest based on the satisfaction of time-based service conditions combined with performance criteria generally vest over a three-year service and performance period, based on performance criteria established at the time of the award. The portion of the Stock Award that is earned may equal or be less than the targeted number of shares subject to the Stock Award depending on whether the performance criteria are met.

(amounts in thousands, except share and per share amounts)

Stock Awards activity for the nine months ended September 30, 2021 is summarized below:

Restricted stock units	**Time-based**	**Performance and time-based**	**Total**	**Weighted-average grant date fair value per share**
Unvested restricted stock units as of December 31, 2020	245,462	88,458	333,920	$ 49.29
Granted	240,044	88,902	328,946	56.01
Vested	(96,230)	—	(96,230)	52.07
Forfeited/canceled	(66,384)	(69,276)	(135,660)	45.92
Unvested restricted stock units as of September 30, 2021 (1)	322,892	108,084	430,976	$ 54.72
Unvested and expected to vest restricted stock units outstanding as of September 30, 2021			373,163	$ 54.80

Restricted stock awards	**Time-based**	**Performance and time-based**	**Total**	**Weighted-average grant date fair value per share**
Unvested restricted stock awards outstanding as of December 31, 2020	42,076	33,355	75,431	$ 93.96
Vested	(13,247)	—	(13,247)	91.84
Forfeited/canceled	(13,945)	(27,399)	(41,344)	100.89
Unvested restricted stock awards outstanding as of September 30, 2021 (1)	14,884	5,956	20,840	$ 83.60
Unvested and expected to vest restricted stock awards outstanding as of September 30, 2021			20,081	$ 86.50

(1) Outstanding restricted stock units and restricted stock awards are based on the maximum payout of the targeted number of shares.

As of September 30, 2021, the unrecognized compensation cost related to unvested employee restricted stock units and restricted stock awards was $7,481, excluding estimated forfeitures. This amount is expected to be recognized over a weighted-average period of 2.6 years.

Employee stock purchase plan

The Company's 2014 Employee Stock Purchase Plan (ESPP) provides for the grant to all eligible employees an option to purchase stock under the ESPP, within the meaning Section 423 of the Internal Revenue Code. The ESPP permits participants to purchase common stock through payroll deductions of up to 15% of their eligible compensation, which includes a participant's base straight time gross earnings, incentive compensation, bonuses, overtime and shift premium, but exclusive of payments for equity compensation and other similar compensation. A participant may purchase a maximum of 1,500 shares during a purchase period. Amounts deducted and accumulated by the participant are used to purchase shares of the Company's common stock at the end of each six-month period. The purchase price of the shares will be 85% of the lower of the fair market value of the Company's common stock on the first trading day of each offering period or on the exercise date. The offering periods are currently approximately six months in length beginning on the first business day on or after March 1 and September 1 of each year and ending on the first business day on or after September 1 and March 1 approximately six months later.

As of September 30, 2021, a total of569,866 shares of common stock were available for sale pursuant to the ESPP.

(amounts in thousands, except share and per share amounts)

The number of shares available for sale under the ESPP is increased annually on the first day of each fiscal year by an amount equal to the least of:

- 179,069 shares;
- 1.5% of the outstanding shares of the Company's common stock on the last day of the Company's immediately preceding fiscal year; or
- such other amount as may be determined by the administrator.

For 2021, no additional shares were added to the ESPP share reserve pursuant to the provision described above.

Stock-based compensation

Stock-based compensation expense recognized for the three and nine months ended September 30, 2021 and September 30, 2020, was as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2021	**2020**	**2021**	**2020**
Stock-based compensation expense by type of award:				
Stock option plan awards	$ —	$ —	$ —	$ 709
Restricted stock units and restricted stock awards	2,631	1,878	8,014	4,853
Employee stock purchase plan	161	172	533	549
Total stock-based compensation expense	$ 2,792	$ 2,050	$ 8,547	$ 6,111

Employee stock-based compensation expense was calculated based on awards of stock options, restricted stock units and restricted stock awards ultimately expected to vest based on the Company's historical award cancellations. ASC 718 – *Compensation-Stock Compensation* requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

For the three and nine months ended September 30, 2021 and September 30, 2020, respectively, stock-based compensation expense recognized under ASC 718, included in cost of revenue, research and development expense, sales and marketing expense, and general and administrative expense was as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2021	**2020**	**2021**	**2020**
Cost of revenue	$ 269	$ 185	$ 826	$ 511
Research and development	264	233	944	726
Sales and marketing	695	516	1,975	1,587
General and administrative	1,564	1,116	4,802	3,287
Total stock-based compensation expense	$ 2,792	$ 2,050	$ 8,547	$ 6,111

401(k) retirement savings plan

The Company maintains a 401(k) retirement savings plan for the benefit of eligible employees. Under the terms of this plan, eligible employees are able to make contributions to the plan on a tax-deferred basis. The Company matched employees' contributions from January 1, 2017 through June 30, 2020. The Company suspended its 401(k) match, effective July 1, 2020; however, matching contributions were reinstated on June 21, 2021. The Company contributed $212 and $455, net of forfeitures, to the 401(k) plan for the nine months ended September 30, 2021 and September 30, 2020, respectively.

(amounts in thousands, except share and per share amounts)

9. Commitments and contingencies

Non-cancelable contractual obligations

The Company enters into non-cancelable contractual obligations for software licenses and maintenance agreements. As of September 30, 2021, the minimum aggregate payments due under specified non-cancelable contractual obligations are summarized as follows:

	Non-cancelable contractual obligations
Remaining 3 months of 2021	$ 24
2022	—
2023	—
2024	—
2025	—
Thereafter	—
	$ 24

Purchase obligations

The Company had approximately $65,700 of outstanding purchase orders due within one year with its outside vendors and suppliers as of September 30, 2021.

Warranty obligations

The following table identifies the changes in the Company's aggregate product warranty liabilities for the nine and twelve-month periods ended September 30, 2021 and December 31, 2020, respectively:

	September 30, 2021	December 31, 2020
Product warranty liability at beginning of period	$ 14,394	$ 12,571
Accruals for warranties issued	7,770	9,462
Adjustments related to preexisting warranties (including changes in estimates)	(522)	(754)
Settlements made (in cash or in kind)	(6,726)	(6,885)
Product warranty liability at end of period	$ 14,916	$ 14,394

Contract liabilities

Contract liabilities primarily consist of deferred revenue related to lifetime warranties on direct-to-consumer sales revenue when payments are received in advance of services performed under the contract. The contract with the customer states the final terms of the sale, including the description, quantity, and price of each product or service purchase. The increase in deferred revenue related to lifetime warranties for the nine months ended September 30, 2021 was primarily driven by $5,339 of payments received in advance of satisfying performance obligations, partially offset by $4,319 of revenue recognized that was included in the deferred revenue balances as of December 31, 2020. Deferred revenue related to lifetime warranties was $18,098 and $17,078 as of September 30, 2021 and December 31, 2020, respectively, and is classified within deferred revenue – current and deferred revenue – noncurrent in the consolidated balance sheet.

Legislation and HIPAA

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity has continued with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in exclusion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

The Company believes that it is in compliance in all material respects with applicable fraud and abuse regulations and other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. The Health Insurance Portability and Accountability Act of 1996 (HIPAA) was enacted to ensure health insurance portability, reduce healthcare fraud and abuse, guarantee security and privacy of health information, and enforce standards for health information. The Health Information Technology for Economic and Clinical Health Act (HITECH Act), in part, imposes notification requirements of certain security breaches relating to protected health information.The Company believes that it complies in all material respects with the provisions of those regulations that are applicable to the Company's business.

Legal proceedings

Securities class action and derivative lawsuits

On March 6, 2019, plaintiff William Fabbri filed a lawsuit against Inogen, Scott Wilkinson, and Alison Bauerlein, in the United States District Court for the Central District of California on behalf of a purported class of purchasers of the Company's securities. On March 21, 2019, plaintiff Steven Friedland filed a substantially similar lawsuit against the same defendants in the same court. On May 20, 2019, the court issued an order consolidating the two lawsuits under the name *In re Inogen, Inc. Sec. Litig.,* No. 2:19-cv-01643-FMO-AGR, appointing Dr. John Vasil and Paragon Fund Management as lead plaintiffs, and appointing Robbins Geller Rudman & Dowd LLP and Glancy Prongay & Murray LLP as lead plaintiffs' counsel. On July 10, 2019, the lead plaintiffs filed a consolidated amended complaint on behalf of a purported class of purchasers of the Company's common stock between November 8, 2017 and May 7, 2019. The complaint generally alleges that the defendants failed to disclose that: (i) Inogen had overstated the true size of the total addressable market for its portable oxygen concentrators and had misstated the basis for its calculation of the total addressable market; (ii) Inogen had falsely attributed its sales growth to the strong sales acumen of its sales force, rather than to deceptive sales practices; (iii) the growth in Inogen's domestic business-to-business sales to home medical equipment providers was inflated, unsustainable and was eroding direct-to-consumer sales; and (iv) Inogen's decision to focus on sales over rentals of portable oxygen concentrators harmed its ability to serve the Medicare market, in violation of sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended. The complaint seeks compensatory damages in an unspecified amount, costs and expenses, including attorneys' fees and expert fees, prejudgment and post-judgment interest and such other relief as the court deems proper. On January 2, 2020, the court dismissed the consolidated amended complaint with leave to amend. On January 9, 2020, the plaintiffs filed a second amended complaint generally alleging substantially similar claims as those in the previous complaint. On January 23, 2020, the defendants filed a motion to dismiss the second amended complaint. On September 2, 2020, the court denied the defendants' motion to dismiss without prejudice and instructed defendants to file another motion to dismiss if the parties are unable to resolve the issues relating to the second amended complaint. The Company filed its motion to dismiss on October 28, 2020. On August 13, 2021, the court granted Defendants' motion to dismiss, and on September 27, 2021, the court entered judgment dismissing the action in its entirety.

On June 26, 2019, plaintiff Twana Brown filed a shareholder derivative lawsuit against Inogen, Scott Wilkinson, Alison Bauerlein, Benjamin Anderson-Ray, Scott Beardsley, R. Scott Greer, Raymond Huggenberger, Heath Lukatch, Loren McFarland, and Heather Rider in the United States District Court for the Central District of California. The complaint purports to bring claims on behalf of Inogen against the individual defendants for breaches of their fiduciary duties as directors and/or officers of Inogen, unjust enrichment, waste of corporate assets and violations of section 14(a) of the Securities Exchange Act of 1934, as amended. The complaint generally alleges similar claims to the securities class action. The complaint seeks compensatory damages and restitution in an unspecified amount, changes to the Company's corporate governance and internal procedures, costs and expenses, including attorneys' fees and expert fees, and such other relief as the court deems proper. On August 5, 2019, the court issued an order staying the derivative action pending the resolution of the motion to dismiss stage in *In re Inogen, Inc. Sec. Litig.* Between October 7, 2019 and October 31, 2019, three additional shareholder derivative complaints were filed in the United States District Court for the Central District of California based on similar factual allegations. These lawsuits purport to bring claims on behalf of Inogen for breach of fiduciary duty, unjust enrichment, waste of corporate assets, insider trading and misappropriation of information, and violations of section 14(a) of the Securities Exchange Act of 1934, as amended. On January 13, 2020, the court consolidated the four derivative lawsuits before it under the name *In re Inogen, Inc. S'holder Deriv. Litig.*, Lead Case No. 2:19-cv-5568-FMO-AGR and ordered that the consolidated action be stayed pending the resolution of the motion to dismiss stage in *In re Inogen, Inc., Sec. Litig.* The parties are currently engaged in discussions regarding future proceedings in this action.

On September 13, 2019, plaintiff Dustin Weller filed a shareholder derivative lawsuit against Inogen, Scott Wilkinson, Alison Bauerlein, Benjamin Anderson-Ray, Scott Beardsley, R. Scott Greer, Raymond Huggenberger, Heath Lukatch, Loren McFarland, and Heather Rider in the United States District Court for the District of Delaware captioned *Weller v. Wilkinson, et al*., No. 1:19-cv-01723-MN. On October 17, 2019, plaintiff Sharokh Soltanipour filed a shareholder derivative lawsuit against the same defendants in the same court, captioned *Soltanipour v. Wilkinson, et al*., No. 1:19-cv-1968-MN. The complaints generally allege similar claims to those in *In re Inogen, Inc., S'holder Deriv. Litig.* The complaints purport to bring claims on behalf of Inogen for breach of fiduciary duty, unjust enrichment, waste of corporate assets, abuse of control, gross mismanagement, insider selling and misappropriation of information, violations of section 14(a) of the Securities Exchange Act of 1934, as amended, and for contribution from certain of the individual defendants. The complaints seek compensatory damages in unspecified amounts, changes to the Company's corporate governance and internal procedures, return of compensation, disgorgement of profits from sale of stock, costs and expenses, including attorneys' fees and expert fees, and such other relief as the court deems proper. On May 15, 2020, the court consolidated the two derivative lawsuits before it under the name *In re Inogen, Inc. S'holder Deriv. Litig.*, Lead Case No. 1:19-cv-01723-MN-JLH. On July 8, 2020, the court ordered that the consolidated action be stayed pending the resolution of the motion to dismiss in the securities class action, *In re Inogen, Inc., Sec. Litig*. On November 3, 2021, the court approved the parties' stipulation to voluntarily dismiss the Delaware derivative action without prejudice.

Department of Health and Human Services and the Centers for Medicare and Medicaid Services lawsuit

On September 21, 2020, Inogen filed a lawsuit against defendants, Alex M. Azar, Secretary of the Department of Health and Human Services (HHS), in his official capacity, Seema Verma, Administrator of the Centers for Medicare and Medicaid Services (CMS), in her official capacity and Palmetto GBA, LLC. The lawsuit seeks to invalidate the defendants' arbitrary and capricious decision to retract a valid HCPCS code to Inogen's Tidal Assist® Ventilator (TAV®), thereby eliminating reimbursements for the ventilator, in violation of the Administrative Procedures Act (5 U.S.C. §§ 551*, et seq.*). Further, CMS's failure to provide notice and the opportunity to comment on a change in HCPCS code verification for the Sidekick Tidal Assist Ventilator and similar devices constitutes a violation of the procedural right provided under the Social Security Act (42 U.S.C. §§ 1395hh(a)(2)), and Inogen's due process rights. On June 17, 2021, the United States District Court for the District of Columbia issued an order to deny the Company's motion for a preliminary injunction and dismissed the complaint stating that the Company had failed to present its claim to CMS and exhaust its administrative remedies. The Company does not intend to appeal the court order or pursue additional alternatives to meet the Medicare reimbursement coding requirements. Therefore, the Company adjusted its recognized revenue estimates for the fair value of the earnout liability and evaluated the relevant long-lived asset grouping for impairment.

Other litigation

In addition to the lawsuits discussed above, the Company is party to various legal proceedings arising in the normal course of business. The Company carries insurance, subject to specified deductibles under the policies, to protect against losses from certain types of legal claims. At this time, the Company does not anticipate that any of these other proceedings arising in the normal course of business will have a material adverse effect on the Company's business. Regardless of the outcome, litigation can have an adverse impact on the Company because of defense and settlement costs, diversion of management resources, and other factors.

10. Foreign currency exchange contracts and hedging

As of September 30, 2021 and September 30, 2020, the Company's total non-designated and designated derivative contracts had notional amounts totaling approximately $2,772 and $31,118, respectively, and $2,221 and $1,176, respectively. These contracts were comprised of offsetting contracts with the same counterparty, each expires within one to fifteen months. During the nine months ended September 30, 2021 and September 30, 2020, these contracts had, net of tax, unrealized gains of $1,761 and $95, respectively.

The nonperformance risk of the Company and the counterparty did not have a material impact on the fair value of the derivatives. During the nine months ended September 30, 2021 and September 30, 2020, there were no ineffective portions relating to these hedges and the hedges remained effective through their respective settlement dates. As of September 30, 2021, the Company had twenty-one designated hedges and three non-designated hedges. As of September 30, 2020, the Company had nineteen designated hedges and one non-designated hedge.

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

Forward-Looking Statements

The following discussion and analysis should be read together with our consolidated financial statements and the condensed notes to those statements included elsewhere in this Quarterly Report on Form 10-Q. This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, that are based on our management's beliefs and assumptions and on information currently available to our management. The forward-looking statements are contained principally in the section entitled "Risk Factors" and this Management's Discussion and Analysis of Financial Condition and Results of Operations. Forward-looking statements include, but are not limited to, statements concerning the following:

- information concerning our possible or assumed future cash flows, revenue, sources of revenue and results of operations, operating and other expenses;
- our expectations of the impact of the COVID-19 pandemic and related public health emergency (PHE) on sales, productivity, hiring, media expenditures, prescriber sales team and physician referrals, worldwide demand for oxygen therapies, and our supply chain, including supply constraints and cost inflation related to semiconductor chips used in our batteries and printed circuit boards which are components of our portable oxygen concentrators;
- our assessment and expectations regarding reimbursement rates, future rounds of competitive bidding, Centers for Medicare and Medicaid Services (CMS) changes associated with the COVID-19 pandemic and related PHE impacting respiratory care, CMS proposed changes to Home Use of Oxygen national coverage determination, and future changes in rental revenue;
- our expectations regarding regulatory approvals and government and third-party payor coverage and reimbursement;
- our ability to develop new products, improve our existing products and increase the value of our products, including the potential integration of TAV technology into our existing products;
- our expectations regarding the timing of new products and product improvement launches, as well as product features and specifications;
- market share expectations, unit sales, business strategies, financing plans, expansion of our business, competitive position, industry environment, and potential growth opportunities;
- our expectations regarding the market size, market growth and the growth potential for our business;
- our ability to grow our business and enter new markets;
- our expectations regarding the average selling prices and manufacturing costs of our products, including our expectations related to the impact of supply chain disruptions on our manufacturing costs and our ongoing efforts to reduce average unit costs for our systems;
- our expectations regarding our sales and marketing channels including expectations related to our prescriber sales team, including the expansion of the sales team and implementation of healthcare intelligence platforms and tools through our partnership with Ashfield Healthcare, LLC (Ashfield) and its impact on clinician awareness, POC penetration, and sale team productivity;
- our expectations with respect to our European and U.S. facilities and our expectations with respect to our contract manufacturer in Europe;
- our expectations regarding tariffs being imposed by the U.S. on certain imported materials and products;
- our ability to successfully acquire and integrate companies and assets;
- our expectations regarding the impact and implementation of trade regulations on our supply chain;
- our expectations regarding excess tax benefits or deficiencies from stock-based compensation;
- our expectations of future accounting pronouncements or changes in our accounting policies;
- our assessments and estimates of our effective tax rate;
- our internal control environment;
- the effects of seasonal trends on our results of operations and estimated hiring plans;

- our expectation that our existing capital resources and the cash to be generated from expected product sales and rentals will be sufficient to meet our projected operating and investing requirements for at least the next twelve months; and
- the effects of competition.

Forward-looking statements include statements that are not historical facts and can be identified by terms such as "anticipates," "believes," "could," "seeks," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," "projects," "should," "will," "would," or similar expressions and the negatives of those terms.

Forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause our actual results, performance, or achievements to be materially different from any future results, performance, or achievements expressed or implied by the forward-looking statements. We discuss these risks in greater detail in Part II, Item 1A, "Risk Factors," elsewhere in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K filed with the Securities and Exchange Commission, or SEC. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for us to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this Quarterly Report on Form 10-Q may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

The forward-looking statements made in this Quarterly Report on Form 10-Q relate only to events as of the date on which the statements are made. Except as required by law, we assume no obligation to update these forward-looking statements, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

This Quarterly Report on Form 10-Q also contains estimates, projections and other information concerning our industry, our business, and the markets for certain diseases, including data regarding the estimated size of those markets, and the incidence and prevalence of certain medical conditions. Information that is based on estimates, forecasts, projections, market research or similar methodologies is inherently subject to uncertainties and actual events or circumstances may differ materially from events and circumstances reflected in this information. Unless otherwise expressly stated, we obtained this industry, business, market and other data from reports, research surveys, studies and similar data prepared by market research firms and other third parties, industry, medical and general publications, government data and similar sources.

"Inogen," "Inogen One," "Inogen One G2," "Inogen One G3," "G4," "G5," "Live Life in Moments, not Minutes," "Never Run Out of Oxygen," "Oxygen Therapy on Your Terms," "Oxygen.Anytime.Anywhere," "Reclaim Your Independence," "Intelligent Delivery Technology," "Inogen At Home," the Inogen design, "TIDAL ASSIST," "TAV," and "SIDEKICK" are registered trademarks with the United States Patent and Trademark Office of Inogen, Inc. We own a pending application for "Inogen" with the United States Patent and Trademark Office. We own trademark registrations for the mark "Inogen" in Argentina, Australia, Canada, Chile, China, Columbia, Ecuador, South Korea, Mexico, Europe (European Union Registration), the United Kingdom, Iceland, India, Israel, Japan, Kuwait, New Zealand, Norway, Paraguay, Peru, Turkey, Singapore, and Switzerland. We own pending applications for the mark "Inogen" in Brazil, India, Malaysia, South Africa and Uruguay. We own a trademark registration for the mark "イノジェン" in Japan. We own trademark registrations for the marks "印诺真" and "艾诺根" in China. We own trademark registrations for the mark "Inogen One" in Australia, Canada, China, South Korea, Mexico, Europe (European Union Registration), and the United Kingdom. We own a trademark registration for the mark "Satellite Conserver" in Canada. We own a trademark registration for the mark "Inogen At Home" in Europe (European Union Registration) and the United Kingdom. We own trademark registrations for the mark "G4" in Europe (European Union Registration) and the United Kingdom. We own trademark registrations for the mark "G5" in Europe (European Union Registration) and the United Kingdom. We own a trademark application for the Inogen design in Bolivia. We own a trademark registration for the Inogen design in China. We own a trademark registration for the mark "إنوجن" in Saudi Arabia. Other service marks, trademarks, and trade names referred to in this Quarterly Report on Form 10-Q are the property of their respective owners.

In this Quarterly Report on Form 10-Q, "we," "us" and "our" refer to Inogen, Inc. and its subsidiary.

The following discussion of our financial condition and results of operations should be read together with our consolidated financial statements and the accompanying condensed notes to those statements included elsewhere in this document. Also, forward-looking statements represent our management's beliefs and assumptions only as of the date of this Quarterly Report on Form 10-Q.

Critical accounting policies and estimates

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements which have been prepared in accordance with generally accepted accounting principles in the United States of America, or U.S. GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities and related disclosure of contingent assets and liabilities, revenue and expenses at the date of the financial statements. Generally, we base our estimates on historical experience and on various other assumptions in accordance with U.S. GAAP that we believe to be reasonable under the circumstances. Actual results may differ from these estimates and such differences could be material to the financial position and results of operations.

Critical accounting policies and estimates are those that we consider the most important to the portrayal of our financial condition and results of operations because they require our most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Our critical accounting policies and estimates include those related to:

- revenue recognition;
- product warranty; and
- acquisitions and related acquired intangible assets and goodwill.

There have been no material changes in our critical accounting policies and estimates in the preparation of our consolidated financial statements during the three and nine months ended September 30, 2021 compared to those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2020, as filed with the SEC on February 24, 2021.

COVID-19 pandemic and related PHE

The novel coronavirus outbreak of COVID-19 has had and likely will continue to have significant adverse effects on businesses and healthcare institutions around the world. While it is not possible at this time to estimate the overall impact that the COVID-19 pandemic and related PHE could have on our business, the continued spread of COVID-19, both across the United States and throughout much of the world, and the measures taken by the governments of countries and local authorities affected has adversely impacted and will likely continue to adversely impact demand for our products, our business operations, including manufacturing due to supply chain constraints, hiring and continued employment of our employees and contractors, shipment, cost of our products, and our financial condition and operating results.

Our priorities during the COVID-19 pandemic and related PHE include protecting the health and safety of our employees and supporting our patients and customers. Given the COVID-19 impact to the respiratory system, oxygen therapy is prescribed by healthcare professionals for treatment and recovery for certain patients with COVID-19. We also believe stationary oxygen concentrators, and, secondarily, portable oxygen concentrators (POCs) could provide relief to global hospital systems by allowing appropriate patients to be treated in the home, such as patients early in the disease progression or those in recovery post hospital discharge, thus making room for more severe patients who need treatment in the hospital.

However, the COVID-19 pandemic and related PHE adversely impacted our consolidated operating results starting in the second quarter of 2020. We experienced lower direct-to-consumer sales starting toward the end of the first quarter of 2020, which we believe was primarily associated with the social distancing, self-quarantine and related mandates and behaviors emanating from the COVID-19 pandemic and related PHE, including shelter-in-place orders, reduced travel, and lower consumer confidence. Starting in the first quarter of 2021 and continuing into the second quarter of 2021, consumer demand for our products improved, which we believe was due to increased vaccination rates, increased interest in POCs to enable patient mobility, stimulus payments, and increased consumer confidence. While we observed this increase in consumer demand in the first half of 2021, we saw consumer demand slightly decline in the third quarter of 2021 compared to the second quarter of 2021, which we believe was primarily associated with traditional seasonality in consumer buying patterns and the impact of the delta variant, and we continue to believe that future shelter-in-place orders, reduced travel, lower consumer confidence, or the impacts of new variants could reduce consumer demand in future periods.

In the business-to-business channel, there have been certain surges in demand for oxygen concentrators by our home medical equipment (HME) providers worldwide during the COVID-19 pandemic and related PHE in specific markets with significant COVID-19 case rates However, overall business-to-business demand has been lower because of the COVID-19 pandemic and related PHE due to lower retail sales, lower patient travel, physician offices limiting patient interactions for chronic obstructive pulmonary disease (COPD) patient referrals, HME providers minimizing patient interactions in response to the COVID-19 pandemic and related PHE, which includes replacing existing oxygen patient setups with POCs, and HME providers turning their purchasing focus to stationary oxygen concentrators to treat COVID-19 patients. Also, sales in Europe declined associated with the temporary closure and reduced operating capacity of certain respiratory assessment centers and continued tender delays in certain markets due to the COVID-19 pandemic. In the second quarter of 2021, business-to-business sales improved versus the comparative period in the prior year due to a smaller impact of the COVID-19 pandemic and related PHE as consumer confidence, vaccination rates, and COPD patient referral volumes improved in our core markets of the United States and Europe. In the third quarter of 2021, business-to-business demand remained high versus the comparative period in the prior year for the same reasons as experienced in the second quarter of 2021, but supply constraints, primarily due to limited semiconductor chip availability, negatively impacted sales mainly in the domestic business-to-business channel, as discussed in more detail below.

During 2020 and through the nine months ended September 30, 2021, we were able to broadly maintain our operations. However, the COVID-19 pandemic and related PHE have caused and could continue to cause disruption to our supply chain that could impact our operations, limit our growth, and increase our cost of goods sold.

For example, we have seen higher semiconductor chip demand and reduced semiconductor chip availability in 2021, which has impacted our ability to produce and sell systems and batteries. We expect availability issues to continue for the remainder of 2021 and into 2022, which has impacted and will continue to impact our ability to produce and sell systems and batteries until resolved. The semiconductor chip shortage is being experienced across many industries, placing additional pressure on existing supplies. We have attempted to mitigate the impact of this increased supply shortage, but it has and will likely continue to negatively impact our ability to manufacture product as these chips are used across all of our portable oxygen concentrators, in both our batteries and printed circuit boards and, if we are not able to obtain sufficient components, we could be forced to further slowdown or temporarily halt production. We are continuing to work with our Original Equipment Manufacturer (OEM) partners and exploring other open-market avenues to procure necessary semiconductor chips, but it is a product in extremely high demand, so we expect increasing challenges in terms of supply constraint and pricing inflation moving forward.

We saw inflated costs related to the acquisition of semiconductor chips begin to negatively impact our cost of goods sold in the third quarter of 2021, and we expect this to have an increased impact on our material costs in the fourth quarter of 2021 and continuing into 2022 until supply and demand get closer to equilibrium. Even though we paid significant costs in the third quarter of 2021 associated with these chips, most of these costs increased our prepaid expense and inventory given that these components were not yet in finished products that were sold during the period. We believe based on our assessment and industry feedback that these supply shortages and increased costs are likely to continue through the second quarter of 2022. In addition to the semiconductor chip limitations, we are continuing to see supply chain constraints for other components used in our products albeit to a lower degree. Thus far, we have been able to manage through these challenges with increased inventory levels and heightened supplier management and communications, but we cannot be certain we will be able to continue to do so through the remainder of the shortages.

As a result, in the interim we expect to be supply constrained and unable to meet all customer demand for our products, which we expect to negatively impact our total revenue and cost of goods sold for the duration of these supply shortages. To partially offset these rising costs, we implemented a price increase across our products which was effective as of September 1, 2021.

Additionally, we have experienced, along with most other companies across many industries, the macro-economic impact of a challenging employment environment related to hiring and retaining employees. We expect that these hiring and retention challenges, as well as challenges related to maintaining our current workforce, will continue throughout the remainder of 2021 and into 2022. These hiring and retention challenges may negatively affect our ability to grow our business and keep our best employees. In response to these challenges, we have implemented more relaxed workplace requirements depending on the role, such as increasing ability for remote work, but we still expect to be negatively impacted by the macro-economic employment environment.

The COVID-19 pandemic and related PHE has also and could continue to lead to volatility in consumer access to our products due to government actions impacting our ability to produce and ship products or impacting consumers' movements and access to our products. The COVID-19 pandemic and related PHE has caused demand to fluctuate for our products across all channels due to the global economic environment and changes to regular physician interactions and testing requirements. Additionally, while we planned for sales and marketing expansion in 2021, we have seen lower hiring in our direct-to-consumer sales force primarily due to increased competition for sales professionals in 2021, along with reduced hiring of new sales representatives in 2020 due to the COVID-19 pandemic. The labor shortage trend for sales professionals may continue in the rest of 2021, limiting our ability to grow in future periods.

The health and safety of our people and their families continues to be our primary focus.Our ability to continue to operate without any significant negative operational impacts will in part depend on our ability to protect our employees and our supply chain. As the COVID-19 pandemic and related PHE has developed, we have taken numerous steps to help ensure the health and safety of our employees and their families. We follow recommended actions of government and health authorities to protect our employees, with particular measures in place for those working in our manufacturing facilities. Employees whose tasks can be done offsite have been allowed to work from home and most of our total personnel continue to work from home. We have also worked closely with local and national officials to keep our manufacturing facilities open due to the essential nature of our products. We believe that the recent "Executive Order on Ensuring Adequate COVID Safety Protocols for Federal Contractors" applies toInogen, due to our Medicare and Medicaid contracts, and that we therefore are required to implement a COVID vaccine mandate across our workforce. This mandate policy, requiring all employees to be vaccinated, will continue our policy of keeping our people, families, patients and others safe, but may negatively affect our business if a substantial number of employees decide not to get vaccinated and are subsequently terminated either voluntarily or involuntarily.

For additional information on risk factors that could impact our results, please refer to "Risk Factors" in Part II, Item 1A of this Quarterly Report on Form 10-Q.

Overview

We are a medical technology company that primarily develops, manufactures and markets innovative POCs used to deliver supplemental long-term oxygen therapy to patients suffering from chronic respiratory conditions. Long-term oxygen therapy is defined as the provision of oxygen therapy for use at home in patients who have chronic low blood oxygen levels (hypoxemia). Traditionally, these patients have relied on stationary oxygen concentrator for use in the home and oxygen tanks or cylinders for mobile use, which we call the delivery model. The tanks and cylinders must be delivered regularly and have a finite amount of oxygen, which requires patients to plan activities outside of their homes around delivery schedules and a finite oxygen supply. Additionally, patients must attach long, cumbersome tubing to their stationary concentrators simply to enable mobility within their homes. Our proprietary Inogen One® systems concentrate the air around the patient to offer a single source of supplemental oxygen anytime, anywhere with a portable device weighing as little as approximately 2.8 pounds with a single battery. Our Inogen One systems range from 2.6 to 6.5 hours of battery life with a single battery and can be plugged into an outlet when at home, in a car, or in a public place with outlets available. We believe our Inogen One systems reduce the patient's reliance on stationary concentrators and scheduled deliveries of tanks with a finite supply of oxygen, thereby improving patient quality of life and fostering mobility.

We believe that we were the first oxygen therapy manufacturer to employ a direct-to-consumer marketing strategy, meaning we advertise directly to patients, process their physician paperwork, and provide clinical support as needed, which we believe has contributed to our market leadership position in the POC market. While other manufacturers have also begun direct-to-consumer marketing campaigns to drive patient sales, we believe we are the only POC manufacturer that employs a direct-to-consumer rental strategy in the United States, meaning we bill Medicare or insurance on the consumer's behalf.

We derive the majority of our revenue from the sale and rental of our Inogen One systems and related accessories to patients, insurance carriers, home healthcare providers, resellers, charitable organizations, and distributors, including our private label partner. We sell multiple configurations of our Inogen One and Inogen At Home systems with various batteries, accessories, warranties, power cords and language settings. We also rent our products to Medicare beneficiaries and patients with other insurance coverage to support their long-term oxygen needs as prescribed by a physician as part of a care plan. Our goal is to design, build and market oxygen solutions that redefine how long-term oxygen therapy is delivered.

To accomplish this goal and to grow our revenue, we intend to:

- *Expand our domestic direct-to-consumer sales and prescriber sales teams and increase productivity.* We expect minimal net new inside sales hires in the near term due to the size and quality of the candidate pool and expected attrition, but as part of our growth plans, we are increasing our focus on improving productivity of our existing sales force. Going forward, except as otherwise limited by the impact of the COVID-19 pandemic and related PHE, our plan is to continue to expand sales capacity while focusing on increased productivity, improved sales tools and lead distribution systems, and improved training. We saw increased demand in the second and third quarters of 2021 versus the comparative periods in 2020, which led to improved sales representative productivity and increased average revenue per order in the period versus each of the last three quarters of 2020, which saw declines associated with the COVID-19 pandemic and related PHE.

During the year ended December 31, 2020, the number of inside sales representatives decreased to 300 from 329 as of December 31, 2019.Thus far in 2021, hiring has been and we expect it will continue to be challenging due to the continued impacts of the COVID-19 pandemic and related PHE, so we do not plan to increase our sales force and instead hope to offset attrition with replacement hiring. We continue to look to add new sales representatives, while maintaining our hiring standards and being mindful of the supply constraints. Headcount was up slightly as of September 30, 2021 compared to December 31, 2020.

We also plan to expand our prescriber sales team to drive increased physician referrals for rental patients and direct-to-consumer sales. This specialized sales team consisted of 24 sales representatives and 5 support personnel as of December 31, 2020. In addition, we are using a third-party contract sales organization, Ashfield, to enhance our go-to-market capabilities in the U.S. They plan to add approximately 20 dedicated sales representatives to our prescriber sales team. Additionally, Ashfield will provide access to its best-in-class data-driven sales management disciplines, proprietary prescriber insights, and analytics to support our growth strategy and drive performance in the clinician sales channel. We expect to have these sales representatives hired and training completed during the first half of 2022, including the roll-out of new and enhanced sales processes, tools, and a field support team across our entire prescriber sales organization to help drive productivity and efficiency. The combined sales organization will benefit from access to Ashfield's comprehensive offering of analytics tools, sales operations support, and personalized concierge services that will help drive productivity and efficiency.

- *Expand our domestic direct-to-consumer marketing, drive better lead utilization, and optimize pricing.* We increased marketing efforts to continue to drive patient awareness of our products and patient inquiries about their ability to switch from their current oxygen products to our technology as patient interest increased, so media and advertising costs increased to $9.4 million in the third quarter of 2021 compared to $7.7 million in the third quarter of 2020. While there was an approximate 8% reduction in average direct-to-consumer sales representatives in the third quarter of 2021 compared to the same period in the prior year, lead utilization and pricing both increased in the comparative periods as we raised prices 10% as of September 1, 2021 to partially offset rising product costs and consumer interest and ambulation increased. We plan to increase and optimize marketing spend to drive consumer and physician awareness of our products in 2021 and beyond. We also plan to perform a pricing trial in 2022 to optimize pricing in our direct-to-consumer sales channel as well as look for opportunities to improve the close rate of leads through product offerings, pricing, and partnerships with HME providers; however, these may be delayed due to the COVID-19 pandemic and related PHE. As this is a dynamic situation, we plan to continue to monitor the progression of the COVID-19 pandemic and related PHE in the United States and may adjust our marketing plan accordingly.
- *Expand our rental revenues.* During the year ended December 31, 2020, we expanded our rental intake team to focus exclusively on new rental additions to drive overall sales productivity and simplify training. We ended 2020 with 34 patient intake representatives and administrative personnel and plan to continue to improve the productivity of the rental intake team in 2021, which we believe will lead to increased patients on service and growth in rental revenue in future periods. In the nine months ended September 30, 2021, we saw improved rental intake team productivity compared to the same period in the prior year. We also have increased focus on rentals from our direct-to-consumer inside and prescriber sales team, which we believe will drive higher rental setups.

  Due to the COVID-19 pandemic and related PHE, Medicare and commercial payors have reduced some of the administrative burden for oxygen therapy, which also contributed to increased rental setups in the second quarter of 2020 through the third quarter of 2021. We believe this change will continue to contribute to increased rental setups during the remainder of the COVID-19 pandemic and related PHE. We have also seen increased reimbursement rates in some areas for Medicare beneficiaries, which have increased rental revenue during the COVID-19 pandemic and related PHE and are expected to continue to do so for the remainder of the COVID-19 pandemic and related PHE. CMS has finalized additional changes to the administrative requirements to dispense and bill for oxygen therapy, which is discussed in more detail in the Reimbursement section below. These changes may reduce the administrative burden and increase patient access to our products; however, we still need additional clarity on how it will be implemented.
- *Expand our domestic HME provider and reseller sales.* We are also focused on building our domestic business-to-business partnerships, including relationships with distributors, key accounts, resellers, our private label partner, traditional HME providers, and charitable organizations. We offer patient-preferred, low service cost products and services to help providers convert their businesses to a non-delivery POC business model.

Supplemental oxygen is a treatment prescribed by healthcare professionals for some patients with COVID-19. While there have been surges in demand for oxygen concentrators by our HME providers during the COVID-19 pandemic and related PHE in specific markets with significant COVID-19 case rates, domestic business-to-business demand in 2020 was lower because of the COVID-19 pandemic and related PHE due to lower retail sales, lower patient travel, physician offices limiting patient interactions for COPD patient referrals, HME providers minimizing patient interactions in response to the COVID-19 pandemic and related PHE which includes replacing existing oxygen patient setups with POCs, and HME providers turning their purchasing focus to stationary oxygen concentrators to treat COVID-19 patients. Domestic HME provider demand increased in the fourth quarter of 2020 and in the nine months ended September 30, 2021, primarily due to increased demand for POCs as hospital systems and stationary oxygen concentrator supply were strained to keep up with the increase in COVID-19 cases and increased patient ambulation and consumer confidence.

However, in spite of the increased demand, in the third quarter we saw supply constraints associated with the semiconductor chip shortage to continue to limit growth in this channel and expect this to continue in the near-term.

- *Increase international business-to-business adoption.* Although our main growth opportunity remains POC adoption in the United States given what we still believe is a relatively low penetration rate, we believe there is a sizable international market opportunity, particularly in Europe where there is existing oxygen reimbursement for respiratory conditions. In order to take advantage of these international markets, we have partnered with distributors who serve those markets and key customers in them. We additionally have an Inogen base of operations for sales and customer service in the Netherlands, and use a contract manufacturer, Foxconn, located in the Czech Republic to support the majority of our European sales volumes. We have sales in 59 international countries or overseas regions.

As in the United States, there have been surges in demand for oxygen concentrators by our international HME customers during the COVID-19 pandemic in specific markets with significant COVID-19 case rates. However, international demand declined in the second quarter of 2020 continuing through the first quarter of 2021 primarily due to the temporary closures and reduced operating capacity of certain European respiratory assessment centers due to the COVID-19 pandemic, continued tender delays in certain European markets, and decreased sales in other markets, primarily Canada. In addition, as in the United States, providers turned their focus to supplying stationary oxygen concentrators with higher flow characteristics in response to the COVID-19 pandemic. We experienced increased demand during the second and third quarters of 2021, which we believe was due to improving COVID-19 vaccination rates and increased ambulation of patients in Europe, increased operational capacity of certain European respiratory assessment centers, and increased sales in certain markets associated with spikes in COVID-19 cases in such instances. To grow our international sales markets, we are also in the process of developing regulatory and sales pathways to capture opportunities in new and emerging markets.

Over time, as the U.S. and European markets mature, our growth will depend on our ability to drive POC adoption in emerging markets, where limited oxygen therapy treatment and reimbursement exists today. However, growth may also be limited by regulatory and reimbursement clearances, currency fluctuations, capital expenditure constraints, ongoing restructuring challenges, and tender uncertainty.

- *Invest in our oxygen product offerings to develop innovative products and expand clinical evidence.* We incurred $14.1 million and $9.4 million in 2020 and 2019, respectively, in research and development expenses, and we intend to continue to make such investments in the foreseeable future. We incurred $3.8 million and $3.5 million for the three months ended September 30, 2021 and September 30, 2020, respectively, and $11.9 million and $10.4 million for the nine months ended September 30, 2021 and September 30, 2020, respectively, in research and development costs.

We launched our fifth-generation POC, the Inogen One G5 in 2019. The Inogen One G5 weighs 4.7 pounds and produces 1,260 ml per minute of oxygen output, with very quiet operation at 38 dBA and our longest battery life at 6.5 hours for a single battery and up to 13 hours for a double battery. We estimate that the Inogen One G5 is suitable for over 90% of ambulatory long-term oxygen therapy patients based on our analysis of the patients who have contacted us and their clinical needs. We expect the Inogen One G5 to obsolete the Inogen One G3® over the short-term. Manufacturing cost for our Inogen One G5 was at parity with our Inogen One G3 starting in the third quarter of 2020, and we still expect the Inogen One G5 to be our lowest cost to manufacture over time. The Inogen One G5 represented more than 80% of total domestic POC units sold in the nine months ended September 30, 2021, showing the strong demand for this product from both patients and providers.

Inogen Connect, our connectivity platform on our Inogen One G4® and Inogen One G5 products in the United States and Canada is compatible with Apple and Android platforms and includes patient features such as purity status, battery life, product support functions, notification alerts, and remote software updates. We believe home oxygen providers will also find features such as remote troubleshooting, equipment health checks, and location tracking to help drive operational efficiencies when transitioning away from the oxygen tank delivery model.

We plan to also invest in clinical studies to evaluate expected improvements in health and economic outcomes associated with the use of our products as part of our efforts to drive payor and prescriber advocacy for our products.

- *Expand our product offerings.* We are primarily focused on creating innovative, evidence-based chronic respiratory care solutions to strengthen and build preference and advocacy for our respiratory therapies and brand across patients, prescribers, and payors. We plan to do this with an expanded, high quality, connected, and innovative product portfolio that strengthens our differentiation. We are also committed to pursuing complementary acquisition opportunities to strengthen our technology, product offerings, and channel access.

In August 2019, we acquired New Aera. New Aera's patented and Food and Drug Administration (FDA)-cleared Tidal Assist® Ventilator (TAV®) system is designed to deliver increased air flow and pressure from an approximately 4-ounce pocket-size unit, features a state-of-the-art nasal pillow interface, and is compatible with certain oxygen concentrators, oxygen cylinders, wall gas, and certain medical air sources. TAV therapy with oxygen has been clinically demonstrated during periods of exercise to reduce breathlessness, increase exercise endurance, and improve oxygen saturation for patients suffering from certain chronic lung disease compared to oxygen therapy alone. We began a limited launch of the TAV product in December 2019 in our domestic direct-to-consumer channel and in our domestic business-to-business channel. We plan to only sell this product across our domestic direct-to-consumer channel and in our domestic business-to-business channel in 2021, and we expect limited contributions to revenue in its existing configuration. We continue to investigate opportunities to incorporate the TAV technology directly into our Inogen One POCs as we believe it will enhance patient preference and maintain our technology leadership position in the long-term oxygen therapy market. Device modifications to facilitate compatibility may require FDA premarket review and approval commensurate with new products before product commercialization. Additionally, securing the appropriate reimbursement rate would be a critical enabler for success.

We have been developing and refining the manufacturing of our Inogen One systems since 2004. While nearly all of our manufacturing and assembly processes were originally outsourced, assembly of the compressors, sieve beds, concentrators and certain manifolds were brought in-house in order to improve quality control and reduce cost. In support of our European sales, we use a contract manufacturer located in the Czech Republic to manufacture high volume products and perform product repairs to improve delivery to our European accounts. We expect to maintain our assembly operations for our products at our facilities in Texas and California. In 2021, we are focused on securing supply for components to make our products in spite of the higher costs of semiconductor chips, reducing the cost of our Inogen One G5 product (excluding semiconductor chips), and increasing the robustness of our supply chain to reduce potential component constraints as we grow our business.

We also use lean manufacturing practices to maximize manufacturing efficiency. We rely on third-party manufacturers to supply several components of our products. We typically enter into master service agreements for these components that specify quantity and quality requirements and delivery terms. In certain cases, these agreements can be terminated by either party upon relatively short notice. We have elected to source certain key components from single sources of supply, including our batteries, motors, valves, TAV-compatible stationary concentrators, columns, and some molded plastic components. In some cases, maintaining a single source of supply can allow us to control production costs and inventory levels and to manage component quality, but also may lead to supply availability risks. In order to help mitigate against the risks related to a single source of supply, for certain components we qualify alternative suppliers and develop contingency plans for responding to disruptions. However, a continued reduction or halt in supply from one of these single-source suppliers or dual-sourced suppliers with similar sub-component suppliers could limit or prevent our ability to manufacture our products or devices until a replacement supplier is found and qualified. For additional discussion of potential risks related to our manufacturing and raw materials, please see the risk factor entitled "*We obtain some of the components, subassemblies and completed products included in our products from a single source or a limited group of manufacturers or suppliers, and the partial or complete loss of one or more of these manufacturers or suppliers could cause significant production delays, an inability to meet customer demand, substantial loss in revenue, and an adverse effect on our financial condition and results of operations.*"

Historically, we have generated a majority of our revenue from sales and rentals to customers in the United States.In the three months ended September 30, 2021 and September 30, 2020, approximately 23.5% and 19.6%, respectively, and 21.1% and 20.7% for the nine months ended September 30, 2021 and September 30, 2020, respectively, of our total revenue was from sales to customers outside the United States, primarily in Europe. Approximately71.0% and 83.4% of the non-U.S. revenue for the three months ended September 30, 2021 and September 30, 2020, respectively, and 71.9% and 75.6% for the nine months ended September 30, 2021 and September 30, 2020, respectively, was invoiced in Euros with the remainder invoiced in United States dollars. We sell our products in 59 international countries or overseas regions outside the United States through our wholly-owned subsidiary, distributors or directly to large "house" accounts, which include gas companies, HME oxygen providers, and resellers. In those instances, we sell to and bill the distributor or "house" accounts directly, leaving responsibility for the patient billing, support and clinical setup to the local provider.

Our total revenue was $93.1 million and $74.3 million for the three months ended September 30, 2021 and September 30, 2020, respectively, and $281.6 million and $234.5 million for the nine months ended September 30, 2021 and September 30, 2020, respectively. The increase in total revenue in the three months and nine months ended September 30, 2021 compared to the three months and nine months ended September 30, 2020 was primarily due to an increase in direct-to-consumer sales and international business-to-business sales, primarily associated with reduced impact of the COVID-19 pandemic and related PHE, and an increase in rental revenue. We generated net income (losses) of $12.2 million and $(1.7) million for the three months ended September 30, 2021 and September 30, 2020, respectively, $16.5 million and $(0.7) million for the nine months ended September 30, 2021 and September 30, 2020, respectively. We generated Adjusted EBITDA of $12.2 million and $4.6 million in the three months ended September 30, 2021 and September 30, 2020, respectively, and $30.0 million and $18.7 million for the nine months ended September 30, 2021 and September 30, 2020, respectively, (see "Non-GAAP financial measures" for reconciliations between U.S. GAAP and non-GAAP results). As of September 30, 2021, our retained earnings were $92.1 million.

Sales revenue

Our future financial performance will be driven in part by the growth in sales of our Inogen One systems, and, to a lesser extent, sales of batteries, other accessories, our Inogen At Home stationary oxygen concentrators and our TAV products. We plan to grow our system sales in the coming years through multiple strategies including: hiring additional sales representatives directly or through our contract sales organization, improving productivity, investing in consumer and physician awareness and advocacy through increased sales and marketing efforts, expanding our clinical evidence, expanding our sales infrastructure and efforts outside of the United States, expanding our business-to-business sales through key partnerships, and enhancing our product offerings through additional product launches, although, as mentioned above, these plans have been and may continue to be impacted by the COVID-19 pandemic and related PHE. While we believe most HME providers are still in the process of converting their business model to a non-delivery model and purchase POCs, growth has been challenged and we expect it could continue to be challenged due to the COVID-19 pandemic and related PHE, their ongoing restructuring efforts, lack of access to available credit, provider capital expenditure constraints, and potential changes in reimbursement rates. As our product offerings grow, we solicit feedback from our customers and focus our research and development efforts on continuing to improve patient preference and reduce the total cost of the product in order to further drive sales of our products.

Our direct-to-consumer sales process involves numerous interactions with the individual patient, their physician and the physician's staff, and includes an in-depth analysis and review of our product, the patient's diagnosis and prescribed oxygen therapy, including procuring an oxygen prescription, although, as discussed above, this process has been disrupted due to the COVID-19 pandemic and related PHE and we expect that such disruption will continue for the duration of the COVID-19 pandemic and related PHE. The patient may consider whether to finance the product through an Inogen-approved third party or purchase the equipment. Product is not deployed until both the prescription and payment are received. Once a full system is deployed, the patient has 30 calendar days to return the product, subject to the payment of a minimal processing and handling fee. Approximately 6-10% of consumers who purchase a system return the system during this 30-day return period.

Our business-to-business efforts are focused on selling to distributors, HME oxygen providers, our private label partner, resellers, and charitable organizations who are based inside and outside of the United States. This process involves interactions with various key customer stakeholders including sales, purchasing, product testing, and clinical personnel. Businesses that have patient demand that can be met with our products place purchase orders to secure product deployment. This may be influenced based on outside factors, including the result of tender offerings, changes in insurance plan coverage or reimbursement rates, business restructuring activities toward a non-delivery model, capital constraints, and overall changes in the net oxygen therapy patient populations, and is presently being impacted by the COVID-19 pandemic and related PHE. Products are shipped freight on board (FOB) Inogen dock domestically, and based on financial history and profile, businesses may either prepay or receive extended payment terms. Products are shipped both FOB Inogen dock and Delivery Duty Paid (DDP) for certain international shipments depending on the shipper used. DDP shipments are Inogen's property until title has transferred which is upon duty being paid and delivered to the customer. As a result of these factors, product purchases can be subject to changes in demand by customers.

We sold approximately 44,600 systems in the three months ended September 30, 2021 and 42,200 systems for the same period in 2020. We sold approximately 146,400 systems in the nine months ended September 30, 2021 compared to 138,100 systems for the same period in 2020. Management focuses on system sales as an indicator of current business success.

Rental revenue

Our direct-to-consumer rental process involves numerous interactions with the individual patient, their physician and the physician's staff. The process includes an in-depth analysis and review of our product, the patient's diagnosis and prescribed oxygen therapy, and their medical history to confirm the appropriateness of our product for the patient's oxygen therapy and compliance with Medicare and private payor billing requirements, which often necessitates additional physician evaluation and/or testing for oxygen. Once the product is deployed, the patient receives instruction on product use and may receive a clinical titration from our licensed staff to confirm the product meets the patient's medical oxygen needs prior to billing. As a result, the period of time from initial contact with a patient to billing can vary significantly and be up to one month or longer. However, during the COVID-19 PHE, CMS has reduced the paperwork requirements for Medicare oxygen therapy patients, as discussed in more detail in the Reimbursement section below. CMS has also adopted additional changes to the administrative requirements to dispense and bill for oxygen therapy, which is discussed in more detail in the Reimbursement section below, which may reduce the administrative burden and increase patient access to our products.

Rental revenue increased in the three months ended September 30, 2021 compared to the three months ended September 30, 2020, primarily due to a greater number of patients on service, higher Medicare reimbursement rates, and higher billable patients as a percent of total patients on service. Medicare reimbursement rates for oxygen therapy have increased, as detailed in the Reimbursement section below. In addition, as part of the various stimulus bills in 2020 (also discussed in more detail in the Reimbursement section below), the 2% Medicare sequestration reduction was temporarily paused, and Medicare reimbursement rates for non-rural, non-competitive bid areas through the duration of the COVID-19 PHE were increased to a 75/25 blended rate retroactive to March 6, 2020, which increased the rates in 2021 while the COVID-19 PHE continues. The 50/50 blended rate for HME providers in rural and non-contiguous, non-competitive bid areas was extended for the duration of the COVID-19 PHE and has been proposed to be extended permanently as part of the proposed rule published on November 4, 2020, which is expected to be finalized by May 11, 2022. We plan to add new rental patients on service in future periods through multiple strategies, including expanding our rental intake team and prescriber sales teams, expanding our direct-to-consumer marketing efforts, investing in patient and physician awareness and advocacy, expanding clinical evidence, and securing additional insurance contracts.

A portion of rentals include a capped rental period during which no additional reimbursement is allowed unless additional criteria are met. In this scenario, the ratio of billable patients to total patients on service is critical to maintaining rental revenue growth as patients on service increases. Medicare has noted a certain percentage of beneficiaries, approximately 25%, based on their review of Medicare claims, reach the 36th month of eligible reimbursement and enter the capped rental period. The percentage of capped patients may fluctuate over time as new patients come on service, patients come off of service before and during the capped rental period, and existing patients enter the capped rental period.

We had approximately 40,400 and 29,500 oxygen rental patients as of September 30, 2021 and September 30, 2020, respectively. Management focuses on patients on service as a leading indicator of likely future rental revenue; however, actual rental revenue recognized is subject to a variety of other factors, including reimbursement levels by payor, patient location, the number of capped patients, write-offs for uncollectable balances, and rental revenue adjustments.

Reimbursement

Medicare and private insurance rentals represented 13.0% and 10.1% of our total revenue in the three months ended September 30, 2021 and September 30, 2020, respectively, and 11.8% and 8.1% in the nine months ended September 30, 2021 and September 30, 2020, respectively. The increased rental revenue as a percentage of total revenue was primarily due to increased rental patients on service, and increased reimbursement rates. In cases where we rent our long-term oxygen therapy solutions directly to patients, we bill third-party payors, such as Medicare or private insurance, for monthly rentals on behalf of our patients. We process and coordinate all physician paperwork necessary for reimbursement of our solutions. A common medical criterion for long-term oxygen therapy reimbursement is insufficient blood oxygen saturation level. Our team in sales and rental intake are trained on how to verify benefits, review medical records and process physician paperwork. Additionally, an independent internal review is performed, and our products are not deployed until after physician paperwork is processed and reimbursement eligibility is verified and communicated to the patient.

We rely significantly on reimbursement from Medicare and private payors, including Medicare Advantage plans, Medicaid and patients for our rental revenue. For the three months ended September 30, 2021 and September 30, 2020, approximately 81.6% and 82.8%, respectively, and for the nine months ended September 30, 2021 and September 30, 2020, approximately 82.6% and 80.6%, respectively, of our rental revenue was derived from Medicare's traditional fee-for-service reimbursement programs. The U.S. list price for our stationary oxygen rentals Healthcare Common Procedure Coding System (HCPCS E1390) is $260 per month and the U.S. list price for our oxygen generating portable equipment (OGPE) rentals (HCPCS E1392) is $70 per month. The average Medicare reimbursement rates in former competitive bidding areas (CBAs) in the prior four years are outlined in the table below for E1390 and E1392, which are the two primary codes that we bill to Medicare and other payors for our oxygen product rentals. These rates are typically updated annually each January as they are subject to Consumer Price Index (CPI) and budget neutralityadjustments but are also subject to adjustments during the year due to legislative rulings. Competitive bidding contracts were scheduled to go into effect on January 1, 2021; however, on October 27, 2020, CMS announced that competitive bidding contracts would not be awarded for most product categories, including oxygen, due to the payment amounts not achieving the expected savings and the current COVID-19 pandemic and related PHE. Effective April 1, 2021, rates were adjusted to remove a percentage reduction that was put in place to meet the budget neutrality requirement previously mandated by section 1834(a)(9)(D)(ii) of the Social Security Act. See the table below for average Medicare rates in former CBAs, using a simple average of rates in each CBA.

Average Medicare reimbursement rates in former CBAs	E1390	E1392
As of April 1, 2021	$ 81.25	$ 39.82
As of January 1, 2021	$ 73.88	$ 36.20
As of January 1, 2020	$ 73.98	$ 36.25
As of January 1, 2019	$ 72.92	$ 35.72
As of January 1, 2018	$ 77.03	$ 36.06

In addition to regional pricing, CMS imposed different pricing on "frontier states" and rural areas. CMS defines frontier states as states where more than 50% of the counties in the state have a population density of 6 people or less per square mile and rural states are defined as states where more than 50% of the population lives in rural areas per census data. Current frontier states include MT, ND, SD and WY; rural states include ME, MS, VT and WV; and non-contiguous United States areas include AK, HI, Guam and Puerto Rico. Effective June 1, 2018, for frontier and rural states, frontier and rural zip codes in non-frontier/rural states and non-contiguous United States areas, the single payment amount was 50/50 blended reimbursement rates based on an average of the pre-competitive bidding reimbursement rates and the current average reimbursement rates to account for higher servicing costs in these areas. The Medicare reimbursement rates in rural areas is outlined in the table below, and include areas that are considered non-contiguous (Alaska, Hawaii, Puerto Rico, and the Virgin Islands). We estimate that approximately 20% of our patients are eligible to receive the higher reimbursement rates based on the geographic locations of our current patient population. Effective March 1, 2021, CMS announced that the rates as of January 1, 2021, were incorrectly calculated, and retroactively adjusted the rates, which are reflected in the table below. The Medicare rates announced previously were a simple average of $136.24 for HCPCS code E1390 and $44.69 for HCPCS code E1392, which were increased to $136.84 and $44.99, respectively. Effective April 1, 2021, rates will be adjusted to remove a percentage reduction that was put in place to meet the budget neutrality requirement previously mandated by section 1834(a)(9)(D)(ii) of the Social Security Act. See the table below for average Medicare rates in rural areas, using a simple average of rates in each state.

Average Medicare reimbursement rates in rural areas	E1390	E1392
As of April 1, 2021	$ 143.48	$ 47.13
As of January 1, 2021 (retroactively revised March 1, 2021)	$ 136.84	$ 44.99
As of January 1, 2020	$ 136.71	$ 44.93
As of January 1, 2019	$ 134.71	$ 44.32
As of January 1, 2018	$ 76.31	$ 41.91

Rates in non-former CBAs that are not defined as rural are set based on the rates in former CBAs. See the table below for average Medicare rates in these non-former CBAs, non-rural areas, using a simple average of rates in each state. Effective March 1, 2021, CMS announced that the rates as of January 1, 2021 were incorrectly calculated, and retroactively adjusted the rates, which are reflected in the table below. The Medicare rates announced previously were a simple average of $103.18 for HCPCS code E1390 and $39.62 for HCPCS code E1392, which were increased to $104.07 and $40.06, respectively. Effective April 1, 2021, rates were adjusted to remove a percentage reduction that was put in place to meet the budget neutrality requirement previously mandated by section 1834(a)(9)(D)(ii) of the Social Security Act. Note that the 2021 rates listed below include Coronavirus Aid, Relief, and Economic Security (CARES Act) increased rates due to the COVID-19 PHE, which may not be in place for all of 2021.

Average Medicare reimbursement rates in non-former CBAs, non-rural areas	**E1390**	**E1392**
As of April 1, 2021	$ 109.39	$ 42.12
As of January 1, 2021 (retroactively revised March 1, 2021)	$ 104.07	$ 40.06
As of January 1, 2020	$ 74.84	$ 36.87
As of January 1, 2019	$ 72.32	$ 35.64
As of January 1, 2018	$ 69.31	$ 38.10

There have been significant U.S. reimbursement and policy changes that impact oxygen therapy associated with the COVID-19 PHE declared by the U.S. Department of Health and Human Services (HHS) on January 31, 2020. The CARES Act allows HHS to waive certain Medicare telehealth payment requirements during the COVID-19 PHE to allow beneficiaries in all areas to receive telehealth services, including at their home, starting March 6, 2020. The Coronavirus Preparedness and Response Supplemental Appropriations Act (H.R. 6074) also granted HHS the authority to waive certain requirements with respect to telehealth services. Under this authority, CMS clarified that HHS would not conduct audits to determine whether there was a prior physician-patient relationship for telehealth claims submitted during the COVID-19 PHE. The CARES Act included the extension of the 50/50 blended rate for home medical equipment (HME) in rural and non-contiguous, non-competitively bid areas and established a new 75/25 blended rate for all other non-competitively bid areas through the duration of the COVID-19 PHE. The 75/25 blended rate was retroactive to March 6, 2020. While the duration of the current emergency is impossible to predict, the Zika virus PHE lasted approximately 360 days, and the H1N1 flu PHE lasted approximately 450 days. The CARES Act and the Consolidated Appropriations Act of 2021 also included a temporary pause of the 2% percent Medicare sequestration reduction that went into effect in 2013. The CARES Act implemented the relief effective May 1, 2020 through December 31, 2020. The Consolidated Appropriations Act of 2021 was signed into law on December 27, 2020 and extended the suspension period to March 31, 2021. The CARES Act also extended the end date of the Medicare sequestration reduction by one year, through 2030, in order to offset the 2020 suspension. U.S. House of Representatives bill H.R. 1868 was signed into law on April 14, 2021 and extended the suspension period to December 31, 2021, but increased the fiscal year 2030 sequestration cuts.

On April 6, 2020, an Interim Final Rule (IFR) was published in the Federal Register for policy and regulatory revisions in response to the COVID-19 PHE. This IFR included that for the duration of the COVID-19 PHE, the face-to-face requirements and clinical indications of coverage for home oxygen, among other respiratory products, is waived. In addition, the administration has issued a number of regulatory waivers to increase the flexibility in durable medical equipment, prosthetics, orthotics and supplies (DMEPOS) suppliers' ability to service patients quickly and without the normal requirements. For example, the patient's signature for proof of delivery has been waived when signatures cannot be collected during the COVID-19 PHE. In addition, CMS increased Medicare contractors' ability to waive replacement product requirements, paused the national prior authorization program for certain DMEPOS, automatically extended expiring accreditations, granted contractors the flexibility to grant appeals extensions, and medical review suspension. Both the IFR and temporary regulatory changes show significant flexibility from CMS to improve access for oxygen and other DMEPOS items during this COVID-19 PHE. These changes were retroactive to early March 2020. However, in July 2020, CMS released a COVID-19 Provider Burden Relief FAQs document that stated that CMS would resume full operations for the prior authorization program for certain DMEPOS effective August 3, 2020.

CMS also issued a proposed rule on November 4, 2020 (CMS-1738-P) to establish payment amounts going forward for DMEPOS products and services covered under Medicare. We believe that Medicare rates will not change for the length of the COVID-19 PHE, except for any net change for inflation and budget neutrality adjustments, as outlined above.

CMS is proposing three different fee schedule adjustment methodologies for non-CBAs after the termination of the COVID-19 PHE: (1) for non-contiguous non-CBAs; (2) for contiguous non-CBAs defined as rural areas; and (3) for non-rural non-CBAs within the contiguous United States. Proposed adjustment methodologies (1) and (2) contemplate utilizing the 50/50 blended rates as a permanent construct, but proposed adjustment methodology (3) contemplates setting the fee schedule amounts to 100% of the Medicare rates. This could reduce Medicare rates after the PHE is over in the current areas that are considered non-rural but not covered by a former CBA, as those areas are currently receiving a 75/25 blended reimbursement rate. There was a 60-day comment period on this proposed rule, and we expected this rule to be finalized in the first half of 2021. This was delayed due to the fact that on April 26, 2021, CMS published a notice stating that the Biden Administration published a “Regulatory Freeze Pending Review” memorandum advising all agencies, unless otherwise excepted by the Director of Office of Management and Budget, not to issue any rule until an appointee by the new Administration reviews and approves the rule. Pending this review and approval, CMS is continuing the rules already in effect until May 11, 2022.

In January 2021, CMS announced the pivotal bid amounts for the competitive bidding round 2021. As a reminder, the bids for oxygen were based on the HCPCS code E1390, which is for stationary oxygen, and there were 130 regions bid. The simple average of the 2018 single payment amounts for these regions for this code was $73.98. The simple average of the pivotal bid amounts for these regions for this code was $122.61, or an average increase of 65.7%. If CMS would have implemented these rate changes, the simple average payment amounts in these regions for POCs (codes E1390 and E1392) would have been $157.60, which is significantly higher than the simple average payment amounts of $110.07 and $121.07 per month being paid as of January 1, 2021 and April 1, 2021 for these regions.

In April 2021, CMS announced a delay of the 2018 IFR final rule (CMS-1687-RCN) and the 2020 DMEPOS proposed rule (CMS-1738-P discussed above). CMS is required to publish a final rule no later than three years after the publication of a proposed or interim final rule, except under exceptional circumstances. The 2018 IFR that resumed the 50/50 blended rates in rural areas between June and December 2018 was published on May 11, 2018. In accordance with the requirement, CMS is required to publish the final rule to the 2018 IFR by May 11, 2021, but CMS announced that there will be a delay in the final rule publication, and they extended the 2018 IFR until May 11, 2022. In addition, in the 2020 DMEPOS proposed rule, CMS stated that they solicited comments on the 2018 IFR, but have not yet responded to the comments received, and will do so in the final rule, expected to be published by May 11, 2022.

CMS is required to propose future rounds of competitive bidding, which could change reimbursement rates, negatively impact the premium for POCs over other oxygen modalities, or limit beneficiary access to our technologies. Cumulatively in previous rounds of competitive bidding, we were offered contracts for a substantial majority of the CBAs and product categories for which we submitted bids. As of January 1, 2017 (when the last round of competitive bidding was in effect), we believe we had access to over 90% of the Medicare oxygen therapy market based on our analysis of the 103 CBAs that we won out of the 130 total CBAs. These 130 CBAs represented approximately 36% of the Medicare market with the remaining approximately 64% of the market not subject to competitive bidding per Medicare’s data on 2018 traditional Medicare fee-for-service beneficiaries in CBAs compared to the total Medicare fee-for-service beneficiaries. As of January 1, 2019, we can choose to accept Medicare oxygen patients throughout the United States. As of July 2018, we are operating in all 50 states in the U.S. We did not sell or rent to patients in Hawaii due to the licensure requirements from inception to June 2018.

We cannot guarantee that we will be offered contracts in any subsequent rounds of competitive bidding. In all five rounds of competitive bidding in which we have participated, we have gained access to certain CBAs and been excluded from other CBAs.

In September 2021, CMS published a Decision Memo which revised the Home Use of Oxygen national coverage determination and removed the national coverage determination for Home Oxygen Use to Treat Cluster Headaches. This allows the Medicare Administrative Contractors to make coverage determinations regarding the use of home oxygen and oxygen equipment for cluster headaches. CMS also expanded patient access to oxygen and oxygen equipment in the home by allowing oxygen use for acute or short-term needs instead of limiting coverage to chronic hypoxemia, removed the requirement for alternative treatment measures before dispensing of oxygen therapy, and removed the limited list of conditions for which oxygen may be covered to respiratory-related diseases, to allow the physician flexibility to make that determination. In addition, CMS defined exercise more broadly to include functional performance of the patient and allow more flexibility on pulse oximetry readings to account for differences in skin pigmentation. Lastly, CMS reduced provider burden by removing the oxygen certificate of medical necessity requirement. We believe these changes will expand coverage for patients who would benefit from oxygen therapy, reduce administrative burdens, and give more decision-making authority on proper patient care to the physicians. However, we do not yet have visibility on how the Medicare Administrative Contractors will change their coverage determinations.

Medicare revenue, including patient co-insurance and deductible obligations, represented 10.6% and 8.4% of our total revenue in the three months ended September 30, 2021 and September 30, 2020, respectively, and 9.7% and 6.5% of our total revenue in the nine months ended September 30, 2021 and September 30, 2020, respectively.

Medicare reimbursement for oxygen rental equipment is limited to a maximum of 36 months within a 60-month service period, and the equipment remains the property of the home oxygen supplier. The supplier that billed Medicare for the 36th month of service continues to be responsible for the patient's oxygen therapy needs for months 37 through 60, and there is generally no additional reimbursement for OGPE for these later months. Medicare does not separately reimburse suppliers for oxygen tubing, cannulas and supplies that may be required for the patient. The supplier is required to keep the equipment provided in working order and in some cases, Medicare will reimburse for repair costs. At the end of the five-year useful life of the equipment, the patient may request replacement equipment and, if he or she can be re-qualified for the Medicare benefit, a new maximum 36-month payment cycle out of the next 60 months of service would begin. The supplier may not arbitrarily issue new equipment. We have analyzed the potential impact to revenue associated with patients in the capped rental period and have deferred $0 associated with the capped rental period for the three and nine months ended September 30, 2021 and September 30, 2020, respectively. Our capped patients as a percentage of total patients on service was approximately 8.3% as of September 30, 2021 and 13.8% as of September 30, 2020. The decrease in percentage of capped patients in the comparative periods was primarily due to the significant increase in new patients coming on service, which substantially exceeded the number of patients that entered the capped period. The percentage of capped patients may fluctuate over time as new patients come on service, patients come off of service before and during the capped rental period, and existing patients enter the capped rental period.

Our obligations to service Medicare patients over the rental period include supplying working equipment that meets each patient's oxygen needs pursuant to his/her doctor's prescription and supplying all disposables required for the patient to operate the equipment, including cannulas, filters, replacement batteries, carts and carry bags, as needed. If the equipment malfunctions, we must repair or replace the equipment. We determine what equipment the patient receives, and we can deploy used assets in working order as long as the prescription requirements are met. We must also procure a renewal from the patient's doctor to confirm the patient's need for continued oxygen therapy one year after the patient first receives oxygen therapy and one year after each new 36-month reimbursement period begins. The patient can choose to receive oxygen supplies and services from another supplier at any time, but the supplier may only transition the patient to another supplier in certain circumstances.

We have contracts with Medicaid, Medicare Advantage, government and private payors that qualify us as an in-network provider for these payors. As a result, patients can rent or purchase our systems at the same patient obligation as other in-network oxygen suppliers. We had 92 contracts as of September 30, 2021. Based on our patient population, we believe at least 42% of all oxygen therapy patients are covered by Medicare Advantage, government, and other private payors. Private payors typically provide reimbursement at a rate similar to Medicare allowables for in-network plans. We anticipate that private payor reimbursement levels will generally be reset in accordance with Medicare payment amounts.

We believe that we are well positioned to respond to the changing reimbursement environment because our product offerings are innovative, patient-focused and cost-effective. We have historically been able to reduce our costs through scalable manufacturing, better sourcing, continuous innovation, and reliability improvements, as well as innovations that reduce our product service costs by minimizing exchanges. As a result of design changes, supplier negotiations, bringing manufacturing and assembly largely in-house and our commitment to driving efficient manufacturing processes, we have reduced our overall POC system cost by approximately 59% from 2009 to 2020. We intend to continue to seek ways to reduce our cost of revenue through manufacturing and design improvements.

For additional discussion of the impact of the recent Medicare reimbursement proposals, see "Risk Factors" herein.

Basis of presentation

The following describes the line items set forth in our consolidated statements of comprehensive income.

Revenue

We classify our revenue in two main categories: sales revenue and rental revenue. There will be fluctuations in mix between business-to-business sales, direct-to-consumer sales and rental revenue from period-to-period. Product selling prices and gross margins may fluctuate as we introduce new products, reduce our product costs, have changes in purchase volumes, and as currency variations occur. For example, the gross margin for our Inogen One G4 system is higher than our Inogen One G3 system due to lower manufacturing costs and similar average selling prices. Thus, to the extent our sales of our Inogen One G4 systems are higher than sales of our Inogen One G3 systems, our overall gross margins should improve and, conversely, to the extent our sales of our Inogen One G3 systems are higher than sales of our Inogen One G4 systems, our overall gross margins should decline. Quarter-over-quarter results may vary due to seasonality in both the international and domestic markets. We believe our sales may be impacted by seasonal factors. For example, we typically experience higher total sales in the second and third quarters, as a result of consumers traveling and vacationing during warmer weather in the spring and summer months, but this may vary year-over-year. In particular, due to the COVID-19 pandemic and related PHE, we have seen and expect to continue to see a disruption in our normal seasonal trends due to the mandates and behaviors emanating from the COVID-19 pandemic and related PHE, including shelter-in-place orders, reduced travel, and lower consumer confidence, and we did not see the typical seasonal increases in direct-to-consumer sales in 2020 that we have seen in prior years, but have seen seasonality in our direct-to-consumer sales in 2021 to be similar to historical periods excluding 2020, although this may not continue in future periods. We also expect the semiconductor chip shortage to negatively impact our total revenue during the fourth quarter of 2021 and the first half of 2022. Additionally, as more home medical equipment (HME) providers adopt portable oxygen concentrators in their businesses, we expect our historical seasonality in the domestic business-to-business channel could change as well, which was previously influenced mainly by consumer buying patterns.

Sales revenue

Our sales revenue is primarily derived from the sale of our Inogen One systems, Inogen At Home systems, TAV systems, and related accessories to individual consumers, our private label partner, HME providers, distributors, resellers, and charitable organizations worldwide. Sales revenue is classified into two areas: business-to-business sales and direct-to-consumer sales. Generally, our direct-to-consumer sales have higher gross margins than our business-to-business sales.

Rental revenue

Our rental revenue is primarily derived from the rental of our Inogen One and Inogen At Home systems to patients through reimbursement from Medicare, private payors and Medicaid, which typically also includes a patient responsibility component for patient co-insurance and deductibles. Rental revenue increased in the three and nine months ended September 30, 2021 compared to the three and nine months ended September 30, 2020, primarily due to higher patients on service, higher billable patients as a percent of total patients on service, and higher Medicare reimbursement rates. We expect our rental revenue to increase in future periods as we scale the rental intake and sales teams and increase new rental setups. In addition, for the duration of the COVID-19 PHE, we expect to benefit from higher Medicare reimbursement rates and reduced administrative requirements for oxygen therapy enacted due to the COVID-19 PHE. We also expect that our rental revenue will be impacted by the number of our sales and rental intake representatives, reimbursement rate changes, including the impact of COVID-19 PHE changes, the level of and response from potential customers to direct-to-consumer marketing spend, product launches, the number of billable patients and denial rates, and other uncontrollable factors such as changes in the market and competition.

Cost of revenue

Cost of sales revenue

Cost of sales revenue consists primarily of costs incurred in the production process, including component materials, assembly labor and overhead, warranty expense, provisions for slow-moving and obsolete inventory, rework and delivery costs for items sold. Labor and overhead expenses consist primarily of personnel-related expenses, including wages, bonuses, benefits, and stock-based compensation for manufacturing, logistics, repair, manufacturing engineering, and quality assurance employees and temporary labor. Cost of sales revenue also includes manufacturing freight in, depreciation expense, facilities costs and materials. Provisions for warranty obligations are included in cost of sales revenue and are provided for at the time of revenue recognition.

We continue to make progress towards reducing the average unit costs of our products (excluding the impact of the semiconductor chip cost increases) as a result of our ongoing efforts to develop lower-cost systems, negotiate with our suppliers, improve our manufacturing processes, and increase production volume and yields. However, we have experienced and expect to continue experiencing supply chain disruptions in 2021 and through the first half of 2022, primarily associated with semiconductor chips used in our batteries and printed circuit boards which are components of our portable oxygen concentrators, which have driven up the cost of our products in 2021.

As a result, we saw these inflated costs begin to negatively impact our cost of goods sold in the third quarter of 2021, and we expect this to have an increased impact on our material costs in the fourth quarter of 2021 and continuing into 2022 until supply and demand get closer to equilibrium. Even though we paid significant costs in the third quarter of 2021 associated with these chips, most of these costs increased our prepaid expense and inventory given that these components were not yet sold in finished products during the period. We believe based on our assessment and industry feedback that these supply shortages may likely continue through the second quarter of 2022. In addition to the semiconductor chip limitations, we are continuing to see supply chain constraints for other components used in our products. While thus far we have been able to manage through these challenges with increased inventory levels and heightened supplier management and communications, we cannot be certain we will be able to continue to do so through the remainder of the shortages and we believe this is an increased risk to the business for the rest of 2021 and into the first half of2022. As a result, in the interim we expect to be supply constrained and unable to meet all customer demand for our products.

Recent United States policies related to global trade and tariffs may also increase our average unit cost. The current economic environment has introduced greater uncertainty with respect to potential trade regulations, including changes to United States policies related to global trade and tariffs. We continue to monitor the Section 301 tariffs being imposed by the United States on certain imported Chinese materials and products in addition to potential retaliatory responses from other nations. In 2020 and the nine months ended September 30, 2021, the impact of the Chinese tariffs on our financial results was minimal as we have received some exemptions, negotiated cost sharing and price reductions with suppliers, and re-allocated purchases. Assuming the Chinese tariffs stay at the current levels, we currently expect the overall financial impact to our business to be minimal to the average unit cost for 2021.

For these reasons, we expect sales gross margin percentage to fluctuate over time based on the sales channel mix, product mix, and changes in average selling prices and cost per unit.

Cost of rental revenue

Cost of rental revenue consists primarily of depreciation expense; service costs for rental patients, including rework costs, material, labor, freight, and consumable disposables; and logistics costs.

We expect rental gross margin percentage to increase over time, primarily associated with higher rental revenue per patient on service and lower costs per patient on service. We expect the average cost of rental revenue per patient on service to decline in future periods as a result of our ongoing efforts to reduce average unit cost of our systems as well as reductions in depreciation, service costs, and logistics costs.

Operating expense

Research and development

Our research and development expense consists primarily of personnel-related expenses, including wages, bonuses, benefits and stock-based compensation for research and development and engineering employees, facility costs, laboratory supplies, product development materials, consulting fees and related costs, clinical study costs, and testing costs for new product launches as well as enhancements to existing products. We have made substantial investments in research and development since our inception. Our research and development efforts have focused primarily on the tasks required to enhance our technologies and to support development and commercialization of new and existing products.

We plan to continue to invest in research and development activities to stay at the forefront of patient preference in oxygen therapy. We expect research and development expense to increase in absolute dollars in future periods as we continue to invest in our engineering and technology teams to support our new and enhanced product research and development efforts and manufacturing improvements. We expect increased research and development costs associated with broadening our product portfolio including incorporating the TAV technology into our oxygen concentrator.

Sales and marketing

Our sales and marketing expense primarily supports our direct-to-consumer sales and rental strategy and consists mainly of personnel-related expenses, including wages, bonuses, commissions, benefits, and stock-based compensation for sales, marketing, customer service, rental intake, and clinical service employees. It also includes expenses for media and advertising, printing, informational kits, dues and fees, credit card fees, recruiting, training, sales promotional activities, travel and entertainment expenses as well as allocated facilities costs.

Sales and marketing expense increased in the three months ended September 30, 2021 compared to the three months ended September 30, 2020, primarily associated with higher personnel-related expense and higher advertising expense. Our average direct-to-consumer sales representative headcount was down approximately 8% in the three months ended September 30, 2021 from the comparative period in the prior year as attrition outpaced hiring, primarily due to increased competition for skilled labor and sales professionals in 2021, along with the reduced hiring of new sales representatives in 2020 due to the COVID-19 pandemic. We continue to look to add new sales representatives, while maintaining our hiring standards and being mindful of the supply constraints. Headcount was up slightly as of September 30, 2021 compared to December 31, 2020.We expect minimal net new hires in the near term due to the size and quality of the candidate pool and expected attrition, but as part of our growth plans, we are increasing our focus on improving productivity of our existing sales force. Going forward, except as otherwise limited by the impact of the COVID-19 pandemic and related PHE, our plan is to continue to expand sales capacity while focusing on increased productivity, improved sales personnel and lead distribution systems, and improved training. We still expect an increase in sales and marketing expense in future periods as we continue to invest in our business, including expanding our sales and sales support team which includes our prescriber sales team, increasing our rental infrastructure, increasing media spend to drive consumer awareness, and rising patient support costs as our patient and customer base increases.

General and administrative

Our general and administrative expense consists primarily of personnel-related expenses, including wages, bonuses, benefits, and stock-based compensation for employees in our compliance, finance, medical billing, order intake, regulatory and clinical affairs, legal, human resources, and information technology (IT) departments as well as facilities costs, sales bad debt expense, and board of directors' expenses, including stock-based compensation. In addition, general and administrative expense includes professional services, such as legal, patent registration and defense costs, insurance, consulting and accounting services, including audit and tax services, and travel and entertainment expenses. In addition, general and administrative expense includes changes in the fair value of the New Aera earnout liability, as discussed below.

We expect general and administrative expense to increase in future periods as the number of administrative personnel grows and we continue to introduce new products, broaden our customer base and grow our business. We expect general and administrative expense to increase in absolute dollars as we continue to invest in corporate infrastructure to support our growth including personnel-related expenses, professional services fees and compliance costs associated with operating as a public company. Those costs include increases in our regulatory and clinical affairs, legal, accounting, medical billing, human resources, and IT personnel, as well as increases in additional consulting, legal and accounting fees, facilities costs, insurance costs, and board of directors' compensation.

Other income (expense), net

Our other income (expense), net consists primarily of interest income earned on cash equivalents and marketable securities as well as foreign currency gains and (losses).

Income taxes

We account for income taxes in accordance with Accounting Standards Codification (ASC) 740—*Income Taxes*. Under ASC 740, income taxes are recognized for the amount of taxes payable or refundable for the current period and deferred tax liabilities and assets are recognized for the future tax consequences of transactions that have been recognized in our consolidated financial statements or tax returns. A valuation allowance is provided when it is more likely than not that some portion, or all, of the deferred tax asset will not be realized.

We account for uncertainties in income tax in accordance with ASC 740-10—*Accounting for Uncertainty in Income Taxes*. ASC 740-10 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This accounting standard also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

The accounting for stock-based compensation will increase or decrease our effective tax rate based upon the difference between our stock-based compensation expense and the deductions taken on our U.S. tax return, which depends upon the stock price at the time of employee option exercise or award vesting. We recognize excess tax benefits or deficiencies on a discrete basis, and we anticipate our effective tax rate will vary from year-to-year depending on our stock price in each period.

Results of operations

Comparison of three months ended September 30, 2021 and September 30, 2020

Revenue

(amounts in thousands)	Three months ended September 30, 2021	Three months ended September 30, 2020	Change 2021 vs. 2020 $	Change 2021 vs. 2020 %	% of Revenue 2021	% of Revenue 2020
Sales revenue	$ 80,974	$ 66,809	$ 14,165	21.2 %	87.0 %	89.9 %
Rental revenue	12,131	7,520	4,611	61.3 %	13.0 %	10.1 %
Total revenue	$ 93,105	$ 74,329	$ 18,776	25.3 %	100.0 %	100.0 %

Sales revenue increased $14.2 million for the three months ended September 30, 2021 from the three months ended September 30, 2020, or an increase of 21.2% from the comparable period. The increase was primarily attributable to increased direct-to-consumer sales and increased international business-to-business sales, primarily due to increased consumer demand, increased selling prices, and the reduced impact of the COVID-19 pandemic and related PHE. We sold approximately 44,600 oxygen systems during the three months ended September 30, 2021 compared to approximately 42,200 oxygen systems sold during the three months ended September 30, 2020, or an increase of 5.7%. The increase in the number of systems sold resulted mainly from an increase in sales in the direct-to-consumer and international business-to-business channels.

Rental revenue increased $4.6 million for the three months ended September 30, 2021 from the three months ended September 30, 2020, or an increase of 61.3% from the comparable period. The increase in rental revenue was primarily related to higher rental patients on service, higher billable patients as a percent of total patients on service, and higher Medicare reimbursement rates.

(amounts in thousands) **Revenue by region and category**	Three months ended September 30, 2021	Three months ended September 30, 2020	Change 2021 vs. 2020 $	Change 2021 vs. 2020 %	% of Revenue 2021	% of Revenue 2020
Business-to-business domestic sales	$ 22,793	$ 23,056	$ (263)	-1.1 %	24.5 %	31.0 %
Business-to-business international sales	21,834	14,581	7,253	49.7 %	23.5 %	19.6 %
Direct-to-consumer domestic sales	36,347	29,172	7,175	24.6 %	39.0 %	39.3 %
Direct-to-consumer domestic rentals	12,131	7,520	4,611	61.3 %	13.0 %	10.1 %
Total revenue	$ 93,105	$ 74,329	$ 18,776	25.3 %	100.0 %	100.0 %

Domestic business-to-business sales decreased 1.1% for the three months ended September 30, 2021 compared to the three months ended September 30, 2020. The decrease was primarily due to supply chain constraints limiting product availability.

International business-to-business sales increased 49.7% for the three months ended September 30, 2021 compared to the three months ended September 30, 2020, primarily driven by improving COVID-19 vaccination rates and increased ambulation of patients in Europe and the improving operational capacity of certain European respiratory assessment centers closer to normal levels. In the three months ended September 30, 2021, sales in Europe as a percentage of total international sales revenue decreased to 88.2% versus 90.2% in the comparative period in 2020.

Domestic direct-to-consumer sales increased 24.6% for the three months ended September 30, 2021 compared to the three months ended September 30, 2020, primarily due to increased demand for POCs due to higher COVID-19 vaccination rates and the relaxation of closure orders related to the COVID-19 PHE, leading to increased ambulation, and improved consumer confidence. This increased demand was partially offset by lower average inside sales representative headcount, which was down approximately 8.0% from the comparative period as attrition outpaced hiring. Domestic direct-to-consumer sales were also impacted by the reduced battery accessory sales in the period due to supply chain constraints.

Domestic direct-to-consumer rentals increased 61.3% for the three months ended September 30, 2021 compared to the three months ended September 30, 2020, primarily due to an increase in patients on service, higher billable patients as a percent of total patients on service, and increased Medicare reimbursement rates.

Cost of revenue and gross profit

(amounts in thousands)	Three months ended September 30, 2021	2020	Change 2021 vs. 2020 $	%	% of Revenue 2021	2020
Cost of sales revenue	$ 40,437	$ 37,714	$ 2,723	7.2 %	43.5 %	50.7 %
Cost of rental revenue	4,981	3,609	1,372	38.0 %	5.3 %	4.9 %
Total cost of revenue	$ 45,418	$ 41,323	$ 4,095	9.9 %	48.8 %	55.6 %
Gross profit - sales revenue	$ 40,537	$ 29,095	$ 11,442	39.3 %	43.5 %	39.1 %
Gross profit - rental revenue	7,150	3,911	3,239	82.8 %	7.7 %	5.3 %
Total gross profit	$ 47,687	$ 33,006	$ 14,681	44.5 %	51.2 %	44.4 %
Gross margin percentage - sales revenue	50.1 %	43.5 %				
Gross margin percentage- rental revenue	58.9 %	52.0 %				
Total gross margin percentage	51.2 %	44.4 %				

Cost of sales revenue increased $2.7 million for the three months ended September 30, 2021 from the three months ended September 30, 2020, or an increase of 7.2% from the comparable period. The increase in cost of sales revenue was primarily attributable to increased sales and related bill of material costs as well as higher labor, overhead and material costs per unit. The third quarter of 2021 included $0.9 million of higher material costs associated with open-market purchases of semiconductor chips used in its batteries and POCs.

Cost of rental revenue increased $1.4 million for the three months ended September 30, 2021 from the three months ended September 30, 2020, or an increase of 38.0% from the comparable period. The increase in cost of rental revenue was primarily attributable to increased rental asset depreciation expense and servicing costs resulting from a 36.9% increase in the number of patients on service. Cost of rental revenue included $2.3 million of rental asset depreciation for the three months ended September 30, 2021 compared to $1.5 million for the three months ended September 30, 2020.

Sales revenue gross margin percentage increased to 50.1% for the three months ended September 30, 2021 from 43.5% for the three months ended September 30, 2020. The increase was primarily related to higher average selling prices. These increases were partially offset by higher labor and overhead costs and bill of material costs per unit. Total worldwide business-to-business sales revenue accounted for 55.1% of total sales revenue in the three months ended September 30, 2021 versus 56.3% in the three months ended September 30, 2020.

Rental revenue gross margin percentage increased to 58.9% for the three months ended September 30, 2021 from 52.0% for the three months ended September 30, 2020, primarily due to higher billable patients as a percent of total patients on service, higher Medicare reimbursement rates, lower service expense per patient on service, partially offset by higher depreciation expense per patient on service.

Research and development expense

(amounts in thousands)	Three months ended September 30, 2021	2020	Change 2021 vs. 2020 $	%	% of Revenue 2021	2020
Research and development expense	$ 3,754	$ 3,511	$ 243	6.9 %	4.0 %	4.7 %

Research and development expense increased $0.2 million for the three months ended September 30, 2021 from the three months ended September 30, 2020, or an increase of 6.9% over the comparable period, primarily due to a $0.2 million increase in personnel-related expense.

Sales and marketing expense

(amounts in thousands)	Three months ended September 30, 2021	2020	Change 2021 vs. 2020 $	%	% of Revenue 2021	2020
Sales and marketing expense	$ 28,301	$ 22,882	$ 5,419	23.7 %	30.4 %	30.8 %

Sales and marketing expense increased $5.4 million for the three months ended September 30, 2021 from the three months ended September 30, 2020, or an increase of 23.7% from the comparable period, primarily attributable to increases of $2.0 million in personnel-related expense, $1.7 million in advertising costs, $0.7 million in credit card fees, and $0.4 million in other professional services. In the three months ended September 30, 2021, we spent $9.4 million in media and advertising costs versus $7.7 million in the comparative period in 2020.

General and administrative expense

	Three months ended September 30,		Change 2021 vs. 2020		% of Revenue	
(amounts in thousands)	**2021**	**2020**	**$**	**%**	**2021**	**2020**
General and administrative expense	$ 9,258	$ 8,586	$ 672	7.8%	10.0%	11.6%

General and administrative expense increased $0.7 million for the three months ended September 30, 2021 from the three months ended September 30, 2020, or an increase of 7.8% from the comparable period. The increase was primarily attributable to increases of $1.4 million in personnel-related expense and $0.5 million in higher consulting fees, partially offset by a $1.9 million decrease in the change in fair value of the New Aera earnout liability. The change in fair value of the New Aera earnout liability was a benefit of $2.0 million in the third quarter of 2021 compared to a benefit of $0.1 million in the third quarter of 2020.

Other income (expense)

	Three months ended September 30,		Change 2021 vs. 2020		% of Revenue	
(amounts in thousands)	**2021**	**2020**	**$**	**%**	**2021**	**2020**
Interest income	$ 21	$ 114	$ (93)	-81.6%	0.0%	0.2%
Other expense	(466)	(54)	(412)	763.0%	-0.5%	-0.1%
Total other income (expense), net	$ (445)	$ 60	$ (505)	-841.7%	-0.5%	0.1%

Total other income (expense), net decreased $0.5 million for the three months ended September 30, 2021 from the three months ended September 30, 2020, or a decrease of 841.7% from the comparable period. The decrease was primarily attributable to an increase of $0.7 million in other expense primarily related to net foreign currency losses, partially offset by a decrease of $0.3 million in other expense as a reduction to lost revenues from the CARES Act Provider Relief Fund that was reclassified to general and administrative expense in the comparative period.

Income tax benefit

	Three months ended September 30,		Change 2021 vs. 2020		% of Revenue	
(amounts in thousands)	**2021**	**2020**	**$**	**%**	**2021**	**2020**
Income tax benefit	$ (6,245)	$ (214)	$ (6,031)	2818.2%	-6.7%	-0.3%
Effective income tax rate	*-105.3%*	*11.2%*				

Income tax benefit increased $6.0 million for the three months ended September 30, 2021 from the three months ended September 30, 2020, primarily resulting from the reduction in the fair value of the New Aera earnout liability and an increase in excess tax benefits recognized from stock-based compensation. The income tax benefit for the period ended September 30, 2021 was based on the application of the discrete method.

Our effective tax rate for the three months ended September 30, 2021 decreased compared to the three months ended September 30, 2020, primarily due to the reduction in the fair value of the New Aera earnout liability and an increase in excess tax benefits recognized from stock-based compensation. The effective tax rate for the period ended September 30, 2021 was based on the application of the discrete method.

Net income (loss)

(amounts in thousands)	Three months ended September 30, 2021	2020	Change 2021 vs. 2020 $	%	% of Revenue 2021	2020
Net income (loss)	$ 12,174	$ (1,699)	$ 13,873	816.5%	13.1%	-2.3%

Net income (loss) increased $13.9 million for the three months ended September 30, 2021 from the three months ended September 30, 2020, or an increase of 816.5% from the comparable period. The increase in net income was primarily related to an increase in gross profit, the reduction in the fair value of the New Aera earnout liability and income tax benefit, partially offset by higher operating expense.

Comparison of nine months ended September 30, 2021 and September 30, 2020

Revenue

(amounts in thousands)	Nine months ended September 30, 2021	2020	Change 2021 vs. 2020 $	%	% of Revenue 2021	2020
Sales revenue	$ 248,359	$ 215,561	$ 32,798	15.2%	88.2%	91.9%
Rental revenue	33,241	18,948	14,293	75.4%	11.8%	8.1%
Total revenue	$ 281,600	$ 234,509	$ 47,091	20.1%	100.0%	100.0%

Sales revenue increased $32.8 million for the nine months ended September 30, 2021 from the nine months ended September 30, 2020, or an increase of 15.2% from the comparable period. The increase was primarily attributable to increased direct-to-consumer sales and worldwide business-to-business sales, primarily due to increased consumer demand and the reduced impact of the COVID-19 pandemic and related PHE. We sold approximately 146,400 oxygen systems during the nine months ended September 30, 2021 compared to approximately 138,100 oxygen systems sold during the nine months ended September 30, 2020, or an increase of 6.0%. The increase in the number of systems sold resulted mainly from an increase in sales in the direct-to-consumer and worldwide business-to-business channels, primarily due to the COVID-19 pandemic and related PHE.

Rental revenue increased $14.3 million for the nine months ended September 30, 2021 from the nine months ended September 30, 2020, or an increase of 75.4% from the comparable period. The increase in rental revenue was primarily related to higher rental patients on service, higher billable patients as a percent of total patients on service, and higher Medicare reimbursement rates.

(amounts in thousands) **Revenue by region and category**	Nine months ended September 30, 2021	2020	Change 2021 vs. 2020 $	%	% of Revenue 2021	2020
Business-to-business domestic sales	$ 81,094	$ 72,174	$ 8,920	12.4%	28.8%	30.8%
Business-to-business international sales	59,377	48,538	10,839	22.3%	21.1%	20.7%
Direct-to-consumer domestic sales	107,888	94,849	13,039	13.7%	38.3%	40.4%
Direct-to-consumer domestic rentals	33,241	18,948	14,293	75.4%	11.8%	8.1%
Total revenue	$ 281,600	$ 234,509	$ 47,091	20.1%	100.0%	100.0%

Domestic business-to-business sales increased 12.4% for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020. The increase was primarily due to increased demand from our HME partners for oxygen concentrators for both traditional long-term oxygen therapy patients and in response to the COVID-19 pandemic and related PHE due to greater demand for POCs for COVID-19 patients at hospital discharge, partially offset by supply chain constraints that limited sales primarily in the third quarter of 2021.

International business-to-business sales increased 22.3% for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020, mostly driven by the reduced impact of the COVID-19 pandemic with increased vaccination rates and increased operating capacity of certain European respiratory assessment centers, and in response to the COVID-19 pandemic and related PHE due to greater demand for POCs for COVID-19 patients at hospital discharge in certain markets with high case rates of COVID-19 like India. In the nine months ended September 30, 2021, sales in Europe as a percentage of total international sales revenue decreased to 85.2% versus 87.0% in the comparative period in 2020.

Domestic direct-to-consumer sales increased 13.7% for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020, primarily due to increased demand for POCs which we believe was primarily due to higher vaccination rates within our patient population and the relaxation of closure orders related to the COVID-19 PHE leading to increased ambulation, additional stimulus payments, and improved consumer confidence. This led to improved sales representative productivity and increased average revenue per order in the comparative periods. This was partially offset by lower average inside sales representative headcount, which was down approximately 15.0% from the comparative period in 2020.

Domestic direct-to-consumer rentals increased 75.4% for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020, primarily due to an increase in patients on service, higher billable patients as a percent of total patients on service, and increased Medicare reimbursement rates.

Cost of revenue and gross profit

	Nine months ended September 30,		Change 2021 vs. 2020		% of Revenue	
(amounts in thousands)	**2021**	**2020**	**$**	**%**	**2021**	**2020**
Cost of sales revenue	$ 129,637	$ 120,914	$ 8,723	7.2%	46.0%	51.6%
Cost of rental revenue	14,068	9,474	4,594	48.5%	5.0%	4.0%
Total cost of revenue	$ 143,705	$ 130,388	$ 13,317	10.2%	51.0%	55.6%
Gross profit - sales revenue	$ 118,722	$ 94,647	$ 24,075	25.4%	42.2%	40.4%
Gross profit - rental revenue	19,173	9,474	9,699	102.4%	6.8%	4.0%
Total gross profit	$ 137,895	$ 104,121	$ 33,774	32.4%	49.0%	44.4%
Gross margin percentage - sales revenue	47.8%	43.9%				
Gross margin percentage- rental revenue	57.7%	50.0%				
Total gross margin percentage	49.0%	44.4%				

Cost of sales revenue increased $8.7 million for the nine months ended September 30, 2021 from the nine months ended September 30, 2020, or an increase of 7.2% from the comparable period. The increase in cost of sales revenue was primarily attributable to higher sales and related bill of material costs as well as higher material cost per unit and labor and overhead per unit. The nine months ended September 30, 2021 included $0.9 million of higher material costs associated with open-market purchases of semiconductor chips used in its batteries and POCs.

Cost of rental revenue increased $4.6 million for the nine months ended September 30, 2021 from the nine months ended September 30, 2020, or an increase of 48.5% from the comparable period. The increase in cost of rental revenue was primarily attributable to increased rental asset depreciation expense and servicing costs resulting from a 36.9% increase in the number of patients on service. Cost of rental revenue included $6.3 million of rental asset depreciation for the nine months ended September 30, 2021 compared to $4.0 million for the nine months ended September 30, 2020.

Sales revenue gross margin percentage increased to 47.8% for the nine months ended September 30, 2021 from 43.9% for the nine months ended September 30, 2020. The increase was primarily related to higher average selling prices, partially offset by higher labor and overhead per unit and material cost per unit due to higher component cost versus the comparative period. Total worldwide business-to-business sales revenue accounted for 56.6% of total sales revenue in the nine months ended September 30, 2021 versus 56.0% in the nine months ended September 30, 2020.

Rental revenue gross margin percentage increased to 57.7% for the nine months ended September 30, 2021 from 50.0% for the nine months ended September 30, 2020, primarily due to higher billable patients as a percent of total patients on service and higher Medicare reimbursement rates, partially offset by higher service and depreciation expense per patient on service.

Research and development expense

	Nine months ended September 30,		Change 2021 vs. 2020		% of Revenue	
(amounts in thousands)	**2021**	**2020**	**$**	**%**	**2021**	**2020**
Research and development expense	$ 11,892	$ 10,406	$ 1,486	14.3%	4.2%	4.4%

Research and development expense increased $1.5 million for the nine months ended September 30, 2021 from the nine months ended September 30, 2020, or an increase of 14.3% over the comparable period, primarily due to a $1.0 million increase in personnel-related expenses and $0.3 million in product development expenses.

Sales and marketing expense

	Nine months ended September 30,		Change 2021 vs. 2020		% of Revenue	
(amounts in thousands)	**2021**	**2020**	**$**	**%**	**2021**	**2020**
Sales and marketing expense	$ 83,109	$ 72,131	$ 10,978	15.2 %	29.5 %	30.8 %

Sales and marketing expense increased $11.0 million for the nine months ended September 30, 2021 from the nine months ended September 30, 2020, or an increase of 15.2% from the comparable period, primarily attributable to an increase of $7.3 million of personnel-related expenses, $1.6 million in credit card fees, $0.9 million of professional services, and $0.8 million in media and advertising costs. In the nine months ended September 30, 2021, we spent $25.7 million in media and advertising costs versus $24.9 million in the comparative period in 2020.

General and administrative expense

	Nine months ended September 30,		Change 2021 vs. 2020		% of Revenue	
(amounts in thousands)	**2021**	**2020**	**$**	**%**	**2021**	**2020**
General and administrative expense	$ 26,981	$ 28,087	$ (1,106)	-3.9 %	9.6 %	12.0 %

General and administrative expense decreased $1.1 million for the nine months ended September 30, 2021 from the nine months ended September 30, 2020, or a decrease of 3.9% from the comparable period. The decrease was primarily attributable to a $9.7 million decrease in the change in fair value of the New Aera earnout liability and $0.8 million in lower consulting fees, partially offset by increases of $5.8 million in personnel-related expenses, $2.0 million in CEO transition costs, $1.4 million in legal and consulting fees, $0.9 million reimbursement from the CARES Act Provider Relief Fund due to the COVID-19 PHE received in the comparable period, $0.8 million in officer transition costs, $0.4 million in dues, fees and licenses, and $0.4 million in insurance expense.

Other income (expense)

	Nine months ended September 30,		Change 2021 vs. 2020		% of Revenue	
(amounts in thousands)	**2021**	**2020**	**$**	**%**	**2021**	**2020**
Interest income	$ 107	$ 842	$ (735)	-87.3 %	0.0 %	0.4 %
Other income (expense)	(472)	5,586	(6,058)	-108.4 %	-0.2 %	2.4 %
Total other income (expense), net	$ (365)	$ 6,428	$ (6,793)	-105.7 %	-0.2 %	2.8 %

Total other income (expense), net decreased $6.8 million for the nine months ended September 30, 2021 from the nine months ended September 30, 2020, or a decrease of 105.7% from the comparable period. The decrease was primarily attributable to $5.3 million in other income from the CARES Act Provider Relief Fund due to lost revenues from the COVID-19 PHE received in the comparable period and not received this year, a $0.8 million increase in net foreign currency losses, and a decrease of $0.7 million in interest income on marketable securities due to the lower interest rate environment and lower invested balances in marketable securities in the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020.

Income tax expense (benefit)

	Nine months ended September 30,		Change 2021 vs. 2020		% of Revenue	
(amounts in thousands)	**2021**	**2020**	**$**	**%**	**2021**	**2020**
Income tax expense (benefit)	$ (996)	$ 633	$ (1,629)	-257.3 %	-0.4 %	0.3 %
Effective income tax rate	*-6.4 %*	*N.M.*				

Income tax expense (benefit) decreased $1.6 million for the nine months ended September 30, 2021 from the nine months ended September 30, 2020, primarily due to higher excess tax benefits recognized from stock-based compensation, partially offset by an increase in the income tax provision expense. The income tax benefit for the period ended September 30, 2021 was based on the application of the discrete method.

Our effective tax rate in the nine months ended September 30, 2021 increased compared to the nine months ended September 30, 2020, primarily due to higher excess tax benefits recognized from stock-based compensation, partially offset by the changes in income (loss) before income tax expense (benefit) The effective tax rate for the period ended September 30, 2021 was based on the application of the discrete method.

Net income (loss)

	Nine months ended September 30,		Change 2021 vs. 2020		% of Revenue	
(amounts in thousands)	2021	2020	$	%	2021	2020
Net income (loss)	$ 16,544	$ (708)	$ 17,252	2436.7%	5.9%	-0.3%

Net income (loss) increased $17.3 million for the nine months ended September 30, 2021 from the nine months ended September 30, 2020, or an increase of 2436.7% from the comparable period. The increase in net income was primarily related to an increase in gross profit, the reduction in the fair value of the New Aera earnout liability, partially offset by higher operating expense.

Contractual obligations

We obtain individual components for our products from a wide variety of individual suppliers. Consistent with industry practice, we acquire components through a combination of purchase orders, supplier contracts, and open orders based on projected demand information. Where appropriate, the purchases are applied to inventory component prepayments that are outstanding with the respective supplier. As of September 30, 2021, we had purchase obligations with outside vendors and suppliers of approximately $65.7 million of which the timing varies depending on demand, current supply on hand and other factors. The obligations normally do not extend beyond twelve-month time frames.

Except as indicated above, there have been no other material changes, outside of the ordinary course of business, in our outstanding contractual obligations from those disclosed within “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section contained in our Annual Report on Form 10-K filed with the SEC on February 24, 2021.

Off-balance sheet arrangements

We do not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or for any other contractually narrow or limited purpose. However, from time-to-time, we enter into certain types of contracts that contingently require us to indemnify parties against third-party claims including certain real estate leases, supply purchase agreements, and directors and officers. The terms of such obligations vary by contract and in most instances a maximum dollar amount is not explicitly stated therein. Generally, amounts under these contracts cannot be reasonably estimated until a specific claim is asserted thus no liabilities have been recorded for these obligations on our balance sheets for any of the periods presented.

Liquidity and capital resources

As of September 30, 2021, we had cash and cash equivalents of $241.6 million, which consisted of highly liquid investments with a maturity of three months or less. In addition, we held marketable securities of $3.6 million in available-for-sale corporate bonds, U.S. Treasury securities, and agency mortgage-backed securities, which had maturities greater than three months. For the nine months ended September 30, 2021 and September 30, 2020, we received $15.6 million and $2.3 million, respectively, in proceeds related to stock option exercises and our employee stock purchase plan.

Our principal uses of cash for liquidity and capital resources in the nine months ended September 30, 2021 consisted of capital expenditures of $18.1 million including additional rental equipment, other property, plant and equipment, and intangible assets.

The COVID-19 pandemic and related PHE has not materially impacted our liquidity position to date, and we believe our current cash and cash equivalents provide us with a certain degree of stability and liquidity during this time of uncertainty. We believe that our current cash, cash equivalents and the cash to be generated from expected product sales and rentals will be sufficient to meet our projected operating and investing requirements for at least the next twelve months. However, our liquidity assumptions may prove to be incorrect, and we could utilize our available financial resources sooner than we currently expect. Our future funding requirements will depend on many factors, including market acceptance of our products; the cost of our research and development activities; payments from customers; the cost, timing, and outcome of litigation or disputes involving intellectual property rights, our products, employee relations, cyber security incidents, or otherwise; the cost and timing of acquisitions; the cost and timing of regulatory clearances or approvals; the cost and timing of establishing additional sales, marketing, and distribution capabilities; and the effect of competing technological and market developments. In the future, we may acquire businesses or technologies from third parties, and we may decide to raise additional capital through debt or equity financing to the extent we believe this is necessary to successfully complete these acquisitions. Our future capital requirements will also depend on many additional factors, including those set forth in the section of this Quarterly Report on Form 10-Q entitled "Risk Factors."

If we require additional funds in the future, we may not be able to obtain such funds on acceptable terms, or at all. In the future, we may also attempt to raise additional capital through the sale of equity securities or through equity-linked or debt financing arrangements. If we raise additional funds by issuing equity or equity-linked securities, the ownership of our existing stockholders will be diluted. If we raise additional financing by the incurrence of indebtedness, we will be subject to increased fixed payment obligations and could also be subject to restrictive covenants, such as limitations on our ability to incur additional debt, and other operating restrictions that could adversely impact our ability to conduct our business. Any future indebtedness we incur may result in terms that could be unfavorable to equity investors. There can be no assurances that we will be able to raise additional capital, which would adversely affect our ability to achieve our business objectives. In addition, if our operating performance during the next twelve months is below our expectations, our liquidity and ability to operate our business could be adversely affected.

The following tables show a summary of our cash flows and working capital for the periods and as of the dates indicated:

(amounts in thousands)	**Nine months ended September 30,**		**Change 2021 vs. 2020**	
Summary of consolidated cash flows	**2021**	**2020**	**$**	**%**
Cash provided by operating activities	$ 17,135	$ 20,815	$ (3,680)	-17.7%
Cash used in investing activities	(2,268)	(7,118)	4,850	-68.1%
Cash provided by financing activities	15,030	1,982	13,048	658.3%
Effect of exchange rates on cash	(283)	268	(551)	-205.6%
Net increase in cash and cash equivalents	$ 29,614	$ 15,947	$ 13,667	85.7%

(amounts in thousands)	**September 30,**	**December 31,**
Working capital	**2021**	**2020**
Cash and cash equivalents	$ 241,576	$ 211,962
Marketable securities	3,552	19,257
Accounts receivable, net	32,905	29,717
Inventories, net	31,785	24,815
Income tax receivable	1,787	2,048
Prepaid expenses and other current assets	24,226	17,898
Total current assets	335,831	305,697
Accounts payable and accrued expenses	29,223	33,712
Accrued payroll	12,223	7,091
Warranty reserve – current	6,310	5,740
Operating lease liability – current	3,518	1,931
Deferred revenue – current	8,424	6,994
Income tax payable	235	1,242
Total current liabilities	59,933	56,710
Net working capital	$ 275,898	$ 248,987

Operating activities

We derive operating cash flows from cash collected from the sales and rental of our products and services. These cash flows received are partially offset by our use of cash for operating expenses to support the growth of our business.

Net cash provided by operating activities for the nine months ended September 30, 2021 consisted primarily of our net income of $16.5 million as well as non-cash expense items, such as depreciation of equipment and leasehold improvements and amortization of our intangibles of $15.9 million, stock-based compensation expense of $8.5 million, provision for sales returns and doubtful accounts of $8.2 million, provision for rental revenue adjustments of $3.5 million, provision for inventory obsolescence and other inventory losses of $1.5 million, and net loss on disposal of rental equipment and other fixed assets of $0.9 million; partially offset by the change in fair value of earnout liability of $9.8 million, an increase in deferred tax assets of $1.0 million, and net changes in operating assets and liabilities resulting in a net use of cash of $27.1 million.

Net cash provided by operating activities for the nine months ended September 30, 2020 consisted primarily of non-cash expense items such as depreciation of equipment and leasehold improvements and amortization of our intangibles of $13.7 million, provision for sales returns and doubtful accounts of $8.3 million, stock-based compensation expense of $6.1 million, provision for rental revenue adjustments of $2.1 million, provision for inventory obsolescence and other inventory losses of $0.7 million, decrease in deferred tax assets of $0.4 million, net loss on disposal of rental equipment and other fixed assets of $0.4 million and our net loss of $0.7 million. The net changes in operating assets and liabilities resulted in a net use of cash of $10.0 million.

Investing activities

Net cash (used in) provided by investing activities for each of the periods presented included cash used for acquisitions and in the production and purchase of rental assets, manufacturing tooling, and computer equipment and software to support our expanding business as well as net maturities of marketable securities.

For the nine months ended September 30, 2021, we invested $18.1 million in the production and purchase of rental assets and other property, equipment, and intangible assets, partially offset by $15.7 million we received in maturities of marketable securities.

For the nine months ended September 30, 2020, we received $11.1 million in maturities of marketable securities, partially offset by $6.5 million in purchases of marketable securities. In addition, we invested $11.8 million in the production and purchase of rental assets and other property, equipment, and intangible assets.

We expect to continue investing in property, equipment and leasehold improvements as we expand our operations. Our business is inherently capital intensive. For example, we expend significant manufacturing and production expense in connection with the development and production of our oxygen concentrator products and, in connection with our rental business, we incur expense in the deployment of rental equipment to our patients. Investments will continue to be required in order to grow our sales and rental revenue and continue to supply and replace rental equipment to our rental patients on service.

Financing activities

Historically, we have funded our operations through our sales and rental revenue, the issuance of preferred and common stock, and the incurrence of indebtedness.

For the nine months ended September 30, 2021, net cash provided by financing activities consisted of $15.6 million from the proceeds received from stock options that were exercised and purchases under our employee stock purchase program, partially offset by the payment of employment taxes related to the vesting of restricted stock awards and restricted stock units of $0.6 million.

For the nine months ended September 30, 2020, net cash provided by financing activities consisted of $2.3 million from purchases under our employee stock purchase program and the proceeds received from stock options that were exercised, partially offset by the payment of employment taxes related to the vesting of restricted stock awards and restricted stock units of $0.3 million.

Sources of funds

Our cash provided by operating activities in the nine months ended September 30, 2021 was $17.1 million compared to $20.8 million in the nine months ended September 30, 2020. As of September 30, 2021, we had cash and cash equivalents of $241.6 million.

Use of funds

Our principal uses of cash are funding our new rental asset deployments and other capital purchases, operations, and other working capital requirements and, from time-to-time, the acquisition of businesses. Over the past several years, our revenue has increased from year-to-year and, as a result, our cash flows from customer collections have increased as have our profits. Our annual cash provided by operating activities has generally increased over time and has been a significant source of capital to the business, which we expect to continue in the future.

We may need to raise additional funds to support our investing operations, and such funding may not be available to us on acceptable terms, or at all. If we are unable to raise additional funds when needed, our operations and ability to execute our business strategy could be adversely affected. We may seek to raise additional funds through equity, equity-linked or debt financings. If we raise additional funds through the incurrence of indebtedness, such indebtedness would have rights that are senior to holders of our equity securities and could contain covenants that restrict our operations. Any additional equity financing may be dilutive to our stockholders.

Non-GAAP financial measures

EBITDA and Adjusted EBITDA are financial measures that are not calculated in accordance with U.S. GAAP. We define EBITDA as net income excluding interest income, interest expense, taxes and depreciation and amortization. Adjusted EBITDA also excludes stock-based compensation and change in fair value of earnout liability. Below, we have provided a reconciliation of EBITDA and Adjusted EBITDA to our net income, the most directly comparable financial measure calculated and presented in accordance with U.S. GAAP. EBITDA and Adjusted EBITDA should not be considered alternatives to net income or any other measure of financial performance calculated and presented in accordance with U.S. GAAP. Our EBITDA and Adjusted EBITDA may not be comparable to similarly titled measures of other organizations because other organizations may not calculate EBITDA and Adjusted EBITDA in the same manner as we calculate these measures.

We include EBITDA and Adjusted EBITDA in this Quarterly Report on Form 10-Q because they are important measures upon which our management assesses our operating performance. We use EBITDA and Adjusted EBITDA as key performance measures because we believe they facilitate operating performance comparisons from period-to-period by excluding potential differences primarily caused by variations in capital structures, tax positions, the impact of depreciation and amortization expense on our fixed assets and intangible assets, the impact of stock-based compensation expense and the impact of the change in fair value of the earnout liability. Because EBITDA and Adjusted EBITDA facilitate internal comparisons of our historical operating performance on a more consistent basis, we also use EBITDA and Adjusted EBITDA for business planning purposes, to incentivize and compensate our management personnel, and in evaluating acquisition opportunities. In addition, we believe EBITDA and Adjusted EBITDA and similar measures are widely used by investors, securities analysts, ratings agencies, and other parties in evaluating companies in our industry as a measure of financial performance and debt-service capabilities.

Our uses of EBITDA and Adjusted EBITDA have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our results as reported under U.S. GAAP. Some of these limitations are:

- EBITDA and Adjusted EBITDA do not reflect our cash expenditures for capital equipment or other contractual commitments;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and EBITDA and Adjusted EBITDA do not reflect capital expenditure requirements for such replacements;
- EBITDA and Adjusted EBITDA do not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not include changes in fair value of earnout liability related to our acquisitions; and
- other companies, including companies in our industry, may calculate EBITDA and Adjusted EBITDA measures differently, which reduces their usefulness as a comparative measure.

In evaluating EBITDA and Adjusted EBITDA, we anticipate that in the future we will incur expenses within these categories similar to this presentation. Our presentation of EBITDA and Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by certain expenses. When evaluating our financial results, EBITDA and Adjusted EBITDA should be considered alongside other financial performance measures, including U.S. GAAP results.

The following table presents a reconciliation of EBITDA and Adjusted EBITDA to our net income, the most comparable U.S. GAAP measure, for each of the periods indicated:

(amounts in thousands)	Three months ended September 30,		Nine months ended September 30,	
Non-GAAP EBITDA and Adjusted EBITDA	**2021**	**2020**	**2021**	**2020**
Net income (loss)	$ 12,174	$ (1,699)	$ 16,544	$ (708)
Non-GAAP adjustments:				
Interest income	(21)	(114)	(107)	(842)
Provision (benefit) for income taxes	(6,245)	(214)	(996)	633
Depreciation and amortization	5,522	4,712	15,861	13,654
EBITDA (non-GAAP)	11,430	2,685	31,302	12,737
Stock-based compensation	2,792	2,050	8,547	6,111
Change in fair value of earnout liability	(2,052)	(146)	(9,869)	(166)
Adjusted EBITDA (non-GAAP)	$ 12,170	$ 4,589	$ 29,980	$ 18,682

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to various market risks, including fluctuation in foreign currency exchange rates and interest rates. Market risk is the potential loss arising from adverse changes in market rates and prices. We do not hold or issue financial instruments for trading purposes.

Foreign currency exchange risk

The principal market risk we face is foreign currency exchange risk. The majority of our revenue is denominated in U.S. dollars while the majority of our European sales are denominated in Euros. In addition, we acquired MedSupport in the second quarter of 2017 with net assets denominated in Euros. Our results of operations, certain balance sheet balances and cash flows are, therefore, subject to fluctuations due to changes in foreign currency exchange rates. The volatility of exchange rates depends on many factors that we cannot forecast with reliable accuracy. We have experienced and will continue to experience fluctuations in our net income or loss as a result of transaction gains or losses related to revaluing certain current asset and current liability balances that are denominated in currencies other than the functional currency in which they are recorded. The effect of a 10% adverse change in exchange rates on foreign denominated cash, receivables and payables as of September 30, 2021 would not have had a material effect on our financial position, results of operations or cash flows. As our operations in countries outside of the United States grow, our results of operations and cash flows will be subject to fluctuations due to changes in foreign currency exchange rates, which could harm our business in the future.

We began entering into foreign exchange forward contracts in December 2015 to protect our forecasted U.S. dollar-equivalent earnings from adverse changes in foreign currency exchange rates. These hedging contracts reduce, but will not entirely eliminate, the impact of adverse currency exchange rate movements on revenue. We performed a sensitivity analysis assuming a hypothetical 10% adverse movement in foreign exchange rates to the hedging contracts and the underlying exposures described above. As of September 30, 2021, the analysis indicated that these hypothetical market movements would not have a material effect on our financial position, results of operations or cash flows. We estimate prior to any hedging activity that a 10% adverse change in exchange rates on our foreign denominated sales would have resulted in a $4.3 million decline in revenue for the nine months ended September 30, 2021. We designate these forward contracts as cash flow hedges for accounting purposes. The fair value of the forward contract is separated into intrinsic and time values. The fair value of forward currency-exchange contracts is sensitive to changes in currency exchange rates. Changes in the time value are coded in other income (expense), net. Changes in the intrinsic value are recorded as a component of accumulated other comprehensive income and subsequently reclassified into revenue to offset the hedged exposures as they occur.

Interest rate fluctuation risk

We had cash and cash equivalents of $241.6 million as of September 30, 2021, which consisted of highly-liquid investments with a maturity of three months or less, and $3.6 million of marketable securities with maturity dates of greater than three months. The primary goals of our investment policy are liquidity and capital preservation. We do not enter into investments for trading or speculative purposes. We believe that we do not have any material exposure to changes in the fair value of these assets as a result of changes in interest rates due to the short-term nature of our cash and cash equivalents. Declines in interest rates, however, would reduce future investment income. We considered the historical volatility of short-term interest rates and determined that it was reasonably possible that an adverse change of 100 basis points could be experienced in the near term. A hypothetical 1.00% (100 basis points) increase in interest rates would not have materially impacted the fair value of our marketable securities as of September 30, 2021 and September 30, 2020. If overall interest rates had increased or decreased by 1.00% (100 basis points), neither our interest expense nor our interest income would have been materially affected during the three or nine months ended September 30, 2021 or September 30, 2020.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures

The Company maintains a system of disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which are designed to provide reasonable assurance that information required to be disclosed in the reports that the Company files or submits under the Exchange Act, is recorded, processed, summarized and reported accurately and completely within the time periods specified in the SEC's rules and forms. These disclosure controls and procedures include, among other processes, controls and procedures designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Exchange Act is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Due to inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Further, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions over time, or that the degree of compliance with the policies and procedures may deteriorate. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2021. Based upon the evaluation described above, our Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2021, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in internal control over financial reporting

There has been no change in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rule 13a-15 or 15d-15 that occurred during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Limitations on effectiveness of controls

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Because of the inherent limitations in any control system, misstatements due to error or fraud may occur and not be detected.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

Securities class action and derivative lawsuits

On March 6, 2019, plaintiff William Fabbri filed a lawsuit against Inogen, Scott Wilkinson, and Alison Bauerlein, in the United States District Court for the Central District of California on behalf of a purported class of purchasers of our securities. On March 21, 2019, plaintiff Steven Friedland filed a substantially similar lawsuit against the same defendants in the same court. On May 20, 2019, the court issued an order consolidating the two lawsuits under the name *In re Inogen, Inc. Sec. Litig.,* No. 2:19-cv-01643-FMO-AGR, appointing Dr. John Vasil and Paragon Fund Management as lead plaintiffs, and appointing Robbins Geller Rudman & Dowd LLP and Glancy Prongay & Murray LLP as lead plaintiffs' counsel. On July 10, 2019, the lead plaintiffs filed a consolidated amended complaint on behalf of a purported class of purchasers of our common stock between November 8, 2017 and May 7, 2019. The complaint generally alleges that the defendants failed to disclose that: (i) Inogen had overstated the true size of the total addressable market for its portable oxygen concentrators and had misstated the basis for its calculation of the total addressable market; (ii) Inogen had falsely attributed its sales growth to the strong sales acumen of its sales force, rather than to deceptive sales practices; (iii) the growth in Inogen's domestic business-to-business sales to home medical equipment providers was inflated, unsustainable and was eroding direct-to-consumer sales; and (iv) Inogen's decision to focus on sales over rentals of portable oxygen concentrators harmed its ability to serve the Medicare market, in violation of sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended. The complaint seeks compensatory damages in an unspecified amount, costs and expenses, including attorneys' fees and expert fees, prejudgment and post-judgment interest and such other relief as the court deems proper. On January 2, 2020, the court dismissed the consolidated amended complaint with leave to amend. On January 9, 2020, the plaintiffs filed a second amended complaint generally alleging substantially similar claims as those in the previous complaint. On January 23, 2020, the defendants filed a motion to dismiss the second amended complaint. On September 2, 2020, the court denied the defendants' motion to dismiss without prejudice and instructed defendants to file another motion to dismiss if the parties are unable to resolve the issues relating to the second amended complaint. We filed its motion to dismiss on October 28, 2020. On August 13, 2021, the court granted Defendants' motion to dismiss, and on September 27, 2021, the court entered judgment dismissing the action in its entirety.

On June 26, 2019, plaintiff Twana Brown filed a shareholder derivative lawsuit against Inogen, Scott Wilkinson, Alison Bauerlein, Benjamin Anderson-Ray, Scott Beardsley, R. Scott Greer, Raymond Huggenberger, Heath Lukatch, Loren McFarland, and Heather Rider in the United States District Court for the Central District of California. The complaint purports to bring claims on behalf of Inogen against the individual defendants for breaches of their fiduciary duties as directors and/or officers of Inogen, unjust enrichment, waste of corporate assets and violations of section 14(a) of the Securities Exchange Act of 1934, as amended. The complaint generally alleges similar claims to the securities class action. The complaint seeks compensatory damages and restitution in an unspecified amount, changes to our corporate governance and internal procedures, costs and expenses, including attorneys' fees and expert fees, and such other relief as the court deems proper. On August 5, 2019, the court issued an order staying the derivative action pending the resolution of the motion to dismiss stage in *In re Inogen, Inc. Sec. Litig.* Between October 7, 2019 and October 31, 2019, three additional shareholder derivative complaints were filed in the United States District Court for the Central District of California based on similar factual allegations. These lawsuits purport to bring claims on behalf of Inogen for breach of fiduciary duty, unjust enrichment, waste of corporate assets, insider trading and misappropriation of information, and violations of section 14(a) of the Securities Exchange Act of 1934, as amended. On January 13, 2020, the court consolidated the four derivative lawsuits before it under the name *In re Inogen, Inc. S'holder Deriv. Litig.*, Lead Case No. 2:19-cv-5568-FMO-AGR and ordered that the consolidated action be stayed pending the resolution of the motion to dismiss stage in *In re Inogen, Inc., Sec. Litig.* The parties are currently engaged in discussions regarding future proceedings in this action.

On September 13, 2019, plaintiff Dustin Weller filed a shareholder derivative lawsuit against Inogen, Scott Wilkinson, Alison Bauerlein, Benjamin Anderson-Ray, Scott Beardsley, R. Scott Greer, Raymond Huggenberger, Heath Lukatch, Loren McFarland, and Heather Rider in the United States District Court for the District of Delaware captioned *Weller v. Wilkinson, et al.*, No. 1:19-cv-01723-MN. On October 17, 2019, plaintiff Sharokh Soltanipour filed a shareholder derivative lawsuit against the same defendants in the same court, captioned *Soltanipour v. Wilkinson, et al.*, No. 1:19-cv-1968-MN. The complaints generally allege similar claims to those in *In re Inogen, Inc., S'holder Deriv. Litig.* The complaints purport to bring claims on behalf of Inogen for breach of fiduciary duty, unjust enrichment, waste of corporate assets, abuse of control, gross mismanagement, insider selling and misappropriation of information, violations of section 14(a) of the Securities Exchange Act of 1934, as amended, and for contribution from certain of the individual defendants. The complaints seek compensatory damages in unspecified amounts, changes to our corporate governance and internal procedures, return of compensation, disgorgement of profits from sale of stock, costs and expenses, including attorneys' fees and expert fees, and such other relief as the court deems proper. On May 15, 2020, the court consolidated the two derivative lawsuits before it under the name *In re Inogen, Inc. S'holder Deriv. Litig., Lead Case No. 1:19-cv-01723-MN-JLH.* On July 8, 2020, the court ordered that the consolidated action be stayed pending the resolution of the motion to dismiss in the securities class action, *In re Inogen, Inc., Sec. Litig.* On November 3, 2021, the court approved the parties' stipulation to voluntarily dismiss the Delaware derivative action without prejudice.

Department of Health and Human Services and the Centers for Medicare and Medicaid Services lawsuit

On September 21, 2020, we filed a lawsuit against defendants, Alex M. Azar, Secretary of the Department of Health and Human Services (HHS), in his official capacity, Seema Verma, Administrator of the Centers for Medicare and Medicaid Services (CMS), in her official capacity and Palmetto GBA, LLC. The lawsuit seeks to invalidate the defendants' arbitrary and capricious decision to retract a valid HCPCS code to Inogen's TAV, thereby eliminating reimbursements for the ventilator, in violation of the Administrative Procedures Act (5 U.S.C. §§ 551*, et seq.*). Further, CMS's failure to provide notice and the opportunity to comment on a change in HCPCS code verification for the Sidekick TAV and similar devices constitutes a violation of the procedural right provided under the Social Security Act (42 U.S.C. §§ 1395hh(a)(2)), and Inogen's due process rights. On June 17, 2021, the United States District Court for the District of Columbia issued an order to deny our motion for a preliminary injunction and dismissed the complaint stating that we had failed to present its claim to CMS and exhaust our administrative remedies. We do not intend to appeal the court order or pursue additional alternatives to meet the Medicare reimbursement coding requirements. Therefore, we adjusted our recognized revenue estimates for the fair value of the earnout liability and evaluated the relevant long-lived asset grouping for impairment.

Other litigation

In the normal course of business, we are from time to time involved in various legal proceedings or potential legal proceedings, including matters involving employment, product liability and intellectual property. We carry insurance, subject to specified deductibles under our policies, to protect against losses from certain liabilities and costs. At this time, we do not anticipate that any of these proceedings arising in the normal course of business will have a material adverse effect on our 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

We operate in a rapidly changing environment that involves numerous uncertainties and risks. In addition to the other information included in this Quarterly Report on Form 10-Q, the following risks and uncertainties may have a material and adverse effect on our business, financial condition, results of operations, or stock price. You should consider these risks and uncertainties carefully, together with all of the other information included or incorporated by reference in this Quarterly Report on Form 10-Q. The risks and uncertainties described below may not be the only ones we face. If any of the risks or uncertainties we face were to occur, the trading price of our securities could decline, and you may lose all or part of your investment. This Quarterly Report on Form 10-Q also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of factors that are described below and elsewhere in this report.

Risk factors include, but are not limited to, statements concerning the following:

Risks related to our business and strategy:

- the intense international, national, regional and local competition we face in our industry;
- our dependence on a limited number of customers for a significant portion of our sales revenue;
- our reliance on a single source or a limited group of manufacturers or suppliers;
- the lack of long-term supply contracts with many of our third-party suppliers;
- the possibility our manufacturing facilities could become unavailable or inoperable and other potential manufacturing problems or delays;
- our reliance upon a third-party contract manufacturer for certain manufacturing and repair operations;
- the need to continue to enhance our existing products and develop and market new products;
- risks associated with public health threats and epidemics, including the COVID-19 pandemic and related public health emergency (PHE);
- the competitive bidding process or other reimbursement policy changes under Medicare or other third-party payors, including recently enacted and potential future changes in the reimbursement rates or payment methodologies under Medicare, Medicaid and other government programs;
- healthcare reform measures;
- the complex and lengthy reimbursement process we depend upon for a significant portion of our revenue;
- potential failure to maintain or obtain new private payor contracts and future reductions in reimbursement rates from private payors;
- our ability to hire and retain highly qualified individuals;
- our ability to manage our anticipated growth effectively;
- potential acquisitions of, or investments in, other companies;
- our international sales and manufacturing activities;
- warranty or product liability claims or other litigation;
- increases in our operating costs;
- our dependence on the services of our senior executives and other key technical personnel;
- variance in our financial condition and results of operations; and
- the market opportunities for our products.

Risks related to the regulatory environment:

- extensive federal and state regulation related to our business by numerous government agencies, including the U.S. Food and Drug Administration, or FDA;
- the potential need to seek additional clearances or approvals for our products; and
- potential FDA or state regulatory enforcement action.

Risks related to our intellectual property:

- our ability to secure and maintain patent or other intellectual property protection for the intellectual property used in our products;
- the possibility that any of our patents may be challenged, invalidated, circumvented or rendered unenforceable; and
- patent and other intellectual property litigation if our products infringe or appear to infringe the intellectual property rights of others.

Risks related to being a public company:

- increased costs as a result of operating as a public company and the substantial time our management will be required to devote to compliance initiatives and corporate governance practices; and
- our ability to maintain effective internal controls.

Risks related to our common stock:

- the volatility of the trading price of our common stock;
- the publication of research reports by securities or industry analysts;
- potential sales of a large number of shares of our common stock;
- anti-takeover provisions in our charter documents and under Delaware law; and
- our intention not to pay dividends for the foreseeable future.

Risks related to our business and strategy

We face intense international, national, regional and local competition and if we are unable to compete successfully, it could have an adverse effect on our revenue, revenue growth rate, if any, and market share.

The long-term oxygen therapy market is a highly competitive industry. We compete with a number of manufacturers and distributors of portable oxygen concentrators (POCs), as well as providers of other long-term oxygen therapy solutions such as home delivery of oxygen tanks or cylinders, stationary concentrators, transfilling concentrators, and liquid oxygen.

Our significant manufacturing competitors are Respironics (a subsidiary of Koninklijke Philips N.V.), Invacare Corporation, Caire Medical (subsidiary of NGK Spark Plug), DeVilbiss Healthcare (a subsidiary of Drive Medical), O2 Concepts, Precision Medical, Resmed, Gas Control Equipment (subsidiary of Colfax), Nidek Medical, 3B Medical, SysMed, and Belluscura. Given the relatively straightforward regulatory path in the oxygen therapy device manufacturing market, we expect that the industry will become increasingly competitive in the future. For example, some major competitors have implemented direct-to-consumer sales models, which may increase their competitiveness and sales to patients, and we have recently seen the cost per generated lead trend higher than historical averages that may in part be due to increased competition. However, the strategies of these major competitors are currently limited to direct-to-consumer sales and do not include direct-to-consumer rentals where they would be responsible to meet national accreditation and state-by-state licensing requirements and secure Medicare billing privileges. Manufacturing companies compete for sales to providers primarily on the basis of price, quality/reliability, financing, bundling, product features, and service.

For many years, Lincare, Inc. (a subsidiary of the Linde Group), Apria Healthcare, Inc., AdaptHealth Corp., and Rotech Healthcare, Inc. have been among the market leaders in providing respiratory therapy products, while the remaining market is serviced by local providers. Because of reimbursement reductions, we expect more industry consolidation and volatility in ordering patterns based on how providers are restructuring their businesses and their access to capital. In addition, providers may reduce or eliminate purchases from us due to our increased focus on building out a prescriber sales team and pursuing rentals directly, which could be in competition with our providers in the United States. Respiratory therapy providers compete primarily on the basis of product features and service, rather than price, since reimbursement levels are established by Medicare and Medicaid, or by the individual determinations of private payors.

Some of our competitors are large, well-capitalized companies with greater resources than we have. Consequently, they are able to spend more aggressively on product development, marketing, sales and other product initiatives than we can. Some of these competitors have:

- significantly greater name recognition;
- established relationships with healthcare professionals, customers and third-party payors;

- established distribution networks;
- additional lines of products, and the ability to offer rebates or bundle products to offer higher discounts, lower pricing, longer warranties, financing or extended terms, other incentives to gain a competitive advantage;
- greater history in conducting research and development, manufacturing, marketing and obtaining regulatory approval for respiratory device products; and
- greater financial and human resources for product development, sales and marketing, and patent litigation.

As a result, our competitors may be able to respond more quickly and effectively than we can due to new or changing opportunities, technologies, standard regulatory and reimbursement development and customer requirements or changing or uncertain business conditions or macroeconomic trends. In light of these advantages that our competitors maintain, even if our technology and direct-to-consumer distribution strategy is more effective than the technology and distribution strategy of our competitors, including those who have adopted or may in the future adopt direct-to-consumer sales models, current or potential customers might accept competitor products and services in lieu of purchasing our products. We anticipate that we will face increased competition in the future as existing companies and competitors develop new or improved products and distribution strategies and as new companies enter the market with new technologies and distribution strategies. We may not be able to compete effectively against these organizations. Our ability to compete successfully and to increase our market share is dependent upon our reputation for providing responsive, professional and high-quality products and services and achieving strong customer satisfaction. Increased competition in the future could adversely affect our revenue, revenue growth rate, margins and market share.

We depend on a limited number of customers for a significant portion of our sales revenue and the loss of, or a significant shortfall in demand from, these customers could have a material adverse effect on our financial condition and operating results.

We receive a significant amount of our sales revenue from a limited number of customers, including distributors, HME providers, our private label partner, resellers, and charitable organizations. For the three months ended September 30, 2021 and September 30, 2020, sales revenue to our top 10 customers accounted for approximately 26.9% and 32.0%, respectively, of our total revenue. No single customer represented more than 10% of our total revenue for the three months ended September 30, 2021 and one single customer represented more than 10% of our total revenue for the three months ended September 30, 2020. For the nine months ended September 30, 2021 and September 30, 2020, sales revenue to our top 10 customers accounted for approximately 29.2% and 29.8%, respectively, of our total revenue. One single customer represented more than 10% of our total revenue for the nine months ended September 30, 2021 and one single customer for the nine months ended September 30, 2020. We expect that sales to relatively few customers will continue to account for a significant percentage of our total revenue in future periods. Our future success will significantly depend upon the timing and volume of business from our largest customers and the financial and operational success of these customers. However, we can provide no assurance that any of these customers or any of our other customers will continue to purchase our products at current levels, pricing, or at all, and our revenue could fluctuate significantly due to changes in customer order levels, economic conditions, the adoption of competitive products, or the loss of, reduction of business with, or less favorable terms with any of our largest customers. For example, we have previously experienced a decline in sales to one large national homecare provider who purchased through our private label partner. We have also experienced a decline in sales from other home medical equipment providers and these providers have communicated to us that they continue to be subject to capital constraints. Moreover, in the second quarter of 2020 and continuing through the first quarter of 2021, we experienced a decline in total sales to business-to-business customers worldwide, which we believe was primarily due to the COVID-19 pandemic and related PHE. If we were to lose one of our key customers or have a key customer significantly reduce its volume of business with us, such as we previously experienced with the large national homecare provider, our revenue may be materially reduced and there would be an adverse effect on our business, financial condition and results of operations.

We obtain some of the components, subassemblies and completed products included in our products from a single source or a limited group of manufacturers or suppliers, and the partial or complete loss of one or more of these manufacturers or suppliers could cause significant production delays, an inability to meet customer demand, substantial loss in revenue, and an adverse effect on our financial condition and results of operations.

We utilize single-source suppliers for some of the components and subassemblies we use in our Inogen One systems, our Inogen At Home systems, and our Tidal Assist® Ventilator (TAV®). For example, we have elected to source certain key components from single sources of supply, including our batteries, motors, valves, TAV-compatible stationary concentrators, columns, and some molded plastic components. Our dependence on single-source suppliers of components may expose us to several risks, including, among other things:

- our suppliers or their component sub-suppliers may be unable to meet demands due to global supply chain disruptions;

- we may experience delays in delivery by our suppliers due to customs clearing delays, shipping delays, scarcity of raw materials or changes in demand from us or their other customers;
- our suppliers may be unable to meet demands due to the effect of exposure to infectious diseases, epidemics or other public health emergencies, including the COVID-19 pandemic and related PHE;
- we may not be able to find new or alternative components, even at elevated prices, or reconfigure our system and manufacturing processes in a timely manner if the necessary components become unavailable, which could lead to a production slowdown or temporary stoppage;
- our suppliers may encounter financial hardships as a result of unfavorable economic and market conditions unrelated to our demand for components, which could inhibit their ability to fulfill our orders and meet our requirements;
- suppliers may fail to comply with regulatory requirements, be subject to lengthy compliance, validation or qualification periods, or make errors in manufacturing components that could negatively affect the performance or safety of our products, cause delays in supplying of our products to our customers, or result in regulatory enforcement against us or our suppliers;
- newly identified suppliers may not qualify under the stringent quality regulatory standards to which our business is subject, which could inhibit their ability to fulfill our orders and meet our requirements;
- we or our suppliers may not be able to respond to unanticipated changes in customer orders, and if orders do not match forecasts, we or our suppliers may have excess or inadequate inventory of materials and components;
- we may be subject to price fluctuations due to a lack of long-term supply arrangements for key components or changes in import tariffs, trade restrictions or barriers or other government actions that impact our ability to obtain such components;
- we or our suppliers may lose access to critical services, tools, moldings, and components, resulting in an interruption in the manufacture, assembly and shipment of our systems;
- our suppliers may be subject to allegations by other parties of misappropriation of proprietary information in connection with their supply of products to us, which could inhibit their ability to fulfill our orders and meet our requirements;
- fluctuations in demand for products that our suppliers manufacture for others may affect their ability or willingness to deliver components to us in a timely manner; and
- our suppliers may wish to discontinue supplying components or services to us.

We have experienced supply problems with one or more of our suppliers and may again experience problems in the future. For example, we have seen supply chain disruptions in 2021, primarily associated with semiconductor chips used in our batteries and printed circuit boards, which are components of our portable oxygen concentrators. This semiconductor chip shortage is being experienced across many industries, placing additional pressure on existing supplies. While we have taken steps to mitigate the impact of this supply shortage, it has and will likely have an increased negative impact our ability to manufacture products as these chips are used across all of our portable oxygen concentrators in its batteries and printed circuit boards. We are continuing to work with our OEM partners and exploring other open-market avenues to purchase necessary semiconductor chips, but with these components facing extremely high demand, we expect continued challenges in terms of supply constraint and pricing inflation moving forward.

As a result, we saw these inflated costs begin to negatively impact our cost of goods sold in the third quarter of 2021, and we expect this to have an increased impact on our material costs in the fourth quarter of 2021 and into 2022 until supply and demand get closer to equilibrium. Even though we paid significant costs in the third quarter of 2021 associated with these chips, most of these costs increased our prepaid expense and inventory given that these components were not yet sold in finished products during the period. We believe based on our assessment and industry feedback that these supply shortages may likely continue through the second quarter of 2022. In addition to the semiconductor chip limitations, we are continuing to see supply chain constraints for other components used in our products. While thus far we have been able to manage through these challenges with increased inventory levels and heightened supplier management and communications, we cannot be certain we will be able to continue to do so through the remainder of the shortages and it is possible we may be required to further slowdown or temporarily halt production. We believe this is an increased risk to the business for the rest of 2021 and into the first half of 2022.

In addition, we have seen supply chain challenges tied to the COVID-19 pandemic and related PHE in printed circuit boards, corrugated boxes, aluminum machined parts, plastic molded parts, and batteries. While we have been able to coordinate with our suppliers to minimize disruption to our business, we may not be able to do so in the future and may be required to further slowdown or temporarily halt production. We may also face similar situations in the future and we may not be able to quickly establish additional or replacement suppliers, particularly for our single source components or subassemblies, and may experience similar delays in manufacturing. Any interruption or delay in the supply of components or subassemblies, or our inability to obtain components or subassemblies from alternate sources at acceptable prices in a timely manner, could impair our ability to meet the demand of our customers and cause them to cancel orders or switch to competitive products. Recently, the FDA released guidance that requires manufacturers of certain medical devices, including ventilation-related products under product code CAW, among others, to notify FDA of a permanent discontinuance or interruption in manufacturing of an applicable device under Section 506J of the Federal Food, Drug, and Cosmetic Act during the COVID-19 PHE. To the extent we experience an interruption in our manufacturing during the COVID-19 PHE that falls within the scope of this guidance, we would be required to notify FDA. This and other regulatory requirements could increase the cost of our operations and compliance.

In addition, we may be deemed to manufacture or contract to manufacture products that contain certain minerals that have been designated as “conflict minerals” under the Dodd-Frank Wall Street Reform and Consumer Protection Act. As a result, we may be required to perform due diligence to determine the origin of such minerals and disclose and report whether or not such minerals originated in the Democratic Republic of the Congo or adjoining countries. The implementation of these requirements could adversely affect the sourcing, availability, and pricing of minerals used in the manufacture of our products. In addition, we have incurred additional costs to comply with the disclosure requirements, including costs related to determining the source of any of the relevant minerals and metals used in our products. If any of these risks materialize, costs could significantly increase and our ability to meet demand for our products could be impacted. If we fail to comply with the applicable regulations, we could be required to pay civil penalties, face criminal prosecution and, in some cases, be prohibited from distributing our products in commerce until the products or component substances are brought into compliance. If we are unable to satisfy commercial demand for our products in a timely manner, our ability to generate revenue would be impaired, market acceptance of our products could be adversely affected, and customers may instead purchase or use alternative products. In addition, we could be forced to secure new or alternative components and subassemblies through a replacement supplier. Finding alternative sources for these components and subassemblies could be difficult in certain cases and may entail a significant amount of time and disruption. In some cases, we would need to change the components or subassemblies if we sourced them from an alternative supplier. This, in turn, could constitute a material modification or require a redesign of our products and, potentially, require additional FDA clearance or approval before we could use any materially modified or redesigned product with new components or subassemblies, thereby causing further costs and delays that could adversely affect our business, financial condition and results of operations.

If we are unable to continue to enhance our existing products and develop or acquire and market our products that respond to customer needs and preferences and achieve market acceptance, we may experience a decrease in demand for our products and our business could suffer.

We may not be able to compete as effectively with our competitors and ultimately satisfy the needs and preferences of our customers unless we can continue to enhance existing products, acquire companies with new or different products, sell our existing products, and develop new innovative products ourselves. Product development requires significant financial, technological and other resources. While we expended $3.8 million and $3.5 million for the three months ended September 30, 2021 and September 30, 2020, respectively, and $11.9 million and $10.4 million for the nine months ended September 30, 2021 and September 30, 2020, respectively, in research and development efforts, we cannot assure that this level of investment will be sufficient to maintain a competitive advantage in product innovation, which could cause our business to suffer. In addition, we plan to sell the TAV products acquired from the New Aera acquisition, through our domestic direct-to-consumer sales channel and our business-to-business sales channels worldwide, pending reimbursement and regulatory clearances in each market. We also plan to incorporate the TAV technology directly into our oxygen concentrators. Product improvements and new product introductions also require significant planning, design, development, patent protection, and testing at the technological, product, and manufacturing process levels and we may not be able to timely develop product improvements or new products or obtain necessary patent protection and regulatory clearances or approvals for such product improvements or new products in a timely manner, or at all. Our competitors' new products may enter the market before our new products reach the market, be more effective with more features, obtain better market acceptance, or render our products obsolete. Any new products that we develop or acquire may not receive market acceptance or otherwise generate any meaningful sales or profits for us relative to our expectations based on, among other things, existing and anticipated investments in manufacturing capacity and commitments to fund advertising, marketing, promotional programs and research and development. In addition, if we are unable to seek and obtain regulatory approval or adequate coverage and reimbursement for any new products that we develop or introduce, in a timely manner or at all, we may realize lower revenue than expected or even no revenue at all from these products. As a result, our business, financial condition and results of operations could be materially harmed.

We are subject to risks associated with public health threats and epidemics, including the COVID-19 pandemic and related PHE.

Public health outbreaks, epidemics, pandemics of contagious or infectious diseases, such as COVID-19, may significantly disrupt our business. Such outbreaks pose the risk that we or our employees, contractors, suppliers, or other partners may be prevented from conducting business activities for an indefinite period of time due to spread of the disease, or due to shutdowns that may be requested or mandated by federal, state and local governmental authorities. Business disruptions could include disruptions or restrictions on our ability to travel, as well as temporary closures of our facilities or the facilities of our contractors, suppliers, and other partners. For example, total business-to-business demand declined in the second quarter of 2020 continuing through the first quarter of 2021 due to physician offices limiting patient interactions for COPD patient referrals, HME providers minimizing patient interactions in response to the COVID-19 pandemic and related PHE which includes replacing existing oxygen patient setups with POCs and temporary reduced operating capacity of certain respiratory assessment centers and continued tender delays in certain European markets due to the COVID-19 pandemic and related PHE. While it is not possible at this time to estimate the overall impact that the COVID-19 pandemic and related PHE could have on our business, the continued spread of COVID-19, both across the United States and through much of the world, and the measures taken by the governments and local authorities of affected regions has adversely effected our operating results and could cause or contribute to, among other things: significant volatility or reductions in demand for our products; delays in our product development pipeline; delays in obtaining regulatory clearances or approvals to market our products in certain jurisdictions; failure of third parties on which we rely to meet their obligations to us, or significant disruptions in their ability to do so; and our inability to meet our customers' needs due to disruptions to our operations or the operations of our contractors, suppliers, other partners or customers including disruptions to production, development, manufacturing, administrative and supply operations and arrangements. In addition, new variants of COVID-19 could prove to be deadlier or more transmittable, or the developed vaccines may be ineffective versus these new variants, which could negatively impact our business and financial results.

In addition, we have strived to follow recommended actions of government and health authorities to protect the health and safety of our employees and community, while working to ensure the sustainability of our business operations as this unprecedented situation continues to evolve. Employees whose tasks can be done offsite have been allowed to work from home and most of our total personnel continue to work from home. While we have worked closely with local and national officials and have thus far been able to keep our manufacturing facilities open due to the essential nature of our products, there can be no assurance that we will be able to keep such facilities open indefinitely during the COVID-19 pandemic and related PHE. We have thus far been able to keep our contract manufacturer capability and capacity available but there can be no assurance that we will be able to keep such facilities open indefinitely during COVID-19 pandemic and related PHE. We continue to evaluate the impact COVID-19 may have on our ability to effectively conduct our business operations as planned to mitigate risk to our employees and customers while taking into account regulatory, institutional, and government guidance and policies, but there can be no assurance that we will be able to avoid part or all of any impact from the spread of COVID-19 or its consequences.

On September 9, 2021, President Biden announced the "Executive Order on Ensuring Adequate COVID Safety Protocols for Federal Contractors" requiring all contractors that do business with the federal government to ensure that their employees are fully vaccinated. The Department of Labor's Occupational Safety and Health Administration is currently drafting an emergency regulation to carry out this mandate. It is not currently possible to predict with any certainty the exact impact the new regulation will have on us; however, we estimate that approximately 40% of our employees are currently not vaccinated. We believe we will be required to mandate the COVID-19 vaccination of our U.S. employees. This mandate, when issued, could result in employee attrition, difficulty securing future labor needs, or increased costs in the form of penalties and may have an adverse effect on our results of operations.

The COVID-19 pandemic and related PHE continues to rapidly evolve. The COVID-19 pandemic and related PHE has already adversely effected our financial results and the extent to which COVID-19 ultimately impacts our business will depend on future developments, which are highly uncertain and cannot be predicted, such as the ultimate geographic spread of the disease, the duration of the pandemic, travel restrictions and social distancing in the United States and other countries, business closures or business disruptions, the effectiveness of actions taken in the United States and other countries to contain and treat the disease and to address its impact, including on financial markets or otherwise, and how quickly and to what extent normal economic and operating conditions can resume if and when the COVID-19 pandemic and related PHE subsides. While the extent of the impact of the COVID-19 pandemic and related PHE on our business and financial results is uncertain, we have already been negatively impacted and a continued and prolonged public health crisis could have a further material negative impact on our business, financial condition and results of operations. Even after the COVID-19 pandemic and related PHE has subsided, we may continue to experience materially adverse impacts on our financial condition and our results of operations and many of our known risks described in this Quarterly Report on Form 10-Q may be heightened.

While we have received funding from programs enacted under the CARES Act, due to the enactment of the CARES Act and related legislation, there is still a high degree of uncertainty surrounding their implementation, and the COVID-19 pandemic and related PHE continues to evolve. HHS is still issuing additional guidance to providers and suppliers regarding the terms and conditions associated with the implementation of the CARES Act Provider Relief Fund. The federal government may consider additional stimulus and relief efforts, but we are unable to predict whether additional stimulus measures will be enacted or their impact. There can be no assurance as to the total amount of financial and other types of assistance we will receive under the CARES Act or future legislation, if any, and it is difficult to predict the impact of such legislation on our operations. Further, there can be no assurance that the terms of provider relief funding or other programs will not change in ways that affect our funding or eligibility to participate. We will continue to assess the potential impact of the COVID-19 pandemic and related PHE and government responses to the pandemic on our business, results of operations, financial condition and cash flows.

We do not have long-term supply contracts with many of our third-party suppliers.

We purchase components and subassemblies from third-party suppliers, including some of our single-source suppliers, through purchase orders and do not have long-term supply contracts with many of these third-party suppliers. Many of our third-party suppliers, therefore, are not obligated to perform services or supply products to us for any specific period, in any specific quantity or at any specific price, except as may be provided in a particular purchase order. We do not maintain large volumes of inventory from most of these suppliers. For example, our batteries are sourced from a single source supplier, and sub-components of the battery are also sourced from single source suppliers. While our printed circuit boards are sourced from dual sources, the sub-components of these boards are sourced from single source suppliers. We are experiencing limited availability of certain semiconductor chip components for our Inogen One portable oxygen concentrators in both its batteries and printed circuit boards, and we do not have long-term supply contracts that would guarantee our supply during these periods of higher demand and lower availability of these sub-components. This has led to orders not being filled in a timely manner and is expected to lead to increased costs for components and limited supply availability. Therefore, we were unable to fully meet customer demand for our products and expect these supply constraints to continue into the first half of 2022.

We may also be affected by other supply limitations during the COVID-19 pandemic and related PHE that could affect our ability to fulfill orders. If we inaccurately forecast demand or fail to place orders timely enough relative to fluctuating lead time requirements for components or subassemblies, our ability to manufacture and commercialize our products could be delayed and our competitive position and reputation could be harmed. In addition, if we fail to effectively manage our relationships with these suppliers or if our suppliers, in the near term or the long term, are not able to supply sufficient quantities of components or subassemblies needed for our products due to the COVID-19 pandemic and related PHE, we may be required to change suppliers or, if we are unable to find alternative suppliers in a timely manner, we may be required to further slowdown or temporarily halt production which would be time consuming and disruptive and could adversely impact our business, financial condition and results of operations.

A significant majority of our rental patients who use our product have health coverage under the Medicare program, and recently enacted and future changes in the reimbursement rates or payment methodologies under Medicare, Medicaid and other government programs have affected and could continue to materially and adversely affect our business and operating results.

As a provider of oxygen equipment rentals, we depend heavily on Medicare reimbursement as a result of the higher proportion of elderly persons suffering from chronic long-term respiratory conditions. Medicare Part B, or Supplementary Medical Insurance Benefits, provides coverage to eligible beneficiaries that include items of durable medical equipment for use in the home, such as oxygen equipment and other respiratory devices. We believe that up to 48% of long-term oxygen therapy patients in the United States have primary coverage under traditional fee-for-service Medicare Part B. There are increasing pressures on Medicare to control healthcare costs and to reduce or limit reimbursement rates for home medical products.

Legislation, including the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, the Deficit Reduction Act of 2005, the Medicare Improvements for Patients and Providers Act of 2008, and the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, contain provisions that directly impact reimbursement for the durable medical equipment products provided by us:

- The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 significantly reduced reimbursement for inhalation drug therapies beginning in 2005, reduced payment amounts for certain durable medical equipment, including oxygen, beginning in 2005, froze payment amounts for other covered HME items through 2008, established a competitive bidding program for home medical equipment and implemented quality standards and accreditation requirements for durable medical equipment suppliers.

- The Deficit Reduction Act of 2005 limited the total number of continuous rental months for which Medicare will pay for oxygen equipment to 36 months, after which time there is generally no additional reimbursement to the supplier (other than for periodic, in-home maintenance and servicing). The Deficit Reduction Act of 2005 also provided that title of the equipment would transfer to the beneficiary, which was later repealed by the Medicare Improvements for Patients and Providers Act of 2008. For purposes of the rental cap, the Deficit Reduction Act of 2005 provided for a new 36-month rental period that began January 1, 2006 for all oxygen equipment. After the 36th continuous month during which payment is made for the oxygen equipment, the supplier is generally required to continue to furnish the equipment during the period of medical need for the remainder of the useful lifetime of the equipment, provided there are no breaks in service due to medical necessity that exceed 60 days. The reasonable useful lifetime for our portable oxygen equipment is 60 months. After 60 months, if the patient requests, and the patient meets Medicare coverage criteria, the rental cycle starts over and a new 36-month rental period begins. There are no limits on the number of 60-month cycles over which a Medicare patient may receive benefits and an oxygen therapy provider may receive reimbursement, so long as such equipment continues to be medically necessary for the patient. We anticipate that the Deficit Reduction Act of 2005 oxygen payment rules will continue to negatively affect our net revenue on an ongoing basis, as each month additional customers reach the capped rental period in month thirty-seven, resulting in potentially two or more years without rental income from these customers while we continue to incur customer service and maintenance costs. Our capped patients as a percentage of total patients on service was approximately 8.3% as of September 30, 2021 and 13.8% as of September 30, 2020. The percentage of capped patients may fluctuate over time as new patients come on service, patients come off of service before and during the capped rental period, and existing patients enter the capped rental period. We cannot predict the potential impact to rental revenues in future periods associated with patients in the capped rental period.
- The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, includes, among other things, face-to-face physician encounter requirements for certain durable medical equipment and home health services, and a requirement that by 2016, the competitive bidding process must be nationalized or prices in non-competitive bidding areas must be adjusted to match competitive bidding prices.
- There have been significant U.S. reimbursement and policy changes associated with the COVID-19 PHE that impact oxygen therapy and other durable medical equipment. The CARES Act allows HHS to waive certain Medicare telehealth payment requirements during the COVID-19 PHE declared by HHS on January 31, 2020 to allow beneficiaries in all areas to receive telehealth services, including at their home, starting March 6, 2020. The Coronavirus Preparedness and Response Supplemental Appropriations Act (H.R. 6074) also granted HHS the authority to waive certain requirements with respect to telehealth services. Under this authority, CMS clarified that HHS would not conduct audits to determine whether there was a prior physician-patient relationship for telehealth claims submitted during the COVID-19 PHE. The CARES Act, passed on March 27, 2020 included the extension of the 50/50 blended rate for HME in rural and non-contiguous, non-competitively bid areas and established a new 75/25 blended rate for all other non-competitively bid areas through the duration of the COVID-19 PHE. The 75/25 blended rate was retroactive to March 6, 2020. While the duration of the current emergency is impossible to predict, the Zika virus PHE lasted approximately 360 days, and the H1N1 flu PHE lasted approximately 450 days. The CARES Act and the Consolidated Appropriations Act of 2021 also included a temporary pause of the 2% Medicare sequestration reduction that went into effect in 2013. The CARES Act implemented the relief effective May 1, 2020 through December 31, 2020. The Consolidated Appropriations Act of 2021 was signed into law on December 27, 2020 and extended the suspension period to March 31, 2021. U.S. House of Representatives bill H.R. 1868 was signed into law on April 14, 2021 and extended the suspension period to December 31, 2021, but would increase the fiscal year 2030 sequestration cuts. In addition, the CARES Act established a provider relief fund of $100 billion, of which $30 billion was distributed on April 10, 2020, for Medicare providers and suppliers to prevent, prepare for, and respond to the COVID-19 PHE, and as a Medicare supplier we also received funds of $6.2 million in the second quarter of 2020. The Paycheck Protection Program and Heath Care Enhancement Act was also signed into law on April 24, 2020 and provides additional funding of $484 billion to programs enacted under the CARES Act. Of the $484 billion, $75 billion is additional funding for healthcare providers to reimburse healthcare related expenses and lost revenues attributable to COVID-19 PHE, which is in addition to the $100 billion approved in the CARES Act.
- On April 6, 2020, an Interim Final Rule (IFR) was published in the Federal Register for policy and regulatory revisions in response to the COVID-19 PHE. This IFR included that for the duration of the COVID-19 PHE, the face-to-face requirements and clinical indications of coverage for home oxygen, among other respiratory products, will be waived.

- The Trump administration also issued a number of regulatory waivers to increase the flexibility in durable medical equipment, prosthetics, orthotics and supplies (DMEPOS) suppliers' ability to service patients quickly and without the normal requirements. For example, the patient signature for proof of delivery for DMEPOS is waived when signatures cannot be collected during the COVID-19 PHE for dates of services within the PHE. In addition, CMS increased Medicare contractors' ability to waive replacement product requirements, paused the national prior authorization program for certain DMEPOS, automatically extended expiring accreditations, granted contractors the flexibility to grant appeals extensions, and suspended medical review of claims. Both the IFR and temporary regulatory changes show significant flexibility from CMS to improve access for oxygen and other DMEPOS items during this COVID-19 PHE. These changes were retroactive to early March 2020. However, in July 2020, CMS released a COVID-19 Provider Burden Relief FAQs document that stated that effective August 3, 2020, CMS would resume full operations for the prior authorization program for certain DMEPOS and resume medical review of claims.

- CMS also issued a proposed rule on November 4, 2020 (CMS-1738-P) to establish payment amounts going forward for DMEPOS products and services covered under Medicare. We believe that Medicare rates will not change for the length of the COVID-19 PHE, except for any net change for inflation and budget neutrality adjustments, as outlined above.

  CMS is proposing three different fee schedule adjustment methodologies for non-CBAs after the termination of the COVID-19 PHE: (1) for non-contiguous non-CBAs; (2) for contiguous non-CBAs defined as rural areas; and (3) for non-rural non-CBAs within the contiguous United States. Proposed adjustment methodologies (1) and (2) contemplate utilizing the 50/50 blended rates as a permanent construct, but proposed adjustment methodology (3) contemplates setting the fee schedule amounts to 100% of the Medicare rates. This could reduce Medicare rates after the PHE is over in the current areas that are considered non-rural but not covered by a former CBA, as those areas are currently receiving a 75/25 blended reimbursement rate.

- In January 2021, CMS announced the pivotal bid amounts for the competitive bidding round 2021 for informational purposes only as part of its effort to increase transparency into the DMEPOS Competitive Bidding Program. As a reminder, the bids for oxygen were based on the HCPCS code E1390, which is for stationary oxygen, and there were 130 regions bid. The simple average of the 2018 single payment amounts for these regions for this code was $73.98. The simple average of the pivotal bid amounts for these regions for this code was $122.61, or an average increase of 65.7%. If CMS would have implemented these rate changes, the simple average payment amounts in these regions for POCs (codes E1390 and E1392) would have been $157.60, which is significantly higher than the simple average payment amounts of $110.07 and $121.07 per month being paid as of January 1, 2021 and April 1, 2021 for these regions.

- In April 2021, CMS announced a delay of the 2018 IFR final rule (CMS-1687-RCN) and the 2020 DMEPOS proposed rule (CMS-1738-P discussed above). CMS is required to publish a final rule no later than three years after the publication of a proposed or interim final rule, except under exceptional circumstances. The 2018 IFR that resumed the 50/50 blended rates in rural areas between June and December 2018 was published on May 11, 2018. In accordance with the requirement, CMS is required to publish the final rule to the 2018 IFR by May 11, 2021, but CMS announced that there will be a delay in the final rule publication, and they extended the 2018 IFR until May 11, 2022. In addition, in the 2020 DMEPOS proposed rule, CMS stated that they solicited comments on the 2018 IFR, but have not yet responded to the comments received, and will do so in the final rule, expected to be published by May 11, 2022.

- In September 2021, CMS published a Decision Memo which revised the Home Use of Oxygen national coverage determination and removed the national coverage determination for Home Oxygen Use to Treat Cluster Headaches. This allows the Medicare Administrative Contractors to make coverage determinations regarding the use of home oxygen and oxygen equipment for cluster headaches. CMS also expanded patient access to oxygen and oxygen equipment in the home by allowing oxygen use for acute or short-term needs instead of limiting coverage to chronic hypoxemia, removed the requirements for alternative treatment measures before dispensing of oxygen therapy, and removed the limited list of conditions for which oxygen may be covered to respiratory-related diseases, to allow the physician flexibility to make that determination. In addition, CMS defined exercise more broadly to include functional performance of the patient and allow more flexibility on pulse oximetry readings to account for differences in skin pigmentation. Lastly, CMS reduced provider burden by removing the oxygen certificate of medical necessity requirement. We believe these changes will expand coverage for patients who would benefit from oxygen therapy, reduce administrative burdens, and give more decision-making authority on proper patient care to the physicians. However, we do not yet have visibility on how the Medicare Administrative Contractors will change their coverage determinations.

These legislative provisions as currently in effect have had and may continue to have a material and/or adverse effect on our business, financial condition and results of operations.

The HHS Office of Inspector General (OIG) has recommended that states review Medicaid reimbursement for durable medical equipment (DME) and supplies. The OIG cites an earlier report estimating that four states (California, Minnesota, New York, and Ohio) could have saved more than $18.1 million on selected DME items if their Medicaid prices were comparable to those under round one of the Medicare competitive bidding program. Since issuing those reports, the OIG identified $12 million in additional savings that the four states could have obtained on the selected items by using pricing similar to the Medicare round two competitive bidding and national mail-order programs. In light of varying Medicaid provider rates for DME and the potential for lower spending, the OIG recommends that CMS (1) seek legislative authority to limit state Medicaid DME reimbursement rates to Medicare program rates, and (2) encourage further reduction of Medicaid reimbursement rates through competitive bidding or manufacturer rebates (the OIG did not determine the cost of implementing a rebate or competitive bidding program in each state). This was effective beginning January 1, 2018.

Due to budgetary shortfalls, many states are considering, or have enacted, cuts to their Medicaid programs. In addition, many private payors reimburse at a percentage of the Medicare rates. Medicare, Medicaid and private payor reimbursement rate cuts have included, or may include elimination or reduction of coverage for our products, amounts eligible for payment under co-insurance arrangements, or payment rates for covered items. Continued state budgetary pressures could lead to further reductions in funding for the reimbursement for our products which, in turn, would adversely affect our business, financial condition and results of operations.

On January 17, 2017, HHS published a final rule effective March 20, 2017 to address the appeals backlog that includes allowing certain decisions to be made by the Medicare Appeals Council to set precedent for lower levels of appeal, expansion of the pool of available adjudicators, and increasing decision-making consistency among the levels of appeal. In addition, it included provisions to improve the efficiency by streamlining the appeals process, allowing attorneys to handle some procedural matters at the administrative law judge level, and proposed funding increases and legislative actions outlined in the federal budget for 2017. HHS estimates this could eliminate the backlog in appeals by 2021. However, if this plan is not effective, the appeals backlog could increase, which could increase our collection times and decrease our cash flow, increase billing administrative costs, and/or increase the provision for rental revenue adjustments, which would adversely affect our business, financial condition and results of operations.

The competitive bidding process or other reimbursement policy changes under Medicare or other third-party payors could negatively affect our business and financial condition.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 requires the Secretary of HHS to establish and implement programs under which competitive acquisition areas are established throughout the United States for purposes of awarding contracts for the furnishing of competitively priced items of durable medical equipment, including oxygen equipment.

We rely significantly on reimbursement from Medicare and private payors, including Medicare Advantage plans, Medicaid and patients for our rental revenue. For the three months ended September 30, 2021 and September 30, 2020, approximately 81.6% and 82.8%, respectively, and approximately 82.6% and 80.6% for the nine months ended September 30, 2021 and September 30, 2020, respectively, of our rental revenue was derived from Medicare's traditional fee-for-service reimbursement programs. The U.S. list price for our stationary oxygen rentals Healthcare Common Procedure Coding System (HCPCS E1390) is $260 per month and the U.S. list price for our oxygen generating portable equipment (OGPE) rentals (HCPCS E1392) is $70 per month. The average Medicare reimbursement rates in former competitive bidding areas (CBAs) in the prior four years are outlined in the table below for E1390 and E1392, which are the two primary codes that we bill to Medicare and other payors for our oxygen product rentals. These rates are typically updated annually each January as they are subject to Consumer Price Index (CPI) and budget neutrality adjustments but can also be subject to adjustments during the year due to legislative rulings. Competitive bidding contracts were scheduled to go into effect on January 1, 2021; however, on October 27, 2020, CMS announced that competitive bidding contracts would not be awarded for most product categories, including oxygen, due to the payment amounts not achieving the expected savings and the current COVID-19 pandemic and related PHE. Effective April 1, 2021, rates were adjusted to remove a percentage reduction that was put in place to meet the budget neutrality requirement previously mandated by section 1834(a)(9)(D)(ii) of the Social Security Act. See the table below for average Medicare rates in former CBAs, using a simple average of rates in each CBA.

Average Medicare reimbursement rates in former CBAs	**E1390**	**E1392**
As of April 1, 2021	$ 81.25	$ 39.82
As of January 1, 2021	$ 73.88	$ 36.20
As of January 1, 2020	$ 73.98	$ 36.25
As of January 1, 2019	$ 72.92	$ 35.72
As of January 1, 2018	$ 77.03	$ 36.06

CMS also issued a proposed rule on November 4, 2020 (CMS-1738-P) to establish payment amounts going forward for DMEPOS products and services covered under Medicare. We believe that Medicare rates will not change for the length of the PHE, except for budget neutrality adjustments that typically occur annually each January but have not yet been announced.

CMS is proposing three different fee schedule adjustment methodologies for non-CBAs after the termination of the COVID-19 PHE: (1) for non-contiguous non-CBAs; (2) for contiguous non-CBAs defined as rural areas; and (3) for non-rural non-CBAs within the contiguous United States. Proposed adjustment methodologies (1) and (2) contemplate utilizing 50/50 blended rates as a permanent construct, but proposed adjustment methodology (3) contemplates setting the fee schedule amounts to 100% of the Medicare rates. This could reduce Medicare rates after the PHE is over in the current areas that are considered non-rural but not covered by a former CBA, as those areas are currently receiving a 75/25 blended reimbursement rate. There was a 60-day comment period on this proposed rule, and we expected this rule to be finalized in the first half of 2021. This was delayed due to the fact that on April 26, 2021, CMS published a notice stating that the Biden Administration published a "Regulatory Freeze Pending Review" memorandum advising all agencies, unless otherwise excepted by the Director of Office of Management and Budget, not to issue any rule until an appointee by the new Administration reviews and approves the rule. Pending this review and approval, CMS is continuing the rules already in effect until May 11, 2022. In January 2021, CMS announced the pivotal bid amounts for the competitive bidding round 2021. As a reminder, the bids for oxygen were based on the HCPCS code E1390, which is for stationary oxygen, and there were 130 regions bid. The simple average of the 2018 single payment amounts for these regions for this code was $73.98. The simple average of the pivotal bid amounts for these regions for this code was $122.61, or an average increase of 65.7%. If CMS would have implemented these rate changes, the average payment amounts in these regions for POCS (codes E1390 and E1392) would have been $157.60, which is significantly higher than the $110.07 per month being paid as of January 1, 2021.

In addition to regional pricing, CMS imposed different pricing on "frontier states" and rural areas. CMS defines frontier states as states where more than 50% of the counties in the state have a population density of 6 people or less per square mile and rural states are defined as states where more than 50% of the population lives in rural areas per census data. Current frontier states include MT, ND, SD and WY; rural states include ME, MS, VT and WV; and non-contiguous United States areas include AK, HI, Guam and Puerto Rico. Effective June 1, 2018, for frontier and rural states, frontier and rural zip codes in non-frontier/rural states and non-contiguous United States areas, the single payment amount will be the 50/50 blended reimbursement rates based on an average of the pre-competitive reimbursement bidding rates and the current average reimbursement rates to account for higher servicing costs in these areas. We estimate that approximately 20% of our patients are eligible to receive the higher reimbursement rates based on the geographic locations of our current patient population. Effective March 1, 2021, CMS announced that the rates as of January 1, 2021 were incorrectly calculated, and retroactively adjusted the rates, which are reflected in the table below. The Medicare rates announced previously were a simple average of $136.24 for HCPCS code E1390 and $44.69 for HCPCS code E1392, which were increased to $136.84 and $44.99, respectively. Effective April 1, 2021, rates were adjusted to remove a percentage reduction that was put in place to meet the budget neutrality requirement previously mandated by section 1834(a)(9)(D)(ii) of the Social Security Act. See the table below for average Medicare rates in rural areas, using a simple average of rates in each state.

Average Medicare reimbursement rates in rural areas	**E1390**	**E1392**
As of April 1, 2021	$ 143.48	$ 47.13
As of January 1, 2021 (retroactively revised March 1, 2021)	$ 136.84	$ 44.99
As of January 1, 2020	$ 136.71	$ 44.93
As of January 1, 2019	$ 134.71	$ 44.32
As of January 1, 2018	$ 76.31	$ 41.91

Rates in non-former CBAs that are not defined as rural are set based on the rates in former CBAs. See the table below for average Medicare rates in these non-former CBAs, non-rural areas, using a simple average of rates in each state. Effective March 1, 2021, CMS announced that the rates as of January 1, 2021 were incorrectly calculated, and retroactively adjusted the rates, which are reflected in the table below. The Medicare rates announced previously were a simple average of $103.18 for HCPCS code E1390 and $39.62 for HCPCS code E1392, which were increased to $104.07 and $40.06, respectively. Effective April 1, 2021, rates will be adjusted to remove a percentage reduction that was put in place to meet the budget neutrality requirement previously mandated by section 1834(a)(9)(D)(ii) of the Social Security Act. Note that the 2021 rates listed below include CARES Act increased rates due to the COVID-19 PHE, which may not be in place for all of 2021.

Average Medicare reimbursement rates in non-former CBAs, non-rural areas	**E1390**	**E1392**
As of April 1, 2021	$ 109.39	$ 42.12
As of January 1, 2021 (retroactively revised March 1, 2021)	$ 104.07	$ 40.06
As of January 1, 2020	$ 74.84	$ 36.87
As of January 1, 2019	$ 72.32	$ 35.64
As of January 1, 2018	$ 69.31	$ 38.10

In April 2021, CMS announced a delay of the 2018 IFR final rule (CMS-1687-RCN) and the 2020 DMEPOS proposed rule (CMS-1738-P discussed above). CMS is required to publish a final rule no later than three years after the publication of a proposed or interim final rule, except under exceptional circumstances. The 2018 IFR that resumed the 50/50 blended rates in rural areas between June and December 2018 was published on May 11, 2018. In accordance with the requirement, CMS is required to publish the final rule to the 2018 IFR by May 11, 2021, but CMS announced that there will be a delay in the final rule publication, and they extended the 2018 IFR until May 11, 2022. In addition, in the 2020 DMEPOS proposed rule, CMS stated that they solicited comments on the 2018 IFR, but have not yet responded to the comments received, and will do so in the final rule, expected to be published by May 11, 2022.

CMS is required to propose future rounds of competitive bidding, which could reduce reimbursement rates, negatively impact the premium for POCs over other oxygen modalities, or limit beneficiary access to our technologies. Cumulatively in previous rounds of competitive bidding, we were offered contracts for a substantial majority of the CBAs and product categories for which we submitted bids. Effective January 1, 2017, we believe we had access to over 90% of the Medicare oxygen therapy market based on our analysis of the 103 CBAs that we won out of the 130 total CBAs. These 130 CBAs represented approximately 36% of the Medicare market with the remaining approximately 64% of the market not subject to competitive bidding. As of January 1, 2019, we can choose to accept Medicare oxygen patients throughout the United States. As of July 2018, we currently operate in all 50 states in the U.S. We did not sell or rent to patients in Hawaii due to the licensure requirements from inception to June 2018.

We cannot guarantee that we will be offered contracts in subsequent rounds of competitive bidding. In all five rounds of competitive bidding in which we have participated, we have gained access to certain CBAs and been excluded from other CBAs.

In September 2021, CMS announced a final rule to the Home Use of Oxygen national coverage determination and a final rule to remove the national coverage determination for Home Oxygen Use to Treat Cluster Headaches. This allows the Medicare Administrative Contractors to make coverage determinations regarding the use of home oxygen and oxygen equipment for cluster headaches. CMS also expanded patient access to oxygen and oxygen equipment in the home by allowing oxygen use for acute or short-term needs instead of limiting coverage to chronic hypoxemia, removed the requirements for alternative treatment measures before dispensing of oxygen therapy, and removed the limited list of conditions for which oxygen may be covered to respiratory-related diseases, and allowed the physician flexibility to make that determination. In addition, CMS defined exercise more broadly to include functional performance of the patient and to give more flexibility on pulse oximetry readings to reduce racial disparities in care. Lastly, CMS reduced provider burden by removing the oxygen certificate of medical necessity requirement. We believe these changes will both expand coverage for patients who would benefit from oxygen therapy, reduce administrative burdens, and give more decision-making authority on proper patient care to the physicians. However, we do not yet have visibility on how the Medicare Administrative Contractors will change their coverage determinations.

Medicare revenue, including patient co-insurance and deductible obligations, represented 10.6% and 8.4% of our total revenue in the three months ended September 30, 2021 and September 30, 2020, respectively, and 9.7% and 6.5% in the nine months ended September 30, 2021 and September 30, 2020, respectively.

Medicare reimbursement for oxygen rental equipment is limited to a maximum of 36 months within a 60-month service period, and the equipment remains the property of the home oxygen supplier. The supplier that billed Medicare for the 36th month of service continues to be responsible for the patient's oxygen therapy needs for months 37 through 60, and there is generally no additional reimbursement for oxygen generating portable equipment for these later months. CMS does not separately reimburse suppliers for oxygen tubing, cannulas and supplies that may be required for the patient. The supplier is required to keep the equipment provided in working order and in some cases, CMS will reimburse for repair costs. At the end of the five-year useful life of the equipment, the patient may request replacement equipment and, if he or she can be re-qualified for the Medicare benefit, a new maximum 36-month payment cycle out of the next 60 months of service would begin. The supplier may not arbitrarily issue new equipment. We have analyzed the potential impact to revenue associated with patients in the capped rental period and have deferred $0 associated with the capped rental period as of September 30, 2021 and September 30, 2020. Our capped patients as a percentage of total patients on service was approximately8.3% and 13.8% as of September 30, 2021 and September 30, 2020, respectively. The percentage of capped patients may fluctuate over time as new patients come on service, patients come off of service before and during the capped rental period, and existing patients enter the capped rental period.

Our obligations to service Medicare patients over the rental period include supplying working equipment that meets each patient's oxygen needs pursuant to his/her doctor's prescription and supplying all disposables required for the patient to operate the equipment, including cannulas, filters, replacement batteries, carts and carry bags, as needed. If the equipment malfunctions, we must repair or replace the equipment. We determine what equipment the patient receives, and we can deploy used assets in working order as long as the prescription requirements are met. We must also procure a renewal from the patient's doctor to confirm the patient's need for oxygen therapy one year after the patient first receives oxygen therapy and one year after each new 36-month reimbursement period begins. The patient can choose to receive oxygen supplies and services from another supplier at any time, but the supplier may only transition the patient to another supplier in certain circumstances.

Although we continue to monitor developments regarding the implementation of the competitive bidding program, we cannot predict the outcome of the competitive bidding program on our business when fully implemented, nor the Medicare reimbursement rates that will be in effect in future years for the items subject to competitive bidding, including our products. We expect that the stationary oxygen and non-delivery ambulatory oxygen reimbursement rates will continue to fluctuate, and a large negative payment adjustment would adversely affect our business, financial condition and results of operations.

Healthcare reform measures may have a material adverse effect on our business and results of operations.

In the United States, the legislative landscape, particularly as it relates to healthcare regulation and reimbursement coverage, continues to evolve. In March 2010, the Patient Protection and Affordable Care Act was passed, which has substantially changed healthcare financing by both governmental and private insurers, and significantly impacts the U.S. medical device industry.

In addition, other legislative changes have been proposed and adopted in the United States since the Patient Protection and Affordable Care Act was enacted. On August 2, 2011, the Budget Control Act of 2011 created, among other things, measures for spending reductions by Congress. A Joint Select Committee on Deficit Reduction, tasked with recommending a targeted deficit reduction of at least $1.2 trillion for the years 2013 through 2021, was unable to reach required goals, thereby triggering the legislation's automatic reduction to several government programs. This includes aggregate reductions of Medicare reimbursements to providers up to 2% per fiscal year, which went into effect on April 1, 2013, and will remain in effect through 2030 unless additional Congressional action is taken. For example, a provision in the CARES Act and the December stimulus bill temporarily paused the 2% Medicare sequestration reduction for claims dated from May 1, 2020 through December 31, 2020 and the CARES Act also extends the end date of the Medicare sequestration reduction by one year, through 2030, in order to offset the 2020 suspension. Although the Consolidated Appropriations Act of 2021, signed into law on December 27, 2020, extended the suspension period of the sequestration to March 31, 2021, and the U.S. House of Representatives bill H.R. 1868 was signed into law on April 14, 2021 and extended the suspension period to December 31, 2021, we expect that additional state and federal healthcare reform measures will be adopted in the future, any of which could limit the amounts that federal and state governments will pay for healthcare products and services, which could result in reduced demand for our products or additional pricing pressures.

In addition to the legislative changes discussed above, the Patient Protection and Affordable Care Act of 2010 requires healthcare providers to voluntarily report and return an identified overpayment within 60 days after identifying the overpayment. Failure to repay the overpayment within 60 days will result in the claim being considered a "false claim" and the healthcare provider will be subject to False Claims Act liability.

State legislative bodies also have the right to enact legislation that would impact requirements of home medical equipment providers, including oxygen therapy providers. Some states have already enacted legislation that would require in-state facilities. We are monitoring all state requirements to maintain compliance with state-specific legislation and access to service patients in these states. To the extent such legislation is enacted, it could result in increased administrative costs or otherwise exclude us from doing business in a particular state, which would adversely impact our business, financial condition and results of operations.

We face uncertainties that might result from modification or repeal of any of the provisions of the Patient Protection and Affordable Care Act, including as a result of current and future executive orders, legislative actions and judicial decisions. The impact of those changes on us and potential effect on the durable medical equipment industry as a whole is currently unknown. But any changes to the Patient Protection and Affordable Care Act are likely to have an impact on our results of operations and may have a material adverse effect on our results of operations. We cannot predict what other healthcare programs and regulations will ultimately be implemented at the federal or state level or the effect of any future legislation or regulation in the United States may have on our business.

We depend upon reimbursement from Medicare, private payors, Medicaid and payments from patients for a significant portion of our revenue, and if we fail to manage the complex and lengthy reimbursement process, our business and operating results could be adversely affected.

A significant portion of our rental revenue is derived from reimbursement by third-party payors. We accept assignment of insurance benefits from customers and, in a majority of cases, invoice and collect payments directly from Medicare, private payors and Medicaid, as well as direct from patients under co-insurance provisions. For the three months ended September 30, 2021 and September 30, 2020, approximately 13.0% and 10.1%, respectively, and for the nine months ended September 30, 2021 and September 30, 2020, approximately 11.8% and 8.1%, respectively, of our total revenue was derived from Medicare, private payors, Medicaid, and individual patients who directly receive reimbursement from third-party payors and this percentage could increase as a percent of total revenue if we increase net patient additions faster than our sales revenue growth.

Our financial condition and results of operations may be affected by the healthcare industry's reimbursement process, which is complex and can involve lengthy delays between the time that a product is delivered to the consumer and the time that the reimbursement amounts are settled. Depending on the payor, we may be required to obtain certain payor-specific documentation from physicians and other healthcare providers before submitting claims for reimbursement. Certain payors have filing deadlines and they will not pay claims submitted after such time. We are also subject to extensive pre-payment and post-payment audits by governmental and private payors that could result in material delays, refunds of monies received or denials of claims submitted for payment under such third-party payor programs and contracts. We cannot ensure that we will be able to continue to effectively manage the process, it would adversely affect our business, financial condition and results of operations.

If our manufacturing facilities become unavailable or inoperable, we could be unable to continue manufacturing our products and, as a result, our business, financial condition and results of operations could be adversely affected until we are able to secure a new facility.

We assemble our products at our facilities in Richardson, Texas and Goleta, California and through our contract manufacturer in the Czech Republic. No other manufacturing facilities are currently available to us, particularly facilities of the size and scope of our Texas facility. Our facilities and the equipment we use to manufacture our products would be costly to replace and could require substantial lead time to procure, repair or replace. Our facilities may be harmed or rendered inoperable by natural or man-made disasters, including, but not limited to, the COVID-19 pandemic and related PHE related facility shutdowns, fire, flood, earthquakes and power outages, which may render it difficult or impossible for us to manufacture our products for some period of time. Although we and our contract manufacturer have been able to keep our manufacturing facilities open thus far during the COVID-19 pandemic and related PHE, we cannot assure that we will be able to continue to do so indefinitely. If any of our facilities become unavailable to us, we cannot provide assurances that we will be able to secure and equip a new manufacturing facility on acceptable terms in a timely manner. The inability to manufacture our products, combined with delays in replacing parts inventory and manufacturing supplies and equipment, may result in the loss of customers and/or harm our reputation, and we may be unable to reestablish relationships with those customers in the future. Although we have insurance coverage for certain types of disasters and business interruptions which may help us recover some of the costs of damage to our property, costs of recovery and lost income from the disruption of our business, insurance coverage of certain perils may be limited or unavailable at cost effective rates and may therefore not be sufficient to cover any or all of our potential losses and may not continue to be available to us on acceptable terms, or at all. If our manufacturing capabilities are impaired, we could not be able to manufacture, store, and ship our products in sufficient quantity or a cost effective or timely manner, which would adversely affect our business, financial condition and results of operations.

We rely upon a third-party contract manufacturer for certain manufacturing operations and our business and results of operations may be adversely affected by risks associated with their business, financial condition and the geography in which they operate.

We utilize a third-party contract manufacturer located in the Czech Republic for production of a portion of our Inogen One G3 and Inogen One G5 concentrators and for repair services for these products. In 2018, 2019, 2020 and the nine months ended September 30, 2021, our contract manufacturer produced the vast majority of the concentrators required to support our European demand and we expect this to continue in 2021 and 2022. There are a number of risks associated with our dependence on a contract manufacturer, including:

- reduced control over delivery schedules and planning;
- reliance on the quality assurance procedures of a third party;
- risks associated with our contract manufacturer failing to manufacture our products according to our specifications, quality regulations, including the FDA's Quality System regulations, or otherwise manufacturing products that we or regulatory authorities deem to be unsuitable for commercial use;
- risks associated with our contract manufacturer's ability to successfully undergo FDA and other regulatory authority quality inspections;
- potential uncertainty regarding manufacturing yields and costs;
- availability of manufacturing capability and capacity, particularly during periods of high demand and the COVID-19 pandemic and related PHE;
- risks and uncertainties associated with the location or country where our products are manufactured, including potential manufacturing disruptions caused by social, geopolitical or environmental factors;
- changes in U.S. law or policy governing foreign trade, manufacturing, development and investment in the countries where we manufacture our products, including the World Trade Organization Information Technology Agreement or other free trade agreements;
- delays in delivery by suppliers due to customs clearing delays, shipping delays, scarcity of raw materials and changes in demand from us or their other customers;
- limited warranties provided to us; and
- potential misappropriation of our intellectual property.

These and other risks could impair our ability to fulfill orders, harm our sales and impact our reputation with customers. If our contract manufacturer is unable or unwilling to manufacture our products or components of our products, or if our contract manufacturer discontinues operations, we may be required to identify and qualify alternative manufacturers, which could cause us to be unable to meet our supply requirements to our customers and result in the breach of our customer agreements. The process of qualifying a new contract manufacturer and commencing volume production is expensive and time-consuming, and if we are required to change or qualify a new contract manufacturer, we would likely lose sales revenue and damage our existing customer relationships.

Failure to maintain or obtain new private payor contracts and future reductions in reimbursement rates from private payors could have a material adverse effect on our financial condition and results of operations.

A portion of our rental revenue is derived from private payors. Based on our patient population, we estimate approximately 33% of potential customers have non-Medicare insurance coverage (including Medicare Advantage plans). Failing to maintain and obtain private payor contracts from private insurance companies and employers and secure in-network provider status could have a material adverse effect on our financial condition and results of operations. In addition, private payors are under pressure to increase profitability and reduce costs. In response, certain private payors are limiting coverage or reducing reimbursement rates for the products we provide. We believe that private payor reimbursement levels will generally be reset in accordance with the Medicare reimbursement amounts determined by competitive bidding. We cannot predict the extent to which reimbursement for our products will be affected by competitive bidding or by initiatives to reduce costs for private payors. Failure to maintain or obtain new private payor contracts or the unavailability of third-party coverage or inadequacy of reimbursement for our products would adversely affect our business, financial condition and results of operations.

If we are unable to manage our anticipated growth effectively, our business could be harmed.

We have previously experienced periods of rapid growth in short periods of time. These periods of rapid growth of our business have placed a significant strain on our managerial and operational resources and systems. For example, as our business has grown, we have seen the cost per generated lead trend higher than historical averages. In addition, many of the sales representatives we hired in 2018 were unable to meet sales targets and were thus transitioned out To continue to grow our business, we must attract and retain capable personnel and manage and train them effectively, particularly related to sales representatives and supporting sales personnel. We must also upgrade our internal business processes and capabilities to create the scalability that a growing business demands.

Going forward, we plan to hire additional inside sales representatives at a more controlled pace across all three facilities to expand sales capacity, but our inside sales representative headcount was down significantly at year-end 2019 compared to year-end 2018 and, due to the impact of the COVID-19 pandemic and related PHE, it was also down at year-end 2020 compared to year-end 2019. Headcount was up slightly as of September 30, 2021 compared to December 31, 2020. In 2021, we expect hiring will continue to be challenging due to the continued impacts of the COVID-19 pandemic and related PHE, so we do not expect to increase our inside sales force and instead expect to offset attrition with replacement hiring. While we believe we are making the necessary changes to improve sales management infrastructure to support sales representative training and onboarding, it will take more time to evaluate whether these changes are effective in the long term, particularly given the impact of the COVID-19 pandemic and related PHE, and to the extent they are not effective it may negatively affect our financial condition and results of operations.

In addition, we plan to hire additional sales representatives in our prescriber sales organization, of which a portion is planned through Ashfield, our contract sales organization, to enhance our go-to-market capabilities in the U.S. While Ashfield plans to add approximately 20 dedicated sales representatives to our prescriber sales organization in early 2022, in addition to our own direct hires, the employment market is very challenging and there is no guarantee that they, or we, will be able to meet the desired timing. Additionally, Ashfield will provide access to its best-in-class data-driven sales management disciplines, proprietary prescriber insights, and analytics to support our growth strategy and drive performance in the clinician sales channel. While we believe that our investments in the prescriber sales organization will enhance our growth in direct-to-consumer sales and rental revenue, it will take time for these sales representatives to be fully trained and ramped up to full productivity, and it will take time for the sales tools to be implemented across our existing prescriber sales representatives. To the extent that the sales representatives hired either through us or Ashfield, are not effective, or the number of sales representatives does not reach the number anticipated, it may negatively affect our future growth and results of operations.

In addition, our sales expansion and productivity improvements for 2021 may continue to be negatively impacted due to the COVID-19 pandemic and related PHE. In connection with the COVID-19 pandemic and related PHE, we expect minimal sales representative headcount additions for the rest of 2021, and we expect the COVID-19 pandemic and related PHE may continue to reduce the number of oxygen therapy patients who purchase our products directly through our direct-to-consumer sales channel, and the number of sales generated from physician offices or make it more difficult to get paperwork and testing from physician offices. The reduction in nonessential travel may also continue to harm our business, particularly for our prescriber sales representatives and business-to-business partners who rely on physician office and hospital visits to drive business, and patients who rely on physicians to prescribe them oxygen therapy after in-office testing.

We also have experienced increased demand for our products in various markets associated with rising rates of COVID-19, since physicians may prescribe supplemental oxygen as a treatment for COVID-19. As a result, in these periods we saw increased demand for our products for applicable patients who may be treated in the home instead of an acute hospital setting. This demand is mostly being filled through our HME provider partners, who work closely with hospitals to discharge patients into a home treatment program. If this demand increase resumes and we cannot meet this demand, we may lose market share to competitors or lose customers, which may negatively affect our financial conditions and results of operations. In addition, even if we are able to meet any such increased demand, such an increase in business-to-business sales mix may negatively impact our gross margin as HME provider purchases have a significantly lower average selling price than direct-to-consumer purchases.

During 2019, we signed leases to expand our facilities located in Plano, Texas and Goleta, California, which commenced in 2021. Domestic expansion, combined with our use of a contract manufacturer in Europe to produce a portion of our Inogen One G3 and Inogen One G5 concentrators and perform product repairs, is expected to be sufficient to meet our manufacturing needs provided that these facilities remain operational. However, our anticipated growth may place additional strain on our supply chain and manufacturing facilities, resulting in an increased need for us to carefully monitor parts inventory, capable staffing and quality assurance. Any failure by us to manage the scalability of our process or other aspects of our growth effectively could have an adverse effect on our ability to achieve our development and commercialization goals and negatively affect our financial condition and results of operations.

We may expand through acquisitions of, or investments in, other companies, each of which may divert our management's attention, result in additional dilution to our stockholders, increase expenses, disrupt our operations, and harm our results of operations.

Our business strategy may, from time-to-time, include acquiring or investing in complementary services, technologies or businesses, such as our acquisition of MedSupport in 2017 and our acquisition of New Aera in 2019. We do not have an extensive history of acquiring other companies and cannot assure you that we will successfully identify suitable acquisition candidates, integrate or manage disparate technologies, lines of business, personnel and corporate cultures, realize our business strategy or the expected return on our investment, or manage a geographically dispersed company. Any such acquisition or investment could materially and adversely affect our financial condition and results of operations. We may issue equity securities which could dilute current stockholders' ownership, incur debt, assume contingent or other liabilities and expend cash in acquisitions, which could negatively impact our financial condition, stockholder equity, and stock price. The acquisition and integration process is complex, expensive and time-consuming, and may cause an interruption of, or loss of momentum in, product development and sales activities and operations of both companies, and we may incur substantial cost and expense, as well as divert the attention of management.

Acquisitions and other strategic investments involve significant risks and uncertainties, including:

- the potential failure to achieve the expected benefits of the combination or acquisition;
- the potential failure to successfully develop or commercialize the acquired products or technology;
- unanticipated costs and liabilities;
- difficulties in integrating new products, businesses, operations, and technology infrastructure in an efficient and effective manner;
- difficulties in maintaining customer relations;
- the potential loss of key employees of the acquired businesses;
- the diversion of the attention of our senior management from the operation of our daily business;
- the potential adverse effect on our cash position to the extent that we use cash for the purchase price;
- the potential incurrence of interest expense and debt service requirements if we incur debt to pay for an acquisition;
- the potential issuance of securities that would dilute our stockholders' percentage ownership;
- the potential to incur large and immediate write-offs and restructuring and other related expenses;
- the potential of amortization expenses related to intangible assets;
- the potential failure to achieve anticipated reimbursement classifications for acquired products;
- the potential to become involved in intellectual property litigation related to such acquisitions or strategic investments; and
- the inability to maintain uniform standards, controls, policies, and procedures.

Any acquisition or investment could expose us to unknown liabilities. Moreover, we cannot assure you that we will realize the anticipated benefits of any acquisition or investment. In addition, our inability to successfully operate and integrate newly acquired businesses appropriately, effectively, and in a timely manner could impair our ability to take advantage of future growth opportunities and other advances in technology, as well as on our revenues, gross margins, and expenses.

As part of our ongoing efforts to advance patient preference and maintain our technology leadership position, we acquired New Aera in 2019 and completed our integration process. We made certain assumptions relating to the New Aera acquisition, which assumptions may have been inaccurate, including the failure to realize the expected benefits of the acquisition, failure to realize expected revenue, higher than expected operating costs, and general economic and business conditions that adversely affect the combined company following the acquisition. After integration of New Aera, and partially as a result of the negative litigation outcome in our case against the Department of Health and Human Services, more fully described in Part II, Item 1 "*Litigation*" above, we believe that our assumptions regarding New Aera will not be fully realized. We believe that there are still many risks associated with the TAV product, including whether we will be able to successfully incorporate TAV into our existing products, what sort of competition there may be for the TAV product, and the other risks identified in this Quarterly Report on Form 10-Q. These unrealized synergies may be beneficial to short-term operating results, but we believe may be harmful to our long-term term operating results.

We may experience manufacturing problems or delays that could limit our growth or adversely affect our operating results.

Our products are manufactured using complex parts and processes, sophisticated equipment and strict adherence to design specifications and quality standards. Any unforeseen manufacturing problems, such as disruption related to the COVID-19 pandemic and related PHE, contamination of our facility, equipment malfunction or miscalibration, supply chain shortages, regulatory findings, or failure to strictly follow procedures or meet design specifications, could result in delays or shortfalls in production of our products. Identifying and resolving the cause of any such manufacturing issues could require substantial time and resources. If we are unable to keep up with demand for our products by successfully manufacturing and shipping our products in a timely and quality manner, our operating results could be impaired, market acceptance for our products could be adversely affected and our customers might instead purchase our competitors' products. For example, in December 2019 through February 2020, we experienced unforeseen manufacturing challenges with respect to a column sub-assembly manufacturing supplier on the Inogen One G5, which led to a significant backlog of orders and some cancellation of orders. The ongoing servicing costs associated with these issues, or other manufacturing issues we may experience in the future may increase our cost of goods sold, adversely affect our operating results and harm our reputation. Additionally, regulators may disagree with our handling of any such incidents and take action. Also, although we believe we are addressing these issues, we may experience additional unexpected product defects or errors that could have adverse effects. In addition to these manufacturing issues, we also have experienced issues with our supply chain, as discussed in detail in the risk factor entitled "*We obtain some of the components, subassemblies and completed products included in our products from a single source or a limited group of manufacturers or suppliers, and the partial or complete loss of one or more of these manufacturers or suppliers could cause significant production delays, an inability to meet customer demand, substantial loss in revenue, and an adverse effect on our financial condition and results of operations.*"

In addition, the introduction of new products may require the development of new manufacturing processes and procedures. While all of our products are assembled using essentially the same basic processes, significant changes in technology, programming, and other variations may be required to meet product specifications. Developing new processes can be very time consuming and affect quality, as such any unexpected difficulty in doing so could delay the introduction of a new product and our ability to produce sufficient quantities of existing products.

We are exposed to the credit and non-payment risk of our HME providers, distributors, private label partners and resellers, especially during times of economic uncertainty and tight credit markets, which could result in material losses.

We sell our products to certain HME providers, distributors, private label partner and resellers on unsecured credit, with terms that vary depending upon the customer's credit history, solvency, cash flow, credit limits and sales history, as well as prevailing terms with similarly situated customers and whether sufficient credit insurance can be obtained. In particular, two customers each represented more than 10% of our net accounts receivable balance with accounts receivable balances of $6.7 million and $5.5 million, respectively, as of September 30, 2021, and two customers each with an accounts receivable balance of $8.4 million and $7.0 million, respectively, as of December 31, 2020. Challenging economic conditions, including those associated with the COVID-19 pandemic and related PHE, may impair the ability of our customers to pay for products they have purchased, and as a result, our reserve for doubtful accounts could increase and, even if increased, may turn out to be insufficient. Moreover, even in cases where we have insolvency risk insurance to protect against a customer's bankruptcy, insolvency or liquidation, this insurance typically contains a significant deductible and co-payment obligation and does not cover all instances of non-payment. Our exposure to credit risks of our business partners may increase if our business partners and their end customers are adversely affected by global or regional economic conditions, including those associated with the COVID-19 pandemic and related PHE. One or more of these business partners could delay payments or default on credit extended to them, either of which could adversely affect our business, financial condition and results of operations.

We generate a substantial portion of our revenue internationally and are subject to various risks relating to such international activities, which could adversely affect our operating results. In addition, any disruption or delay in the shipping of our products, whether domestically or internationally, may have an adverse effect on our financial condition and results of operations.

During the nine months ended September 30, 2021,and September 30, 2020, approximately 21.1% and 20.7%, respectively, of our total revenue was generated from customers located outside of the United States. We believe that a significant percentage of our future revenue will continue to come from international sources as we expand our international operations and develop opportunities in other countries. Engaging in international business inherently involves a number of difficulties and risks, including:

- required compliance with anti-bribery laws, such as the U.S. Foreign Corrupt Practices Act and U.K. Bribery Act, data privacy regulations, such as the European Union General Data Protection Regulation (GDPR), labor laws, and anti-competition regulations;
- export or import delays and restrictions;
- obtaining and maintaining regulatory clearances, approvals and certifications;

- laws and business practices favoring local companies;
- difficulties in enforcing agreements and collecting receivables through certain foreign legal systems;
- unstable economic, political, and regulatory conditions;
- supply chain complexities;
- fluctuations in currency exchange rates;
- fluctuations in demand due to country-specific tenders and tender uncertainty and capital expenditure constraints;
- potentially adverse tax consequences, tariffs, customs charges, bureaucratic requirements, and other trade barriers;
- any other government actions, by the United States, China or other countries, that impose barriers or restrictions that would impact our ability to sell or ship products to customers; and
- difficulties protecting or procuring intellectual property rights.

If one or more of these risks occurs, it could require us to dedicate significant resources to remedy, and if we are unsuccessful in finding a solution, our financial condition and results of operations will suffer.

In addition, on June 23, 2016, the United Kingdom (U.K.) held a referendum in which voters approved an exit from the European Union, commonly referred to as "Brexit." This decision created an uncertain political and economic environment in the U.K. and other European Union countries, and the formal process for leaving the European Union has taken years to complete. The U.K. formally left the European Union on January 31, 2020 and began a transition period which expired on December 31, 2020.

In December 2020, the U.K. and the European Union agreed on a trade and cooperation agreement, under which the U.K. and the European Union will now form two separate markets governed by two distinct regulatory and legal regimes. The trade and cooperation agreement covers the general objectives and framework of the relationship between the U.K. and the European Union, including as it relates to trade, transport and visas. Notably, under the trade and cooperation agreement, U.K. service suppliers no longer benefit from automatic access to the entire European Union single market, U.K. goods no longer benefit from the free movement of goods and there is no longer the free movement of people between the U.K. and the European Union. Depending on the application of the terms of the trade and cooperation agreement, we could face new regulatory costs and challenges.

Adverse consequences concerning Brexit or the future of the European Union could include deterioration in global economic conditions, instability in global financial markets, political uncertainty, volatility in currency exchange rates or adverse changes in the cross-border agreements currently in place, any of which could have an adverse impact on our financial results in the future.

A significant amount of our international product sales are currently denominated in U.S. dollars and fluctuations in the value of the U.S. dollar relative to foreign currencies could decrease demand for our products and adversely impact our financial results. For example, if the value of the U.S. dollar increases relative to foreign currencies, our products could become more costly to the international consumer and therefore less competitive in international markets. Our results of operations and cash flows are, therefore, subject to fluctuations due to changes in foreign currency exchange rates. The volatility of exchange rates depends on many factors that we cannot forecast with reliable accuracy. We have experienced and will continue to experience fluctuations in our net income or loss as a result of transaction gains or losses related to revaluing certain current asset and current liability balances that are denominated in currencies other than the functional currency of the entities in which they are recorded. For example, for the nine months ended September 30, 2021 and September 30, 2020, we experienced net foreign currency losses of $0.5 million and net foreign currency gains of $0.3 million, respectively. Fluctuations in currency exchange rates could have an adverse impact on our financial results in the future. While we have a hedging program for Euros that attempts to manage currency exchange rate risks to an acceptable level based on management's judgment of the appropriate trade-off between risk, opportunity, and cost, this hedging program does not completely eliminate the effects of currency exchange rate fluctuations. In addition, currency hedging may result in a reduction or increase in revenue should the currency strengthen or decline during the contract period. A discussion of the hedging program is contained in Item 7A. Quantitative and Qualitative Disclosures about Market Risk in our Annual Report on Form 10-K for the year ended December 31, 2020. Additional information on our hedging arrangements is also contained in Note 3 – Fair value measurements and Item 3 – Quantitative and Qualitative Disclosures About Market Risk in the condensed notes in our consolidated financial statements in this Quarterly Report on Form 10-Q.

We rely on shipping providers to deliver products to our customers globally. Labor, tariff, or World Trade Organization-related disputes, piracy, physical damage to shipping facilities or equipment caused by severe weather or terrorist incidents, congestion at shipping facilities, inadequate equipment to load, dock, and offload our products, energy-related tie-ups, shipping delays associated with the COVID-19 pandemic and related PHE, or other factors could disrupt or delay shipping or offloading of our products domestically and internationally. Such disruptions or delays may have an adverse effect on our financial condition and results of operations.

Failure to comply with anti-bribery, anti-corruption, and anti-money laundering laws, including the U.S. Foreign Corrupt Practices Act of 1977, as amended, or the FCPA, and similar laws associated with our activities outside of the United States could subject us to penalties and other adverse consequences.

We are subject to the FCPA, the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the U.S. Travel Act, the USA PATRIOT Act, the United Kingdom Bribery Act of 2010 and possibly other anti-corruption, anti-bribery and anti-money laundering laws in the more than fifty-nine countries around the world where we conduct activities and sell our products. We face significant risks and liability if we fail to comply with the FCPA and other anti-corruption and anti-bribery laws that prohibit companies and their employees and third-party business partners, such as distributors or resellers, from authorizing, offering or providing, directly or indirectly, improper payments or benefits to foreign government officials, political parties or candidates, employees of public international organizations including healthcare professionals, or private-sector recipients for the corrupt purpose of obtaining or retaining business, directing business to any person, or securing any advantage.

We leverage various third parties to sell our products and conduct our business abroad. We, our distributors and channel partners, and our other third-party intermediaries and manufacturer may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities (such as in the context of obtaining government approvals, registrations, or licenses) and may be held liable for the corrupt or other illegal activities of these third-party business partners and intermediaries, our employees, representatives, contractors, partners, and agents, even if we do not explicitly authorize such activities. In many foreign countries, particularly in countries with developing economies, it may be a local custom that businesses engage in practices that are prohibited by the FCPA or other applicable laws and regulations. We provide training to all employees, including management, to ensure compliance with the FCPA. As such, we intend to continue to implement an FCPA/anti-corruption compliance program to ensure compliance with such laws, but we face the risk that individual actions of our employees and agents, as well as those companies to which we outsource certain of our business operations, will not take actions in violation of our policies and applicable law, for which we have to defend ourselves and may be ultimately held responsible.

Any violation of the FCPA, other applicable anti-bribery, anti-corruption laws, and anti-money laundering laws could result in whistleblower complaints, adverse media coverage, investigations, loss of export privileges, severe criminal or civil sanctions and, in the case of the FCPA, suspension or debarment from U.S. government contracts, which could have a material and adverse effect on our reputation, business, operating results and prospects. In addition, responding to any enforcement action or related investigation may result in a materially significant diversion of management's attention and resources and significant defense costs and other professional fees.

If we fail to comply with U.S. export control and economic sanctions or fail to expand and maintain an effective sales force or successfully develop our international distribution network, our business, financial condition and results of operations may be adversely affected.

We currently derive the majority of our revenue from rentals or sales generated from our own direct sales force. Failure to maintain or expand our direct sales force could adversely affect our financial condition and results of operations. Additionally, we use international distributors to augment our sales efforts, certain of which are exclusive distributors in certain foreign countries. We cannot assure you that we will be able to successfully retain or develop our relationships with third-party distributors internationally. In addition, we are subject to United States export control and economic sanctions laws relating to the sale of our products, the violation of which could result in substantial penalties being imposed against us. In particular, we have secured annual export licenses from the U.S. Treasury Department's Office of Foreign Assets Control to sell our products to a distributor and hospital and clinic end-users in Iran. The use of this license requires us to observe strict conditions with respect to products sold, end-user limitations and payment requirements. Although we believe we have maintained compliance with license requirements, there can be no assurance that the license will not be revoked, be renewed in the future or that we will remain in compliance. More broadly, if we fail to comply with export control laws or successfully develop our relationship with international distributors, our sales could fail to grow or could decline, and our ability to grow our business could be adversely affected. Distributors that are in the business of selling other medical products may not devote a sufficient level of resources and support required to generate awareness of our products and grow or maintain product sales. If our distributors are unwilling or unable to market and sell our products, or if they do not perform to our expectations, we could experience delayed or reduced market acceptance and sales of our products resulting in adverse results of operations.

We may be subject to substantial warranty or product liability claims or other litigation in the ordinary course of business that may adversely affect our business, financial condition and results of operations.

As manufacturers of medical devices, we may be subject to substantial warranty or product liability claims or other litigation in the ordinary course of business that may require us to make significant expenditures to defend these claims or pay damage awards. For example, our Inogen One systems contain lithium ion batteries, which, under certain circumstances, can be a fire hazard. We, as well as our key suppliers, maintain product liability insurance, but this insurance is limited in amount and subject to significant deductibles. There is no guarantee that insurance will be available or adequate to protect against all claims. Our insurance policies are subject to annual renewal and we may not be able to obtain liability or product insurance in the future on acceptable terms or at all. In addition, our insurance premiums could be subject to increases in the future, which may be material. If the coverage limits are inadequate to cover our liabilities or our insurance costs continue to increase as a result of warranty or product liability claims or other litigation, then our business, financial condition and results of operations may be adversely affected.

We may also be subject to other types of claims arising from our normal business activities. These may include claims, suits, and proceedings involving labor and employment, wage and hour, commercial, alleged securities laws violations or other investor claims, patent defense and other matters. The outcome of any litigation, regardless of its merits, is inherently uncertain. Any claims and lawsuits, and the disposition of such claims and lawsuits, could be time-consuming and expensive to resolve, divert management attention and resources, and lead to attempts on the part of other parties to pursue similar claims. Any adverse determination related to litigation could require us to change our technology or our business practices, pay monetary damages or enter into royalty or licensing arrangements, which could adversely affect our business, financial condition and results of operations.

Increases in our operating costs could have a material adverse effect on our business, financial condition and results of operations.

Reimbursement rates are established by fee schedules mandated by Medicare, private payors and Medicaid, and are likely to be set, in part, to federal and state government budgetary constraints. As a result, with respect to Medicare and Medicaid related revenue, we may not be able to offset the effects of general inflation on our operating costs through increases in prices for our products, as these inflation adjustments are subject to annual approval outside of our control. In particular, labor and related costs account for a significant portion of our operating costs and we compete with other healthcare providers to attract and retain qualified or skilled personnel and with various industries for administrative and service employees. This competitive environment could result in increased labor costs, which we have seen in 2021 as the labor market has tightened and there is increased competition for certain roles. As a result, increases in our operating costs including personnel-related costs could adversely affect our financial condition and results of operations.

We depend on the services of our senior executives and other key technical personnel, the loss of whom could negatively affect our business.

Our success depends upon the skills, experience and efforts of our senior executives and other key technical personnel, including certain members of our engineering, accounting and compliance staff as well as our sales and marketing personnel. Our President and Chief Executive Officer, Nabil Shabshab, joined us in February 2021, our Executive Vice President, Chief Commercial Officer, George Parr, joined us in April 2021, our Executive Vice President, Chief Technology Officer, Stanislav Glezer, joined us in June 2021, and our Executive Vice President, General Counsel, Jason Somer, joined us in July 2021. If experienced employees leave, we could experience inefficiencies or a lack of business continuity due to loss of historical knowledge and a lack of familiarity of the new employees with business processes, operating requirements, policies and procedures. It is important to our success that these key employees quickly adapt to and excel in their new roles. If they are unable to do so, our business and financial results could be materially adversely affected. In addition, much of our corporate expertise is concentrated in relatively few employees, the loss of which for any reason could negatively affect our business. Competition for our highly skilled employees is intense and we cannot prevent the resignation of any employee. We do not maintain “key man” life insurance on any of our senior executives. None of our senior executive team is bound by written employment contracts to remain with us for a specified period. In addition, we have not entered into non-compete agreements with members of our executive management team. The loss of any member of our executive management team could harm our ability to implement our business strategy and respond to the market conditions in which we operate.

We and our vendors and service providers rely on information technology networks and systems, and if we are unable to protect against service interruptions, data corruption, cybersecurity risks, data security incidents and/or network security breaches, our operations could be disrupted and our business could be negatively affected.

We rely on information technology networks and systems to process, transmit and store electronic, customer, operational, compliance, and financial information; to coordinate our business; and to communicate within our company and with customers, suppliers, partners and other third parties. These information technology networks and systems may be susceptible to damage, disruptions or shutdowns, hardware or software failures, power outages, computer viruses, cybersecurity risks, data security incidents, telecommunication failures, user errors or catastrophic events. Like other companies, we have experienced data security incidents before. For example, on April 13, 2018, we announced that messages within an employee email account were accessed by unknown persons outside of our company without authorization. Some of the messages and attached files in that email account contained personal information belonging to our rental customers. We immediately took steps to secure customer information and hired a leading forensics firm to investigate the incident and to bolster our security. The unauthorized access of the potentially impacted email account appears to have occurred between January 2, 2018 and March 14, 2018. We notified approximately 30,000 current and former rental customers of this incident as well as the applicable regulatory authorities. We also provided resources, including credit monitoring and an insurance reimbursement policy, to assist all potentially affected individuals. We have incurred remedial, legal and other costs in connection with this incident. We have insurance coverage in place for certain potential liabilities and costs relating to service interruptions, data corruption, cybersecurity risks, data security incidents and/or network security breaches, but this insurance is limited in amount, subject to a deductible, and may not be adequate to cover us for all costs arising from these incidents.

If our information technology networks and systems suffer unauthorized access, severe damage, disruption or shutdown, and our business does not effectively identify or resolve the issues in a timely manner, our operations could be disrupted, we could be subject to regulatory and consumer lawsuits and our business could be negatively affected. In addition, cybersecurity risks and data security incidents could lead to potential unauthorized access to or acquisition of confidential information (including protected health information), and data loss and corruption. There is no assurance that we will not experience service interruptions, security breaches, cybersecurity risks and data security incidents, or other information technology failures in the future.

Due to the COVID-19 pandemic and related PHE, we have an increased number of employees working remotely. As a result, we may have increased cybersecurity or data security risks, due to increased use of home wi-fi networks and virtual private networks, as well as increased disbursement of physical machines. While we implement IT controls to reduce the risk of a cybersecurity and data security breach, there is no guarantee that these measures will be adequate to safeguard all systems with an increased number of employees working remotely.

The methods used to obtain unauthorized access, disable or degrade service or sabotage systems are constantly evolving and may be difficult to anticipate or to detect for long periods of time. As a result of these types of risks and attacks, we have implemented and periodically review and update systems, processes, and procedures to protect against unauthorized access to or use of data and to prevent data loss. For example, we have increased the security of our systems by requiring all email users to change their passwords following our recent data security incident and sooner than they would have otherwise been required to. We also implemented multi-factor authentication for remote email access and have taken additional steps to further limit access to our systems. However, the ever-evolving threats mean we and our third-party service providers and vendors must continually evaluate and adapt our respective systems and processes and overall security environment. There is no guarantee that these measures will be adequate to safeguard against all data security breaches, system compromises or misuses of data.

The compromise of our technology systems resulting in the loss, disclosure, misappropriation of, or access to, customers', employees' or business partners' information or failure to comply with regulatory or contractual obligations with respect to such information could result in legal claims or proceedings, liability or regulatory penalties under laws protecting the privacy of personal information, disruption to our operations and damage to our reputation, any or all of which could adversely affect our business. The costs to remediate breaches and similar system compromises that do occur could adversely affect our results of operations.

Any new laws, regulations, other legal obligations or industry standards, or any changed interpretation of existing laws, regulations or other standards may require us to incur additional costs and restrict our business operations. For example, many jurisdictions have enacted laws requiring companies to notify individuals of data security breaches involving certain types of personal data. These mandatory disclosures regarding a security breach could result in negative publicity to us, which may cause our customers to lose confidence in the effectiveness of our data security measures which could adversely affect our business, financial condition and results of operations.

Increasing data privacy regulations could impact our business and expose us to increased liability.

We must comply with increasingly complex and rigorous regulatory standards enacted to protect business and personal data in the U.S., Europe and elsewhere. For example, the European Union adopted the General Data Protection Regulation (GDPR), which became effective on May 25, 2018. The GDPR imposes additional obligations on companies regarding the processing of personal data and provides certain individual privacy rights to natural persons whose data is stored. Compliance with existing, proposed and recently enacted laws (including implementation of the privacy and process enhancements called for under the GDPR) and regulations can be costly and any failure to comply with these regulatory standards could subject us to legal and reputational risks. In addition, we are required under the GDPR to respond to customers' Subject Access Reports (SARs) within a certain time period, which entails determining what personal data is being processed, the purpose of any such data processing, to whom such personal data has been disclosed and whether personal data is being disclosed for the purpose of making automated decisions relating to that customer. We may dedicate significant resources to responding to our customers' SARs, which could adversely affect our business, financial condition and results of operations. Misuse of or failure to secure or properly process personal information could also result in violation of data privacy laws and regulations, proceedings against us by governmental entities or others, damage to our reputation and credibility and could have a negative impact on revenues and profits. As the regulatory environment related to information security, data collection and use, and privacy becomes increasingly rigorous, with new and constantly changing requirements applicable to our business, compliance with those requirements could continue to result in significant costs.

Following the GDPR, a number of states in the U.S. have introduced bills, which, if passed, would impose operational requirements on U.S. companies similar to the requirements reflected in the GDPR. In 2018, California passed the California Consumer Privacy Act (CCPA) and in 2021, Virginia passed the Consumer Data Protection Act (CDPA), which gives consumers significant rights over the use of their personal information, including the right to object to the “sale” of their personal information. These rights may restrict our ability to use personal information in connection with our business operations. The CCPA and CDPA also provides a private right of action for security breaches. Washington and Massachusetts have introduced significant privacy bills and Congress is debating federal privacy legislation, which if passed, may restrict our business operations and require us to incur additional costs for compliance.

Any new laws, regulations, other legal obligations or industry standards, or any changed interpretation of existing laws, regulations or other standards may require us to incur additional costs and restrict our business operations.

Our financial condition and results of operations may vary significantly from quarter-to-quarter due to a number of factors, which may lead to volatility in our stock price.

Our quarterly revenue and results of operations have varied in the past and may continue to vary significantly from quarter-to-quarter. This variability may lead to volatility in our stock price as research analysts and investors respond to these quarterly fluctuations. These fluctuations are due to numerous factors, including: fluctuations in consumer demand for our products; seasonal cycles in consumer spending; HME providers’ ability to adopt and finance POC purchases and restructure their businesses to remove delivery expenses; our ability to design, manufacture and deliver products to our consumers in a timely and cost-effective manner; quality control problems in our manufacturing operations; our ability to timely obtain adequate quantities of the components used in our products; new product introductions and enhancements by us and our competitors; unanticipated increases in costs or expenses; declines in sales personnel productivity; increased marketing cost per generated lead; unanticipated regulatory reimbursement changes that could result in positive or negative impacts to our earnings; changes or updates to generally accepted accounting principles; additional legal costs associated with pending legal matters; and fluctuations in foreign currency exchange rates. In particular, due to the COVID-19 pandemic and related PHE, we have seen and expect to continue to see a disruption in our normal seasonal trends, as, due to the mandates and behaviors emanating from the COVID-19 pandemic and related PHE, including shelter-in-place orders, reduced travel, and lower consumer confidence, we did not see the typical seasonal increases in direct-to-consumer sales in 2020 that we have seen in prior years. As more HME providers adopt POCs in their businesses, we expect that this could change our historical seasonality in the domestic business-to-business channel as well, which was previously influenced mainly by consumer buying patterns. The foregoing factors are difficult to forecast, and these, as well as other factors, could materially and adversely affect our quarterly and annual results of operations. We have experienced significant revenue growth in the past, but we may not achieve similar growth rates, profit margins and/or net income (loss) in future periods. You should not rely on our operating results for any prior quarterly or annual period as an indication of our future operating performance. If we are unable to maintain adequate revenue growth and cost control, our operating results could suffer, and our stock price could decline, primarily because a significant amount of our expenses are fixed and would take additional time to reduce. Any failure to adjust spending quickly enough to compensate for a revenue shortfall could magnify the adverse impact of such revenue shortfall on our results of operations. Our results of operations may not meet the expectations of research analysts or investors, in which case the price of our common stock could decrease significantly.

If the market opportunities for our products are smaller than we believe they are, our revenues may be adversely affected and our business may suffer.

Our projections regarding (i) the size of the oxygen therapy market, both in the United States and internationally, (ii) the size and percentage of the long-term oxygen therapy market that is subject to competitive bidding in the United States, (iii) the number of oxygen therapy patients, (iv) the number of patients requiring ambulatory and stationary oxygen, (v) the number of patients who rely on the delivery model, (vi) the percentage of the long-term oxygen therapy market serviced by Medicare, Medicare Advantage, and other third party-payors, (vii) the size of the retail long-term oxygen therapy market and how the opportunity may change as POC penetration increases, (viii) the share of POCs as a percentage of the total oxygen therapy spend, and (ix) the impact of the COVID-19 pandemic and related PHE on our business and our markets generally are based on estimates that we believe are reliable. These estimates may prove to be incorrect, new data or studies may change the estimated incidence or prevalence of patients requiring long-term oxygen therapy, or the type of long-term oxygen therapy patients. The COVID-19 pandemic and related PHE may also reduce the number of oxygen therapy patients worldwide due to the higher risk of mortality of elderly patients with existing respiratory diseases if they are exposed to the virus. The number of patients in the United States and internationally may turn out to be lower than expected, patients may not be otherwise amenable to treatment with our products, or new patients may become increasingly difficult to identify or gain access to, all of which would adversely affect our results of operations and our business.

An adverse outcome of a sales and use tax audit or change in U.S. tax laws could have a material adverse effect on our results of operations and financial condition.

We operate in multiple taxing jurisdictions and certain revenue streams may be subject to sales and use taxAny changes, ambiguity, or uncertainty in taxing jurisdictions' administrative interpretations, decisions, policies and positions, including, the position of taxing authorities with respect to taxability of our revenue also materially impact our sales and use tax liabilities. The California State Board of Equalization conducted a sales and use tax audit of our operations in California in 2008. As a result of the audit, the California State Board of Equalization confirmed that our sales are not subject to California sales and use tax. We believe that our sales of concentrators and accessories may be subject to sales and use tax, in certain other states, but that there are exemptions from sales and use tax in most states. There can be no assurance, however, that other states may agree with our position and we may be subject to an audit that may not be resolved in our favor. Such an audit could be expensive and time-consuming and result in substantial management distraction. If the matter were to be resolved in a manner adverse to us, it could have a material adverse effect on our results of operations and financial condition.

Changes in accounting principles, or interpretations thereof, could have a significant effect on our financial condition and results of operations.

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). These principles are subject to interpretation by the Securities and Exchange Commission (SEC) and various bodies formed to interpret and create appropriate accounting principles. A change in these principles can have a significant effect on our reported results and may even retroactively affect previously reported transactions. Additionally, the adoption of new or revised accounting principles may require that we make significant changes to our systems, processes and controls.

For example, the U.S.-based Financial Accounting Standards Board (FASB) is currently working together with the International Accounting Standards Board (IASB) on several projects to further align accounting principles and facilitate more comparable financial reporting between companies who are required to follow U.S. GAAP under SEC regulations and those who are required to follow International Financial Reporting Standards outside of the United States. These efforts by the FASB and IASB may result in different accounting principles under U.S. GAAP that may result in materially different financial results for us in areas including, but not limited to, principles for recognizing revenue and lease accounting. Additionally, significant changes to U.S. GAAP resulting from the FASB's and IASB's efforts may require that we change how we process, analyze and report financial information and that we change financial reporting controls.

It is not clear if or when these potential changes in accounting principles may become effective, whether we have the proper systems and controls in place to accommodate such changes and the impact that any such changes may have on our financial condition and results of operations.

Our ability to use net operating losses to offset future taxable income may be subject to certain limitations.

Utilization of our net operating losses and tax credit carryforwards may be subject to annual limitations arising from ownership change limitations imposed by the Internal Revenue Code and similar state provisions. Such annual limitations could result in the expiration of our net operating losses and tax credit carryforwards before their utilization.

The adoption and interpretation of new tax legislation, tax rulings, or exposure to additional tax liabilities, could materially affect our financial condition, results of operations, and cash flows.

We are subject to income and other taxes in the U.S. and other foreign jurisdictions in which we do business. As a result, our provision for income taxes is derived from a combination of applicable tax rates in the various places we operate. Significant judgment is required for calculating our income tax provision.

Current economic and political conditions make tax laws and regulations, or their interpretation and application, in any jurisdiction subject to significant change. Changes in tax law or tax rulings, or changes in interpretations of existing law, could adversely affect our financial condition and results of operations. For example, changes to the U.S. tax laws enacted in December 2017 had a significant impact on our deferred tax assets, income tax provision and effective tax rate for the year ended December 31, 2017. The new Administration and Congress could make changes to existing tax law, including an increase in the corporate tax rate or the tax rate on foreign earnings. In addition, many countries in Europe, as well as a number of other countries and organizations, have recently proposed or recommended changes to existing tax laws or have enacted new laws that could significantly increase our tax obligations in many countries where we do business or require us to change the manner in which we operate our business. Changes to existing tax law in the U.S. or other foreign jurisdictions could adversely affect our financial condition and results of operations.

The Medicare Fee-For-Service (FFS) sequestration reduction has and may continue to negatively affect our revenue and profits.

Medicare FFS claims with dates of service on or after April 1, 2013 are subject to a 2% sequestration reduction in Medicare payments, including claims for DMEPOS, including in competitive bidding areas. The claims payment adjustment is applied to all claims after determining co-insurance, any applicable deductible, and any applicable Medicare secondary payment adjustments. These reductions are included in rental revenue adjustments. This sequestration reduction was scheduled to continue until further notice. However, a provision in the CARES Act temporarily paused the 2% Medicare sequestration reduction for claims dated from May 1, 2020 through December 31, 2020 and the CARES Act also extends the end date of the Medicare sequestration reduction by one year, through 2030, in order to offset the 2020 suspension. The Consolidated Appropriations Act of 2021 was signed into law on December 27, 2020 and extended the suspension period to March 31, 2021. U.S. House of Representatives bill H.R. 1868 was signed into law on April 14, 2021 and extended the suspension period to December 31, 2021, but would increase the fiscal year 2030 sequestration cuts. Once the sequestration reduction is reinstated, this could adversely affect our financial condition and results of operations.

The implementation of prior authorization rules for DMEPOS under Medicare could negatively affect our business and financial condition.

CMS has issued a final rule to require Medicare prior authorization (PA) for certain DMEPOS that the agency characterizes as “frequently subject to unnecessary utilization.” The final rule was published on December 30, 2015 and specified an initial master list of 135 items that could potentially be subject to PA. Initially stationary oxygen rentals (code E1390) was included on the master list, but it was later removed. On April 22, 2019, stationary oxygen rentals (E1390) was again added to the list of potential codes that could be subject to PA. The master list is updated annually and published in the Federal Register. The presence of an item on the master list does not automatically mean that a PA is required. CMS will select a subset of these master list items for its “Required Prior Authorization List.” There will be a notice period of at least 60 days prior to implementation. The ruling does not create any new clinical documentation requirements, instead the same information necessary to support Medicare payment will be required *prior* to the item being furnished to the beneficiary. CMS has proposed that reasonable efforts are made to provide a PA decision within 10 days of receipt of all applicable information, unless this timeline could seriously jeopardize the life or health of the beneficiary or the beneficiary’s ability to regain maximum function, in which case the proposed PA decision would be 2 business days. CMS will issue additional sub-regulatory guidance on these timelines in the future. On April 6, 2020, an IFR was published in the Federal Register for policy and regulatory revisions in response to the COVID-19 PHE, and there was a comment period until June 30, 2020. Pursuant to a temporary regulatory waiver implemented by the administration, CMS has paused the national prior authorization program for certain DMEPOS. However, in July 2020, CMS released a COVID-19 Provider Burden Relief FAQs that stated that CMS would resume full operations for the national prior authorization program for certain DMEPOS effective August 3, 2020. If our products are subject to prior authorization, it could reduce the number of patients qualified to come on service using their Medicare benefits, it could delay the start of those patients while we wait for the prior authorization to be received, and/or it could decrease sales productivity. As a result, this could adversely affect our business, financial conditions and results of operations.

Risks related to the regulatory environment

We are subject to extensive federal and state regulation, and if we fail to comply with applicable regulations, we could suffer severe criminal or civil sanctions and be required to make significant changes to our operations that could adversely affect our business, financial condition and results of operations.

The federal government and all states in which we currently operate regulate various aspects of our business. In particular, our operations are subject to state laws governing, among other things, distribution of medical equipment and certain types of home health activities, and we are required to obtain and maintain licenses in many states to act as a durable medical equipment supplier. Certain of our employees are subject to state laws and regulations governing the professional practices of respiratory therapy.

As a healthcare provider participating in governmental healthcare programs, we are subject to laws directed at preventing fraud and abuse, which subject our marketing, billing, documentation and other practices to strict government scrutiny. To ensure compliance with Medicare, Medicaid and other regulations, government agencies or their contractors often conduct routine audits and request customer records and other documents to support our claims submitted for payment of services rendered. Government agencies or their contractors also periodically open investigations and audits and obtain information from healthcare providers. Violations of federal and state regulations can result in severe criminal, civil and administrative fines, penalties and sanctions, including debarment, suspension or exclusion from Medicare, Medicaid and other government reimbursement programs, any of which would have a material adverse effect on our business.

Changes in healthcare laws and regulations and new interpretations of existing laws and regulations may affect permissible activities, the relative costs associated with doing business, and reimbursement amounts paid by federal, state and other third-party payors. There have been and will continue to be regulatory initiatives affecting our business and we cannot predict the extent to which future legislation and regulatory changes could have a material adverse effect on our business.

We are subject to significant regulation by numerous government agencies, including the U.S. Food and Drug Administration, or FDA. We cannot market or commercially distribute our products without obtaining and maintaining necessary regulatory clearances or approvals and such approvals may be revoked or revised if an agency like the FDA believes it necessary.

Our products are medical devices subject to extensive regulation in the United States and in the foreign markets where we distribute our products. The FDA and other U.S. and foreign governmental agencies regulate, among other things, with respect to medical devices:

- design, development and manufacturing;
- testing, labeling, content and language of instructions for use and storage;
- clinical trials;
- product safety;
- marketing, sales and distribution;
- pre-market clearance and approval;
- record keeping;
- advertising and promotion;
- recalls and field safety corrective actions;
- post-market surveillance, including reporting of deaths or serious injuries and malfunctions that, if they were to recur, could lead to death or serious injury;
- post-market approval studies; and
- product import and export.

Before we can market or sell a medical device in the United States, we must obtain either 510(k) clearance, clearance under the de novo process or approval of a pre-market approval application from the FDA, unless an exemption applies. In the 510(k) clearance process, the FDA must determine that a proposed device is “substantially equivalent” to a device legally on the market, known as a “predicate” device, with respect to intended use, technology and safety and effectiveness, in order to clear the proposed device for marketing.

Our commercial products have received 510(k) clearance by the FDA. If the FDA requires us to go through a lengthier, more rigorous examination for future products or modifications to existing products than we had expected, our product introductions or modifications could be delayed or canceled, which, depending on the specific action, could cause the majority of our sales to decline or cease altogether. In addition, the FDA may determine that future products will require the more costly, lengthy and uncertain pre-market approval process. Although we do not currently market any devices subject to pre-market approval, the FDA may demand that we obtain a pre-market approval prior to marketing certain future products. In addition, if the FDA disagrees with our determination that a product we currently market is subject to an exemption from pre-market review, the FDA may require us to submit a 510(k), de novo application or pre-market approval application in order to continue marketing the product. Further, even with respect to those future products where a pre-market approval is not required, we cannot assure you that we will be able to obtain the 510(k) clearances with respect to those products or do so in a timely fashion.

The FDA can delay, limit or deny clearance or approval of a device for many reasons, including:

- we may not be able to demonstrate to the FDA's satisfaction that our products are safe and effective for their intended uses;
- the data from our pre-clinical studies and clinical trials may be insufficient to support clearance or approval, where required; and
- the manufacturing process or facilities we use may not meet applicable Quality System Regulations.

Medical devices may only be promoted and sold for the indications for which they are approved or cleared. In addition, even if the FDA has approved or cleared a product, it can take action affecting such product approvals or clearances if serious safety or other problems develop in the marketplace. Delays in obtaining clearances or approvals could adversely affect our ability to introduce new products or modifications to our existing products in a timely manner, which would delay or prevent commercial sales of our products. Additionally, the FDA and other regulatory authorities have broad enforcement powers. Regulatory enforcement or inquiries, or other increased scrutiny on us, could affect the perceived safety and performance of our products and dissuade our customers from using our products.

If we modify our FDA cleared devices, we may need to seek additional clearances or approvals, which, if not granted, would prevent us from selling such modified products.

Any modification we make to our products that could significantly affect their safety or effectiveness, or would constitute a material change in intended use, manufacture, design, materials, labeling, or technology requires the submission and clearance of a new 510(k) pre-market notification, a de novo application or, possibly, pre-market approval. The FDA requires every manufacturer to make this determination in the first instance, but the FDA may review and disagree with any manufacturer's decision. The FDA may not agree with our decisions regarding whether new clearances or approvals are necessary. We have modified some of our 510(k) cleared products and have determined that in certain instances new 510(k) clearances or pre-market approval are not required. If the FDA disagrees with our determination and requires us to submit new 510(k) notifications or pre-market approval for modifications to our previously cleared products for which we have concluded that new clearances or approvals are unnecessary, we may be required to cease marketing or to recall the modified product until we obtain clearance or approval, and we may be subject to significant regulatory fines or penalties.

The FDA issued a new Final Guidance titled Enforcement Policy for Ventilators and Accessories and Other Respiratory Devices During the Coronavirus Disease 2019 (COVID-19) Public Health Emergency (PHE) in March 2020. The intent of the guidance is to help address the urgent COVID-19 PHE. It may expand the availability of devices that support patients with respiratory insufficiency due to COVID-19. The guidance allows certain modifications to applicable FDA-cleared respiratory devices without requiring compliance with the pre-market requirements such as submitting a new 510(k). Manufacturers must ensure the device is safe and effective prior to placing the modified device on the market. This guidance and any future guidance or enforcement policy be the FDA may introduce new competitive products that could compete with our products with an easier regulatory pathway which could harm our business, financial condition and results of operations. If Inogen uses this guidance to commercialize devices that do not have the FDA clearance, these products will have to go through FDA 510(k) clearance in the future, and may not be granted such clearance, which would mean we would have to withdraw these products from the market when the FDA terminates or revokes such guidance or enforcement policy, which could harm our business, financial condition and results of operations.

If we fail to comply with FDA or state regulatory requirements, we can be subject to enforcement action.

Even after we have obtained regulatory clearance or approval to market a product, we have ongoing responsibilities under FDA regulations. The FDA and state authorities have broad enforcement powers. Our failure to comply with applicable regulatory requirements could result in enforcement action by the FDA or state agencies, which may include any of the following sanctions:

- adverse publicity, warning letters, fines, injunctions, consent decrees and civil penalties;
- recalls, termination of distribution, or seizure of our products;
- operating restrictions or partial suspension or total shutdown of production;
- delays in the introduction of products into the market;
- refusal to grant our requests for future 510(k) clearances or approvals of new products, new intended uses, or modifications to exiting products;
- withdrawals or suspensions of current 510(k) clearances or approvals, resulting in prohibitions on sales of our products; and
- criminal prosecution.

Any of these sanctions could result in higher than anticipated costs or lower than anticipated sales and have a material adverse effect on our reputation, business, results of operations and financial condition.

A recall of our products, either voluntarily or at the direction of the FDA or another governmental authority, or the discovery of serious safety issues with our products that leads to corrective actions, could have a significant adverse effect on us.

The FDA and similar foreign governmental authorities have the authority to require the recall of commercialized products in the event of material deficiencies or defects in design, labeling or manufacture of a product or in the event that a product poses an unacceptable risk to health. Manufacturers may also, under their own initiative, recall a product if any material deficiency in a device is found or withdraw a product to improve device performance or for other reasons. Similar regulatory agencies in other countries have similar authority to recall devices because of material deficiencies or defects in design or manufacture that could endanger health. A government-mandated or voluntary recall by us or one of our distributors could occur as a result of an unacceptable risk to health, component failures, manufacturing errors, design or labeling defects or other deficiencies and issues. Any recall would divert management attention and financial resources, could cause the price of our stock to decline and expose us to product liability or other claims and harm our reputation with customers. A recall involving our Inogen concentrators could be particularly harmful to our business, financial condition and results of operations.

We are required to timely report to the FDA any incident in which our product may have caused or contributed to a death or serious injury or in which our product malfunctioned and, if the malfunction were to recur, would likely cause or contribute to death or serious injury. Repeated product malfunctions may result in a voluntary or involuntary product recall. Depending on the corrective action we take to redress a product’s deficiencies or defects, the FDA may require, or we may decide, that we will need to obtain new approvals or clearances for the device before we may market or distribute the corrected device. Seeking such approvals or clearances may delay our ability to replace the recalled devices in a timely manner. Moreover, if we do not adequately address problems associated with our devices, we may face additional regulatory enforcement action, including adverse publicity, FDA warning letters, product seizure, injunctions, administrative penalties, or civil or criminal fines. We may also be required to bear other costs or take other actions that may have a negative impact on our sales as well as face significant adverse publicity or regulatory consequences, which could harm our business, including our ability to market our products in the future.

Any adverse event involving our products, whether in the United States or abroad, could result in future voluntary corrective actions, such as recalls or customer notifications, or agency action, such as inspection, mandatory recall or other enforcement action. Any corrective action, whether voluntary or involuntary, as well as defending ourselves in a lawsuit, will require the dedication of our time and capital, distract management from operating our business and may harm our reputation and results of operations.

If we, our contract manufacturer, or our component manufacturers fail to comply with the FDA's Quality System Regulation, our manufacturing operations could be interrupted, and our product sales and operating results could suffer.

We, our contract manufacturer, and our component manufacturers are required to comply with the FDA's Quality System Regulation, or QSR, which covers the procedures and documentation of the design, calibration, testing, production, control, quality assurance, labeling, packaging, storage and shipping of our devices. The FDA audits compliance with the QSR through periodic announced and unannounced inspections of manufacturing and other facilities. We and our component manufacturers have been, and anticipate in the future being, subject to such inspections. Although we believe our manufacturing facilities and those of our component manufacturers are in compliance with the QSR, we cannot provide assurance that any future inspection will not result in adverse findings. If we fail to implement timely and appropriate corrective actions that are acceptable to the FDA or if our other manufacturing facilities or those of any of our component manufacturers, contract manufacturers, or suppliers are found to be in violation of applicable laws and regulations, or we or our manufacturers or suppliers fail to take prompt and satisfactory corrective action in response to an adverse inspection, the FDA could take enforcement action, including any of the following sanctions:

- adverse publicity, untitled letters, warning letters, fines, injunctions, consent decrees and civil penalties;
- customer notifications or repair, replacement, refunds, recall, detention or seizure of our products;
- operating restrictions or partial suspension or total shutdown of production;
- refusing or delaying our requests for 510(k) clearance or pre-market approval of new products or modified products;
- withdrawing 510(k) clearances or pre-market approvals that have already been granted;
- refusal to grant export approval for our products; or
- criminal prosecution.

Any of these sanctions could adversely affect our business, financial condition and results of operations.

Outside the United States, our products and operations are also often required to comply with standards set by industrial standards bodies, such as the International Organization for Standardization, or ISO. Foreign regulatory bodies may evaluate our products or the testing that our products undergo against these standards. The specific standards, types of evaluation and scope of review differ among foreign regulatory bodies. If we fail to adequately comply with any of these standards, a foreign regulatory body may take adverse actions similar to those within the power of the FDA. Any such action may harm our reputation and could have an adverse effect on our business, results of operations and financial condition.

The primary regulatory body in Europe is the European Commission, which includes most of the major countries in Europe. The European Commission has adopted numerous directives and standards regulating the design, manufacture, clinical trial, labeling and adverse event reporting for medical devices. Devices that comply with the requirements of a relevant directive will be entitled to bear the CE conformity marking, indicating that the device conforms to the essential requirements of the applicable directives and, accordingly, can be commercially distributed throughout Europe. The method of assessing conformity varies depending on the class of the product, but normally involves a combination of self-assessment by the manufacturer and a third-party assessment by a "Notified Body." An assessment by a Notified Body of one country within the European Union is required in order for a manufacturer to commercially distribute the product throughout the European Union.

If we fail to obtain and maintain regulatory approval in foreign jurisdictions, our market opportunities will be limited.

Approximately 23.5% and 19.6% of our total revenue was from sales outside of the United States for the three months ended September 30, 2021 and September 30, 2020, respectively, and 21.1% and 20.7% for the nine months ended September 30, 2021 and September 30, 2020, respectively. We sell our products in 59 international countries or overseas regions outside of the United States through our wholly owned subsidiary, distributors or directly to large "house" accounts. In order to market our products in the European Union or other foreign jurisdictions, we must obtain and maintain separate regulatory approvals and comply with numerous and varying regulatory requirements. The approval procedure varies from country to country and can involve additional product testing. The time required to obtain approval abroad may be longer than the time required to obtain FDA clearance.

For example, the European Union requires that manufacturers of medical devices obtain the right to bear the "CE" conformity marking which designates compliance with existing directives and standards regulating the design, manufacture and distribution of medical devices in member countries of the European Union. In 2017, the European Union adopted the European Medical Device Regulation (Council Regulations 2017/745) which imposes stricter requirements for the marketing and sale of medical devices, including new clinical evaluation, quality system, and post-market surveillance requirements. The regulation had a three-year implementation period, with full application of the regulation occurring in May 2021 and replacing the pre-existing directives on medical devices in the European Union. Since May 2021, medical devices marketed in the European Union will require certification according to these new requirements, except that devices with valid CE certificates, issued pursuant to the Medical Device Directive before May 2021, including our oxygen therapy products with CE Marks issued under the Medical Device Directive, may be placed on the market until May 2024. Only medical devices that comply with certain conformity requirements of the Medical Device Directive are currently allowed to be marketed within the European Union and our products will be required to comply with the European Medical Device Regulation (MDR). New products that failed to be certified with the MDR by May 2021 may not be marketed or sold in the European Union. Similarly, existing products with CE Marks issued under the Medical Device Directive may not be placed on the market in the European Union after May 2024.

The foreign regulatory approval process, including with respect to MDR, includes many of the risks associated with obtaining FDA clearance and we may not obtain foreign regulatory approvals on a timely basis, if at all. FDA clearance does not ensure approval by regulatory authorities in other countries, and approval by one foreign regulatory authority does not ensure approval by regulatory authorities in other foreign countries. However, the failure to obtain clearance or approval in one jurisdiction may have a negative impact on our ability to obtain clearance or approval elsewhere. If we do not obtain or maintain necessary approvals to commercialize our products in markets outside the United States, we may be required to discontinue sales in those countries which would negatively affect our overall market penetration, revenues, results of operations and financial condition.

If the FDA disagrees with us that certain of our data collection and analysis methods do not constitute clinical trials, our business may be harmed.

We gather and analyze certain de-identified retrospective patient data as part of our product development and improvement. We believe that these data collection methods do not constitute clinical trials and, therefore, typically do not pursue or obtain regulatory permission from the FDA or institutional review boards (IRBs) before collecting or analyzing such data. If the FDA disagrees with our interpretation, we may be subject to regulatory enforcement including warning letters, fines, injunctions, consent decrees and civil penalties. In addition, we may be required to collect these types of data under the clinical trial regulatory framework.

Clinical development is a long, expensive, and uncertain process and is subject to delays and the risk that products may ultimately prove unsafe or ineffective in treating the indications for which they are designed. Completion of clinical trials may take several years or more. We may experience numerous unforeseen events in relation to a clinical trial process that could delay or prevent us from receiving regulatory clearance or approval for new products or modifications of existing products, including new indications for existing products, including:

- delays or failure in obtaining approval of our clinical trial protocols from the FDA, other regulatory authorities, or IRBs;
- we, the applicable IRBs, the Data Safety Monitoring Board for such trial, or the FDA or other applicable regulatory authorities may require that we or our investigators suspend or terminate our data collection for various reasons, including, among others (i) failure to conduct the clinical trial in accordance with regulatory requirements, including the FDA's current Good Clinical Practice (GCP), regulations, or our clinical protocols, (ii) by the FDA or other applicable regulatory authority resulting in the imposition of a clinical hold, or (iii) lack of adequate patient informed consent; and
- delays if the FDA concludes that our financial relationships with our data collection partners result in a perceived or actual conflict of interest that may have affected the interpretation or integrity of the data collected. If these relationships and any related compensation to or ownership interest by our data collection partners carrying out the study result in perceived or actual conflicts of interest, or if the FDA concludes that the financial relationship may have affected interpretation of the data, the integrity of the data collected or analyzed may be questioned and the utility of the data itself may be jeopardized, which could result in the delay or rejection by the FDA. Any such delay or rejection could prevent us from commercializing any of our products currently in development.

Any delays in completing our data collection and analysis will increase our costs, slow down our product development and regulatory authorization process and jeopardize our ability to commence sales and generate associated revenue with respect to the applicable product. Any of these occurrences may significantly harm our business, financial condition, results of operations and prospects.

We are subject to complex billing and record-keeping requirements in order to substantiate our claims for payment under federal, state and commercial healthcare reimbursement programs, and our failure to comply with existing requirements, or changes in those requirements or interpretations thereof, could adversely affect our business, financial condition and results of operations.

We are subject to complex billing and record-keeping requirements in order to substantiate our claims for payment under federal, state and commercial healthcare reimbursement programs. Our records also are subject to routine and other reviews by third-party payors, which can result in delays in payments or refunds of paid claims. We could experience a significant increase in pre-payment reviews of our claims by the Durable Medical Equipment Medicare Administrative Contractors, which could cause substantial delays in the collection of our Medicare accounts receivable as well as related amounts due under supplemental insurance plans.

Current law provides for a significant expansion of the government's auditing and oversight of suppliers who care for patients covered by various government healthcare programs. Examples of this expansion include audit programs being implemented by the Durable Medical Equipment Medicare Administrative Contractors, the Unified Program Integrity Contractors, the Recovery Audit Contractors, and the Comprehensive Error Rate Testing contractors, operating under the direction of CMS, and the various state Medicaid Fraud Control Units.

We have been informed by these auditors that healthcare providers and suppliers of certain durable medical equipment product categories are expected to experience further increased scrutiny from these audit programs. When a government auditor ascribes a high billing error rate to one or more of our locations, it generally results in protracted pre-payment claims review, payment delays, refunds and other payments to the government and/or our need to request more documentation from providers than has historically been required. It may also result in additional audit activity in other company locations or Durable Medical Equipment Medicare Administrative Contractors jurisdiction. We cannot currently predict the adverse impact that these audits, methodologies and interpretations might have on our business, financial condition or results of operations, but such impact could be material.

We may be subject to fines, penalties or injunctions if we are determined to be promoting the use of our products for unapproved or "off-label" uses, resulting in damage to our reputation and business.

Our promotional materials and training methods must comply with the FDA and other applicable laws and regulations, including the prohibition of the promotion of a medical device for a use that has not been cleared or approved by the FDA. Physicians may use our products off-label, as the FDA does not restrict or regulate a physician's choice of treatment within the practice of medicine. If the FDA determines that our promotional materials or training constitutes promotion of an off-label use that is either false or misleading, it could request that we modify our training or promotional materials or subject us to regulatory or enforcement actions, which could have an adverse effect on our reputation and results of operations.

Failure to comply with the Federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, the Health Information Technology for Economic and Clinical Health Act, or HITECH Act, and implementing regulations could result in significant penalties.

Numerous federal and state laws and regulations, including HIPAA and the HITECH Act, govern the collection, dissemination, security, use and confidentiality of patient-identifiable health information. HIPAA and the HITECH Act require us to comply with standards for the use and disclosure of protected health information within our company and with third parties. The Privacy Standards and Security Standards under HIPAA establish a set of basic national privacy and security standards for the protection of individually identifiable health information by health plans, healthcare clearinghouses and certain healthcare providers, referred to as covered entities, and the business associates with whom such covered entities contract for services. Notably, whereas HIPAA previously directly regulated only these covered entities, the HITECH Act, which was signed into law as part of the stimulus package in February 2009, makes certain of HIPAA's privacy and security standards also directly applicable to covered entities' business associates. As a result, both covered entities and business associates are now subject to significant civil and criminal penalties for failure to comply with Privacy Standards and Security Standards.

HIPAA requires healthcare providers like us to develop and maintain policies and procedures with respect to protected health information that is used or disclosed, including the adoption of administrative, physical and technical safeguards to protect such information from unauthorized disclosure. The HITECH Act expands the notification requirement for breaches of patient-identifiable health information, restricts certain disclosures and sales of patient-identifiable health information and provides a tiered system for civil monetary penalties for HIPAA violations. The HITECH Act also increased the civil and criminal penalties that may be imposed against covered entities, business associates and possibly other persons and gave state attorneys general new authority to file civil actions for damages or injunctions in federal courts to enforce the federal HIPAA laws and seek attorney fees and costs associated with pursuing federal civil actions. Additionally, certain states have adopted comparable privacy and security laws and regulations, some of which may be more stringent than HIPAA.

If we are determined to be out of compliance with existing or new laws and regulations related to patient health information, we could be subject to criminal or civil sanctions. New health information standards, whether implemented pursuant to HIPAA, the HITECH Act, congressional action or otherwise, could have a significant effect on the manner in which we handle healthcare related data and communicate with payors, and the cost of complying with these standards could be significant.

The 2013 final HITECH omnibus rule modified the breach reporting standard in a manner that made more data security incidents qualify as reportable breaches. Any liability from a failure to comply with the requirements of HIPAA or the HITECH Act could adversely affect our results of operations and financial condition. The costs of complying with privacy and security related legal and regulatory requirements are burdensome and could have a material adverse effect on our results of operations.

Regulations requiring the use of "standard transactions" for healthcare services issued under HIPAA may negatively affect our profitability and cash flows.

Pursuant to HIPAA, final regulations have been implemented to improve the efficiency and effectiveness of the healthcare system by facilitating the electronic exchange of information in certain financial and administrative transactions while protecting the privacy and security of the information exchanged.

The HIPAA transaction standards are complex, and subject to differences in interpretation by third-party payors. For instance, some third-party payors may interpret the standards to require us to provide certain types of information, including demographic information not usually provided to us by physicians. As a result of inconsistent application of transaction standards by third-party payors or our inability to obtain certain billing information not usually provided to us by physicians, we could face increased costs and complexity, a temporary disruption in accounts receivable and ongoing reductions in reimbursements and net revenue. Changes and updates to HIPAA transaction standards could prove technically difficult, time-consuming or expensive to implement, all of which could harm our business.

If we fail to comply with state and federal fraud and abuse laws, including anti-kickback, Physician Self-Referral Law, false claims and anti-inducement laws, we could face substantial penalties and our business, results of operations and financial condition could be adversely affected.

The Federal Anti-Kickback Statute prohibits, among other things, knowingly and willfully offering, paying, soliciting or receiving remuneration to induce the referral of an individual to a person for the furnishing of, or in return for purchasing, leasing, ordering, or arranging for or recommending the purchase, lease or order of any healthcare item or service reimbursable under Medicare, Medicaid, or other federal healthcare programs. Although there are a number of statutory exceptions and regulatory safe harbors protecting certain common financial arrangements from prosecution, the exceptions and safe harbors are drawn narrowly, and any remuneration to or from a prescriber or purchaser of healthcare products or services may be subject to scrutiny if it does not qualify for an exception or safe harbor. Our practices may not in all cases meet all of the criteria for safe harbor protection from anti-kickback liability. Failure to meet all requirements of a safe harbor is not determinative of a kickback issue but could subject the practice to increased scrutiny by the government.

The Physician Self-Referral Law, commonly known as the "Stark Law," prohibits a physician from referring a patient to an entity with which the physician (or an immediate family member of the physician) has a financial relationship, for the furnishing of certain designated health services (DHS) for which payment may be made by Medicare or Medicaid, unless an exception applies. Violation of the Stark Law could result in denial of payment, disgorgement of reimbursements received under a non-compliant arrangement, civil penalties, and exclusion from Medicare, Medicaid or other federal healthcare programs. Although we believe that we have structured our provider arrangements to comply with current Stark Law requirements, regulatory authorities may determine otherwise.

The Federal False Claims Act prohibits any person from knowingly presenting or causing to be presented a false claim for payment to the federal government, or knowingly making or causing to be made a false statement to get a false claim paid. The Federal False Claims Act allows any person to bring suit in the name of the government alleging false and fraudulent claims presented to or paid by the government (or other violations of the statute) and to share in any amounts paid by the entity to the government in fines or settlement. Such suits, known as *qui tam* actions, have increased significantly in the healthcare industry in recent years. Sanctions under this federal law may include civil monetary penalties, exclusion from federal and state healthcare programs, criminal fines and imprisonment. In addition, the recently enacted Patient Protection and Affordable Care Act, among other things, amends the intent requirement of the federal anti-kickback and criminal healthcare fraud statutes. A person or entity no longer needs to have actual knowledge of the statute or specific intent to violate it. In addition, the Patient Protection and Affordable Care Act provides that the government may assert that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the false claims statutes. Because of the breadth of these laws and the narrowness of the safe harbors and exceptions, it is possible that some of our business activities could be subject to challenge under one or more of such laws. Such a challenge, regardless of the outcome, could have a material adverse effect on our business, business relationships, reputation, financial condition and results of operations. The majority of states also have statutes or regulations similar to the federal anti-kickback, physician self-referral, and false claims laws, which apply to items or services, reimbursed under Medicaid and other state programs, or in several states, apply regardless of payor. Penalties under these state laws can be comparable to those under their federal equivalents.

The Patient Protection and Affordable Care Act also created the federal Physician Payments Sunshine Act, which requires applicable manufacturers of drugs, devices, biologicals, and medical supplies covered under Medicare, Medicaid, or the Children’s Health Insurance Program to report annually to CMS, information related to payments or other transfers of value made to physicians, as defined, and teaching hospitals, as well as ownership and investment interests in such manufacturer held by physicians and their immediate family members. Additionally, the Substance Use-Disorder Prevention that Promoted Opioid Recovery and Treatment for Patients and Communities Act enacted in 2018, extends the reporting and transparency requirements for physicians under the Physician Payments Sunshine Act to physician assistants, nurse practitioners and other mid-level practitioners, with reporting requirements going into effect in 2022 for payments made in 2021. Failure to submit the required information under the federal Physician Payment Sunshine Act may result in civil monetary penalties of up to an aggregate of $0.18 million per year (and up to an aggregate of $1.177 million per year for “knowing failures”), subject to an annual adjustment for inflation.

In addition, there has been a recent trend of increased federal and state regulation of payments and other transfers of value made to applicable recipients, including physicians. Certain states mandate implementation of compliance programs and/or the tracking and annual reporting of gifts, compensation and other remuneration to physicians and other applicable recipients. The shifting compliance environment and the need to build and maintain robust and expandable systems to comply with different compliance and/or reporting requirements in multiple jurisdictions increase the possibility that a healthcare company many violate one or more of the requirements.

The Federal Civil Monetary Penalties Law grants authority to the HHS Office of Inspector General (OIG) to seek civil monetary penalties (CMPs) against an individual or entity based on a wide variety of conduct including violations of the Anti-Kickback Statute, Stark Law, and False Claims Act. An entity that offers to or transfers remuneration to any individual eligible for benefits under Medicare or Medicaid that such entity knows or should know is likely to influence such individual to order or receive from a particular provider, practitioner, or supplier any Medicare or Medicaid payable item or service may be liable for CMPs. This is commonly known as a beneficiary inducement. We sometimes offer customers various discounts and other financial incentives in connection with the sales of our products. While it is our intent to comply with all applicable laws, including the safe harbor regulation for discounts, the federal government may find that our marketing activities violate the law. If we are found to be in non-compliance, we could be subject to CMPs of up to $0.022 million (subject to annual adjustment for inflation) for each wrongful act, assessment of three times the amount claimed for each item or service and exclusion from the federal or state healthcare programs.

The scope and enforcement of each of these laws is uncertain and subject to rapid change in the current environment of healthcare reform, especially in light of the lack of applicable precedent and regulations. If our operations are found to be in violation of any of the laws described above or any other government regulations that apply to us, we may be subject to penalties, including civil and criminal penalties, damages, fines and the curtailment or restriction of our operations or exclusion from participation in the federal healthcare programs. Any penalties, damages, fines, curtailment or restructuring or our operations could harm our ability to operate our business and our results of operations. Any action against us for violation of these laws, even if we successfully defend against it, could cause us to incur significant legal expenses and divert our management’s attention from operation of our business. Moreover, achieving and sustaining compliance with applicable federal and state fraud laws may prove costly. HHS makes annual inflation-related increases to the civil monetary penalties in its regulations pursuant to the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015. The HHS Annual Civil Monetary Penalties Inflation Adjustment Final Rule issued on January 17, 2020, sets forth adjusted civil monetary penalty amounts that apply to penalties assessed on or after January 17, 2020, if the violation occurred on or after November 2, 2015.

We are also exposed to the risks of fraud, misconduct, or other illegal activity by our employees and third parties who act for us or on our behalf, such as our independent contractors, consultants, commercial partners, and vendors. It is not always possible to identify and deter misconduct by employees and third parties, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with federal and state healthcare fraud and abuse laws. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of significant fines or other sanctions.

Foreign governments tend to impose strict price controls, which may adversely affect our future profitability.

We sell our products in 59 international countries or overseas regions outside the United States through our wholly owned subsidiary, distributors or directly to large "house" accounts. In some foreign countries, particularly in the European Union, the pricing of medical devices is subject to governmental control. In these countries, pricing negotiations with governmental authorities can take considerable time after the receipt of marketing approval for a product. To obtain reimbursement or pricing approval in some countries, we may be required to supply data that compares the cost-effectiveness of our products versus other available therapies. If reimbursement of our products is unavailable or limited in scope or amount, or if pricing is set at unsatisfactory levels, it may not be profitable to sell our products in certain foreign countries, which would negatively affect the long-term growth of our business.

Our business activities involve the use of hazardous materials, which require compliance with environmental and occupational safety laws regulating the use of such materials. If we violate these laws, we could be subject to significant fines, liabilities or other adverse consequences.

Our research and development programs as well as our manufacturing operations involve the controlled use of hazardous materials. Accordingly, we are subject to international, federal, state and local laws governing the use, handling and disposal of these materials. Although we believe that our safety procedures for handling and disposing of these materials comply in all material respects with the standards prescribed by state and federal regulations of each country in which we conduct business, we cannot completely eliminate the risk of accidental contamination or injury from these materials. In the event of an accident or failure to comply with environmental laws, we could be held liable for resulting damages, and any such liability could exceed our insurance coverage and adversely affect our financial condition and results of operations.

Regulatory requirements under Proposition 65 could adversely affect our business.

We are subject to California's Proposition 65, or Prop 65, which requires a specific warning on any product that contains a substance listed by the State of California as having been found to cause cancer or birth defects, unless the level of such substance in the product is below a safe harbor level. Prop 65 required that all businesses must be in compliance by August 30, 2018 with new regulations that require modifications to product warnings and for businesses to coordinate with upstream vendors or downstream customers for the 800+ regulated chemicals in consumer products and assess whether new occupational exposure warnings need to be posited in California facilities. We have taken steps to add warning labels to our products packaged in California and manufactured after August 30, 2018. Although we cannot predict the ultimate impact of these requirements, they could reduce overall consumption of our products or leave consumers with the perception (whether or not valid) that our products do not meet their health and wellness needs, all of which could adversely affect our business, financial condition andresults of operations.

Risks related to our intellectual property

If we are unable to secure and maintain patent or other intellectual property protection for the intellectual property used in our products, we will lose a significant competitive advantage, which may adversely affect our future profitability.

Our commercial success depends, in part, on obtaining, defending, and maintaining patent and other intellectual property protection for the technologies used in our products. The patent positions of medical device companies, including ours, can be highly uncertain and involve complex and evolving legal and factual questions. Furthermore, we might in the future opt to license intellectual property from other parties. If we, or the other parties from whom we would license intellectual property, fail to obtain, defend, and maintain adequate patent or other intellectual property protection for intellectual property used in our products, or if any protection is reduced or eliminated, others could use the intellectual property used in our products, resulting in harm to our competitive business position. In addition, patent and other intellectual property protection may not:

- prevent our competitors from duplicating our products;
- prevent our competitors from gaining access to our proprietary information and technology;
- prevent our competitors from producing counterfeit products;

- prevent our competitors or other parties from suing us for alleged infringement; or
- permit us to gain or maintain a competitive advantage.

Any of our patents may be challenged, invalidated, circumvented or rendered unenforceable. We cannot provide assurance that we will be successful should one or more of our patents be challenged for any reason. If our patent claims are rendered invalid or unenforceable, or narrowed in scope, the patent coverage afforded our products could be impaired, which could make our products less competitive.

As of September 30, 2021, we have thirty pending U.S. and international patent applications, forty-four issued U.S. patents, and eighteen issued foreign patents relating to the design and construction of our oxygen concentrators, our intelligent delivery technology and our TAV product, including its proprietary nasal interface. We cannot specify which of these patents individually or as a group will permit us to gain or maintain a competitive advantage. Patents may be subject to reexamination, *inter partes* review, post-grant review, and derivation proceedings in the U.S. Patent and Trademark Office or comparable proceedings in other patent offices worldwide, or challenges to inventorship in court. Foreign patents may be subject to opposition or comparable proceedings in the corresponding foreign patent offices and courts. Any of these proceedings could result in loss of the patent or denial of the patent application, or loss or reduction in the scope of one or more of the claims of the patent or patent application. Changes in either patent laws or in interpretations of patent laws may also diminish the value of our intellectual property or narrow the scope of our protection. Interference, reexamination, *inter partes* review, post grant review, defense, opposition, inventorship, and derivation proceedings may be costly and time consuming, and we, or the other parties from whom we might potentially license intellectual property, may be unsuccessful in defending against such proceedings. Thus, any patents that we own or might license may provide limited or no protection against competitors. In addition, our pending patent applications and those we may file in the future may have claims narrowed during prosecution or may not result in patents being issued. Even if any of our pending or future applications are issued, they may not provide us with any competitive advantage or adequate protection from allegations of infringement, whether valid or frivolous, which may result in the incurrence of material defense costs. Our patents and patent applications are directed to particular aspects of our products. Other parties may develop and obtain patent protection for more effective technologies, designs or methods for oxygen therapy. If these developments were to occur, it would likely have an adverse effect on our sales. Our ability to develop additional patentable technology is also uncertain.

Non-payment or delay in payment of patent fees or annuities, whether intentional or unintentional, may also result in the loss of patents or patent rights important to our business. Many countries, including certain countries in Europe, have compulsory licensing laws under which a patent owner may be compelled to grant licenses to other parties. In addition, many countries limit the enforceability of patents against other parties, including government agencies or government contractors. In these countries, the patent owner may have limited remedies, which could materially diminish the value of the patent. In addition, the laws of some foreign countries do not protect intellectual property rights to the same extent as do the laws of the United States, particularly in the field of medical products and procedures.

Our products could infringe or appear to infringe the intellectual property rights of others, which may lead to patent and other intellectual property litigation that could itself be costly, could result in the payment of substantial damages or royalties, prevent us from using technology that is essential to our products, and/or force us to discontinue selling our products.

The medical device industry in general has been characterized by extensive litigation and administrative proceedings regarding patents and other intellectual property rights. Our competitors hold a significant number of patents relating to respiratory therapy devices and products. Third parties have in the past asserted and may in the future assert that we are employing their proprietary technology without authorization. For example, Breathe Technologies, Inc. (Breathe), a subsidiary of Hill-Rom Holdings, filed a lawsuit against us, New Aera, Inc., Silverbow Development LLC, and one of our employees on November 21, 2019 in the United States District Court for the Northern District of California. The lawsuit alleged, among other things, willful infringement of a patent assigned to Breathe, that inventorship was incorrectly assigned and that Breathe has rights to certain patents filed by New Aera, Inc. and Silverbow Development LLC, breach of contract, inducing breach of contract, interference with contract, and violation of California Business and Professional Code section 17200. While we settled our lawsuit with Breathe in January 2021, if we fail in defending against lawsuits or claims brought against us in the future, we could be subject to substantial monetary damages, injunctive relief, and loss of valuable intellectual property rights, and we cannot predict the outcome of any lawsuit. An adverse determination or protracted defense costs of such lawsuits could have a material effect on our business and operating results.

From time to time, we have also commenced litigation to enforce our intellectual property rights. For example, we previously pursued litigation against Inova Labs, Inc. (a subsidiary of ResMed Corp.) for infringement of two of our patents seeking damages, injunctive relief, costs, and attorneys’ fees. While we settled our lawsuit with Inova Labs in June 2016, an adverse decision in any other legal action could limit our ability to assert our intellectual property rights, limit the value of our technology or otherwise negatively affect our business, financial condition and results of operations.

Monitoring unauthorized use of our intellectual property is difficult and costly. Unauthorized use of our intellectual property may have occurred or may occur in the future. Although we have taken steps to minimize the risk of this occurring, any such failure to identify unauthorized use and otherwise adequately protect our intellectual property would adversely affect our business. Moreover, if we are required to commence litigation, whether as a plaintiff or defendant, not only will this be time-consuming, but we will also be forced to incur significant costs and divert our attention and efforts of our employees, which could, in turn, result in lower revenue and higher expenses.

We cannot provide assurance that our products or methods do not infringe or appear to not infringe the patents or other intellectual property rights of third parties and if our business is successful, the possibility may increase that others will assert infringement claims against us whether valid or frivolous.

Determining whether a product infringes a patent involves complex legal and factual issues, defense costs and the outcome of a patent litigation action are often uncertain. We have not conducted an extensive search of patents issued or assigned to other parties, including our competitors, and no assurance can be given that patents containing claims covering or appearing to cover our products, parts of our products, technology or methods do not exist, have not been filed or could not be filed or issued. Because of the number of patents issued and patent applications filed in our technical areas, our competitors or other parties may assert that our products and the methods we employ in the use of our products are covered by U.S. or foreign patents held by them. In addition, because patent applications can take many years to issue and because publication schedules for pending applications may vary by jurisdiction and some patent applications may not be published in the U.S., there may be applications now pending of which we are unaware and which may result in issued patents that our current or future products infringe or appear to infringe. Also, because the claims of published patent applications can change between publication and patent grant, there may be published patent applications that may ultimately issue with claims that we infringe. There could also be existing patents that one or more of our products or parts may infringe and of which we are unaware. As the number of competitors in the market for respiratory products and the number of patents issued in this area grows, the possibility of patent infringement claims against us increases. In certain situations, we may determine that it is in our best interests to voluntarily challenge a party’s patents in litigation or other proceedings, including declaratory judgment actions, patent reexaminations, post grant reviews, or *inter partes* reviews. As a result, we may become involved in unwanted protracted litigation that could be costly, result in diversion of management’s attention, require us to pay damages and/or licensing royalties and force us to discontinue selling our products.

Infringement and other intellectual property claims and proceedings brought against us, whether successful or not, could result in substantial costs and harm to our reputation. Such claims and proceedings can also distract and divert management and key personnel from other tasks important to the success of the business. We cannot be certain that we will successfully defend against allegations of infringement of patents or other intellectual property rights. In the event that we become subject to a patent infringement or other intellectual property related lawsuit and if the asserted patents or other intellectual property were upheld as valid and enforceable and we were found to infringe the asserted patents or other intellectual property, or violate the terms of a license to which we are a party, we could be required to do one or more of the following:

- cease selling or using any of our products that incorporate the asserted intellectual property, which would adversely affect our revenue;
- pay damages for past use of the asserted intellectual property, which may be substantial;
- obtain a license from the holder of the asserted intellectual property, which license may not be available on reasonable royalty terms, if at all, and which could reduce profitability; and
- redesign or rename, in the case of trademark claims, our products to avoid infringing the intellectual property rights of third parties, which may not be possible and could be costly and time-consuming if it is possible to do so.

If we are unable to prevent unauthorized use or disclosure of trade secrets, unpatented know-how and other proprietary information, our ability to compete will be harmed.

We rely on a combination of trade secrets, copyrights, trademarks, confidentiality agreements and other contractual provisions and technical security measures to protect certain aspects of our technology, especially where we do not believe that patent protection is appropriate or obtainable. We require our employees and consultants to execute confidentiality agreements in connection with their employment or consulting relationships with us. We also require our employees and consultants to disclose and assign to us all inventions conceived during the term of their employment or engagement while using our property or that relate to our business. We also require our corporate partners, outside scientific collaborators and sponsored researchers, advisors and others with access to our confidential information to sign confidentiality agreements. We also have taken precautions to initiate reasonable safeguards to protect our information technology systems. However, these measures may not be adequate to safeguard our proprietary intellectual property and conflicts may, nonetheless, arise regarding ownership of inventions and other intellectual property. Such conflicts may lead to the loss or impairment of our intellectual property or to expensive litigation to defend our rights against competitors who may be better funded and have superior resources. Our employees, consultants, contractors, outside clinical collaborators and other advisors may unintentionally or willfully disclose our confidential information to competitors. In addition, confidentiality agreements may be unenforceable or may not provide an adequate remedy in the event of unauthorized disclosure. Enforcing a claim that a third party illegally obtained and is using our trade secrets is expensive and time-consuming, and the outcome is unpredictable. Moreover, our competitors may independently develop equivalent knowledge, methods and know-how. Unauthorized parties may also attempt to copy or reverse engineer certain aspects of our products that we consider proprietary, and in such cases we could not assert any trade secret rights against such party. As a result, other parties may be able to use our proprietary technology or information, and our ability to compete in the market would be harmed.

"Inogen," "Inogen One," "Inogen One G2," "Inogen One G3," "G4," "G5," "Live Life in Moments, not Minutes," "Never Run Out of Oxygen," "Oxygen Therapy on Your Terms," "Oxygen.Anytime.Anywhere," "Reclaim Your Independence," "Intelligent Delivery Technology," "Inogen At Home," the Inogen design, "TIDAL ASSIST," "TAV," and "SIDEKICK" are registered trademarks with the United States Patent and Trademark Office of Inogen, Inc. We own a pending application for "Inogen" with the United States Patent and Trademark Office. We own trademark registrations for the mark "Inogen" in Argentina, Australia, Canada, Chile, China, Columbia, Ecuador, South Korea, Mexico, Europe (European Union registration), the United Kingdom, Iceland, India, Israel, Japan, Kuwait, New Zealand, Norway, Paraguay, Peru, Turkey, Singapore, and Switzerland. We own pending applications for the mark "Inogen" in Brazil, India, Malaysia, South Africa, and Uruguay. We own a trademark registration for the mark "イノジェン" in Japan. We own trademark registrations for the marks "印诺真" and "艾诺根" in China. We own trademark registrations for the mark "Inogen One" in Australia, Canada, China, South Korea, Mexico, Europe (European Union registration), and the United Kingdom. We own a trademark registration for the mark "Satellite Conserver" in Canada. We own a trademark registration for the mark "Inogen At Home" in Europe (European Union Registration) and the United Kingdom. We own trademark registrations for the mark "G4" in Europe (European Union registration) and the United Kingdom. We own trademark registrations for the mark "G5" in Europe (European Union Registration) and the United Kingdom. We own a trademark application for the Inogen design in Bolivia. We own a trademark registration for the Inogen design in China. We own a trademark registration for the mark "إنوجن" in Saudi Arabia. Other service marks, trademarks, and trade names referred to in this Quarterly Report on Form 10-Q are the property of their respective owners.

We may be subject to damages resulting from claims that our employees, agents or we have wrongfully used or disclosed alleged trade secrets of other companies.

Some of our employees and consultants, including employees who joined us following our acquisition of New Aera, were previously employed by or contracted with other medical device companies focused on the development of oxygen therapy products, including our competitors. We may be subject to claims that these employees or agents have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of their former employers. Litigation may be necessary to defend against these claims. For example, Breathe Technologies, Inc. (Breathe), a subsidiary of Hill-Rom Holdings, filed a lawsuit against us, New Aera, Inc., Silverbow Development, LLC, and one of our employees on November 21, 2019 in the United States District Court for the Northern District of California. The lawsuit alleged, among other things, willful infringement on certain patents, declared that inventorship was incorrectly assigned and their rights to certain patents filed by New Aera, Inc. and Silverbow Development, LLC, breach of contract, inducing breach of contract, interference with contract, and violation of California Business and Professional Code section 17200. While we settled our lawsuit with Breathe, if we fail in defending against such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights and may be enjoined from using valuable technology in our products. Even if we are successful in defending against these claims, litigation could result in substantial costs, damage to our reputation and be a distraction to management.

Risks related to being a public company

We will incur increased costs as a result of operating as a public company and our management will be required to devote substantial time to compliance initiatives and corporate governance practices.

As a public company, especially now that we are no longer an "emerging growth company," we will continue to incur significant legal, accounting and other expenses that we did not incur as a private company. In addition, the Sarbanes-Oxley Act of 2002 and rules enforced by the Public Companies Oversight Board (PCAOB) subsequently implemented by the SEC and the NASDAQ Global Select Market impose numerous requirements on public companies, including establishment and maintenance of effective disclosure and financial controls and corporate governance practices. Also, the Securities Exchange Act of 1934, as amended, or the Exchange Act, requires, among other things, that we file annual, quarterly and current reports with respect to our business and operating results. Our management and other personnel will need to devote a substantial amount of time to compliance with these laws and regulations. These requirements have increased and will continue to increase our legal, accounting, external audit and financial compliance costs and have made and will continue to make some activities more time consuming and costly. For example, we expect these rules and regulations to make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to incur substantial costs to maintain the same or similar coverage. These rules and regulations could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors or our board committees or as executive officers.

Overall, we estimate that our incremental costs resulting from operating as a public company, including compliance with these rules and regulations, may be between $3.0 million and $5.0 million per year. However, these rules and regulations are often subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies and public accounting firms are subject to PCAOB compliance audits. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices.

The Sarbanes-Oxley Act requires, among other things, that we assess and document the effectiveness of our internal control over financial reporting annually and the effectiveness of our disclosure controls and procedures quarterly. In particular, Section 404(a) of the Sarbanes-Oxley Act, or Section 404(a), requires us to perform system and process evaluation and testing of our internal control over financial reporting to allow management to report on the effectiveness of our internal control over financial reporting. Section 404(b) of Sarbanes-Oxley Act, or Section 404(b), also requires our independent registered public accounting firm to attest to the effectiveness of our internal control over financial reporting. Now that we are no longer an "emerging growth company," our independent registered public accounting firm is required to undertake an assessment of our internal control over financial reporting, and the cost of our compliance with Section 404(b) is higher. Our compliance with applicable provisions of Section 404 will require that we incur substantial accounting expense and expend significant management time on compliance-related issues as we implement additional corporate governance practices and comply with reporting requirements.

Furthermore, investor perceptions of our company may suffer if deficiencies are found, and this could cause a decline in the market price of our stock. Irrespective of compliance with Section 404, any failure of our internal control over financial reporting could have a material adverse effect on our stated operating results and harm our reputation. If we are unable to implement these requirements effectively or efficiently, it could harm our operations, financial reporting, or financial results and could result in an adverse opinion on our internal controls from our independent registered public accounting firm.

In addition, the State of California has put regulations in place to prioritize board diversity. If we are unable to implement these requirements to find the level of talent and skills in diverse candidates within the timeframes of the regulation, we may face penalties, poor investor perception of us, or harm to our reputation.

Failure to maintain effective internal controls could cause our investors to lose confidence in us and adversely affect the market price of our common stock. If our internal controls are not effective, we may not be able to accurately report our financial results or prevent fraud.

Section 404 of the Sarbanes-Oxley Act, or Section 404, requires that we maintain internal control over financial reporting that meets applicable standards. We may err in the design, operation or documentation of our controls, and all internal control systems, no matter how well designed and operated, can provide only reasonable assurance that the objectives of the control system are met. Because there are inherent limitations in all control systems, there can be no absolute assurance that all control issues have been or will be detected. If we are unable, or are perceived as unable, to produce reliable financial reports due to internal control deficiencies, investors could lose confidence in our reported financial information and operating results, which could result in a negative market reaction.

We are required to disclose significant changes made in our internal controls and procedures on a quarterly basis. Now that we are no longer an "emerging growth company," our independent registered public accounting firm is also required to attest to the effectiveness of our internal control over financial reporting pursuant to Section 404. Our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our controls are documented, designed or operating. Our remediation efforts may not enable us to avoid a material weakness in the future. Additionally, to comply with the requirements of being a public company, we may need to undertake various actions, such as implementing new internal controls and procedures and hiring accounting or internal audit staff or consultants, which may adversely affect our results of operations and financial condition.

Although prior material weaknesses have been remediated, we cannot assure you that our internal controls will continue to operate properly or that our financial statements will be free from error. There may be undetected material weaknesses in our internal control over financial reporting, as a result of which we may not detect financial statement errors on a timely basis. Moreover, in the future we may implement new offerings and engage in business transactions, such as acquisitions, reorganizations or implementation of new information systems that could require us to develop and implement new controls and could negatively affect our internal control over financial reporting and result in material weaknesses.

If we identify new material weaknesses in our internal control over financial reporting, if we are unable to comply with the requirements of Section 404 in a timely manner, if we are unable to assert that our internal controls over financial reporting are effective, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting, we may be late with the filing of our periodic reports, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock could be negatively affected. As a result of such failures, we could also become subject to investigations by the stock exchange on which our securities are listed, the SEC, or other regulatory authorities, and become subject to litigation from investors and stockholders, which could harm our reputation, financial condition or divert financial and management resources from our core business.

Risks related to our common stock

We expect that our stock price will fluctuate significantly, you may have difficulty selling your shares, and you could lose all or part of your investment.

Our stock is currently traded on NASDAQ, but we can provide no assurance that we will be able to maintain an active trading market on NASDAQ or any other exchange in the future. If an active trading market does not develop, you may have difficulty selling any of our shares of common stock that you buy. In addition, the trading price of our common stock may be highly volatile and could be subject to wide fluctuations in response to various factors, some of which are beyond our control. These factors include:

- actual or anticipated quarterly variation in our results of operations or the results of our competitors;
- announcements of secondary offerings;
- announcements by us or our competitors of new commercial products, significant contracts, commercial relationships or capital commitments;
- issuance of new or changed securities analysts' reports or recommendations for our stock;
- developments or disputes concerning our intellectual property or other proprietary rights;
- commencement of, or our involvement in, litigation;
- market conditions in the oxygen therapy market;
- reimbursement or legislative changes in the oxygen therapy market;
- failure to complete significant sales;
- manufacturing disruptions that could occur if we were unable to successfully expand our production in our current or an alternative facility or due to any other reason;
- any future sales of our common stock or other securities;
- any major change to the composition of our board of directors or management;
- announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures or capital commitments;

- the other factors described in this “Risk Factors” section; and
- general economic conditions and slow or negative growth of our markets.

The stock market in general and market prices for the securities of technology-based companies like ours in particular, have from time-to-time experienced volatility that often has been unrelated to the operating performance of the underlying companies. These broad market and industry fluctuations may adversely affect the market price of our common stock, regardless of our operating performance. In several recent situations where the market price of a stock has been volatile, holders of that stock have instituted securities class action litigation against the company that issued the stock.

Stockholder litigation has been filed against us in the past, and a class action securities lawsuit and related derivatives complaints against us are currently pending, as discussed in the “Legal Proceedings” section of this Quarterly Report on Form 10-Q. While we are continuing to defend such actions vigorously, the defense of such actions can be costly, divert the time and attention of our management and harm our operating results, and any judgment against us or any future stockholder litigation could result in substantial costs.

If securities or industry analysts do not publish research or publish unfavorable research about our business, our stock price and trading volume could decline.

The trading market for our common stock will rely in part on the research and reports that equity research analysts publish about us and our business. We will not have any control of the analysts or the content and opinions included in their reports. The price of our stock could decline if one or more equity research analysts downgrade our stock or issue other unfavorable commentary or research. If one or more equity research analysts ceases coverage of our company or fails to publish reports on us regularly, demand for our stock could decrease, which in turn could cause our stock price or trading volume to decline.

Future sales of shares could cause our stock price to decline.

Our stock price could decline as a result of sales of a large number of shares of our common stock or the perception that these sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate.

We have also registered the offer and sale of all shares of common stock that we may issue under our equity compensation plans. In addition, in the future, we may issue additional shares of common stock or other equity or debt securities convertible into common stock in connection with a financing, acquisition, litigation settlement, and employee arrangements or otherwise. Any such issuance could result in substantial dilution to our existing stockholders and could cause our stock price to decline.

Our directors, executive officers and principal stockholders will continue to have substantial control over us and could limit your ability to influence the outcome of key transactions, including changes of control.

As of September 30, 2021, our executive officers, directors and stockholders who owned more than 5% of our outstanding common stock and their respective affiliates beneficially owned or controlled approximately 50.2% of the outstanding shares of our common stock. Accordingly, these executive officers, directors and stockholders who owned more than 5% of our outstanding common stock and their respective affiliates, acting as a group, have substantial influence over the outcome of corporate actions requiring stockholder approval, including the election of directors, any merger, consolidation or sale of all or substantially all of our assets or any other significant corporate transactions. These stockholders may also delay or prevent a change of control of us, even if such a change of control would benefit our other stockholders. The significant concentration of stock ownership may adversely affect the trading price of our common stock due to investors’ perception that conflicts of interest may exist or arise.

Anti-takeover provisions in our charter documents and under Delaware law could make an acquisition of us, which may be beneficial to our stockholders, more difficult and may prevent attempts by our stockholders to replace or remove our current management and limit the market price of our common stock.

Provisions in our certificate of incorporation and bylaws may have the effect of delaying or preventing a change of control or changes in our management. Our amended and restated certificate of incorporation and amended and restated bylaws include provisions that:

- authorize our board of directors to issue, without further action by the stockholders, up to 10,000,000 shares of undesignated preferred stock;

- require that any action to be taken by our stockholders be affected at a duly called annual or special meeting and not by written consent;
- specify that special meetings of our stockholders can be called only by our board of directors, the Chairman of the board of directors, or the Chief Executive Officer;
- establish an advance notice procedure for stockholder approvals to be brought before an annual meeting of our stockholders, including proposed nominations of persons for election to our board of directors;
- establish that our board of directors is divided into three classes, Class I, Class II and Class III, with each class serving staggered three-year terms;
- provide that our directors may be removed only for cause;
- provide that vacancies on our board of directors may be filled only by a majority of directors then in office, even though less than a quorum;
- specify that no stockholder is permitted to cumulate votes at any election of directors; and
- require a super-majority of votes to amend certain of the above-mentioned provisions.

These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management. In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which limits the ability of stockholders owning in excess of 15% of our outstanding voting stock to merge or combine with us.

We have never paid dividends on our capital stock, and we do not anticipate paying any cash dividends in the foreseeable future.

We have paid no cash dividends on any of our classes of capital stock to date and currently intend to retain our future earnings to fund the development and growth of our business. In addition, we may become subject to covenants under future debt arrangements that place restrictions on our ability to pay dividends. As a result, capital appreciation, if any, of our common stock is expected to be your sole source of gain for the foreseeable future.

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

Unregistered Sales of Equity Securities

None.

Issuer Purchases of Equity Securities

We did not repurchase any shares of our common stock during the three or nine months ended September 30, 2021 and September 30, 2020.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Description	Incorporated by Reference From Form	Incorporated by Reference From Exhibit Number	Date Filed
10.1	First Amendment to Lease dated as of June 17, 2021, by and between the Company and RAF Pacifica Group – Real Estate Fund IV, LLC, APG Hollywood Center, LLC and APG Airport Freeway Center, LLC	Filed herewith		
10.2(1)	Private Label Distribution Agreement, by and between the Company and OxyGo HQ Florida, LLC, dated as of September 23, 2021	Filed herewith		
10.3(2)	Transition Agreement and Release, dated September 30, 2021, between the Company and Brenton Taylor	Filed herewith		
10.4(2)	Amended and Restated Employment and Severance Agreement, dated October 11, 2021, between the Company and Stanislav Glezer	Filed herewith		
31.1	Certification Pursuant to Exchange Act Rules 13a - 14(a) and 15d - 14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of Chief Executive Officer	Filed herewith		
31.2	Certification Pursuant to Exchange Act Rules 13a - 14(a) and 15d - 14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of Chief Financial Officer	Filed herewith		
32.1(3)	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 of Chief Executive Officer			
32.2(3)	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 of Chief Financial Officer			
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.			
101.SCH	Inline XBRL Taxonomy Extension Schema Document			
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document			
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document			
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document			
101.DEF	Inline XBRL Taxonomy Extension Definition Document			
104	The cover page of this Quarterly Report on Form 10-Q, formatted in inline XBRL.			

(1) Portions of the exhibit have been omitted pursuant to Item 601(b)(10) of Regulation S-K. The Company agrees to furnish to the Securities and Exchange Commission a copy of any omitted portions of the exhibit upon request.

(2) Indicates a management contract or compensatory plan.

(3) The Certifications attached as Exhibits 32.1 and 32.2 that accompany this Quarterly Report on Form 10-Q are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of Inogen, 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 Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

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.

	INOGEN, INC.
Dated: November 4, 2021	By: /s/ Nabil Shabshab Nabil Shabshab Chief Executive Officer President Director *(Principal Executive Officer)*
Dated: November 4, 2021	By: /s/ Alison Bauerlein Alison Bauerlein Chief Financial Officer Executive Vice President, Finance Treasurer *(Principal Financial and Accounting Officer)*

Exhibit 10.1

FIRST AMENDMENT TO LEASE

This First Amendment to Lease ("**Amendment**") is entered into, and dated for reference purposes, as of June 17, 2021 (the "**Execution Date**") by and between **RAF PACIFICA GROUP – REAL ESTATE FUND IV, LLC,** a California limited liability company; **APG HOLLYWOOD CENTER, LLC,** a California limited liability company; and **APG AIRPORT FREEWAY CENTER, LLC** , a California limited liability company (collectively, "**Lessor**"), and **INOGEN, INC.**, a Delaware corporation ("**Lessee"**), with reference to the following facts:

Recitals

A. Lessor and Lessee are the parties to that certain written lease which is comprised of the following (collectively, the "**Existing Lease**"): that certain written Standard Industrial/Commercial Single-Tenant Lease – Net, dated as of June 17, 2019 (the "**Original Lease**"), entered into by and between Lessor and Lessee for certain premises described therein (collectively, the "**Premises**") and commonly known as 301 Coromar Drive, Goleta, CA, as more particularly described in the Existing Lease.

B. Lessor and Lessee desire to acknowledge the actual square footage of the Premises, as more particularly set forth below.

Agreement

NOW, THEREFORE, in consideration of the foregoing, and of the mutual covenants set forth herein and of other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

1. Scope of Amendment; Defined Terms. Except as expressly provided in this Amendment, the Existing Lease shall remain in full force and effect. Should any inconsistency arise between this Amendment and the Existing Lease as to the specific matters which are the subject of this Amendment, the terms and conditions of this Amendment shall control. All capitalized terms used in this Amendment and not defined herein shall have the meanings set forth in the Existing Lease unless the context clearly requires otherwise; provided, however, that the term "Lease" as used herein and, from and after the Execution Date, in the Existing Lease shall refer to the Existing Lease as modified by this Amendment.

2. Size of the Premises. The parties acknowledge that, pursuant to Paragraph 56 of the Original Lease, Lessor has caused the Premises to be measured after completion of the Lessee Improvements and the actual size of the Premises, as calculated pursuant to the BOMA Standard set forth in such paragraph 56 of the Original Lease, is determined to be 50,532.23 rentable square feet. Notwithstanding anything to the contrary in the Original Lease, neither the Base Rent, the Security Deposit, nor any other amount, percentage or figure appearing in or referred to in the Original Lease shall be modified due to such determination.

3. Lessee's Share. The Original Lease refers to "Lessee's Share" at Paragraph 56 and "Lessee's share" at Paragraph 60(d). In recognition that the Premises consists of 100% of the Building, the parties acknowledge that the Lessee's Share is 100%.

4. Effect of Headings; Recitals; Exhibits. The titles or headings of the various parts or sections hereof are intended solely for convenience and are not intended and shall not be deemed to or in any way be used to modify, explain or place any construction upon any of the provisions of this Amendment. Any and all Recitals set forth at the beginning of this Amendment are true and correct and constitute a part of this Amendment as if they had been set forth as covenants herein. Exhibits, schedules, plats and riders hereto which are referred to herein are a part of this Amendment.

5. Entire Agreement; Amendment. This Amendment taken together with the Existing Lease, together with all exhibits, schedules, riders and addenda to each, constitutes the full and complete agreement and understanding between the parties hereto and shall supersede all prior communications, representations, understandings or agreements, if any, whether oral or written, concerning the subject matter contained in this Amendment and the Existing Lease, as so amended, and no provision of the Existing Lease as so amended may be modified, amended, waived or discharged, in whole or in part, except by a written instrument executed by all of the parties hereto.

6. Authority. Each party represents and warrants to the other that it has full authority and power to enter into and perform its obligations under this Amendment, that the person executing this Amendment is fully empowered to do so, and that no consent or authorization is necessary from any third party. Lessor may request that Lessee provide Lessor evidence of Lessee's authority.

7. Counterparts. This Amendment may be executed in two or more counterparts, which when taken together shall constitute one and the same instrument, and the signature of any party to any counterpart shall be deemed a signature to, and may be appended to, any other counterpart. Each counterpart shall be equally admissible in evidence, and each original shall fully bind each party who has executed it. The parties contemplate that they may be executing counterparts of this Amendment transmitted electronically and agree and intend that an electronic signature shall bind the party so signing with the same effect as though the signature were an original signature.

[Signatures are on next page.]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first set forth above.

LESSOR:

RAF PACIFICA GROUP - REAL ESTATE FUND IV, LLC,
fornia limited liability company

By: /s/ Steven C. Leonard
Steven C. Leonard, Manager

APG HOLLYWOOD CENTER, LLC,
a California limited liability company

By:K Associates,
a California general partnership
Its: sole and Managing Member

By: /s/ Bonnie L. Fein
Name: Bonnie L. Fein
Its: Managing General Partner

APG AIRPORT FREEWAY CENTER, LLC,
a California limited liability company

By:K Associates,
a California general partnership
Its: sole and Managing Member

By: /s/ Bonnie L. Fein
Name: Bonnie L. Fein
Its: Managing General Partner

LESSEE:

INOGEN, INC.,
a Delaware corporation

By: /s/ Nabil Shabshab
Nabil Shabshab, President

By: /s/ Alison Bauerlein
Alison Bauerlein, CFO

Exhibit 10.2

PRIVATE LABEL DISTRIBUTION AGREEMENT

This **PRIVATE LABEL DISTRIBUTION AGREEMENT** (this **"Agreement")** is made and entered into as of September 23, 2021 **("Effective Date")** by and between Inogen, Inc., a Delaware corporation (the **"Company"),** and OxyGo HQ Florida, LLC, an LLC organized and existing under the laws of Florida (the **"Distributor").**

RECITALS

A. The Company develops, manufactures, markets, distributes and sells a proprietary, oxygen concentrator systems and related accessories.

B. The Company wishes to appoint Distributor as its distributor of certain private label product of the Company in the Territory.

C. The Distributor wishes to designate the Company as a supplier of portable oxygen concentrator systems.

D. The Company and the Distributor are willing to accept such appointments.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, on the terms and subject to the conditions set forth herein, the parties hereby agree as follows:

1. DEFINITIONS. When used herein, the following capitalized terms shall have the following meanings:

"Affiliate" means, in respect of any specified Person, any other Person which, but only for so long as such other Person, directly or indirectly, controls, is controlled by, or is under common control with, such specified Person. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, through the ownership of voting securities or other equity interests, and the terms "controlled" and "common control" have correlative meanings.

"Affiliated Parties" means, in respect of any specified Person, all Affiliates, directors, officers, employees, agents and representatives of such Person.

"Change of Control" means (i) the sale or other transfer by a Party (excluding transfers to subsidiaries) of all or substantially all of that Party’s assets; (ii) the consummation of the merger or consolidation of the Party or a subsidiary of the Party with or into another entity (except one in which the holders of capital stock of the Party as constituted immediately prior to such merger or consolidation continue to hold at least 50% of the voting power of the capital stock of the Party or the surviving or acquiring entity in substantially the same relative proportions); or (iii) the closing of the acquisition, in one transaction or a series of related transactions, by a person o r group of affiliated persons (other than an underwriter of the Party's securities) of 50% or more of the outstanding voting stock of the Party; provided, however, that a transaction shall not constitute a Change of Control pursuant to this clause (a) if it is a transaction or series of transactions principally for bona fide equity financing purposes in which cash is received by the Party or indebtedness of the Party is canceled or converted or a combination thereof

[***] Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

or (b) the events of sections (i), (ii) or (iii) above occur passing ownership or control along the family lines of the majority owner of Distributor as of the Effective Date of this Agreement.

"Company Marks" means any and all trademarks, trade names, service marks, service names, logos and similar proprietary rights owned, controlled or licensed, or adopted from time to time, by the Company and used in connection with the marketing, distribution and sale of the Products including but not limited to the trademarks, Inogen mark and the series of Inogen marks using identifiers such as G1, G2, G3, G4....G10 and those trademarks identified on Exhibit D to this Agreement.

"**Distributor Customers**" has the meaning set forth in Section 2.3 below.

"Distributor Marks" means any and all trademarks, trade names, service marks, service names, logos and similar proprietary rights owned, controlled or licensed, or adopted from time to time, by Distributor which are authorized by Distributor for use by Company to be placed and displayed on the Products and Product packaging pursuant to the License to Distributor Marks in Section 2.6 and limited to the trademarks identified on Exhibit E to this Agreement.

"Governmental Approval" shall mean the approval, authorization and permit by government and quasi-government authorities in the Territory for the commercial sale of the Products therein.

"Modifications" shall mean any and all developments, improvements, or modifications, related to the Products which are created, made available or provided for use in the Territory and agreed to by the Company as a new "Modification" of the Products.

"Person" means any natural person or any corporation, partnership, limited liability company, business association, joint venture or other entity.

"Point of Shipment" means the Company's manufacturing facilities located in Goleta, California, Richardson, TX, and Plano, TX USA.

"Private Brand" means Distributor Marks and any and all brands, logos, marks, service marks, trademarks, and tradenames, whether registered or not, other than the Company Marks that may be used on or with the Products and Product Packaging.

"Products" means the devices, products, instruments, components and accessories, whether patented or unpatented, manufactured or distributed by or on behalf of the Company and listed on Exhibit A, together with all Modifications. The parties agree that from time to time Products may be discontinued by the Company and may be removed from Exhibit A upon one hundred eighty (180) days prior written notice to Distributor.

"Product Specifications" means all functionality, performance criteria and product specifications as contained in user manuals, advertising, promotional materials or other materials provided with the Product or by Company.

"Territory" means the countries and sales channels identified on Exhibit B attached hereto, which may be amended from time to time by mutual agreement of the parties.

2. DISTRIBUTION RIGHTS.

2.1 Appointment as Distributor; Use of Product. Subject to the terms and conditions of this Agreement, the Company hereby appoints Distributor as the Company's distributor to market, distribute and sell the Products within the Territory using Distributor Marks. Distributor shall have the right under this Agreement, subject to the terms and conditions herein, to market, distribute and sell any Products.

The appointment of Distributor shall be as a non-exclusive private label distributor. The Company shall not sell the Products within or outside of the Territory using Distributor Marks. Distributor acknowledges that the Products are for use only for the clinical uses for which they are approved, and Distributor shall not promote the Products for any other use, nor sell the Products to any Person which it knows or has reason to believe, will use the Products for any other use. Notwithstanding the foregoing, the Company shall have the unrestricted right to appoint other distributors and representatives, and/or to make direct sales to customers in the Territory of any of its Products, so long as they do not bear Distributor’s Marks. The branding of the Products using Distributor Marks shall be executed by Company based on branding specifications agreed to from time to time by the parties. For clarity, the Products sold by Company to Distributor and resold by Distributor shall bear all references to Company as required by the applicable laws and regulations.

2.2 Subdistributors. Distributor may appoint one or more Persons to act as subdistributors (each a **"Subdistributor"** and, collectively, the **"Subdistributors")** to distribute the Products within any portion of the Territory, with Company’s prior written consent at Company’s sole discretion. Currently appointed Subdistributors are hereby approved. Distributor shall (a) cause each Subdistributor to comply fully with all obligations imposed hereunder upon Distributor applicable to the resale of the Products within the Territory, including, without limitation, the obligations of confidentiality imposed under Section 8.1 below; (b) obtain an undertaking from any such Subdistributor that it will not describe or represent itself as an employee, agent, representative, distributor, subdistributor or dealer of the Company; and (c) indemnify the Company and defend and hold the Company harmless from all claims, damages and liabilities which may be incurred by virtue of the appointment or termination of such Subdistributor. During the Term of this Agreement, no Person (other than the Company and Subdistributors appointed by Distributor) may, directly or indirectly, exercise, license or use any of the rights granted to Distributor herein.

2.3 Territory. Distributor shall not promote the sale of Products outside the Territory without the Company's prior written consent. Distributor shall forward to the Company all inquiries or requests for information relating to the Products from Persons outside the Territory and Distributor shall not sell to any Person outside the Territory or to any Person Distributor knows will sell the Products outside the Territory. In the United States, Distributor is only allowed sales of the Products through traditional home medical equipment providers (excludes resellers and patients), which does not include rights to sell Products online (“Distributor Customers”). Distributor is responsible for communicating and enforcing this policy with its customers, with progressive discipline up to termination of sales contracts with customers if sales of Products online do not cease in a timely manner. If online sales of Products are found by the Company, the Distributor will contact the Distributor Customer to cease online sales, if the Distributor Customer does not stop selling online, Distributor will terminate sales to the Distributor Customer or sub-distributor. The Parties agree that certain advertising, marketing, promotion and communications of Distributor may extend, be accessed, viewed, received, forwarded or transmitted beyond the Territory without the direct actions, direction or control of Distributor, including without limit through use of Internet, social media, TV or other broadcasting, and such shall not be considered a breach of the requirements for promotion of the sale of the Products in this paragraph or any other terms of this Agreement.

2.4 Modification and Discontinuation of Products. The Company may change any of the Products and/or its specifications, or to discontinue the manufacture of one or more Products, without payment of compensation to Distributor; provided, however, that the Company gives Distributor at least 180) days prior written notice, if practicable; provided further, however, that the Company hereby agrees to use reasonable efforts to supply sufficient quantities of any discontinued Product to cover outstanding customer orders placed by Distributor prior to its receipt of the notice of the discontinuation of a Product. For clarity, Company reserves the right to withhold new products from Distributor at Company’s discretion, but [***]. Without limiting the generality of the foregoing, [***].

2.5 License to Company Marks. To the extent it is required by applicable laws and regulations that Company Marks are used on the Products or related advertising, promotional materials, instructions, manuals, or packaging sold to Distributor in addition to Distributor Marks, Distributor agrees not to alter or remove any Company Marks displayed on any Product or its packaging and the Company hereby grants to Distributor the nonexclusive, fully-paid and royalty-free right and license to use any and all Company Marks as required for applicable regulatory requirements in connection with the distribution, technical assistance and support of the Products. Except as provided in this Agreement, nothing herein shall grant to Distributor any right, title or interest in the Company Marks.

2.6 License to Distributor Marks. Distributor hereby grants to Company the nonexclusive, royalty-free, limited license to use Distributor Marks during the Term and solely for placing on the Products or product packaging in accordance with the terms of this Agreement. All use of Distributor Marks by Company or on Products or Product packaging shall be in accordance with Distributor Requirements and as otherwise required for applicable regulatory requirements in connection with the distribution of the Products. This License shall exclude any other use of Distributor Marks, including without limitation, advertising or promotion by Company or use in any Company advertising, websites, or social media. Except as expressly provided in this Agreement, nothing herein shall grant to Company any right, title or interest in Distributor Marks.

2.7 No Other Rights. Except as expressly provided in this Agreement, no right, title, or interest is granted by the Company to Distributor hereunder. Subject to Distributor's exclusive rights as a distributor in section 2.1 and otherwise in the Agreement, Company may distribute any and all Products within or outside the Territory, either directly or indirectly through other distributors under Company Marks.

2.8 No Competitive Products. During the term of this Agreement, Distributor shall not market, distribute or sell, directly or indirectly, any portable concentrators competitive with Inogen products weighing 5 pounds or less.

3. TERMS OF PURCHASE OF PRODUCTS.

3.1 Terms and Conditions. All purchases of Products hereunder shall be subject to the provisions of this Agreement. Unless otherwise agreed in writing, nothing contained in any purchase order submitted pursuant to this Agreement shall in any way modify or add any provision to this Agreement. In the event of a conflict between the terms of any purchase order and the provisions of this Agreement, the provisions of this Agreement shall govern.

3.2 Orders. Distributor shall purchase Products from the Company by means of a purchase order specifying the quantities of Products ordered and the shipment date by which the Company shall ship the Products to Distributor. Orders may be placed by telephone, electronic submission or facsimile transmission; *provided, however,* that a confirming purchase order is thereafter received by the Company. To facilitate the Company's procurement scheduling, Distributor shall submit binding purchase orders [***]. For accessories, Distributor shall submit binding purchase orders [***]. [***]. The Company shall use commercially reasonable efforts to deliver Products at the time specified in its written acceptance of Distributor's purchase orders. Distributor authorizes the Company to procure the quantity and type of Components necessary to manufacture the quantities of Products listed on purchase orders, and agrees to be financially responsible for all Components ordered. Distributor guarantees the obligations of each of its subsidiaries or affiliates or any other company that buys Components based on pursuant to this Agreement, and agrees to be jointly liable for all such obligations, which shall survive termination of this Agreement.

[***] Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

3.3 Prices. The prices to Distributor for the Products are set forth on Exhibit A. The Prices set forth in Exhibit A are based upon [***]. Such prices do not include any sales, excise, use, value added or other government taxes that may be applicable to the purchase of the Products, which will be the responsibility of Distributor. When the Company has the legal obligation to collect and/or pay such taxes, the appropriate amount shall be added to Distributor's invoice and paid by Distributor to the Company, unless Distributor provides the Company with a valid tax exemption certificate authorized by the appropriate governmental taxing authority.

3.4 [Reserved]

3.5 Invoicing: The Company shall submit an invoice to Distributor with each shipment of Products ordered by Distributor. Each invoice shall be due and payable [***] from the date of invoice. All invoices shall be sent to Distributor's address for notice purposes, without regard to the actual shipping address for the Products. Each such invoice shall state [***]. Company shall [***]. Distributor shall [***].

3.6 Timing of Payments. If Distributor is delinquent in remitting payments to the Company under the terms specified herein then the Company may, at its sole option, [***]. Distributor shall comply with such modified payment terms designated by the Company. The foregoing remedies of the Company are not exclusive, but are in addition to any and all remedies available to the Company under this Agreement and applicable law.

3.7 Shipment. The Company shall ship the Products, [***]. All Products delivered by the Company shall [***]. The Company shall [***]. Distributor shall provide sales tracings annually for each order Distributor ships from its facilities within the first 10 calendar days of every 12 month period starting on the first anniversary of the date hereof including customer name, customer address, date shipped, quantity purchased, product part number, serial numbers. Sales tracings should be provided in the form substantially equivalent to the version listed in Exhibit F of this Agreement. If sales tracings are not provided, the Company reserves the right to terminate this Agreement for non-compliance with 90 days notice after a 30 day cure period.

3.8 Rejection of Products. Distributor shall have a commercially reasonable period of time, following receipt of any shipment to notify the Company that any or all such Products fails to meet the Product Specifications, or is damaged or defective. Any Product not rejected within such time period shall be deemed accepted. If Distributor rejects any Products, the Company may inspect the Products at the delivery site or require Distributor to return the Product at the Company's expense. All rejected Products shall be replaced or repaired at the sole cost of the Company.

3.9 Forecasts. At least [***], Distributor shall provide Company with a firm binding [***] unit Purchase Order for Products and [***] accessory Purchase Order. [***]. Distributor is required to accept all Products and accessories manufactured based on Distributor's binding Purchase Orders.

4. WARRANTY TO DISTRIBUTOR.

4.1 Standard Limited Warranty. [***].

4.2 NO OTHER WARRANTY. EXCEPT FOR THE EXPRESS STANDARD LIMITED WARRANTY PROVIDED IN THE COMPANY'S WRITTEN OWNERS MANUAL, THE COMPANY MAKES NO WARRANTIES, WHETHER EXPRESS OR IMPLIED, AS TO THE PERFORMANCE OF PRODUCTS. THE COMPANY SPECIFICALLY DISCLAIMS ANY IMPLIED WARRANTY OF MERCHANTABILITY OR OF FITNESS FOR A PARTICULAR PURPOSE.

[***] Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

4.3 LIMITATION OF LIABILITY. THE COMPANY'S LIABILITY UNDER THE STANDARD LIMITED WARRANTY SHALL BE LIMITED TO REPAIR OR REPLACEMENT OF THE PRODUCT SUBSTANTIALLY EQUIVALENT TO THE ORIGINAL PRODUCT SHIPPED. IN NO EVENT SHALL THE COMPANY BE LIABLE FOR THE COST OF PROCUREMENT OF SUBSTITUTE GOODS BY THE CUSTOMER OR FOR ANY LOSS OF PROFITS, SPECIAL, CONSEQUENTIAL OR INCIDENTAL OR PUNITIVE DAMAGES FOR BREACH OF THIS AGREEMENT OR THE STANDARD LIMITED WARRANTY.

5. ADDITIONAL OBLIGATIONS OF DISTRIBUTOR.

5.1 Governmental Approvals, Registrations, Licenses and Permits. Distributor shall comply in all material respects with all laws, rules and regulations applicable to the marketing, distribution and sale of Products within the Territory. At all times during the Term of this Agreement, Distributor shall secure and maintain at its own expense all necessary Governmental Approvals required in connection with the use and resale of the Products in the Territory. Distributor shall notify the Company each time it submits an application for Governmental Approval and shall, if requested, supply the Company with copies of or access to Distributor's filings and shall keep the Company fully informed of the progress of each such application. The Company and Distributor agree to disclose promptly to the other all reports and any information which they have available or which become available to them relating to performance of, or any deleterious physiological effects caused by or related to, the Products. The Company shall reasonably cooperate with Distributor in connection with Distributor's efforts to obtain applicable Governmental Approvals, registrations, licenses and permits.

5.2 Promotion of Products: Advertising. Distributor shall, solely at Distributor's own expense, vigorously promote the sale of the Products within the Territory. Distributor shall advertise and market the Products in a commercially reasonable manner and furnish appropriate Product information and promotional materials to its customers in languages appropriate for the Territory. Distributor also shall advertise the Products in trade publications within the Territory and participate in appropriate trade shows. Distributor shall use commercially reasonable efforts to distribute and sell the Products for use only by qualified individuals, as appropriate in the Territory, in compliance with the Government Approvals, local laws and regulations and good commercial practice and for uses and applications limited to human oxygen therapy. Distributor and its employees and agents shall not promote the Products for any uses not approved for such Products by applicable regulatory authorities. All promotional materials prepared by Distributor relating to the Products must be consistent with applicable law and promotional materials used by the Company. Distributor shall apply for and use its commercially reasonable efforts to obtain all other registrations, licenses and permits that are reasonably necessary to market, distribute and sell the Products. Distributor shall provide to the Company for purposes of approval by the Company any and all promotional, advertising, and educational materials and programs relating to the Products (along with an English translation) at least thirty (30) days prior to the release of such materials or commencement of such programs. If Company does not respond within 15 business days, consent shall be assumed to have been provided. Distributor shall also enforce the requirements for Products not to be sold online by its customers, including monitoring and progressive discipline with Distributor’s customers. The Company will complete periodic third party audits of online sales of the Products, and expects Distributor to comply with enforcement of these policies.

5.3 Minimum Purchases. Distributor agrees to purchase the minimum number of units of each Product as set forth on Exhibit C during each of the period set forth therein (the **"Minimum").** In the event that Distributor does not purchase the Minimum for any contract year during the Term of this Agreement, then the Company shall have the right, at its sole discretion, to terminate this Agreement. Minimum purchase quantities for future years shall be agreed upon at least 6 months before the start of the calendar

[***] Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

year. If the parties cannot agree to a Minimum, then either party has the right to terminate the Agreement effective at the start of the next calendar year. If Distributor fails to meet its minimum requirements under this Agreement due solely to Company's failure to provide the Products, that shall not be considered a breach by Distributor.

5.4 Field Service and Technical Support. Distributor will provide field service, technical assistance and support for Products sold by Distributor in the Territory, including technical training and product repair training. The cost of any "warranty" service for any Product performed by Distributor after the expiration of the applicable warranty period for such Product shall be agreed upon between Distributor and its customers. The Addendum to Private Label Distribution Agreement between OxyGo HQ Florida, LLC and Inogen Inc Repair Parts Processing Agreement dated October 7, 2020 is still in effect, except updates to pricing tables as updated in Exhibit A of this Agreement. Distributor cannot train its customers to perform their own repairs without Company's consent, appropriate training, and appropriate agreements executed with Company outlining responsibilities and payment.

5.5 Import and Export Requirements. Distributor agrees to comply with all applicable export and re-export control laws and regulations, including the Export Administration Regulations ("EAR") maintained by the U.S. Department of Commerce, trade and economic sanctions maintained by the Treasury Department's Office of Foreign Assets Control, and the International Traffic in Arms Regulations ("ITAR") maintained by the Department of State. Specifically, Distributor covenants that it shall not -- directly or indirectly -- sell, export, re-export, transfer, divert, or otherwise dispose of any products received from Inogen under this Agreement to any destination, entity, or person prohibited by the laws or regulations of the United States, without obtaining prior authorization from the competent government authorities as required by those laws and regulations. Distributor warrants that it will comply in all respects with the export and re-export restrictions set forth in the export license for every Product shipped to Distributor. Distributor agrees to indemnify, to the fullest extent permitted by law, Inogen from and against any fines or penalties that may arise as a result of Distributor's breach of this provision. This export control clause shall survive termination or cancellation of this Agreement.

5.6 Recordkeeping. Distributor shall maintain accurate and complete records of all Products purchased and distributed within the Territory, which records shall be subject to review and audit by the Company upon reasonable advance notice.

5.7 Reporting Requirements. Distributor will comply with all written Company instructions and directives with respect to any product advisories or product recalls of the Products. Distributor shall immediately inform the Company of any complaints regarding the Products received by Distributor from customers within the Territory, and the Company shall have sole responsibility for reporting of any complaints or incidents to competent governmental authorities within the Territory. In the event of any adverse customer reaction or incident involving Products, Distributor shall evaluate and consult with the Company as to the applicable reporting requirements. The Company shall have sole responsibility for reporting of any adverse reaction or incident to any governmental or regulatory authority, and Distributor shall not make any such report without the Company's prior written approval.

5.8 Representations. Distributor shall not make any false or misleading representations to customers or others regarding the Company or the Products. Distributor and its employees and agents shall not make any representations, warranties or guarantees with respect to the specifications, features or capabilities of the Products that are not consistent with the Company's documentation accompanying the Products or the Company's literature describing the Products, including the Company's standard limited warranty and disclaimers.

5.9 Finances and Personnel. Distributor shall maintain a net worth and working capital sufficient, in the Company's reasonable judgment, to allow Distributor to perform fully and faithfully Distributor's obligations under this Agreement. Distributor shall promptly notify the Company of any material change in its ownership. The Company shall have the right upon thirty (30) days written notice to terminate this Agreement if the Company, in its reasonable judgment, determines that such change will diminish Distributor's ability to perform fully and faithfully its obligations under this Agreement. Distributor shall devote sufficient financial resources and technically qualified personnel to the Products to fulfill Distributor's responsibilities under this Agreement.

5.10 Customer and Sales Reporting. Distributor shall, at Distributor's own expense and consistent with the sales policies of the Company : (A) provide adequate contact with and service to existing and potential customers within the Territory on a regular basis, consistent with good business practice.; and (B) assist the Company in assessing customer requirements for the Products, including modifications and improvements thereto, in terms of quality, design, functional capability, and other features.

5.11 [Reserved].

5.12 U.S. Foreign Corrupt Practices Act. Without limiting any other provision in this Agreement, Distributor hereby represents, warrants and covenants that it shall comply with the requirements of the U.S. Foreign Corrupt Practices Act, U.S. and any other applicable foreign or domestic anti-bribery and anti-corruption laws, and other laws governing improper payments. Specifically, Distributor further represents, warrants, and covenants that, in connection with its activities under this Agreement, it will not offer, promise, authorize or otherwise act in furtherance or, or pay, anything of value, directly or indirectly, to a Government Official (as such term is hereinafter defined), or political party or party official, candidate for political office, or official of a public international organization. For purposes of this Agreement, the term "Government Official" shall mean and include any official or employee of a foreign (i.e., not the United States of America) national, local, provincial, or state government department, agency, or instrumentality, as well as an official in the judicial, legislative, or military, anyone acting in an official capacity for any foreign government, or any immediate family member (i.e., a spouse, sibling, child or parent) of such persons. Any such offer, promise, authorization, act in furtherance, or payment shall constitute a default by Distributor, and, to the extent, if any, required by law, the Company may immediately terminate this Agreement if Distributor breaches any of the representations and warranties set forth in this Section or if the Company learns that improper payments are being or have been made to any Government Official or private party by Distributor or its employees, subsidiaries or subcontractors.

5.13 Insurance. Distributor shall maintain adequate insurance, in such amounts and with such insurance companies as is customary in accordance with sound business practices, but in no event less than $1 million per occurrence and $2 million in the aggregate. Distributor shall upon the request of the Company furnish certificates of such insurance, such requests not to be made more frequently than once per calendar year.

[***] Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

5.14 Change of Control. Distributor shall provide notice to the Company of any Change in Control of Distributor at least thirty (30) days prior to the anticipated closing date of such Change in Control. Change in Control shall not be triggered if the Distributor ownership passes along family lines of current Distributor ownership, either by blood or marriage. Changes in ownership caused by the passing of ownership along family lines are both permitted assignments under the terms of this Agreement. If ownership of Distributor changes otherwise, The Company may terminate this Agreement by providing written notice to Distributor at any time following a Change in Control of the Distributor in which event this Agreement shall be terminated effective upon 270 days following the date that written notice is given, unless Company provides written notice to the Distributor that Company elects to terminate this Agreement prior to the expiration of such 270 day period, in which case this Agreement shall be terminated effective immediately upon the Distributor's receipt of such notice.

5.14 Local Language Requirements. Distributor will make a determination of any language requirements for Products distributed within the Territory and shall provide the Company with written documentation of any such requirements (other than English) within the Territory prior to Distributor's sale or distribution of any Products. Any translation of Company manuals, instructions, marketing brochures and any other written materials concerning the Products shall be approved by the Company prior to any distribution of such materials in the Territory.

6 ADDITIONAL OBLIGATIONS OF THE COMPANY.

6.14 Compliance with Laws. The Company shall comply in all material respects with all laws, rules and regulations applicable to the manufacture, labeling, packaging and sale of the Products.

6.15 Response to Inquiries. The Company shall use commercially reasonable efforts to promptly respond to all inquiries from Distributor concerning matters pertaining to this Agreement.

6.16 Training. The Company agrees to provide training to Distributor's product managers and field service personnel on an as-needed basis to enable Distributor to promote the sale of Products and to perform field service, technical assistance and support for its customers. Such training will be conducted at the Company's facilities at Goleta, California USA or, at the Company's election, at Distributor's facilities, and will be provided without charge to Distributor. In addition, the Company will provide Product updates and service bulletins as they become available.

6.17 ISO 9000 and CE Mark. The Company shall implement such quality control systems and procedures as shall be appropriate to (a) ensure compliance with the requirements of the International Standards Organization 9000 Series standards, as applicable to the Company as the manufacturer and supplier of the Products, and (b) place the CE marks on the Products in accordance with applicable law.

6.18 Regulatory Compliance Requirements. Distributor shall meet all regulatory requirements as outlined in this section: (a) Distributor will market the Products only in countries where regulatory compliance has been confirmed, (b) Distributor will determine requirements for sale of the Products as prescriptive devices in targeted markets. Distributor will document these requirements and inform Company prior to distribution into each country, (c) Distributor will maintain shipping records of all the Products that are distributed, (d) All customer complaints will be informed immediately to Company, and (e) In case of adverse medical events involving the Products, Distributor will submit to Company all information to evaluate applicable regulatory reporting requirements. All complaints shall be reviewed by Company and filed by Company should the results of Company's complaint investigation deem the complaint to meet the criteria of a reportable event. Company shall have sole responsibility for reporting of any complaints or incidents to competent governmental authorities and Distributor shall not make any such report without the Company's prior written approval. Distributor will comply with Company instructions in case of a need for product advisory product recall of the Products. Distributor will maintain all documentation and records referred above for at least seven years. Record will be made available to Company upon request.

7 REPRESENTATIONS AND WARRANTIES.

7.1 The Company. The Company represents and warrants to Distributor that (a) the Company has all necessary corporate power and authority to enter into this Agreement and to perform all of its obligations hereunder, (b) this Agreement has been duly authorized, executed and delivered by the Company, (c) the Company has the right, without the consent of any other Person, to grant to Distributor the distribution and other rights hereunder, (d) the execution, delivery and performance by the Company of this Agreement, and the consummation of the transactions contemplated hereby, do not violate or conflict with the charter or bylaws of the Company, any material contract, agreement or instrument to which the Company is a party or by which it or its properties are bound, or any judgment, decree, order or award of any court, governmental body or arbitrator by which the Company is bound, or any law, rule or regulation applicable to the Company, and (e) there is no pending or, to its best knowledge, threatened claim, action, suit or proceeding involving a claim that the manufacture, distribution or sale of any Products infringes or violates the intellectual, proprietary or other rights of any other Person.

7.2 Distributor. Distributor represents and warrants to the Company that (a) Distributor has all necessary corporate power and authority to enter into this Agreement and to perform all of its obligations hereunder, (b) this Agreement has been duly authorized, executed and delivered by the Company, and (c) the execution, delivery and performance by Distributor of this Agreement, and the consummation of the transactions contemplated hereby, do not violate or conflict with the Certificate of Incorporation or Bylaws of Distributor, any material contract, agreement or instrument to which Distributor is a party or by which it or its properties are bound, or any judgment, decree, order or award of any court, governmental body or arbitrator by which Distributor is bound, or any law, rule or regulation applicable to Distributor.

8 CONFIDENTIALITY AND PROPERTY RIGHTS

8.1 Confidentiality. Each party acknowledges that, in the course of performing its duties and obligations under this Agreement, certain information that is confidential or proprietary to such party **("Confidential Information")** will be furnished by the other party or such other party's representatives. Each party agrees that any Confidential Information furnished by the other party or such other party's representatives will not be used by it or its representatives except in connection with, and for the purposes of, the promotion, marketing, distribution and sale or Products under this Agreement and, except as provided herein, will not be disclosed by it or its representatives without the prior written consent of the other party. Notwithstanding the foregoing, the parties agree that all Confidential Information shall be clearly marked "CONFIDENTIAL" or, if in furnished in oral form, shall be stated to be confidential by the party disclosing such information at the time of such disclosure and reduced to a writing by the party disclosing such information which is furnished to the other party or such other party's representatives within forty-five (45) days after such disclosure.

8.2 Exceptions. The confidentiality obligations of each party under Section 8.1 do not extend to any Confidential Information furnished by the other party or such other party's representatives that (a) is or becomes generally available to the public other than as a result of a disclosure by such party or its representatives, (b) was available to such party or its representatives on a non-confidential basis prior to its disclosure thereto by the other party or such other party's representatives, (c) was independently

[***] Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

developed without the use of the other party's Confidential Information by representatives of such party who did not have access to the other party's Confidential Information, as established by contemporaneous written records, or (d) becomes available to such party or its representatives on an non-confidential basis from a source other than the other party or such other party's representatives; *provided, however,* that such source is not bound by a confidentiality agreement with the other party or such other party's representatives.

8.3 Compelled Disclosure. In the event that either party or its representatives are requested or become legally compelled (by oral questions, interrogatories, requests for information or document subpoena, civil investigative demand or similar process) to disclose any Confidential Information furnished by the other party or such other party's representatives or the fact that such Confidential Information has been made available to it, such party agrees that it or its representatives, as the case may be, will provide the other party with prompt written notice of such request(s) so that the other party may seek a protective order or other appropriate remedy and/or waive compliance with the provisions of this Agreement. In the event that such protective order or other remedy is not obtained, or that the other party waives compliance with the provisions of this Agreement, such party agrees that it will furnish only that portion of such Confidential Information that is legally required and will exercise its best efforts to obtain reliable assurance that confidential treatment will be accorded to that portion of such Confidential Information and other information being disclosed.

8.4 Survival. The obligations of the parties under this Section 8 shall survive the expiration or earlier termination of this Agreement for a period of five (5) years.

8.5 (a) Company Property Rights. Distributor agrees that the Company owns all right, title and interest in the Products and any Modification now or hereafter subject to this Agreement and in all of the Company's patents, utility model rights, design rights, Company Marks, inventions, copyrights, know-how, trade secrets and any other business or technical information relating to the design, manufacture, operations, marketing or service of the Products, including any Modifications. The use by Distributor, if at all, of any of these property rights is authorized only for the purposes herein set forth and to the extent explicitly permitted under this Agreement.

(b) Distributor Property Rights. Company agrees that the Distributor shall own all rights, title, and interest in the following: (i) branding rights, processes and related intellectual property rights developed for the marketing and sales of such branding including all Distributor Requirements; and (ii) all other inventions, patents, utility model rights, design rights, Distributor Marks, inventions, copyrights, know-how, trade secrets and any other business or technical information developed by or on behalf of Distributor related to Distributor's business, products or services (collectively "Distributor's Intellectual Property"). Company shall not copy or use any Distributor's Intellectual Property without Distributor's prior written consent.

8.6 Sale Conveys No Right to Manufacture or Copy. The Products are offered for sale and are sold by the Company subject in every case to the condition that such sale does not convey any license, expressly or by implication, to manufacture, duplicate or otherwise copy or reproduce any of the Products. Distributor shall take appropriate steps with Distributor's customers, as the Company may request, to inform them of and assure compliance with the restrictions contained in this Section 8.6.

8.7 SEC or Similar Filings. The Company may disclose the terms of this Agreement to the extent reasonably required to comply with the rules and regulations promulgated by the United States

Securities and Exchange Commission, comparable foreign regulators and self-regulatory organizations (such as securities exchanges).

9 INDEMNIFICATION; INSURANCE.

9.1 Company Indemnity. The Company agrees to indemnify, defend and hold harmless Distributor and its Affiliated Parties from and against any claims, losses, damages, liabilities, causes of action, suits, costs and expenses, including all reasonable attorneys' fees and disbursements of counsel and expenses of investigation, incurred by Distributor or such Affiliated Parties arising out of or relating to:

9.1.1 any breach by the Company of its material representations, warranties, covenants and agreements under this Agreement (unless such breach arises out of any of the matters covered by the Company's indemnity under Sections 9.2(a) through (b)); and

9.1.2 any third- party claims, actions, suits or proceedings alleging personal injury or death, or any damage to any property, caused or allegedly caused by any defect in any Product, or the failure to warn any Person of any defect in any Product not caused by Distributor's (or its agents) negligence, gross negligence or willful misconduct.

9.2 Distributor Indemnity. Distributor agrees to indemnify, defend and hold harmless the Company and its Affiliated Parties from and against any claims, losses, damages, liabilities, causes of action, suits, costs and expenses, including all reasonable attorneys' fees and disbursements of counsel and expenses of investigation, incurred by Distributor or such Affiliated Parties arising out of or relating to:

9.2.1 any breach by Distributor of its material representations, warranties, covenants and agreements under this Agreement (unless such breach arises out of any of the matters covered by the Company's indemnity under Sections 9.l(a) through (c)) and

9.2.2 any third-party claims, actions, suits or proceedings alleging personal injury or death, or any damage to any property, caused or allegedly caused by any failure to warn any Person of any defect in any Product caused by Distributor's negligence, gross negligence or willful misconduct; and

9.2.3 any claim, action, suit or proceeding brought, or threatened to be brought, against Distributor, any Subdistributor or any of their Affiliates alleging that the marketing, distribution, use or sale of any Products infringes or violates any patent, trademark, distribution or other proprietary rights of any third party, except to the extent such suit alleges infringement solely based on Company Marks.

9.3 Claims for Indemnification. Whenever any indemnification claim arises under this Agreement, the party seeking indemnification (the **"Indemnified Party")** shall promptly notify the other party (the **"Indemnifying Party")** of the claim and, when known, the facts constituting the basis of such claim; *provided, however,* that failure to give such notice shall not relieve the Indemnifying Party of its obligation hereunder unless and to the extent that such failure substantially prejudices the Indemnifying Party.

9.4 Third Party Claims. In the event of a third-party claim giving rise to indemnification hereunder, the Indemnifying Party may, upon prior written notice to the Indemnified Party, assume the defense of such claim with counsel reasonably satisfactory to the Indemnified Party, and shall thereafter be liable for all expenses incurred in connection with such defense, including attorneys' fees and expenses; *provided, however,* that if the Indemnifying Party assumes the defense of any such claim, the Indemnified Party may participate in such defense at its own expense and with counsel of its choice; *provided further, however,* that if there are one or more legal defenses available to the Indemnified Party that conflict with those available to the Indemnifying Party or there exists any other conflict of interest, the Indemnifying

[***] Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

Party shall not have the right to assume the defense of such claim but the Indemnified Party shall have the right to employ separate counsel at the expense of the Indemnifying Party and to participate in the defense thereof. If the Indemnifying Party elects to control the defense of such claim, it shall do so diligently and shall have the right to settle any claim for monetary damages, *provided* such settlement includes a complete and absolute release of the Indemnified Party. Notwithstanding anything to the contrary, the Indemnifying Party may not settle any claims for fines, penalties or the like without the prior written consent of the Indemnified Party.

9.5 Third Party Infringement. In the case of any infringement or violation by any third party of any distribution or other rights granted to Distributor hereunder, the Company shall have the obligation, at the Company's expense, to exercise its common law and statutory rights to cause such third party to cease such infringement and to otherwise enforce such rights. Distributor shall assist the Company as reasonably requested in taking any such actions against any such infringer and may join with the Company to recover lost profits in any action, suit or proceeding commenced, or claim made, by the Company against such infringer. Any amounts recovered as a result of any such action, suit, proceeding or claim shall be applied, first, to reimburse the Company and Distributor for its out of-pocket costs and expenses incurred in connection therewith, and, second, to compensate the Company and Distributor for any lost profits resulting from such infringement as may be agreed upon by the parties.

9.6 General and Product Liability Insurance. During the Term of this Agreement, the Company shall maintain comprehensive general liability insurance policies, including, without limitation, product liability insurance coverage in all Territories in the minimum amount of U.S. $2,000,000, and shall furnish to Distributor, at Distributor's request, certificates of insurance evidencing the foregoing coverage. The liability insurance maintained by the Company shall name Distributor as an additional insured, and contain an endorsement to provide Distributor with at least thirty (30) days prior written notice of any cancellation, non-renewal or reduction in coverage.

9.7 LIMITATION ON LIABILITY. IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER PARTY OR ANY OTHER PERSON FOR ANY INDIRECT, SPECIAL, CONSEQUENTIAL OR INCIDENTAL DAMAGES, HOWEVER CAUSED AND BASED ON ANY THEORY OF LIABILITY, ARISING OUT OF THIS AGREEMENT, THE PERFORMANCE BY DISTRIBUTOR OR ANY SUBDISTRIBUTOR OF ITS OBLIGATIONS HEREUNDER OR THE MARKETING, DISTRIBUTION OR SALE OF PRODUCTS, AND WHETHER OR NOT THE COMPANY OR DISTRIBUTOR HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. THIS LIMITATION SHALL APPLY NOTWITHSTANDING ANY FAILURE OF ESSENTIAL PURPOSE OF ANY LIMITED REMEDY PROVIDED FOR HEREIN.

9.8 The indemnification provided for under this Section 9 is not the exclusive remedy for breach of any provision of this Agreement.

10 TERM AND TERMINATION.

10.1 Initial Term; Renewal Terms. The initial term (the **"Initial Term")** of this Agreement shall be [***] from the date of this Agreement. The Initial Term shall be automatically extended and renewed for successive [***] periods (each a **"Renewal Term")** prior to the expiration of the Initial Term and each Renewal Term unless either party gives the other written notice of its election to terminate this Agreement at least [***] prior to the expiration of the then current Term of this Agreement. The Initial Term and any Renewal Term are collectively referred to as the "**Term**".

10.2 Termination of Agreement. This Agreement may be terminated as follows:

[***] Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

10.2.1 The parties may terminate this Agreement upon their mutual written agreement.

10.2.2 Either party may terminate this Agreement if the other party breaches any of its material representations, warranties, covenants or obligations under this Agreement and such breach continues for a period of thirty (30) days following receipt by the breaching party of written notice from the non-breaching party setting forth the nature of such breach.

10.2.3 The Company may terminate this Agreement, upon written notice, as set forth in Sections 2.3, 3.5, 3.6, 5.3, 5.9, 5.14, and 5.15.

10.2.4 Either party may terminate this Agreement immediately by written notice upon the occurrence of any of the following events: (i) the other party is or becomes insolvent or unable to pay its debts as they become due within the meaning of the United States Bankruptcy Code (or any successor statute); or (ii) the other party appoints or has appointed a receiver for all or substantially all of its assets, or makes an assignment for the benefit of its creditors; or (iii) the other party files a voluntary petition under the United States Bankruptcy Code (or any successor statute); or (iv) the other party has filed against it an involuntary petition under the United States Bankruptcy Code (or any successor statute), and such petition is not dismissed within ninety (90) days.

10.2.5 Except as otherwise set forth herein, the Company may terminate this Agreement immediately in the event that Distributor does not purchase the Minimum for any period during the Term.

10.3 Effect of Termination. The expiration or earlier termination of this Agreement shall not relieve any party of any of its rights or liabilities arising prior to or upon such expiration or earlier termination. Within ten (10) business days following the effective date of the expiration or earlier termination of this Agreement, Distributor shall provide to the Company a complete inventory of Products in Distributor's possession, in transit between Distributor's authorized locations or in transit to Distributor from the Company or otherwise in Distributor's control. Within ten (10) business days following the effective date of the expiration or earlier termination of this Agreement, Company shall provide to the Distributor a complete inventory of Products with Distributor Marks in Company's possession, in transit between Company's authorized locations, in process of being created by Company's supplier, or in transit to Distributor from the Company or otherwise in Company's control. Distributor shall pay the Company the Base Price (as listed on Exhibit A) for all Product with Distributor Marks held by Company, otherwise in Company's control and all pre-approved out-of-pocket expenses incurred and material obligations committed by the Company in anticipation of Products, but not yet in process. Within twenty (20) days following the effective date of expiration or earlier termination, the Company shall be entitled (but not obligated) to repurchase all of Distributor's then-existing inventory of Products at a price equal to the then market price of the Products (plus all taxes, duties, freight and insurance expenses); if the Company does not elect to repurchase the Products, Distributor may, at its election, continue to sell the then existing inventory of Products within the Territory after the expiration or earlier termination of this Agreement. until the six (6) month anniversary of the effective date of expiration or earlier termination.

10.4 Limitation on Liability. IN THE EVENT OF TERMINATION BY EITHER PARTY IN ACCORDANCE WITH ANY OF THE PROVISIONS OF THIS AGREEMENT, NEITHER PARTY SHALL BE LIABLE TO THE OTHER, BECAUSE OF SUCH TERMINATION, FOR COMPENSATION, REIMBURSEMENT OR DAMAGES ON ACCOUNT OF THE LOSS OF PROSPECTIVE PROFITS OR ANTICIPATED SALES OR ON ACCOUNT OF EXPENDITURES, INVENTORY, INVESTMENTS, LEASES OR COMMITMENTS IN CONNECTION WITH THE

BUSINESS OR GOODWILL OF THE COMPANY OR DISTRIBUTOR. TERMINATION SHALL NOT, HOWEVER, RELIEVE EITHER PARTY OF OBLIGATIONS INCURRED PRIOR TO THE TERMINATION.

10.5 Remaining Obligations. Termination shall not, under any circumstances, relieve the Distributor or its obligation to pay any sums owed to the Company under the terms of this Agreement..

10.6 Cancellation of Orders. Upon expiration or termination of this Agreement, the Company may cancel any or all unfilled orders.

10.7 Survival of Certain Terms. The provisions of Sections 3.1, 3.3 through 3.6, 4, 7, 8, 9, 10.3 through 10.7 and 11 shall survive the termination of this Agreement for any reason. All other rights and obligations of the parties shall cease upon termination of this Agreement.

10.8 Force Majeure. Neither party shall be liable to the other party for non-performance of or delay in performing its obligations hereunder to the extent that performance is rendered impossible by strike, riot, war, acts of God, earthquake, fire, flood, governmental acts or orders or restrictions, failure of suppliers, failure or delay of transportation; shortages of energy or other essential services; failure of technical facilities; regulations of any public authority or bureau; pandemic, epidemic or restrictions of other health crisis; or any other reason to the extent that the failure to perform is beyond the reasonable control of the non-performing party. For any Force Majeure lasting longer than 30 days, the Party not claiming Force Majeure may immediately terminate this Agreement.

11 GENERAL PROVISIONS.

11.1 Independent Contractors. The relationship of the Company and Distributor established by this Agreement is that of independent contractors, and nothing shall be deemed to create or imply any employer/employee, principal/agent, partner/partner or co-venturer relationship, or that the parties are participants in a common undertaking. Neither party shall have the right to direct or control the activities of the other party or incur or assume any obligation on behalf of the other party or bind such other party to any obligation for any purpose whatsoever. Distributor shall comply with all applicable laws, statutes, regulations and treaties relating to the sale and distribution of the Products and the performance of its duties and obligations hereunder.

11.2 Dispute Resolution. Except as otherwise expressly provided in this Agreement, the parties will submit all disputed matters between them to the following procedures: First, each party will refer each disputed matter to its respective senior executive with authority to resolve the matter on the party's behalf. Each such senior executive will work in good faith with the other to attempt to resolve the matter. If such senior executives do not agree upon a resolution to the matter within ten (10) business days after referral of the matter to them, either party may submit the matter to non-binding mediation before a single impartial mediator to which the parties agree. The parties will share the expenses of the mediation equally. If the parties are unable to resolve the disputed matter through the procedures described above, either party may pursue any other means to resolve the matter to which it is otherwise entitled under law.

11.3 Governing Law. This Agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of California, without reference to rules of conflicts or choice of laws.

11.4 Entire Agreement. This Agreement, including the Exhibits, set forth the entire agreement and understanding of the parties relating to the subject matter hereof and supersedes all prior oral and written, and all contemporary oral, negotiations, agreements and understandings with respect to the same.

11.5 Notices. All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given (and shall be deemed to have been duly given upon receipt) by delivery in person, by cable, telegram, facsimile or telex, or by registered or certified mail (postage prepaid, return receipt requested), to the other party at the following address (or at such other address for which such party gives notice hereunder):

If to the Company:	Inogen, Inc. 301 Coromar Drive Goleta, California 93117 USA Attention: Legal Dept.
If to Distributor:	OxyGo Florida HQ, LLC 2200 Principal Row, Orlando, FL 32837 Attention: Victoria Marquard-Schultz

11.6 Assignment and Binding Effect. Except as other provided in this Agreement, neither party may, directly or indirectly, assign its rights or delegate its duties under this Agreement without the prior written consent of the other party. No permitted assignment of rights or delegation of duties under this Agreement shall relieve the assigning or delegating party of its liabilities hereunder. This Agreement is binding upon, and inures to the benefit of, the parties and their respective successors and permitted assigns. Change in Control shall not be triggered if the Distributor ownership passes along family lines of current Distributor ownership, either by blood or marriage.

11.7 Severability. If any provision of this Agreement is held to be invalid by a court of competent jurisdiction, then the remaining provisions shall remain, nevertheless, in full force and effect. The parties agree to renegotiate in good faith any term held invalid and to be bound by the mutually agreed substitute provision in order to give the most effect intended by the parties.

11.8 No Waiver; Amendment. No waiver of any term or condition of this Agreement shall be valid or binding on any party unless agreed to in writing by the party to be charged. The failure of either party to enforce at any time any of the provisions of the Agreement, or the failure to require at any time performance by the other party of any of the provisions of this Agreement, shall in no way be construed to be a present or future waiver of such provisions, nor in any way affect the validity of either party to enforce each and every such provision thereafter. This Agreement may not be amended or modified except by the written agreement of the parties.

11.9 Construction; Interpretation. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Any article, section, recital, exhibit, schedule and party references are to this Agreement unless otherwise stated. No party, nor its counsel, shall be deemed the drafter of this Agreement for purposes of construing the provisions of this Agreement, and all provisions of this Agreement shall be construed in accordance with their fair meaning, and not strictly for or against any party.

11.10 Further Assurances. Each party agrees to cooperate fully with the other and execute such instruments, documents and agreements and take such further actions to carry out the intents and purposes of this Agreement.

11.11 Press Releases and Announcements. Except as may be contemplated hereunder, neither party may issue any press release or make any public announcement concerning the transactions contemplated by this Agreement without the prior consent of the other party, except for any releases or announcements which may be required by or, in such party's discretion, reasonably necessary under applicable law, in which case the party proposing to make such release or announcement will allow the other party a reasonable opportunity to review and comment on such release or announcement in advance of such issuance or making.

[Signature Page Follows]

IN WITNESS WHEREOF, each of the undersigned has caused this Distribution Agreement to be duly executed as of the date first written above.

DISTRIBUTOR

OxyGo HQ Florida, LLC

By: /s/ Victoria Marquard-Schultz, Esq.
Name: Victoria Marquard-Schultz, Esq.
Title: CEO

THE COMPANY

INOGEN, INC

By: /s/ George Parr
Name: George Parr
Title: EVP, Chief Commercial Officer

[***] Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

EXHIBIT A

PRODUCTS AND PRICE LIST

For purposes of this Agreement, the term **"Products"** includes the following and any Modifications that may occur from time to time:

[***]

[***] Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT HAS BEEN OMITTED BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED. INFORMATION THAT HAS BEEN OMITTED HAS BEEN NOTED IN THIS DOCUMENT WITH A PLACEHOLDER IDENTIFIED BY THE MARK “[***]”.

EXHIBIT B

TERRITORY

With proper regulatory approval, to be amended from time to time with mutual consent.

[***]

[***] Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT HAS BEEN OMITTED BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED. INFORMATION THAT HAS BEEN OMITTED HAS BEEN NOTED IN THIS DOCUMENT WITH A PLACEHOLDER IDENTIFIED BY THE MARK “[***]”.

EXHIBIT C

MINIMUM COMMITMENT

[***]

[***] Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

EXHIBIT D

COMPANY MARKS

All Company marks properly registered or otherwise protected.

EXHIBIT E

DISTRIBUTOR MARKS

OxyGo
Keep Going
OxyGo FIT
OxyGo NEXT
OxyGo NOW

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT HAS BEEN OMITTED BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED. INFORMATION THAT HAS BEEN OMITTED HAS BEEN NOTED IN THIS DOCUMENT WITH A PLACEHOLDER IDENTIFIED BY THE MARK "[***]".

EXHIBIT F

SALES TRACING TEMPLATE

Customer Name	Customer Ship to Address Line 1	Customer Ship to Address Line 2	Customer City	Customer State	Customer Zip Code	Ship Date	Product Part Number	Quantity Purchased	Serial Numbers

[***] Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

Exhibit 10.3

TRANSITION AGREEMENT AND RELEASE

This Transition Agreement and Release (" **Agreement**") is made by and between Brenton Taylor (" **Employee**") and Inogen, Inc. (the "**Company**") (collectively referred to as the "**Parties**" or individually referred to as a "**Party**").

WHEREAS, Employee has been employed at-will by the Company pursuant to that certain Amended and Restated Employment Agreement dated October 1, 2013 (the "**Employment Agreement**");

WHEREAS, Employee signed an At-Will Employment, Confidential Information, Invention Assignment, and Arbitration Agreement with the Company dated February 3, 2017 (the "**Confidentiality Agreement**");

WHEREAS, Employee signed an Indemnification Agreement with the Company dated October 11, 2013 (the " **Indemnification Agreement**");

WHEREAS, Employee previously was granted awards of stock options, restricted stock, restricted stock units, and performance stock units in each case, that are outstanding as of the date hereof (each, an "**Equity Award**") subject to the terms and conditions of the applicable Company equity plan under which the Equity Award was granted and an award agreement memorializing the Equity Award (the plan and award agreement together, the "**Stock Agreements**");

WHEREAS, the Parties have determined that Employee's employment with the Company will end no later than April 1, 2022 (Employee's actual last day of employment, whether April 1, 2022 or earlier, is referred to herein as the "**Separation Date**");

WHEREAS, the Parties wish for Employee to resign from positions and offices currently held as an officer of the Company and all of its subsidiaries effective as of October 8, 2021 (the "**Transition Date**"); and

WHEREAS, the Parties wish to resolve any and all disputes, claims, complaints, grievances, charges, actions, petitions, and demands that the Employee may have against the Company and any of the Releasees (as defined below), including, but not limited to, any and all claims arising out of or in any way related to Employee's employment with or separation from the Company;

NOW, THEREFORE, in consideration of the mutual promises made herein, the Company and Employee hereby agree as follows:

COVENANTS

1. Consideration . The Parties acknowledge and agree that the following consideration exceeds, is in lieu of, and fully replaces any severance under Section 8 of the Employment Agreement:

a. Employment Prior to Transition Date . Prior to the Transition Date, Employee will continue in his current role as Executive Vice President, Engineering reporting to the Company's Chief Executive Officer ("**CEO**") under his current terms of employment, including continuing his current compensation and benefits in effect as of the Effective Date.

b. Transition Opportunity. In consideration of Employee's execution of this Agreement and Employee's fulfillment of all of its terms and conditions, and subject to Section 3 below, Employee will have the opportunity to continue employment with the Company on a transitional basis from the Transition

Date until, at the latest, April 1, 2022 (such period, the "**Transition Period**" and such opportunity, the "**Transition Opportunity**"). During the Transition Period, Employee will provide transitional assistance to the Company, including by assisting the Company in developing a transition plan, executing such plan, being available to answer the Company's questions and assisting with any and all other matters requested by the Company (the "**Transition Duties**"). During the Transition Period, Employee will report to the CEO and perform his Transition Duties at the direction of the CEO and unless otherwise directed by the CEO, will not be required to report to the Company's facilities to perform the Transition Duties. During the Transition Period, Employee shall continue to receive Employee's base salary as in effect immediately prior to the Effective Date hereof at the rate of $322,000 per year, less all applicable withholdings (the "**Base Salary**"), paid in accordance with the Company's standard payroll practices and procedures, continue to receive employment benefits pursuant to the Company's benefit plans as in effect, and vest in his Company Equity Awards in accordance with the Stock Agreements. Employee will remain eligible for a discretionary annual performance bonus award corresponding to fiscal year 2021 (the "**2021 Annual Bonus**"), determined pursuant to the Company's Management Incentive Plan (the "**MIP**"), as may be modified by the Company. Employee's target 2021 Annual Bonus is 40 % of the Base Salary (the "**Bonus Target**"). The 2021 Annual Bonus (if any) will be payable to Employee only upon achievement of all relevant targets and conditions following the annual audit for the 2021 fiscal year, and the same bonus achievement percentage that is applied to the 2021 bonus amounts under the MIP, if any, payable to the Company's other senior executive officers will be applied for the calculation of Employee's 2021 Annual Bonus (if any). To the extent earned, the 2021 Annual Bonus will be paid at such time as annual bonuses are paid to senior executives of the Company, as discussed more fully in the MIP. The eligibility for and payment of the 2021 Annual Bonus under the MIP is subject to the terms and conditions of the MIP (including continued employment with the Company through the payment date, unless Employee terminates in a Qualifying Termination), which are at the discretion of the Company. Except as provided in this paragraph, Employee will not receive any other bonuses or equity awards, including for the Company's fiscal year 2022.

c. Severance Benefits. If and only if (x) Employee executes this Agreement and the Supplemental Release attached hereto as Exhibit A, (y) both agreements become effective and irrevocable, and (z) Employee fulfills all of the terms and conditions of this Agreement and the Supplemental Release, including, without limitation, complying with the covenants contained herein and the Confidentiality Agreement, then, following the Separation Date, and subject to Section 2 below, Employee will be entitled to the following (collectively, the "**Severance Benefits**"):

i. Salary Continuation. The Company agrees to pay Employee a total of Three Hundred Twenty-Two Thousand Dollars ($322,000.00), at the rate of Twelve-Thousand Three Hundred Eighty-Four Dollars and Sixty-Two Cents ($12,384.62) per bi-weekly pay period, less applicable withholdings, for one (1) year beginning on the Company's first regular payroll date that occurs at least ten (10) business days following the Supplemental Effective Date (as defined in the Supplemental Release).

ii. COBRA Reimbursement. The Company shall reimburse Employee for the premium payments Employee makes for COBRA coverage in an amount equal to the Company-paid portion for such benefits as of immediately prior to the Separation Date for a period of up to the first eighteen (18) full calendar months following the Separation Date, or until Employee has secured health insurance coverage through another employer, whichever occurs first, provided Employee timely elects and pays for continuation coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("**COBRA**"), within the time period prescribed pursuant to COBRA. COBRA reimbursements shall be made by the Company to Employee consistent with the Company's normal expense reimbursement policy, provided that Employee submits documentation to the Company substantiating Employee's payments for COBRA coverage. Notwithstanding the preceding, if the Company determines in its sole discretion that it cannot provide COBRA reimbursement benefits without potentially violating applicable law (including, without limitation, Section

2716 of the Public Health Service Act), the Company will instead provide the Employee a taxable payment in an amount equal to the Company-paid portion of the monthly COBRA premium to continue the Employee's group health coverage in effect on the date of termination of employment (which amount will be based on the premium for the first month of COBRA coverage), which payments will be made regardless of whether the Employee elects COBRA continuation coverage and will commence in the month following the month of the Separation Date and continue for the period of months indicated in this paragraph.

iii. Post-Termination Exercise Period. The post-termination exercise period of Equity Awards that are stock options that are outstanding and vested as of the date of Separation Date will be extended to a period of one (1) year following the Separation Date, or, if earlier, the maximum term of the stock option.

d. General. Employee acknowledges that without this Agreement, Employee is otherwise not entitled to the consideration listed in this Section 1. Employee further acknowledges and agrees that Employee's separation from the Company does not entitle Employee to any severance or other post-employment benefits beyond the consideration set forth herein (including, without limitation, any such severance or post-employment benefits described in the Employment Agreement). Employee acknowledges that the Employment Agreement is fully replaced by and superseded by this Agreement, and therefore Employee waives any rights to severance or other post-employment benefits under the Employment Agreement.

2. Supplemental Release. In exchange for the severance benefits as set forth in Section 1.c above, Employee agrees to execute, within the time period specified therein, a Supplemental Release Agreement in the form attached hereto as Exhibit A (the "**Supplemental Release**"), which will bridge the gap and cover the time period from the Effective Date of this Agreement through the Supplemental Effective Date (as defined in the Supplemental Release); provided, however, that the Company may modify the Supplemental Release pursuant to or otherwise as may be required by applicable law. The Parties agree that changes to the Supplemental Release, whether material or immaterial, do not restart the running of any consideration period specified in the Supplemental Release.

If (a) Employee resigns from employment with the Company prior to April 1, 2022 without approval from the Company in writing that the Transition Duties have been satisfactorily completed, as determined by the Company (a "**Premature Resignation**"), (b) the Company terminates Employee's employment with the Company for Cause (as defined in Section 1(e) of the Employment Agreement) prior to April 1, 2022 (a "**Good Cause Termination**"), or (c) Employee fails to timely execute the Supplemental Release, then such event shall be deemed to constitute a failure to comply with the material terms and conditions of this Agreement, and in such event, notwithstanding anything to the contrary herein or in the Supplemental Release, Employee shall not be entitled to the consideration in Section 1.c above except for a lump sum of One Thousand Dollars ($1,000) thereof, less applicable withholdings (the "**Partial Payment**"), which shall be paid within ten (10) business days following the later of the effectiveness of this Agreement or the Separation Date, and Employee acknowledges and agrees that the Partial Payment and the Transition Opportunity shall serve as full and complete consideration for the promises and obligations assumed by Employee under this Agreement. In the event of a Premature Resignation or a Good Cause Termination, and provided Employee timely executes the Supplemental Release, Employee shall, in addition to the Partial Payment, receive a lump sum of Five Thousand Dollars ($5,000), less applicable withholdings, which shall be paid within ten (10) business days following the Supplemental Effective Date (as defined in the Supplemental Release). In the event the Company terminates Employee's employment without Cause prior to April 1, 2022 (such termination, a "**Qualifying Termination**") and provided Employee timely executes the Supplemental Release, Employee shall receive, in addition to the Severance Benefits and the 2021 Annual Bonus (if any), (x) continued payment of Employee's base salary at the rate of Twelve-Thousand Three Hundred Eighty-Four Dollars and Sixty-Two Cents

($12,384.62) per bi-weekly pay period, less applicable withholdings, for the period of time between the Separation Date and April 1, 2022 (such period, the "**Early Termination Period**"), (y) accelerated vesting as to the portion (if any) of each Equity Award that would have vested had Employee remained employed with the Company during the full Early Termination Period, and (z) the post-termination exercise period of Equity Awards that are stock options that are outstanding and vested as of the date of Separation Date will be extended for additional period of time equal to the Early Termination Period, provided that, in no case, will such stock options be exercisable after April 1, 2023 (or, if earlier, the maximum term).

3. At-Will Employment. Employee acknowledges that unless terminated sooner, Employee's employment with the Company will terminate on April 1, 2022. Employee acknowledges and agrees that nothing in this Agreement is intended to alter the at-will nature of Employee's employment with the Company. Accordingly, Employee's employment with the Company may be terminated at any time, with or without Cause or for any or no reason, at Employee's option or at the option of the Company, with or without notice, whether on or before April 1, 2022.

4. Resignation as Officer. Effective as of the Transition Date, Employee hereby resigns from all positions and offices currently held as an officer and, if applicable, a director of the Company and all of its subsidiaries. Employee acknowledges that his resignation is not because of any disagreement with the Company on any matter relating to the Company's operations, policies or practices. Employee also agrees to execute any necessary documents or other forms necessary to effectuate or document his resignation as a matter of local, state, federal, or international law. Effective as of the end of the Transition Period, Employee further understands and agrees that he will no longer serve in any positions with the Company or any subsidiary or affiliate of the Company, and hereby resigns from any and all such positions effective as of the end of the Transition Period.

5. Benefits; Equity Awards. Employee's health insurance benefits shall cease no later than the last day of the month in which the Separation Date occurs, subject to Employee's right to continue Employee's health insurance under COBRA. Employee's participation in all benefits and incidents of employment, including, but not limited to, vesting in Equity Awards, and the accrual of bonuses and paid time off, will cease as of the Separation Date. Employee acknowledges that as of the Separation Date, (a) the then-unvested portion of the Equity Awards will cease vesting and be immediately forfeited pursuant to the Stock Agreements and (b) the then-vested, outstanding, and exercisable stock options that are Equity Awards shall remain exercisable for a limited period of time in accordance with the applicable Stock Agreements, except as provided in Section 1.c.

6. Payment of Salary and Receipt of All Benefits. Employee acknowledges and represents that, other than the consideration set forth in this Agreement, the Company and its agents have paid or provided all salary, wages, bonuses, accrued vacation/paid time off, notice periods, premiums, leaves, housing allowances, relocation costs, interest, severance, outplacement costs, fees, reimbursable expenses, commissions, stock, stock options, vesting, and any and all other benefits and compensation due to Employee.

7. Release of Claims. Employee agrees that the consideration in Section 1 hereof represents settlement in full of all outstanding obligations owed to Employee by the Company and its current and former officers, directors, employees, agents, investors, attorneys, shareholders, administrators, affiliates, benefit plans, plan administrators, insurers, trustees, divisions, and subsidiaries, and predecessor and successor corporations and assigns (collectively, the "**Releasees**"). Employee, on Employee's own behalf and on behalf of Employee's respective heirs, family members, executors, agents, and assigns, hereby and forever releases the Releasees from, and agrees not to sue concerning, or in any manner to institute, prosecute, or pursue, any claim, complaint, charge, duty, obligation, or cause of action relating to any matters of any kind, whether presently known or unknown, suspected or unsuspected, that Employee may possess against any of the

Releasees arising from any omissions, acts, facts, or damages that have occurred up until and including the date Employee signs this Agreement, including, without limitation:

a. any and all claims relating to or arising from Employee's employment relationship with the Company , the decision to terminate that relationship, and the termination of that relationship;

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

c. any and all claims under the law of any jurisdiction, including, but not limited to, wrongful discharge of employment; constructive discharge from employment; termination in violation of public policy; discrimination; harassment; retaliation; breach of contract, both express and implied; breach of covenant of good faith and fair dealing, both express and implied; promissory estoppel; negligent or intentional infliction of emotional distress; fraud; negligent or intentional misrepresentation; negligent or intentional interference with contract or prospective economic advantage; unfair business practices; defamation; libel; slander; negligence; personal injury; assault; battery; invasion of privacy; false imprisonment; conversion; and disability benefits;

d. any and all claims for violation of any federal, state, or municipal statute, including, but not limited to, the following, each as may be amended, and except as prohibited by law: Title VII of the Civil Rights Act of 1964; the Civil Rights Act of 1991; the Rehabilitation Act of 1973; the Americans with Disabilities Act of 1990; the Equal Pay Act; the Fair Labor Standards Act; the Fair Credit Reporting Act; the Employee Retirement Income Security Act of 1974; the Worker Adjustment and Retraining Notification Act; the Family and Medical Leave Act; the Uniformed Services Employment and Reemployment Rights Act; the Immigration Reform and Control Act; and the National Labor Relations Act;

e. any and all claims for violation of the federal or any state constitution;

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

g. any claim for any loss, cost, damage, or expense arising out of any dispute over the nonwithholding or other tax treatment of any of the proceeds received by Employee as a result of this Agreement; and

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

Employee agrees that the release set forth in this section shall be and remain in effect in all respects as a complete general release as to the matters released. This release does not extend to any obligations incurred under this Agreement. This release does not release claims that cannot be released as a matter of law, including any Protected Activity (as defined below). Any and all disputed wage claims that are released herein shall be subject to binding arbitration in accordance with the Supplemental Release, except as required by applicable law. This release does not extend to any right Employee may have to unemployment compensation benefits or workers' compensation benefits. Further, notwithstanding any of the foregoing, nothing in this Agreement releases any rights or claims Employee may have under the Age Discrimination in Employment Act, the Older Workers Benefit Protection Act, or the California Fair Employment and Housing Act, but Employee acknowledges that Employee will release such claims upon executing the Supplemental Release. In addition, this release does not extend to any rights of indemnification Employee may have pursuant to the Indemnification Agreement, pursuant to the Company's certificate of incorporation and bylaws, or under any applicable D&O insurance policy with the Company, subject to the respective terms, conditions, and limitations of such Indemnification Agreement, certificate of incorporation and bylaws, or D&O insurance policy, in each case, as may be applicable.

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

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

Employee, being aware of said code section, agrees to expressly waive any rights Employee may have thereunder, as well as under any other statute or common law principles of similar effect.

9. Application for Employment. Employee understands and agrees that, as a condition of this Agreement, Employee shall not be entitled to any employment with the Company, and Employee hereby waives any right, or alleged right, of employment or re-employment with the Company.

10. Trade Secrets and Confidential Information/Nondisparagement/Company Property; Insider Trading Policy . Employee reaffirms and agrees to observe and abide by the terms of the Confidentiality Agreement, specifically including the provisions therein regarding nondisclosure of the Company's trade secrets and confidential and proprietary information. Employee acknowledges that the Company will not enforce any post-employment non-solicitation restrictions in Section 8 of the Confidentiality Agreement; provided, however, that Employee remains bound by all other continuing obligations under the Confidentiality Agreement. Subject to the Protected Activity provision below, Employee agrees to refrain from any disparagement, defamation, libel, or slander of any of the Releasees, and agrees to refrain from any tortious interference with the contracts and relationships of any of the Releasees. Employee agrees to return, as of a date determined by the CEO, all documents and other items provided to Employee by the Company, developed or obtained by Employee in connection with Employee's employment with the Company, or otherwise belonging to the Company, including, but not limited to, all passwords to any software or other programs or data that Employee used in performing services for the Company. Employee acknowledges and agrees to comply, at all times, with the terms of the Company's insider trading policy.

Employee agrees and acknowledges that failure to abide with the covenants in the Confidentiality Agreement and this Agreement would be a basis for the Company to terminate Employee's employment with the Company prior to the anticipated Separation Date and would result in the Company not being obligated to pay or provide the severance benefits set forth in Section 1.c.

11. Breach. In addition to the rights provided in the "Attorneys' Fees" section below, Employee acknowledges and agrees that any material breach of this Agreement or the Supplemental Release (unless such breach constitutes a legal action by Employee challenging or seeking a determination in good faith of the validity of the waiver under the ADEA in the Supplemental Release) or of any provision of the Confidentiality Agreement (except for Section 8 thereof as to post-employment activities), shall entitle the Company immediately to recover and/or cease providing the consideration provided to Employee under this Agreement and to obtain damages, except as provided by law, provided, however, that the Company shall not recover One Hundred Dollars ($100.00) of the consideration already paid pursuant to Section 1.c of this Agreement, and

such amount shall serve as full and complete consideration for the promises and obligations assumed by Employee under this Agreement and the Confidentiality Agreement.

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

13. Costs. The Parties shall each bear their own costs, attorneys' fees, and other fees incurred in connection with the preparation of this Agreement and the Supplemental Release.

14. Tax Consequences. The Company makes no representations or warranties with respect to the tax consequences of the payments and any other consideration provided to Employee or made on Employee's behalf under the terms of this Agreement or the Supplemental Release. Employee agrees and understands that Employee is responsible for payment, if any, of local, state, and/or federal taxes on the payments and any other consideration provided hereunder by the Company and any penalties or assessments thereon. Employee further agrees to indemnify and hold the Releasees harmless from any claims, demands, deficiencies, penalties, interest, assessments, executions, judgments, or recoveries by any government agency against the Company for any amounts claimed due on account of (a) Employee's failure to pay or delayed payment of, federal or state taxes, or (b) damages sustained by the Company by reason of any such claims, including attorneys' fees and costs.

15. Authority. The Company represents and warrants that the undersigned has the authority to act on behalf of the Company and to bind the Company and all who may claim through it to the terms and conditions of this Agreement. Employee represents and warrants that Employee has the capacity to act on Employee's own behalf and on behalf of all who might claim through Employee to bind them to the terms and conditions of this Agreement. Each Party warrants and represents that there are no liens or claims of lien or assignments in law or equity or otherwise of or against any of the claims or causes of action released herein.

16. Protected Activity Not Prohibited. Employee understands that nothing in this Agreement or in the Supplemental Release shall in any way limit or prohibit Employee from engaging in any Protected Activity. For purposes of this Agreement and the Supplemental Release, "**Protected Activity**" shall mean filing a charge, complaint, or report with, or otherwise communicating, cooperating, or participating in any investigation or proceeding that may be conducted by, any federal, state or local government agency or commission, including the Securities and Exchange Commission, the Equal Employment Opportunity Commission, the Occupational Safety and Health Administration, and the National Labor Relations Board ("**Government Agencies**"). Employee understands that in connection with such Protected Activity, Employee is permitted to disclose documents or other information as permitted by law, and without giving notice to, or receiving authorization from, the Company. Notwithstanding the foregoing, Employee agrees to take all reasonable precautions to prevent any unauthorized use or disclosure of any information that may constitute Company confidential information to any parties other than the Government Agencies. Employee further understands that "Protected Activity" does not include the disclosure of any Company attorney-client privileged communications or attorney work product. Any language in the Confidentiality Agreement regarding Employee's right to engage in Protected Activity that conflicts with, or is contrary to, this paragraph is superseded by this Agreement. In addition, pursuant to the Defend Trade Secrets Act of 2016, Employee is notified that an individual will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that (a) is made in confidence to a federal, state, or local government official (directly or indirectly) or to an attorney *solely* for the purpose of reporting or investigating a suspected

violation of law, or (b) is made in a complaint or other document filed in a lawsuit or other proceeding, if (and only if) such filing is made under seal. In addition, an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the individual's attorney and use the trade secret information in the court proceeding, if the individual files any document containing the trade secret under seal and does not disclose the trade secret, except pursuant to court order. Nothing in this Agreement prohibits Employee from discussing the terms, wages, and working conditions of Employee's employment. Finally, nothing in this Agreement or in the Supplemental Release constitutes a waiver of any rights Employee may have under the Sarbanes-Oxley Act or Section 7 of the National Labor Relations Act, and nothing in this Agreement or in the Confidentiality Agreement prevents Employee from disclosing information pertaining to sexual harassment, sexual assault or any other unlawful or potentially unlawful conduct in the workplace.

17. No Representations. Employee represents that Employee has had an opportunity to consult with an attorney, and has carefully read and understands the scope and effect of the provisions of this Agreement. Employee has not relied upon any representations or statements made by the Company that are not specifically set forth in this Agreement.

18. Section 409A. It is intended that this Agreement and the Supplemental Release comply with, or be exempt from, Internal Revenue Code Section 409A and the final regulations and official guidance thereunder ("**Section 409A**") and any ambiguities herein will be interpreted to so comply and/or be exempt from Section 409A. Each payment and benefit to be paid or provided under this Agreement is intended to constitute a series of separate payments for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations. The Company and Employee will work together in good faith to consider either (i) amendments to this Agreement; or (ii) revisions to this Agreement with respect to the payment of any awards, which are necessary or appropriate to avoid imposition of any additional tax or income recognition prior to the actual payment to Employee under Section 409A. In no event will the Releasees reimburse Employee for any taxes that may be imposed on Employee as a result of Section 409A.

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

20. Attorneys' Fees. Except with regard to a legal action challenging or seeking a determination in good faith of the validity of the ADEA waiver in the Supplemental Release, in the event that either Party brings an action to enforce or effect its rights under this Agreement or the Supplemental Release, the prevailing Party shall be entitled to recover its costs and expenses, including the costs of mediation, arbitration, litigation, court fees, and reasonable attorneys' fees incurred in connection with such an action.

21. Entire Agreement. This Agreement, together with the Supplemental Release, represents the entire agreement and understanding between the Company and Employee concerning the subject matter of this Agreement and the Supplemental Release and Employee's employment with and separation from the Company and the events leading thereto and associated therewith, and supersedes and replaces any and all prior agreements and understandings concerning the subject matter of this Agreement and the Supplemental Release and Employee's relationship with the Company (including, for example, the Employment Agreement), but with the exception of the Confidentiality Agreement (not including Section 8 thereof, which will not be enforced as to post-employment activities), the Indemnification Agreement, and the Stock Agreements.

22. No Oral Modification. This Agreement and the Supplemental Release may only be amended in a writing signed by Employee and the person signing on behalf of the Company below (or such other representative of the Company specifically authorized to agree to modifications of this Agreement).

23. Governing Law. This Agreement and the Supplemental Release shall be governed by the laws of the State of California, without regard for choice-of-law provisions. Employee consents to personal and exclusive jurisdiction and venue in the State of California.

24. Effective Date. Employee understands that this Agreement shall be null and void if not executed by Employee and received by the Company on or before October 1, 2021. This Agreement will become effective on the date it has been signed by both Parties (the "**Effective Date**").

25. Counterparts. This Agreement and the Supplemental Release may be executed in counterparts and by facsimile, and each counterpart and facsimile shall have the same force and effect as an original and shall constitute an effective, binding agreement on the part of each of the undersigned.

[*The remainder of this page is intentionally left blank; signature page follows*]

26. Voluntary Execution of Agreement. Employee understands and agrees that Employee executed this Agreement voluntarily, without any duress or undue influence on the part or behalf of the Company or any third party, with the full intent of releasing all of Employee's claims against the Company and any of the other Releasees. Employee acknowledges that:

(a) Employee has read this Agreement;

(b) Employee has been represented in the preparation, negotiation, and execution of this Agreement by legal counsel of Employee's own choice or has elected not to retain legal counsel;

(c) Employee understands the terms and consequences of this Agreement and of the releases it contains;

(d) Employee is fully aware of the legal and binding effect of this Agreement; and

(e) Employee has not relied upon any representations or statements made by the Company that are not specifically set forth in this Agreement.

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

	BRENTON TAYLOR, an individual
Dated: 9/30/2021	/s/ Brenton Taylor Brenton Taylor
	INOGEN, INC.
Dated: 10/1/2021	By: /s/ Nabil Shabshab Nabil Shabshab Chief Executive Officer

Exhibit A

SUPPLEMENTAL RELEASE AGREEMENT

This Supplemental Release Agreement (" **Supplemental Release**") is made by and between Brenton Taylor (" **Employee**") and Inogen, Inc. (the "**Company**") (collectively referred to as the "**Parties**" or individually referred to as a "**Party**").

1. Consideration; Acknowledgment of Receipt of All Compensation . In consideration for the severance payments and benefits in Section 1.c of the Transition Agreement and Release to which this Supplemental Release was attached as an exhibit (the "**Transition Agreement**"), Employee hereby extends Employee's release and waiver of claims in Section 7 of the Transition Agreement to any claims that may have arisen between the date Employee signed the Transition Agreement and the date Employee signs this Supplemental Release, as well as any claims under the California Fair Employment and Housing Act, the California Family Rights Act, the California Labor Code, the Age Discrimination in Employment Act of 1967, and the Older Workers Benefit Protection Act, in each case arising from any omissions, acts, facts, or damages that have occurred up until and including the date Employee signs this Supplemental Release. Employee agrees that Employee will not file any legal action asserting any such claims released herein. Employee agrees that the release set forth in this section shall be and remain in effect in all respects as a complete general release as to the matters released. Employee acknowledges and represents that, other than the consideration set forth in Section 1.c of the Transition Agreement, the Company and its agents have paid or provided all salary, wages, bonuses, accrued vacation/paid time off, premiums, leaves, housing allowances, relocation costs, interest, severance, outplacement costs, fees, reimbursable expenses, commissions, stock, stock options, vesting, and any and all other benefits and compensation due to Employee.

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

3. Incorporation of Terms of Transition Agreement. The Parties further acknowledge that the terms of the Transition Agreement shall apply to this Supplemental Release and are incorporated herein to the extent that they are not inconsistent with the express terms of this Supplemental Release.

4. No Pending or Future Lawsuits. Employee represents that Employee has no lawsuits, claims, or actions pending in Employee's name, or on behalf of any other person or entity, against the Company or any of the other Releasees. Employee also represents that Employee does not intend to bring any claims on Employee's own behalf or on behalf of any other person or entity against the Company or any of the other Releasees.

5. Return of Property . Employee's signature below constitutes Employee's certification under penalty of perjury that Employee has returned all documents and other items provided to Employee by the Company, developed or obtained by Employee in connection with Employee's employment with the Company, or otherwise belonging to the Company (whether physical, electronic, or otherwise), including but not limited to any computer, laptop, tablet, mobile phone, or other device; remote access device; security badge or other access device or mechanism; hard drive, thumb drive, or other storage device; garage pass; or any other hardware, software, or other item of Company property, as well as all passwords to any software or other programs or data that Employee used in performing services for the Company; and Employee further certifies that Employee has searched all of Employee's physical and electronic property for such property and information and that Employee has not retained, and has returned to the Company, any such property or information (including any electronic or archival copies that may be incidentally retained).

6. Cooperation with Company. Employee agrees to provide reasonable cooperation and assistance to the Company in the transition of Employee's role and in the resolution of any matters in which Employee was involved during the course of Employee's employment, or about which Employee has knowledge, and in the defense or prosecution of any investigations, audits, claims or actions now in existence or which may be brought or threatened in the future against or on behalf of the Company, including any investigations, audits, claims or actions involving or against its officers, directors and employees. Employee's cooperation with such matters shall include, without limitation, being available to consult with the Company regarding matters in which Employee has been involved or has knowledge; to reasonably assist the Company in preparing for any proceeding (including, without limitation, depositions, mediations, hearings, settlement negotiations, discovery conferences, arbitration, or trial); to provide affidavits reflecting truthful written testimony; to assist with any audit, inspection, proceeding or other inquiry; and to act as a witness to provide truthful testimony in connection with any investigation, audit, mediation, litigation or other legal proceeding affecting the Company. Employee agrees to keep the Company's Human Resource department apprised of Employee's current contact information, including telephone numbers, work address, home address, and email address(es), and to promptly respond to communications from the Company in connection with this Section 6. The Company will reimburse Employee for reasonable expenses incurred in connection with such cooperation under this Section 6, provided such expenses have been pre-approved by the Company and are submitted in accordance with any Company expense reimbursement policy, as may be in effect at the time. Employee understands and agrees that Employee is not otherwise entitled to any additional compensation for such cooperation, beyond the payments and consideration provided under Section 1.c of the Transition Agreement. Employee understands and agrees that this Section 6 requires Employee's cooperation with the Company, but is not intended to have any influence whatsoever on any specific outcome in any matter and Employee is expected at all times to provide truthful testimony and responses in connection with any matter.

7. Confidentiality. Subject to the Protected Activity provisions in the Transition Agreement, Employee agrees to maintain in complete confidence the existence of the Transition Agreement, this Supplemental Release, the contents and terms of the Transition Agreement and this Supplemental Release, and the consideration for both (hereinafter collectively referred to as "**Separation Information**"). Except as required by law, Employee may disclose Separation Information only to Employee's immediate family members, the Court in any proceedings to enforce the terms of this Agreement or the Supplemental Release, Employee's counsel, and Employee's accountant and any professional tax advisor to the extent that they need to know the Separation Information in order to provide advice on tax treatment or to prepare tax returns, and

must prevent disclosure of any Separation Information to all other third parties. Employee agrees that Employee will not publicize, directly or indirectly, any Separation Information.

8. No Cooperation. Such to the Protected Activity provisions in the Transition Agreement, Employee agrees that Employee will not knowingly encourage, counsel, or assist any attorneys or their clients in the presentation or prosecution of any disputes, differences, grievances, claims, charges, or complaints by any third party against any of the Releasees, unless under a subpoena or other court order to do so. Employee agrees both to immediately notify the Company upon receipt of any such subpoena or court order, and to furnish, within three (3) business days of its receipt, a copy of such subpoena or other court order. If approached by anyone for counsel or assistance in the presentation or prosecution of any disputes, differences, grievances, claims, charges, or complaints against any of the Releasees, Employee shall state no more than that Employee cannot provide counsel or assistance.

9. Nondisparagement. Employee agrees to refrain from any disparagement, defamation, libel, or slander of any of the Releasees, and agrees to refrain from any tortious interference with the contracts and relationships of any of the Releasees. Employee shall direct any inquiries by potential future employers to the Company's human resources department, which shall use its best efforts to provide only the Employee's last position and dates of employment. The Company agrees that it will provide written instruction to the Company's current executive officers (as of the Supplemental Effective Date) to refrain from any disparagement, defamation, libel, or slander of Employee.

10. ARBITRATION. EXCEPT AS PROHIBITED BY LAW, THE PARTIES AGREE THAT ANY AND ALL DISPUTES ARISING OUT OF THE TERMS OF THE TRANSITION AGREEMENT OR THIS SUPPLEMENTAL RELEASE, THEIR INTERPRETATION, EMPLOYEE'S EMPLOYMENT WITH THE COMPANY OR THE TERMS THEREOF, OR ANY OF THE MATTERS HEREIN RELEASED, SHALL BE SUBJECT TO ARBITRATION PURSUANT TO THE FEDERAL ARBITRATION ACT (9 U.S.C. § 1, ET SEQ.) (THE " **FAA**"). THE FAA'S SUBSTANTIVE AND PROCEDURAL RULES SHALL GOVERN AND APPLY TO THIS ARBITRATION AGREEMENT WITH FULL FORCE AND EFFECT, AND ANY STATE COURT OF COMPETENT JURISDICTION MAY STAY PROCEEDINGS PENDING ARBITRATION OR COMPEL ARBITRATION IN THE SAME MANNER AS A FEDERAL COURT UNDER THE FAA. EMPLOYEE AGREES THAT, TO THE FULLEST EXTENT PERMITTED BY LAW, EMPLOYEE MAY BRING ANY SUCH ARBITRATION PROCEEDING ONLY IN EMPLOYEE'S INDIVIDUAL CAPACITY. ANY ARBITRATION WILL OCCUR IN SANTA BARBARA COUNTY, CALIFORNIA, BEFORE JAMS, PURSUANT TO ITS EMPLOYMENT ARBITRATION RULES & PROCEDURES ("**JAMS RULES**"), EXCEPT AS EXPRESSLY PROVIDED IN THIS "ARBITRATION" SECTION. THE PARTIES AGREE THAT THE ARBITRATOR SHALL HAVE THE POWER TO DECIDE ANY MOTIONS BROUGHT BY ANY PARTY TO THE ARBITRATION, INCLUDING MOTIONS FOR SUMMARY JUDGMENT AND/OR ADJUDICATION, AND MOTIONS TO DISMISS AND DEMURRERS, APPLYING THE STANDARDS SET FORTH UNDER THE CALIFORNIA CODE OF CIVIL PROCEDURE. THE PARTIES AGREE THAT THE ARBITRATOR SHALL ISSUE A WRITTEN DECISION ON THE MERITS. THE PARTIES ALSO AGREE THAT THE ARBITRATOR SHALL HAVE THE POWER TO AWARD ANY REMEDIES AVAILABLE UNDER APPLICABLE LAW, AND THAT THE ARBITRATOR MAY AWARD ATTORNEYS' FEES AND COSTS TO THE PREVAILING PARTY, WHERE PERMITTED BY APPLICABLE LAW. THE ARBITRATOR MAY GRANT INJUNCTIONS AND OTHER RELIEF IN SUCH DISPUTES. THE DECISION OF THE ARBITRATOR SHALL BE FINAL, CONCLUSIVE, AND BINDING ON THE PARTIES TO THE ARBITRATION. THE PARTIES AGREE THAT THE PREVAILING PARTY IN ANY ARBITRATION SHALL BE ENTITLED TO INJUNCTIVE RELIEF IN ANY COURT OF COMPETENT JURISDICTION TO ENFORCE THE ARBITRATION AWARD. THE PARTIES TO THE ARBITRATION SHALL EACH PAY AN EQUAL SHARE OF THE COSTS AND EXPENSES OF SUCH ARBITRATION, AND EACH PARTY SHALL

SEPARATELY PAY FOR ITS RESPECTIVE COUNSEL FEES AND EXPENSES; PROVIDED, HOWEVER, THAT THE ARBITRATOR MAY AWARD ATTORNEYS' FEES AND COSTS TO THE PREVAILING PARTY, EXCEPT AS PROHIBITED BY LAW. THE PARTIES HEREBY AGREE TO WAIVE THEIR RIGHT TO HAVE ANY DISPUTE BETWEEN THEM RESOLVED IN A COURT OF LAW BY A JUDGE OR JURY. NOTWITHSTANDING THE FOREGOING, THIS "ARBITRATION" SECTION WILL NOT PREVENT EITHER PARTY FROM SEEKING INJUNCTIVE RELIEF (OR ANY OTHER PROVISIONAL REMEDY) FROM ANY COURT HAVING JURISDICTION OVER THE PARTIES AND THE SUBJECT MATTER OF THEIR DISPUTE RELATING TO THE TRANSITION AGREEMENT, THIS SUPPLEMENTAL RELEASE, AND THE AGREEMENTS INCORPORATED THEREIN AND HEREIN BY REFERENCE. SHOULD ANY PART OF THE ARBITRATION AGREEMENT CONTAINED IN THIS PARAGRAPH CONFLICT WITH ANY OTHER ARBITRATION AGREEMENT BETWEEN THE PARTIES, THE PARTIES AGREE THAT THIS ARBITRATION AGREEMENT SHALL GOVERN.

11. Supplemental Release Effective Date. Employee understands that this Supplemental Release shall be null and void (i) if executed by Employee before the Separation Date (as defined in the Transition Agreement), (ii) if executed by Employee before the Transition Agreement becomes effective, or (iii) if not executed by Employee within twenty-one (21) days following the Separation Date (as defined in the Transition Agreement). This Supplemental Release will become effective on the eighth (8th) day after Employee signed this Supplemental Release, so long as it has been signed by the Parties and has not been revoked by either Party before that date (the "**Supplemental Effective Date**"). The Company will provide Employee with the consideration provided by Section 1.c of the Transition Agreement in accordance with the terms of that agreement.

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

13. Authority. The Company each represent and warrant that the undersigned has the authority to act on behalf of the Company and to bind the Company and all who may claim through it to the terms and conditions of this Supplemental Release. Employee represents and warrants that Employee has the capacity to act on Employee's own behalf and on behalf of all who might claim through Employee to bind them to the terms and conditions of this Supplemental Release. Each Party warrants and represents that there are no liens or claims of lien or assignments in law or equity or otherwise of or against any of the claims or causes of action released herein.

14. Voluntary Execution of Agreement. Employee understands and agrees that Employee executed this Supplemental Release voluntarily, without any duress or undue influence on the part or behalf of the Company or any third party, with the full intent of releasing all of Employee's claims against any of the Releasees. Employee acknowledges that:

(a) Employee has read this Supplemental Release;

(b) Employee (i) has until twenty-one (21) days from Separation Date (as defined in the Transition Agreement) to sign this Supplemental Release, and (ii) Employee cannot sign this Supplemental Release before the Separation Date (as defined in the Transition Agreement);

(c) Employee has been represented in the preparation, negotiation, and execution of this Supplemental Release by legal counsel of Employee's own choice or has elected not to retain legal counsel;

(d) Employee understands the terms and consequences of this Supplemental Release and of the releases it contains;

(e) Employee has not relied upon any representations or statements made by the Company that are not specifically set forth in this Supplemental Release or in the Transition Agreement; and

(f) Employee is fully aware of the legal and binding effect of this Supplemental Release.

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

	BRENTON TAYLOR, an individual
Dated: ______________________	______________________
	Brenton Taylor
	INOGEN, INC.
Dated: ______________________	By: ______________________
	Nabil Shabshab Chief Executive Officer

Exhibit 10.4

INOGEN, INC.

AMENDED AND RESTATED EMPLOYMENT AND SEVERANCE AGREEMENT

This AMENDED AND RESTATED EMPLOYMENT AND SEVERANCE AGREEMENT (this "Agreement"), is made and effective as of October 11, 2021 (the "Effective Date"), by and between Inogen, Inc., a Delaware corporation (the "Company"), and Stanislav Glezer (the "Executive"). This Agreement amends and restates the Employment and Severance Agreement by and between the Company and Executive (the "Prior Agreement"), effective as of June 21, 2021 (the "Prior Agreement Effective Date").

WITNESSETH:

WHEREAS, the Company desires to enter into this Agreement embodying the terms of Executive's employment from and after the Effective Date and Executive desires to enter into this Agreement, and to provide the terms of severance benefits that may be payable upon certain qualifying employment termination events, subject to the terms and conditions set forth below.

NOW, THEREFORE, in consideration of the promises and mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are mutually acknowledged, the Company and Executive hereby agree as follows:

Section 1. **Definitions**.

(a) "Accrued Obligations" shall mean (i) all accrued but unpaid Base Salary through the date of termination of Executive's employment, (ii) any unpaid or unreimbursed expenses incurred in accordance with Section 7 below, (iii) any benefits provided under the Company's employee benefit plans, subject to the terms hereof, and (iv) any benefits under policies, if any, upon a termination of employment, in accordance with the terms contained therein, including, without limitation, rights with respect to accrued but unused vacation.

(b) "Annual Bonus" shall have the meaning set forth in Section 4(b) below.

(c) "Base Salary" shall mean the salary provided for in Section 4(a) below, subject to any modification by the Company, under Section 4(a).

(d) "Board" shall mean the Board of Directors of the Company.

(e) "Cause" shall mean (i) Executive's conviction of any crime (A) constituting a felony or (B) that has, or could reasonably be expected to result in, an adverse impact on the performance of Executive's duties to the Company, or otherwise has, or could reasonably be expected to result in, an adverse impact to the business or reputation of the Company; (ii) conduct of Executive, in connection with his employment, that has, or could reasonably be expected to result in, material injury to the business or reputation of the Company, including, without limitation, act(s) of fraud, embezzlement, misappropriation and breach of fiduciary duty; (iii) any material violation of the operating and ethics policies of the Company, including, but not limited to those relating to sexual harassment and the disclosure or misuse of confidential information; (iv) willful neglect in the performance of Executive's duties or willful or repeated failure or refusal to perform such duties; or (v) Executive's breach of any material provision of this Agreement, including, without limitation, any provision of Section 8 or any breach of the Confidentiality Agreement (as defined below).

(f) "Change of Control" shall mean the occurrence of any of the following events

(i) A change in the ownership of the Company which occurs on the date that any one person, or more than one person acting as a group ("Person"), acquires ownership of the stock of the Company that, together with the stock held by such Person, constitutes more than fifty percent (50%) of the total voting power of the stock of the Company; provided, however, that for purposes of this subsection (i), the acquisition of additional stock by any one Person, who is considered to own more than fifty percent (50%) of the total voting power of the stock of the Company will not be considered a Change of Control; or

(ii) A change in the effective control of the Company which occurs on the date that a majority of members of the Board is replaced during any twelve (12) month period by members of our Board whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election. For purposes of this clause (ii), if any Person is considered to be in effective control of the Company, the acquisition of additional control of the Company by the same Person will not be considered a Change of Control; or

(iii) A change in the ownership of a substantial portion of the Company's assets which occurs on the date that any Person acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than 50% of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions; provided, however, that for purposes of this subsection (iii), the following will not constitute a change in the ownership of a substantial portion of the Company's assets: (A) a transfer to an entity that is controlled by the Company's stockholders immediately after the transfer, or (B) a transfer of assets by the Company to: (1) a stockholder of the Company (immediately before the asset transfer) in exchange for or with respect to the Company's stock, (2) an entity, 50% or more of the total value or voting power of which is owned, directly or indirectly, by the Company, (3) a Person, that owns, directly or indirectly, 50% or more of the total value or voting power of all the outstanding stock of the Company, or (4) an entity, at least 50% of the total value or voting power of which is owned, directly or indirectly, by a Person described in subsection (iii)(B)(3). For purposes of this subsection (iii), gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

For purposes of this definition, Persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Company.

Notwithstanding the foregoing, a transaction will not be deemed a Change of Control unless the transaction qualifies as a change in control event within the meaning of Code Section 409A, as it has been and may be amended from time to time, and any proposed or final Treasury Regulations and Internal Revenue Service guidance that has been promulgated or may be promulgated thereunder from time to time.

Further and for the avoidance of doubt, a transaction will not constitute a Change of Control if: (i) its sole purpose is to change the state of the Company's incorporation, or (ii) its sole purpose is to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction.

(g) "Change of Control Period" shall mean, the period beginning on the date three (3) months prior to, and ending on the date twelve (12) months following, a Change of Control.

(h) "Change of Control Severance Term" shall mean a twenty-four (24) month period following Executive's termination by the Company without Cause (other than by reason of death or Disability) or by Executive for Good Reason, provided such termination occurred within the Change of Control Period, and subject to Sections 8(h) and 12 below.

(i) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(j) "Company" shall have the meaning set forth in the preamble hereto.

(k) "Confidential Information" shall have the meaning set forth in the At-Will Employment, Confidential Information, Invention Assignment, and Arbitration Agreement between Executive and the Company (the "Confidentiality Agreement"), signed prior to or concurrently with the Prior Agreement.

(l) "Confidentiality Agreement" shall have the meaning set forth under subsection (k) above.

(m) "Disability" shall mean any physical or mental disability or infirmity that prevents the performance (with or without reasonable accommodation) of Executive's performance of the essential functions of Executive's duties for a period of (i) ninety (90) consecutive days or (ii) one hundred twenty (120) non-consecutive days during any twelve (12) month period. Any question as to the existence, extent or potentiality of Executive's Disability upon which Executive and the Company cannot agree shall be determined by a qualified, independent physician selected by the Company and approved by Executive (which approval shall not be unreasonably withheld).

(n) "Effective Date" shall have the meaning set forth in the preamble hereto.

(o) "Executive" shall have the meaning set forth in the preamble hereto.

(p) "Good Reason" shall mean, without Executive's consent, (i) a substantial and material diminution in Executive's duties or responsibilities; (ii) a reduction in Base Salary or Annual Bonus opportunity of 10% or more; or (iii) the failure of the Company to pay any material compensation when due.

(q) "MIP" shall have the meaning set forth in Section 4(b) below.

(r) "Person" shall mean any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust (charitable or non-charitable), unincorporated organization or other form of business entity.

(s) "Severance Term" shall mean a twelve (12) month period following Executive's termination by the Company without Cause (other than by reason of death or Disability) or by Executive for Good Reason, and subject to Sections 8(h) and 12 below.

(t) "Term of Employment" shall mean the period specified in Section 2 below.

Section 2. **Term of Employment**.

Subject to Section 8 below, the Company agrees to employ Executive, and Executive agrees to serve the Company, on an at-will basis, which means that either the Company or Executive may terminate Executive's employment with the Company at any time and for any or no reason. The period of such at-will employment under this Agreement is referred to herein as the "Term of Employment."

Section 3. **Position, Duties and Responsibilities; Place of Performance**.

(a) During the Term of Employment, Executive shall serve as the Executive Vice President, Chief Technology Officer for the Company reporting to the Company's Chief Executive Officer (the "CEO"), together with such other position or positions consistent with Executive's title as the Board shall specify from time to time, and shall have such duties typically associated with such title.

(b) Executive shall devote his full business time, attention, skill and best efforts to the performance of his duties under this Agreement and shall not engage in any other business or occupation during the Term of Employment that (x) conflicts with the interests of the Company, (y) interferes with the proper and efficient performance of his duties for the Company, or (z) interferes with the exercise of his judgment in the Company's best interests. Notwithstanding the foregoing, nothing herein shall preclude Executive from (i) serving, with the prior written consent of the CEO, as a member of the board of directors or advisory board (or their equivalents in the case of a non-corporate entity) of non-competing businesses and charitable organizations, (ii) engaging in charitable activities and community affairs, and (iii) managing his personal investments and affairs; *provided, however,* that the activities set out in clauses (i), (ii) and (iii) shall be limited by Executive so as not to materially interfere, individually or in the aggregate, with the performance of his duties and responsibilities hereunder or otherwise conflict with the terms of the Confidentiality Agreement (as defined above).

(c) Executive's principal place of employment shall be in Skillman, New Jersey or such other location mutually agreed by Executive and the CEO in writing, although Executive understands and agrees that he may be required to travel from time to time for business reasons. The Company, as part of an accountable plan, shall reimburse Executive's ordinary and necessary business expenses incurred by Executive in connection with Executive's visits to and work from the Company's Goleta, California location, including, without limitation, reasonable travel and accommodations consistent with the Company's then existing policies. To the extent Executive's principal place of employment is outside of the State of New Jersey, Executive acknowledges and agrees that, at the Company's direction, Executive may be required to execute a new At-Will Employment, Confidential Information, Invention Assignment, and Arbitration Agreement (or such other similar agreement in use by the Company at such time) that the Company uses with employees in Executive's principal place of employment.

Section 4. **Compensation**. During the Term of Employment, Executive shall be entitled to the following compensation:

(a) Base Salary. Commencing as of the Effective Date Executive shall be paid an annualized Base Salary of $460,000 (the "Base Salary"), payable in accordance with the regular payroll practices of the Company. The Base Salary shall be subject to annual review, based on both Executive and Company performance.

(b) Annual Bonus.

(i) Executive is eligible for a discretionary annual performance bonus award (the "Annual Bonus"), determined pursuant to the Company's Management Incentive Plan (the "MIP"), as may be modified by the Company. Executive's target Annual Bonus (the "Bonus Target") for 2021 will be equal to (A) a pro-rated portion of 40% of Executive's initial annualized base salary of $415,000, based on the fraction obtained by dividing (x) the number of days during the period beginning on the Prior Agreement Effective Date and ending on October 10, 2021, by (y) 366, plus (B) a pro-rated portion of 60% of Executive's Base Salary, based on the fraction obtained by dividing (x) the number of days during the period beginning on the Effective Date and ending on December 31, 2021, by (y) 366. After 2021, Executive's Target Bonus initially will be 60% of Executive's Base Salary.

(ii) The actual Annual Bonus payable shall be between 0% of the Bonus Target and the maximum percentage of the Bonus Target set forth in the MIP (which, for 2021, will be 200% of the Bonus Target), with specific financial targets for the MIP. To the extent that such targets are financial and quantifiable, such Annual Bonus is payable on a sliding scale as set forth in the MIP. The Annual Bonus, or installments thereof, is earned as of the end of any applicable fiscal year, provided all relevant targets and conditions have been met, and paid to Executive following the annual audit for such fiscal year at such time as annual bonuses are paid to other senior executives of the Company, as discussed more fully in the MIP. The eligibility for and payment of any bonus under the MIP is subject to the terms and conditions of the MIP, which are at the discretion of the Company.

(c) Company Equity Awards.

(i) Subject to the approval of the Compensation Committee (the "Committee"), Executive will be granted a one-time award of restricted stock units ("RSUs") having an approximate grant date value equal to $400,000. The number of RSUs shall be calculated on the closing price per share of the Company's common stock as of the date of grant. The RSUs vest over four years based on satisfaction of time and service-based requirements as follows: 25% will vest on the first anniversary of the vesting commencement date (as determined by the Committee) and 1/16th of the RSUs will vest every three months thereafter on the same day of the month, subject to Executive continuing to be a service provider to the Company through each such date. The RSUs will be subject to the terms and conditions of the Company's 2014 Equity Incentive Plan and form of RSU agreement (collectively, the "Stock Agreements"), in each case, which will be made available to Executive following the date the RSUs are granted.

(ii) Subject to the approval of the Committee, Executive will also be eligible for an additional equity award in approximately March 2022 having an expected grant date value of $800,000 with vesting based on the same terms and conditions as the annual equity awards made to the Company'ssimilarly situated executives.

(iii) On August 9, 2021, Executive was granted an award of 12,298 RSUs that are subject to the terms and conditions (including vesting conditions) of the applicable Stock Agreements. This award was granted in satisfaction of the covenant set forth in Section 4(c)(i) of the Prior Agreement.

(d) Relocation Reimbursements. If Executive relocates to the Goleta, California area prior to the second anniversary of the Prior Agreement Effective Date, the Company will pay or otherwise reimburse Executive up to a maximum gross amount of $100,000 (inclusive of any tax gross up payments on the following) for the following expenses incurred prior to the second anniversary of the Prior Agreement Effective Date during the Term of Employment: (i) reasonable moving expenses incurred by Executive and his immediate family for the packing, loading, insuring, and transferring household goods and furnishings during their relocation from Executive's primary residence in Skillman, New Jersey to the Goleta, California area, plus up to sixty days of storage for such items, (ii) reasonable costs for Executive to move himself and his spouse from the Skillman, New Jersey area to the Goleta, California area (i.e., mileage reimbursement for one vehicle, shipping costs for one vehicle, and up to two nights of lodging and reasonable meal expenses), (iii) reasonable costs for up to two house-hunting trips to the Goleta, California area (i.e., reimbursement of coach airfare, up to three nights of lodging expenses, and reasonable meal expenses for Executive and his spouse), and (iv) the closing costs on the purchase of a new personal home in the Goleta, California area (including loan origination and inspections fees, but excluding points and realtor fees) ((i) through (iv) collectively, the "Relocation Reimbursements"). All reimbursement requests made pursuant to this section must be submitted within 60 days of the date they are incurred, and are subject to the Company's reimbursement policy, including appropriate substantiation for any such requests. The Relocation Reimbursements will be grossed up for applicable taxes upon payment or reimbursement to Executive. In addition, within 30 days of the actual move date, the Company will pay Executive a lump sum payment of $5,000 for miscellaneous moving expenses ("Relocation Stipend" and, together with the Relocation Reimbursements, the "Relocation Payments"). If, prior to the second anniversary of the date Executive first incurred any expense subject to reimbursement under this paragraph, Executive's employment is terminated by the Company for Cause or by Executive voluntarily without Good Reason, Executive agrees to repay the Company a portion of the Relocation Payments within thirty (30) days of Executive's employment termination date, with such portion equal to (i) the net after tax amount of the Relocation Payments multiplied by (ii) a fraction (A) the numerator of which is equal to the difference between (x) twenty-four (24) minus (y) the number of completed months between the date of Executive's relocation to the Goleta, California area and the date Executive's employment with the Company terminates and (B) the denominator of which is twenty-four (24). For clarity, if Executive's employment is terminated by the Company without Cause or by Executive voluntarily for Good Reason, Executive will not be obligated to repay any portion of the Relocation Payments.

(e) Sign-On Bonus. The Company previously paid Executive a $200,000 sign-on bonus, less applicable withholdings (the "Sign-On Bonus"). If, prior to the second anniversary of the Prior Agreement Effective Date, Executive's employment is terminated by the Company for Cause or by Executive voluntarily without Good Reason, Executive agrees to repay the Company a portion of the Sign-On Bonus within thirty (30) days of Executive's employment termination date, with such portion equal to (i) the net after tax amount of the Sign-On Bonus multiplied by (ii) a fraction (A) the numerator of which is equal to the difference between (x) twenty-four (24) minus (y) the number of completed months between the Prior Agreement Effective Date and the date Executive's employment with the Company terminates and (B) the denominator of which is twenty-four (24) For clarity, if Executive's employment is terminated by the Company without Cause or by Executive voluntarily for Good Reason, Executive will not be obligated to repay any portion of the Sign-On Bonus.

Section 5. **Executive Benefits**.

During the Term of Employment, Executive shall be entitled to participate in health, insurance, retirement and other benefits provided to other similarly-situated executives of the Company, including the same number of holidays, sick days and other benefits as are generally allowed to such executives of the Company in accordance with the Company policy in effect from time to time. Executive initially will be entitled to accrue paid time off ("PTO") at a rate equal to 20 days per year to be taken in accordance with the Company's PTO policy, with the timing and duration of specific days off mutually and reasonably agreed to by the parties. After Executive's first full year of service, Executive's PTO accrual rate will increase at a rate equal to one additional day per year for each of the next seven years of service up to a maximum accrual rate equal to 27 days of PTO per year. Executive initially will be entitled to voluntary time off for community service ("VTO") for 1 day per year to be taken in accordance with the Company's VTO policy, with the timing of specific days off mutually and reasonably agreed to by the parties.

Section 6. **Key-Man Insurance**.

At any time during the Term of Employment, the Company shall have the right to insure the life of Executive for the sole benefit of the Company, in such amounts, and with such terms, as it may determine. All premiums payable thereon shall be the obligation of the Company. Executive shall have no interest in any such policy, but agrees to cooperate with the Company in taking out such insurance by submitting to physical examinations, supplying all information required by the insurance company, and executing all necessary documents, provided that no financial obligation is imposed on Executive by any such documents.

Section 7. **Payment and Reimbursement of Business Expenses**.

Executive is authorized to incur reasonable business expenses in carrying out his duties and responsibilities under this Agreement and the Company shall pay, or if Executive shall have paid, shall promptly reimburse Executive for any and all such reasonable business expenses for business, entertainment, promotion, professional association dues and travel incurred by Executive in connection with carrying out the business of the Company, subject to documentation and the other limitations and requirements under the Company's policy, as in effect from time to time, and subject to the consent of the CEO.

Section 8. **Termination of Employment**.

(a) General. The Term of Employment shall terminate upon the earliest to occur of (i) Executive's death, (ii) a termination by reason of a Disability, (iii) a termination by the Company with or without Cause, or (iv) a termination by Executive with or without Good Reason. Upon any termination of Executive's employment for any reason, except as may otherwise be requested by the Company in writing and agreed upon in writing by Executive, Executive shall resign from any and all directorships, committee memberships or any other positions Executive holds with the Company (collectively, the "Board Resignation"). The payment hereunder of any deferred compensation (within the meaning of Section 409A of the Code) upon a termination of employment shall not be paid to Executive until such time as Executive has undergone a "separation from service" as defined in Treas. Reg. 1.409A-1(h) (the "Separation from Service").

(b) Termination due to Death or Disability. Executive's employment shall terminate automatically upon his death. The Company may terminate Executive's employment immediately upon the occurrence of a Disability, such termination to be effective upon Executive's receipt of written notice of such termination. In the event Executive's employment is terminated due to his death or Disability, Executive or his estate or his beneficiaries, as the case may be, shall be entitled to:

(i) The Accrued Obligations; and

(ii) Any unpaid Annual Bonus in respect to any completed fiscal year, which has ended prior to the date of such termination, which amount shall be paid at such time annual bonuses are paid to other senior executives of the Company.

Following such termination of Executive's employment by the reason of death or Disability, except as set forth in this Section 8(b), Executive shall have no further rights to any compensation or any other benefits under this Agreement or otherwise.

(c) Termination by the Company for Cause.

(i) The Company may terminate Executive's employment at any time for Cause, effective upon Executive's receipt of written notice of such termination; *provided, however,* that with respect to any termination for Cause which is described in clause (iv) of Section 1(e) or, to the extent capable of being cured (as determined by the Company in its discretion), clause (v) of Section 1(e) above, Executive shall be given not less than ten (10) days written notice by the CEO of the intention to terminate his employment for Cause, such notice to state in detail the particular act or acts or failure or failures to act that constitute the grounds on which the proposed termination for Cause is based, and such termination shall be effective at the expiration of such ten (10) day notice period unless Executive has fully cured such acts or failure or failures to act that give rise to Cause during such period to the satisfaction of the Company.

(ii) In the event the Company terminates Executive's employment for Cause, he shall be entitled only to the Accrued Obligations. Following such termination of Executive's employment for Cause, except as set forth in this Section 8(c)(ii), Executive shall have no further rights to any compensation or any other benefits under this Agreement or otherwise.

(d) Termination by the Company without Cause Unrelated to a Change of Control. The Company may terminate Executive's employment at any time without Cause, effective upon Executive's receipt of written notice of such termination. In the event Executive's employment is terminated by the Company without Cause (other than due to death or Disability) outside of the Change of Control Period, subject to the conditions set forth under Sections 8(h) and Section 12 below, Executive shall be entitled to:

(i) The Accrued Obligations;

(ii) Any unpaid Annual Bonus in respect to any completed fiscal year which has ended prior to the date of such termination, which amount shall be paid at such time annual bonuses are paid to other senior executives of the Company;

(iii) Continuation of payment of Base Salary during the Severance Term, payable in accordance with the Company's regular payroll practices, it being agreed that each installment of Base Salary payable hereunder shall be deemed to be a separate payment for purposes of Section 409A of the Code; and

(iv) Continuation, during the period of time permitted under the Consolidated Omnibus Budget Reconciliation Act of 1986 (the "COBRA Period"), of the medical benefits provided to Executive and his covered dependents under the Company's health plans in effect as of the date of such termination, it being understood and agreed that Executive shall be required to pay that portion of the cost of such medical benefits as Executive was required to pay (including through customary deductions from Executive's paycheck) as of the date of Executive's termination of employment with the Company. Notwithstanding the foregoing, the Company's obligation to provide such continuation of benefits shall terminate prior to the expiration of the COBRA Period in the event that Executive becomes eligible to receive any such or similar benefits while employed by or providing service to, in any capacity, any other business or entity during the COBRA Period.

Notwithstanding anything in this Section 8(d)(iv) to the contrary, if the Company determines, in its sole discretion, that it cannot provide the foregoing benefit related to COBRA premiums without potentially violating, or being subject to an excise tax under, applicable law (including, without limitation, Section 2716 of the Public Health Service Act, the Patient Protection and Affordable Care Act, and the Health Care and Education Reconciliation Act of 2010), the Company will in lieu thereof provide to Executive a taxable monthly payment, payable on the last day of a given month (except as provided by the following sentence), in an amount equal to the portion of the monthly COBRA premium that Executive would be required to pay to continue the group health coverage for Executive and his eligible dependents at coverage levels in effect immediately prior to Executive's termination (which amount will equal the excess of the full monthly COBRA premium cost Executive would be required to pay and the monthly medical premium costs that Executive was required to pay as of immediately prior to the date of Executive's termination of employment with the Company), which payments will be made regardless of whether Executive or his eligible dependents elect COBRA continuation coverage on the first payroll date following Executive's termination of employment (subject to any delay as may be required by Section 12 of this Agreement) and will end on the earlier of (x) the date upon which Executive obtains other employment or (y) the end of the COBRA Period. For the avoidance of doubt, the taxable payments in lieu of COBRA subsidies may be used for any purpose, including, but not limited to continuation coverage under COBRA, and will be subject to all applicable tax withholdings.

Notwithstanding the foregoing, the payments and benefits described in clauses (ii), (iii), and (iv) above shall immediately terminate, and the Company shall have no further obligations to Executive with respect thereto, in the event that Executive breaches any provision of Section 9 hereof or the terms of the Confidentiality Agreement.

Following such termination of Executive's employment by the Company without Cause, except as set forth in this Section 8(d), Executive shall have no further rights to any compensation or any other benefits under this Agreement or otherwise.

(e) Termination by Executive with Good Reason Unrelated to a Change of Control. Executive may terminate his employment with Good Reason by providing the Company thirty (30) days' written notice setting forth in reasonable specificity the event that constitutes Good Reason, which written notice, to be effective, must be provided to the Company within thirty (30) days of the occurrence of such event. During such thirty (30) day notice period, the Company shall have a cure right (if curable), and if not cured within such period, Executive's termination will be effective upon the expiration of such cure period, and, if such termination occurs outside of the Change of Control Period, Executive shall be entitled to the same payments and benefits as provided in Section 8(d) above for a termination by the Company without Cause, subject to the same conditions on payment and benefits as described in Section 8(d) above. Following such termination of Executive's employment by Executive with Good Reason, except as set forth in this Section 8(e), Executive shall have no further rights to any compensation or any other benefits under this Agreement or otherwise.

(f) Termination by Company without Cause or by Executive with Good Reason in Connection with a Change of Control. In the event Executive's employment is terminated by the Company without Cause (other than due to death or Disability) or Executive terminates his employment with Good Reason (by providing thirty (30) days written notice to the Company and with such cure period as described in subsection 8(e), above) during the Change of Control Period, Executive shall be entitled to the same payments and benefits as described in Section 8(d) above, provided, however, that payment of Executive's Base Salary shall continue through the Change of Control Severance Term, rather than the Severance Term. Such continuing payments shall be payable in accordance with the Company's regular payroll practices, it being agreed that each installment of Base Salary payable hereunder shall be deemed to be a separate payment for purposes of Section 409A of the Code. Any such payments or benefits shall also be subject to the same conditions described in Section 8(d) above. Any payments or benefits previously made to Executive under Section 8(d) or 8(e) above, shall offset the payments and benefits due to Executive under this Section 8(f), if any

(g) Termination by Executive without Good Reason. Executive may terminate his employment without Good Reason by providing the Company thirty (30) days' written notice of such termination. In the event of a termination of employment by Executive under this Section 8(g), Executive shall be entitled only to the Accrued Obligations. In the event of termination of Executive's employment under this Section 8(g), the Company may, in its sole and absolute discretion, by written notice accelerate such date of termination and still have it treated as a termination without Good Reason. Following such termination of Executive's employment by Executive without Good Reason, except as set forth in this Section 8(g), Executive shall have no further rights to any compensation or any other benefits under this Agreement or otherwise.

(h) Conditions Precedent. Any severance payments and post-employment benefits (other than the Accrued Obligations), in each case, as applicable, contemplated by Sections 8(b), (d), (e), and (f) above are conditional on Executive: (i) continuing to comply with the terms of this Agreement and the Confidentiality Agreement (as defined above); and (ii) Executive executing and not revoking a Separation Agreement, including a general release of claims, in favor of the Company, substantially in the form approved by the Company, and such release becoming effective within 60 days following Executive's Separation from Service (as defined above); and (iii) the effectuating the Board Resignation (as discussed above). The severance benefits will be paid and/or provided in installments immediately beginning on the first payroll date after the 60th day following your Separation from Service, provided the Separation Agreement becomes effective and other conditions precedent have been met, and will continue to be paid thereafter, if applicable, based on the Company's regular payroll schedule. The payment following the 60th day from your Separation from Service will include a lump sum of any severance payments that you would have received on or prior to such date under the original schedule but for the delay while waiting for the 60th day in compliance with Code Section 409A and the effectiveness of the release, with the balance of the Severance Benefits being paid in installments as originally scheduled, if applicable.

Section 9. **Disclosure of Confidential information; Return of Documents.**

(a) Disclosure of Confidential Information. At any time during and after the end of the Term of Employment, without the prior written consent of the CEO, except to the extent required by an order of a court having jurisdiction or under subpoena from an appropriate government agency, in which event, Executive shall usehis best efforts to consult with the CEO prior to responding to any such order or subpoena, and except as required in the performance of his duties hereunder, Executive shall not disclose to or use for his individual benefit or the benefit of any third party any Confidential Information, as further discussed under the Confidentiality Agreement.

(b) Return of Documents. In the event of the termination of Executive's employment for any reason, Executive shall deliver to the Company all of (i) the property of the Company, and (ii) the documents and data of any nature and in whatever medium of the Company, and he shall not take with his any such property, documents or data or any reproduction thereof, or any documents containing or pertaining to any Confidential Information, as set forth in more detail under Section 5 of the Confidentiality Agreement.

Section 10. **Taxes**.

The Company may withhold from any payments made under this Agreement all applicable taxes, including but not limited to income, employment and social insurance taxes, as shall be required by law. Executive acknowledges and represents that the Company has not provided any tax advice to him in connection with this Agreement and that he has been advised by the Company to seek tax advice from his own tax advisors regarding this Agreement and payments that may be made to him pursuant to this Agreement, including specifically, the application of the provisions of Section 409A of the Code to such payments.

Section 11. **Set Off; Mitigation**.

The Company's obligation to pay Executive the amounts provided and to make the arrangements provided hereunder shall be subject to set-off, counterclaim or recoupment of amounts owed by Executive to the Company or its affiliates. Executive shall not be required to mitigate the amount of any payment provided for pursuant to this Agreement by seeking other employment or otherwise and, except as provided in Section 8(d)(iv) hereof, the amount of any payment provided for pursuant to this Agreement shall not be reduced by any compensation earned as a result of Executive's other employment or otherwise.

Section 12. **Section 409A**.

(a) Notwithstanding anything to the contrary in this Agreement, no severance pay or benefits to be paid or provided to Executive, if any, pursuant to this Agreement that, when considered together with any other severance payments or separation benefits, are considered deferred compensation under Code (as defined below) Section 409A, and the final regulations and any guidance promulgated thereunder ("Section 409A") (together, the "Deferred Payments") will be paid or otherwise provided until Executive has a Separation from Service.

(b) Any severance payments or benefits under this Agreement that would be considered Deferred Payments will be paid on, or, in the case of installments, will not commence until, the sixtieth (60th) day following Executive's Separation from Service, or, if later, such time as required by Section 12(c). Except as required by Section 12(c), and as discussed under Section 8(h), any installment payments that would have been made to Executive during the sixty (60) day period immediately following Executive's Separation from Service but for the preceding sentence will be paid to Executive on the sixtieth (60th) day following Executive's Separation from Service and the remaining payments shall be made as provided in this Agreement.

(c) Notwithstanding anything to the contrary in this Agreement, if Executive is a "specified employee" within the meaning of Section 409A at the time of Executive's termination (other than due to death), then the Deferred Payments that are payable within the first six (6) months following Executive's Separation from Service, will become payable on the first payroll date that occurs on or after the date six (6) months and one (1) day following the date of Executive's Separation from Service. All subsequent Deferred Payments, if any, will be payable in accordance with the payment schedule applicable to each payment or benefit. Notwithstanding anything herein to the contrary, if Executive dies following Executive's Separation from Service, but prior to the twelve (12) month anniversary of the Separation from Service, then any payments delayed in accordance with this paragraph will be payable in a lump sum as soon as administratively practicable after the date of Executive's death and all other Deferred Payments will be payable in accordance with the payment schedule applicable to each payment or benefit. Each payment and benefit payable under this Agreement is intended to constitute a separate payment for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations.

(d) Any amount paid under this Agreement that satisfies the requirements of the “short-term deferral” rule set forth in Section 1.409A-1(b)(4) of the Treasury Regulations will not constitute Deferred Payments for purposes of subsection (a) above.

(e) Any amount paid under this Agreement that qualifies as a payment made as a result of an involuntary Separation from Service pursuant to Section 1.409A-1(b)(9)(iii) of the Treasury Regulations that does not exceed the Section 409A Limit (as defined below) will not constitute Deferred Payments for purposes of subsection (a) above.

(f) The foregoing provisions are intended to comply with the requirements of Section 409A so that none of the severance payments and benefits to be provided hereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to so comply. The Company and Executive agree to work together in good faith to consider amendments to this Agreement and to take such reasonable actions which are necessary, appropriate or desirable to avoid imposition of any additional tax or income recognition prior to actual payment to Executive under Section 409A.

(g) For purposes of this Agreement, “Section 409A Limit” will mean two (2) times the lesser of: (i) Executive’s annualized compensation based upon the annual rate of pay paid to Executive during Executive’s taxable year preceding Executive’s taxable year of his Separation from Service as determined under Treasury Regulation Section 1.409A-1(b)(9)(iii)(A)(1) and any Internal Revenue Service guidance issued with respect thereto; or (ii) the maximum amount that may be taken into account under a qualified plan pursuant to Section 401(a)(17) of the Code for the year in which Executive’s Separation from Service occurred.

Section 13. **Successors and Assigns; No Third-Party Beneficiaries**.

(a) The Company. This Agreement shall inure to the benefit of the Company and its respective successors and assigns. Neither this Agreement nor any of the rights, obligations or interests arising hereunder may be assigned by the Company without Executive’s prior written consent (which shall not be unreasonably withheld, delayed or conditioned), to a person or entity other than an affiliate or parent entity of the Company, or their respective successors or assigns; *provided, however,* that, in the event of the merger, consolidation, transfer or sale of all or substantially all of the assets of the Company with or to any other individual or entity, this Agreement shall, subject to the provisions hereof, be binding upon and inure to the benefit of such successor and such successor shall discharge and perform all the promises, covenants, duties and obligations of the Company hereunder, it being agreed that in such circumstances, the consent of Executive shall not be required in connection therewith.

(b) Executive. Executive’s rights and obligations under this Agreement shall not be transferable by Executive by assignment or otherwise, without the prior written consent of the Company; *provided, however,* that if Executive shall die, all amounts then payable to Executive hereunder shall be paid in accordance with the terms of this Agreement to Executive’s devisee, legatee or other designee or, if there be no such designee, to Executive’s estate.

(c) No Third-Party Beneficiaries. Except as otherwise set forth in Section 8(b) or Section 13(b) hereof, nothing expressed or referred to in this Agreement will be construed to give any person or entity other than the Company and Executive any legal or equitable right, remedy or claim under or with respect to this Agreement or any provision of this Agreement.

Section 14. **Waiver and Amendments**.

Any waiver, alteration, amendment or modification of any of the terms of this Agreement shall be valid only if made in writing and signed by each of the parties hereto; *provided, however,* that any such waiver, alteration, amendment or modification is consented to on the Company’s behalf by the Board. No waiver by either of the parties hereto of their rights hereunder shall be deemed to constitute a waiver with respect to any subsequent occurrences or transactions hereunder unless such waiver specifically states that it is to be construed as a continuing waiver.

Section 15. **Severability**.

If any covenants or such other provisions of this Agreement are found to be invalid or unenforceable by a final determination of a court of competent jurisdiction or an arbitrator: (a) the remaining terms and provisions hereof shall be unimpaired, and (b) the invalid or unenforceable term or provision hereof shall be deemed replaced by a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision hereof.

Section 16. **Governing Law**.

This Agreement is governed by and is to be construed under the laws of the State of New Jersey, without regard to conflict of laws rules.

Section 17. **ARBITRATION**

THE PARTIES AGREE THAT ANY AND ALL DISPUTES ARISING OUT OF THE TERMS OF THIS AGREEMENT, THEIR INTERPRETATION, AND ANY OF THE MATTERS ADDRESSED HEREIN, SHALL BE SUBJECT TO THE ARBITRATION AND DISPUTE RESOLUTION PROCESS DETAILED IN THE CONFIDENTIALITY AGREEMENT. EMPLOYEE ACKNOWLEDGES AND AGREES THAT EMPLOYEE IS HEREBY WAIVING THE RIGHT TO JURY TRIAL.

Section 18. **Notices**.

(a) Every notice or other communication relating to this Agreement shall be in writing, and shall be mailed to or delivered to the party for whom it is intended at such address as may from time to time be designated by it in a notice mailed or delivered to the other party as herein provided; *provided* that, unless and until some other address be so designated, all notices or communications by Executive to the Company shall be mailed or delivered to the Company at its principal executive office, and all notices or communications by the Company to Executive may be given to Executive personally or may be mailed to Executive at Executive's last known address, as reflected in the Company's records.

(b) Any notice so addressed shall be deemed to be given: (i) if delivered by hand, on the date of such delivery; (ii) if mailed by courier or by overnight mail, on the first business day following the date of such mailing; and (iii) if mailed by registered or certified mail, on the third business day after the date of such mailing.

Section 19. **Section Headings**.

The headings of the sections and subsections of this Agreement are inserted for convenience only and shall not be deemed to constitute a part thereof, affect the meaning or interpretation of this Agreement or of any term or provision hereof.

Section 20. **Entire Agreement**.

This Agreement and the Confidentiality Agreement, together with any exhibits attached thereto, constitute the entire understanding and agreement of the parties hereto regarding the employment of Executive. This Agreement supersedes all prior negotiations, discussions, correspondence, communications, understandings and agreements between the parties relating to the subject matter of this Agreement.

Section 21. **Survival of Operative Sections**.

Upon any termination of Executive's employment, the provisions of Section 8 through Section 24 of this Agreement (together with any related definitions set forth in Section 1 hereof) shall survive to the extent necessary to give effect to the provisions thereof.

Section 22. **Limitation on Payments**.

In the event that the severance and other benefits provided for in this Agreement or otherwise payable to Executive (i) constitute "parachute payments" within the meaning of Section 280G of the Code and (ii) but for this Section 22, would be subject to the excise tax imposed by Section 4999 of the Code, then Executive's severance and other benefits will be either:

(a) delivered in full, or

(b) delivered as to such letter extent which would result in no portion of such severance and other benefits being subject to the excise tax under Section 4999 of the Code,

whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the excise tax imposed by Section 4999, results in the receipt by Executive on an after-tax basis, of the greatest amount of severance and other benefits, notwithstanding that all or some portion of such severance and other benefits may be taxable under Section 4999 of the Code. If a reduction in the severance and other benefits constituting "parachute payments" is necessary so that no portion of such severance benefits is subject to the excise tax under Section 4999 of the Code, the reduction shall occur in the following order: (1) reduction of the cash severance payments; (2) cancellation of accelerated vesting of equity awards; and (3) reduction of continued employee benefits. In the event that acceleration of vesting of equity award compensation is to be reduced, such acceleration of vesting shall be cancelled in the reverse order of the date of grant of Executive's equity awards. Notwithstanding the foregoing, to the extent the Company submits any payment or benefit payable to Executive under this Agreement or otherwise to the Company's stockholders for approval in accordance with Treasury Regulation Section 1.280G-1 Q&A 7, the foregoing provisions shall not apply following such submission and such payments and benefits will be treated in accordance with the results of such vote, except that any reduction in, or waiver of, such payments or benefits required by such vote will be applied without any application of discretion by Executive and in the order prescribed by this Section 22.

Unless the Company and Executive otherwise agree in writing, any determination required under this Section 22 will be made in writing by an independent firm (the "Firm"), whose determination will be conclusive and binding upon Executive and the Company for all purposes. For purposes of making the calculations required by this Section 22, the Firm may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and Executive will furnish to the Firm such information and documents as the Firm may reasonably request in order to make a determination under this Section 22. The Company will bear all costs the Firm may reasonably incur in connection with any calculations contemplated by this Section 22.

Section 23. **Counterparts**.

This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument. The execution of this Agreement may be by actual or facsimile signature.

Section 24. **Protected Activity Not Prohibited**.

Executive understands that nothing in this Agreement shall in any way limit or prohibit him from engaging for a lawful purpose in any Protected Activity. For purposes of this Agreement, "Protected Activity" shall mean filing a charge or complaint, or otherwise communicating, cooperating, or participating with, any state, federal, or other governmental agency, including the Securities and Exchange Commission, the Equal Employment Opportunity

Commission, and the National Labor Relations Board. Notwithstanding any restrictions set forth in this Agreement, Executive understands that he is not required to obtain authorization from the Company prior to disclosing information to, or communicating with such agencies, nor is he obligated to advise the Company as to any such disclosures or communications. Notwithstanding, in making any such disclosures or communications, Executive agrees to take all reasonable precautions to prevent any unauthorized use or disclosure of any information that may constitute the Company's Confidential Information to any parties other than the relevant government agencies. Executive further understands that "Protected Activity" does not include the disclosure of any Company attorney-client privileged communications, and that any such disclosure without the Company's written consent shall constitute a material breach of this Agreement. Each of these issues are more fully discussed in the Confidentiality Agreement.

Section 25. **General**.

Executive's employment is made contingent upon a satisfactory background investigation, credit report and Executive's ability to provide proof of identification and authorization to work in the United States, in accordance with the Immigration and Control Act of 1986. This offer expires at the close of business on October 15, 2021. To indicate acceptance, Executive must sign in the space provided below.

* * *

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

COMPANY:

Inogen, Inc.

/s/ Nabil Shabshab
By: Nabil Shabshab
Title: President & Chief Executive Officer

EXECUTIVE:

/s/ Stanislav Glezer MD MBA
By: Stanislav Glezer

Exhibit 31.1

Certification by the Chief Executive Officer Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Nabil Shabshab, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Inogen, 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.

Dated: November 4, 2021

By: /s/ Nabil Shabshab
Nabil Shabshab
Chief Executive Officer, President and Director
(Principal Executive Officer)

Exhibit 31.2

Certification by the Chief Financial Officer Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Alison Bauerlein, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Inogen, 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.

Dated: November 4, 2021

By: /s/ Alison Bauerlein
Alison Bauerlein
Chief Financial Officer
Executive Vice President, Finance
Treasurer
(Principal Financial Officer)

Exhibit 32.1

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

I, Nabil Shabshab, the chief executive officer of Inogen, Inc. (the "Company"), certify for the purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge,

(i) the Quarterly Report of the Company on Form 10-Q for the three months ended September 30, 2021 (the "Report"), fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 4, 2021

By: /s/ Nabil Shabshab
Nabil Shabshab
Chief Executive Officer, President and Director

Exhibit 32.2

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

I, Alison Bauerlein, the chief financial officer of Inogen, Inc. (the "Company"), certify for the purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge,

(i) the Quarterly Report of the Company on Form 10-Q for the three months ended September 30, 2021 (the "Report"), fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 4, 2021

By: /s/ Alison Bauerlein
Alison Bauerlein
Chief Financial Officer
Executive Vice President, Finance
Treasurer