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RESMED INC

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Contact>

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Items>

Item>**9.01**

Notifications>

Internet Notification Address>**sandiego@rrdfsg.com**

Documents>

Document>

Conformed Document Type>**8-K/A**Description>**Form 8-K/A**

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Document>

Conformed Document Type>**EX-99.1**Description>**EX-99.1**

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Conformed Document Type>**EX-99.2**Description>**EX-99.2**



**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 20549

FORM 8-K/A
(Amendment No. 1)

CURRENT REPORT

**Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): April 4, 2016

ResMed Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-15317
(Commission
File Number)

98-0152841
(IRS Employer
Identification No.)

9001 Spectrum Center Boulevard
San Diego, California 92123
(Address of principal executive offices)

(858) 836-5000
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))



Explanatory Note

On April 4, 2016, ResMed Inc. filed with the Securities and Exchange Commission a Current Report on Form 8-K disclosing, among other things, that it had completed the previously announced acquisition of Brightree LLC under the Agreement and Plan of Merger dated February 19, 2016, among ResMed Corp., a Minnesota corporation and wholly-owned subsidiary of ResMed Inc., Eagle Acquisition Sub LLC, a Delaware limited liability company and wholly-owned subsidiary of ResMed Corp., Shareholder Representative Services LLC, and Brightree. ResMed Inc. was also a party to the merger agreement solely to issue restricted stock units to certain Brightree employees and guarantee the discharge of payment and performance obligations of ResMed Corp. and Eagle Acquisition Sub under the merger agreement.

This Current Report on Form 8-K/A amends and supplements the April 4, 2016 Form 8-K to provide the information required by Item 9.01 of Form 8-K that was not filed with the April 4, 2016 Form 8-K, including the required historical financial information of Brightree and the required pro forma financial statements. Except as otherwise provided in this Form 8-K/A, the disclosures made in the April 4, 2016 Form 8-K remain unchanged.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements of Business Acquired.

The audited financial statements of Brightree as of and for the year ended December 31, 2015, the notes related thereto and the independent auditors' report related thereto are attached as Exhibit 99.1 and incorporated here by reference.

(b) Pro forma financial information.

The unaudited pro forma combined financial information of ResMed as of December 31, 2015, for the six months ended December 31, 2015, and for the twelve months ended June 30, 2015 and the notes related thereto, after giving effect to the acquisition of Brightree and adjustments described in such pro forma financial information, is attached hereto as Exhibit 99.2 and incorporated here by reference.

(c) Exhibits.

<u>Exhibit</u>	<u>Description</u>
23.1	Consent of Independent Auditor.
99.1	Audited consolidated financial statements of Brightree as of December 31, 2015 and for the year ended December 31, 2015 and the notes related thereto.
99.2	Unaudited pro forma condensed combined financial information.



SIGNATURE

We have authorized the person whose signature appears below to sign this report on our behalf, in accordance with the Securities Exchange Act of 1934.

RESMED INC.

By: /s/ David Pendarvis

David Pendarvis
Chief administrative officer, global general
counsel and secretary

Dated: June 9, 2016



EXHIBIT INDEX

<u>Exhibit</u>	<u>Description</u>
23.1	Consent of Independent Auditor.
99.1	Audited consolidated financial statements of Brightree as of December 31, 2015 and for the year ended December 31, 2015 and the notes related thereto.
99.2	Unaudited pro forma condensed combined financial statements.



Exhibit 23.1

CONSENT OF INDEPENDENT AUDITOR

We hereby consent to the inclusion of our report dated March 28, 2016 on the consolidated financial statements of Brighttree LLC and Subsidiaries as of and for the year ended December 31, 2015 in this Form 8-K/A and incorporated by reference in ResMed Inc.'s Registration Statements on Form S-8 (No. 333-08013, 333-88231, 333-115048, 333-140350, 333-140351, 333-156065, 333-164527, 333-167183, 333-181317, 333-186386 and 333-194225).

/s/ Bennett Thrasher LLP
Atlanta, Georgia
June 9, 2016



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Exhibit 99.1**Independent Auditors' Report**

To the Board of Managers and Members of
Brightree LLC and Subsidiaries

We have audited the accompanying consolidated financial statements of Brightree LLC and Subsidiaries (the Company), which comprise the consolidated balance sheet as of December 31, 2015, and the related consolidated statement of income, members' equity, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brightree LLC and Subsidiaries as of December 31, 2015, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

/s/ Bennett Thrasher LLP

Atlanta, Georgia
March 28, 2016



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Brightree LLC and Subsidiaries
CONSOLIDATED BALANCE SHEET
December 31, 2015

	2015
Assets	
Current assets:	
Cash and cash equivalents	\$26,224,202
Accounts receivable, less allowance for doubtful accounts of \$1,382,065	7,975,358
Prepaid expenses and other current assets	2,648,980
Total current assets	36,848,540
Property and equipment, net	1,109,243
Goodwill	36,781,212
Intangibles, net	6,642,730
Other long-term assets	1,377,200
Total assets	<u>\$82,758,925</u>
Liabilities and Members' Equity	
Current liabilities:	
Current maturities of note payable	\$ 3,548,666
Accounts payable and accrued expenses	9,709,035
Deferred revenue	7,213,806
Total current liabilities	20,471,507
Note payable – less current maturities	23,953,495
Deferred revenue – less current portion	1,845,347
Total liabilities	46,270,349
Commitments and contingencies (Note 8)	
Members' equity:	
Redeemable preferred units	35,670,548
Common units	3,305,840
Accumulated deficit	(2,487,812)
Total members' equity	36,488,576
Total liabilities and members' equity	<u>\$82,758,925</u>

See accompanying notes to consolidated financial statements.



Brightree LLC and Subsidiaries
CONSOLIDATED STATEMENT OF INCOME
for the year ended December 31, 2015

	<u>2015</u>
Revenue	\$113,204,337
Cost of revenue	31,278,891
Gross profit	<u>81,925,446</u>
Operating expenses:	
Research and development expenses	14,467,698
Sales and marketing expenses	11,714,722
General and administrative expenses	<u>17,100,525</u>
Income from operations	<u>38,642,501</u>
Other expense:	
Interest expense, net	(1,746,363)
Foreign currency loss	<u>(58,659)</u>
Total other expense	<u>(1,805,022)</u>
Income before income taxes	36,837,479
Income tax benefit	<u>(1,022,347)</u>
Net income	<u><u>\$ 37,859,826</u></u>

See accompanying notes to consolidated financial statements.



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Brightree LLC and Subsidiaries
CONSOLIDATED STATEMENT OF MEMBERS' EQUITY
For the year Ended December 31, 2015

	Members' Capital		Members' Capital		Members' Capital		Accumulated Deficit	Total
	Preferred		Common Units		Common Units			
	Units	Amount	Series 1	Amount	Series 3	Amount		
Balance at December 31, 2014	22,294,093	\$33,887,021	11,704,989	\$186,715	2,092,031	\$ 3,427,091	(18,193,498)	\$ 19,307,329
Stock compensation expense	—	—	—	—	—	1,017,752	—	1,017,752
Exercise of options	—	—	—	—	135,480	295,987	—	295,987
Purchase of Series 3 common units	—	—	—	—	(125,119)	(1,621,705)	—	(1,621,705)
Accretion of redeemable preferred units	—	1,783,527	—	—	—	—	(1,783,527)	—
Tax distributions	—	—	—	—	—	—	(20,370,613)	(20,370,613)
Net income	—	—	—	—	—	—	37,859,826	37,859,826
Balance at December 31, 2015	22,294,093	\$35,670,548	11,704,989	\$186,715	2,102,392	\$ 3,119,125	\$ (2,487,812)	\$ 36,488,576

See accompanying notes to consolidated financial statements.



Brightree LLC and Subsidiaries
CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended December 31, 2015

	<u>2015</u>
Cash flows from operating activities:	
Net income	\$ 37,859,826
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	3,614,375
Stock compensation expense	1,017,752
Non-cash interest expense	176,161
Changes in operating assets and liabilities, net of effects of acquisitions:	
Accounts receivable, net	(1,030,331)
Prepaid expenses and other assets	(447,168)
Accounts payable and accrued expenses	98,671
Deferred revenue	830,962
Deferred tax liability	(1,282,293)
Net cash provided by operating activities	<u>40,837,955</u>
Cash flows from investing activities:	
Purchase of property and equipment	(724,193)
Net cash used in investing activities	<u>(724,193)</u>
Cash flows from financing activities:	
Payments on note payable	(7,497,839)
Tax distributions	(24,424,580)
Purchase of Series 2 and 3 equity interests	(1,621,705)
Proceeds from exercise of options	295,987
Net cash used in financing activities	<u>(33,248,137)</u>
Net increase in cash and cash equivalents	6,865,625
Cash and cash equivalents at beginning of year	19,358,577
Cash and cash equivalents at end of year	<u>\$ 26,224,202</u>
Supplemental Disclosure of Cash Flow Information	
Cash paid for interest	<u>\$ 1,139,676</u>
Cash paid for taxes	<u>\$ 82,783</u>

See accompanying notes to consolidated financial statements.



Brightree LLC and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Description of the Business and Summary of Significant Accounting Policies

Nature of Operations

Brightree LLC (Brightree) was formed as a limited liability company on June 18, 2008 in the state of Delaware under the provisions of the Delaware Limited Liability Company Act. The rights and obligations of the members of Brightree are governed by the Third Amended and Restated Limited Liability Company Agreement dated April 18, 2013 (the Operating Agreement).

Brightree provides business management software and services to medical equipment and home health providers throughout the United States. Customers utilize the software for billing, collections, tracking inventory, patient scheduling, and reporting. The platform is internet based allowing customers to access critical data from any location with minimal computing capacity.

Principles of Consolidation

The accompanying financial statements include the accounts of Brightree and its wholly owned subsidiaries, Brightree Services LLC (Brightree Services), Pacware Software Development, Inc. (Pacware), Brightree Limited, Brightree Home Health & Hospice LLC (Home Health & Hospice), MedAct, LLC (MedAct), and Strategic AR LLC (Strategic AR) (collectively, the Company). All significant intercompany accounts and transactions have been eliminated.

Use of Estimates in Financial Statements

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) requires management to make certain estimates, judgments and assumptions. These estimates, judgments and assumptions are based upon information available to management at the time that they are made and are believed to be reliable. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities as of the date of the financial statements as well as the reported amounts of revenues and expenses during the periods presented. On an on-going basis management evaluates the estimates and assumptions, including, but not limited to, those related to revenue recognition, allowance for doubtful accounts and sales returns, fair value of equity-based compensation, fair value of acquired intangible assets and goodwill, useful lives of intangible assets and property and equipment, income taxes, contingencies and litigation, among others. Management believes that these estimates and assumptions are reasonable under the circumstances and that they form a basis for making judgments about the carrying values of our assets and liabilities that are not readily apparent from other sources. Differences between these estimates, judgments or assumptions and actual results could materially impact the financial statements. In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP and does not require management's judgment in its application. There are also areas in which management's judgment in selecting among available alternatives would not produce a materially different result.

Cash and Cash Equivalents

Cash and cash equivalents include cash and highly liquid investments that are readily convertible into cash and have a maturity of 90 days or less when purchased. At times, cash and cash equivalent balances may exceed federally insured amounts. The Company believes it mitigates any risks by depositing cash and investing in cash equivalents with major financial institutions.

Accounts Receivable

In the normal course of business, the Company extends unsecured credit to its customers. Accounts receivable are generally due under normal trade terms requiring payment by the beginning of each quarter or within 30 days from the invoice date. Unpaid accounts receivable do not bear interest and are stated at the amount billed to the customer.

The Company performs evaluations of outstanding accounts receivables and its customers' ability to pay. It then estimates the allowance for doubtful accounts based on this evaluation. Accounts receivable are stated net of an allowance for doubtful accounts. Upon determination that a customer is unable to pay, the Company will cancel their subscription and write off uncollectable amounts against the allowance.



Brightree LLC and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Property and Equipment

Property and equipment are depreciated using the straight-line method over the estimated useful lives of the individual assets, as follows: computer equipment and software, two to five years; and furniture, fixtures and others, three to seven years.

Leasehold improvements are amortized using the straight-line method over the lesser of the remaining lease terms or the estimated useful lives of the improvements.

Property and equipment at December 31, 2015 consist of the following:

	2015
Computer equipment and software	\$ 3,979,865
Furniture, fixtures and others	708,315
Leasehold improvements	408,657
Less accumulated depreciation and amortization	(3,987,594)
	<u>\$ 1,109,243</u>

Depreciation and amortization expense was \$714,547 for the year ended December 31, 2015, and is included as a component of general and administrative expenses in the accompanying statement of income.

Other Assets

As of December 31, 2015, other long-term assets include net deferred loan costs of \$272,709. Deferred loan costs are amortized using the effective interest method. Amortization expense for the year ended December 31, 2015 was \$176,161, and is included as a component of interest expense in the accompanying consolidated statement of income.

In January 2015, the Company advanced an employee \$500,000 for a promissory note receivable. The note bears interest at 2% per annum and is due in January 2018. As of December 31, 2015, the outstanding balance on the promissory note receivable was \$509,288 and is included in other long-term assets.

Deferred Costs

Commission payments associated with subscription contracts are deferred and amortized to cost of revenue over a 12 month period. The commission payments, which are paid in full the month after the customer's service commences, are a direct and incremental cost of the revenue arrangements. The deferred commission amounts are recoverable through the future revenue streams under the non-cancelable customer contracts. At December 31, 2015, deferred commissions of \$346,764 are included in prepaid expenses and other current assets in the accompanying consolidated balance sheet.

In 2008, the Company entered into a five year business development agreement with a large home health care provider whereby each party agreed to exclusively market products and services of the counter party. The agreement contained an obligation to pay certain fees for specified customers for a period of ten years following termination. In May 2014, the Company amended the agreement whereby all obligations cease effective December 31, 2017. In connection with the amendment, the Company paid a fee of \$1,600,000. The Company is amortizing the fee through December 2017 to cost of revenue. The capitalized cost is recoverable through future revenue streams originated by the counter party. As of December 31, 2015 the remaining unamortized cost is \$914,290, and is included in other current and long-term assets in the accompanying consolidated balance sheet.



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Brightree LLC and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Intangible Assets

The Company has acquired customer lists, intellectual property, non-compete agreements, and trademarks through its acquisitions. These intangible assets with definite lives are amortized using the straight-line method over their estimated useful life of three to ten years.

Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value. In the opinion of management, no long-lived assets were impaired as of December 31, 2015.

Goodwill

Goodwill represents the excess cost over the fair value of net tangible and identifiable intangible assets acquired. Goodwill is not amortized but is evaluated for potential impairment on an annual basis unless circumstances indicate the need for impairment testing between annual tests. The judgments regarding the existence of impairment indicators are based on legal factors, market conditions, and operational performance, among other things. An impairment loss is recognized if the carrying value exceeds the asset's fair value. The Company performs its annual impairment test as of December 31. The result of the tests performed during 2015 indicated no impairment of goodwill.

Business Combinations

The Company allocates the purchase price of acquired companies to the tangible and intangible assets acquired, and liabilities assumed based on their estimated fair values. Such a valuation requires management to make significant estimates and assumptions, especially with respect to intangible assets and deferred revenue.

Management makes estimates of fair values based upon assumptions believed to be reasonable. These estimates are based on historical experience and information obtained from the management of the acquired companies and are inherently uncertain. Critical estimates in valuing certain intangible assets include, but are not limited to: future expected cash flows from license sales, maintenance agreements, consulting contracts, customer contracts and acquired developed technologies; the acquired company's brand awareness and market position, as well as assumptions about the period of time the acquired brand will continue to be used in the combined Company's portfolio; and discount rates. Unanticipated events and circumstances may occur which may affect the accuracy or validity of such assumptions, estimates or reported results.



Brightree LLC and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Revenue Recognition

The Company generates revenue from the time-based licensing of its software and associated services. In most instances, revenue is generated under sales agreements with multiple elements, which are comprised of subscription fees from customers accessing its on-demand application service and professional services associated with consultation services and customer support. The Company's sales agreements typically have contract terms of one to three years. Arrangements with customers do not provide the customer with the right to take possession of the software supporting the on-demand application service at any time. Amounts that have been invoiced are initially recorded in accounts receivable and either deferred revenue or revenue, depending on whether the revenue recognition criteria have been met at the time of invoicing.

The Company provides its software as a service and commences revenue recognition when all of the following conditions are met:

- There is persuasive evidence of an arrangement;
- The service has been provided to the customer;
- The amount of fees to be paid by the customer is fixed or determinable; and
- The collection of the fees is probable.

The Company evaluates each element in a multiple-element arrangement to determine whether it represents a separate unit of accounting. An element constitutes a separate unit of accounting when the delivered item has standalone value and delivery of the undelivered elements is probable and within the Company's control. For elements that meet the separation requirements, the Company recognizes revenue as delivered using the proportional performance model. For elements that do not meet the separation requirements, the Company recognizes such fees ratably over the estimated life of the customer relationship, commencing upon the later of the agreement start date or when all revenue recognition criteria have been met. The estimated customer life has been estimated at 42-50 months.

The Company will occasionally sell professional services separately from a subscription agreement. In determining whether the professional services can be accounted for separately from a subscription agreement, the Company considers the timing of when the professional service agreement was signed in comparison to the subscription agreement start date and the contractual dependence of the subscription service on the successful completion of the professional services. If the Company determines that the professional services do not qualify as a separate arrangement, the arrangement will be combined with the subscription arrangement and evaluated whether each element of the combined arrangement represents a separate unit of accounting, as discussed above. If these professional services do qualify as a separate arrangement, the Company recognizes such revenue as the services are performed.

The Company also enters into contracts to provide billing services and accounts receivable management services through its Brightree Services subsidiary. Revenue for these activities is recognized when the services are provided.

Advertising

The Company expenses advertising costs as incurred. Advertising expense was \$130,759 for the year ended December 31, 2015.



Brightree LLC and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Income Taxes

Brightree, Brightree Services, MedAct, Strategic AR, and Home Health & Hospice (beginning July 3, 2015) have elected to be treated as a partnership for Federal and state income tax purposes; therefore, no provision or benefit for income taxes is necessary since taxable income or loss is reported for tax purposes by the members.

Pacware and Home Health & Hospice (through July 2, 2015) have elected to be treated as C Corporations for Federal and state income tax purposes and follow the asset and liability approach, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities using currently enacted income tax rates. Valuation allowances are established to reduce deferred tax assets to the amount expected to be realized.

Brightree Limited operates in the United Kingdom and is thus subject to the jurisdiction of foreign tax authorities. Temporary differences can exist based on the timing of when income and expense can be recognized for financial reporting purposes and tax reporting purposes as specified by the foreign tax laws. Temporary differences were nominal as of and for the year ended December 31, 2015.

The Company applies the provisions of the Financial Accounting Standards Board accounting standard for uncertainty in income taxes related to unrecognized tax benefits and determined no accrual was necessary for unrecognized tax benefits based on the Company's tax positions, including all open years. The Company is subject to U.S. Federal, state and local tax examinations by tax authorities for years 2012 through 2014.

Research and Development Costs

Research and development costs consist primarily of personnel and consulting costs involved with product development and allocated overhead. These costs are expensed as incurred.

Software Development Costs

The Company accounts for costs incurred to develop computer software for internal use by capitalizing the costs incurred during the application development stage, which include costs to design the software configuration and interfaces, coding, installation, and testing. Costs incurred during the preliminary project along with post-implementation stages of internal use computer software are expensed as incurred. Capitalized development costs are amortized over various periods up to three years. Costs incurred to maintain existing product offerings are expensed as incurred. The capitalization and ongoing assessment of recoverability of development costs requires considerable judgment by management with respect to certain external factors, including, but not limited to, technological and economic feasibility, and estimated economic life. To date, the Company has not capitalized any software development costs.

Equity-Based Compensation

The Company recognizes in the consolidated statements of income the grant-date fair value of equity awards issued to employees and directors over the vesting period.

The Company accounts for all transactions in which goods or services are the consideration received for issuance of equity instruments based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measured. The measurement date of the fair value of the equity instrument issued is the earlier of the date on which the counterparty's performance is complete or the date on which it is probable that performance will occur.



Brightree LLC and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Foreign Currency Translation

The Company has operations in Scotland. The U.S. dollar is the functional currency of the Company's worldwide operations. All foreign currency asset and liability amounts are remeasured into U.S. dollars at end-of-period exchange rates, except for nonmonetary assets and liabilities, which are remeasured at historical rates. Foreign currency income and expenses are remeasured at average exchange rates in effect during the year, except for expenses related to balance sheet amounts, which are remeasured at historical exchange rates. Exchange gains and losses arising from remeasurement of foreign currency-denominated monetary assets and liabilities are included in income in the period in which they occur. A foreign currency remeasurement gain of \$87,615 was recorded for the year ended December 31, 2015. Additionally, a foreign currency transaction loss of \$146,274 was recorded for the year ended December 31, 2015.

Note 2: Acquisition

On January 9, 2014, the Company purchased substantially all of the assets of Strategic AR pursuant to an asset purchase agreement. Acquisition consideration consists of a base purchase price of \$4,500,000, plus additional consideration of up to \$2,500,000 based on the achievement of certain revenue and earnings targets through December 31, 2015. As of December 31, 2014, the Company estimated the fair value of the contingent consideration at \$2,245,223 for a total purchase price of \$6,745,223. During 2015, the Company remitted \$1,250,000 of the contingent consideration. As of December 31, 2015, the Company has accrued \$1,250,000 related to the contingent consideration. Strategic AR provides private-pay billing and collection solutions for the home medical equipment and durable medical equipment industry. The acquisition adds an additional service offering to the existing Brightree product line.

The purchase price was allocated to the underlying assets, liabilities, and identifiable intangible assets based upon their respective fair values; the excess purchase price over the fair value of net assets acquired resulted in goodwill and other amortizable intangible assets of approximately \$6.6 million. The Company agreed to a transaction that resulted in goodwill for a number of reasons, including, but not limited to, market positioning and customer base.

The following table presents the allocation of the purchase price to the assets acquired and liabilities assumed, based on their fair values:

Strategic AR

Working capital – excluding cash	\$ 161,851
Property and equipment	20,000
Software and technology	556,134
Customer relationships	3,875,203
Trademarks	564,821
Non-compete agreements	37,479
Goodwill	<u>1,529,735</u>
	<u>\$6,745,223</u>



Brightree LLC and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3: Intangibles

Intangible assets at December 31, 2015, consist of the following:

	2015
Customer relationships	\$ 17,074,391
Intellectual property	2,673,155
Non-compete agreements	137,479
Trademarks	564,821
Less accumulated amortization	(13,807,116)
	<u>\$ 6,642,730</u>

Amortization expense was \$2,899,828 for the year ended December 31, 2015. The estimated amortization expense as of December 31, 2015 is as follows:

Year Ending December 31,	
2016	\$2,113,776
2017	1,984,662
2018	614,513
2019	614,513
2020	387,520
Thereafter	927,746
	<u>\$6,642,730</u>

Note 4: Note Payable

In September 2012, the Company entered into a loan and security agreement with a financial institution. Under the terms of the agreement, as amended, the Company is able to borrow up to \$10,000,000 in a line of credit and \$40,000,000 in term loans. Borrowings bear interest at a per annum rate equal to the LIBOR rate plus the LIBOR rate margin. The interest rate was 4.00% at December 31, 2015. Beginning March 31, 2013, the loan is payable in 19 quarterly installments with the last payment, including all outstanding principal and accrued and unpaid interest, due on September 21, 2017. The outstanding balance of the loan was \$27,502,161 at December 31, 2015. The outstanding balance on the line of credit was \$0 at December 31, 2015. As of December 31, 2015, \$10,000,000 was available for borrowing under the line of credit.

The line of credit and term loan contain certain restrictions on the Company's activities, including covenant requirements for maintenance of certain financial ratios, and operating conditions. As of December 31, 2015, the Company was in compliance with these covenants.

The maturities of the promissory note subsequent to December 31, 2015 are as follows:

Year Ending December 31,	
2016	\$ 3,548,666
2017	23,953,495
	<u>\$27,502,161</u>



Brightree LLC and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5: Members' Equity

The Company has two classes of membership units, preferred and common. The common units are separated into three classes: Series 1 Common Units (Series 1), Series 2 Common Units (Series 2), and Series 3 Common Units (Series 3). The Company is authorized to issue 38,768,722 total units; of which 22,294,093 are designated for preferred and 16,474,629 are designated for common (11,704,989 for Series 1, 769,640 for Series 2, and 4,000,000 for Series 3).

Rank – The preferred units, with respect to dividend rights, liquidation, dissolution and winding up, ranks senior to the common. Except for the liquidation preference disclosed below, the rights, privileges and preferences of the Series 1, Series 2, and the Series 3 are identical in all respects.

Dividends – The holders of the preferred units are entitled to receive a cumulative dividend equal to 8% per annum of the original issue price as defined in the Operating Agreement. No other distributions or dividends, except for the tax distribution amount, shall be paid unless all cumulative dividends in arrears on the preferred units have been paid. Cumulative dividends in arrears on the preferred units was \$13,376,455 at December 31, 2015.

Distributions – In the event the Company allocates net taxable income to the Members, the Company shall first distribute cash to each Member in an amount equal to the product of the tax percentage, as determined by the Board, and such Member's distributive share of the Company's taxable income (the Tax Distribution Amount).

Liquidation Preference – First, the holders of all outstanding units shall receive the Tax Distribution Amount. Second, the holders of the preferred units shall receive all accrued but unpaid dividends plus the original issue price, as defined. Third, in an aggregate amount equal to the next \$1,500,000, the holders of the Series 1 shall receive an amount proportionate to the number of Series 1 units held. Fourth, in an aggregate amount equal to the next \$1,500,000, the holders of the Series 2 shall receive an amount proportionate to the number of Series 2 units held. Any remaining amounts will be distributed to the holders of all outstanding Common Units, proportionate to the percentage interest held.

Conversion – The preferred units are not convertible into common units or any other type of unit.

Redemption – The preferred units are currently redeemable at the option of the holder since the Company did not consummate a qualifying initial public offering (as defined) by June 27, 2013. At the written request of the holders, the preferred units shall be redeemed by the Company at the redemption price. The redemption price is defined as the original issue price plus all cumulative dividends in arrears. The redemption price is paid as follows: one-third of the outstanding units on the redemption date, one-third on the one year anniversary of the redemption date, and the remainder on the two year anniversary of the redemption date. The preferred units are being periodically accreted to their redemption value over the redemption period.



Brightree LLC and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6: Unit Options and Profits Interest

The *2008 Unit Option and Profits Interest Plan* (the Plan) allows for the issuance of options and other awards to purchase a maximum of 4,000,000 units of the Company's Series 3 Common Units. Under the Plan, options and profits interests may be granted to employees, officers, managers, eligible consultants, and other service providers of the Company. Generally, the options may be exercised when granted, vest over four years, and expire ten years from the date of grant. Options exercised prior to vesting are subject to repurchase in favor of the Company or any other restriction the Board determines to be appropriate. Options granted under the Plan must be issued at prices not less than the fair market value of the units on the date of grant.

As of December 31, 2015, the Company has 383,372 incentive equity securities available for issuance. The Board of Managers of the Company establishes to whom options and profits interests shall be granted and determines the exercise prices, vesting requirements, and the number of units covered by each option. The fair value of the options is determined on the grant date using the Black-Scholes option pricing model. The expected term of the options granted represents the period of time that the options are expected to be outstanding.

The Company used the simplified method to estimate the expected term of the options. The assumed term of all options is 6 years. The risk-free rate is based on U.S. Treasury yields in effect at the time of the grant for the expected term of the options. Expected volatility is based upon the average historical volatility of similar structured business services companies in North America. The assumed range of volatility rates used ranges from 41.78% to 43.32%. The Company uses historical data to estimate the rate of option forfeitures within the model period. It is not expected that the Company will declare any dividends during the model period. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The risk-free rate used ranges from 1.53% to 1.83%. Compensation expense related to option grants was \$1,017,752 for the year ended December 31, 2015.

The following table summarizes unit option activity for 2015:

<u>Unit Option Activity</u>	<u>Options</u>	<u>Weighted Average Exercise Price</u>
Options outstanding as of December 31, 2014	982,858	\$ 6.28
Granted	175,000	13.49
Exercised	(135,480)	2.19
Cancelled or expired	(170,637)	9.73
Options outstanding as of December 31, 2015	851,741	\$ 7.66
Options exercisable as of December 31, 2015	433,022	\$ 5.02

The total intrinsic value of options exercised during the year ended December 31, 2015, was \$1,453,235.



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Brightree LLC and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For options outstanding and exercisable at December 31, 2015, the exercise price ranges and average remaining lives were:

Options Outstanding			
Range of Exercise Prices	Number Outstanding at December 31, 2015	Weighted Avg. Remaining Life in Years	Exercisable at December 31, 2015
\$ 0.88	71,449	5.0	71,449
1.52	64,792	5.7	64,792
4.83	204,500	6.9	158,500
5.03	42,500	7.5	23,906
9.56	295,500	8.5	106,125
13.49	173,000	9.2	8,250

A summary of the status of the Company's nonvested options as of December 31, 2015 and changes during the year ended December 31, 2015 is presented below:

Nonvested Units	Options	Weighted Average Grant Date Fair Value
Nonvested options as of December 31, 2014	1,064,319	\$ 2.78
Granted	175,000	5.82
Vested	(550,177)	2.26
Cancelled or expired	(131,406)	4.77
Nonvested options as of December 31, 2015	<u>557,736</u>	\$ 3.78

As of December 31, 2015, options exercised that remain unvested total 139,017.

During 2015, the grant date fair value of options issued by the Company was \$769,522. As of December 31, 2015, there was \$1,914,800 of total unrecognized compensation cost related to nonvested equity-based compensation arrangements granted under the Plan. That cost is expected to be recognized over a weighted average period of 2.29 years.

Under the Plan, the Company may issue profits interests in such form and shall contain terms and conditions as the Board shall deem appropriate. The Board may grant profits interests in consideration for past services, future services, or any other form of consideration acceptable to the Board.

During 2008, the Company issued 768,452 profits interest awards of Series 2 Common Units. The profits interests are subject to all the provisions of the Operating Agreement. Each profits interest shall vest one-sixteenth on each three month anniversary of the grant date. Upon acceptance of the profits interest, the holder of the Series 2 Common Unit receives the rights and obligations of a member. The Company determined the grant date fair value of the awards to be nominal and thus the Company recorded no compensation expense related to these profits interests during the year ended December 31, 2015. As of December 31, 2015, 593,994 Series 2 Common Units remain outstanding.



Brightree LLC and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7: Income Taxes

The components of income tax benefit for the year ended December 31, 2015 consist of the following:

	<u>2015</u>
Current provision	\$ 259,946
Deferred benefit	(241,206)
Valuation allowance	(1,041,087)
	<u><u>\$(1,022,347)</u></u>

Significant components of deferred income tax assets and liabilities at December 31, 2015 consist of the following:

	<u>2015</u>
Deferred tax assets (liabilities)	
Allowance for doubtful accounts	\$ 10,631
Intangibles	(11,400)
Other	392
NOL carry forward	377
Net deferred tax liability before valuation allowance	—
Valuation allowance	—
Net deferred tax liability	<u><u>\$ —</u></u>

On July 2, 2015, the Company's wholly owned subsidiary Home Health and Hospice converted from a C Corporation to a Limited Liability Corporation. The Company was required to pay tax on the difference between the fair value of the entity on the conversion date and the underlying tax basis. The Company was able to offset substantially all of the gain with NOL carryforwards. As of December 31, 2015, all deferred tax assets and liabilities relate to Pacware.

The Company incurred no interest and penalties related to income taxes during the year ended December 31, 2015.



Brightree LLC and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8: Commitments and Contingencies***Operating Leases***

The Company leases office space from unrelated third parties under separate lease agreements classified as operating leases which expire through February 2020. The leases generally require that the Company pay taxes, maintenance and insurance. Management believes that in the normal course of business, leases that expire will be renewed or replaced by other leases.

Future minimum lease payments under the non-cancelable operating leases with original lease terms of one year or more at December 31, 2015 were approximately as follows:

Year Ending December 31,	
2016	\$1,077,187
2017	1,011,041
2018	1,011,127
2019	989,809
	<u>\$4,089,164</u>

Certain operating leases include scheduled base rent increases over the term of the lease. The total amount of base rent payments is charged to expense on a straight-line basis over the lease terms. At December 31, 2015, the excess of rent expense over cash payments totaled \$217,727, and was recorded as accrued expenses in the accompanying consolidated balance sheet.

Rent expense under all operating leases was \$1,266,017 for the year ended December 31, 2015 and is included as a component of general and administrative expenses in the accompanying consolidated statement of income.

Employee Benefits

The Company has a retirement plan (the Plan) which is qualified under Section 401(k) of the Internal Revenue Code (IRC). The Plan covers all employees who are at least twenty-one years of age with at least three months of service. Participants may contribute up to 25% of their annual compensation into the Plan, subject to limitations set by the IRC. The Company matches 50% of the first 6% contributed by the employee up to a maximum of \$1,500 per year. The Company had \$291,867 in expenses related to the Plan for the year ended December 31, 2015.

Litigation

The Company from time to time may be a defendant in legal actions generally incidental to its business. Although it is difficult to predict the outcome of any potential or threatened litigation, management believes that any ultimate liability will not materially affect the financial position and results of operations of the Company.

Note 9: Subsequent Event

The Company has evaluated events and transactions occurring subsequent to December 31, 2015 through the date of the report, the date the financial statements were available for issuance.

On February 19, 2016, the Company entered into an agreement to be purchased by ResMed Inc. for approximately \$800 million in cash.

**Exhibit 99.2****Unaudited Pro Forma Condensed Combined Financial Information**

On April 4, 2016, ResMed Corp., a Minnesota corporation and wholly-owned subsidiary of ResMed Inc. completed the acquisition of Brightree LLC, a Delaware limited liability company, for \$802 million in cash under the Agreement and Plan of Merger dated February 19, 2016, by and among ResMed Corp., Eagle Acquisition Sub LLC, a Delaware limited liability company and wholly-owned subsidiary of ResMed Corp., Shareholder Representative Services LLC, and Brightree. The merger agreement was filed as Exhibit 2.1 to ResMed's Current Report on Form 8-K, which was filed with the Securities and Exchange Commission on February 22, 2016.

ResMed's most recent fiscal year ended on June 30, 2015 and Brightree's most recent fiscal year ended on December 31, 2015. Accordingly, the unaudited pro forma condensed combined balance sheet as of December 31, 2015 combines ResMed's historical unaudited consolidated balance sheet as of December 31, 2015 and Brightree's audited consolidated balance sheet as of December 31, 2015. It is presented as if the acquisition of Brightree by ResMed had occurred on December 31, 2015 and includes items that are directly attributable to the acquisition and factually supportable, regardless of whether they have a continuing impact or are nonrecurring.

To present results for comparable periods, the unaudited pro forma condensed combined statements of income for the twelve months ended June 30, 2015 combines the historical results of ResMed for the fiscal year ended June 30, 2015 and the historical results of Brightree for the twelve months ended June 30, 2015, and the unaudited pro forma condensed combined statements of income for the six months ended December 31, 2015 combines the historical results of ResMed for the six months ended December 31, 2015 and the historical results of Brightree for the six months ended December 31, 2015. The unaudited pro forma condensed combined statements of income are presented as if the acquisition of Brightree by ResMed had occurred on July 1, 2014, the beginning of ResMed's 2015 fiscal year, and excludes items related to the acquisition that are nonrecurring but includes items that are directly attributable to the acquisition, expected to have a continuing impact, and factually supportable.

The following unaudited pro forma condensed combined financial information should be read in conjunction with:

- the notes to the unaudited pro forma condensed combined financial statements;
- the Current Report on Form 8-K ResMed filed on February 22, 2016;
- the historical audited consolidated financial statements and accompanying notes of ResMed included in its Annual Report on Form 10-K as of and for the year ended June 30, 2015;
- the historical unaudited interim consolidated financial statements and accompanying notes of ResMed included in its Quarterly Report on Form 10-Q as of and for the six months ended December 31, 2015; and
- the historical audited consolidated financial statements and accompanying notes of Brightree as of and for the year ended December 31, 2015 (presented in Exhibit 99.1 to this Amendment No. 1 to the Original 8-K).

The preliminary allocation of the purchase price presented below, in Note 2, and used to prepare the unaudited pro forma financial information, is based on a preliminary valuation of assets acquired and liabilities assumed. Accordingly, the pro forma purchase price adjustments are subject to further adjustments as additional information becomes available and as additional analysis is performed. The preliminary pro forma purchase price adjustments have been made solely to provide the unaudited pro forma financial statements included herewith. A final determination of these fair values will be based on the actual net tangible and intangible assets of Brightree that exist as of the closing date of the transaction. In addition, the unaudited pro forma condensed combined financial statements do not reflect the costs of integration or benefits that may result from realizing future cost savings from operating efficiencies or revenue synergies expected to result from the acquisition.

The unaudited pro forma condensed combined financial statements are provided for informational purposes only and do not necessarily indicate results that would have occurred had the acquisition been completed as of the dates indicated. In addition, the unaudited pro forma financial information does not purport to indicate the future financial position or operating results of the combined operations.



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RESMED INC.
UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
AT DECEMBER 31, 2015
(In USD thousands)

	<u>ResMed Historical</u>	<u>Brightree Historical</u>	<u>Pro Forma Adjustments (Note 2)</u>	<u>Ref</u>	<u>Pro-Forma Combined</u>
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 658,804	26,224	(29,035)	<i>a, d</i>	655,993
Trade accounts receivable, net	331,747	7,976	(647)		339,076
Inventories	237,463	—	—		237,463
Deferred tax assets	32,731	—	—		32,731
Prepaid expense and other current assets	90,096	2,649	—		92,745
Total current assets	<u>1,350,841</u>	<u>36,849</u>	<u>(29,682)</u>		<u>1,358,008</u>
Property, plant and equipment, net	375,224	1,109	—		376,333
Goodwill and Other intangibles, net	466,418	43,424	765,044	<i>a, b</i>	1,274,886
Other assets and Deferred tax assets	46,528	1,377	(273)	<i>d</i>	47,632
	<u>\$ 2,239,011</u>	<u>82,759</u>	<u>735,089</u>		<u>3,056,859</u>
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts payable	\$ 215,242	9,709	2,075	<i>c, g</i>	227,026
Short-term debt	985	3,549	(3,549)	<i>d</i>	985
Deferred revenue	36,101	7,214	—		43,315
Other current liabilities	13,242	—	—		13,242
Total current liabilities	<u>265,570</u>	<u>20,472</u>	<u>(1,474)</u>		<u>284,568</u>
Long-term debt	400,591	23,953	776,047	<i>d</i>	1,200,591
Deferred revenue	28,928	1,845	—		30,773
Other non-current liabilities	19,651	—	—		19,651
Total liabilities	<u>714,740</u>	<u>46,270</u>	<u>774,573</u>		<u>1,535,583</u>
Commitments and contingencies					
Stockholders' equity:					
Preferred stock	—	35,671	(35,671)	<i>h</i>	—
Common stock	560	3,306	(3,306)	<i>h</i>	560
Additional paid-in capital	1,268,374	—	—		1,268,374
Accumulated other comprehensive loss	(260,937)	—	—		(260,937)
Retained earnings	2,062,885	(2,488)	(506)	<i>h</i>	2,059,891
Treasury stock	(1,546,611)	—	—		(1,546,611)
Stockholders' equity	<u>1,524,271</u>	<u>36,489</u>	<u>(39,483)</u>		<u>1,521,277</u>
	<u>\$ 2,239,011</u>	<u>82,759</u>	<u>735,089</u>		<u>3,056,859</u>

See accompanying notes to unaudited pro forma condensed combined financial statements.



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RESMED INC.
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENTS OF INCOME
FOR THE SIX MONTHS ENDED DECEMBER 31, 2015
(In USD thousands, except per share amounts)

	<u>ResMed Historical</u>	<u>Brightree Historical</u>	<u>Pro Forma Adjustments (Note 2)</u>	<u>Ref</u>	<u>Pro Forma Combined</u>
Net revenue	\$866,187	59,364	(1,528)	<i>g</i>	924,023
Cost of sales	361,059	16,285	—		377,344
Gross profit	505,128	43,079	(1,528)		546,679
Selling, general and administrative	229,314	12,755	(1,528)	<i>g</i>	240,541
Research and development expense	56,162	7,404	—		63,566
Amortization of intangibles	6,736	1,272	11,844	<i>b</i>	19,852
Restructuring expenses	6,914	—	—		6,914
Operating income	206,002	21,648	(11,844)		216,806
Interest income (expense), net	5,898	(959)	(7,189)	<i>e</i>	(2,250)
Other income (expense), net	1,239	(48)	—		1,191
Income before income taxes	213,139	20,641	(19,033)		214,747
Income tax expense (benefit)	42,220	(1,135)	(7,042)	<i>f</i>	34,043
Net income	<u>\$170,919</u>	<u>21,776</u>	<u>(11,991)</u>		<u>180,704</u>
Earnings per share – basic	<u>\$ 1.22</u>				<u>1.29</u>
Earnings per share – diluted	<u>\$ 1.21</u>				<u>1.28</u>
Number of shares used to compute earnings per share:					
Basic	<u>140,118</u>				<u>140,118</u>
Diluted	<u>141,532</u>				<u>141,532</u>

See accompanying notes to unaudited pro forma condensed combined financial statements.



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RESMED INC.
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENTS OF INCOME
FOR THE TWELVE MONTHS ENDED JUNE 30, 2015
(In USD thousands, except per share amounts)

	ResMed Historical	Brightree Historical	Pro Forma Adjustments (Note 2)	Ref	Pro Forma Combined
Net revenue	\$1,678,912	104,511	(2,697)	<i>g</i>	1,780,726
Cost of sales	667,516	29,628	—		697,144
Gross profit	1,011,396	74,883	(2,697)		1,083,582
Selling, general and administrative	478,627	26,808	(2,697)	<i>g</i>	502,738
Research and development	114,865	13,719	—		128,584
Amortization of intangible assets	8,668	3,295	22,938	<i>b</i>	34,901
Operating income	409,236	31,061	(22,938)		417,359
Interest income (expense), net	20,430	(1,678)	(14,857)	<i>e</i>	3,895
Other income (expense), net	6,250	(38)	—		6,212
Income before income taxes	435,916	29,345	(37,795)		427,466
Income tax expense (benefit)	83,030	(424)	(13,984)	<i>f</i>	68,622
Net income	\$ 352,886	29,769	(23,811)		358,845
Earnings per share – basic	\$ 2.51				2.55
Earnings per share – diluted	\$ 2.47				2.51
Number of shares used to compute earnings per share:					
Basic	140,468				140,468
Diluted	142,687				142,687

See accompanying notes to unaudited pro forma condensed combined financial statements.



RESMED INC.
NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

Note 1. Basis of Pro Forma Preparation

The unaudited pro forma condensed combined financial statements are based on the historical consolidated financial statements of ResMed and Brightree after giving effect to the acquisition using the purchase method of accounting in accordance with Accounting Standards Codification (“ASC”) Topic 805, *Business Combinations*, and applying the assumptions and adjustments described in the accompanying notes. The unaudited pro forma condensed combined balance sheet is presented as if the acquisition had occurred on December 31, 2015. The unaudited pro forma condensed combined statements of income for the six months ended December 31, 2015 and the twelve months ended June 30, 2015 are presented as if the acquisition had occurred on July 1, 2014.

Note 2. Pro Forma Adjustments

(a) Purchase Price Allocation

For pro forma purposes, we have preliminarily allocated the purchase price to the net tangible and intangible assets based on their estimated fair values. Therefore, the assets acquired and liabilities assumed, including intangible assets, presented in the table below are provisional and will be finalized after ResMed receives and reviews all available data as soon as practicable and not later than one year from the acquisition date.

The following table is a summary of the preliminary purchase price allocation including preliminary estimates of the fair value of net assets acquired and the resulting goodwill of the acquisition of Brightree, as reflected in the unaudited pro forma condensed consolidated balance sheet at December 31, 2015:

	USD ('000)
Cash paid at closing	801,533
Customer relationships	51,000
Trademarks	28,700
Technology	114,700
In-process research and development	4,100
Goodwill	609,968
Total Intangible Assets	808,468
Brightree historical net tangible assets	36,489
Less: Brightree historical goodwill	(36,781)
Less: Brightree historical intangible assets value	(6,643)
Total Purchase Price	801,533



RESMED INC.
NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

(b) Acquired Intangible Assets

The acquired intangible assets and related amortization expense based on the preliminary estimate of fair value for the twelve months ended June 30, 2015 and six months ended December 31, 2015 are as follows:

	Preliminary Fair Value USD('000)	Useful Lives (years)	Amortization Expense (USD'000)	
			Twelve Months Ended June 30, 2015	Six Months Ended December 31, 2015
Intangible Assets				
Customer relationships	51,000	10-15	4,187	2,093
Trademarks	28,700	10	2,870	1,435
Technology	114,700	5-6	19,176	9,588
In-process research and development	4,100	N/A	—	—
Total	198,500		26,233	13,116
Less: Elimination of Brightree historical intangible assets and related amortization	(6,643)		(3,295)	(1,272)
Pro forma adjustment	191,857		22,938	11,844

(c) Acquisition-related Costs

ResMed and Brightree did not incur any significant acquisition costs in the twelve months ended June 30, 2015 or the six-months ended December 31, 2015. As such no adjustment for acquisition costs has been made to the unaudited pro forma condensed consolidated income statement for the twelve months ended June 30, 2015 or the six months ended December 31, 2015. However, a pro forma adjustment to other current liabilities in the unaudited pro forma condensed consolidated balance sheet at December 31, 2015 was made to recognize direct acquisition-related costs of \$2.7 million, which are not yet reflected in the historical financial statements.

(d) Debt Transactions

ResMed financed the acquisition with an increase in the existing revolving credit facility and funds from the new \$300 million senior unsecured one-year term loan credit facility. This pro forma presentation assumes that ResMed utilized \$500 million from its existing revolving credit facility and borrowed \$300 million from the term loan. These debt obligation amounts are presented as pro forma adjustments to long term debt in the unaudited pro forma condensed consolidated balance sheet at December 31, 2015.

Brightree's debt balances were repaid in conjunction with the closing of the acquisition. Accordingly, Brightree's short term debt of \$3.5 million and long term debt of \$24.0 million at December 31, 2015 are presented as repaid in the unaudited pro forma condensed consolidated balance sheet. In addition, we have made an adjustment of \$0.3 million to the unaudited pro forma condensed consolidated balance sheet at December 31, 2015 associated with the carrying value of Brightree's remaining debt issuance costs.



RESMED INC.

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

(e) Interest Expense

Pro forma interest expense is presented to include ResMed's new \$300 million term loan and the additional \$500 million in funds drawn on the existing credit facility, discussed above, along with the reversal of Brightree's interest expense for the twelve months ended June 30, 2015 and six months ended December 31, 2015 as presented below.

ResMed incurred debt issuance costs of \$1.5 million in connection with the \$300 million term loan and the increase in the existing revolving credit facility. These costs have been capitalized as a pro forma adjustment to prepaid expenses and other assets in the unaudited pro forma condensed consolidated balance sheet at December 31, 2015. ResMed's amortization of these debt issuance costs are included as pro forma adjustments in the unaudited pro forma condensed consolidated statements of income for the twelve months ended June 30, 2015 and six months ended December 31, 2015.

	Twelve Months Ended June 30, 2015		Six Months Ended December 31, 2015	
	USD (⁰⁰⁰)	USD (⁰⁰⁰)	USD (⁰⁰⁰)	USD (⁰⁰⁰)
Company:				
Term loan borrowing	300,000		300,000	
LIBOR plus 1.5%	1.94%		1.94%	
Interest expense		5,820		2,910
Credit facility borrowing	500,000		500,000	
LIBOR plus 1.5%	1.94%		1.94%	
Interest expense		9,700		4,850
Debt issuance cost amortization expense		1,020		145
Pro forma adjustment		<u>16,540</u>		<u>7,905</u>
Brightree:				
Promissory note	29,276		27,502	
LIBOR plus margin	4.00%		4.00%	
Actual interest expense		(1,458)		(622)
Debt issuance cost amortization expense		(225)		(94)
Pro forma adjustment		<u>(1,683)</u>		<u>(716)</u>
Total Pro forma adjustment		<u>14,857</u>		<u>7,189</u>

RESMED INC.
NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

(f) Income Taxes

The pro forma presentation of the effect on income taxes was calculated using the U.S. statutory rate for adjustments related to Brightree and ResMed. The adjustments to income taxes are summarized in the following table:

Item	Jurisdiction	Twelve Months Ending June 30, 2015			Six Months Ended December 31, 2015		
		Pro Forma Adjustment (USD'000)	Tax Rate (%)	Tax (Expense) Benefit (USD'000)	Pro Forma Adjustment (USD'000)	Tax Rate (%)	Tax (Expense) Benefit (USD'000)
Amortization expense	US	22,938	37.0	8,487	11,844	37.0	4,382
Interest expense	US	14,857	37.0	5,497	7,189	37.0	2,660
				<u>13,984</u>			<u>7,042</u>

Although not reflected in the pro forma financial statements, the effective tax rate of the combined company could be significantly different depending on post-acquisition activities, such as the tax treatment applicable to each entity and the geographical mix of taxable income affecting state and foreign taxes, among other factors.

Brightree LLC (Brightree) is a limited liability company and Brightree and its U.S. subsidiaries Brightree Services, MedAct, Strategic AR, and Home Health & Hospice had elected to be treated as a partnership for U.S. Federal and state income tax purposes. Therefore, no income tax expense or benefit was recognized by Brightree as the taxable income or loss was reported for tax purposes by the members. Assuming a U.S. statutory rate of 37%, Brightree's historical income tax expense would have been \$10.9 million for the twelve months ended June 30, 2015 and \$7.6 million for the six months ended December 31, 2015, respectively.

(g) Elimination of transactions and balances between ResMed and Brightree

Transactions and balances between ResMed and Brightree were considered to be intercompany transactions and have been eliminated in the unaudited pro forma condensed consolidated financial information.

Intercompany balances of \$0.6 million, associated with trade accounts receivable and \$0.6 million, associated with accounts payable, have been eliminated in the unaudited pro forma condensed consolidated balance sheet as of December 31, 2015.

Intercompany revenue and selling, general and administrative expenses of \$2.7 million for the twelve months ended June 30, 2015 and \$1.5 million for the six months ended December 31, 2015, respectively, have been eliminated in the unaudited pro forma condensed consolidated statements of income.

(h) Equity

Brightree's historical net assets are eliminated as a pro forma adjustment to the unaudited pro forma condensed consolidated balance sheet at December 31, 2015. In addition, as discussed above in 2(c) and 2(e), pro forma adjustments to retained earnings were made for activities that are not yet reflected in the historical financial statements for acquisition-related costs. These adjustments are not reflected in and do not affect the unaudited pro forma condensed combined statements of income as they are non-recurring.