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 June 30, 2026

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: 0-12015

HEALTHCARE SERVICES GROUP, INC.

(Exact name of registrant as specified in its charter)

Pennsylvania	**23-2018365**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

3220 Tillman Drive, Suite 300, Bensalem, Pennsylvania
(Address of principal executive office)

19020
(Zip Code)

Registrant's telephone number, including area code:
(215) 639-4274

Former name, former address and former fiscal year, if changed since last report:
Not Applicable

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, $0.01 par value	HCSG	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, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

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

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

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. Common Stock, $0.01 par value: 68,632,202 shares outstanding as of July 22, 2026.

Healthcare Services Group, Inc.
Quarterly Report on Form 10-Q
For the Period Ended June 30, 2026

TABLE OF CONTENTS

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This report and documents incorporated by reference into it may contain forward-looking statements within the meaning of federal securities laws, which are not historical facts but rather are based on current expectations, estimates and projections about our business and industry, and our beliefs and assumptions. Words such as “believes,” “anticipates,” “plans,” “expects,” “estimates,” “will,” “goal,” “intend” and similar expressions are intended to identify forward-looking statements. The inclusion of forward-looking statements should not be regarded as a representation by us that any of our plans will be achieved. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Such forward-looking information is also subject to various risks and uncertainties. Such risks and uncertainties include, but are not limited to, risks arising from our providing services primarily to the healthcare industry and primarily providers of long-term care; credit and collection risks associated with the healthcare industry; the impact of bank failures; our claims experience related to workers’ compensation, general liability and other insurance programs; the effects of changes in, or interpretations of laws and regulations governing the healthcare industry, our workforce and services provided, including state and local regulations pertaining to the taxability of our services and other labor-related matters such as minimum wage increases; the Company’s expectations with respect to selling, general and administrative expense; the impacts of past or future cyber attacks or breaches; global events including ongoing international conflicts and increased energy prices; and the risk factors described in Part I of our Form 10-K for the fiscal year ended December 31, 2025 under “Government Regulation of Customers,” “Service Agreements and Collections” and “Competition”, and under Item 1A. “Risk Factors” in such Form 10-K and the risk factors described in Part II under Item 1A. "Risk Factors" in this Form 10-Q.

These factors, in addition to delays in payments from customers and/or customers undergoing restructurings, have resulted in, and could continue to result in, significant additional bad debts in the near future. Additionally, our operating results have been in the past and could in the future be adversely affected by continued inflation particularly if increases in the costs of labor and labor-related costs, materials, supplies and equipment used in performing services (including the impact of potential tariffs) cannot be passed on to our customers.

In addition, we believe that to improve our financial performance we must continue to obtain service agreements with new customers, retain and provide new services to existing customers, achieve modest price increases on current service agreements with existing customers and/or maintain internal cost reduction strategies at our various operational levels. Furthermore, we believe that our ability to sustain the internal development of managerial personnel is an important factor impacting future operating results and the successful execution of our projected growth strategies. There can be no assurance that we will be successful in that regard.

PART I — FINANCIAL INFORMATION
Item 1. Financial Statements (Unaudited)

Healthcare Services Group, Inc.
Consolidated Balance Sheets
(in thousands, except per share amounts)

	June 30, 2026	December 31, 2025
ASSETS:	(unaudited)	
Current assets:		
Cash and cash equivalents	$ 123,406	$ 125,189
Restricted cash equivalents	54	5,577
Marketable securities, at fair value	41,316	42,774
Restricted marketable securities, at fair value	36,089	30,352
Accounts receivable, net (less allowances: $118,291 and $119,305)	292,794	281,303
Notes receivable — short–term portion, net (less allowances: $28,371 and $25,931)	26,676	31,243
Inventories and supplies	15,837	16,797
Taxes receivable	4,664	22,246
Prepaid expenses and other current assets	27,689	20,934
Total current assets	568,525	576,415
Property and equipment, net	29,922	27,586
Goodwill	85,804	79,797
Other intangible assets (less accumulated amortization of $44,402 and $42,931)	13,112	6,964
Notes receivable — long–term portion, net (less allowances: $3,547 and $1,776)	34,862	25,209
Deferred compensation funding, at fair value	59,141	55,909
Deferred tax assets	19,923	18,472
Other long-term assets	9,568	3,901
Total assets	$ 820,857	$ 794,253
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	$ 86,097	$ 77,382
Accrued payroll and related taxes	44,020	31,400
Other accrued expenses and current liabilities	35,877	37,222
Accrued insurance claims	22,124	24,371
Total current liabilities	188,118	170,375
Accrued insurance claims — long-term	42,619	46,142
Deferred compensation liability — long-term	59,141	56,276
Lease liability — long-term	11,328	9,659
Other long-term liabilities	809	1,591
Commitments and contingencies (Note 17)		
STOCKHOLDERS' EQUITY:		
Common stock, $0.01 par value; 200,000 shares authorized; 77,298 and 76,821 shares issued, and 67,983 and 69,596 shares outstanding	773	768
Additional paid-in capital	331,398	327,956
Retained earnings	332,427	283,668
Accumulated other comprehensive loss, net of taxes	(938)	(448)
Common stock in treasury, at cost, 9,315 and 7,225 shares	(144,818)	(101,734)
Total stockholders' equity	$ 518,842	$ 510,210
Total liabilities and stockholders' equity	$ 820,857	$ 794,253

See accompanying notes to consolidated financial statements.

Healthcare Services Group, Inc.
Consolidated Statements of Comprehensive Income/(Loss)
(in thousands, except per share amounts) (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Revenues	$ 470,808	$ 458,491	$ 933,574	$ 906,153
Operating costs and expenses:				
Costs of services provided	396,015	455,533	782,946	835,224
Selling, general and administrative	52,585	49,163	94,582	94,129
Other income (expense):				
Investment and other income, net	9,414	4,735	10,482	6,019
Interest expense	(619)	(418)	(984)	(813)
Income (loss) before taxes	31,003	(41,888)	65,544	(17,994)
Income tax provision (benefit)	8,307	(9,522)	16,788	(2,856)
Net income (loss)	$ 22,696	$ (32,366)	$ 48,756	$ (15,138)
Per share data:				
Basic earnings (loss) per common share	$ 0.33	$ (0.44)	$ 0.70	$ (0.21)
Diluted earnings (loss) per common share	$ 0.32	$ (0.44)	$ 0.69	$ (0.21)
Weighted average number of common shares outstanding:				
Basic	68,758	73,161	69,311	73,414
Diluted	69,905	73,161	70,479	73,414
Comprehensive income (loss):				
Net income (loss)	$ 22,696	$ (32,366)	$ 48,756	$ (15,138)
Other comprehensive income (loss)				
Unrealized (loss) gain on available-for-sale marketable securities, net of taxes	(103)	372	(490)	875
Total comprehensive income (loss)	$ 22,593	$ (31,994)	$ 48,266	$ (14,263)

See accompanying notes to consolidated financial statements.

Healthcare Services Group, Inc.
Consolidated Statements of Cash Flows
(in thousands) (Unaudited)

	Six Months Ended June 30, 2026	Six Months Ended June 30, 2025
Cash flows from operating activities:		
Net income (loss)	$ 48,756	$ (15,138)
Adjustments to reconcile net income (loss) to net cash from operating activities:		
Depreciation and amortization	7,326	8,879
Bad debt provision	8,052	73,381
Deferred income taxes	(1,322)	(15,180)
Share-based compensation expense	5,585	6,279
Amortization of premium on marketable securities	67	235
Unrealized gain on deferred compensation fund investments	(5,424)	(3,195)
Changes in other long-term assets and liabilities	(16)	(2,763)
Net loss on disposals of property and equipment	181	161
Changes in operating assets and liabilities:		
Accounts and notes receivable	(24,443)	(15,759)
Inventories and supplies	960	(607)
Prepaid expenses and other assets	(7,696)	843
Deferred compensation funding	2,140	715
Accounts payable and other accrued expenses	1,968	(10,887)
Accrued payroll and related taxes	14,295	15,665
Deferred ERC credits	—	20,016
Income taxes receivable (payable)	17,582	(7,003)
Accrued insurance claims	(5,770)	(1,605)
Deferred compensation liability	3,359	2,251
Net cash from operating activities	65,600	56,288
Cash flows from investing activities:		
Disposals of property and equipment	143	76
Additions to property and equipment	(3,028)	(3,102)
Cash paid for acquisition, net of cash acquired	(12,794)	(7,287)
Cash paid for investments	(4,625)	(2,125)
Purchases of marketable securities	(16,967)	(4,611)
Sales of marketable securities	11,967	229
Net cash from investing activities	(25,304)	(16,820)
Cash flows from financing activities:		
Purchases of treasury stock	(44,892)	(14,711)
Payments of statutory withholding on net issuance of restricted stock units	(4,162)	(1,744)
Proceeds from the exercise of stock options	1,452	—
Net cash from financing activities	(47,602)	(16,455)
Net (decrease) increase in cash, cash equivalents and restricted cash equivalents	(7,306)	23,013
Cash, cash equivalents and restricted cash equivalents at beginning of the period	130,766	60,131
Cash, cash equivalents and restricted cash equivalents at end of the period	$ 123,460	$ 83,144

See accompanying notes to consolidated financial statements.

Healthcare Services Group, Inc.
Consolidated Statements of Stockholders' Equity
(in thousands) (Unaudited)

	For the six months ended June 30, 2026						
	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss, net of taxes	Retained Earnings	Treasury Stock	Stockholders' Equity
	Shares	Amount					
Balance, January 1, 2026	**76,821**	**$ 768**	**$ 327,956**	**$ (448)**	**$ 283,668**	**$ (101,734)**	**$ 510,210**
Net income	—	—	—	—	26,060	—	26,060
Unrealized loss on available-for-sale marketable securities, net[1]	—	—	—	(387)	—	—	(387)
Shares issued in connection with equity incentive plans, net[2]	449	5	(2,718)	—	—	—	(2,713)
Share-based compensation expense	—	—	2,678	—	—	—	2,678
Purchases of treasury stock	—	—	—	—	—	(24,203)	(24,203)
Shares issued for Deferred Compensation Plan, net[2]	—	—	387	—	—	56	443
Shares issued for Employee Stock Purchase Plan	—	—	442	—	—	1,233	1,675
Other	—	—	—	—	3	—	3
Balance, March 31, 2026	**77,270**	**$ 773**	**$ 328,745**	**$ (835)**	**$ 309,731**	**$ (124,648)**	**$ 513,766**
Net income	—	—	—	—	22,696	—	22,696
Unrealized loss on available-for-sale marketable securities, net[1]	—	—	—	(103)	—	—	(103)
Shares issued in connection with equity incentive plans, net[2]	28	—	3	—	—	—	3
Share-based compensation expense	—	—	2,728	—	—	—	2,728
Purchases of treasury stock	—	—	—	—	—	(20,248)	(20,248)
Payment of statutory withholding on issuance of restricted stock units	—	—	—	—	—	—	—
Shares issued for Employee Stock Purchase Plan	—	—	—	—	—	—	—
Shares issued for Deferred Compensation Plan, net[2]	—	—	(78)	—	—	78	—
Balance, June 30, 2026	**77,298**	**$ 773**	**$ 331,398**	**$ (938)**	**$ 332,427**	**$ (144,818)**	**$ 518,842**

1. These amounts are shown net of the effect of income taxes.
2. These amounts are shown net of shares withheld by the Company to satisfy tax withholding obligations in connection with the vesting of restricted stock units.

See accompanying notes to consolidated financial statements.

	For the six months ended June 30, 2025						
	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss, net of taxes	Retained Earnings	Treasury Stock	Stockholders' Equity
	Shares	Amount					
Balance, January 1, 2025	**76,533**	**$ 765**	**$ 318,363**	**$ (2,317)**	**$ 224,556**	**$ (41,440)**	**$ 499,927**
Net income	—	—	—	—	17,228	—	17,228
Unrealized gain on available-for-sale marketable securities, net[1]	—	—	—	503	—	—	503
Shares issued in connection with equity incentive plans, net[2]	276	3	(1,747)	—	—	—	(1,744)
Share-based compensation expense	—	—	3,685	—	—	—	3,685
Purchases of treasury stock	—	—	—	—	—	(7,036)	(7,036)
Shares issued for Deferred Compensation Plan, net[2]	—	—	502	—	—	63	565
Shares issued for Employee Stock Purchase Plan	—	—	(72)	—	—	1,090	1,018
Other	—	—	—	—	52	—	52
Balance, March 31, 2025	**76,809**	**$ 768**	**$ 320,731**	**$ (1,814)**	**$ 241,836**	**$ (47,323)**	**$ 514,198**
Net loss	—	—	—	—	(32,366)	—	(32,366)
Unrealized gain on available-for-sale marketable securities, net[1]	—	—	—	372	—	—	372
Shares issued in connection with equity incentive plans, net[2]	10	—	—	—	—	—	—
Share-based compensation expense	—	—	2,510	—	—	—	2,510
Purchases of treasury stock	—	—	—	—	—	(7,675)	(7,675)
Shares issued for Deferred Compensation Plan, net[2]	—	—	(52)	—	—	50	(2)
Other	—	—	—	—	1	—	1
Balance, June 30, 2025	**76,819**	**$ 768**	**$ 323,189**	**$ (1,442)**	**$ 209,471**	**$ (54,948)**	**$ 477,038**

1. These amounts are shown net of the effect of income taxes.
2. These amounts are shown net of shares withheld by the Company to satisfy tax withholding obligations in connection with the vesting of restricted stock units.

See accompanying notes to consolidated financial statements.

Healthcare Services Group, Inc.
Notes to Consolidated Financial Statements
(Unaudited)

Note 1—Description of Business and Significant Accounting Policies

Nature of Operations

Healthcare Services Group, Inc. (the "Company") provides management, administrative and operating expertise and services to housekeeping, laundry, linen, facility maintenance and dietary service departments primarily in the healthcare industry, including nursing homes, retirement complexes, rehabilitation centers and hospitals located throughout the United States. Although the Company does not directly participate in any government reimbursement programs, the Company's customers receive government reimbursements related to Medicare and Medicaid. Therefore, they are directly affected by any legislation relating to Medicare and Medicaid reimbursement programs.

The Company provides services primarily pursuant to full service agreements with its customers. In such agreements, the Company is responsible for the day-to-day management of employees located at the customers' facilities, as well as for the provision of certain supplies. The Company also provides services on the basis of management-only agreements for a limited number of customers. In a management-only agreement, the Company provides management and supervisory services while the customer facility retains payroll responsibility for the non-supervisory staff. In certain management-only agreements, the Company also maintains responsibility for purchasing supplies. The agreements with customers typically provide for a renewable one year service term, cancellable by either party upon 30 to 90 days' notice after an initial period of 60 to 120 days.

The Company is organized into two reportable segments: housekeeping, laundry, linen and other services ("Environmental Services" or "EVS"), and dietary department services ("Dietary").

Environmental Services consists of managing the customers' housekeeping departments, which are principally responsible for the cleaning, disinfecting and sanitizing of resident rooms and common areas of a customer's facility, as well as the laundering and processing of the bed linens, uniforms, resident personal clothing and other assorted linen items utilized at a customer facility.

Dietary consists of managing the customers' dietary departments, which are principally responsible for food purchasing, meal preparation and dietitian professional services, which includes the development of menus that meet residents' dietary needs.

Unaudited Interim Financial Data

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP") for interim financial information and the requirements of Form 10-Q and Article 10 of Regulation S-X. Accordingly, these consolidated financial statements do not include all of the information and footnotes necessary for a complete presentation of financial position, results of operations and cash flows. However, in the Company's opinion, all adjustments which are of a normal recurring nature and are necessary for a fair presentation have been reflected in these consolidated financial statements. The balance sheet shown in this report as of December 31, 2025 has been derived from the audited financial statements for the year ended December 31, 2025. These financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2025. The results of operations for the three and six months ended June 30, 2026 are not necessarily indicative of the results that may be expected for any future period.

Use of Estimates in Financial Statements

In preparing financial statements in conformity with U.S. GAAP, estimates and assumptions are made that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ from those estimates. Significant estimates are used in determining, but are not limited to, the Company's allowance for doubtful accounts, accrued insurance claims, deferred taxes and reviews for potential impairment. The estimates are based upon various factors including current and historical trends, as well as other pertinent industry and regulatory authority information. Management regularly evaluates this information to determine if it is necessary to update the basis for its estimates and to adjust for known changes.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

Fair Value of Financial Instruments

The Company determines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company utilizes valuation techniques that maximize the use of observable inputs (Levels 1 and 2) and minimize the use of unobservable inputs (Level 3) within the fair value hierarchy.

Assets and liabilities are classified within the fair value hierarchy based on the lowest level (least observable) input that is significant to the measurement in its entirety.

While unobservable inputs reflect the Company's market assumptions, preference is given to observable inputs. These two types of inputs create the following fair value hierarchy:

Level 1 – Quoted prices for identical instruments in active markets;
Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable; and
Level 3 – Significant inputs to the valuation model are unobservable

The Company's financial instruments that are measured at fair value on a recurring basis consist of marketable securities, restricted marketable securities and deferred compensation fund investments. The carrying value of other financial instruments such as cash and cash equivalents, restricted cash equivalents, accounts and short-term notes receivable, accounts payable and all other current accrued liabilities approximate their fair values at June 30, 2026 and December 31, 2025, due to the short period of time to maturity or repayment.

Cash and Cash Equivalents and Restricted Cash Equivalents

Cash and cash equivalents and restricted cash equivalents are held in U.S. financial institutions or in custodial accounts with U.S. financial institutions. Cash equivalents are defined as short-term, highly liquid investments with a maturity of three months or less at time of purchase that are readily convertible into cash and have insignificant interest rate risk. The Company currently has bank deposits with financial institutions in the U.S. that exceed FDIC insurance limits.

The following table provides a reconciliation of cash and cash equivalents and restricted cash equivalents reported within the Consolidated Balance Sheets to the amount reported in the Consolidated Statements of Cash Flows.

	June 30, 2026	December 31, 2025
	(in thousands)	
Cash and cash equivalents	$ 123,406	$ 125,189
Restricted cash equivalents[1]	54	5,577
Total cash and cash equivalents and restricted cash equivalents	$ 123,460	$ 130,766

1. Restricted cash equivalents represent funds held in money market accounts pursuant to a Collateral Trust Agreement with the Company's third-party insurer and a trustee whereby investments or money market funds are held in a trust account to benefit the insurer and are restricted for that purpose. The trust account was set up in conjunction with a reduction in the Company's letters of credit collateral obligation for insurance obligations.

Accounts and Notes Receivable

Accounts and notes receivable consist of Environmental Services and Dietary segment trade receivables from contracts with customers. The Company's payment terms with customers for services provided are defined within each customer's service agreement and range from prepaid to 120 days. Accounts receivable are considered short term assets as the Company does not grant payment terms greater than one year. Accounts receivable initially are recorded at the transaction amount and are recorded after the Company has an unconditional right to payment where only the passage of time is required before payment is received. Each reporting period, the Company evaluates the collectability of outstanding receivable balances and records an allowance for doubtful accounts representing an estimate of future expected credit losses. Additions to the allowance for doubtful accounts are made by recording a charge to bad debt expense reported in costs of services provided.

Notes receivable are typically recorded when accounts receivable are transferred into a promissory note and are recorded as an alternative to accounts receivable to memorialize an unqualified promise to pay a specific sum, typically with interest, in accordance with a defined payment schedule. Notes receivable are recorded at face value less any imputed interest assessed. The Company's payment terms with customers on promissory notes can vary based on several factors and the circumstances of each promissory note, however most promissory notes mature over 1 to 5 years. Each reporting period, the Company evaluates the collectability of outstanding receivable balances and records an allowance for doubtful accounts representing an estimate of future expected credit losses. Additions to the allowance for doubtful accounts are made by recording a charge to bad debt expense reported in costs of services provided.

Allowance for Doubtful Accounts

Management utilizes financial modeling to determine an allowance that reflects its best estimate of the lifetime expected credit losses on accounts and notes receivable which is recorded to offset the receivables. Modeling is prepared after considering historical experience, current conditions and reasonable and supportable economic forecasts to estimate lifetime expected credit losses. Accounts and notes receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded as a reduction of bad debt expense when received.

Inventories and Supplies

Inventories and supplies include housekeeping, linen and laundry supplies, as well as food provisions and supplies. Non-linen inventories and supplies are stated on a first-in, first-out ("FIFO") basis, and reduced as deemed necessary to approximate the lower of cost or net realizable value. Linen supplies are amortized on a straight-line basis over their estimated useful life of 24 months.

Revenue Recognition

The Company recognizes revenue from contracts with customers when or as the promised goods and services are provided to customers. Revenues are reported net of sales taxes. The amount of revenue recognized by the Company is based on the expected value of consideration to which the Company is entitled in exchange for providing the contracted goods and services and when it is probable that the Company will collect substantially all of such consideration. Refer to Note 3—Revenue herein for more information regarding the Company's revenue recognition policy.

Leases

The Company records assets and liabilities on the Consolidated Balance Sheets to recognize the rights and obligations arising from leasing arrangements with contractual terms greater than 12 months. A leasing arrangement includes any contract which entitles the Company to the right of use of an identified tangible asset where there are no restrictions as to the direct use of the asset and the Company obtains substantially all of the economic benefits from the right of use during the contract term.

Debt Issuance Costs

Debt issuance costs associated with revolving credit facilities are capitalized within prepaid expenses and other current assets on the Consolidated Balance Sheets and amortized to interest expense on the Consolidated Statements of Comprehensive Income/(Loss) over the term of the related borrowing on a straight-line basis.

Investment in Affiliates

Investments in affiliates that are equal to or less than 50%-owned and over which the Company can exercise significant influence are accounted for using the equity method of accounting. Investments under the equity method are recorded at cost and subsequently adjusted for contributions, distributions and net income or loss attributable to the Company's ownership interest based on the governing agreement.

Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, income tax expense or benefits are recognized for the amount of taxes payable or refundable for the current period. The Company accrues for probable tax obligations as required based on facts and circumstances in various regulatory environments. In addition, deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities. When appropriate, valuation allowances are recorded to reduce deferred tax assets to amounts for which realization is more likely than not.

Uncertain income tax positions taken or expected to be taken in tax returns are reflected within the Company's consolidated financial statements based on a recognition and measurement process.

The Company may from time to time be assessed interest or penalties by taxing jurisdictions, although any such assessments historically have been minimal and immaterial to its financial results. When the Company has received an assessment for interest and/or penalties, it will be classified in the financial statements as selling, general and administrative expenses. In addition, any interest or penalties relating to recognized uncertain tax positions would also be recorded in selling, general and administrative expenses.

Earnings (Loss) per Common Share

Basic earnings (loss) per common share is computed by dividing income (loss) available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted earnings (loss) per common share is computed using the weighted-average number of common shares outstanding and dilutive common shares, such as those issuable upon exercise of stock options and upon the vesting of restricted stock units ("RSUs"), deferred stock units ("DSUs") and performance-based restricted stock units ("PSUs").

Share-Based Compensation

The Company estimates the fair value of share-based awards on the date of grant using the Black-Scholes valuation model for stock options, using a Monte Carlo simulation for PSUs and using the share price on the date of grant for RSUs and DSUs. The value of the award is recognized ratably as an expense in the Company's Consolidated Statements of Comprehensive Income/(Loss) over the requisite service periods with adjustments made for forfeitures as they occur.

Goodwill and Other Intangible Assets

Goodwill represents the excess of cost over the fair value of net assets of acquired businesses. Management reviews the carrying value of goodwill annually during the fourth quarter to assess for impairment or more often if events or circumstances indicate that the carrying value may exceed its estimated fair value. Other intangible assets are amortized on a straight-line basis over their respective useful lives.

No impairment loss was recognized on the Company's intangible assets or goodwill during the three and six months ended June 30, 2026 and 2025.

Treasury Stock

Treasury stock purchases are accounted for under the cost method whereby the cost of the acquired stock, including related commissions and taxes, is recorded as treasury stock. Gains or losses on the subsequent reissuance of shares are credited or charged to additional paid-in capital.

Accrued Insurance Claims

The Company self-insures losses related to general liability, workers' compensation and other claims up to predetermined loss limits and purchases excess insurance for amounts above these loss limits. With the assistance of third-party actuaries, the Company calculates an expected loss rate for claims retained under the self-insurance program and calculates loss reserve estimates for previously incurred liabilities on a quarterly basis. The Company employs loss development assumptions based on claims history, developments in the Company's industry, regulatory, and other trends, periodic claims development, and incurred-but-not-reported losses using loss development factors based upon historical experience. The actual cost to settle accrued insurance claims may differ from reserve estimates due to changes in the factors mentioned above. Adjustments to previously incurred reserve estimates are recorded in income in the period which the estimate was revised.

Investments in Equity Securities

The Company accounts for investments in equity securities using the equity method when the Company determines that it can exercise significant influence over the investee. The Company accounts for investments in equity securities at fair value when the Company determines that it cannot exercise significant influence over the investee. Investments in equity securities are recorded within "Other long-term assets" in the Company's Consolidated Balance Sheets. The Company's proportionate share of earnings or losses of the investee are recorded within "Investment and other income, net" on the Company's Consolidated Statements of Comprehensive Income/(Loss). The Company elects to record its proportionate share of earnings or losses in equity method investments using a three-month lag based on the most recently available financial statements.

Concentrations of Credit Risk

The Company's financial instruments that are subject to credit risk are cash and cash equivalents, restricted cash equivalents, marketable securities, restricted marketable securities, deferred compensation funding and accounts and notes receivable. At June 30, 2026 and December 31, 2025, the majority of the Company's cash and cash equivalents, restricted cash equivalents, marketable securities and restricted marketable securities were held in two large financial institutions located in the United States. The Company's marketable securities and restricted marketable securities are fixed income investments which are highly liquid and can be readily purchased or sold through established markets. The Company's deferred compensation funding consists of fund and money market investments all of which are highly liquid and held in a trust account.

The Company's customers are primarily in the healthcare industry and are primarily providers of long-term care. The revenues of many of the Company's customers are highly reliant on Medicare, Medicaid and third party payors' reimbursement funding rates. New legislation or changes in existing regulations could directly impact the governmental reimbursement programs in which the Company's customers participate. As a result, the Company may not realize the full effects such programs may have on the Company's customers until such new legislation or changes in existing regulations are fully implemented and governmental agencies issue applicable regulations or guidance.

Although the Company negotiates the pricing and other terms for the majority of our purchases of food and dining supplies directly with national manufacturers, the Company procures more than 50% of these products and other items through Sysco Corporation ("Sysco"). Sysco is responsible for tracking the Company's orders and delivering products to the Company's customer locations.

Significant Customers

No single customer or customer group represented more than 10% of our consolidated revenues for the three and six months ended June 30, 2026 or 2025.

Government Grants

The Company accounts for government grants by analogy to International Accounting Standard ("IAS") 20, *Accounting for Government Grants and Disclosure of Government Assistance* and recognizes income when there is reasonable assurance that the receipt of credits and compliance with the terms of the government grants are obtained. See Note 2—Employee Retention Credit for additional detail on Employee Retention Tax Credit ("ERC") refunds.

Reclassification

Prior period line items in the Consolidated Statements of Cash Flows have been revised to conform with current period presentation.

Recent Accounting Pronouncements

In November 2024, the Financial Accounting Standards Board ("FASB"), which establishes U.S. GAAP, issued Accounting Standards Update ("ASU") 2024-03, *Income Statement — Reporting Comprehensive Income — Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*, which amends the codification to enhance disclosures about a public business entity's expenses and addresses requests from investors for more detailed information about the types of expenses (including purchases of inventory, employee compensation, depreciation, amortization, and depletion) in commonly presented expense captions. The amendments are effective for fiscal years beginning after December 15, 2026. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. The amendments in this update should be applied on a prospective basis. Retrospective application is permitted. The Company is currently evaluating this ASU to determine its impact on the Company's disclosures.

In September 2025, the FASB issued ASU 2025-06, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software,* which amends and improves the existing rules for internal-use software, including clarifying when capitalization of software development costs should begin, providing more operable criteria that better align with modern development practices (such as agile and iterative methods), and reducing diversity in practice for cloud computing arrangements. The amendment is effective for fiscal years beginning after December 15, 2027, including interim periods within those fiscal years. Early adoption is permitted, with prospective application required. The Company is currently evaluating the impact of this ASU on its consolidated financial statements.

In December 2025, the FASB issued ASU 2025-10, *Government Grants (Topic 832): Accounting for Government Grants Received by Business Entities*, which establishes authoritative guidance for accounting for government grants received by business entities. The amendments require that a government grant received by a business entity should not be recognized until (1) it is probable that (a) a business entity will comply with the conditions attached to the grant and (b) the grant will be received and (2) a business entity meets the recognition guidance for a grant related to an asset or a grant related to income. The amendments in this update are effective for fiscal years beginning after December 15, 2028, including interim periods within those fiscal years. Early adoption is permitted. There are three allowable transition approaches in the standard, including a modified prospective approach, a modified retrospective approach, and a retrospective approach all defined in the standard. The Company is currently evaluating the impact of this ASU on the consolidated financial statements.

In December 2025, the FASB issued ASU 2025-11, Interim Reporting (Topic 270): ASU 2025-11, *Interim Reporting (Topic 270): Narrow-Scope Improvements*, which amends the Codification to clarify and improve certain interim reporting requirements. The amendments are effective for interim reporting periods within annual reporting periods beginning after December 15, 2027. Early adoption is permitted. The Company is currently evaluating the impact of this ASU on its consolidated financial statements.

In December 2025, the FASB issued ASU 2025-12, Codification Improvements, which provides technical corrections, clarifications, and other incremental improvements to the FASB Accounting Standards Codification. The amendments are effective for fiscal years beginning after December 15, 2026, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact of this ASU on its consolidated financial statements.

Other recent accounting pronouncements issued by the FASB, including its Emerging Issues Task Force, the American Institute of Certified Public Accountants, and the SEC did not, or are not believed by management to, have a material impact on the Company's present or future consolidated financial statements.

Recently Adopted Accounting Pronouncements

In July 2025, the FASB issued ASU 2025-05, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*, which amends the codification to, among other changes, provide a practical expedient allowing public entities to assume that conditions as of the balance sheet date impacting the creditworthiness of receivables and contract assets will remain unchanged over their remaining lives when estimating expected credit losses. The amendment is effective for fiscal years beginning after December 15, 2025, including interim periods within those fiscal years. Early adoption is permitted. The amendments in this update should be applied on a prospective basis. The Company elected to early adopt ASU 2025-05 as of September 30, 2025 and apply the practical expedient to its accounts and notes receivables and contract assets arising from transactions within the scope of Accounting Standards Codification ("ASC") 606. Adoption of this ASU did not have a material impact on the Company's consolidated financial statements.

Note 2—Employee Retention Credit

On March 27, 2020, the U.S. government enacted the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). The CARES Act provided the ERC, which allows employers to claim a refundable tax credit against the employer share of Social Security tax equal to 50% of the qualified wages paid to employees from March 13, 2020 through December 31, 2020. The ERC was subsequently expanded in 2021 for employers to claim a refundable tax credit for 70% of the qualified wages paid to employees from January 1, 2021 through September 30, 2021. Refunds received by the Company and refunds obtained in any future periods are subject to IRS audit under the applicable statutes of limitations.

On July 4, 2025, the U.S. Government enacted the One Big Beautiful Bill Act (“OBBBA”), which included provisions impacting the ERC including imposing an extended statute of limitations for the IRS to audit ERC filings for the quarter ended September 30, 2021. The OBBBA did not include any provisions extending the statute of limitations for auditing ERC filings for quarters ended March 31, 2020 through June 30, 2021. Following the passing of the OBBBA, the Company determined that the statute of limitations had expired for filings for quarters ended June 30, 2020 through June 30, 2021 and that the Company obtained reasonable assurance over receipt of, and compliance with, the terms of the ERC for refunds received from the IRS for those periods.

At June 30, 2026, the Company has recorded a deferred ERC credit liability of $12.3 million within “Other accrued expenses and current liabilities” on the Consolidated Balance Sheets related to ERC refunds received for amended returns filed for the quarter ended September 30, 2021. The Company will recognize income on the deferred liability and future ERC refunds received once the Company determines reasonable assurance that compliance with the terms of the ERC has been obtained.

Note 3—Revenue

The Company presents its consolidated revenues disaggregated by reportable segment, as management evaluates the nature, amount, timing and uncertainty of the Company’s revenues by segment. Refer to Note 13—Segment Information herein as well as the information below regarding the Company’s reportable segments.

Environmental Services

Environmental Services accounted for $213.2 million and $205.7 million of the Company’s consolidated revenues for the three months ended June 30, 2026 and 2025, respectively, which represented approximately 45.3% and 44.9% of the Company’s revenues in each respective period. Environmental Services accounted for $421.5 million and $402.1 million of the Company’s consolidated revenues for the six months ended June 30, 2026 and 2025, respectively, which represents approximately 45.1% and 44.4% of the Company’s revenues in each respective period. Environmental Services consist of managing customers’ housekeeping departments, which are principally responsible for the cleaning, disinfecting and sanitizing of resident rooms and common areas of the customers’ facilities, as well as the laundering and processing of the bed linens, uniforms, resident personal clothing and other assorted linen items utilized at the customers’ facilities. Upon beginning service with a customer facility, the Company will typically hire and train the employees previously employed by such facility and assign an on-site manager to supervise and train the front-line personnel and coordinate housekeeping services with other facility support functions in accordance with customer requests. Such management personnel also oversee the execution of various cost and quality control procedures including continuous training and employee evaluation.

Dietary

Dietary services accounted for $257.6 million and $252.7 million of the Company’s consolidated revenues for the three months ended June 30, 2026 and 2025, respectively, which represented approximately 54.7% and 55.1% of the Company’s revenues in each respective period. Dietary services accounted for $512.1 million and $504.1 million of the Company’s consolidated revenues for the six months ended June 30, 2026 and 2025, respectively, which represented approximately 54.9% and 55.6% of the Company’s revenues in each respective period. Dietary services consist of managing customers’ dietary departments which are principally responsible for food purchasing, meal preparation and professional dietitian services, which include the development of menus that meet the dietary needs of residents. On-site management is responsible for all daily dietary department activities, with regular support provided by a District Manager specializing in dietary services. The Company also offers clinical consulting services to facilities which if contracted is a service bundled within the monthly service provided to customers. Upon beginning service with a customer facility, the Company will typically hire and train the employees previously employed by such facility and assign an on-site manager to supervise and train the front-line personnel and coordinate dietitian services with other facility support functions in accordance with customer requests. Such management personnel also oversee the execution of various cost and quality control procedures including continuous training and employee evaluation.

Revenue Recognition

The Company's revenues are derived from contracts with customers. The Company recognizes revenue to depict the transfer of promised goods and services to customers in amounts that reflect the consideration to which the Company is entitled in exchange for those goods and services. The Company's costs of obtaining contracts are not material.

The Company performs services and provides goods in accordance with its contracts with its customers. Such contracts typically provide for a renewable service term, cancellable by either party upon 30 to 90 days' notice, after an initial period of 60 to 120 days. A performance obligation is the unit of account under ASC 606 - *Revenues from Contracts with Customers (*"ASC 606") and is defined as a promise in a contract to transfer a distinct good or service to the customer. The Company's Environmental Services and Dietary contracts relate to the provision of bundles of goods, services or both, which represent a series of distinct goods and services that are substantially the same and that have the same pattern of transfer to the customer. The Company accounts for the series as a single performance obligation satisfied over time, as the customer simultaneously receives and consumes the benefits of the goods and services provided. Revenue is recognized using the output method, which is based upon the delivery of services to and provision of services at the customers' facilities. In limited cases, the Company provides goods, services or both before the execution of a contract. In these cases, the Company defers the recognition of revenue until a contract is executed. The amount of deferred revenue was $0.1 million as of both June 30, 2026 and December 31, 2025. Of the deferred revenue balance as of December 31, 2025, the Company recognized $0.1 million of revenue during the six months ended June 30, 2026.

The transaction price is the amount of consideration to which the Company is entitled in exchange for transferring promised goods or services to its customers. The transaction price does not include taxes assessed or collected. The Company's contracts detail the fees that the Company charges for the goods and services it provides. For certain contracts which contain a variable component to the transaction price, the Company is required to make estimates of the amount of consideration to which the Company will be entitled based on variability in resident and patient populations serviced, product usage, quantities consumed or history of implicit price concessions. The Company recognizes revenue related to such estimates when the Company determines that it is probable there will not be a significant reversal in the amount of revenue recognized. In instances where variable consideration exists and management's estimate of variable consideration changes in subsequent periods, resulting in a change in transaction price, the Company records an adjustment to revenue on a cumulative catch-up basis. The Company's contracts generally do not contain significant financing components as payment terms are less than one year.

In the event that the Company provides ongoing services to customers in active bankruptcy proceedings, in receivership or in other similar legal positions, the Company defers the recognition of revenue until cash is received, as the Company determines that collectability of substantially all of the entitled consideration in exchange for services provided is not probable for such customers until cash is received. In addition, for a subset of customers with heightened collectability risk or specific contractual terms, the Company recognizes revenue on a cash basis—i.e., when payment is received. The Company evaluates the probability of collection at contract inception and reassesses as facts and circumstances change.

The Company allocates the transaction price to each performance obligation noting that the bundle of goods, services or goods and services provided under each Environmental Services and Dietary contract represents a single performance obligation that is satisfied over time. The Company recognizes the related revenue when it satisfies the performance obligation by transferring a bundle of promised goods, services or both to a customer. Such recognition is on a monthly or weekly basis, as goods are provided and services are performed. In some cases, the Company requires customers to pay in advance for goods and services to be provided. As of June 30, 2026, the value of the contract liabilities associated with customer prepayments was $7.2 million. As of December 31, 2025, the value of the contract liabilities associated with customer prepayments was $3.9 million. The Company recognized $2.5 million of revenue during the six months ended June 30, 2026 which was recorded as a contract liability on December 31, 2025. The Company recognized $2.7 million of revenue during the six months ended June 30, 2025 which was recorded as a contract liability on December 31, 2024.

Transaction Price Allocated to Remaining Performance Obligations

The Company recognizes revenue as it satisfies the performance obligations associated with contracts with customers which, due to the nature of the goods and services provided by the Company, are satisfied over time. Contracts may contain transaction prices that are fixed, variable or both. The Company's contracts with customers typically provide for an initial term with renewable service terms, cancellable by either party upon 30 to 90 days' notice after an initial period of 60 to 120 days. The Company has elected to apply the practical expedient that permits exclusion of information about the remaining performance obligations with original expected durations of one year or less. There were no remaining performance obligations with original expected durations of one year or longer as of June 30, 2026.

Note 4—Accounts and Notes Receivable

The Company makes credit decisions on a case-by-case basis after reviewing a number of qualitative and quantitative factors related to the specific customer as well as current industry variables that may impact that customer. There are a variety of factors that impact a customer's ability to pay in accordance with the Company's contracts. These factors include, but are not limited to, fluctuating census numbers, litigation costs and the customer's participation in programs funded by federal and state governmental agencies. Deviations in the timing or amounts of reimbursements under those programs can impact the customer's cash flows and its ability to make timely payments. However, the customer's obligation to pay the Company in accordance with the contract is not contingent upon the customer's cash flow. Notwithstanding the Company's efforts to minimize its credit risk exposure, the aforementioned factors, as well as other factors that impact customer cash flows or ability to make timely payments, could have an indirect, yet material, adverse effect on the Company's results of operations and financial condition.

Fluctuations in net accounts and notes receivable are generally attributable to a variety of factors including, but not limited to, the timing of cash receipts from customers and the inception, transition, modification or termination of customer relationships. The Company deploys significant resources and invests in tools and processes to optimize Management's credit and collections efforts. When appropriate, the Company utilizes promissory notes, typically with interest, to enhance the collectability of amounts due, by instituting definitive repayment plans and providing a means by which to further evidence the amounts owed. In addition, the Company may amend contracts from full service to management-only arrangements, or adjust contractual payment terms, to accommodate customers who have in good faith established clearly-defined plans for addressing cash flow issues. These efforts are intended to minimize the Company's collections risk.

At June 30, 2026, the face value and discounted value of notes receivable with imputed interest were $48.0 million and $46.6 million, respectively. At December 31, 2025, the face value and discounted value of notes receivable with imputed interest were $33.6 million and $31.5 million, respectively. The effective interest rates applied on notes with imputed interest at June 30, 2026 and December 31, 2025 were 7.0% and 6.2%, respectively.

Note 5—Allowance for Doubtful Accounts

The Company establishes credit limits through payment terms with customers, performs ongoing credit evaluations and monitors accounts on an aging schedule basis to minimize the risk of loss. In making the Company's credit evaluations, management considers the general collection risk associated with trends in the long-term care industry. Despite the Company's efforts to minimize credit risk exposure, customers could be adversely affected if future industry trends change in such a manner as to negatively impact their cash flows. As a result, the Company's future collection experience could differ significantly from historical collection trends. If the Company's customers experience a negative impact on their cash flows, it could have a material adverse effect on the Company's results of operations, financial condition and cash flows.

The Company evaluates its accounts and notes receivable for expected credit losses quarterly. Accounts receivable are evaluated based on internally developed credit quality indicators derived from the aging of receivables. Notes receivable are evaluated based on internally developed credit quality indicators derived from management's assessment of collection risk. At the end of each period, the Company sets a reserve for expected credit losses on standard accounts and notes receivable based on the Company's historical loss rates. Accounts and notes receivable with an elevated risk profile, which are from customers who have filed bankruptcy or are subject to collections activity, are aggregated and evaluated to determine the total reserve for the class of receivable. Additionally, for notes receivable management evaluates standard receivables based on whether the customer is current (paying within 60 days of terms) or delinquent (paying outside of 60 days of terms).

On July 9, 2025, Genesis Healthcare, Inc. ("Genesis") filed for Chapter 11 bankruptcy protection in the Northern District of Texas. As of June 30, 2026, the Company had outstanding accounts and notes receivable due from Genesis of $50.4 million and $20.4 million, respectively. Upon review of the bankruptcy petition, the Company identified the Genesis accounts and notes receivables as separate loss pools for evaluating the collectability of the receivables due to the size of the outstanding balances and the assessed unlikelihood of any potential recovery. As of June 30, 2026, the Company assessed a 100% allowance on the outstanding balances of both the accounts and notes receivable due from Genesis.

ASC 326 permits entities to make an accounting policy election not to measure an estimate for credit losses on accrued interest if those entities write off accrued interest deemed uncollectible in a timely manner. The Company follows an income recognition policy on all interest earned on notes receivable. Under such policy the Company accounts for all notes receivable on a non-accrual basis and defers the recognition of any interest income until receipt of cash payments. This policy was established based on the Company's history of collections of interest on outstanding notes receivable, as we do not deem it probable that we will receive substantially all interest on outstanding notes receivable. Accordingly, the Company does not record a credit loss adjustment for accrued interest. Interest income from notes receivable for the three months ended June 30, 2026 and 2025 was $0.6 million and $1.0 million, respectively. Interest income from notes receivable for the six months ended June 30, 2026 and 2025 was $1.3 million and $2.3 million, respectively.

The following table presents the Company's four tiers of notes receivable as of and for the six months ended June 30, 2026 further disaggregated by year of origination, as well as write-off activity:

	Notes receivable Amortized cost basis by origination year						
	2026	2025	2024	2023	2022	Prior	Total
	(in thousands)						
Notes receivable							
Standard notes receivable	$ 25,521	$ 30,374	$ 3,563	$ 888	$ 2,016	$ —	$ 62,362
Delinquent notes receivable	$ 3,981	$ 371	$ 779	$ 74	$ —	$ —	$ 5,205
Genesis note receivable	$ —	$ —	$ —	$ —	$ —	$ 20,410	$ 20,410
Elevated risk notes receivable	$ —	$ —	$ —	$ 2,123	$ 1,811	$ 1,779	$ 5,713
Current-period gross write-offs	$ —	$ 29	$ 8	$ 74	$ —	$ 101	$ 212
Current-period recoveries	—	—	—	—	—	—	—
Current-period net write-offs	$ —	$ 29	$ 8	$ 74	$ —	$ 101	$ 212

The following table provides information as to the status of payment on the Company's notes receivable which were past due as of June 30, 2026:

	Age analysis of past-due notes receivable as of June 30, 2026			
	0 - 90 Days	91 - 180 Days	Greater than 181 Days	Total
	(in thousands)			
Notes receivable				
Standard notes receivable	$ 30	$ —	$ —	$ 30
Delinquent notes receivable	694	324	138	1,156
Genesis note receivable	—	—	20,410	20,410
Elevated risk notes receivable	—	—	5,713	5,713
	$ 724	$ 324	$ 26,261	$ 27,309

The following tables provide a summary of the changes in the Company's allowance for doubtful accounts on a portfolio segment basis for the three months ended June 30, 2026 and 2025, respectively:

	Allowance for doubtful accounts				
Portfolio Segment:	**March 31, 2026**	**Reclassifications**	**Write-Offs[1]**	**Bad Debt Expense**	**June 30, 2026**
			(in thousands)		
Accounts receivable					
Aged accounts receivable	$ 69,694	$ —	$ (3,765)	$ 1,966	$ 67,895
Genesis accounts receivable	50,395	—	—	—	50,395
Total accounts receivable	$ 120,089	$ —	$ (3,765)	$ 1,966	$ 118,290
Notes receivable					
Standard notes receivable	$ 4,489	$ —	$ —	$ 824	$ 5,313
Delinquent notes receivable	622	—	(33)	1,014	1,603
Genesis note receivable	20,410	—	—	—	20,410
Elevated risk notes receivable	4,128	—	—	464	4,592
Total notes receivable	$ 29,649	$ —	$ (33)	$ 2,302	$ 31,918
Total accounts and notes receivable	$ 149,738	$ —	$ (3,798)	$ 4,268	$ 150,208

1. Write-offs are shown net of recoveries. During the three months ended June 30, 2026, the Company collected $0.1 million of accounts and notes receivable which had previously been written-off as uncollectible.

	Allowance for doubtful accounts				
Portfolio Segment:	**March 31, 2025**	**Reclassifications**	**Write-Offs[1]**	**Bad Debt Expense**	**June 30, 2025**
			(in thousands)		
Accounts receivable					
Aged accounts receivable	$ 87,098	$ (1,751)	$ (30,246)	$ 9,642	$ 64,743
Genesis accounts receivable	—	1,751	—	45,977	47,728
Total accounts receivable	$ 87,098	$ —	$ (30,246)	$ 55,619	$ 112,471
Notes receivable					
Standard notes receivable	$ 4,586	$ —	$ —	$ 1,035	$ 5,621
Delinquent notes receivable	6,013	(5,176)	—	235	1,072
Genesis note receivable	—	5,176	—	15,234	20,410
Elevated risk notes receivable	2,140	—	—	170	2,310
Total notes receivable	$ 12,739	$ —	$ —	$ 16,674	$ 29,413
Total accounts and notes receivable	$ 99,837	$ —	$ (30,246)	$ 72,293	$ 141,884

1. Write-offs are shown net of recoveries. During the three months ended June 30, 2025, the Company collected less than $0.1 million of accounts and notes receivable which had previously been written-off as uncollectible.

The following tables provide a summary of the changes in the Company's allowance for doubtful accounts on a portfolio segment basis for the six months ended June 30, 2026 and 2025, respectively:

	Allowance for doubtful accounts				
Portfolio Segment:	**December 31, 2025**	**Reclassifications**	**Write-Offs[1]**	**Bad Debt Expense**	**June 30, 2026**
			(in thousands)		
Accounts receivable					
Aged accounts receivable	$ 68,910	$ —	$ (4,644)	$ 3,629	$ 67,895
Genesis accounts receivable	50,395	—	—	—	50,395
Total accounts receivable	$ 119,305	$ —	$ (4,644)	$ 3,629	$ 118,290
Notes receivable					
Standard notes receivable	$ 3,587	$ —	$ —	$ 1,726	$ 5,313
Delinquent notes receivable	1,270	—	(212)	545	1,603
Genesis note receivable	20,410	—	—	—	20,410
Elevated risk notes receivable	2,440	—	—	2,152	4,592
Total notes receivable	$ 27,707	$ —	$ (212)	$ 4,423	$ 31,918
Total accounts and notes receivable	$ 147,012	$ —	$ (4,856)	$ 8,052	$ 150,208

1. Write-offs are shown net of recoveries. During the six months ended June 30, 2026, the Company collected $1.6 million of accounts and notes receivable which had previously been written-off as uncollectible.

	Allowance for doubtful accounts				
Portfolio Segment:	**December 31, 2024**	**Reclassifications**	**Write-Offs[1]**	**Bad Debt Expense**	**June 30, 2025**
			(in thousands)		
Accounts receivable					
Aged accounts receivable	$ 87,520	$ (1,651)	$ (32,557)	$ 11,431	$ 64,743
Genesis accounts receivable	—	1,651	—	46,077	47,728
Total accounts receivable	$ 87,520	$ —	$ (32,557)	$ 57,508	$ 112,471
Notes receivable					
Standard notes receivable	$ 5,096	$ —	$ 278	$ 247	$ 5,621
Delinquent notes receivable	6,026	(5,176)	—	222	1,072
Genesis note receivable	—	5,176	—	15,234	20,410
Elevated risk notes receivable	2,140	—	—	170	2,310
Total notes receivable	$ 13,262	$ —	$ 278	$ 15,873	$ 29,413
Total accounts and notes receivable	$ 100,782	$ —	$ (32,279)	$ 73,381	$ 141,884

1. Write-offs are shown net of recoveries. During the six months ended June 30, 2025, the Company collected $0.3 million of accounts and notes receivable which had previously been written-off as uncollectible.

Note 6—Changes in Accumulated Other Comprehensive Loss by Component

The Company's accumulated other comprehensive loss consists of unrealized gains and losses from the Company's available-for-sale marketable securities and restricted marketable securities. The following table provides a summary of the changes in accumulated other comprehensive loss for the six months ended June 30, 2026 and 2025:

	Unrealized Gains and Losses on Available-for-Sale Securities[1]	
	Six Months Ended June 30,	
	2026	2025
	(in thousands)	
Accumulated other comprehensive loss — beginning balance	$ (448)	$ (2,317)
Other comprehensive (loss) income before reclassifications	(547)	872
Income reclassified from other comprehensive income[2]	57	3
Net current period other comprehensive (loss) income[3]	(490)	875
Accumulated other comprehensive loss — ending balance	$ (938)	$ (1,442)

1. All amounts are net of tax.
2. Realized gains and losses were recorded pre-tax under "Investment and other income, net" in the Consolidated Statements of Comprehensive Income/(Loss). For each of the six months ended June 30, 2026 and 2025, the Company recorded realized losses of less than $0.1 million from the sale of available-for-sale securities. Refer to Note 10—Fair Value Measurements herein for further information.
3. For the six months ended June 30, 2026 and 2025, the changes in accumulated other comprehensive loss were net of a tax benefit of $0.1 million and a tax expense of $0.2 million, respectively.

The following table provides a rollforward of amounts reclassified from accumulated other comprehensive loss to realized losses for the three and six months ended June 30, 2026 and 2025:

	Amounts Reclassified from Accumulated Other Comprehensive Loss	
	2026	2025
	(in thousands)	
Three Months Ended June 30,		
Losses from the sale of available-for-sale securities	$ (32)	$ (1)
Tax benefit	7	—
Net losses reclassified from accumulated other comprehensive loss	$ (25)	$ (1)
Six Months Ended June 30,		
Losses from the sale of available-for-sale securities	$ (72)	$ (3)
Tax benefit	15	—
Net losses reclassified from accumulated other comprehensive loss	$ (57)	$ (3)

Note 7—Property and Equipment

Property and equipment are recorded at cost. Depreciation is recorded over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Leasehold improvements are amortized over the shorter of the estimated asset life or term of the lease. Repairs and maintenance costs are charged to expense as incurred.

The following table sets forth the amounts of property and equipment by each class of depreciable asset as of June 30, 2026 and December 31, 2025:

	June 30, 2026	December 31, 2025
	(in thousands)	
EVS and Dietary equipment	$ 19,287	$ 18,571
Computer hardware and software	8,958	9,185
Operating lease — right-of-use assets	32,623	30,933
Other[1]	469	1,145
Total property and equipment, at cost	61,337	59,834
Less accumulated depreciation[2]	31,415	32,248
Total property and equipment, net	$ 29,922	$ 27,586

1. Includes furniture and fixtures, leasehold improvements, automobiles and trucks.
2. Includes $16.3 million and $16.7 million related to accumulated depreciation on Operating lease – right-of-use assets as of June 30, 2026 and December 31, 2025, respectively.

Depreciation expense was $2.7 million and $5.9 million for the three and six months ended June 30, 2026, respectively. Depreciation expense was $3.2 million and $6.4 million for the three and six months ended June 30, 2025. Of the depreciation expense recorded for the three and six months ended June 30, 2026, $1.6 million and $3.3 million was related to the depreciation of the Company's operating lease - right-of-use assets ("ROU Assets") respectively. Of the depreciation expense recorded for the three and six months ended June 30, 2025, $2.1 million and $4.2 million was related to the depreciation of the Company's ROU Assets.

At June 30, 2026 and 2025, accrued purchases of property and equipment were $0.4 million and $0.5 million, respectively.

Note 8—Leases

The Company recognizes ROU Assets and lease liabilities for automobiles, office buildings, IT equipment and small storage units for the temporary storage of operational equipment. The Company's leases have remaining lease terms ranging from less than 1 year to 5 years. The Company recognizes extension options as part of the initial lease term for ROU Assets and lease liabilities when it is reasonably certain that the Company will exercise the extension option upon the completion of the initial lease term. Most leases include the option to terminate the lease within 1 year.

The Company uses practical expedients offered under the ASC 842 - Leases to combine lease and non-lease components within leasing arrangements and to recognize the payments associated with short-term leases in earnings on a straight-line basis over the lease term, with the cost associated with variable lease payments recognized when incurred. These accounting policy elections impact the value of the Company's ROU Assets and lease liabilities. The value of the Company's ROU Assets is determined as the carrying value of its leasing arrangements and is recorded in "Property and equipment, net" on the Company's Consolidated Balance Sheets. The value of the Company's lease liabilities is the present value of fixed lease payments not yet paid, which is discounted using either the rate implicit in the lease contract if that rate can be determined or the Company's incremental borrowing rate ("IBR"). The Company's IBR is determined as the rate of interest that the Company would have to pay to borrow on a collateralized basis over a similar term in an amount equal to the lease payments in a similar economic environment.

Any future lease payments that are not fixed based on the terms of the lease contract, or fluctuate based on a factor other than an index or rate, are considered variable lease payments and are not included in the value of the Company's ROU Assets or lease liabilities. The Company's variable lease payments are mostly incurred from automobile leases and relate to miscellaneous transportation costs including repair costs, insurance, and terminal rental adjustment payments due at lease settlement. Such rental adjustment payments may increase or decrease the Company's total variable lease payments.

Components of lease expense are presented below for the three and six months ended June 30, 2026 and 2025.

	Three Months Ended June 30,	
	2026	2025
	(in thousands)	
Lease cost		
Operating lease cost	$ 1,603	$ 2,108
Short-term lease cost	340	296
Variable lease cost	1,110	431
Total lease cost	$ 3,053	$ 2,835

	Six Months Ended June 30,	
	2026	2025
	(in thousands)	
Lease cost		
Operating lease cost	$ 3,305	$ 4,211
Short-term lease cost	436	470
Variable lease cost	2,216	961
Total lease cost	$ 5,957	$ 5,642

Supplemental information is presented below for the six months ended June 30, 2026 and 2025.

	Six Months Ended June 30,	
	2026	2025
	(dollar amounts in thousands)	
Other information		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 2,839	$ 4,393
Weighted-average remaining lease term — operating leases	5.1 years	2.4 years
Weighted-average discount rate — operating leases	6.5 %	6.9 %

During the three and six months ended June 30, 2026, ROU Assets and lease liabilities were reduced by $0.2 million and $0.6 million, respectively, due to lease cancellations. During the three and six months ended June 30, 2025, ROU Assets and lease liabilities were reduced by $0.3 million and $1.6 million, respectively, due to lease cancellations.

The following is a schedule by calendar year of future minimum lease payments under operating leases that have remaining terms as of June 30, 2026:

Period/Year	Operating Leases
	(in thousands)
July 1 to December 31, 2026	$ 3,428
2027	5,563
2028	3,704
2029	2,134
2030	1,237
2031 and thereafter	4,605
Total minimum lease payments	$ 20,671
Less: imputed interest	2,942
Present value of lease liabilities	$ 17,729

Note 9—Goodwill and Other Intangible Assets

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets of acquired businesses. Goodwill is not amortized but is evaluated for impairment on an annual basis or more frequently if impairment indicators arise. No goodwill impairment was recognized during either the three or six months ended June 30, 2026 and 2025.

The following table sets forth the changes to goodwill during the six months ended June 30, 2026.

	December 31, 2025		Acquisition		June 30, 2026	
Environmental Services	$	46,645	$	6,007	$	52,652
Dietary		33,152		—		33,152
Total Goodwill	$	79,797	$	6,007	$	85,804

Intangible Assets

The Company's other intangible assets consist of customer relationships, trade names, patents and non-compete agreements which were obtained through acquisitions and are recorded at their fair values at the date of acquisition. Intangible assets with determinable lives are amortized on a straight-line basis over their estimated useful lives. The weighted-average amortization period of customer relationships, trade names, patents and non-compete agreements are approximately 10 years, 10 years, 4 years and 5 years, respectively.

In connection with an acquisition completed in 2026, the Company recorded the following intangible assets:

	Intangible Assets (in thousands)		Amortization Period
Customer relationships	$	5,753	12 years
Trade names		1,628	10 years
Non-compete agreements		238	5 years
Total	$	7,619	

The following table sets forth the estimated amortization expense for intangibles subject to amortization for the remainder of 2026, the following five fiscal years and thereafter:

Period/Year	Total Amortization Expense (in thousands)	
July 1 to December 31, 2026	$	1,641
2027	$	1,817
2028	$	1,235
2029	$	1,235
2030	$	1,235
2031	$	1,197
Thereafter	$	4,752

Amortization expense for the three months ended June 30, 2026 and 2025 was $0.8 million and $1.8 million. Amortization expense for the six months ended June 30, 2026 and 2025 was $1.5 million and $2.4 million, respectively.

Note 10—Fair Value Measurements

The Company's current assets and current liabilities are financial instruments and most of these items (other than marketable securities, restricted marketable securities, inventories and supplies and the short-term portion of deferred compensation assets and liabilities) are recorded at cost in the Consolidated Balance Sheets. The estimated fair value of these financial instruments approximates their carrying value due to their short-term nature. The carrying value of the Company’s line of credit represents the outstanding amount of the borrowings, which approximates fair value. The Company’s financial assets that are measured at fair value on a recurring basis are its marketable securities, restricted marketable securities and deferred compensation funding. The recorded values of all of the financial instruments approximate their current fair values because of their nature, stated interest rates and respective maturity dates or durations.

The Company’s marketable securities and restricted marketable securities are held by the Company’s captive insurance company to satisfy capital requirements of the state regulator related to captive insurance companies. Restricted marketable securities are held by the Company’s captive insurance company as collateral for certain insurance coverages. Such securities are primarily comprised of municipal bonds, treasury notes, corporate bonds and other government bonds which are classified as available-for-sale and are reported at fair value. Unrealized gains and losses associated with these investments are included in “Unrealized (loss) gain on available-for-sale marketable securities, net of taxes” within the Consolidated Statements of Comprehensive Income/(Loss). Marketable securities and restricted marketable securities are classified within Level 2 of the fair value hierarchy, as these securities are measured using quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable. Such valuations are determined by a third-party pricing service. For the three and six months ended June 30, 2026, the Company recorded unrealized losses, net of taxes of $0.1 million and $0.5 million on marketable securities and restricted marketable securities, respectively. For the three and six months ended June 30, 2025, the Company recorded unrealized gains, net of taxes of $0.4 million and $0.9 million on marketable securities and restricted marketable securities, respectively.

For the three months ended June 30, 2026 and 2025, the Company received total proceeds, less the amount of interest received, of $10.3 million and $0.1 million, respectively, from sales of available-for-sale marketable securities. These sales resulted in realized losses of less than $0.1 million and $0.1 million during the three months ended June 30, 2026 and 2025, respectively. For the six months ended June 30, 2026 and 2025, the Company received total proceeds, less the amount of interest received, of $11.9 million and $0.2 million, respectively, from the sales of available-for-sale marketable securities. These sales resulted in realized losses of less than $0.1 million during both the six months ended June 30, 2026 and 2025. Such losses were recorded in “Investment and other income, net” in the Consolidated Statements of Comprehensive Income/(Loss). The basis for the sale of these securities was the specific identification of each security sold during the period.

As part of an acquisition in 2025, the Company paid consideration to the seller based on post-acquisition revenues. The Company recorded a liability for the expected future consideration within Other long-term liabilities on the Consolidated Balance Sheets. The fair value of this liability is measured using forecasted sales models (Level 3). The Company records gains and losses from this liability within “Selling, general and administrative” in the Consolidated Statements of Comprehensive Income/(Loss) related to the remeasurement of the liability at each reporting date. For both the three months ended June 30, 2026 and 2025, the Company recorded less than $0.1 million of unrealized losses related to changes in valuation of this liability. For both the six months ended June 30, 2026 and 2025, the Company recorded less than $0.1 million of unrealized losses related to changes in valuation of this liability.

The investments under the deferred compensation plan are accounted for as trading securities and unrealized gains or losses are recorded within “Investment and other income, net” in the Consolidated Statements of Comprehensive Income/(Loss). The fair values of these investments are determined based on quoted market prices (Level 1) or the net asset value (“NAV”) of underlying share investments (Level 2). For the three months ended June 30, 2026 and 2025, the Company recorded unrealized gains of $7.0 million and $4.6 million, respectively, related to trading securities still held at the respective reporting dates. For the six months ended June 30, 2026 and 2025, the Company recorded unrealized gains of $5.4 million and $3.2 million, respectively, related to trading securities still held at the respective reporting dates.

The following table summarizes the contractual maturities of debt securities held as of June 30, 2026 and December 31, 2025, which are classified within "Marketable securities, at fair value" and "Restricted marketable securities, at fair value" in the Consolidated Balance Sheets:

	Debt Securities — Available-for-Sale	
Contractual maturity:	**June 30, 2026**	**December 31, 2025**
	(in thousands)	
Marketable securities, at fair value		
Maturing in one year or less	$ 1,123	$ 4,424
Maturing in second year through fifth year	6,394	10,850
Maturing in sixth year through tenth year	23,681	21,962
Maturing after ten years	10,118	5,538
Total marketable securities, at fair value	$ 41,316	$ 42,774
Restricted marketable securities, at fair value		
Maturing in one year or less	2,282	4,635
Maturing in second year through fifth year	23,182	15,011
Maturing in sixth year through tenth year	9,591	9,653
Maturing after ten years	1,034	1,053
Total restricted marketable securities, at fair value	$ 36,089	$ 30,352
Total debt securities — available-for-sale	$ 77,405	$ 73,126

The following table shows the amortized cost, unrealized gains and losses, and estimated fair value of the Company's debt securities as of June 30, 2026 and December 31, 2025:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Credit Impairment Losses[1]
June 30, 2026			(in thousands)		
Type of security:					
Marketable securities					
Municipal bonds — taxable	$ 4,078	$ —	$ (103)	$ 3,975	$ —
Municipal bonds — non-taxable	38,445	64	(1,168)	37,341	—
Total marketable securities	$ 42,523	$ 64	$ (1,271)	$ 41,316	$ —
Restricted marketable securities					
U.S. treasury bonds	$ 16,500	$ 31	$ (121)	$ 16,410	$ —
Corporate bonds	11,193	46	(37)	11,202	—
Municipal bonds — taxable	8,379	114	(16)	8,477	—
Total restricted marketable securities	$ 36,072	$ 191	$ (174)	$ 36,089	$ —
Total debt securities — available-for-sale	$ 78,595	$ 255	$ (1,445)	$ 77,405	$ —
December 31, 2025					
Type of security:					
Marketable securities					
Municipal bonds — taxable	$ 4,115	$ 1	$ (70)	$ 4,046	$ —
Municipal bonds — non-taxable	39,827	124	(1,223)	38,728	—
Total marketable securities	$ 43,942	$ 125	$ (1,293)	$ 42,774	$ —
Restricted marketable securities					
U.S. treasury bonds	$ 9,904	$ 148	$ (15)	$ 10,037	$ —
U.S. government agency bonds	1,210	5	—	1,215	—
International fixed income bonds	733	3	—	736	—
Corporate bonds	8,682	177	(1)	8,858	—
Municipal bonds — taxable	9,222	284	—	9,506	—
Total restricted marketable securities	$ 29,751	$ 617	$ (16)	$ 30,352	$ —
Total debt securities — available-for-sale	$ 73,693	$ 742	$ (1,309)	$ 73,126	$ —

1. The Company performs a credit impairment loss assessment quarterly on an individual security basis. As of June 30, 2026 and December 31, 2025, no allowance for credit loss has been recognized as the issuers of these securities have not established a cause for default and various rating agencies have reaffirmed each security's investment grade status. The fair value of these securities have fluctuated since the purchase date as market interest rates fluctuate. The Company does not intend to sell these securities and it is more likely than not that the Company will not be required to sell before the recovery of the securities' amortized cost basis.

The following tables provide fair value measurement information for the Company's financial assets, including marketable securities, restricted marketable securities and deferred compensation plan investments as of June 30, 2026 and December 31, 2025:

	As of June 30, 2026				
			Fair Value Measurement Using:		
	Carrying Amount	Total Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
			(in thousands)		
Marketable securities					
Municipal bonds — taxable	$ 3,975	$ 3,975	$ —	$ 3,975	$ —
Municipal bonds — non-taxable	37,341	37,341	—	37,341	—
Total marketable securities	$ 41,316	$ 41,316	$ —	$ 41,316	$ —
Restricted marketable securities					
U.S. treasury bonds	$ 16,410	$ 16,410	$ —	$ 16,410	$ —
U.S. government agency bonds	—	—	—	—	—
International fixed income bonds	—	—	—	—	—
Corporate bonds	11,202	11,202	—	11,202	—
Municipal bonds — taxable	8,477	8,477	—	8,477	—
Total restricted marketable securities	$ 36,089	$ 36,089	$ —	$ 36,089	$ —
Deferred compensation plan					
Money market[1]	$ 1,851	$ 1,851	$ —	$ 1,851	$ —
Commodities	379	379	379	—	—
Fixed income	5,264	5,264	5,264	—	—
International	6,785	6,785	6,785	—	—
Large cap blend	10,196	10,196	10,196	—	—
Large cap growth	20,088	20,088	20,088	—	—
Large cap value	7,845	7,845	7,845	—	—
Mid cap blend	4,390	4,390	4,390	—	—
Real estate	433	433	433	—	—
Small cap blend	4,198	4,198	4,198	—	—
Total deferred compensation plan[2]	$ 61,429	$ 61,429	$ 59,578	$ 1,851	$ —

	As of December 31, 2025				
			Fair Value Measurement Using:		
	Carrying Amount	Total Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
			(in thousands)		
Marketable securities					
Municipal bonds — taxable	$ 4,046	$ 4,046	$ —	$ 4,046	$ —
Municipal bonds — non-taxable	38,728	38,728	—	38,728	—
Total marketable securities	$ 42,774	$ 42,774	$ —	$ 42,774	$ —
Restricted marketable securities					
U.S. treasury bonds	$ 10,037	$ 10,037	$ —	$ 10,037	$ —
U.S. government agency bonds	1,215	1,215	—	1,215	—
International fixed income bonds	736	736	—	736	—
Corporate bonds	8,858	8,858	—	8,858	—
Municipal bonds — taxable	9,506	9,506	—	9,506	—
Total restricted marketable securities	$ 30,352	$ 30,352	$ —	$ 30,352	$ —
Deferred compensation plan					
Money market[1]	$ 1,965	$ 1,965	$ —	$ 1,965	$ —
Commodities	361	361	361	—	—
Fixed income	5,190	5,190	5,190	—	—
International	6,320	6,320	6,320	—	—
Large cap blend	8,513	8,513	8,513	—	—
Large cap growth	20,425	20,425	20,425	—	—
Large cap value	7,485	7,485	7,485	—	—
Mid cap blend	4,059	4,059	4,059	—	—
Real estate	389	389	389	—	—
Small cap blend	3,438	3,438	3,438	—	—
Deferred compensation plan[2]	$ 58,145	$ 58,145	$ 56,180	$ 1,965	$ —

1. The fair value of the money market is based on the NAV of the shares held by the plan at the end of the period. The money market fund includes short-term United States dollar denominated money market instruments and the NAV is determined by the custodian of the fund. The money market fund can be redeemed at its NAV at the measurement date as there are no significant restrictions on the ability to sell this investment.
2. The deferred compensation plan carrying amounts and total fair value amounts as of June 30, 2026 and December 31, 2025 are inclusive of $2.3 million and $2.2 million of holdings expected to be paid to former employees within the next twelve months which were recorded under “Prepaid expenses and other current assets” in the Company’s Consolidated Balance Sheets.

Note 11—Share-Based Compensation

The components of the Company's share-based compensation expense for the six months ended June 30, 2026 and 2025 are as follows:

	Six Months Ended June 30,	
	2026	2025
	(in thousands)	
Stock options	$ 599	$ 1,934
Restricted stock units and deferred stock units	3,757	3,548
Performance stock units	1,050	713
Employee Stock Purchase Plan	179	84
Total share-based compensation expense	$ 5,585	$ 6,279

At June 30, 2026, the unrecognized compensation cost related to unvested stock options and awards was $25.9 million. The weighted average period over which these awards will vest was approximately 2.8 years.

The following table summarizes the components of share-based compensation expense included within the Consolidated Statements of Comprehensive Income/(Loss) for the six months ended June 30, 2026 and 2025:

	Six Months Ended June 30,	
	2026	2025
	(in thousands)	
Selling, general and administrative	$ 5,540	$ 6,257
Costs of services provided	45	22
Total share-based compensation expense	$ 5,585	$ 6,279

Amended 2020 Omnibus Incentive Plan

On May 26, 2020, the Company adopted the 2020 Omnibus Incentive Plan (the "2020 Plan"). On May 30, 2023, the Company increased the authorized shares under the 2020 Omnibus Incentive Plan (as amended, the "Amended 2020 Plan") by 2.5 million shares. On May 26, 2026, the Company adopted a further amendment to the 2020 Omnibus Incentive Plan (as amended, the "Amended Plan"), pursuant to which the shares of the Company's common stock, par value $0.01 per share (the "Common Stock"), authorized for issuance thereunder were increased by an additional 2.5 million shares. The Amended Plan provides that current or prospective officers, employees, non-employee directors and advisors can receive share-based awards such as stock options, PSUs, RSUs, and other stock awards. The Amended Plan seeks to encourage profitability and growth of the Company through short-term and long-term incentives consistent with the Company's operating objectives.

As of June 30, 2026, 8.0 million shares of common stock were reserved for issuance under the Amended Plan, of which 3.8 million are available for future grant. The amount of shares available for issuance under the Amended Plan will increase when outstanding awards under the Company's Second Amended and Restated 2012 Equity Incentive Plan (the "2012 Plan") are subsequently forfeited, terminated, lapsed or satisfied thereunder in cash or property other than common stock. No stock award will have a term in excess of 10 years. The Nominating, Compensation and Stock Option Committee (the "NCSO") of the Board of Directors is responsible for determining the terms of the grants in accordance with the Amended Plan.

Stock Options

A summary of stock options outstanding under the Amended Plan and the 2012 Plan as of December 31, 2025 and changes during the six months ended June 30, 2026 are as follows:

	Stock Options Outstanding	
	Number of Shares (in thousands)	Weighted Average Exercise Price
December 31, 2025	2,486	$ 25.99
Granted	—	$ —
Exercised	(72)	$ 15.97
Forfeited	—	$ —
Expired	(301)	$ 34.24
June 30, 2026	2,113	$ 25.38

There were no stock options granted during the six months ended June 30, 2026. The weighted average grant-date fair value of stock options granted during the six months ended June 30, 2025 was $6.08 per common share. The total intrinsic value of stock options exercised during the six months ended June 30, 2026 was $0.4 million. No stock options were exercised during the six months ended June 30, 2025.

The fair value of stock option awards granted during the six months ended June 30, 2025 was estimated on the date of the grant using the Black-Scholes option valuation model with the following assumptions:

	Six Months Ended June 30,	
	2026	2025
Risk-free interest rate	N/A	4.5 %
Weighted average expected life	N/A	7.2 years
Expected volatility	N/A	42.1 %
Dividend yield	N/A	— %

The following table summarizes other information about the stock options outstanding at June 30, 2026:

	June 30, 2026 (amounts in thousands, except per share data)
Outstanding:	
Aggregate intrinsic value	$ 11,308
Weighted average remaining contractual life	4.6 years
Exercisable:	
Number of options	1,571
Weighted average exercise price	$ 29.85
Aggregate intrinsic value	$ 4,728
Weighted average remaining contractual life	3.6 years

Restricted Stock Units and Deferred Stock Units

The fair values of outstanding RSUs and DSUs were determined based on the market price of the shares on the date of grant. During the six months ended June 30, 2026, the Company granted 0.5 million RSUs and DSUs with a weighted average grant-date fair value of $18.17 per unit. During the six months ended June 30, 2025, the Company granted 0.7 million RSUs and DSUs to its employees with a weighted average grant-date fair value of $11.89 per unit.

A summary of the outstanding RSUs and DSUs as of December 31, 2025 and changes during the six months ended June 30, 2026 is as follows:

	Restricted Stock Units & Deferred Stock Units	
	Number of Units	Weighted Average Grant Date Fair Value
	(in thousands)	
December 31, 2025	1,791	$ 12.68
Granted	490	$ 18.17
Vested	(498)	$ 14.29
Forfeited	(24)	$ 13.88
June 30, 2026	1,759	$ 13.74

The Company grants DSUs to non-employee directors. Once the DSU is vested, the director is entitled to receive shares equal to the total number of DSUs issued to such director upon the first to occur of (i) the five year anniversary of the date of grant, (ii) the director's death, disability or separation of service from the Board, or (iii) a change of control (as defined by the Amended 2020 Plan). Non-employee directors can also elect to receive their Board of Directors retainer in the form of DSUs in lieu of cash. DSUs issued as part of compensation issued in lieu of cash for retainers vest immediately while other DSUs issued otherwise vest on the first anniversary of the grant date. The number of DSUs granted to these directors is determined based on the stock price on the award date and approximates the cash value the directors would otherwise receive for their retainer. Three non-employee directors elected to receive DSUs in lieu of cash for their 2026 Board of Directors retainer.

On May 26, 2026, the NCSO granted 18,000 DSUs to the Company's non-employee directors with a one year vesting period. The unrecognized share-based compensation cost of outstanding DSU awards at June 30, 2026 is $0.3 million and is expected to be recognized over a weighted-average period of 0.9 years.

Performance Stock Units

The fair value of outstanding PSUs granted in 2026 are contingent upon the achievement of certain total shareholder return ("TSR") targets as compared to the TSR of the Russell 2000 Index and the participant's continued employment with the Company for the three year period ending December 31, 2028, the date at which such awards vest. The unrecognized share-based compensation cost of the TSR-based PSU awards at June 30, 2026 is $3.9 million and is expected to be recognized over a weighted-average period of 1.3 years.

A summary of the outstanding PSUs as of December 31, 2025 and changes during the six months ended June 30, 2026 is as follows:

	Performance Stock Units	
	Number of Units	Weighted Average Grant Date Fair Value
	(in thousands)	
December 31, 2025	304	$ 14.00
Granted	186	$ 21.12
Vested	(108)	$ 16.20
Forfeited	—	$ —
June 30, 2026	382	$ 16.84

Employee Stock Purchase Plan

The Company's Employee Stock Purchase Plan ("ESPP") is currently available through 2031 to all eligible employees. All full-time and part-time employees who work an average of 20 hours per week and have completed two years of continuous service with the Company are eligible to participate. Annual offerings commence and terminate on the respective year's first and last calendar day. The Company's obligation to provide shares to employees from the ESPP are recorded as a liability within "other accrued expenses and current liabilities" until such point that the shares are granted to employees. On July 21, 2026, the Company adopted an amendment to the ESPP (the "Fifth Amendment") which extends the ESPP through 2031 and provides for up to 75,000 shares per year to be issued under the ESPP.

Under the ESPP, the Company is authorized to issue up to 4.1 million shares of its common stock to its employees. Pursuant to such authorization, there are 1.6 million shares available for future grant at June 30, 2026. Under the terms of the ESPP, participants may contribute through payroll deductions up to $21,250 (85% of IRS limitation) of their compensation toward the purchase of the Company's common stock. No employee may purchase common stock which exceeds $25,000 in fair market value (determined on the option date) for each calendar year. The per share option price is equal to the lower of 85% of the fair market price on the first day of the offering period, or 85% of the fair market price on the last day of the offering period.

The expense associated with the options granted under the ESPP during the six months ended June 30, 2026 and 2025 was estimated on the date of grant using the Black-Scholes option valuation model with the following assumptions:

	Six Months Ended June 30,	
	2026	**2025**
Risk-free interest rate	3.5%	4.2%
Weighted average expected life (years)	1.0	1.0
Expected volatility	43.9%	39.3%
Dividend yield	—%	—%

Deferred Compensation Plan

The Company offers a Supplemental Executive Retirement Plan ("SERP") for executives and certain key employees. The SERP is not qualified under Section 401 of the Internal Revenue Code. The SERP allows participants to defer up to 25% of their earned income on a pre-tax basis and as of the last day of each plan year, each participant will be credited with a 25% match on the first 15% of earnings deferred in the form of the Company's common stock based on the then-current market value. SERP participants fully vest in the Company's matching contribution three years from the first day of the initial year of participation. The income deferred and the matching contributions are unsecured and subject to the claims of the Company's general creditors.

Under the SERP, the Company is authorized to issue 1.0 million shares of its common stock to its employees. Pursuant to such authorization, the Company has 0.1 million shares available for future grant at June 30, 2026. At the time of issuance, such shares are accounted for at cost as treasury stock.

The following table summarizes information about the SERP during the six months ended June 30, 2026 and 2025:

	Six Months Ended June 30,	
	2026	**2025**
	(in thousands)	
SERP expense loss[1]	$ 370	$ 368
Unrealized gain recorded in SERP liability account	$ 5,323	$ 3,182

1. Both the SERP match and the deferrals are included in the "Selling, general and administrative" caption in the Consolidated Statements of Comprehensive Income/(Loss).

Note 12—Income Taxes

The Company's annual effective tax rate is impacted by the tax effects of option exercises, the vesting of awards and deductibility limitations on deferred executive compensation, which are all treated as discrete items in the reporting period in which they occur and therefore cannot be considered in the calculation of the estimated annual effective tax rate. During the three months ended June 30, 2026 and 2025, discrete items increased the income tax provision by $0.3 million in both periods. During the six months ended June 30, 2026, discrete items decreased the income tax provision by less than $0.1 million, while during the six months ended June 30, 2025, discrete items increased the income tax provision by $1.1 million.

Differences between the effective tax rate and the applicable U.S. federal statutory rate arise primarily from the effect of state and local income taxes, share-based compensation and tax credits available to the Company. The actual 2026 effective tax rate will likely vary from the estimate depending on the actual operating income earned with availability of tax credits, the exercising of stock options and vesting of share-based awards. The Company regularly evaluates the tax positions taken or expected to be taken resulting from financial statement recognition of certain items. Based on the evaluation, there are no significant uncertain tax positions requiring recognition in the Company's financial statements. The evaluation was performed for the tax years ended December 31, 2021 through 2025 (with regard to U.S. federal income tax returns) and December 31, 2020 through 2025 (with regard to various state and local income tax returns), the tax years which remain subject to examination by major tax jurisdictions as of June 30, 2026.

The Company may from time to time be assessed interest or penalties by taxing jurisdictions, although any such assessments historically have been minimal. The Company records assessed interest and penalties, including any interest or penalties relating to recognized uncertain tax positions, in the "Selling, general and administrative" caption within the Consolidated Statements of Comprehensive Income/(Loss).

Note 13—Segment Information

The Company manages and evaluates its operations in two reportable segments: Environmental Services (housekeeping, laundry, linen and other services) and Dietary (dietary department services). Although both segments serve a similar customer base and share many operational similarities, they are managed separately due to distinct differences in the type of services provided, as well as the specialized expertise required of the professional management personnel responsible for delivering each segment's services. Such services are rendered pursuant to discrete contracts, specific to each reportable segment.

The Chief Operating Decision Maker ("CODM") for both segments for each of the three and six months ended June 30, 2026 and 2025 was Theodore Wahl, the Company's President and Chief Executive Officer. The Company's CODM does not review assets by segment to assess segment performance or allocate resources, nor is such information provided to the CODM. Accordingly, the Company does not present assets by segment.

The Company's significant segment expenses for each segment include direct labor costs and segment-based management expenses (collectively, "labor and labor-related"), food, chemicals and supplies, bad debt expense, and depreciation & amortization, as these are specific costs regularly provided to the CODM and used to evaluate segment performance. Other segment items include expenses recorded within costs of services provided which are not regularly provided to the CODM. The CODM evaluates segment profit each period against historical results, factoring in macroeconomic factors such as the cost of labor and supplies, to assess segment performance.

The Company's accounting policies for the segments are generally the same as described in the Company's significant accounting policies. The Company does not allocate Corporate expenses, gains (losses) on deferred compensation plan investments, other (income) expense, net, interest expense and income tax provision to segments; such amounts are added to combined segment profit and reconciled to the Company's consolidated income/(loss) before income taxes. All revenues and net income are earned in the United States.

The following tables provide profit information disaggregated by the Company's reportable segments for each of the three and six months ended June 30, 2026 and 2025:

	Three Months Ended June 30, 2026		
	EVS	Dietary	Total
	(in thousands, except for percentages)		
Revenues	$ 213,204	$ 257,604	$ 470,808
Significant Segment Expenses			
Labor and labor-related[1]	163,341	149,997	313,338
Food, chemicals and supplies	15,477	78,543	94,020
Bad debt expense	1,090	3,178	4,268
Depreciation and amortization expense	1,250	773	2,023
Other segment items[2]	3,728	5,802	9,530
Segment profit	$ 28,318	$ 19,311	$ 47,629
Segment margin	13.3 %	7.5 %	
Unallocated expenses (income)			
Corporate expenses[3]			$ 18,529
Gain on deferred compensation plan investments			6,892
Other (income), net			(9,414)
Interest expense			619
Income before income taxes			$ 31,003

1. Includes direct labor costs, field management costs (including certain costs included in selling, general and administrative expense), employer taxes, workers' compensation and general liability insurance.
2. Includes expenses for technology, employment advertising and onboarding, travel & entertainment and other expenses.
3. Represents selling, general and administrative expense less the amounts allocated to segments for labor and benefits.

	Three Months Ended June 30, 2025		
	EVS	Dietary	Total
	(in thousands, except for percentages)		
Revenues	$ 205,743	$ 252,748	$ 458,491
Significant Segment Expenses			
Labor and labor-related[1]	159,524	145,885	305,409
Food, chemicals and supplies	14,214	77,286	91,500
Bad debt expense	24,909	47,384	72,293
Depreciation and amortization expense	1,238	1,583	2,821
Other segment items[2]	4,196	6,081	10,277
Segment profit (loss)	$ 1,662	$ (25,471)	$ (23,809)
Segment margin	0.8 %	(10.1)%	
Unallocated expenses (income)			
Corporate expenses[3]			$ 17,747
Gain on deferred compensation plan investments			4,649
Other (income), net			(4,735)
Interest expense			418
Loss before income taxes			$ (41,888)

1. Includes direct labor costs, field management costs (including certain costs included in selling, general and administrative expense), employer taxes, workers' compensation and general liability insurance.
2. Includes technology, employment advertising and onboarding, travel & entertainment and other expenses.
3. Represents selling, general and administrative expense less the amounts allocated to segments for labor and benefits.

	Six Months Ended June 30, 2026		
	EVS	Dietary	Total
	(in thousands, except for percentages)		
Revenues	$ 421,457	$ 512,117	$ 933,574
Significant Segment Expenses			
Labor and labor-related[1]	323,275	298,077	621,352
Food, chemicals and supplies	30,730	156,086	186,816
Bad debt expense	4,729	3,323	8,052
Depreciation and amortization expense	2,309	1,548	3,857
Other segment items[2]	6,872	10,742	17,614
Segment profit	$ 53,542	$ 42,341	$ 95,883
Segment margin	12.7 %	8.3 %	
Unallocated expenses (income)			
Corporate expenses[3]			$ 34,515
Gain on deferred compensation plan investments			5,322
Other (income), net			(10,482)
Interest expense			984
Income before income taxes			$ 65,544

1. Includes direct labor costs, field management costs (including certain costs included in selling, general and administrative expense), employer taxes, workers' compensation and general liability insurance.
2. Includes expenses for technology, employment advertising, travel & entertainment, professional services and various other less significant expense items.
3. Represents selling, general and administrative expense less the amounts allocated to segments for labor and benefits.

	Six Months Ended June 30, 2025		
	EVS	Dietary	Total
	(in thousands, except for percentages)		
Revenues	$ 402,081	$ 504,072	$ 906,153
Significant Segment Expenses			
Labor and labor-related[1]	316,500	295,525	612,025
Food, chemicals and supplies	27,777	153,295	181,072
Bad debt expense	25,273	48,108	73,381
Depreciation and amortization expense	2,220	2,308	4,528
Other segment items[2]	7,461	11,213	18,674
Segment profit (loss)	$ 22,850	$ (6,377)	$ 16,473
Segment margin	5.7 %	(1.3)%	
Unallocated expenses (income)			
Gain on deferred compensation plan investments			$ 36,491
Corporate expenses[3]			3,182
Other (income), net			(6,019)
Interest expense			813
Loss before income taxes			$ (17,994)

1. Includes direct labor costs, field management costs (including certain costs included in selling, general and administrative expense), employer taxes, workers' compensation and general liability insurance.
2. Includes expenses for technology, employment advertising, travel & entertainment, professional services and various other less significant expense items.
3. Represents selling, general and administrative expense less the amounts allocated to segments for labor and benefits.

The following table provides capital expenditures disaggregated by the Company's reportable segments for each of the six months ended June 30, 2026 and 2025.

	Six Months Ended June 30,	
	2026	2025
	(in thousands)	
Capital Expenditures		
EVS	$ 2,544	$ 2,593
Dietary	436	471
Corporate	48	38
Consolidated	$ 3,028	$ 3,102

Note 14—Earnings (Loss) Per Common Share

Basic and diluted earnings (loss) per common share are computed by dividing net income by the weighted-average number of basic and diluted common shares outstanding, respectively. The weighted-average number of diluted common shares includes the impact of dilutive securities, including outstanding stock options, and unvested stock options. The table below reconciles the weighted-average basic and diluted common shares outstanding:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
	(in thousands, except for per share amounts)			
Numerator for basic and diluted earnings (loss) per share:				
Net income (loss)	$ 22,696	$ (32,366)	$ 48,756	$ (15,138)
Denominator				
Weighted average number of common shares outstanding - basic	68,758	73,161	69,311	73,414
Effect of dilutive securities[1]	1,147	—	1,168	—
Weighted average number of common shares outstanding - diluted	69,905	73,161	70,479	73,414
Basic earnings (loss) per share:	$ 0.33	$ (0.44)	$ 0.70	$ (0.21)
Diluted earnings (loss) per share:	$ 0.32	$ (0.44)	$ 0.69	$ (0.21)

1. Certain outstanding equity awards are anti-dilutive and therefore excluded from the calculation of the weighted average number of diluted common shares outstanding.

Anti-dilutive outstanding equity awards under share-based compensation plans were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
	(in thousands)			
Anti-dilutive equity awards	1,091	2,704	1,163	3,111

Note 15—Prepaid Expenses and Other Current Assets

The Company's prepaid expenses and other current assets included the following amounts as of June 30, 2026 and December 31, 2025:

	June 30, 2026	December 31, 2025
	(in thousands)	
Prepaid insurance and deposits	$ 7,381	$ 3,245
Deferred compensation funding — short-term	2,288	2,236
Other current assets	11,362	10,382
Other prepaid expenses	6,658	5,071
Total prepaid expenses and other current assets	$ 27,689	$ 20,934

Note 16—Other Accrued Expenses and Current Liabilities

The Company's other accrued expenses and current liabilities included the following amounts as of June 30, 2026 and December 31, 2025:

	June 30, 2026	December 31, 2025
	(in thousands)	
Deferred ERC credits	$ 12,277	$ 12,277
Lease liability — short-term	6,401	5,357
Deferred revenue	7,961	8,930
Deferred compensation liability — short-term	2,288	2,236
Other accrued expenses	5,918	7,012
Other current liabilities	1,032	1,410
Total other accrued expenses and current liabilities	$ 35,877	$ 37,222

Note 17—Other Contingencies

Line of Credit

We maintain a bank line of credit (the "Credit Agreement") with PNC Bank, National Association, as administrative agent on which to draw for general corporate purposes. On April 7, 2026, we entered into a Second Amendment to the Credit Agreement (the "Second Amendment"). The Second Amendment, among other things, extended the maturity date of the Credit Agreement from November 22, 2027 to April 7, 2031, amended the definition of Consolidated EBITDA and added a daily SOFR rate option to the Credit Agreement. Except as expressly amended by the Second Amendment, the terms of the Credit Agreement remain in full force and effect.

At June 30, 2026, the total line of credit available under the Credit Agreement was $300 million. Amounts drawn under the Credit Agreement generally bear interest at a floating rate, based on the Company's leverage ratio, and starting at the Term Secured Overnight Financing Rate ("SOFR") plus 165 basis points. The Company did not have any borrowings under the Credit Agreement as of June 30, 2026 and December 31, 2025. The Credit Agreement requires the Company to satisfy two financial covenants, with which the Company is in compliance as of June 30, 2026. The Credit Agreement provides for a five year unsecured revolving loan facility in the aggregate amount of $300 million and provides, at the Company's option, the ability to increase the revolving loan commitments to an aggregate amount not to exceed $500 million.

At June 30, 2026, the Company had outstanding $32 million in irrevocable standby letters of credit, which relate to payment obligations under the Company's insurance programs. In connection with the issuance of the letters of credit, the amount available under the line of credit was reduced by $32 million to $268 million at June 30, 2026. On January 8, 2025, October 6, 2025, and January 20, 2026, the letters of credit were renewed, and they all expire in the first quarter of 2027.

Tax Jurisdictions and Matters

The Company provides services throughout the continental United States and is subject to numerous state and local taxing jurisdictions. In the ordinary course of business, a jurisdiction may contest the Company's reporting positions with respect to the application of its tax code to the Company's services, which could result in additional tax liabilities.

The Company has tax matters with various taxing authorities. Because of the uncertainties related to both the probable outcomes and amount of probable assessments due, the Company is unable to make a reasonable estimate of a liability. The Company does not expect the resolution of any of these matters, taken individually or in the aggregate, to have a material adverse effect on the consolidated financial position or results of operations based on the Company's best estimate of the outcomes of such matters.

Legal Proceedings

The Company is subject to various claims and legal actions in the ordinary course of business and records legal expenses as they are incurred. Some of these matters include payroll- and employee-related matters and examinations by governmental agencies. As the Company becomes aware of such claims and legal actions, the Company records accruals for any exposures that are probable and estimable. If adverse outcomes of such claims and legal actions are reasonably possible, Management assesses materiality and provides financial disclosure, as appropriate.

At this time, the Company is unable to reasonably estimate possible losses or form a judgment that an unfavorable outcome is either probable or remote with respect to certain pending litigation claims asserted and it is not currently possible to assess whether or not the outcome of these proceedings may have a material adverse effect on the Company.

Government Regulations

The Company's customers are primarily concentrated in the healthcare industry and are primarily providers of long-term care. The revenues of many of the Company's customers are highly reliant on Medicare, Medicaid and third party payers' reimbursement funding rates. New legislation or additional changes in existing regulations could directly impact the governmental reimbursement programs in which the customers participate.

Note 18—Equity Method Investments

During the six months ended June 30, 2026 and 2025, the Company invested $4.6 million and $0.1 million, respectively, in investments accounted for under the equity method. During the three and six months ended June 30, 2026, the Company recorded expenses of less than $0.1 million within selling, general & administrative expenses in connection with services provided by Align+Engage LLC, an equity method investee, including the use of an application by Company personnel. During the three and six months ended June 30, 2025, the Company recorded expenses of $0.3 million and $0.6 million, respectively, in connection with services provided by Align+Engage LLC.

Note 19—Subsequent Events

The Company evaluated all subsequent events through the filing date of this Form 10-Q. There were no events or transactions occurring during this subsequent reporting period which require recognition or additional disclosure in these financial statements.

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

Results of Operations

The following discussion is intended to provide the reader with information that will be helpful in understanding our financial statements, including the changes in certain key items when comparing financial statements period to period. We also intend to provide the primary factors that accounted for those changes as well as a summary of how certain accounting principles affect our financial statements. In addition, we are providing information about the financial results of our two operating segments to further assist in understanding how these segments and their results affect our consolidated results of operations. This discussion should be read in conjunction with our financial statements as of June 30, 2026 and December 31, 2025 and the notes accompanying those financial statements.

Overview

We provide management, administrative and operating expertise and services to housekeeping, laundry, linen, facility maintenance and dietary service departments primarily in healthcare facilities, including nursing homes, retirement complexes, rehabilitation centers and hospitals located throughout the United States. We provide such services to more than 3,000 facilities throughout the continental United States as of June 30, 2026. We believe we are the largest provider of housekeeping, laundry and dietary management services to the long-term care industry in the United States.

We provide services primarily pursuant to full-service agreements with our customers. Under such agreements, we are responsible for the day-to-day management of the employees located at our customers' facilities, as well as for the provision of certain supplies. We also provide services on the basis of management-only agreements for a limited number of customers. Under a management-only agreement, we provide management and supervisory services while the customer facility retains payroll responsibility for the non-supervisory staff. In certain management-only agreements, the Company maintains responsibility for purchasing supplies. Our agreements with customers typically provide for a renewable service term cancellable by either party upon 30 to 90 days' notice after an initial period of 60 to 120 days.

We are organized into two reportable segments: housekeeping, laundry, linen and other services ("Environmental Services" or "EVS") and dietary department services ("Dietary").

Environmental Services consists of managing the customers' housekeeping departments, which are principally responsible for the cleaning, disinfecting and sanitizing of resident rooms and common areas of a customer's facility, as well as the laundering and processing of the bed linens, uniforms, resident personal clothing and other assorted linen items utilized at a customer facility. Upon beginning service with a customer facility, we typically hire and train the employees previously employed by such facility and assign an on-site manager to supervise the front-line personnel and coordinate housekeeping services with other facility support functions in accordance with customer requests. Such management personnel also oversee the execution of various cost and quality control procedures including continuous training and employee evaluation. On-site management is responsible for all daily customer housekeeping department activities with regular support provided by a District Manager specializing in such services.

Dietary services consist of managing our customers' dietary departments, which are principally responsible for food purchasing, meal preparation and professional dietitian services, which include the development of menus that meet the dietary needs of residents. On-site management is responsible for all daily dietary department activities with regular support provided by a District Manager specializing in dietary services. We also offer clinical consulting services to our dietary customers which may be provided as a standalone service or be bundled with other dietary department services. Upon beginning service with a customer facility, we typically hire and train the employees previously employed by such facility and assign an on-site manager to supervise the front-line personnel and coordinate dietitian services with other facility support functions in accordance with customer requests. Such management personnel also oversee the execution of various cost and quality control procedures including continuous training and employee evaluation.

EVS services were provided to approximately 2,300 customer facilities at June 30, 2026 and contributed approximately 45.1% or $421.5 million of our consolidated revenues for the six months ended June 30, 2026. Dietary services were provided at approximately 1,600 customer facilities at June 30, 2026, generating approximately 54.9% or $512.1 million of our total revenues for the six months ended June 30, 2026.

Three Months Ended June 30, 2026 and 2025

The following table summarizes the income statement key components that we use to evaluate our financial performance on a consolidated and reportable segment basis for the three months ended June 30, 2026 and 2025.

	Three Months Ended June 30,		
	2026	2025	% Change
	(in thousands)		
Revenues			
EVS	$ 213,204	$ 205,743	3.6 %
Dietary	257,604	252,748	1.9 %
Consolidated	$ 470,808	$ 458,491	2.7 %
Costs of services provided			
EVS	$ 172,451	$ 192,021	(10.2)%
Dietary	223,564	263,512	(15.2)%
Consolidated	$ 396,015	$ 455,533	(13.1)%
Selling, general and administrative expense			
EVS	$ 12,435	$ 12,059	3.1 %
Dietary	14,729	14,708	0.1 %
Corporate[1]	18,529	17,747	4.4 %
Gain on deferred compensation plan investments	6,892	4,649	48.2 %
Consolidated	$ 52,585	$ 49,163	7.0 %
Other income (expense)[2]			
Investment and other income, net	$ 9,414	$ 4,735	98.8 %
Interest expense	(619)	(418)	48.1 %
Income (loss) before taxes	$ 31,003	$ (41,888)	(174.0)%
Income tax expense (benefit)	8,307	(9,522)	(187.2)%
Net income (loss)	$ 22,696	$ (32,366)	(170.1)%

1. Represents selling, general and administrative expense less amounts allocated to segments for labor and labor-related and other segment items.
2. These line items represent corporate costs not allocated to segments.

EVS and Dietary revenues represented approximately 45.3% and 54.7% of consolidated revenues for the three months ended June 30, 2026, respectively.

The following table sets forth the ratio of certain items to consolidated revenues:

	Three Months Ended June 30,	
	2026	2025
Revenues	100.0 %	100.0 %
Operating costs and expenses:		
Costs of services provided	84.1 %	99.4 %
Selling, general and administrative	11.2 %	10.7 %
Other income (expense):		
Investment and other income, net	2.0 %	1.0 %
Interest expense	(0.1)%	(0.1)%
Income (loss) before income taxes	6.6 %	(9.1)%
Income tax provision (benefit)	1.8 %	(2.1)%
Net income (loss)	4.8 %	(7.0)%

Revenues

Consolidated

Consolidated revenues increased 2.7% to $470.8 million during the three months ended June 30, 2026 compared to $458.5 million for the corresponding period in 2025 as a result of the factors discussed below under Reportable Segments.

Reportable Segments

EVS revenues increased 3.6% and Dietary revenues increased 1.9% during the three months ended June 30, 2026 compared to the corresponding period in 2025. The increase in revenues was driven by client wins and retention, driven by consistent service execution across our customer facilities, contractual price increases and increased pass-through costs to customers.

Costs of Services Provided

Consolidated

Consolidated costs of services provided decreased by 13.1% to $396.0 million for the three months ended June 30, 2026 compared to $455.5 million for the corresponding period in 2025 as a result of the factors discussed below under Reportable Segments and due to the timing of customer restructurings and adjustments to our actuarial liabilities during each period. Costs of services provided, as a percentage of revenues, was 84.1% for the three months ended June 30, 2026 compared to 99.4% for the same period in 2025. During the three months ended June 30, 2025, we recognized $61.2 million of bad debt expense within costs of services provided due to large customer bankruptcies. During the three months ended June 30, 2026 and 2025, updates to our loss estimates for workers' compensation and general liability reduced costs of services provided by $1.3 million and $6.2 million, respectively.

Reportable Segments

We include certain expenses classified as selling, general and administrative expenses within segment expenses. Segment expenses for EVS, as a percentage of EVS revenues, decreased to 86.7% for the three months ended June 30, 2026 from 99.2% in the corresponding period in 2025. Segment expenses for Dietary, as a percentage of Dietary revenues, decreased to 92.5% for the three months ended June 30, 2026 from 110.1% in the corresponding period in 2025.

The following tables provide a comparison of the key indicators we consider when managing segment expenses as a percentage of the respective segment's revenues:

Key Indicators as a % of Segment Revenue - EVS	Three Months Ended June 30, 2026	2025	Change
Labor and labor-related costs[1]	76.6%	77.5%	(0.9)%
Supplies	7.3%	6.9%	0.4%
Bad debt expense	0.5%	12.1%	(11.6)%
Depreciation and amortization	0.6%	0.6%	—%
Other costs[1]	1.7%	2.1%	(0.4)%
Total segment expenses	86.7%	99.2%	(12.5)%

1. Inclusive of certain expenses reported within selling, general and administrative expense that are segment-specific.

Key Indicators as a % of Segment Revenue - Dietary	Three Months Ended June 30, 2026	2025	Change
Labor and labor-related costs[1]	58.2%	57.7%	0.5%
Supplies	30.5%	30.6%	(0.1)%
Bad debt expense	1.2%	18.7%	(17.5)%
Depreciation and amortization	0.3%	0.6%	(0.3)%
Other costs[1]	2.3%	2.4%	(0.1)%
Total segment expenses	92.5%	110.1%	(17.6)%

1. Inclusive of certain expenses reported within selling, general and administrative expense that are segment-specific.

Variations within these key indicators relate to the provision of services at new facilities, changes in the mix of customers for whom we provide supplies or do not provide supplies, changes in the services provided to certain customers and changes in bad debt expense. Management focuses on building efficiencies and managing labor and other costs at the facility level, as well as managing supply chain costs, for new and existing facilities, and has also evaluated the impact of recent tariff and trade policy changes, which to date have not had a material impact on our operations or financial results as such costs are generally passed through to customers.

Consolidated Selling, General and Administrative Expense

Selling, general and administrative expense incurred at a segment-level is discussed in the Reportable Segments section above. Also included in consolidated selling, general and administrative expense are corporate expenses and gains and losses associated with changes in the value of investments in the deferred compensation plan. These investments represent the amounts held on behalf of the participating employees as changes in the value of these investments affect the amount of our deferred compensation liability. Gains on the plan investments during the three months ended June 30, 2026 and 2025 increased our total selling, general and administrative expense for each period.

Excluding the change in the deferred compensation plan described above, consolidated selling, general and administrative expense increased $1.2 million or 2.6% for the three months ended June 30, 2026 compared to the corresponding period in 2025.

The table below summarizes the changes in these components of selling, general and administrative expense:

	Three Months Ended June 30, 2026	2025	$ Change	% Change
	(dollar amounts in thousands)			
Selling, general and administrative expense excluding change in deferred compensation liability	$ 45,693	$ 44,514	$ 1,179	2.6 %
Gain on deferred compensation plan investments	6,892	4,649	2,243	48.2 %
Selling, general and administrative expense	$ 52,585	$ 49,163	$ 3,422	7.0 %

Consolidated Investment and Other Income, net

Investment and other income, net was $9.4 million for the three months ended June 30, 2026 compared to $4.7 million in the corresponding 2025 period, respectively, driven by increases in interest income from outstanding cash and marketable securities and increased gains recognized on deferred compensation plan investments.

The table below summarizes the changes in these components of investment and other income, net:

	Three Months Ended June 30,			
	2026	2025	$ Change	% Change
	(dollar amounts in thousands)			
Investment and other income, net excluding change in deferred compensation plan assets	$ 2,522	$ 92	$ 2,430	N/R
Gain on deferred compensation plan investments	6,892	4,643	2,249	48.4 %
Investment and other income, net	$ 9,414	$ 4,735	$ 4,679	98.8 %

Consolidated Interest Expense

Consolidated interest expense was $0.6 million and $0.4 million for the three months ended June 30, 2026 and 2025, respectively. During the three months ended June 30, 2026, we recognized $0.3 million in interest expense related to accelerated amortization of financing costs associated with the amendment of our line of credit.

Consolidated Income Taxes

During the three months ended June 30, 2026, we recognized a provision for income taxes of $8.3 million, or 26.8% effective tax rate, versus a benefit for income taxes of $9.5 million, or 22.7% effective tax rate, for the same period in 2025. The effective tax rate change is based on the impact of discrete items in each quarter combined with the impact of our full year income estimate on the tax provision.

The actual annual effective tax rate will be impacted by the tax effects of option exercises and vested awards, which are treated as discrete items in the reporting period in which they occur and may vary based on our common stock price at exercise and the volume of such exercises; therefore, these are not considered in the calculation of the estimated annual effective tax rate. The impact on our income tax provision for each of the three months ended June 30, 2026 and 2025 for such discrete items was an expense of $0.3 million.

Six Months Ended June 30, 2026 and 2025

The following table summarizes the income statement key components that we use to evaluate our financial performance on a consolidated and reportable segment basis for the six months ended June 30, 2026 and 2025.

	Six Months Ended June 30,		
	2026	2025	% Change
	(in thousands)		
Revenues			
EVS	$ 421,457	$ 402,081	4.8 %
Dietary	512,117	504,072	1.6 %
Consolidated	$ 933,574	$ 906,153	3.0 %
Costs of services provided			
EVS	$ 342,731	$ 354,959	(3.4)%
Dietary	440,215	480,265	(8.3)%
Consolidated	$ 782,946	$ 835,224	(6.3)%
Selling, general and administrative expense			
EVS	$ 25,184	$ 24,272	3.8 %
Dietary	29,561	30,184	(2.1)%
Corporate[1]	34,515	36,491	(5.4)%
Gain on deferred compensation plan investments	5,322	3,182	67.3 %
Consolidated	$ 94,582	$ 94,129	0.5 %
Other income (expense)[2]			
Investment and other income, net	$ 10,482	$ 6,019	74.1 %
Interest expense	(984)	(813)	21.0 %
Income (loss) before taxes	$ 65,544	$ (17,994)	(464.3)%
Income tax expense (benefit)	16,788	(2,856)	(687.8)%
Net income (loss)	$ 48,756	$ (15,138)	(422.1)%

1. Represents selling, general and administrative expense less amounts allocated to segments for labor and labor-related and other segment items.
2. These line items represent corporate costs not allocated to segments.

EVS and Dietary revenues represented approximately 45.1% and 54.9% of consolidated revenues for the six months ended June 30, 2026, respectively.

The following table sets forth the ratio of certain items to consolidated revenues:

	Six Months Ended June 30,	
	2026	2025
Revenues	100.0 %	100.0 %
Operating costs and expenses:		
Costs of services provided	83.9 %	92.2 %
Selling, general and administrative	10.1 %	10.4 %
Other income (expense):		
Investment and other income, net	1.1 %	0.7 %
Interest expense	(0.1)%	(0.1)%
Income (loss) before income taxes	7.0 %	(2.0)%
Income tax provision (benefit)	1.8 %	(0.3)%
Net income (loss)	5.2 %	(1.7)%

Revenues

Consolidated

Consolidated revenues increased 3.0% to $933.6 million for the six months ended June 30, 2026 compared to $906.2 million for the corresponding period in 2025 as a result of the factors discussed below under Reportable Segments.

Reportable Segments

EVS revenues increased 4.8% during the six months ended June 30, 2026 compared to the 2025 comparable period, while Dietary revenues increased 1.6% over the same period. The increase in revenues was driven by client wins and retention, driven by consistent service execution across our customer facilities, contractual price increases and increased pass-through costs to customers.

Costs of Services Provided

Consolidated

Consolidated costs of services provided decreased by 6.3% to $782.9 million for the six months ended June 30, 2026 compared to $835.2 million for the corresponding period in 2025 as a result of the factors discussed below under Reportable Segments and due to the timing of customer restructurings. Costs of services provided, as a percentage of revenues, was 83.9% for the six months ended June 30, 2026 compared to 92.2% for the same period in 2025. During the six months ended June 30, 2025, we recognized $61.2 million of bad debt expense due to large customer bankruptcies. During the six months ended June 30, 2026 and 2025, updates to our loss estimates for workers' compensation and general liability reduced costs of services provided by $6.0 million and $6.2 million, respectively.

Reportable Segments

We include certain expenses classified as selling, general and administrative expenses within segment expenses. Segment expenses for EVS, as a percentage of EVS revenues, decreased to 87.3% for the six months ended June 30, 2026 from 94.3% for the corresponding period in 2025. Segment expenses for Dietary, as a percentage of Dietary revenues, decreased to 91.7% for the six months ended June 30, 2026 from 101.3% in the corresponding period in 2025.

The following table provides a comparison of the key indicators we consider when managing costs of services provided at the segment level as a percentage of the respective segment's revenues:

Key Indicators as a % of Segment Revenue - EVS	Six Months Ended June 30, 2026	2025	Change
Labor and labor-related costs[1]	76.7%	78.7%	(2.0)%
Supplies	7.3%	6.9%	0.4%
Bad debt expense	1.1%	6.3%	(5.2)%
Depreciation and amortization	0.5%	0.6%	(0.1)%
Other costs[1]	1.7%	1.8%	(0.2)%
Total segment expenses	87.3%	94.3%	(7.0)%

1. Inclusive of certain expenses reported within selling, general and administrative expense that are segment-specific.

Key Indicators as a % of Segment Revenue - Dietary	Six Months Ended June 30, 2026	2025	Change
Labor and labor-related costs[1]	58.2%	58.6%	(0.4)%
Supplies	30.5%	30.4%	0.1%
Bad debt expense	0.6%	9.5%	(8.9)%
Depreciation and amortization	0.3%	0.5%	(0.2)%
Other costs[1]	2.1%	2.3%	(0.2)%
Total segment expenses	91.7%	101.3%	(9.6)%

1. Inclusive of certain expenses reported within selling, general and administrative expense that are segment-specific.

Variations within these key indicators relate to the provision of services at new facilities, changes in the mix of customers for whom we provide supplies or do not provide supplies, changes in the services provided to certain customers and changes in bad debt expense. Management focuses on building efficiencies and managing labor and other costs at the facility level, as well as managing supply chain costs, for new and existing facilities, and has also evaluated the impact of recent tariff and trade policy changes, which to date have not had a material impact on our operations or financial results as such costs are generally passed through to customers.

Consolidated Selling, General and Administrative Expense

Selling, general and administrative expense incurred at a segment-level is discussed in the Reportable Segments section above. Also included in consolidated selling, general and administrative expense are corporate expenses and gains and losses associated with changes in the value of investments in the deferred compensation plan. These investments represent the amounts held on behalf of the participating employees and changes in the value of these investments affect the amount of our deferred compensation liability. Gains on the plan investments during the six months ended June 30, 2026 and 2025 increased our total selling, general and administrative expense for each period.

Excluding the change in the deferred compensation plan described above, consolidated selling, general and administrative expense decreased $1.7 million or 1.9% for the six months ended June 30, 2026 compared to the corresponding period in 2025. Decreases were driven by discipline in execution and leveraging our topline growth to gain efficiencies.

The table below summarizes the changes in these components of selling, general and administrative expense:

	Six Months Ended June 30, 2026	2025	$ Change	% Change
	(dollar amounts in thousands)			
Selling, general and administrative expense excluding change in deferred compensation plan liability	$ 89,260	$ 90,947	$ (1,687)	(1.9)%
Gain on deferred compensation plan investments	5,322	3,182	2,140	67.3 %
Selling, general and administrative expense	$ 94,582	$ 94,129	$ 453	0.5 %

Consolidated Investment and Other Income, net

Investment and other income, net was $10.5 million and $6.0 million for the six months ended June 30, 2026 and 2025, respectively. The increase was driven by increased interest income from outstanding cash and marketable securities and the gain recognized on deferred compensation plan investments.

The table below summarizes the changes in these components of investment and other income, net:

	Six Months Ended June 30,			
	2026	2025	$ Change	% Change
	(dollar amounts in thousands)			
Investment and other income, net excluding change in deferred compensation plan assets	$ 5,159	$ 2,824	$ 2,335	82.7 %
Gain on deferred compensation plan investments	5,323	3,195	2,128	66.6 %
Investment and other income, net	$ 10,482	$ 6,019	$ 4,463	74.1 %

Consolidated Interest Expense

Consolidated interest expense was $1.0 million and $0.8 million for the six months ended June 30, 2026 and 2025, respectively. During the six months ended June 30, 2026, we recognized $0.3 million in interest expense related to the amendment of our line of credit.

Consolidated Income Taxes

During the six months ended June 30, 2026 and 2025, we recognized a provision for income taxes of $16.8 million, or 25.6% effective tax rate, and $2.9 million, or 15.9% effective tax rate, respectively. The effective tax rate change is based on the impact of discrete items in each quarter combined with the impact of our full year income estimate on the tax provision.

The actual annual effective tax rate will be impacted by the tax effects of option exercises and vested awards, which are treated as discrete items in the reporting period in which they occur and may vary based upon our common stock price at exercise and the volume of such exercises; therefore, these are not considered in the calculation of the estimated annual effective tax rate. The impact on our income tax provision for the six months ended June 30, 2026 and 2025 for such discrete items was an expense of $0.1 million and $1.1 million, respectively.

Liquidity and Capital Resources

Our primary sources of liquidity are available cash and cash equivalents, available lines of credit under our bank line of credit (the “Credit Agreement”) and cash flows from operating activities. The following table includes the balances of our primary sources of liquidity at June 30, 2026 and December 31, 2025:

	June 30, 2026	December 31, 2025
	(in thousands)	
Cash and cash equivalents	$ 123,406	$ 125,189
Restricted cash equivalents	54	5,577
Marketable securities, at fair value	41,316	42,774
Restricted marketable securities, at fair value	36,089	30,352
Total	$ 200,865	$ 203,892
Working capital	$ 380,407	$ 406,040

Our current ratio was 3.0 to 1.0 at June 30, 2026, and 3.4 to 1.0 at December 31, 2025. Marketable securities and restricted marketable securities represent fixed income investments that are highly liquid and can be readily purchased or sold through established markets. Such securities are held by the Company’s captive insurance company to satisfy capital requirements of the state regulator of our captive insurance company.

For the six months ended June 30, 2026 and 2025, our cash flows were as follows:

	Six Months Ended June 30,	
	2026	2025
	(in thousands)	
Net cash from operating activities	$ 65,600	$ 56,288
Net cash from investing activities	$ (25,304)	$ (16,820)
Net cash from financing activities	$ (47,602)	$ (16,455)

Operating Activities

Our primary sources of cash from operating activities are the revenues generated from our Environmental and Dietary services. Our primary uses of cash from operating activities are the funding of our payroll and other personnel-related costs as well as the costs of supplies used in providing our services. For the six months ended June 30, 2026, cash flow from operations included $48.8 million in net income, non-cash add-backs to net income of $14.4 million, and a $2.4 million increase in cash flows from changes in operating assets and liabilities.

Investing Activities

Our principal uses of cash for investing activities are acquisitions and other strategic investments, capital expenditures such as EVS and food service equipment, computer software and equipment, furniture and fixtures (see “Capital Expenditures” below for additional information) and purchases of marketable securities and restricted marketable securities. Such uses of cash are offset by proceeds from sales of marketable securities and disposals of equipment.

Our investments in marketable securities and restricted marketable securities are primarily comprised of municipal bonds, treasury notes, corporate bonds and other government bonds and are intended to achieve our goal of preserving principal, maintaining adequate liquidity and maximizing returns subject to our investment guidelines. Our investment policy limits investment to certain types of instruments issued by institutions primarily with investment-grade ratings and places restrictions on concentration by type and issuer.

Financing Activities

The primary uses of cash for financing activities are repurchases of common stock. On February 10, 2026, our Board of Directors authorized the repurchase of up to 10.0 million outstanding shares (the “2026 Repurchase Plan”). This replaced a previous authorization from our Board of Directors on February 14, 2023, which had authorized the repurchase of up to 7.5 million outstanding shares (the “2023 Repurchase Plan”, together with the 2026 Repurchase Plan, the “Repurchase Plans”) and of which 5.9 million had been repurchased.

During the three months ended June 30, 2026 and 2025, under the Repurchase Plans we repurchased 1.0 million and 0.5 million shares of our common stock for $20.1 million and $7.6 million, respectively, including commissions and taxes. During the six months ended June 30, 2026 and 2025, we repurchased 2.2 million and 1.2 million shares of our common stock for $44.3 million and $14.6 million, respectively, including commissions and taxes. We remain authorized to repurchase up to 8.3 million shares of our common Stock pursuant to the 2026 Repurchase Plan.

For the six months ended June 30, 2026 and the year ended December 31, 2025, our quarterly repurchases of common stock were as follows:

Three Months Ended	Total number of shares of Common Stock repurchased		Average price paid per share of Common Stock		Aggregate purchase price of Common Stock repurchases, excluding taxes	Number of remaining shares authorized for repurchase
			(in thousands, except for per share data)			
June 30, 2026	964	$	20.62	$	19,885	8,256
March 31, 2026	1,206	$	19.85	$	23,928	9,220
December 31, 2025	1,078	$	18.19	$	19,604	2,033
September 30, 2025	1,743	$	15.64	$	27,271	3,111
June 30, 2025	523	$	14.73	$	7,706	4,854
March 31, 2025	653	$	10.77	$	7,036	5,377

Line of Credit

We maintain the Credit Agreement on which to draw for general corporate purposes. On April 7, 2026, we entered into a Second Amendment to the Credit Agreement (the "Second Amendment"). The Second Amendment, among other things, extended the maturity date of the Credit Agreement from November 22, 2027 to April 7, 2031, amended the definition of Consolidated EBITDA and added a daily SOFR rate option to the Credit Agreement. Except as expressly amended by the Second Amendment, the terms of the Credit Agreement remain in full force and effect.

At June 30, 2026, the total line of credit available under the Credit Agreement was $300 million. Amounts drawn under the line of credit are payable upon demand and generally bear interest at a floating rate, based on our leverage ratio, and starting at Term Secured Overnight Financing Rate ("SOFR") plus 165 basis points. The Credit Agreement also provides, at our discretion, the ability to increase the revolving loan commitments to an aggregate amount not to exceed $500 million. At June 30, 2026, we had no borrowings under the Credit Agreement.

The Credit Agreement requires us to satisfy two financial covenants. The covenants and their respective status at June 30, 2026 were as follows:

Covenant Descriptions and Requirements	As of June 30, 2026
Funded debt[1] to EBITDA[2] ratio: less than 3.50 to 1.00	N/A[3]
EBITDA to Interest Expense ratio: not less than 3.00 to 1.00	99.47

1. All indebtedness for borrowed money including, but not limited to, capitalized lease obligations, reimbursement obligations in respect of letters of credit and guarantees of any such indebtedness.
2. EBITDA is defined as net income plus interest expense, income tax expense, depreciation, amortization, share-based compensation expense, costs incurred to maintain the line of credit facility and certain third-party charges associated with the line of credit agreement or permitted acquisition-related activity, subject to limitations outlined in the credit agreement, incurred over a trailing twelve-month period.
3. As of June 30, 2026, we do not have any funded debt, as defined in the Credit Agreement.

We were in compliance with our financial covenants as of June 30, 2026 and expect to remain in compliance. We believe that our existing capacity under the Credit Agreement and our history of favorable operating cash flows provides adequate liquidity to fund our operations for the next twelve months following the date of this report. At June 30, 2026, we had outstanding $32.0 million in irrevocable standby letters of credit, which relate to payment obligations under our insurance programs.

Capital Expenditures

The level of capital expenditures is generally dependent on the number of new customers obtained. Such capital expenditures primarily consist of EVS and food service equipment purchases, laundry and linen equipment installations, computer hardware and software, furniture and fixtures. Although we have no specific material commitments for capital expenditures through the end of calendar year 2026, we estimate that for 2026 we will have capital expenditures of approximately $5.0 million to $7.0 million, of which we have made $3.0 million through June 30, 2026.

Although there can be no assurance, we believe that our cash from operations, existing cash and cash equivalents balance and credit line will be adequate for the foreseeable future to satisfy the needs of our operations and to fund our anticipated growth. However, should these sources not be sufficient, we would seek to obtain necessary capital from such sources as long-term debt or equity financing. In addition, there can be no assurance of the terms thereof and any subsequent equity financing sought may have dilutive effects on our current shareholders.

Material Off-Balance Sheet Arrangements

We have no material off-balance sheet arrangements other than our irrevocable standby letters of credit previously discussed.

Critical Accounting Policies and Estimates

Our significant accounting policies are described in the notes to the consolidated financial statements included in the Form 10-K for the period ended December 31, 2025. Refer to our Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Form 10-K.

In preparing our financial statements, management is required to make estimates and assumptions that, among other things, affect the reported amounts of assets, liabilities, revenue and expenses. These estimates and assumptions are most significant when they involve levels of subjectivity and judgment necessary to account for highly uncertain matters or matters susceptible to change and where they can have a material impact on our financial condition and operating performance. If actual results were to differ materially from the estimates made, the reported results could be materially affected.

Critical accounting estimates and the related assumptions are evaluated periodically as conditions warrant, and changes to such estimates are recorded as new information or changed conditions require.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

At June 30, 2026, we had $200.9 million in cash and cash equivalents, restricted cash equivalents, marketable securities and restricted marketable securities. The fair value of all of our cash equivalents and marketable securities are determined based on "Level 1" or "Level 2" inputs, which are based upon quoted prices for identical instruments in active markets, or based upon quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market. We place our cash investments in instruments that meet credit quality standards, as specified in our investment policy guidelines.

Investments in both fixed-rate and floating-rate investments carry a degree of interest rate risk. The market value of fixed rate securities may be adversely impacted by an increase in interest rates, while floating rate securities may produce less income than expected if interest rates fall. Due in part to these factors, our future investment income may fall short of expectations due to changes in interest rates or if there is a decline in the fair value of our investments.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are intended to ensure that information required to be disclosed in our reports under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), such as this Form 10-Q, is reported in accordance with Securities and Exchange Commission rules. Disclosure controls are also intended to ensure that such information is accumulated and communicated to Management, including the Principal Executive Officer (President and Chief Executive Officer) and the Principal Financial Officer (Chief Financial Officer) as appropriate, to allow timely decisions regarding required disclosure. Based on their evaluation as of June 30, 2026, pursuant to the Exchange Act Rule 13a-15(b), our Management, including our Principal Executive Officer and Principal Financial Officer, concluded that our internal control over financial reporting was effective.

Changes in Internal Control over Financial Reporting

There were no changes in the Company’s internal controls over financial reporting that occurred during the three months ended June 30, 2026 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting. The Company continues to review its disclosure controls and procedures, including its internal control over financial reporting, and may from time to time make changes aimed at enhancing their effectiveness and to ensure that the Company’s systems evolve with its business.

Certifications

Certifications of the Principal Executive Officer and Principal Financial Officer regarding, among other items, disclosure controls and procedures are included as exhibits to this Form 10-Q.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

In the normal course of business, the Company is involved in various administrative and legal proceedings, including labor and employment, contracts, personal injury and insurance matters. The Company believes it is not a party to, nor are any of its properties the subject of, any pending legal proceeding or governmental examination that would have a material adverse effect on the Company's consolidated financial condition or liquidity.

At this time, the Company is unable to reasonably estimate possible losses or form a judgment that an unfavorable outcome is either probable, reasonably possible or remote with respect to certain pending litigation claims asserted.

In light of the uncertainties involved in such proceedings, the ultimate outcome of a particular matter could become material to the Company's results of operations for a particular period depending on, among other factors, the size of the loss or liability imposed and the level of the Company's operating income for that period.

Item 1A. Risk Factors

As of June 30, 2026, there have been no material changes to the Risk Factors disclosed in "Part I. Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2025, except as set forth below.

Macroeconomic conditions, including geopolitical instability and related increases in fuel, energy and other input costs, may adversely affect our business and results of operations.

Geopolitical instability, including conflicts in the Middle East and related disruptions in global energy and commodity markets, could result in increased volatility in fuel, transportation and other operating costs. Rising oil, natural gas and other commodity prices may also contribute to broader inflationary pressures affecting wages, food, supplies and other goods and services used in our operations. If we are unable to mitigate these cost increases through pricing actions, contractual pass-throughs, other contractual adjustments, procurement strategies, operating efficiencies or other measures, our costs of services, margins, results of operations and cash flows could be adversely affected. In addition, increased macroeconomic uncertainty could affect customer spending patterns and the overall business environment in which we operate. The extent, timing and duration of these developments remain uncertain, and their impact on our business, financial condition and results of operations could be material.

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

Repurchases of Equity Securities

On February 10, 2026, our Board of Directors authorized the repurchase of up to 10.0 million outstanding shares of common stock (under the "2026 Repurchase Plan"). We remain authorized to purchase 8.3 million shares of common stock under the 2026 Repurchase Plan. The 2026 Repurchase Plan replaced a previous authorization from our Board of Directors, dated February 14, 2023, where our Board of Directors authorized the repurchase of up to 7.5 million outstanding shares (the "2023 Repurchase Plan", together with the 2026 Repurchase Plan, the "Repurchase Plans").

Any stock repurchases under the 2026 Repurchase Plan may be made through open market and privately negotiated transactions, at such times and in such amounts as management deems appropriate, including pursuant to one or more Rule 10b5-1 trading plans adopted in accordance with Rule 10b5-1 of the Securities Exchange Act of 1934, as amended. Additionally, the Board of Directors authorized the use of any derivative or similar instrument to effect stock repurchase transactions, including without limitation, accelerated share repurchase contracts, equity forward transactions, equity option transactions, equity swap transactions, cap transactions, collar transactions, naked put options, floor transactions or other similar transactions or any combination of the foregoing transactions.

Shares repurchased pursuant to the 2026 Repurchase Plan during the three months ended June 30, 2026, were as follows:

Three Months Ended June 30, 2026	Total number of shares of Common Stock repurchased	Average price paid per share of Common Stock	Aggregate purchase price of Common Stock repurchases[1]	Number of remaining shares authorized for repurchase
			(in thousands)	
April 1, 2026 - April 30, 2026	439,330	$ 19.85	$ 8,723	8,781
May 1, 2026 - May 31, 2026	233,750	$ 21.30	$ 4,979	8,547
June1, 2026 - June 30, 2026	291,174	$ 21.24	$ 6,183	8,256
Total	964,254	$ 20.62	$ 19,885	8,256

1. Excludes commissions and excise tax costs of $0.2 million.

During the quarter, a significant portion of the Company's repurchases were made pursuant to Rule 10b5-1 trading plans adopted under the Securities Exchange Act of 1934, as amended, while the remainder were discretionary open-market transactions executed under the Company's publicly announced share repurchase program.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

During the three months ended June 30, 2026, none of our directors or officers (as defined in Rule 16a-1(f) of the Exchange Act) adopted, terminated or modified a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K of the Securities Act of 1933, as amended).

On July 21, 2026, Healthcare Services Group, Inc. adopted Amendment No. 5 to the Healthcare Services Group, Inc. Employee Stock Purchase Plan (the "ESPP"), originally effective as of January 1, 2000, and as amended effective January 1, 2004, April 12, 2011, August 1, 2016 and July 20, 2021. The Amendment No. 5 extends the ESPP for an additional five years through 2031.

Item 6. Exhibits

The following exhibits are filed as part of this Report:

Exhibit Number	Description
4.1#	Amendment No. 5 to the Healthcare Services Group, Inc. Employee Stock Purchase Plan, dated as of July 21, 2026+
10.1	Second Amendment to $300,000,000 Credit Agreement, dated as of April 7, 2026 (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the SEC on April 13, 2026)*
10.2	Second Amended and Restated 2020 Omnibus Incentive Plan
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act +
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act +
32.1	Certification of the Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act +
101	The following financial information from the Company's Form 10-Q for the quarterly period ended June 30, 2026 formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Comprehensive Income/(Loss), (iii) Consolidated Statements of Cash Flows, (iv) Consolidated Statement of Stockholders' Equity, and (v) Notes to Consolidated Financial Statements
104	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101.)

# Indicates a management plan or compensatory plan or arrangement.
+ Filed herewith
*Certain Schedules and exhibits have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company agrees to furnish supplementally a copy of any omitted schedule or exhibit to the SEC upon its request.

Signatures

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

	HEALTHCARE SERVICES GROUP, INC.
Date: July 24, 2026	/s/ Theodore Wahl
	Theodore Wahl *President & Chief Executive Officer* (Principal Executive Officer)
Date: July 24, 2026	/s/ Vikas Singh
	Vikas Singh *Executive Vice President & Chief Financial Officer* (Principal Financial Officer)

Amendment No. 5 to the

Healthcare Services Group, Inc. Employee Stock Purchase Plan

Dated as of July 21, 2026

THIS AMENDMENT NO. 5 (this “Amendment’) to the Healthcare Services Group, Inc. Employee Stock Purchase Plan originally effective as of January 1, 2000, and as amended effective January 1, 2004, April 12, 2011, August 1, 2016 and July 20, 2021 (the “ESPP”) is made as of July 21, 2026.

WHEREAS, Healthcare Services Group, Inc. (the “Company”) adopted the ESPP effective as of January 1, 2000 (the “Original Effective Date”), and amended the ESPP effective January 1, 2004 (“Amendment No. 1”), April 12, 2011 (“Amendment No. 2”) August 1, 2016 (“Amendment No. 3”) and June 20, 2021 (“Amendment No. 4”).

WHEREAS, the Board of Directors of the Company deems it in the best interest of the Company to amend the ESPP and extend the ESPP for an additional five annual offerings.

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby amends the ESPP as follows:

1. Amendment to Section 4.01. Section 4.01 is hereby amended and replaced in its entirety with the following:

“4.01. Annual Offerings. The Plan will be implemented by five (5) annual offerings of the Company’s Common Stock (the “Offerings”). The first Offering will begin January 1, 2027 and terminate on December 31, 2027. Each of the subsequent Offerings will begin on the 1st day of January in each of the years 2028, 2029, 2030 and 2031 with each such Offering terminating on December 31 of each year. The maximum number of shares issued in the respective years shall be:

From January 1, 2027 to December 31, 2027: 75,000 shares, plus unissued shares from the prior offerings since the Original Effective Date, whether offered or not, not to exceed 800,000 shares (as adjusted upon changes in capitalization of the Company as provided in Section 12.04 since the Original Effective Date).

From January 1, 2028 to December 31, 2028: 75,000 shares, plus unissued shares from the prior offerings since the Original Effective Date, whether offered or not, not to exceed 800,000 shares (as adjusted upon changes in capitalization of the Company as provided in Section 12.04 since the Original Effective Date).

From January 1, 2029 to December 31, 2029: 75,000 shares, plus unissued shares from the prior offerings since the Original Effective Date, whether offered or not, not to exceed 800,000 shares (as adjusted upon changes in capitalization of the Company as provided in Section 12.04 since the Original Effective Date).

From January 1, 2030 to December 31, 2030: 75,000 shares, plus unissued shares from the prior offerings since the Original Effective Date, whether offered or not, not to exceed 800,000 shares (as adjusted upon changes in capitalization of the Company as provided in Section 12.04 since the Original Effective Date).

From January 1, 2031 to December 31, 2031: 75,000 shares, plus unissued shares from the prior offerings since the Original Effective Date, whether offered or not, not to exceed 800,000 shares

2. No Other Amendments. Except as amended hereby in Section 1, all of the terms and provisions of the ESPP shall remain in full force and effect.

This Amendment No. 5 was approved by the Company as of July 21, 2026.

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Jason J. Bundick,
General Counsel, Chief Compliance Officer & Secretary

SECOND AMENDED AND RESTATED
HEALTHCARE SERVICES GROUP, INC.
2020 OMNIBUS INCENTIVE PLAN

Section 1. General.

The purposes of the Second Amended and Restated Healthcare Services Group, Inc. 2020 Omnibus Incentive Plan (the "Plan") are to: (a) encourage the profitability and growth of the Company through short-term and long-term incentives that are consistent with the Company's objectives; (b) give Participants an incentive for excellence in individual performance; (c) promote teamwork among Participants; and (d) give the Company a significant advantage in attracting and retaining key Employees, Directors and Consultants. To accomplish such purposes, the Plan provides that the Company may grant Options, Stock Appreciation Rights, Restricted Shares, Restricted Stock Units, Performance-Based Awards (including performance-based Restricted Shares and Restricted Stock Units), Other Share-Based Awards, Other Cash-Based Awards or any combination of the foregoing.

Section 2. Definitions.

For purposes of the Plan, the following terms shall be defined as set forth below:

(a) "Administrator" means the Board, or, if and to the extent the Board does not administer the Plan, the Committee in accordance with Section 3 of the Plan.

(b) "Affiliate" means a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Person specified. An entity shall be deemed an Affiliate of the Company for purposes of this definition only for such periods as the requisite ownership or control relationship is maintained. For purposes of this definition, "control" (including with correlative meanings, the terms "controlling," "controlled by," or "under common control with"), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or by contract or otherwise.

(c) "Articles of Incorporation" means the articles of incorporation of the Company, as amended and/or restated from time to time.

(d) "Automatic Exercise Date" means, with respect to an Option or a Stock Appreciation Right, the last business day of the applicable term of the Option pursuant to Section 7(k) or the Stock Appreciation Right pursuant to Section 8(h).

(e) "Award" means any Option, Stock Appreciation Right, Restricted Share, Restricted Stock Unit, Performance-Based Award, Other Share-Based Award or Other Cash-Based Award granted under the Plan.

(f) "Award Agreement" means any written agreement, contract or other instrument or document evidencing an Award. Evidence of an Award may be in written or electronic form, may be limited to notation on the books and records of the Company and, with the approval of the Administrator, need not be signed by a representative of the Company or a Participant. Any Shares that become deliverable to the Participant pursuant to the Plan may be issued in certificate form in the name of the Participant or in book-entry form in the name of the Participant.

(g) "Bylaws" means the bylaws of the Company, as may be amended and/or restated from time to time.

(h) "Beneficial Owner" (or any variant thereof) has the meaning defined in Rule 13d-3 under the Exchange Act.

(i) "Board" means the Board of Directors of the Company.

(j) "Cause" means, with respect to any Participant, (i) “cause” as defined in an unexpired employment agreement or any other similar type of agreement applicable to the Participant, or (ii) in the case of a Participant who does not have an employment agreement or any other similar type of agreement or has an employment agreement or any other similar type of agreement that does not define “cause”: (A) any act or omission that constitutes a material breach by the Participant of any of such Participant’s obligations under such Participant’s employment agreement (if any) with the Company or any of its Subsidiaries, the applicable Award Agreement or any other agreement with the Company or any of its Subsidiaries; (B) the willful and continued failure or refusal of the Participant substantially to perform the duties required of such Participant as an Employee of the Company or any of its Subsidiaries, or performance significantly below the level required or expected of the Participant, as determined by the Administrator; (C) any willful violation by the Participant of any federal or state law or regulation applicable to the business of the Company or any of its Subsidiaries or Affiliates including, but not limited to, the rules and regulations promulgated by the Securities and Exchange Commission as well as the provisions of the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Participant’s commission of any felony or other crime involving moral turpitude, or any willful perpetration by the Participant of a common law fraud; or (D) any other misconduct by the Participant that is materially injurious to the financial condition or business reputation of, or is otherwise materially injurious to, the Company or any of its Subsidiaries or Affiliates.

(k) "Change in Capitalization" means any (i) merger, consolidation, reclassification, recapitalization, spin-off, spin-out, repurchase or other reorganization or corporate transaction or event, (ii) extraordinary dividend (whether in the form of cash, Shares or other property), stock split or reverse stock split, (iii) combination or exchange of shares, (iv) other change in corporate structure or (v) payment of any other distribution, which, in any such case, the Administrator determines, in its sole discretion, affects the Shares such that an adjustment pursuant to Section 5 of the Plan is appropriate.

(l) "Change in Control" means the occurrence of any of the following:

(i) a tender offer (or series of related offers) shall be made and consummated for the ownership of fifty percent (50%) or more of the outstanding voting securities of the Company, unless as a result of such tender offer more than fifty percent (50%) of the outstanding voting securities of the surviving or resulting corporation shall be owned in the aggregate by the stockholders of the Company (as of the time immediately prior to the commencement of such offer), any employee benefit plan of the Company or its Subsidiaries, and their Affiliates;

(ii) the Company shall be merged or consolidated with another corporation, unless as a result of such merger or consolidation more than fifty percent (50%) of the outstanding voting securities of the surviving or resulting corporation shall be owned in the aggregate by the stockholders of the Company (as of the time immediately prior to such transaction), any employee benefit plan of the Company or its Subsidiaries, and their Affiliates;

(iii) the Company shall sell substantially all of its assets to another corporation that is not wholly owned by the Company, unless as a result of such sale more than fifty percent (50%) of such assets shall be owned in the aggregate by the stockholders of the Company (as of the time immediately prior to such transaction), any employee benefit plan of the Company or its Subsidiaries and their Affiliates; or

(iv) a Person shall acquire 50% or more of the outstanding voting securities of the Company (whether directly, indirectly, beneficially or of record), unless as a result of such acquisition more than 50% of the outstanding voting securities of the surviving or resulting corporation shall be owned in the aggregate by the stockholders of the Company (as of the time immediately prior to the first acquisition of such securities by such Person), any employee benefit plan of the Company or its Subsidiaries, and their affiliates; or

(v) a majority of the members of the Board is replaced during any twelve (12)-month period by directors 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 definition, ownership of voting securities shall take into account and shall include ownership as determined by applying the provisions of Rule 13-3(d)(I)(i) (as in effect on the date hereof) under the Exchange Act.

For each Award that constitutes deferred compensation under Code Section 409A, a transaction shall constitute a Change in Control only if it also constitutes a "change in control event" under the regulations under Code Section 409A.

(m) "Code" means the Internal Revenue Code of 1986, as amended from time to time, or any successor thereto.

(n) "Committee" means any committee or subcommittee the Board may appoint to administer the Plan. Subject to the discretion of the Board, the Committee shall be composed entirely of individuals who meet the qualifications of a “non-employee director” within the meaning of Rule 16b-3 under the Exchange Act and any other qualifications required by the applicable stock exchange on which the Shares are traded. If at any time or to any extent the Board shall not administer the Plan, then the functions of the Administrator specified in the Plan shall be exercised by the Committee. Except as otherwise provided in the Company’s Articles of Incorporation or Bylaws, any action of the Committee with respect to the administration of the Plan shall be taken by a majority vote at a meeting at which a quorum is duly constituted or unanimous written consent of the Committee’s members

(o) "Common Stock" means the common stock, par value $0.01 per share, of the Company.

(p) "Company" means Healthcare Services Group, Inc., a Pennsylvania corporation (or any successor corporation, except as the term "Company" is used in the definition of "Change in Control" above).

(q) "Competing Business" means a business or enterprise (other than the Company and its direct or indirect Subsidiaries) that is engaged in the housekeeping, laundry, linen, and/or dietary services business, in any form whatsoever, which services healthcare and/or healthcare-related institutions in the continental United States.

(r) "Consultant" means any current or prospective consultant or independent contractor of the Company or an Affiliate thereof, in each case, who is not an Employee, Executive Officer or non-employee Director.

(s) "Disability" means, with respect to any Participant who is an Employee, a permanent and total disability as defined in Code Section 22(e)(3).

(t) "Director" means any individual who is a member of the Board on or after the Effective Date.

(u) "Effective Date" shall have the meaning set forth in Section 21 of the Plan.

(v) "Eligible Recipient" means: (i) an Employee; (ii) a non-employee Director; or (iii) a Consultant, in each case, who has been selected as an eligible recipient under the Plan by the Administrator; provided, that any Awards granted prior to the date an Eligible Recipient first performs services for the Company or an Affiliate thereof will not become vested or exercisable, and no Shares shall be issued or other payment made to such Eligible Recipient with respect to such Awards, prior to the date on which such Eligible Recipient first performs services for the Company or an Affiliate thereof. Notwithstanding the foregoing, to the extent required to avoid the imposition of additional taxes under Code Section 409A, "Eligible Recipient" means: an (1) Employee; (2) a non-employee Director; or (3) a Consultant, in each case, of the Company or a Subsidiary thereof, who has been selected as an eligible recipient under the Plan by the Administrator.

(w) "Employee" shall mean any current or prospective employee of the Company or an Affiliate thereof, as described in Treasury Regulation Section 1.421-1(h), including an Executive Officer or Director who is also treated as an employee.

(x) "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time.

(y) "Executive Officer" means each Participant who is an executive officer (within the meaning of Rule 3B-7 under the Exchange Act) of the Company.

(z) "Exercise Price" means, with respect to any Award under which the holder may purchase Shares, the price per share at which a holder of such Award granted hereunder may purchase Shares issuable upon exercise of such Award, as determined by the Administrator in accordance with Code Section 409A, as applicable.

(aa) "Fair Market Value" as of a particular date shall mean: (i) if the Shares are admitted to trading on a national securities exchange, the fair market value of a Share on any date shall be the closing sale price reported for such share on such exchange on such date or, if no sale was reported on such date, on the last day preceding such date on which a sale was reported; (ii) if the Shares are not then listed on a national securities exchange, the average of the highest reported bid and lowest reported asked prices for the Shares as reported by the National Association of Securities Dealers, Inc. Automated Quotations System for the last preceding date on which there was a sale of such stock in such market; or (iii) whether or not the Shares are then listed on a national securities exchange or traded in an over-the-counter market or the value of such Shares is not otherwise determinable, such value as determined by the Administrator in good faith and in a manner not inconsistent with the regulations under Code Section 409A.

(bb) "Free Standing Rights" shall have the meaning set forth in Section 8(a) of the Plan.

(cc) "Good Reason" means, with respect to any Participant, (i) "good reason" as defined in an unexpired employment agreement or any other similar type of agreement applicable to the Participant, or (ii) in the case of a Participant who does not have an employment agreement or any other similar type of agreement or has an employment agreement or any other similar type of agreement that does not define "good reason," a failure by the Company to pay material compensation due and payable to the Participant in connection with such Participant's employment; provided, that a Participant shall not be entitled to resign for Good Reason unless (x) the Participant provides the Company with written notice of the event or condition that purportedly constitutes Good Reason within sixty (60) days following the initial occurrence thereof, (y) the Company fails to cure such event or condition within thirty (30) days following receipt of such written notice and (z) the Participant resigns his or her employment within thirty (30) days following the expiration of such cure period.

(dd) "Incentive Stock Option" means an Option that is intended to satisfy the requirements applicable to and to be treated as an "incentive stock option" described in Code Section 422.

(ee) "Non-qualified Stock Option" means an Option that is not intended to be an Incentive Stock Option.

(ff) "Option" means an option to purchase Shares granted pursuant to Section 7 of the Plan.

(gg) "Other Cash-Based Award" means a cash Award granted to a Participant under Section 11 of the Plan, including cash awarded as a bonus or upon the attainment of Performance Goals or otherwise as permitted under the Plan.

(hh) "Other Share-Based Award" means a right or other interest granted to a Participant under the Plan that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, Shares, including, but not limited to, unrestricted Shares or dividend equivalents, each of which may be subject to the attainment of Performance Goals or a period of continued employment or other terms or conditions as permitted under the Plan.

(ii) "Participant" means any Eligible Recipient selected by the Administrator, pursuant to the Administrator's authority provided for in Section 3 of the Plan, to receive an Award under the Plan, and, upon his or her death, his or her successors, heirs, executors and administrators, as the case may be, solely with respect to any Awards outstanding at the date of the Eligible Recipient's death.

(jj) "Performance-Based Award" means any Award granted under the Plan that is subject to one or more Performance Goals. Any dividends or dividend equivalents payable or credited to a Participant with respect to any unvested Performance-Based Award shall be subject to the same Performance Goals as the Shares or units underlying the Performance-Based Award.

(kk) "Performance Goals" means performance goals based on performance criteria selected by the Administrator, which may include, but are not limited to, any of the following: (i) earnings before interest and taxes; (ii) earnings before interest, taxes, depreciation and amortization; (iii) net operating profit after tax; (iv) cash flow; (v) revenue; (vi) net revenues; (vii) sales; (viii) days sales outstanding; (ix) income; (x) net income; (xi) operating income; (xii) net operating income; (xiii) operating margin; (xiv) earnings; (xv) earnings per share; (xvi) return on equity; (xvii) return on investment; (xviii) return on capital; (xix) return on assets; (xx) return on net assets; (xxi) total shareholder return; (xxii) economic profit; (xxiii) market share; (xxiv) appreciation in the fair market value, book value or other measure of value of the Shares; (xxv) expense or cost control; (xxvi) working capital; (xxvii) customer satisfaction; (xxviii) employee retention or employee turnover; (xxix) employee satisfaction or engagement; (xxx) environmental, health or other safety goals; (xxxi) individual performance; (xxxii) strategic objective milestones; (xxxiii) any other criteria specified by the Administrator in its sole discretion; and (xxxiv) any combination of, or a specified increase in, any of the foregoing. Where applicable, the Performance Goals may be expressed in terms of attaining a specified level of the particular criteria or the attainment of a percentage increase or decrease in the particular criteria, and may be applied to one or more of the Company or an Affiliate thereof, or a division or strategic business unit of the Company, or may be applied to the performance of the Company relative to a market index, a group of other companies or a combination thereof, all as determined by the Administrator. The Performance Goals may include a threshold level of performance below which no payment shall be made (or no vesting shall occur), levels of performance at which specified payments shall be made (or specified vesting shall occur), and a maximum level of performance above which no additional payment shall be made (or at which full vesting shall occur). At the time such an Award is granted, the Administrator may specify any reasonable definition of the Performance Goals it uses. Such definitions may provide for equitable adjustments to the Performance Goals in recognition of unusual or non-recurring events affecting the Company or an Affiliate thereof or the financial statements of the Company or an Affiliate thereof, in response to changes in applicable laws or regulations, or to account for items of gain, loss or expense determined to be unusual in nature, infrequent in occurrence or unusual in nature and infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principles. If the Administrator determines that a change in the business, operations, corporate structure or capital structure of the Company or the manner in which the Company or an Affiliate conducts its business, or other events or circumstances render performance goals to be unsuitable, the Administrator may modify such Performance Goals in whole or in part, as the Committee deems appropriate. If a Participant is promoted, demoted or transferred to a different business unit or function during a performance period, the Administrator may determine that the Performance Goals or performance period are no longer appropriate and may (x) adjust, change or eliminate the Performance Goals or the applicable performance period as it deems appropriate to make such goals and period comparable to the initial goals and period, or (y) make a cash payment to the Participant in an amount determined by the Administrator.

(ll) "Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, however, a Person shall not include (i) the Company or any of its Subsidiaries; (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Subsidiaries; (iii) an underwriter temporarily holding securities pursuant to an offering of such securities; or (iv) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportion as their ownership of stock of the Company.

(mm) "Prior Plan" means the Second Amended and Restated Healthcare Services Group, Inc. 2012 Equity Incentive Plan, as amended from time to time.

(nn) "Related Rights" shall have the meaning set forth in Section 8(a) of the Plan.

(oo) "Restricted Shares" means an Award of Shares granted pursuant to Section 9 of the Plan subject to certain restrictions that lapse at the end of a specified period or periods.

(pp) "Restricted Stock Unit" means a notional account established pursuant to an Award granted to a Participant, as described in Section 10 of the Plan, that is (i) valued solely by reference to Shares, (ii) subject to a restrictions specified in the Award Agreement, and (iii) payable in cash or in Shares (as specified in the Award Agreement). The Restricted Stock Units awarded to the Participant will vest according to the time-based criteria or Performance Goals, and vested Restricted Stock Units will be settled at the time(s), specified in the Award Agreement.

(qq) "Restricted Period" means the period of time determined by the Administrator during which an Award or a portion thereof is subject to restrictions or, as applicable, the period of time within which performance is measured for purposes of determining whether an Award has been earned.

(rr) "Retirement" means, with respect to any Participant who is an Employee, a resignation or termination of employment (other than for Cause) upon the first to occur of the Participant attaining (i) age 65 or (ii) age 55 with ten (10) years of service with the Company or a Subsidiary (including years of service granted by the Company or a Subsidiary as a result of a merger, acquisition, or other transaction); provided further, that the Administrator may determine in its sole discretion that a resignation or termination of employment under other circumstances shall be considered a “Retirement” for purposes of the Plan.

(ss) "Rule 16b-3" shall have the meaning set forth in Section 3(a) of the Plan.

(tt) "Securities Act" means the Securities Act of 1933, as amended from time to time.

(uu) "Shares" means a share of Common Stock.

(vv) "Stock Appreciation Right" means the right pursuant to an Award granted under Section 8 of the Plan to receive an amount equal to the excess, if any, of (i) the aggregate Fair Market Value, as of the date such Award or portion thereof is surrendered, of the Shares covered by such Award or such portion thereof, over (ii) the aggregate Exercise Price of such Award or such portion thereof.

(ww) "Subsidiary" means, with respect to any Person, as of any date of determination, any other Person as to which such first Person owns or otherwise controls, directly or indirectly, more than fifty percent (50%) of the voting shares or other similar interests or a sole general partner interest or managing member or similar interest of such other Person. An entity shall be deemed a Subsidiary of the Company for purposes of this definition only for such periods as the requisite ownership or control relationship is maintained. Notwithstanding the foregoing, in the case of an Incentive Stock Option or any determination relating to an Incentive Stock Option, “Subsidiary” means a corporation that is a subsidiary of the Company within the meaning of Code Section 424(f).

(xx) "Substitute Award" shall mean an Award granted under the Plan upon the assumption of, or in substitution for, outstanding equity awards granted by a company or other entity in connection with a corporate transaction, such as a merger, combination, consolidation, or acquisition of property or stock; *provided*, *however*, that in no event shall the term “Substitute Award” be construed to refer to an award made in connection with the cancellation and repricing of an Option or Stock Appreciation Right.

(yy) "Wrongful Solicitation" shall be deemed to occur when a Participant or former Participant directly or indirectly (except in the course of such Participant’s employment with the Company), for the purpose of conducting or engaging in a Competing Business, calls upon, solicits, advises or otherwise does, or attempts to do, business with any Person who is, or was, during the then most recent twelve (12) month period, a client of the Company or any of its Affiliates, or takes away or interferes or attempts to take away or interfere with any custom, trade, business, patronage or affairs of the Company or any of its Affiliates, or hires or attempts to hire any Person who is, or was during the most recent twelve (12) month period, an employee, officer, representative or agent of the Company or any of its Affiliates, or solicits, induces, or attempts to solicit or induce any person who is an employee, officer, representative or agent of the Company or any of its Affiliates to leave the employ of the Company or any of its Affiliates, or violate the terms of their contract, or any employment agreement, with it.

Section 3. Administration.

(a) The Plan shall be administered by the Administrator in accordance with the requirements of Rule 16b-3 under the Exchange Act ("Rule 16b-3"), to the extent applicable.

(b) Pursuant to the terms of the Plan, the Administrator, subject, in the case of any Committee, to any restrictions on the authority delegated to it by the Board, shall have the power and authority, without limitation:

(i) to select those Eligible Recipients who shall be Participants;

(ii) to determine whether and to what extent Options, Stock Appreciation Rights, Restricted Shares, Restricted Stock Units, Other Share-Based Awards, Other Cash-Based Awards or a combination of any of the foregoing, are to be granted hereunder to Participants;

(iii) to determine the number of Shares to be covered by each Award granted hereunder;

(iv) to determine the terms and conditions, not inconsistent with the terms of the Plan, of each Award granted hereunder, including, but not limited to; (A) the restrictions applicable to Restricted Shares and Restricted Stock Units and the conditions under which restrictions applicable to such Restricted Shares and Restricted Stock Units shall lapse, (B) the Performance Goals and periods applicable to Awards, if any, (C) the Exercise Price of each Award, (D) the vesting schedule applicable to each Award, (E) any confidentiality or restrictive covenant provisions applicable to the Award, and (F) subject to the requirements of Code Section 409A (to the extent applicable), any amendments to the terms and conditions of outstanding Awards, including, but not limited to, extending the exercise period of such Awards and accelerating the vesting schedule of such Awards;

(v) to determine the terms and conditions, not inconsistent with the terms of the Plan, which shall govern all Award Agreements evidencing Options, Stock Appreciation Rights, Restricted Shares, Restricted Stock Units or Other Share-Based Awards, Other Cash-Based Awards or any combination of the foregoing granted hereunder;

(vi) to determine Fair Market Value;

(vii) to determine the duration and purpose of leaves of absence which may be granted to a Participant without constituting termination of the Participant's employment for purposes of Awards granted under the Plan;

(viii) to adopt, alter and repeal such administrative rules, guidelines and practices governing the Plan as it shall from time to time deem advisable;

(ix) to reconcile any inconsistency in, correct any defect in and/or supply any omission in the Plan, any Award Agreement or other instrument or agreement relating to the Plan or an Award granted under the Plan; and

(x) to construe and interpret the terms and provisions of the Plan and any Award issued under the Plan (and any Award Agreement relating thereto), and to otherwise supervise the administration of the Plan and to exercise all powers and authorities either specifically granted under the Plan or necessary and advisable in the administration of the Plan.

(c) All decisions made by the Administrator pursuant to the provisions of the Plan shall be final, conclusive and binding on all persons, including the Company and the Participants. No member of the Board or the Committee, or any officer or employee of the Company or any Subsidiary thereof acting on behalf of the Board or the Committee, shall be personally liable for any action, omission, determination, or interpretation taken or made in good faith with respect to the Plan, and all members of the Board or the Committee and each and any officer or employee of the Company and of any Subsidiary thereof acting on their behalf shall, to the maximum extent permitted by law, be fully indemnified and protected by the Company in respect of any such action, omission, determination or interpretation.

Section 4. Shares Reserved for Issuance Under the Plan and Limitations on Awards.

(a) Subject to Section 5 of the Plan, the number of Shares that are reserved and available for issuance pursuant to Awards granted under the Plan is the sum of (i) 7,500,000 Shares and (ii) any Shares under the Prior Plan subject to awards that, after the Effective Date, are forfeited, terminated, lapsed or satisfied thereunder in cash or property other than Shares. The maximum number of Shares that may be issued pursuant to Options intended to be Incentive Stock Options is 2,500,000.

(b) The maximum number of Shares subject to Awards granted during any fiscal year to any non-employee Director, taken together with any cash fees paid to such non-employee Director during the fiscal year with respect to such Director's service as a non-employee Director, shall not exceed $300,000 in total value (calculating the value of any such Awards based on the grant date Fair Market Value of such Awards for financial reporting purposes).

(c) Shares issued under the Plan may, in whole or in part, be authorized but unissued Shares or Shares that shall have been or may be reacquired by the Company in the open market, in private transactions or otherwise. Any Shares subject to an Award under the Plan that, after the Effective Date, are forfeited, canceled, settled or otherwise terminated without a distribution of Shares to a Participant will thereafter be deemed to be available for Awards. In applying the immediately preceding sentence, if (i) Shares otherwise issuable or issued in respect of, or as part of, any Award are withheld to cover taxes or any applicable Exercise Price, such Shares shall be treated as having been issued under the Plan and shall not be available for issuance under the Plan, and (ii) any Share-settled Stock Appreciation Rights or Options are exercised, the aggregate number of Shares subject to such Stock Appreciation Rights or Options shall be deemed issued under the Plan and shall not be available for issuance under the Plan. In addition, Shares (x) tendered to exercise outstanding Options or other Awards, (y) withheld to cover applicable taxes on any Awards or (z) repurchased on the open market using Exercise Price proceeds shall not be available for issuance under the Plan. For the avoidance of doubt, (A) Shares underlying Awards that are subject to the achievement of performance goals shall be counted against the Share reserve based on the target value of such Awards unless and until such time as such Awards become vested and settled in Shares, and (B) Awards that, pursuant to their terms, may be settled only in cash shall not count against the Share reserve set forth in Section 4(a).

(d) Except in the case of Substitute Awards granted pursuant to Sections 4(e) or 4(f) and subject to the following sentence, Awards granted under the Plan shall be subject to a minimum vesting period of one (1) year. Notwithstanding the foregoing, (i) the Administrator may provide in an Award Agreement or following the time of grant that the vesting of an Award shall accelerate in the event of the Participant's death or Disability and (ii) the Administrator may grant Awards covering five percent (5%) or fewer of the total number of Shares authorized under the Plan without respect to the above-described minimum vesting requirement. Notwithstanding the foregoing, with respect to Awards to non-employee Directors, the vesting of such Awards will be deemed to satisfy the one (1) year minimum vesting requirement to the extent that the Awards vest on the earlier of the one (1) year anniversary of the date of grant and the next annual meeting of the Company's stockholders that is at least fifty (50) weeks after the immediately preceding year's annual meeting.

(e) Substitute Awards shall not reduce the Shares authorized for grant under the Plan. In the event that a company acquired by the Company or any Affiliate or with which the Company or any Affiliate combines has shares available under a pre-existing plan approved by stockholders and not adopted in contemplation of such acquisition or combination, the shares available for grant pursuant to the terms of such pre-existing plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used in such acquisition or combination to determine the consideration payable to the holders of common stock of the entities party to such acquisition or combination) may be used for Awards under the Plan and shall not reduce the Shares authorized for grant under the Plan; *provided*, that Awards using such available Shares shall not be made after the date awards or grants could have been made under the terms of the pre-existing plan, absent the acquisition or combination, and shall only be made to individuals who were not employed by or providing services to the Company or its Affiliates immediately prior to such acquisition or combination.

(f) In the event that the Company or an Affiliate thereof consummates a transaction described in Code Section 424(a) (e.g., the acquisition of property or stock from an unrelated corporation), persons who become

Employees or Directors in account of such transaction may be granted Substitute Awards in substitution for awards granted by their former employer, and any such substitute Options or Stock Appreciation Rights may be granted with an Exercise Price less than the Fair Market Value of a Share on the grant date thereof; provided, however, the grant of such substitute Option or Stock Appreciation Right shall not constitute a "modification" as defined in Code Section 424(h)(3) and the applicable Treasury regulations.

Section. 5. Equitable Adjustments.

In the event of any Change in Capitalization, including, without limitation, a Change in Control, an equitable substitution or proportionate adjustment shall be made, in each case, as may be determined by the Administrator, in its sole discretion, in (a) the aggregate number of Shares reserved for issuance under the Plan and the maximum number of Shares that may be subject to Awards granted to any Participant in any calendar or fiscal year, (b) the kind, number and Exercise Price subject to outstanding Options and Stock Appreciation Rights granted under the Plan; *provided*, *however*, that any such substitution or adjustment with respect to Options and Stock Appreciation Rights shall occur in accordance with the requirements of Code Section 409A, and (c) the kind, number and purchase price of Shares subject to outstanding Restricted Shares or Other Share-Based Awards granted under the Plan, in each case as may be determined by the Administrator, in its sole discretion; *provided*, *however*, that any fractional Shares resulting from the adjustment shall be eliminated. Such other equitable substitutions or adjustments shall be made as may be determined by the Administrator, in its sole discretion. Without limiting the generality of the foregoing, in connection with a Change in Capitalization, the Administrator may provide, in its sole discretion, for the cancellation of any outstanding Award granted hereunder (i) in exchange for payment in cash or other property having an aggregate Fair Market Value of the Shares covered by such Award, reduced by the aggregate Exercise Price or purchase price thereof, if any, and (ii) with respect to any Awards for which the Exercise Price or purchase price per share of Common Stock is greater than or equal to the then current Fair Market Value per share of Common Stock, for no consideration. Notwithstanding anything contained in the Plan to the contrary, any adjustment with respect to an Incentive Stock Option due to an adjustment or substitution described in this Section 5 shall comply with the rules of Code Section 424(a), and in no event shall any adjustment be made which would render any Incentive Stock Option granted hereunder to be disqualified as an incentive stock option for purposes of Code Section 422. The Administrator's determinations pursuant to this Section 5 shall be final, binding and conclusive.

Section 6. Eligibility.

The participants under the Plan shall be selected from time to time by the Administrator, in its sole discretion, from among Eligible Recipients.

Section 7. Options.

(a) *General.* The Administrator may, in its sole discretion, grant Options to Participants. Solely with respect to Participants who are Employees, the Administrator may grant Incentive Stock Options, Non-qualified Stock Options or a combination of both. With respect to all other Participants, the Administrator may grant only Non-qualified Stock Options. Each Participant who is granted an Option shall enter into an Award Agreement with the Company, containing such terms and conditions as the Administrator shall determine, in its sole discretion, which Award Agreement shall specify whether the Option is an Incentive Stock Option or a Non-qualified Stock Option and shall set forth, among other things, the Exercise Price of the Option, the term of the Option and provisions regarding exercisability of the Option granted thereunder. The provisions of each Option need not be the same with respect to each Participant. More than one Option may be granted to the same Participant and be outstanding concurrently hereunder. Options granted under the Plan shall be subject to the terms and conditions set forth in this Section 7 and shall contain such additional terms and conditions, not inconsistent with the terms of the

Plan, as the Administrator shall deem desirable and set forth in the applicable Award Agreement. The prospective recipient of an Option shall not have any rights with respect to such Award, unless and until such recipient has received an Award Agreement and, if required by the Administrator in the Award Agreement, executed and delivered a fully executed copy thereof to the Company, within a period of sixty (60) days (or such other period as the Administrator may specify) after the award date.

(b) *Limits on Incentive Stock Options.* If the Administrator grants Incentive Stock Options, then to the extent that the aggregate fair market value of Shares with respect to which Incentive Stock Options are exercisable for the first time by any individual during any calendar year (under all plans of the Company) exceeds $100,000, such Options will be treated as Non-qualified Stock Options to the extent required by Code Section 422.

(c) *Exercise Price.* The Exercise Price of Shares purchasable under an Option shall be determined by the Administrator in its sole discretion at the time of grant; *provided*, *however*, that (i) in no event shall the Exercise Price of an Option be less than one hundred percent (100%) of the Fair Market Value of a Share on the date of grant, and (ii) no Incentive Stock Option granted to a ten percent (10%) stockholder of the Company (within the meaning of Code Section 422(b)(6)) shall have an Exercise Price per Share less than one-hundred ten percent (110%) of the Fair Market Value of a Share on such date.

(d) *Option Term.* The maximum term of each Option shall be fixed by the Administrator, but in no event shall (i) an Option be exercisable more than ten (10) years after the date such Option is granted, and (ii) an Incentive Stock Option granted to a ten percent (10%) stockholder of the Company (within the meaning of Code Section 422(b)(6)) be exercisable more than five (5) years after the date such Option is granted. Each Option's term is subject to earlier expiration pursuant to the applicable provisions in the Plan and the Award Agreement. Notwithstanding the foregoing, the Administrator shall have the authority to accelerate the exercisability of any outstanding Option at such time and under such circumstances as the Administrator, in its sole discretion, deems appropriate. Notwithstanding any contrary provision in this Plan (including, without limitation, Section 7(h)), if, on the date an outstanding Option would expire, the exercise of the Option, including by a "net exercise" or "cashless" exercise, would violate applicable securities laws or any insider trading policy maintained by the Company from time to time, the expiration date applicable to the Option will be extended, except to the extent such extension would violate Code Section 409A, to a date that is thirty (30) calendar days after the date the exercise of the Option would no longer violate applicable securities laws or any such insider trading policy.

(e) *Exercisability.* Each Option shall be exercisable at such time or times and subject to such terms and conditions, including the attainment of pre-established Performance Goals, as shall be determined by the Administrator in the applicable Award Agreement. The Administrator may also provide that any Option shall be exercisable only in installments, and the Administrator may waive such installment exercise provisions at any time, in whole or in part, based on such factors as the Administrator may determine in its sole discretion. Notwithstanding anything to the contrary contained herein, an Option may not be exercised for a fraction of a share.

(f) *Method of Exercise.* Options may be exercised in whole or in part by giving written notice of exercise to the Company specifying the number of Shares to be purchased, accompanied by payment in full of the aggregate Exercise Price of the Shares so purchased in cash or its equivalent, as determined by the Administrator. As determined by the Administrator, in its sole discretion, with respect to any Option or category of Options, payment in whole or in part may also be made (i) by means of consideration received under any cashless exercise procedure approved by the Administrator (including the withholding of Shares otherwise issuable upon exercise), (ii) in the form of unrestricted Shares already owned by the Participant which have a Fair Market Value on the date of surrender equal to the aggregate Exercise Price of the Shares as to which such Option shall be exercised, (iii) any other form of consideration approved by the Administrator and permitted by applicable law or (iv) any combination of the foregoing. In determining which methods a Participant may utilize to pay the Exercise Price, the

Administrator may consider such factors as it determines are appropriate; *provided*, *however*, that with respect to Incentive Stock Options, all such discretionary determinations shall be made by the Administrator at the time of grant and specified in the Award Agreement.

(g) *Rights as Stockholder.* A Participant shall have no rights to dividends or any other rights of a stockholder with respect to the Shares subject to an Option until the Participant has given written notice of the exercise thereof, has paid in full for such Shares and has satisfied the requirements of Section 16 of the Plan.

(h) *Termination of Employment or Service.* Unless the applicable Award Agreement provides otherwise, in the event that the employment or service of a Participant with the Company and all Affiliates thereof shall terminate, the following terms and conditions shall apply:

(i) In the event of the termination of a Participant's employment or service by the Company without Cause or due to a resignation by the Participant for any reason, (A) Options granted to such Participant, to the extent that they are exercisable at the time of such termination, shall remain exercisable until the date that is ninety (90) days after such termination (with such period being extended to one (1) year after the date of such termination in the event of the Participant's death during such ninety (90) day period), on which date they shall expire, and (B) Options granted to such Participant, to the extent that they were not exercisable at the time of such termination, shall expire at the close of business on the date of such termination. Notwithstanding the foregoing, no Option shall be exercisable after the expiration of its term.

(ii) In the event of the termination of a Participant's employment or service as a result of the Participant's Disability or death, (A) Options granted to such Participant, to the extent that they were exercisable at the time of such termination, shall remain exercisable until the date that is one (1) year after such termination, on which date they shall expire, and (B) Options granted to such Participant, to the extent that they were not exercisable at the time of such termination, shall expire at the close of business on the date of such termination. Notwithstanding the foregoing, no Option shall be exercisable after the expiration of its term.

(iii) In the event of the termination of a Participant's employment or service due to Retirement, (A) Options granted to such Participant, to the extent that they are exercisable at the time of such termination, shall remain exercisable until the date that is three (3) years after such termination, on which date they shall expire, and (B) Options granted to such Participant, to the extent that they were not exercisable at the time of such termination, shall expire at the close of business on the date of such termination. Notwithstanding the foregoing, no Option shall be exercisable after the expiration of its term.

(iv) In the event of the termination of a Participant's employment or service for Cause, all outstanding Options granted to such Participant shall expire at the commencement of business on the date of such termination.

(v) For purposes of determining which Options are exercisable upon termination of employment or service for purposes of this Section 7(h), Options that are not exercisable solely due to a blackout period shall be considered exercisable.

(vi) Notwithstanding anything herein to the contrary, an Incentive Stock Option may not be exercised more than three (3) months following the date as of which a Participant ceases to be an Employee for any reason other than death or Disability. In the event that an Option is exercisable following the date that is three (3) months following the date as of which a Participant ceases to be an Employee for any reason other than death or Disability, such Option shall be deemed to be a Non-qualified Stock Option.

(i) *Other Change in Employment Status.* An Option may be affected, both with regard to vesting schedule and termination, by leaves of absence, changes from full-time to part-time employment, partial disability or other changes in the employment status or service of a Participant, as evidenced in a Participant's Award Agreement.

(j) *Change in Control.* Notwithstanding anything herein to the contrary, upon a Change in Control, all outstanding Options shall be subject to Section 12 of the Plan.

(k) *Automatic Exercise.* Unless otherwise provided by the Administrator in an Award Agreement or otherwise, or as otherwise directed by the Participant in writing to the Company, each vested and exercisable Option outstanding on the Automatic Exercise Date with an Exercise Price per Share that is less than the Fair Market Value per Share as of such date shall automatically and without further action by the Participant or the Company be exercised on the Automatic Exercise Date. In the sole discretion of the Administrator, payment of the exercise price of any such Option shall be made pursuant to Section 7(f)(i) or (ii), and the Company or any Affiliate shall deduct or withhold an amount sufficient to satisfy all taxes associated with such exercise in accordance with Section 16. Unless otherwise determined by the Administrator, this Section 7(k) shall not apply to an Option if the Participant's employment or service has terminated on or before the Automatic Exercise Date. For the avoidance of doubt, no Option with an Exercise Price per Share that is equal to or greater the Fair Market Value per Share on the Automatic Exercise Date shall be exercised pursuant to this Section 7(k).

Section 8. Stock Appreciation Rights.

(a) *General.* Stock Appreciation Rights may be granted either alone ("Free Standing Rights") or in conjunction with all or part of any Option granted under the Plan ("Related Rights"). Related Rights may be granted either at or after the time of the grant of such Option. The Administrator shall determine the Eligible Recipients to whom, and the time or times at which, grants of Stock Appreciation Rights shall be made, the number of Shares to be awarded, the price per Share, and all other conditions of Stock Appreciation Rights. Notwithstanding the foregoing, no Related Right may be granted for more Shares than are subject to the Option to which it relates and any Stock Appreciation Right must be granted with an Exercise Price not less than the Fair Market Value of a Share on the date of grant. The provisions of Stock Appreciation Rights need not be the same with respect to each Participant. Stock Appreciation Rights granted under the Plan shall be subject to the following terms and conditions set forth in this Section 8 and shall contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Administrator shall deem desirable, as set forth in the applicable Award Agreement.

(b) *Awards; Rights as Stockholder.* The prospective recipient of a Stock Appreciation Right shall not have any rights with respect to such Award, unless and until such recipient has received an Award Agreement and, if required by the Administrator in the Award Agreement, executed and delivered a fully executed copy thereof to the Company, within a period of sixty (60) days (or such other period as the Administrator may specify) after the award date. Participants who are granted Stock Appreciation Rights shall have no rights as stockholders of the Company with respect to the grant or exercise of such rights.

(c) *Exercisability.*

(i) Stock Appreciation Rights that are Free Standing Rights shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Administrator in the applicable Award Agreement.

(ii) Stock Appreciation Rights that are Related Rights shall be exercisable only at such time or times and to the extent that the Options to which they relate shall be exercisable in accordance with the provisions of Section 7 above and this Section 8 of the Plan.

(d) *Payment Upon Exercise.*

(i) Upon the exercise of a Free Standing Right, the Participant shall be entitled to receive up to, but not more than, that number of Shares, determined using the Fair Market Value, equal in value to the excess of the Fair Market Value as of the date of exercise over the price per share specified in the Free Standing Right multiplied by the number of Shares in respect of which the Free Standing Right is being exercised.

(ii) A Related Right may be exercised by a Participant by surrendering the applicable portion of the related Option. Upon such exercise and surrender, the Participant shall be entitled to receive up to, but not more than, that number of Shares, determined using the Fair Market Value, equal in value to the excess of the Fair Market Value as of the date of exercise over the Exercise Price specified in the related Option multiplied by the number of Shares in respect of which the Related Right is being exercised. Options which have been so surrendered, in whole or in part, shall no longer be exercisable to the extent the Related Rights have been so exercised.

(iii) Notwithstanding the foregoing, the Administrator may determine to settle the exercise of a Stock Appreciation Right in cash (or in any combination of Shares and cash).

(e) *Termination of Employment or Service.*

(i) Subject to Section 8(f), in the event of the termination of employment or service with the Company and all Affiliates thereof of a Participant who has been granted one or more Free Standing Rights, such rights shall be exercisable at such time or times and subject to such terms and conditions as shall be determine by the Administrator in the applicable Award Agreement.

(ii) Subject to Section 8(f), in the event of the termination of employment or service with the Company and all Affiliates thereof of a Participant who has been granted one or more Related Rights, such rights shall be exercisable at such time or times and subject to such terms and conditions as set forth in the related Options.

(f) *Term.*

(i) The term of each Free Standing Right shall be fixed by the Administrator, but no Free Standing Right shall be exercisable more than ten (10) years after the date such right is granted.

(ii) The term of each Related Right shall be the term of the Option to which it relates, but no Related Right shall be exercisable more than ten (10) years after the date such right is granted.

(g) *Change in Control.* Notwithstanding anything herein to the contrary, upon a Change in Control, all outstanding Stock Appreciation Rights shall be subject to Section 12 of the Plan.

(h) *Automatic Exercise.* Unless otherwise provided by the Administrator in an Award Agreement or otherwise, or as otherwise directed by the Participant in writing to the Company, each vested and exercisable Stock Appreciation Right outstanding on the Automatic Exercise Date with an Exercise Price per Share that is less than the

Fair Market Value per Share as of such date shall automatically and without further action by the Participant or the Company be exercised on the Automatic Exercise Date. The Company or any Affiliate shall deduct or withhold an amount sufficient to satisfy all taxes associated with such exercise in accordance with Section 16. Unless otherwise determined by the Administrator, this Section 8(h) shall not apply to a Stock Appreciation Right if the Participant's employment or service has terminated on or before the Automatic Exercise Date. For the avoidance of doubt, no Stock Appreciation Right with an Exercise Price per Share that is equal to or greater the Fair Market Value per Share on the Automatic Exercise Date shall be exercised pursuant to this Section 8(h).

Section 9. Restricted Shares.

(a) *General.* Restricted Shares may be issued either alone or in addition to other Awards granted under the Plan. The Administrator shall determine the Eligible Recipients to whom, and the time or times at which, grants of Restricted Shares shall be made; the number of Shares to be awarded; the price, if any, to be paid by the Participant for the acquisition of Restricted Shares; the Restricted Period, if any, applicable to Restricted Shares; the Performance Goals (if any) applicable to Restricted Shares; and all other conditions of the Restricted Shares. If the restrictions, Performance Goals and/or conditions established by the Administrator are not attained, a Participant shall forfeit his or her Restricted Shares in accordance with the terms of the grant. The provisions of the Restricted Shares need not be the same with respect to each Participant.

(b) *Awards and Certificates.* The prospective recipient of Restricted Shares shall not have any rights with respect to any such Award, unless and until such recipient has received an Award Agreement and, if required by the Administrator in the Award Agreement, executed and delivered a fully executed copy thereof to the Company, within a period of sixty (60) days (or such other period as the Administrator may specify) after the award date. Except as otherwise provided in Section 9(c) of the Plan, (i) each Participant who is granted an award of Restricted Shares may, in the Company's sole discretion, be issued a stock certificate in respect of such Restricted Shares; and (ii) any such certificate so issued shall be registered in the name of the Participant, and shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to any such Award.

The Company may require that the stock certificates, if any, evidencing Restricted Shares granted hereunder be held in the custody of the Company until the restrictions thereon shall have lapsed, and that, as a condition of any award of Restricted Shares, the Participant shall have delivered a stock power, endorsed in blank, relating to the Shares covered by such Award.

Notwithstanding anything in the Plan to the contrary, any Restricted Shares (whether before or after any vesting conditions have been satisfied) may, in the Company's sole discretion, be issued in uncertificated form pursuant to the customary arrangements for issuing shares in such form.

(c) *Restrictions and Conditions.* The Restricted Shares granted pursuant to this Section 9 shall be subject to the following restrictions and conditions and any additional restrictions or conditions as determined by the Administrator at the time of grant or thereafter:

(i) The Administrator may, in its sole discretion, provide for the lapse of restrictions in installments and may accelerate or waive such restrictions in whole or in part based on such factors and such circumstances as the Administrator may determine, in its sole discretion, including, but not limited to, the attainment of certain Performance Goals, the Participant's termination of employment or service as a non-employee Director or Consultant of the Company or an Affiliate thereof, or the Participant's death or Disability.

(ii) Subject to this Section 9(c)(ii), the Participant shall generally have the rights of a stockholder of the Company with respect to Restricted Shares during the Restricted Period. In the Administrator's discretion and as provided in the applicable Award Agreement, a Participant may be entitled to dividends or dividend equivalents on an Award of Restricted Shares, which will be payable in accordance with the terms of such grant as determined by the Administrator in accordance with Section 18 of the Plan. Certificates for unrestricted Shares may, in the Company's sole discretion, be delivered to the Participant only after the Restricted Period has expired without forfeiture in respect of such Restricted Shares, except as the Administrator, in its sole discretion, shall otherwise determine.

(iii) The rights of Participants granted Restricted Shares upon termination of employment or service as a non-employee Director or Consultant of the Company or an Affiliate thereof terminates for any reason during the Restricted Period shall be set forth in the Award Agreement.

(d) *Change in Control.* Notwithstanding anything herein to the contrary, upon a Change in Control, all outstanding Restricted Shares shall be subject to Section 12 of the Plan.

Section 10. Restricted Stock Units.

(a) *General.* Restricted Stock Units may be issued either alone or in addition to other Awards granted under the Plan. The Administrator shall determine the Eligible Recipients to whom, and the time or times at which, grants of Restricted Stock Units shall be made; the number of Restricted Stock Units to be awarded; the Restricted Period, if any, applicable to Restricted Stock Units; the Performance Goals (if any) applicable to Restricted Stock Units; and all other conditions of the Restricted Stock Units. If the restrictions, Performance Goals and/or conditions established by the Administrator are not attained, a Participant shall forfeit his or her Restricted Stock Units in accordance with the terms of the grant. The provisions of Restricted Stock Units need not be the same with respect to each Participant.

(b) *Award Agreement.* The prospective recipient of Restricted Stock Units shall not have any rights with respect to any such Award, unless and until such recipient has received an Award Agreement and, if required by the Administrator in the Award Agreement, executed and delivered a fully executed copy thereof to the Company, within a period of sixty (60) days (or such other period as the Administrator may specify) after the award date.

(c) *Restrictions and Conditions.* The Restricted Stock Units granted pursuant to this Section 10 shall be subject to the following restrictions and conditions and any additional restrictions or conditions as determined by the Administrator at the time of grant or, subject to Code Section 409A, thereafter:

(i) The Administrator may, in its sole discretion, provide for the lapse of restrictions in installments and may accelerate or waive such restrictions in whole or in part based on such factors and such circumstances as the Administrator may determine, in its sole discretion, including, but not limited to, the attainment of certain Performance Goals, the Participant's termination of employment or service as a non-employee Director or Consultant of the Company or an Affiliate thereof, or the Participant's death or Disability.

(ii) Participants holding Restricted Stock Units shall have no voting rights. A Restricted Stock Unit may, at the Administrator's discretion, carry with it a right to dividend equivalents, subject to Section 18 of the Plan. Such right would entitle the holder to be credited with an amount equal to all cash dividends paid on one Share while the Restricted Stock Unit is outstanding. The Administrator, in its discretion, may grant dividend equivalents from the date of grant or only after a Restricted Stock Unit is vested.

(iii) The rights of Participants granted Restricted Stock Units upon termination of employment or service as a non-employee Director or Consultant of the Company or an Affiliate thereof terminates for any reason during the Restricted Period shall be set forth in the Award Agreement.

(d) *Settlement of Restricted Stock Units.* Settlement of vested Restricted Stock Units shall be made to Participants in the form of Shares, unless the Administrator, in its sole discretion, provides for the payment of the Restricted Stock Units in cash (or partly in cash and partly in Shares) equal to the value of the Shares that would otherwise be distributed to the Participant.

(e) *Change in Control.* Notwithstanding anything herein to the contrary, upon a Change in Control, all outstanding Restricted Stock Units shall be subject to Section 12 of the Plan.

Section 11. Other Share-Based or Cash-Based Awards.

(a) The Administrator is authorized to grant Awards to Participants in the form of Other Share-Based Awards or Other Cash-Based Awards, as deemed by the Administrator to be consistent with the purposes of the Plan and as evidenced by an Award Agreement. The Administrator shall determine the terms and conditions of such Awards, consistent with the terms of the Plan, at the date of grant or thereafter, including any Performance Goals and performance periods. Shares or other securities or property delivered pursuant to an Award in the nature of a purchase right granted under this Section 11 shall be purchased for such consideration, paid for at such times, by such methods, and in such forms, including, without limitation, Shares, other Awards, notes or other property, as the Administrator shall determine, subject to any required corporate action.

(b) The prospective recipient of an Other Share-Based Award or Other Cash-Based Award shall not have any rights with respect to such Award, unless and until such recipient has received an Award Agreement and, if required by the Administrator in the Award Agreement, executed and delivered a fully executed copy thereof to the Company, within a period of sixty (60) days (or such other period as the Administrator may specify) after the award date.

(c) Notwithstanding anything herein to the contrary, upon a Change in Control, all outstanding Other Share-Based Awards and Other Cash-Based Awards shall be subject to Section 12 of the Plan.

Section 12. Change in Control.

(a) The Administrator may provide in the applicable Award Agreement that an Award will vest on an accelerated basis upon the Participant's termination of employment or service in connection with a Change in Control or upon the occurrence of any other event that the Administrator may set forth in the Award Agreement.

(b) Unless otherwise provided by the Administrator in an Award Agreement, in the event of a Change in Control:

(i) the Administrator may provide that any or all outstanding Awards shall be assumed and continued or an equivalent award substituted by the Company's successor or a parent or subsidiary of such successor in connection with such Change in Control transaction; provided, however, that if within two (2) years following such Change in Control, a Participant's employment is terminated by the Company or its successor without Cause or the Participant resigns for Good Reason, any Awards not previously vested shall immediately become vested and/or exercisable (and any applicable Performance Goals shall be deemed achieved at the greater of (x) target or (y) actual performance through the date of such termination); and

(ii) with respect to such outstanding Awards that are not assumed and continued or an equivalent award is not substituted by the Company's successor or a parent or subsidiary of such successor in connection with such Change in Control transaction, then any such Awards that have not previously vested shall immediately become vested and/or exercisable (and any applicable Performance Goals shall be deemed achieved at the greater of (x) target or (y) actual performance through the date of such Change in Control).

Section 13. Amendment and Termination.

(a) The Board or the Committee may amend, alter or terminate the Plan, but no amendment, alteration, or termination shall be made that would adversely alter or impair the rights of a Participant under any Award theretofore granted without such Participant's prior written consent.

(b) Notwithstanding the foregoing, (i) approval of the Company's stockholders shall be obtained for any amendment that would require such approval in order to satisfy the requirements of Code Section 422, if applicable, any rules of the stock exchange on which the Shares are traded or other applicable law, and (ii) without stockholder approval to the extent required by the rules of any applicable national securities exchange or inter-dealer quotation system on which the Shares are listed or quoted, except as otherwise permitted under Section 5 of the Plan, (A) no amendment or modification may reduce the Exercise Price of any Option or Stock Appreciation Right, (B) the Administrator may not cancel any outstanding Option or Stock Appreciation Right and replace it with a new Option or Stock Appreciation Right, another Award or cash and (C) the Administrator may not take any other action that is considered a "repricing" for purposes of the stockholder approval rules of the applicable securities exchange or inter-dealer quotation system.

(c) Subject to the terms and conditions of the Plan and Code Section 409A, the Administrator may modify, extend or renew outstanding Awards under the Plan, or accept the surrender of outstanding Awards (to the extent not already exercised) and grant new Awards in substitution of them (to the extent not already exercised).

(d) Notwithstanding the foregoing, no alteration, modification or termination of an Award will, without the prior written consent of the Participant, adversely alter or impair any rights or obligations under any Award already granted under the Plan.

Section 14. Unfunded Status of Plan.

The Plan is intended to constitute an "unfunded" plan for incentive compensation. With respect to any payments not yet made or Shares not yet transferred to a Participant by the Company, nothing contained herein shall give any such Participant any rights that are greater than those of a general unsecured creditor of the Company.

Section 15. Deferrals of Payment.

To the extent permitted by applicable law, the Administrator, in its sole discretion, may determine that the delivery of Shares or the payment of cash, upon the exercise, vesting or settlement of all or a portion of any Award, shall or may be deferred and may establish programs and procedures for deferral elections to be made by

Participants. Deferrals by Participants (or deferred settlement or payment required by the Administrator) shall be made in accordance with Code Section 409A, if applicable, and any other applicable law.

Section 16. Withholding Taxes.

Each Participant shall, no later than the date as of which the value of an Award first becomes includible in the gross income of such Participant for federal, state and/or local income tax purposes, pay to the Company, or make arrangements satisfactory to the Administrator regarding payment of, any federal, state, or local taxes of any kind, domestic or foreign, required by law or regulation to be withheld with respect to the Award. The obligations of the Company under the Plan shall be conditional on the making of such payments or arrangements, and the Company shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to such Participant. Whenever cash is to be paid pursuant to an Award granted hereunder, the Company shall have the right to deduct therefrom an amount sufficient to satisfy any federal, state and local withholding tax requirements related thereto. Whenever Shares are to be delivered pursuant to an Award, the Company shall have the right to require the Participant to remit to the Company in cash an amount sufficient to satisfy any related federal, state and local taxes, domestic or foreign, to be withheld and applied to the tax obligations. With the approval of the Administrator, a Participant may satisfy the foregoing requirement by electing to have the Company withhold from delivery of Shares or by delivering already owned unrestricted Shares, in each case, having a value equal to the amount required to be withheld or other greater amount not exceeding the maximum statutory rate required to be collected on the transaction under applicable law, as applicable to the Participant, if such other greater amount would not, as determined by the Administrator, result in adverse financial accounting treatment (including in connection with the effectiveness of FASB Accounting Standards Update 2016-09). Such Shares shall be valued at their Fair Market Value on the date of which the amount of tax to be withheld is determined. Fractional share amounts shall be settled in cash. Such an election may be made with respect to all or any portion of the Shares to be delivered pursuant to an Award. The Company may also use any other method of obtaining the necessary payment or proceeds, as permitted by law, to satisfy its withholding obligation with respect to any Option or other Award.

Section 17. Certain Forfeitures.

Unless otherwise provided by the Administrator in an Award Agreement, in the event (A) the Participant's employment is terminated by the Company for Cause or (B) a Participant or former Participant engages in a Competing Business or in Wrongful Solicitation while in the employ of the Company or a Subsidiary, or during the thirteen (13) month period immediately following the termination of such Participant's employment, the following rules shall apply:

(a) all Awards then held by the Participant (whether vested or not) shall be immediately forfeited without payment or other compensation of any kind; provided, however, that, which respect to any Awards for which the Participant was required to remit payment, the Company shall remit to the Participant the lesser of (i) the amount (if any) such Participant paid for such forfeited Awards and (ii) the Fair Market Value of the Shares underlying such forfeited Awards as of the date of termination; and

(b) notwithstanding subclause (a) of this Section 17, in the event that Shares underlying any previously vested and/or exercised Awards were disposed of (for or without receipt of value) during the period commencing one year prior to the initial engagement in a Competing Business or in Wrongful Solicitation through the date that is thirteen (13) months following the termination of the Participant's employment with the Company or a Subsidiary, then, upon written demand by the Company, the Participant or former Participant, as the case may be, shall immediately remit to the Company the Fair Market Value of such Shares, as determined on the date of disposition, less the amount (if any) paid by the Participant for such Shares

Section 18. Dividends; Dividend Equivalents.

Notwithstanding anything in this Plan to the contrary, to the extent that an Award contains a right to receive dividends or dividend equivalents while such Award remains unvested, such dividends or dividend equivalents will be accumulated and paid once and to the extent that the underlying Award vests.

Section 19. Non-United States Employees.

Without amending the Plan, the Administrator may grant Awards to eligible persons residing in non-United States jurisdictions on such terms and conditions different from those specified in the Plan, including the terms of any award agreement or plan, adopted by the Company or any Subsidiary thereof to comply with, or take advantage of favorable tax or other treatment available under, the laws of any non-United States jurisdiction, as may in the judgment of the Administrator be necessary or desirable to foster and promote achievement of the purposes of the Plan and, in furtherance of such purposes the Administrator may make such modifications, amendments, procedures, subplans and the like as may be necessary or advisable to comply with provisions of laws in other countries or jurisdictions in which the Company or its Subsidiaries operates or has employees.

Section 20. Transfer of Awards.

No purported sale, assignment, mortgage, hypothecation, transfer, charge, pledge, encumbrance, gift, transfer in trust (voting or other) or other disposition of, or creation of a security interest in or lien on, any Award or any agreement or commitment to do any of the foregoing (each, a "Transfer") by any holder thereof in violation of the provisions of the Plan or an Award Agreement will be valid, except with the prior written consent of the Administrator, which consent may be granted or withheld in the sole discretion of the Administrator. Any purported Transfer of an Award or any economic benefit or interest therein in violation of the Plan or an Award Agreement shall be null and void *ab initio*, and shall not create any obligation or liability of the Company, and any person purportedly acquiring any Award or any economic benefit or interest therein transferred in violation of the Plan or an Award Agreement shall not be entitled to be recognized as a holder of such Shares. Unless otherwise determined by the Administrator in accordance with the provisions of the immediately preceding sentence, an Option may be exercised, during the lifetime of the Participant, only by the Participant or, during any period during which the Participant is under a legal disability, by the Participant's guardian or legal representative. Under no circumstances will a Participant be permitted to transfer an Option or Stock Appreciation Right to a third-party financial institution without prior stockholder approval.

Section 21. Continued Employment.

The adoption of the Plan shall not confer upon any Eligible Recipient any right to continued employment or service with the Company or an Affiliate thereof, as the case may be, nor shall it interfere in any way with the right of the Company or an Affiliate thereof to terminate the employment or service of any of its Eligible Recipients at any time.

Section 22. Effective Date.

The Plan was approved by the Board on April 21, 2020 and by the Company's stockholders on May 26, 2020 (the "Effective Date"). The Plan will be unlimited in duration and, in the event of Plan termination, will remain in effect as long as any Shares awarded under it are outstanding and not fully vested; *provided*, *however*, that no Awards will be made under the Plan on or after the tenth anniversary of the Effective Date. Following the Effective Date, no new awards will be granted under the Prior Plan; however, for the avoidance of doubt, the Prior Plan and any applicable award agreements issued thereunder will continue to govern any awards that remain outstanding under the Prior Plan on and after the Effective Date.

Section 23. Code Section 409A.

The intent of the parties is that payments and benefits under the Plan be either exempt from Code Section 409A or comply with Code Section 409A to the extent subject thereto, and, accordingly, to the maximum extent permitted, the Plan shall be interpreted and be administered consistent with such intent. Any payments described in the Plan that are due within the "short-term deferral period" as defined in Code Section 409A shall not be treated as deferred compensation unless applicable law requires otherwise. Notwithstanding anything to the contrary in the Plan, to the extent required in order to avoid accelerated taxation and/or tax penalties under Code Section 409A, amounts that would otherwise be payable and benefits that would otherwise be provided upon a "separation from service" to a Participant who is a "specified employee" shall be paid on the first business day after the date that is six (6) months following the Participant's separation from service (or upon the Participant's death, if earlier). In addition, for purposes of the Plan, each amount to be paid or benefit to be provided to the Participant pursuant to the Plan, which constitute deferred compensation subject to Code Section 409A, shall be construed as a separate identified payment for purposes of Code Section 409A. Nothing contained in the Plan or an Award Agreement shall be construed as a guarantee of any particular tax effect with respect to an Award. The Company does not guarantee that any Awards provided under the Plan will be exempt from or in compliance with the provisions of Code Section 409A, and in no event will the Company be liable for any or all portion of any taxes, penalties, interest or other expenses that may be incurred by a Participant on account of any Award being subject to, but not in compliance with, Code Section 409A.

Section 24. Compliance with Laws.

(a) The obligation of the Company to settle Awards in Shares or other consideration shall be subject to (i) all applicable laws, rules, and regulations, (ii) such approvals as may be required by governmental agencies or the applicable national securities exchange on which the Shares may be admitted, and (iii) policies maintained by the Company from time to time in order to comply with applicable laws, rules, regulations and corporate governance requirements, including, without limitation, with respect to insider trading restrictions. Notwithstanding any terms or conditions of any Award to the contrary, the Company shall be under no obligation to offer to sell or to sell, and shall be prohibited from offering to sell or selling, any Shares pursuant to an Award unless such shares have been properly registered for sale pursuant to the Securities Act with the Securities and Exchange Commission or unless the Company has received an opinion of counsel (if the Company has requested such an opinion), satisfactory to the Company, that such Shares may be offered or sold without such registration pursuant to an available exemption therefrom and the terms and conditions of such exemption have been fully complied with. The Company shall be under no obligation to register for sale under the Securities Act any of the Shares to be offered or sold under the Plan. The Administrator shall have the authority to provide that all Shares or other securities of the Company issued under the Plan shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan, the applicable Award Agreement, the federal securities laws, or the rules, regulations and other requirements of the Securities and Exchange Commission, any securities exchange or inter-dealer quotation system on which the securities of the Company are listed or quoted and any other applicable federal, state, local or non-U.S. laws, rules, regulations and other requirements, and the Administrator may cause a legend or legends to be put on certificates representing Shares or other securities of the Company issued under the Plan to make appropriate reference to such restrictions or may cause such Shares or other securities of the Company issued under the Plan in book-entry form to be held subject to the Company's instructions or subject to appropriate stop-transfer orders. Notwithstanding any provision in the Plan to the contrary, the Committee reserves the right to add any additional terms or provisions to any Award granted under the Plan that it, in its sole discretion, deems necessary or advisable in order that such Award complies with the legal requirements of any governmental entity to whose jurisdiction the Award is subject.

(b) The Administrator may cancel an Award or any portion thereof if it determines, in its sole discretion, that legal or contractual restrictions and/or blockage and/or other market considerations would make the Company's acquisition of Shares from the public markets, the Company's issuance of Shares to the Participant, the Participant's acquisition of Shares from the Company and/or the Participant's sale of Shares to the public markets, illegal, impracticable or inadvisable. If the Administrator determines to cancel all or any portion of an Award in accordance with the foregoing, the Company shall, subject to any limitations or reductions as may be necessary to comply with Code Section 409A, (i) pay to the Participant an amount equal to the excess of (A) the aggregate Fair Market Value of the Shares subject to such Award or portion thereof canceled (determined as of the applicable exercise date, or the date that the Shares would have been vested or issued, as applicable), over (B) the aggregate Exercise Price (in the case of an Option or Stock Appreciation Right) or any amount payable as a condition of issuance of Shares (in the case of any other Award), and such amount shall be delivered to the Participant as soon as practicable following the cancellation of such Award or portion thereof, or (ii) in the case of Restricted Shares, Restricted Stock Units or Other Share-Based Awards, provide the Participant with a cash payment or equity subject to deferred vesting and delivery consistent with the vesting restrictions applicable to such Restricted Shares, Restricted Stock Units or Other Share-Based Awards, or the underlying Shares in respect thereof.

Exhibit 31.1

Certification of the Principal Executive Officer
Pursuant to Rules 13a-14(a) and 15d-14(a)
Under the Securities Exchange Act, as Amended

I, Theodore Wahl, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Healthcare Services Group, 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 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:

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

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

Date: July 24, 2026

/s/ Theodore Wahl
Theodore Wahl
President & Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

Certification of the Principal Financial Officer
Pursuant to Rules 13a-14(a) and 15d-14(a)
Under the Securities Exchange Act, as Amended

I, Vikas Singh, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Healthcare Services Group, 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 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:

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

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

Date: July 24, 2026

/s/ Vikas Singh
Vikas Singh
EVP & Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

Certification Pursuant to
18 U.S.C. Section 1350,
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of Healthcare Services Group, Inc. (the "Company") for the quarter ended June 30, 2026 as filed with the Securities and Exchange commission on the date hereof (the "Form 10-Q"), Theodore Wahl, the Chief Executive Officer of the Company, and Vikas Singh, the Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of their knowledge:

(1) The Form 10-Q fully complies with the requirements of Section 13(a) or 15(d), of the Securities Exchange Act of 1934, as amended; and

(2) That information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Theodore Wahl	/s/ Vikas Singh
Theodore Wahl	Vikas Singh
President & Chief Executive Officer	EVP & Chief Financial Officer
(Principal Executive Officer)	(Principal Financial Officer)
July 24, 2026	July 24, 2026