

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

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

For the quarterly period ended September 30, 2024

or

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

For the transition period from _____ to _____

Commission File Number: 001-40033



P3 Health Partners Inc.

(Exact name of registrant as specified in its charter)

Delaware

85-2992794

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

2370 Corporate Circle Suite 300 Henderson, Nevada

89074

(Address of principal executive offices)

(Zip Code)

(702) 910-3950

(Registrant's telephone number, including area code)

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Class A common stock, par value \$0.0001 per share	PIII	The Nasdaq Stock Market LLC
Warrants, each whole warrant exercisable for one share of Class A common stock at an exercise price of \$11.50	PIIIW	The Nasdaq Stock Market LLC

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. Yes No

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

As of November 1, 2024, the registrant had 162,863,298 shares of Class A common stock, par value \$0.0001 and 195,956,984 shares of Class V common stock, par value \$0.0001 outstanding.

TABLE OF CONTENTS

	Page
Cautionary Statement Regarding Forward-Looking Statements	1
PART I—FINANCIAL INFORMATION	
Item 1. Financial Statements	4
Condensed Consolidated Balance Sheets (Unaudited)	5
Condensed Consolidated Statements of Operations (Unaudited)	6
Condensed Consolidated Statements of Stockholders' Equity and Mezzanine Equity (Unaudited)	7
Condensed Consolidated Statements of Cash Flows (Unaudited)	8
Notes to Condensed Consolidated Financial Statements (Unaudited)	9
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	23
Item 3. Quantitative and Qualitative Disclosures About Market Risk	40
Item 4. Controls and Procedures	40
PART II—OTHER INFORMATION	
Item 1. Legal Proceedings	43
Item 1A. Risk Factors	43
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	44
Item 3. Defaults Upon Senior Securities	44
Item 4. Mine Safety Disclosures	44
Item 5. Other Information	44
Item 6. Exhibits	45

SIGNATURES

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

In addition to historical information, this Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2024 (the "Form 10-Q") contains "forward-looking statements" within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements other than statements of historical facts contained in this Form 10-Q, including statements regarding our future results of operations and financial position, business and growth strategy, prospective products, research and development costs, future revenue, market opportunity, timing and likelihood of success, plans and objectives of management for future operations, our ability to raise additional capital and continue as a going concern, the anticipated closing of the asset sale discussed herein, future results of anticipated products and prospects, and our ability to regain compliance with the Nasdaq listing rules, are forward-looking statements. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "expect," "plan," "anticipate," "could," "intend," "target," "project," "contemplate," "believe," "estimate," "predict," "potential," "would" or "continue" or the negative of these terms or other similar expressions, although not all forward-looking statements contain these words.

The forward-looking statements in this Form 10-Q are only predictions and are based largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. These forward-looking statements speak only as of the date of this Form 10-Q and are subject to a number of known and unknown risks, uncertainties and assumptions, and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements, including, without limitation, the following:

- Our ability to continue as a going concern.
- Our need to raise additional capital to fund our existing operations or develop and commercialize new services or expand our operations.
- We have a history of net losses. We expect to continue to incur losses for the foreseeable future and we may never achieve or maintain profitability.
- We may not be able to maintain compliance with our debt covenants in the future, which could result in an event of default.
- Our relatively limited operating history makes it difficult to evaluate our future prospects and the risks and challenges we may encounter.
- A significant portion of our assets consists of other intangible assets, the value of which may be reduced if we determine that those assets are impaired.
- We rely on our management team and key employees and our business, financial condition, cash flows and results of operations could be harmed if we are unable to retain qualified personnel.
- Our growth depends in part on our ability to identify and develop successful new geographies, physician partners, payors and patients. If we are not able to successfully execute upon our growth strategies, there may be material adverse effect on our business, financial condition, cash flows and results of operations.
- If growth in the number of patients and physician partners on our platform decreases, or the number of services that we are able to provide to physician partners and members decreases, due to legal, economic or business developments, our business, financial condition and results of operations will be harmed.
- We primarily depend on reimbursement by third-party payors, as well as payments by individuals, which could lead to delays, uncertainties and disagreements regarding the timing and process of reimbursement, including any changes or reductions in Medicare reimbursement rates or rules.

- The termination or non-renewal of the Medicare Advantage ("MA") contracts held by the health plans with which we contract, or the termination or nonrenewal of our contracts with those plans, could have a material adverse effect on our revenue and our operations.
- We are dependent on our affiliated professional entities and other physician partners and other providers to effectively manage the quality and cost of care and perform obligations under payor contracts.
- Reductions in the quality ratings of the health plans we serve could have a material adverse effect on our business, results of operations, financial condition and cash flows.
- Developments affecting spending by the healthcare industry could adversely affect our business.
- Our business and operations would suffer in the event of information technology system failures, security breaches, cyberattacks or other deficiencies in cybersecurity.
- Actual or perceived failures to comply with applicable data protection, privacy and security laws, regulations, standards and other requirements could adversely affect our business, financial condition and results of operations.
- We conduct business in a heavily regulated industry and if we fail to adhere to all of the complex government laws and regulations that apply to our business, we could incur fines or penalties or be required to make changes to our operations or experience adverse publicity, any or all of which could have a material adverse effect on our business, results of operations, financial condition, cash flows, and reputation.
- If our arrangements with our affiliated professional entities and other physician partners are found to constitute the improper rendering of medical services or fee splitting under applicable state laws, our business, financial condition and our ability to operate in those states could be adversely impacted.
- We face inspections, reviews, audits and investigations under federal and state government programs and contracts. These audits could have adverse findings that may negatively affect our business, including our results of operations, liquidity, financial condition and reputation.
- The impact on us of recent healthcare legislation and other changes in the healthcare industry and in healthcare spending is currently unknown, but may adversely affect our business, financial condition and results of operations.
- Our only significant asset is the ownership of a minority of the economic interest in P3 LLC, and such ownership may not be sufficient to generate the funds necessary to meet our financial obligations or to pay any dividends on our Class A common stock.
- We will be required to make payments under the TRA (defined herein) for certain tax benefits we may claim, and the amounts of such payments could be significant.
- Foresight Sponsor Group, LLC and the Chicago Pacific Founders funds, and their respective affiliates and representatives, non-employee directors and other non-employee stockholders are not limited in their ability to compete with us, and the corporate opportunity provisions in our certificate of incorporation could enable such persons to benefit from corporate opportunities that might otherwise be available to us, which presents potential conflicts of interest.
- The impact of the material weaknesses we have identified in our internal control over financial reporting and our ability to establish and maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act.
- Our ability to maintain the listing of our securities on The Nasdaq Stock Market, LLC.
- The factors described under Part I, Item 1A. "Risk Factors" and Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on

Form 10-K for the year ended December 31, 2023, filed with the Securities and Exchange Commission (the "SEC") on March 28, 2024 (the "2023 Form 10-K"), in Part II, Item 1A. ["Risk Factors"](#) and Part I, Item 2. ["Management's Discussion and Analysis of Financial Conditions and Results of Operations"](#) in this Form 10-Q and in our subsequent filings with the SEC.

Because forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified and some of which are beyond our control, you should not rely on these forward-looking statements as predictions of future events. The events and circumstances reflected in our forward-looking statements may not be achieved or occur and actual results could differ materially from those projected in the forward-looking statements. Moreover, we operate in an evolving environment. New risk factors and uncertainties may emerge from time to time, and it is not possible for management to predict all risk factors and uncertainties. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained herein, whether as a result of any new information, future events, changed circumstances or otherwise.

You should read this Form 10-Q and the documents that we reference in this Form 10-Q and have filed as exhibits hereto completely and with the understanding that our actual future results, performance and achievements may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements.

Unless the context otherwise requires, "we," "us," "our," "P3" and the "Company" refer to P3 Health Partners Inc. and its subsidiaries. "P3 LLC" refers to the surviving entity after the consummation of a series of business combinations in December 2021 with Foresight Acquisition Corp. (the "Business Combinations"), which was renamed P3 Health Group, LLC.

PART I—FINANCIAL INFORMATION.

Item 1. Financial Statements.

[Table of Contents](#)

P3 HEALTH PARTNERS INC. and SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts)
(unaudited)

	September 30, 2024	December 31, 2023
ASSETS		
CURRENT ASSETS:		
Cash	\$ 62,962	\$ 36,320
Restricted cash	5,136	4,614
Health plan receivable, net of allowance for credit losses of \$ 150	123,325	118,497
Clinic fees, insurance and other receivable	2,495	2,973
Prepaid expenses and other current assets	11,032	3,613
Assets held for sale	10,123	—
TOTAL CURRENT ASSETS	215,073	166,017
Property and equipment, net	6,315	8,686
Intangible assets, net	594,865	666,733
Other long-term assets	17,080	19,531
TOTAL ASSETS ⁽¹⁾	\$ 833,333	\$ 860,967
LIABILITIES, MEZZANINE EQUITY, AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 13,468	\$ 8,663
Accrued expenses and other current liabilities	49,205	36,884
Accrued payroll	4,409	3,506
Health plan settlements payable	41,169	34,992
Claims payable	230,736	178,009
Premium deficiency reserve	29,441	13,670
Accrued interest	35,929	23,648
Short-term debt	208	—
Liabilities held for sale	753	—
TOTAL CURRENT LIABILITIES	405,318	299,372
Operating lease liability	11,158	13,622
Warrant liabilities	19,718	1,085
Contingent consideration	—	4,907
Long-term debt, net	133,228	108,319
TOTAL LIABILITIES ⁽¹⁾	569,422	427,305
COMMITMENTS AND CONTINGENCIES		
MEZZANINE EQUITY:		
Redeemable non-controlling interest	143,397	291,532
STOCKHOLDERS' EQUITY:		
Class A common stock, \$ 0.0001 par value; 800,000 shares authorized; 161,972 and 116,588 shares issued and outstanding as of September 30, 2024 and December 31, 2023, respectively	16	12
Class V common stock, \$ 0.0001 par value; 205,000 shares authorized; 195,957 and 196,569 shares issued and outstanding as of September 30, 2024 and December 31, 2023, respectively	20	20
Additional paid in capital	565,054	509,442
Accumulated deficit	(444,576)	(367,344)
TOTAL STOCKHOLDERS' EQUITY	120,514	142,130
TOTAL LIABILITIES, MEZZANINE EQUITY, AND STOCKHOLDERS' EQUITY	\$ 833,333	\$ 860,967

(1) The Company's condensed consolidated balance sheets include the assets and liabilities of its consolidated variable interest entities ("VIEs"). As discussed in Note 13 "Variable Interest Entities," P3 LLC is itself a VIE. P3 LLC represents substantially all the assets and liabilities of the Company. As a result, the language and amounts below refer only to VIEs held at the P3 LLC level. The condensed consolidated balance sheets include total assets that can be used only to settle obligations of P3 LLC's consolidated VIEs totaling \$ 13.0 million and \$ 8.6 million as of September 30, 2024 and December 31, 2023, respectively, and total liabilities of P3 LLC's consolidated VIEs for which creditors do not have recourse to the general credit of the Company totaled \$ 15.8 million and \$ 13.6 million as of September 30, 2024 and December 31, 2023, respectively. These VIE assets and liabilities do not include \$ 46.9 million and \$ 44.2 million of net amounts due to affiliates as of September 30, 2024 and December 31, 2023, respectively, as these are eliminated in consolidation and not presented within the condensed consolidated balance sheets.

See accompanying notes to condensed consolidated financial statements.

P3 HEALTH PARTNERS INC. and SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
OPERATING REVENUE:				
Capitated revenue	\$ 357,706	\$ 285,153	\$ 1,116,146	\$ 909,473
Other patient service revenue	4,418	3,198	13,623	10,041
TOTAL OPERATING REVENUE	362,124	288,351	1,129,769	919,514
OPERATING EXPENSE:				
Medical expense	401,920	279,220	1,149,148	867,061
Premium deficiency reserve	18,168	(12,489)	15,771	(9,361)
Corporate, general and administrative expense	27,219	33,065	81,230	97,931
Sales and marketing expense	134	654	870	2,512
Depreciation and amortization	21,673	21,721	64,905	65,041
TOTAL OPERATING EXPENSE	469,114	322,171	1,311,924	1,023,184
OPERATING LOSS	(106,990)	(33,820)	(182,155)	(103,670)
OTHER INCOME (EXPENSE):				
Interest expense, net	(5,647)	(4,002)	(15,339)	(11,939)
Mark-to-market of stock warrants	5,737	755	14,626	(327)
Other	445	190	1,073	(455)
TOTAL OTHER INCOME (EXPENSE)	535	(3,057)	360	(12,721)
LOSS BEFORE INCOME TAXES	(106,455)	(36,877)	(181,795)	(116,391)
INCOME TAX BENEFIT (PROVISION)	3,605	(412)	565	(928)
NET LOSS	(102,850)	(37,289)	(181,230)	(117,319)
LESS: NET LOSS ATTRIBUTABLE TO REDEEMABLE NON-CONTROLLING INTEREST				
	(56,338)	(23,993)	(103,998)	(85,008)
NET LOSS ATTRIBUTABLE TO CONTROLLING INTEREST	\$ (46,512)	\$ (13,296)	\$ (77,232)	\$ (32,311)
NET LOSS PER SHARE (Note 9):				
Basic	\$ (0.29)	\$ (0.12)	\$ (0.55)	\$ (0.37)
Diluted	\$ (0.31)	\$ (0.12)	\$ (0.64)	\$ (0.41)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING (Note 9):				
Basic	161,890	114,198	139,292	88,010
Diluted	164,701	312,679	141,723	288,379

See accompanying notes to condensed consolidated financial statements.

P3 HEALTH PARTNERS INC. and SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND MEZZANINE EQUITY
(in thousands)
(unaudited)

	Redeemable Non-controlling Interest	Class A Common Stock		Class V Common Stock		Additional Paid in Capital	Accumulated Deficit	Total Stockholders' Equity
		Shares	Amount	Shares	Amount			
STOCKHOLDERS' EQUITY, December 31, 2022	\$ 516,805	41,579	\$ 4	201,592	\$ 20	\$ 315,375	\$ (309,545)	\$ 5,854
Cumulative adjustment due to adoption of new credit loss standard	(124)	—	—	—	—	—	(26)	(26)
Vesting of Class V common stock awards	—	—	—	275	—	—	—	—
Equity-based compensation	291	—	—	—	—	686	—	686
Net loss	(43,249)	—	—	—	—	—	(9,199)	(9,199)
STOCKHOLDERS' EQUITY, March 31, 2023	473,723	41,579	4	201,867	20	316,061	(318,770)	(2,685)
Exchanges of redeemable non-controlling interest for Class A common stock	—	3,362	—	(3,362)	—	—	—	—
Equity-based compensation	291	—	—	—	—	740	—	740
Fair value adjustment to redeemable non-controlling interest	330,617	—	—	—	—	(330,617)	—	(330,617)
Remeasurement adjustment to redeemable non-controlling interest resulting from ownership changes	(119,630)	—	—	—	—	119,630	—	119,630
Private placement, net of offering costs	—	69,157	7	—	—	86,575	—	86,582
Net loss	(17,766)	—	—	—	—	—	(9,816)	(9,816)
STOCKHOLDERS' EQUITY, June 30, 2023	667,235	114,098	11	198,505	20	192,389	(328,586)	(136,166)
Exchanges of redeemable non-controlling interest for Class A common stock	—	151	—	(151)	—	—	—	—
Equity-based compensation	105	—	—	—	—	2,146	—	2,146
Restricted stock unit awards issued in satisfaction of executive transaction bonuses	—	—	—	—	—	5,000	—	5,000
Fair value adjustment to redeemable non-controlling interest	(330,617)	—	—	—	—	330,617	—	330,617
Remeasurement adjustment to redeemable non-controlling interest resulting from ownership changes	358	—	—	—	—	(358)	—	(358)
Net loss	(23,993)	—	—	—	—	—	(13,296)	(13,296)
STOCKHOLDERS' EQUITY, September 30, 2023	\$ 313,088	114,249	\$ 11	198,354	\$ 20	\$ 529,794	\$ (341,882)	\$ 187,943

	Redeemable Non-controlling Interest	Class A Common Stock		Class V Common Stock		Additional Paid in Capital	Accumulated Deficit	Total Stockholders' Equity
		Shares	Amount	Shares	Amount			
STOCKHOLDERS' EQUITY, December 31, 2023	\$ 291,532	116,588	\$ 12	196,569	\$ 20	\$ 509,442	\$ (367,344)	\$ 142,130
Exchanges of redeemable non-controlling interest for Class A common stock	—	75	—	(75)	—	—	—	—
Issuance of Class A common stock upon settlement of restricted stock units, net of shares withheld for tax	—	2,746	—	—	—	(73)	—	(73)
Equity-based compensation	—	—	—	—	—	1,449	—	1,449
Fair value adjustment to redeemable non-controlling interest	(20,579)	—	—	—	—	20,579	—	20,579
Remeasurement adjustment to redeemable non-controlling interest resulting from ownership changes	(1,211)	—	—	—	—	1,211	—	1,211
Net loss	(30,906)	—	—	—	—	—	(18,700)	(18,700)
STOCKHOLDERS' EQUITY, March 31, 2024	238,836	119,409	12	196,494	20	532,608	(386,044)	146,596
Exchanges of redeemable non-controlling interest for Class A common stock	—	537	—	(537)	—	—	—	—
Issuance of Class A common stock upon settlement of restricted stock units, net of shares withheld for tax	—	212	—	—	—	(30)	—	(30)
Equity-based compensation	—	—	—	—	—	1,624	—	1,624
Remeasurement adjustment to redeemable non-controlling interest resulting from ownership changes	(24,095)	—	—	—	—	24,095	—	24,095
Private placement, net of offering costs	—	41,604	4	—	—	6,571	—	6,575
Net loss	(16,754)	—	—	—	—	—	(12,020)	(12,020)
STOCKHOLDERS' EQUITY, June 30, 2024	197,987	161,762	16	195,957	20	564,868	(398,064)	166,840
Issuance of Class A common stock upon settlement of restricted stock units, net of shares withheld for tax	—	210	—	—	—	(24)	—	(24)
Equity-based compensation	—	—	—	—	—	1,958	—	1,958
Remeasurement adjustment to redeemable non-controlling interest resulting from ownership changes	1,748	—	—	—	—	(1,748)	—	(1,748)
Net loss	(56,338)	—	—	—	—	—	(46,512)	(46,512)
STOCKHOLDERS' EQUITY, September 30, 2024	\$ 143,397	161,972	\$ 16	195,957	\$ 20	\$ 565,054	\$ (444,576)	\$ 120,514

See accompanying notes to condensed consolidated financial statements.

P3 HEALTH PARTNERS INC. and SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Nine Months Ended September 30,	
	2024	2023
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Net loss	\$ (181,230)	\$ (117,319)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	64,905	65,041
Equity-based compensation	5,031	4,259
Amortization of original issue discount and debt issuance costs	13	405
Accretion of contingent consideration	—	113
Gain on write off of contingent consideration	(4,907)	—
Mark-to-market adjustment of stock warrants	(14,626)	327
Premium deficiency reserve	15,771	(9,361)
Changes in operating assets and liabilities:		
Health plan receivable	(4,828)	(45,258)
Clinic fees, insurance, and other receivable	445	5,275
Prepaid expenses and other current assets	(7,402)	(429)
Other long-term assets	(2)	(1,214)
Accounts payable, accrued expenses, and other current liabilities	1,780	2,758
Accrued payroll	903	2,405
Health plan settlements payable	6,177	21,814
Claims payable	52,727	4,290
Accrued interest	12,281	7,092
Operating lease liability	72	(348)
Net cash used in operating activities	(52,890)	(60,150)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchases of property and equipment	—	(2,039)
Purchase price received in advance of asset sale	15,000	—
Net cash provided by (used in) investing activities	15,000	(2,039)
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Proceeds from long-term debt, net of original issue discount	25,000	14,101
Payment of debt issuance costs	(100)	(173)
Proceeds from liability-classified warrants and private placement offering, net of offering costs paid	40,547	87,244
Proceeds from at-the-market sales, net of offering costs paid	33	—
Deferred offering costs paid	(507)	—
Payment of tax withholdings upon settlement of restricted stock unit awards	(127)	—
Repayment of short-term and long-term debt	(1,663)	—
Proceeds from short-term debt	1,871	—
Net cash provided by financing activities	65,054	101,172
Net change in cash and restricted cash	27,164	38,983
Cash and restricted cash, beginning of period	40,934	18,457
Cash and restricted cash, end of period	<u>\$ 68,098</u>	<u>\$ 57,440</u>

See accompanying notes to condensed consolidated financial statements.

P3 HEALTH PARTNERS INC. and SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Organization	10
Note 2: Going Concern and Liquidity	10
Note 3: Significant Accounting Policies	11
Note 4: Recent Accounting Pronouncements	13
Note 5: Fair Value Measurements and Hierarchy	14
Note 6: Property and Equipment	15
Note 7: Intangible Assets	16
Note 8: Debt	17
Note 9: Net Loss per Share	18
Note 10: Redeemable Non-controlling Interest	19
Note 11: Segment Reporting	19
Note 12: Capitalization	20
Note 13: Variable Interest Entities	21
Note 14: Income Taxes	22

Note 1: Organization

P3 Health Partners Inc. ("P3") is a patient-centered and physician-led population health management company and, for accounting purposes, the successor to P3 Health Group Holdings, LLC and its subsidiaries (collectively, "P3 LLC," and together with P3, the "Company") after the consummation of a series of business combinations in December 2021 with Foresight Acquisition Corp. (the "Business Combinations"). As the sole manager of P3 LLC, P3 operates and controls all of the business and affairs of P3 LLC and P3's only assets are equity interests in P3 LLC.

P3 LLC was founded on April 12, 2017 and began commercial operations on April 20, 2017 to provide population health management services on an at-risk basis to insurance plans offering medical coverage to Medicare beneficiaries under Medicare Advantage programs. Medicare Advantage ("MA") programs are insurance products created solely for Medicare beneficiaries. Insurance plans contract directly with the Centers for Medicare and Medicaid Services ("CMS") to offer Medicare beneficiaries benefits that replace traditional Medicare fee-for-service ("FFS") coverage.

The Company's contracts with health plans are based on an at-risk shared savings model. Under this model, the Company is financially responsible for the cost of all contractually-covered services provided to members assigned to the Company by health plans in exchange for a fixed monthly "capitation" payment, which is generally a percentage of the payment health plans receive from CMS. Under this arrangement, Medicare beneficiaries generally receive all their healthcare coverage through the Company's network of employed and affiliated physicians and specialists.

The services provided to health plans' members vary by contract. These may include utilization management, care management, disease education, and maintenance of a quality improvement and quality management program for members assigned to the Company. The Company is also responsible for the credentialing of its providers, processing and payment of claims, and the establishment of a provider network for certain health plans.

In addition to the Company's contracts with health plans, the Company provides primary healthcare services through its employed physician clinic locations. These primary care clinics are reimbursed for services provided under FFS contracts with various payers and through capitated – per member, per month ("PMPM") arrangements.

Note 2: Going Concern and Liquidity

The accompanying unaudited condensed consolidated financial statements have been prepared assuming the Company will continue as a going concern. The Company has experienced losses since its inception and had net losses of \$ 102.9 million and \$ 37.3 million for the three months ended September 30, 2024 and 2023, respectively, and \$ 181.2 million and \$ 117.3 million for the nine months ended September 30, 2024 and 2023, respectively. Such losses were primarily the result of costs incurred in adding new members and adverse claims experience, partly driven by general market conditions for MA plans. The Company anticipates operating losses and negative cash flows to continue for the foreseeable future as it continues to grow membership.

As of September 30, 2024 and December 31, 2023, the Company had \$ 63.0 million and \$ 36.3 million, respectively, in unrestricted cash and cash equivalents available to fund future operations. The Company's capital requirements will depend on many factors, including the pace of the Company's growth, ability to manage medical costs, the maturity of its members, its ability to complete the sale of its Florida operations, and its ability to raise capital. The Company continues to explore raising additional capital through a combination of debt financing and equity issuances and sales of assets. When the Company pursues additional debt and/or equity financing, there can be no assurance that such financing will be available on terms commercially acceptable to the Company or at all. If the Company is unable to obtain additional funding when needed, it will need to curtail planned activities in order to reduce costs, which will likely have an unfavorable effect on the Company's ability to execute on its business plan, and have an adverse effect on its business, results of operations, and future prospects. As a result of these matters, substantial doubt exists about the Company's ability to continue as a going concern within one year after the date the financial statements are issued. The accompanying unaudited condensed consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

Note 3: Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of the U.S. Securities and Exchange Commission ("SEC") Regulation S-X. The unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2023. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to SEC rules and regulations dealing with interim financial statements.

Management believes the accompanying unaudited condensed consolidated financial statements reflect all adjustments of a normal recurring nature necessary for a fair presentation of periods presented. The consolidated operating results for the three and nine months ended September 30, 2024 are not necessarily indicative of the results that may be expected for the year ending December 31, 2024, or for any other future annual or interim period.

Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements include the accounts of the Company and all significant intercompany transactions and balances have been eliminated.

The Company periodically evaluates entities for consolidation either through ownership of a majority voting interest, or through means other than voting interest, in accordance with the Variable Interest Entity ("VIE") accounting model. This evaluation includes a qualitative review of the design of the entity, its organizational structure, including decision making ability and financial agreements, as well as a quantitative review. The Company consolidates a VIE when it has a variable interest that provides it with a controlling financial interest in the VIE, referred to as the primary beneficiary of the VIE.

As the sole managing member of P3 LLC, P3 has the right to direct the most significant activities of P3 LLC and the obligation to absorb losses and receive benefits. The rights of the non-managing members of P3 LLC are limited and protective in nature and do not give substantive participation rights over the sole managing member. Accordingly, P3 identifies itself as the primary beneficiary of P3 LLC and began consolidating P3 LLC as of December 3, 2021, the closing date of the Business Combinations (the "Closing Date"), resulting in a non-controlling interest related to the common units of P3 LLC ("Common Units") held by members other than P3. Additionally, as more fully described in Note 13 "Variable Interest Entities," P3 LLC is the primary beneficiary of the following physician practices (collectively, the "Network VIEs"):

- Kahan, Wakefield, Abdou, PLLC
- Bacchus, Wakefield, Kahan, PC
- P3 Health Partners Professional Services, P.C.
- P3 Medical Group, P.C.
- P3 Health Partners California, P.C. (f/k/a Omni IPA Medical Group, Inc.)

Comprehensive Loss

Comprehensive loss includes net loss to common stockholders as well as other changes in equity that result from transactions and economic events other than those with stockholders. There was no difference between comprehensive loss and net loss to common stockholders for the periods presented.

Use of Estimates

The preparation of these unaudited condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that could affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. On an ongoing basis, the Company evaluates its estimates, including, but not limited to, those related to allowance for credit losses, revenue recognition, the liability for unpaid claims, equity-based compensation, premium deficiency reserves ("PDR"), fair value and impairment recognition of long-lived assets

(including intangibles), fair value of liability classified instruments, and judgments related to deferred income taxes. The Company bases its estimates on the best information available at the time, its experiences, and various other assumptions believed to be reasonable under the circumstances. Actual results could differ from those estimates.

Significant Accounting Policies

A description of the Company's significant accounting policies is included in the audited consolidated financial statements within Annual Report on Form 10-K for the year ended December 31, 2023. No changes to significant accounting policies have occurred since December 31, 2023.

Revenue Recognition

In 2024, the Company released a portion of the constraint applied in previous periods with respect to risk adjustment revenue for dates of service in 2023, which resulted in increases to capitation revenue of \$ 7.5 million and \$ 22.7 million for the three and nine months ended September 30, 2024, respectively.

The Company categorizes revenue based on various factors such as the nature of contracts as follows:

Revenue Type	Three Months Ended September 30, 2024	% of Total	Three Months Ended September 30, 2023	% of Total
			(dollars in thousands)	
Capitated revenue	\$ 357,706	98.8 %	\$ 285,153	98.9 %
Other patient service revenue:				
Clinical fees & insurance revenue	1,536	0.4	1,246	0.4
Care coordination / management fees	2,770	0.8	1,784	0.6
Incentive fees	112	0.0	168	0.1
Total other patient service revenue	4,418	1.2	3,198	1.1
Total revenue	\$ 362,124	100.0 %	\$ 288,351	100.0 %

Revenue Type	Nine Months Ended September 30, 2024	% of Total	Nine Months Ended September 30, 2023	% of Total
			(dollars in thousands)	
Capitated revenue	\$ 1,116,146	98.8 %	\$ 909,473	98.9 %
Other patient service revenue:				
Clinical fees & insurance revenue	4,588	0.4	3,890	0.4
Care coordination / management fees	8,763	0.8	5,699	0.6
Incentive fees	272	0.0	452	0.1
Total other patient service revenue	13,623	1.2	10,041	1.1
Total revenue	\$ 1,129,769	100.0 %	\$ 919,514	100.0 %

During the three months ended September 30, 2024 and 2023, five and four health plan customers, respectively, each accounted for 10% or more of total revenue and collectively comprised 69 % and 58 % of the Company's total revenue, respectively. During each of the nine months ended September 30, 2024 and 2023, four health plan customers each accounted for 10% or more of total revenue and collectively comprised 59 % and 61 % of the Company's total revenue, respectively. Three health plan customers accounted for 10% or more of total health plan receivable each as of September 30, 2024 and December 31, 2023.

Note 4: Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

ASU 2024-02, Codification Improvements—Amendments to Remove References to the Concepts Statements (“ASU 2024-02”)

Accounting Standards Update (“ASU”) 2024-02 removes references to various Financial Accounting Standards Board (“FASB”) Concepts Statements from the FASB accounting standards codification (the “Codification”) to simplify and clarify the accounting guidance. The ASU aims to distinguish between authoritative and nonauthoritative literature and to address unintended applications of guidance. The Company adopted ASU 2024-02 effective January 1, 2024. The guidance will be applied prospectively to all new transactions recognized on or after January 1, 2024.

ASU 2020-06, Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging — Contracts in Entity’s Own Equity (Subtopic 815-40), Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity (“ASU 2020-06”)

ASU 2020-06 eliminates two of the three models in ASC 470-20 that require issuers to separately account for embedded conversion features and eliminates some of the requirements for equity classification in ASC 815-40-25 for contracts in an entity’s own equity. The guidance also requires entities to use the if-converted method for all convertible instruments in the diluted earnings per share calculation and generally requires them to include the effect of potential share settlement for instruments that may be settled in cash or shares. The Company adopted ASU 2020-06 effective January 1, 2024 using the modified retrospective method. The Company’s liability-classified stock warrants remained classified as liabilities under the amended guidance. The adoption of this standard did not have a material impact on the Company’s consolidated financial statements and related disclosures.

Recent Accounting Pronouncements Not Yet Adopted

ASU 2024-03, Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses (“ASU 2024-03”)

ASU 2024-03 enhances transparency and decision-usefulness of expense disclosures in response to investors’ requests for more detailed, disaggregated expense information, enabling a clearer understanding of a public business entity’s performance and cost structure. The amendments improve disclosure requirements in financial statement notes for specific expense categories, including inventory purchases, employee compensation, depreciation, amortization, and depletion, as well as qualitative descriptions of other expenses. The amendments are effective for fiscal years beginning after December 15, 2026, with early adoption permitted. The Company is evaluating the effect ASU 2024-03 will have on its consolidated financial statements and related disclosures.

ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures (“ASU 2023-09”)

ASU 2023-09 enhances the transparency and decision usefulness of income tax disclosures, in response to investors’ feedback, indicating the need for improved information to assess an entity’s operations, tax risks, and planning opportunities, particularly in understanding exposure to jurisdictional tax changes and their impact on cash flows. The amendments address these concerns by improving income tax disclosures, primarily related to the rate reconciliation and income taxes paid information. The amendments in this update are effective for annual periods beginning after December 15, 2024 and should be applied prospectively. Early adoption and retrospective application is permitted. The Company is evaluating the effect ASU 2023-09 will have on its consolidated financial statements and related disclosures.

ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures (“ASU 2023-07”)

ASU 2023-07 improves the disclosures about a public entity’s reportable segments and addresses requests from investors for additional, more detailed information about a reportable segment’s expenses. The amendments in this update are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. The amendments require retrospective application to all prior periods presented in the financial statements. Upon transition, the segment expense categories and amounts disclosed in the prior periods should be based on the significant segment expense categories identified and disclosed in the period of adoption. The Company is evaluating the effect ASU 2023-07 will have on its consolidated financial statements and related disclosures.

ASU 2023-06, Disclosure Improvements: Codification Amendments In Response to the SEC's Disclosure Update and Simplification Initiative ("ASU 2023-06")

ASU 2023-06 clarifies or improves disclosure and presentation requirements on a variety of topics and aligns the requirements in the Codification with the SEC's regulations. The effective date for each amendment will be the date on which the SEC's removal of that related disclosure from Regulation S-X or Regulation S-K becomes effective, with early adoption prohibited. The amendments in this update should be applied prospectively. If by June 30, 2027, the SEC has not removed the applicable requirement from Regulation S-X or Regulation S-K, the pending content of the related amendment will be removed from the Codification and will not become effective for any entity. The Company is evaluating the effect ASU 2023-06 will have on its consolidated financial statements and related disclosures.

Note 5: Fair Value Measurements and Hierarchy

Information about the Company's financial liabilities measured at fair value on a recurring basis is presented below:

	Level 1	Level 2	Level 3	Total
(in thousands)				
Warrant liability as of September 30, 2024	\$ 422	\$ —	\$ 19,296	\$ 19,718
Warrant liability as of December 31, 2023	\$ 1,056	\$ —	\$ 29	\$ 1,085

The key Level 3 weighted average inputs into the option pricing model related to the private placement warrants to purchase Class A common stock were as follows:

	September 30, 2024	December 31, 2023
Volatility	90 %	75 %
Risk-free interest rate	3.61 %	4.01 %
Exercise price	\$ 0.51	\$ 11.50
Expected term	6.4 Years	2.9 Years

Generally, an increase in the market price of the Company's shares of common stock, an increase in the volatility of the Company's shares of common stock, and an increase in the remaining term of the warrants would each result in a directionally similar change in the estimated fair value of the Company's warrant liabilities. Such changes would increase the associated liability while decreases in these assumptions would decrease the associated liability. An increase in the risk-free interest rate would result in a decrease in the estimated fair value measurement and thus a decrease in the associated liability. The Company has not, and does not plan to, declare dividends on its common stock and, as such, there is no change in the estimated fair value of the warrant liabilities due to the dividend assumption.

The following table sets forth a summary of changes in the fair value of the Company's private placement warrants to purchase Class A common stock, which are considered to be Level 3 fair value measurements:

	Nine Months Ended September 30,	
	2024	2023
(in thousands)		
Beginning balance	\$ 29	\$ 40
Issuance of Common Warrants (see Note 12)	33,260	—
Mark-to-market adjustment of stock warrants	(13,993)	11
Ending balance	\$ 19,296	\$ 51

The Company recorded gains of \$ 5.7 million and \$ 0.8 million from changes in the fair value of stock warrants for the three months ended September 30, 2024 and 2023, respectively, and a gain of \$ 14.6 million and loss of \$ 0.3 million from changes in the fair value of stock warrants for the nine months ended September 30, 2024 and 2023, respectively.

The book value of cash; clinic fees, insurance receivables, and other receivables; accounts payable; and accrued expenses and other current liabilities approximate fair value because of the short maturity and high liquidity of these instruments.

During the three and nine months ended September 30, 2024, the Company recorded a gain of \$ 6.2 million reflecting the write-off and settlement of contingent consideration related to the Company's 2021 acquisition of Medcore HP, a Level 3 fair value measurement, upon resolution with the sellers of the assumed claims payable and risk adjustment factor.

Note 6: Property and Equipment

The Company's property and equipment balances consisted of the following as of:

	September 30, 2024	December 31, 2023
	(in thousands)	
Leasehold improvements	\$ 2,332	\$ 2,933
Furniture & fixtures	1,101	1,165
Computer equipment & software	7,070	3,699
Medical equipment	1,082	1,106
Software (development in process)	343	3,877
Vehicles	660	654
Other	—	33
	12,588	13,467
Less: accumulated depreciation	(6,273)	(4,781)
Property and equipment, net	\$ 6,315	\$ 8,686

Total depreciation of property and equipment recognized on the condensed consolidated statements of operations was \$ 0.6 million and \$ 0.5 million for the three months ended September 30, 2024 and 2023, respectively, and \$ 1.7 million and \$ 1.8 million for the nine months ended September 30, 2024 and 2023, respectively.

Asset Sale

On September 27, 2024, the Company executed a nonbinding proposal with an entity in which the Company's principal stockholder has an ownership interest (the "Buyer") setting forth terms and conditions for the proposed sale of substantially all of the assets, clinical and non-clinical, exclusively or primarily used by the Company's subsidiary, P3 Health Partners-Florida, LLC, on a cash-free, debt-free basis for a purchase price of \$ 15 million. As of September 30, 2024, the Buyer has paid a good faith deposit in the amount of \$ 15 million (the "Good Faith Deposit"), which was recorded within cash and accrued expenses and other current liabilities on the condensed consolidated balance sheet. The completion of the transaction is subject to the negotiation and signing of a definitive agreement and the satisfaction of customary closing conditions, including completion of the Buyer's financial due diligence, and is expected to close during the fourth quarter of 2024. The terms of a definitive agreement may differ from the anticipated terms described herein and there can be no assurance that the Company will enter into a definitive agreement for the sale. If the Company does not enter into a definitive agreement for the sale, or the sale is not completed for any other reason, the Company will be required to return the Good Faith Deposit to the Buyer.

Net assets classified as held for sale are summarized as follows as of September 30, 2024 (in thousands):

Assets:	
Property and equipment, net	\$ 637
Intangible assets, net	8,777
Other long-term assets	709
Total assets	\$ 10,123
Liabilities:	
Accrued expenses and other current liabilities	\$ 46
Operating lease liability	707
Total liabilities	\$ 753
Net assets	\$ 9,370

Note 7: Intangible Assets

Intangible assets, net consisted of the following as of:

	September 30, 2024			December 31, 2023		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
(in thousands)						
Indefinite lived intangible assets:						
Medical licenses	\$ 700	\$ —	\$ 700	\$ 700	\$ —	\$ 700
Definite lived intangible assets:						
Customer relationships	671,818	(190,349)	481,469	684,000	(142,500)	541,500
Trademarks	148,635	(42,748)	105,887	148,635	(31,671)	116,964
Payor contracts	4,700	(1,293)	3,407	4,700	(940)	3,760
Provider network	4,734	(1,332)	3,402	4,800	(991)	3,809
Total	\$ 830,587	\$ (235,722)	\$ 594,865	\$ 842,835	\$ (176,102)	\$ 666,733

Amortization of intangible assets was \$ 21.0 million and \$ 21.1 million during the three months ended September 30, 2024 and 2023, respectively, and \$ 63.1 million and \$ 63.2 million during the nine months ended September 30, 2024 and 2023, respectively.

Note 8: DebtShort-term Debt

In January 2024, the Company entered into a short-term financing agreement totaling \$ 1.9 million for the funding of certain insurance policies. The term of the agreement is nine months and the annual interest rate is 8.25 %. Remaining scheduled principal payments as of September 30, 2024 are \$ 0.2 million to be paid in the fourth quarter of 2024.

Long-term Debt

Long-term debt consisted of the following:

	September 30, 2024	December 31, 2023
	(in thousands)	
Repurchase promissory note, interest paid at 11.0 %, due June 2026	\$ 15,000	\$ 15,000
Term loan facility, interest paid at 12.0 %, due December 2025	65,000	65,000
Unsecured promissory note, interest paid at 14.0 %, due May 2026	29,102	29,102
VGS 2 Promissory Note	25,375	—
Long-term debt, gross	134,477	109,102
Less: unamortized debt issuance costs and original issue discount	(1,249)	(783)
Long-term debt, net	<u>\$ 133,228</u>	<u>\$ 108,319</u>

VGS 2 Promissory Note

On March 22, 2024, P3 LLC entered into a related party financing transaction with VBC Growth SPV 2, LLC ("VGS 2"), consisting of the issuance by P3 LLC of an unsecured promissory note (the "VGS 2 Promissory Note") to VGS 2. The VGS 2 Promissory Note provided for funding of up to \$ 25.0 million. The VGS 2 Promissory Note matures on September 30, 2027. P3 LLC paid VGS 2 an up-front fee of 1.5 % of the aggregate principal amount of the loan in-kind. Interest is payable at 17.5 % per annum on a quarterly cycle (in arrears) beginning June 30, 2024. P3 LLC may elect to pay either (1) 8.0 % cash interest and 9.5 % interest paid in-kind ("PIK"), or (2) 17.5 % PIK interest, provided that payment of cash interest will be permitted only to the extent permitted by the Term Loan Agreement and the 2024 Subordination Agreement (defined below), and if not so permitted, such interest shall accrue as PIK interest. The VGS 2 Promissory Note provides for mandatory prepayments with the proceeds of certain asset sales, and VGS 2 has the right to demand payment in full upon (i) a change of control of the Company and (ii) certain qualified financings (as defined in the VGS 2 Promissory Note).

The VGS 2 Promissory Note restricts P3 LLC's ability and the ability of its subsidiaries to, among other things, incur indebtedness and liens, and make investments and restricted payments. The maturity date may be accelerated as a remedy under the certain default provisions in the agreement, or in the event a mandatory prepayment event occurs.

In addition, P3 LLC will pay VGS 2 a back-end fee at the time the VGS 2 Promissory Note is redeemed as follows: (i) if paid after June 30, 2024 and on or before September 30, 2024, 4.5 %; (ii) if paid after September 30, 2024 and on or before December 31, 2024, 6.75 % and (iii) if paid after December 31, 2024, 9.0 %. As of September 30, 2024, the Company had recorded debt issuance costs and original issue discount of \$ 0.5 million related to this financing.

2024 Subordination Agreement

In connection with the transactions described above, P3 LLC entered into a subordination agreement, dated as of March 22, 2024 (the "2024 Subordination Agreement"), by and among the Company, CRG Servicing LLC ("CRG"), as administrative agent under the Term Loan Facility and VGS 2. Pursuant to the 2024 Subordination Agreement, VGS 2 agreed to subordinate its right of payment under the VGS 2 Promissory Note to the right of payment and security interests of the lenders under the Term Loan Facility. The terms of the 2024 Subordination Agreement will effectively require P3 LLC to pay all interest under the VGS 2 Promissory Note in-kind.

Amendment to Term Loan Agreement and Consent

In connection with the transactions described above, P3 LLC entered into that certain (i) Fourth Amendment to Term Loan Agreement (the "Term Loan Amendment"), dated as of the March 22, 2024, by and among P3 LLC, as borrower, the subsidiary guarantors party thereto, the lenders from time to time party thereto and CRG, as administrative agent and collateral agent and (ii) Consent (the "Consent"), dated as of the March 22, 2024, by and between P3 LLC, as borrower, and VBC Growth SPV, LLC, as holder. The Term Loan Amendment and Consent collectively permit the issuance of the VGS 2 Promissory Note and the entry into the 2024 Subordination Agreement.

The Company was in compliance with its covenants under the term loan facility and the unsecured promissory notes as of September 30, 2024; however, there can be no assurance that the Company will be able to maintain compliance with these covenants in the future or that the lenders under the term loan facility and the unsecured promissory notes or the lenders of any future indebtedness the Company may incur will grant any waiver or forbearance with respect to such covenants that we may request in the future.

Note 9: Net Loss per Share

The following table provides the computation of basic and diluted net loss per share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
(in thousands, except per share data)				
Numerator–basic:				
Net loss attributable to Class A common stockholders–basic	\$ (46,512)	\$ (13,296)	\$ (77,232)	\$ (32,311)
Numerator–diluted:				
Net loss attributable to Class A common stockholders–basic	\$ (46,512)	\$ (13,296)	\$ (77,232)	\$ (32,311)
Effective of dilutive securities:				
Shares of Class V common stock	—	(23,993)	—	(85,008)
Liability-classified warrants	(5,196)	—	(13,974)	—
Net loss attributable to Class A common stockholders–diluted	\$ (51,708)	\$ (37,289)	\$ (91,206)	\$ (117,319)
Denominator–basic:				
Weighted average Class A common shares outstanding–basic	161,890	114,198	139,292	88,010
Net loss per share attributable to Class A common stockholders–basic	\$ (0.29)	\$ (0.12)	\$ (0.55)	\$ (0.37)
Denominator–diluted:				
Weighted average Class A common shares outstanding–basic	161,890	114,198	139,292	88,010
Weighted average effect of dilutive securities:				
Shares of Class V common stock	—	198,481	—	200,369
Liability-classified warrants	2,811	—	2,431	—
Weighted average shares outstanding–diluted	164,701	312,679	141,723	288,379
Net loss per share attributable to Class A common stockholders–diluted	\$ (0.31)	\$ (0.12)	\$ (0.64)	\$ (0.41)

Shares of Class V common stock do not share in the earnings or losses of P3 and are therefore not participating securities. As such, separate presentation of basic and diluted net income per share for Class V common stock under the

two-class method is not required. The following table presents potentially dilutive securities excluded from the computation of diluted net loss per share for the periods presented because their effect would have been anti-dilutive.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
(in thousands)				
Stock warrants ⁽¹⁾	107,718	81,938	107,718	81,938
Stock options ⁽¹⁾	22,037	5,867	22,037	5,867
Restricted stock units ⁽¹⁾	9,497	4,690	9,497	4,690
Restricted stock awards ⁽¹⁾	—	250	—	250
Shares of Class V common stock ⁽²⁾	195,957	—	195,957	—
Total	335,209	92,745	335,209	92,745

(1) Represents the number of instruments outstanding at the end of the period. Application of the treasury stock method would reduce this amount if they had a dilutive effect and were included in the computation of diluted net loss per share

(2) Shares of Class V common stock at the end of the period, including shares tied to unvested Common Units, are considered potentially dilutive shares of Class A common stock under application of the if-converted method.

Note 10: Redeemable Non-controlling Interest

Non-controlling interest represents the portion of P3 LLC that the Company controls and consolidates but does not own (i.e., the Common Units held directly by equity holders other than the Company).

The ownership of the Common Units is summarized as follows:

	September 30, 2024		December 31, 2023	
	Units (in thousands)	Ownership %	Units (in thousands)	Ownership %
P3 Health Partners Inc.'s ownership of Common Units	161,972	45.3 %	116,588	37.2 %
Non-controlling interest holders' ownership of Common Units	195,957	54.7	196,569	62.8
Total Common Units	357,929	100.0 %	313,157	100.0 %

During the nine months ended September 30, 2024 and 2023, there were an aggregate of 0.6 million shares and 3.5 million shares, respectively, of Class A common stock issued to P3 LLC members in connection with such members' redemptions of an equivalent number of Common Units and corresponding cancellation and retirement of an equivalent number of Class V common stock. Such retired shares of Class V common stock may not be reissued. The redemptions occurred pursuant to the terms of the P3 LLC Amended and Restated Limited Liability Agreement (the "P3 LLC A&R LLC Agreement").

As of September 30, 2024, there was no remeasurement adjustment recorded as the fair value of redeemable non-controlling interest (i.e., based on the five-day volume-weighted average price of a share of Class A common stock) was less than the carrying value. As of September 30, 2023, there was no remeasurement adjustment recorded as the fair value of redeemable non-controlling interest was less than the carrying value.

Note 11: Segment Reporting

The Company's operations are organized under one reportable segment. The Chief Executive Officer, who is the Company's chief operating decision maker, manages the Company's operations and reviews financial information on a consolidated basis. Decisions regarding resource allocation and assessment of profitability are based on the Company's responsibility to deliver high quality primary medical care services to its patient population. For the periods presented, all the Company's revenue was earned in the United States. Likewise, all the Company's long-lived assets were located in the United States.

Note 12: CapitalizationMay 2024 Private Placement

On May 24, 2024, pursuant to a Securities Purchase Agreement (the "Purchase Agreement"), dated May 22, 2024 with the purchasers named therein (the "Purchasers"), which included certain affiliated entities of Chicago Pacific Founders GP, L.P., a Delaware limited partnership ("CPF GP"), and institutional investors, the Company issued approximately 67.4 million units at a price of approximately \$ 0.6270 per unit. Each unit consists of one share of Class A common stock and a warrant (the "Common Warrants") to purchase one share of Class A common stock at an exercise price of \$ 0.5020. Certain institutional investors elected to receive pre-funded warrants (the "Pre-Funded Warrants," and together with the Common Warrants, the "Warrants") to purchase Class A common stock in lieu of a portion of their Class A common stock. In total, the Company sold (i) an aggregate of 41.6 million shares of its Class A common stock (the "Shares"), (ii) Common Warrants to purchase an aggregate of 67.4 million shares of Class A common stock, and (iii) Pre-Funded Warrants to purchase an aggregate of 25.8 million shares of Class A common stock for aggregate proceeds of \$ 39.8 million, net of \$ 2.4 million in offering costs (collectively, the "May 2024 Private Placement"). The Common Warrants were recorded as liability-classified financial instruments totaling \$ 33.2 million and the Pre-Funded Warrants were recorded as equity-classified financial instruments totaling \$ 6.6 million.

The key Level 3 inputs into the option pricing model related to the Common Warrants were as follows:

Volatility	95 %
Risk-free interest rate	4.50 %
Exercise price	\$ 0.50
Expected term	7.0 Years

Registration Rights Agreement

On May 24, 2024, in connection with the May 2024 Private Placement, the Company entered into a Registration Rights Agreement (the "Registration Rights Agreement") with the Purchasers. Pursuant to the Registration Rights Agreement, the Company agreed to prepare and file a registration statement with the SEC for purposes of registering the resale of the Shares and shares of common stock issuable upon exercise of the Warrants, which was filed with the SEC on June 18, 2024 and declared effective by the SEC on June 27, 2024. The Registration Rights Agreement also contains certain shelf takedown and piggyback rights.

The Company has also agreed, among other things, to indemnify the Purchasers, their officers, directors, members, employees and agents, successors and assigns under the registration statement from certain liabilities and to pay all fees and expenses incident to the Company's obligations under the Registration Rights Agreement.

Amended and Restated Letter Agreement with CPF

On May 24, 2024, in connection with entry into the Purchase Agreement, the Company entered into an amended and restated letter agreement (the "Amended and Restated Letter Agreement") with CPF GP, and Chicago Pacific Founders GP III, L.P., a Delaware limited partnership ("CPF GP III," and together with CPF GP, "CPF") (on behalf of the funds of which CPF GP is the general partner, certain funds of which CPF GP III is the general partner and/or certain of their affiliated entities and funds (collectively, the "CPF Parties")). The Amended and Restated Letter Agreement provides that for as long as the CPF Parties own 40 % of the Company's outstanding common stock, (i) CPF will be entitled to designate one additional independent member of the Company's board of directors, and (ii) CPF will be entitled to certain information rights and protective provisions. As of the date of the issuance of these financial statements, CPF has not exercised its right to designate a director under the terms of the Amended and Restated Letter Agreement. The CPF Parties also agreed to extend a standstill restriction that limits the ownership of the CPF Parties to 49.99 % of the Company's Class A common stock and Class V common stock from the date of the closing of the May 2024 Private Placement to July 31, 2025.

Restricted Stock Unit Settlement

On December 31, 2023, 1.5 million restricted stock units ("RSU"), each RSU representing the right to receive one share of Class A common stock of the Company, previously granted to Sherif Abdou, M.D., the Company's former Chief

Executive Officer, vested pursuant to the terms of a Restricted Stock Unit Agreement between the Company and Dr. Abdou. The Company timely paid \$0.7 million in withholding taxes attributable to the vesting of the RSUs to the Internal Revenue Service on behalf of Dr. Abdou on January 10, 2024. Dr. Abdou repaid such sum to the Company on May 2, 2024.

Note 13: Variable Interest Entities

P3 LLC has Management Services Agreements ("MSAs") and deficit funding agreements with the Network VIEs. The MSAs provide that the P3 LLC will furnish administrative personnel, office supplies and equipment, general business services, contract negotiation, and billing and collection services to the Network VIEs. Fees for these services are the excess of the Network VIEs' revenue over expenses. Per the deficit funding agreements, P3 LLC is obligated to advance funds, as needed, to support the Network VIE's working capital needs to the extent operating expenses exceed gross revenue. These advances accrue interest at a rate of prime plus 2 %. Net advances made to the Network VIEs and accrued interest on those advances are presented within due to consolidated entities of P3 in the table below. Additionally, P3 LLC entered into stock transfer restriction agreements with the practice shareholders of the Network VIEs, which, by way of a call option, unequivocally permit P3 LLC to appoint successor physicians if a practice shareholder vacates their ownership position. Accordingly, P3 LLC identifies itself as the primary beneficiary of the Network VIEs. Practice shareholders, who are employees of P3 LLC, retain equity ownership in the Network VIEs, which represents nominal non-controlling interests; however, the non-controlling interests do not participate in the profit or loss of the Network VIEs.

P3 LLC, directly or indirectly via its wholly owned subsidiaries, may not use or access any net assets of the Network VIEs to settle its obligations or the obligations of its wholly owned subsidiaries. Additionally, the creditors of the Network VIEs do not have recourse to the net assets of P3 LLC.

Since P3 LLC represents substantially all the assets and liabilities of the Company, the following tables provide a summary of the assets, liabilities, and operating performance of only VIEs held at the P3 LLC level.

	September 30, 2024	December 31, 2023
	(in thousands)	
ASSETS		
Cash	\$ 7,371	\$ 6,491
Clinic fees, insurance and other receivable	1,757	138
Health plan receivable	566	571
Prepaid expenses and other current assets	3,152	1,261
Property and equipment, net	32	23
Other long-term assets	115	153
TOTAL ASSETS	\$ 12,993	\$ 8,637
LIABILITIES AND MEMBERS' DEFICIT		
Accounts payable	\$ 5,166	\$ 5,073
Accrued expenses and other current liabilities	516	515
Accrued payroll	3,769	3,141
Claims payable	5,388	3,973
Other long-term liabilities	932	946
Due to consolidated entities of P3	46,934	44,200
TOTAL LIABILITIES	62,705	57,848
MEMBERS' DEFICIT	(49,712)	(49,211)
TOTAL LIABILITIES AND MEMBERS' DEFICIT	\$ 12,993	\$ 8,637

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
(in thousands)				
Revenue	\$ 8,923	\$ 9,024	\$ 28,041	\$ 29,374
Expense	8,379	11,364	28,079	36,886
Net income (loss)	<u>\$ 544</u>	<u>\$ (2,340)</u>	<u>\$ (38)</u>	<u>\$ (7,512)</u>

Note 14: Income Taxes

The Company's tax rate is affected primarily by the recognition of a valuation allowance and the portion of income and expense allocated to the non-controlling interest. It is also affected by discrete items that may occur in any given year such as benefits from changes in the fair value of private placement and public warrants. During the three and nine months ended September 30, 2024, the Company's tax rate was impacted by the release of the valuation allowance on deferred tax assets related to one of its consolidated VIEs.

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

The following discussion and analysis is intended to provide the reader with an understanding of our business, including an overview of our results of operations and liquidity and should be read in conjunction with the unaudited condensed consolidated financial statements and related notes included elsewhere in this Form 10-Q, as well as our audited financial statements and related notes and in Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our 2023 Form 10-K. This discussion contains forward-looking statements and involves numerous risks and uncertainties. Our actual results may differ materially from those anticipated in any forward-looking statements as a result of many factors, including those set forth under "Cautionary Statement Regarding Forward-Looking Statements," in Part II, Item 1A. "Risk Factors" and elsewhere in this Form 10-Q. Our historical results are not necessarily indicative of the results that may be expected for any periods in the future.

Overview

P3 is a patient-centered and physician-led population health management company. We strive to offer superior care to all those in need. We believe that the misaligned incentives in the fee-for-service ("FFS") healthcare payment model and the fragmentation between physicians and care teams has led to sub-optimal clinical outcomes, limited access, high spending and unnecessary variability in the quality of care. We believe that a platform such as ours, which helps to realign incentives and focuses on treating the full patient, is uniquely positioned to address these healthcare challenges.

We have leveraged the expertise of our management team's more than 20 years of experience in population health management, to build our "P3 Care Model." The key attributes that differentiate P3 include: 1) patient-focused model, 2) physician-led model, and 3) our broad delegated model. Our model operates by entering into arrangements with payors providing for monthly payments to manage the total healthcare needs of members attributed to our primary care physicians. In tandem, we enter into arrangements directly with existing physician groups or independent physicians in the community to join our value-based care ("VBC") network. In our model, physicians are able to retain their independence and entrepreneurial spirit, while gaining access to the tools, teams and technologies that are key to success in a VBC model, all while sharing in the savings from successfully improving the quality of patient care and reducing costs.

We operate in the \$944 billion Medicare market, which covers approximately 67.5 million eligible lives as of June 2024. Our core focus is the MA market, which makes up approximately 51% of the overall Medicare market, or nearly 31 million Medicare eligible lives in 2023. Medicare beneficiaries may enroll in an MA plan, under which payors contract with the Centers for Medicare and Medicaid Services ("CMS") to provide a defined range of healthcare services that are comparable to Medicare FFS (which is also referred to as "traditional Medicare").

We predominantly enter into capitated contracts with the nation's largest health plans to provide holistic, comprehensive healthcare to MA members. Under the typical capitation arrangement, we are entitled to per member per month ("PMPM") fees from payors to provide a defined range of healthcare services for MA health plan members attributed to our primary care physicians ("PCPs"). These PMPM fees comprise our capitated revenue and are determined as a percent of the premium ("POP") payors receive from CMS for these members. Our contracted recurring revenue model offers us highly predictable revenue, and rewards us for providing high-quality care rather than driving a high volume of services. In this capitated arrangement, our goals are well-aligned with payors and patients alike—the more we improve health outcomes, the more profitable we will be over time.

Under this capitated contract structure, we are generally responsible for all members' medical costs across the care continuum, including, but not limited to emergency room and hospital visits, post-acute care admissions, prescription drugs, specialist physician spend, and primary care spend. Keeping members healthy is our primary objective. When they need medical care, delivery of the right care in the right setting can greatly impact outcomes. When our members need care outside of our network of PCPs, we utilize a number of tools including network management, utilization management and claims processing to ensure that the appropriate quality care is provided.

Our company was formed in 2017 and our first at-risk contract became effective on January 1, 2018. We have demonstrated an ability to rapidly scale, primarily entering markets with our affiliate physician model, and expanding to a PCP network of approximately 3,100 physicians, in 27 markets (counties) across five states in over six full years of operations as of September 30, 2024. As of September 30, 2024, our PCP network served approximately 128,900 at-risk members.

Key Factors Affecting our Performance

Growing Medicare Advantage Membership on Our Platform

Membership and revenue are tied to the number of members attributed to our physician network by our payors. We believe we have multiple avenues to serve additional members, including through:

- Growth in membership under our existing contracts and existing markets:
 - Patients who are attributed to our physician network who (a) age into Medicare and elect to enroll in MA or (b) elect to convert from Medicare FFS to MA.
- Adding new contracts (either payor contracts or physician contracts) in existing markets.
- Adding new contracts (either payor contracts or physician contracts) in adjacent and new markets.

Growing Existing Contract Membership

As new patients age-in to Medicare and enroll in MA through our payors, they become attributed to our network of physicians with little incremental cost to us.

In addition to age-ins, Medicare eligible patients can change their enrollment selections during select periods throughout the year. Our sales and marketing teams actively work with local community partners to connect with Medicare eligible patients and make them aware of their healthcare choices and the services that we offer with our VBC model, including greater access to their physicians and customized care plans catered to their needs. The ultimate effect of our marketing efforts is increased awareness of P3 and additional patients choosing us as their primary care provider. We believe that our marketing efforts also help to grow our payor partners' membership base as we grow our own patient base and help educate patients about their choices on Medicare, further aligning our model with that of healthcare payors.

Growing Membership in Adjacent and New Markets

Our affiliate model allows us to quickly and efficiently enter into new and adjacent markets in two ways: (1) partnering with payors and (2) partnering with providers. Because our model honors the existing patient-provider relationship, we are able to deploy our care model around existing physicians in a given a market. By utilizing the local healthcare infrastructure, we can quickly build a network of PCPs to serve the healthcare needs of contracted members.

We maintain an active pipeline of new partnership opportunities for both providers and payors. These potential opportunities are developed through significant inbound interest and the deep relationships our team has developed with their more than 20 years of experience in the VBC space and our proactive assessment of expansion markets. When choosing a market to enter, we make our decision on a county-by-county basis across the United States. We look at various factors including: (i) population size, (ii) payor participants and concentration, (iii) health system participants and concentration, and (iv) competitive landscape.

When entering a new market, we supplement the existing physician network with local market leadership teams and support infrastructure to drive the improvement in medical cost and quality. When entering an adjacent market, we are able to leverage the investments we previously made to have a faster impact on our expanded footprint.

Growing Membership in Existing Markets

Once established in a market, we have an opportunity to efficiently expand both our provider and payor contracts. Given the benefits PCPs experience from joining our P3 Care Model, which offers providers the teams, tools and technologies to better support their patient base, we often experience growth in our affiliate network after entering a market. Because of the benefits, we have also historically experienced high retention with our affiliate providers. From 2018 through September 30, 2024, we experienced a 96% physician retention rate in our affiliate provider network. By expanding our affiliate provider network and adding new physicians to the P3 network, we can quickly increase the number of contracted at-risk members under our existing health plan arrangements.

Additionally, by expanding the number of contracted payors, we can leverage our existing infrastructure to quickly increase our share of patients within our physician network. However, we have and intend to continue to conduct periodic strategic reviews of our provider and payor contracts, as a result of which we may elect to periodically exit underperforming provider and payor contracts from our network.

Growing Capitated Revenue Per Member

Medicare pays capitation using a risk adjusted model, which compensates payors based on the health status, or acuity, of each individual member. Payors with higher acuity members receive a higher payment and those with lower acuity members receive a lower payment. Moreover, some of our capitated revenue also includes adjustments for performance incentives or penalties based on the achievement of certain clinical quality metrics as contracted with payors. Given the prevalence of FFS arrangements, our patients often have historically not participated in a VBC model, and therefore their health conditions are poorly documented. Through the P3 Care Model, we determine and assess the health needs of our patients and create an individualized care plan consistent with those needs. We capture and document health conditions as a part of this process. We expect that our PMPM revenue will continue to improve as longer members participate in our care model as we better understand and assess their health status (acuity) and coordinate their medical care.

Effectively Managing Member Medical Expense

Our medical expense is our largest expense category, representing 88% of our total operating expense for the nine months ended September 30, 2024. We manage our medical costs by improving our members access to healthcare. Our care model focuses on maintaining health and leveraging the primary care setting as a means of avoiding costly downstream healthcare costs, such as emergency department visits and acute hospital inpatient admissions.

Achieving Operating Efficiencies

As a result of our affiliate model and ability to leverage our existing local and national infrastructure, we generate operating efficiencies at both the market and enterprise level. Our local corporate, general and administrative expense, which includes our local leadership, care management teams and other operating costs to support our markets, are expected to decrease over time as a percentage of revenue as we add members to our existing contracts, grow membership with new payor and physician contracts, and our revenue subsequently increases. Our corporate general and administrative expenses at the enterprise level include resources and technology to support payor contracting, quality, data management, delegated services, finance and legal functions. While we expect our absolute investment in our enterprise resources to increase over time, we expect our investment will decrease as a percentage of revenue when we are able to leverage our infrastructure across a broader group of at-risk members. We expect our corporate, general and administrative expenses to increase in absolute dollars in the future as we continue to invest to support growth of our business, as well as due to the costs required to operate as a public company, including insurance coverage, investments in internal audit, investor relations and financial reporting functions, fees paid to the Nasdaq Stock Market, and increased legal and audit fees.

Impact of Seasonality

Our operational and financial results reflect some variability depending upon the time of year in which they are measured. This variability is most notable in the following areas:

At-Risk Member Growth. While new members are attributed to our platform throughout the year, we experience the largest portion of our at-risk member growth during the first quarter. Contracts with new payors typically begin on January 1, at which time new members become attributed to our network of physicians. Additionally, new members are attributed to our network on January 1, when plan enrollment selections made during the prior Annual Enrollment Period from October 15 through December 7 of the prior year take effect.

Revenue Per Member. Our revenue is based on percentage of premium we have negotiated with our payors as well as our ability to accurately and appropriately document the acuity of a member's health status. We experience some seasonality with respect to our per member revenue as it will generally decline over the course of the year. In January of each year, CMS revises the risk adjustment factor for each patient based upon health conditions documented in the prior year, leading to an overall increase in per-patient revenue. As the year progresses, our per-patient revenue declines as new patients join us typically with less complete or accurate documentation (and therefore lower risk-adjustment scores) and patients with more severe acuity profiles (and, therefore, higher per member revenue rates) expire.

Medical Costs. Medical expense is driven by utilization of healthcare services by our attributed membership. Medical expense will vary seasonally depending on a number of factors, including the weather and the number of business days. Certain illnesses, such as the influenza virus, are far more prevalent during colder months of the year, which will result in an increase in medical expenses during these time periods. We would therefore expect to see higher levels of per-member medical expense in the first and fourth quarters. Business days can also create year-over-year comparability issues if one year has a different number of business days compared to another.

Non-GAAP Financial Measures and Key Performance Metrics

We use certain financial measures, which are not calculated in accordance with accounting principles generally accepted in the U.S. ("GAAP"), as well as key performance metrics, to supplement our consolidated financial statements. The measures set forth below should not be considered in isolation from, or as a substitute for, financial information presented in compliance with GAAP, and non-GAAP financial measures and key performance metrics as used by us may not be comparable to similarly titled measures used by other companies. Our presentation of these measures should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. The presentation of non-GAAP financial measures and key performance metrics provides additional information to investors regarding our results of operations that our management believes is useful for identifying trends, analyzing and benchmarking the performance of our business.

Non-GAAP Financial Measures

Adjusted EBITDA

The key non-GAAP metric we utilize to measure our profitability and performance is Adjusted EBITDA. We present Adjusted EBITDA because we believe it helps investors understand underlying trends in our business and facilitates an understanding of our operating performance from period to period because it facilitates a comparison of our recurring core business operating results.

By definition, EBITDA consists of net income (loss) before interest, income taxes, depreciation, and amortization. We define Adjusted EBITDA as EBITDA, further adjusted to exclude the effect of certain supplemental adjustments, such as mark-to-market warrant gain/loss, premium deficiency reserves, equity-based compensation expense, and certain other items that we believe are not indicative of our core operating performance. Our definition of Adjusted EBITDA may not be the same as the definitions used in any of our debt agreements.

Adjusted EBITDA is not a measure of performance or liquidity calculated in accordance with GAAP. It is unaudited and should not be considered an alternative to, or more meaningful than, net income (loss) as an indicator of our operating performance. Uses of cash flows that are not reflected in Adjusted EBITDA include capital expenditures, interest payments, debt principal repayments, and other expenses defined above, which can be significant. As a result, Adjusted EBITDA should not be considered as a measure of our liquidity.

Because of these limitations, Adjusted EBITDA should not be considered in isolation or as a substitute for performance measures calculated in accordance with GAAP. We compensate for these limitations by relying primarily on our GAAP results and using Adjusted EBITDA on a supplemental basis. You should review the reconciliation of net loss to Adjusted EBITDA set forth below and not rely on any single financial measure to evaluate our business.

[Table of Contents](#)

The following table sets forth a reconciliation of our net loss, the most directly comparable GAAP metric, to Adjusted EBITDA:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
(in thousands)				
Net loss	\$ (102,850)	\$ (37,289)	\$ (181,230)	\$ (117,319)
Interest expense, net	5,647	4,002	15,339	11,939
Depreciation and amortization	21,673	21,721	64,905	65,041
Income tax (benefit) provision	(3,605)	412	(565)	928
Mark-to-market of stock warrants	(5,737)	(755)	(14,626)	327
Premium deficiency reserve	18,168	(12,489)	15,771	(9,361)
Equity-based compensation	1,958	2,251	5,031	4,259
Other ⁽¹⁾	(6,254)	(185)	(4,242)	2,868
Transaction and other related costs ⁽²⁾	—	—	—	70
Adjusted EBITDA loss	\$ (71,000)	\$ (22,332)	\$ (99,617)	\$ (41,248)

(1) Other during the three and nine months ended September 30, 2024 consisted of (i) interest income and (ii) gain recognized upon the settlement and write-off of contingent consideration related to an acquisition completed in a prior year partially offset by (iii) severance and related expense in connection with our chief executive officer transition and (iv) valuation allowance on our notes receivable. Other during the three and nine months ended September 30, 2023 consisted of (i) interest income offset by (ii) cybersecurity incident loss with respect to the nine months ended September 30, 2023, (iii) restructuring and other charges, including severance and benefits paid to employees pursuant to workforce reduction plans with respect to the nine months ended September 30, 2023, (iv) the disposition of our Pahrump operations, (v) expenses for third-party consultants to assist us with the development, implementation, and documentation of new and enhanced internal controls and processes for compliance with Sarbanes-Oxley Section 404(b) with respect to the nine months ended September 30, 2023, (vi) a legal settlement outside of the ordinary course of business with respect to the nine months ended September 30, 2023, and (vii) valuation allowance on our notes receivable.

(2) Transaction and other related costs during the nine months ended September 30, 2023 consisted of legal fees incurred related to acquisition-related litigation.

Medical Margin

Medical margin is a non-GAAP financial metric. We present medical margin because we believe it helps investors understand underlying trends in our business and facilitates an understanding of our operating performance from period to period by facilitating a comparison of our recurring core business operating results.

Medical margin represents the amount earned from capitated revenue after medical claims expenses are deducted. Medical claims expenses represent costs incurred for medical services provided to our members. As our platform grows and matures over time, we expect medical margin to increase in absolute dollars; however, medical margin PMPM may vary as the percentage of new members brought onto our platform fluctuates. New membership added to the platform is typically dilutive to medical margin PMPM.

Medical margin should not be considered in isolation or as a substitute for performance measures calculated in accordance with GAAP. We compensate for these limitations by relying primarily on our GAAP results and using medical margin on a supplemental basis. You should review the reconciliation of gross profit to medical margin set forth below and not rely on any single financial measure to evaluate our business.

The following table presents our medical margin:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
(in thousands)				
Capitated revenue	\$ 357,706	\$ 285,153	\$ 1,116,146	\$ 909,473
Less: medical claims expense	(357,166)	(248,918)	(1,037,965)	(783,497)
Medical margin	\$ 540	\$ 36,235	\$ 78,181	\$ 125,976

The following table sets forth a reconciliation of our gross profit, the most directly comparable GAAP metric, to medical margin:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
(in thousands)				
Gross profit (loss)	\$ (39,796)	\$ 9,131	\$ (19,379)	\$ 52,453
Other patient service revenue	(4,418)	(3,198)	(13,623)	(10,041)
Other medical expense	44,754	30,302	111,183	83,564
Medical margin	\$ 540	\$ 36,235	\$ 78,181	\$ 125,976

Key Performance Metrics

We monitor the following operating metrics to help us evaluate our business, identify trends affecting our business, formulate business plans and make strategic decisions.

Gross Profit

Gross profit represents the amount earned from total operating revenue less the sum of: (i) medical claims expenses and (ii) other medical expenses including physician compensation expense related to surplus sharing and bonuses and other direct medical expenses incurred to improve care for our members. We believe this metric provides insight into the economics of the P3 Care Model, as it includes all medical claims expense associated with our members' care as well as partner compensation and additional medical costs we incur as part of our aligned partnership model. Other medical expenses are largely variable and proportionate to the level of surplus in each respective market, among other cost factors.

The following table presents our gross profit (loss):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
(in thousands)				
Total operating revenue	\$ 362,124	\$ 288,351	\$ 1,129,769	\$ 919,514
Less: medical claims expense	(357,166)	(248,918)	(1,037,965)	(783,497)
Less: other medical expense	(44,754)	(30,302)	(111,183)	(83,564)
Gross profit (loss)	\$ (39,796)	\$ 9,131	\$ (19,379)	\$ 52,453

At-Risk Membership

At-risk membership represents the approximate number of Medicare members for whom we receive a fixed percentage of premium under capitation arrangements as of the end of the reporting period. We had 128,900 and 105,600 at-risk members as of September 30, 2024 and 2023, respectively.

Affiliate Primary Care Physicians

Affiliate primary care physicians represent the approximate number of primary care physicians included in our affiliate network, with whom members may be attributed under our capitation arrangements, as of the end of the reporting period. We had 3,100 and 2,700 primary care physicians as of September 30, 2024 and 2023, respectively.

Platform Support Costs

Our platform support costs, which include regionally-based support personnel and other operating costs to support our markets, are expected to decrease over time as a percentage of revenue as our physician partners add members and our revenue grows. Our operating expenses at the enterprise level include resources and technology to support payor contracting, clinical program development, quality, data management, finance, and legal functions. We exclude costs related to the operations of our owned medical clinics and wellness centers.

The table below represents costs to support our markets and enterprise functions, which are included in corporate, general and administrative expenses:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
(dollars in thousands)				
Platform support costs	\$ 26,604	\$ 25,932	\$ 68,064	\$ 78,583
% of total operating revenue	7.3 %	9.0 %	6.0 %	8.5 %

Key Components of Results of Operations

Revenue

Capitated revenue. We contract with health plans using an at-risk model. Under the at-risk model, we are responsible for the cost of all covered health care services provided to members assigned by the health plans to the Company in exchange for a fixed payment, which generally is a PMPM based on health plans' premiums received from CMS. Through this capitation arrangement, we stand ready to provide assigned MA members all their medical care via our directly employed and affiliated physician/specialist network.

The premiums health plans receive are determined via a competitive bidding process with CMS and are based on the costs of care in local markets and the average utilization of services by patients enrolled. Medicare pays capitation using a "risk adjustment model," which compensates providers based on the health status (acuity) of each individual patient. MA plans with higher acuity patients receive higher premiums. Conversely, MA plans with lower acuity patients receive lesser premiums. Under the risk adjustment model, capitation is paid on an interim basis based on enrollee data submitted for the preceding year and is adjusted in subsequent periods after final data is compiled. As premiums are adjusted via this risk adjustment model (using a Risk Adjustment Factor, "RAF"), our PMPM payments change commensurately with how our contracted Medicare Advantage plans' premiums change with CMS.

The transaction price for these contracts is variable as it primarily includes PMPM fees, which can fluctuate throughout the course of the year based on the acuity of each individual enrollee. In certain contracts, PMPM fees also include adjustments for items such as performance incentives or penalties based on the achievement of certain clinical quality metrics as contracted with payors. Capitated revenue is recognized based on a PMPM transaction price to transfer the service for a distinct increment of the series and is recognized net of projected acuity adjustments and performance incentives or penalties. We recognize revenue in the month in which attributed members are entitled to receive healthcare benefits during the contract term. The capitation amount is subject to possible retroactive premium risk adjustments based on the member's individual acuity.

Other patient service revenue. Other patient service revenue is comprised primarily of encounter-related fees to treat patients outside of our at-risk arrangements at company owned clinics. Other patient service revenue also includes ancillary fees earned under contracts with certain payors for the provision of certain care coordination and other care management services. These services are provided to patients covered by these payors regardless of whether those patients receive their care from our directly employed or affiliated medical groups.

Operating Expense

Medical expense. Medical expenses primarily include costs of all covered services provided to members by non-P3 employed providers. This also includes an estimate of the cost of services that have been incurred, but not yet reported ("IBNR"). IBNR is recorded as claims payable on the accompanying condensed consolidated balance sheets. Estimates for incurred claims are based on historical enrollment and cost trends while also taking into consideration operational changes. Future and actual results typically differ from estimates. Differences could result from an overall change in medical expenses per member, changes in member mix or simply due to the addition of new members. IBNR estimates are made on an accrual basis and adjusted in future periods as required. To the extent we revise our estimates of incurred but not reported claims for prior periods up or down, there would be a correspondingly favorable or unfavorable effect on our current period results that may or may not reflect changes in long term trends in our performance.

Premium deficiency reserve. Premium deficiency reserves ("PDR") are recognized when it is probable that expected future health care costs and maintenance costs under a group of existing contracts will exceed anticipated future

premiums and stop-loss insurance recoveries on those contracts. PDR represents the advance recognition of a probable future loss in the current period's financial statements.

Corporate, general and administrative expense. Corporate, general and administrative expenses include employee-related expenses, including salaries and related costs and equity-based compensation for our executive, technology infrastructure, operations, clinical and quality support, finance, legal, and human resources departments. In addition, general and administrative expenses include all corporate technology and occupancy costs.

Sales and marketing expense. Sales and marketing expenses consist of costs related to patient and provider marketing and community outreach. These expenses capture all costs for both our local and enterprise sales and marketing efforts.

Depreciation and amortization expense. Depreciation expense is associated with our property and equipment, including leasehold improvements, computer equipment and software, furniture and fixtures, and internally developed software. Amortization expense is associated with definite lived intangible assets, including trademarks and tradenames, customer contracts, provider network agreements, and payor contracts.

Other Income (Expense)

Interest expense, net. Interest expense primarily consists of interest on our Term Loan Facility (as defined below) and unsecured promissory notes and amortization of debt issuance costs and original issue discount.

Mark-to-market of stock warrants. Mark-to-market of stock warrants consists of the change in the fair value on the revaluation of warrant liabilities associated with our public and private placement Class A common stock warrants.

Other. Other consists of gains and losses resulting from other transactions.

Income Taxes

P3 LLC is treated as a partnership for U.S. federal and most applicable state and local income tax jurisdictions. As a partnership, P3 LLC is generally not subject to taxes, other than entity level state income taxes, such as the Oregon corporate activity tax, a quasi-gross receipts tax that is levied on our Oregon sourced revenue. Any taxable income or loss generated by P3 LLC is passed through to and included within the taxable income or loss of its members, including us, on a pro rata basis. We are subject to U.S. federal income taxes, in addition to state and local income taxes with respect to our allocable share of any taxable income or loss generated by P3 LLC.

Non-controlling Interest

We consolidate the financial results of P3 LLC and report a non-controlling interest on our consolidated statements of operations, representing the portion of net income or loss attributable to the non-controlling interest. The weighted average ownership percentages during the period are used to calculate the net income or loss attributable to P3 Health Partners Inc. and the non-controlling interest.

Results of Operations

The following tables set forth our condensed consolidated statements of operations data for the periods indicated. Amounts may not sum due to rounding.

	Three Months Ended September 30, 2024	% of Revenue	Three Months Ended September 30, 2023	% of Revenue
(dollars in thousands)				
Operating revenue:				
Capitated revenue	\$ 357,706	99 %	\$ 285,153	99 %
Other patient service revenue	4,418	1	3,198	1
Total operating revenue	362,124	100	288,351	100
Operating expense:				
Medical expense	401,920	111	279,220	97
Premium deficiency reserve	18,168	5	(12,489)	(4)
Corporate, general and administrative expense	27,219	8	33,065	11
Sales and marketing expense	134	0	654	0
Depreciation and amortization	21,673	6	21,721	8
Total operating expense	469,114	130	322,171	112
Operating loss	(106,990)	(30)	(33,820)	(12)
Other (expense) income:				
Interest expense, net	(5,647)	(2)	(4,002)	(1)
Mark-to-market of stock warrants	5,737	2	755	0
Other	445	0	190	0
Total other income (expense)	535	0	(3,057)	(1)
Loss before income taxes	(106,455)	(29)	(36,877)	(13)
Income tax benefit (provision)	3,605	1	(412)	(0)
Net loss	(102,850)	(28)	(37,289)	(13)
Net loss attributable to redeemable non-controlling interest	(56,338)	(16)	(23,993)	(8)
Net loss attributable to controlling interest	\$ (46,512)	(13) %	\$ (13,296)	(5) %

	Nine Months Ended September 30, 2024	% of Revenue	Nine Months Ended September 30, 2023	% of Revenue
(dollars in thousands)				
Operating revenue:				
Capitated revenue	\$ 1,116,146	99 %	\$ 909,473	99 %
Other patient service revenue	13,623	1	10,041	1
Total operating revenue	<u>1,129,769</u>	100	<u>919,514</u>	100
Operating expense:				
Medical expense	1,149,148	102	867,061	94
Premium deficiency reserve	15,771	1	(9,361)	(1)
Corporate, general and administrative expense	81,230	7	97,931	11
Sales and marketing expense	870	0	2,512	0
Depreciation and amortization	64,905	6	65,041	7
Total operating expense	<u>1,311,924</u>	116	<u>1,023,184</u>	111
Operating loss	(182,155)	(16)	(103,670)	(11)
Other (expense) income:				
Interest expense, net	(15,339)	(1)	(11,939)	(1)
Mark-to-market of stock warrants	14,626	1	(327)	(0)
Other	1,073	0	(455)	(0)
Total other income (expense)	<u>360</u>	0	<u>(12,721)</u>	(1)
Loss before income taxes	(181,795)	(16)	(116,391)	(13)
Income tax benefit (provision)	565	0	(928)	(0)
Net loss	(181,230)	(16)	(117,319)	(13)
Net loss attributable to redeemable non-controlling interest	(103,998)	(9)	(85,008)	(9)
Net loss attributable to controlling interest	<u>\$ (77,232)</u>	<u>(7) %</u>	<u>\$ (32,311)</u>	<u>(4) %</u>

Comparison of the Three Months Ended September 30, 2024 and 2023

Revenue

	Three Months Ended September 30,		Change	
	2024	2023	Amount	%
(dollars in thousands)				
Capitated revenue	\$ 357,706	\$ 285,153	\$ 72,553	25 %
Other patient service revenue	4,418	3,198	1,220	38 %
Total operating revenue	<u>\$ 362,124</u>	<u>\$ 288,351</u>	<u>\$ 73,773</u>	<u>26 %</u>

Capitated revenue was \$357.7 million for the three months ended September 30, 2024, an increase of \$72.6 million, or 25%, compared to \$285.2 million for the three months ended September 30, 2023. This increase was primarily driven by a 22% increase in the total number of at-risk members from 105,600 at September 30, 2023 to 128,900 at September 30, 2024, which was primarily due to an increase by nine counties under contract with our health plans, effective January 1, 2024. Capitated revenue was approximately 99% of total operating revenue for each of the three months ended September 30, 2024 and 2023.

Other patient service revenue was \$4.4 million for the three months ended September 30, 2024, an increase of \$1.2 million, or 38%, compared to \$3.2 million for the three months ended September 30, 2023. Other patient service revenue was approximately 1% of total operating revenue for each of the three months ended September 30, 2024 and 2023.

Medical Expense

	Three Months Ended September 30,		Change	
	2024	2023	Amount	%
	(dollars in thousands)			
Medical expense	\$ 401,920	\$ 279,220	\$ 122,700	44 %

Medical expense was \$401.9 million for the three months ended September 30, 2024, an increase of \$122.7 million, or 44%, compared to \$279.2 million for the three months ended September 30, 2023. The increase was driven by an increase in the total number of at-risk members year-over-year, as described above, resulting from the addition of nine counties under contract with our health plans, effective January 1, 2024, and elevated costs from increased demand for medical care in the current period.

Premium Deficiency Reserve

	Three Months Ended September 30,		Change	
	2024	2023	Amount	%
	(dollars in thousands)			
Premium deficiency reserve	\$ 18,168	\$ (12,489)	\$ 30,657	(245)%

Premium deficiency reserve was an expense of \$18.2 million for the three months ended September 30, 2024 compared to a benefit of \$12.5 million for the three months ended September 30, 2023. The change was due to management's assessment of the profitability of contracts, wherein increased medical expense is expected to increase our future losses.

Corporate, General and Administrative Expense

	Three Months Ended September 30,		Change	
	2024	2023	Amount	%
	(dollars in thousands)			
Corporate, general and administrative expense	\$ 27,219	\$ 33,065	\$ (5,846)	(18)%

Corporate, general and administrative expense was \$27.2 million for the three months ended September 30, 2024, a decrease of \$5.8 million, or 18%, compared to \$33.1 million for the three months ended September 30, 2023. The decrease was primarily driven by a decrease of \$6.7 million in salary and related expense resulting from a reduction in head count and a \$6.2 million gain recognized upon the settlement and write-off of contingent consideration related to an acquisition completed in a prior year, partially offset by increases of \$5.2 million in professional fees supporting our operations as a public company and \$1.7 million in non-income based taxes.

Income Taxes

	Three Months Ended September 30,		Change	
	2024	2023	Amount	%
	(dollars in thousands)			
Income tax benefit (provision)	\$ 3,605	\$ (412)	\$ 4,017	975 %

Income taxes were a benefit of \$3.6 million for the three months ended September 30, 2024 compared to a provision of \$0.4 million for the three months ended September 30, 2023 primarily due to the release of the valuation allowance on deferred tax assets related to one of our consolidated variable interest entities.

Comparison of the Nine Months Ended September 30, 2024 and 2023

Revenue

	Nine Months Ended September 30,		Change	
	2024	2023	Amount	%
(dollars in thousands)				
Capitated revenue	\$ 1,116,146	\$ 909,473	\$ 206,673	23 %
Other patient service revenue	13,623	10,041	3,582	36 %
Total operating revenue	\$ 1,129,769	\$ 919,514	\$ 210,255	23 %

Capitated revenue was \$1,116.1 million for the nine months ended September 30, 2024, an increase of \$206.7 million, or 23%, compared to \$909.5 million for the nine months ended September 30, 2023. This increase was primarily driven by a 22% increase in the total number of at-risk members from 105,600 at September 30, 2023 to 128,900 at September 30, 2024, which was primarily due to an increase by nine counties under contract with our health plans, effective January 1, 2024. Capitated revenue was approximately 99% of total operating revenue for each of the nine months ended September 30, 2024 and 2023.

Other patient service revenue was \$13.6 million for the nine months ended September 30, 2024, an increase of \$3.6 million, or 36%, compared to \$10.0 million for the nine months ended September 30, 2023. Other patient service revenue was approximately 1% of total operating revenue for each of the nine months ended September 30, 2024 and 2023.

Medical Expense

	Nine Months Ended September 30,		Change	
	2024	2023	Amount	%
(dollars in thousands)				
Medical expense	\$ 1,149,148	\$ 867,061	\$ 282,087	33 %

Medical expense was \$1,149.1 million for the nine months ended September 30, 2024, an increase of \$282.1 million, or 33%, compared to \$867.1 million for the nine months ended September 30, 2023. The increase was driven by an increase in the total number of at-risk members year-over-year, as described above, resulting from the addition of nine counties under contract with our health plans, effective January 1, 2024, and elevated costs from increased demand for medical care in the current period.

Premium Deficiency Reserve

	Nine Months Ended September 30,		Change	
	2024	2023	Amount	%
(dollars in thousands)				
Premium deficiency reserve	\$ 15,771	\$ (9,361)	\$ 25,132	(268)%

Premium deficiency reserve was an expense of \$15.8 million for the nine months ended September 30, 2024 compared to a benefit of \$9.4 million for the nine months ended September 30, 2023. The change was due to management's assessment of the profitability of contracts, wherein increased medical expense is expected to increase our future losses.

Corporate, General and Administrative Expense

	Nine Months Ended September 30,		Change	
	2024	2023	Amount	%
	(dollars in thousands)			
Corporate, general and administrative expense	\$ 81,230	\$ 97,931	\$ (16,701)	(17)%

Corporate, general and administrative expense was \$81.2 million for the nine months ended September 30, 2024, a decrease of \$16.7 million, or 17%, compared to \$97.9 million for the nine months ended September 30, 2023. The decrease was primarily driven by a decrease of \$8.9 million in salary and related expense resulting primarily from a reduction in head count, a \$6.2 million gain recognized upon the settlement and write-off of contingent consideration related to an acquisition completed in a prior year, and a decrease of \$3.5 million in professional fees supporting our operations as a public company, partially offset by an increase of \$1.6 million in non-income based taxes.

Liquidity and Capital Resources

P3 Health Partners Inc. is a holding company and has no material assets other than its ownership of equity interests in P3 LLC. As such, we have no independent means of generating revenue or cash flow, and our ability to pay taxes, make payments under the Tax Receivable Agreement ("TRA"), and to pay dividends will depend on the financial results and cash flows of P3 LLC and the distributions received from P3 LLC. Deterioration in the financial condition, earnings or cash flow of P3 LLC for any reason could limit or impair P3 LLC's ability to pay such distributions. Additionally, to the extent that we need funds and P3 LLC is restricted from making such distributions under applicable law or regulation or under the terms of any financing arrangements, or P3 LLC is otherwise unable to provide such funds, it could materially adversely affect our liquidity and financial condition. It is anticipated that the distributions we will receive from P3 LLC may, in certain periods, exceed the actual tax liabilities and obligations to make payments under the TRA.

Cash Sources

To date, we have financed our operations principally through the cash we obtained as a result of the Business Combinations, private placements of our equity securities, payments from our payors, issuances of promissory notes, and borrowings under the Term Loan Facility. We generate cash from our operations, generally from our contracts with payors. As of September 30, 2024, we had cash and restricted cash of \$68.1 million, which includes a \$15 million refundable good faith deposit for the sale of our Florida operations, which we received in advance of the proposed sale (as described below).

We have experienced losses since our inception and net losses of \$102.9 million and \$181.2 million for the three and nine months ended September 30, 2024, respectively. We expect to continue to incur operating losses and generate negative cash flows from operations for the foreseeable future due to the strong growth we have experienced over the last seven years and the investments we are making in expanding our business, which require up-front expenses. Our future capital requirements will depend on many factors, including the pace of our growth, ability to manage medical costs, the maturity of our members, our ability to complete the sale of our Florida operations, and our ability to raise capital. We may need to raise additional capital through a combination of debt financing, other non-dilutive financing and/or equity financing and to the extent we are unsuccessful at doing so, we may need to adjust our growth trajectory to accommodate our capital needs and look for additional ways to generate cost efficiencies.

Asset Sale

On September 27, 2024, we executed a nonbinding proposal with an entity in which our principal stockholder has an ownership interest (the "Buyer") setting forth terms and conditions for the proposed sale of substantially all of the assets, clinical and non-clinical, exclusively or primarily used by our Florida operations on a cash-free, debt-free basis for a purchase price of \$15 million. As of September 30, 2024, the Buyer has paid a good faith deposit in the amount of \$15 million (the "Good Faith Deposit"), which was recorded within cash and accrued expenses and other current liabilities on the condensed consolidated balance sheet. The completion of the transaction is subject to the negotiation and signing of a definitive agreement and the satisfaction of customary closing conditions, including completion of the Buyer's financial due diligence, and is expected to close during the fourth quarter of 2024. The terms of a definitive agreement may differ from the anticipated terms described herein and there can be no assurance that we will enter into a definitive agreement for the sale. If we do not enter into a definitive agreement for the sale, or the sale is not completed for any other reason, we will be required to return the Good Faith Deposit to the Buyer.

May 2024 Private Placement

On May 24, 2024, pursuant to a securities purchase agreement, dated May 22, 2024, with the purchasers named therein (the "Purchasers"), which included certain affiliated entities of Chicago Pacific Founders GP, L.P., a Delaware limited partnership ("CPF GP"), and institutional investors, we issued approximately 67.4 million units at a price of approximately \$0.6270 per unit. Each unit consists of one share of Class A common stock and a warrant (the "Common Warrants") to purchase one share of Class A common stock at an exercise price of \$0.5020. Certain institutional investors elected to receive pre-funded warrants (the "Pre-Funded Warrants," and together with the Common Warrants, the "Warrants") to purchase Class A common stock in lieu of a portion of their Class A common stock. In total, we sold (i) an aggregate of 41.6 million shares of Class A common stock, (ii) Common Warrants to purchase an aggregate of 67.4 million shares of Class A common stock, and (iii) Pre-Funded Warrants to purchase an aggregate of 25.8 million shares of Class A common stock for aggregate proceeds of \$39.8 million, net of \$2.4 million in offering costs (collectively, the "May 2024 Private Placement"). See Note 12 "Capitalization" to our unaudited condensed consolidated financial statements included elsewhere in this Form 10-Q for additional information about the May 2024 Private Placement.

Shelf Registration

On November 9, 2023, we filed a shelf Registration Statement on Form S-3 with a capacity of \$250 million (the "Shelf Registration"), which was declared effective by the SEC on November 20, 2023, and entered into an Open Market Sales Agreement ("Sales Agreement") pursuant to which we may issue and sell, from time to time, through the sales agent, shares of our Class A common stock with an aggregate value of up to \$75 million. The sales agent will make commercially reasonable efforts, following our instructions, to sell shares over time, adhering to specified limits. Sales will be conducted through at-the-market offerings as defined by Rule 415(a)(4) under the Securities Act. The aggregate value of shares of Class A common stock that may be offered, issued, and sold under the Sales Agreement is included in the aggregate value of securities that may be offered, issued, and sold by us under the Shelf Registration. Upon termination of the Sales Agreement, any unused portion will be available for sale in other offerings pursuant to the Shelf Registration. As of September 30, 2024, we have sold approximately 27,000 shares of our Class A common stock under the Sales Agreement for net proceeds of approximately \$33,000.

March 2023 Private Placement

On April 6, 2023, pursuant to a securities purchase agreement, dated March 30, 2023, with the purchasers named therein, which included certain affiliated entities of CPF and our Chief Medical Officer and member of our board of directors, we issued 79.9 million units at a price of approximately \$1.12 per unit for institutional investors, and a purchase price of approximately \$1.19 per unit for employees and consultants. Each unit consisted of one share of Class A common stock and 0.75 of a warrant to purchase one share of Class A common stock at an exercise price of \$1.13. Certain institutional investors elected to receive pre-funded warrants to purchase Class A common stock in lieu of a portion of their Class A common stock. In total, we sold (i) an aggregate of 69.2 million shares of our Class A common stock, (ii) warrants to purchase an aggregate of 59.9 million shares of Class A common stock, and (iii) pre-funded warrants to purchase an aggregate of 10.8 million shares of Class A common stock for aggregate proceeds of approximately \$86.6 million, net of offering costs of approximately \$2.9 million (collectively, the "March 2023 Private Placement").

Term Loan

In November 2020, we entered into a Term Loan and Security Agreement with CRG Servicing, LLC (as amended, the "Term Loan Agreement") providing for funding of up to \$100.0 million (the "Term Loan Facility"). The Term Loan Facility's maturity date is December 31, 2025. As of September 30, 2024, we had \$65.0 million of borrowings outstanding under the Term Loan Facility, and remaining availability under the Term Loan Facility ended upon termination of the commitment period on February 28, 2022. Interest is payable at 12.0% per annum on a quarterly cycle (in arrears), which began on March 31, 2021. In March 2021, we elected to pay interest at 8.0% with the remaining interest at 4.0% being added to principal as paid in-kind ("PIK") for a period of three years (or 12 payments).

We are required to remain in compliance with financial covenants such as minimum liquidity of \$5.0 million and annual minimum revenue levels. In addition, the Term Loan Agreement restricts our ability and the ability of our subsidiaries to, among other things, incur indebtedness and liens. On an annual basis, we must post a minimum amount of annual revenue equal to \$585.0 million in 2024 and \$650.0 million in 2025. The maturity date may be accelerated as a remedy under the certain default provisions in the Term Loan Agreement, or in the event a mandatory prepayment event occurs.

In connection with the issuance of the VGS Promissory Note (defined below) and entry into the 2022 Subordination Agreement (defined below), on December 13, 2022, we entered into an amendment to the Term Loan Agreement to permit the issuance of the VGS Promissory Note and the entry into the 2022 Subordination Agreement.

In connection with the issuance of the VGS 2 Promissory Note (defined below) and entry into the 2024 Subordination Agreement (defined below), on March 22, 2024, we entered into the Fourth Amendment to the Term Loan Agreement to permit the issuance of the VGS 2 Promissory Note and the entry into the 2024 Subordination Agreement.

VGS Promissory Note

On December 13, 2022, we entered into a financing transaction with VBC Growth SPV LLC ("VGS") which included the issuance of an unsecured promissory note (the "VGS Promissory Note") to VGS and the entry into a warrant agreement and the 2022 Subordination Agreement (defined below). The VGS Promissory Note provided for funding of up to \$40.0 million. The maturity date of the VGS Promissory Note is May 19, 2026. As of September 30, 2024, we had \$29.1 million of borrowings outstanding under the VGS Promissory Note, and remaining availability under the VGS Promissory Note ended upon termination of the commitment period on February 3, 2023. We paid VGS an up-front fee of 1.5% and will pay a back-end fee of 9.0% at the time the VGS Promissory Note is paid. Interest is payable at 14.0% per annum on a quarterly cycle (in arrears) beginning March 31, 2023. We may elect to pay interest of 6.0% in kind and 8.0% in cash, subject to certain limitations.

The VGS Promissory Note may be prepaid, at our option, either in whole or in part, without penalty or premium, at any time and from time to time, subject to the payment of the back-end fee; provided that prepayments must be in increments of at least \$2.0 million. The VGS Promissory Note provides for mandatory prepayments with the proceeds of certain asset sales, and the Lender has the right to demand payment in full upon (i) a change of control of the Company and (ii) certain qualified financings (as defined in the VGS Promissory Note).

The VGS Promissory Note restricts our ability to, among other things, incur indebtedness and liens, and make investments and restricted payments. The maturity date may be accelerated as a remedy under the certain default provisions in the agreement, or in the event a mandatory prepayment event occurs.

In connection with the issuance of the VGS Promissory Note, we also entered into a subordination agreement, dated as of December 13, 2022 (the "2022 Subordination Agreement") with VGS which subordinates VGS's right of payment under the VGS Promissory Note to the right of payment and security interests of the lenders under the Term Loan Facility. Under the terms of the 2022 Subordination Agreement, we will be required to pay all interest under the VGS Promissory Note in-kind. The VGS Promissory Note may be prepaid, at our option, either in whole or in part, without penalty or premium subject to certain conditions.

VGS 2 Promissory Note

On March 22, 2024, we entered into a financing transaction with VBC Growth SPV 2, LLC ("VGS 2"), consisting of the issuance by P3 LLC of an unsecured promissory note (the "VGS 2 Promissory Note") to VGS 2. The VGS 2 Promissory Note provided for funding of up to \$25.0 million. The VGS 2 Promissory Note matures on September 30, 2027. As of September 30, 2024, we had \$25.4 million of borrowings outstanding under the VGS 2 Promissory Note, \$0.4 million of which consists of an up-front fee of 1.5% of the aggregate principal amount of the loan paid to VGS 2 in-kind. Interest is payable at 17.5% per annum on a quarterly cycle (in arrears) beginning June 30, 2024. We may elect to pay either (1) 8.0% cash interest and 9.5% PIK interest, or (2) 17.5% PIK interest, provided that payment of cash interest will be permitted only to the extent permitted by the Term Loan Agreement and the 2024 Subordination Agreement, and if not so permitted, such interest shall accrue as PIK interest. The VGS 2 Promissory Note provides for mandatory prepayments with the proceeds of certain asset sales, and VGS 2 has the right to demand payment in full upon (i) a change of control of the Company and (ii) certain qualified financings (as defined in the VGS 2 Promissory Note).

The VGS 2 Promissory Note restricts P3 LLC's ability and the ability of its subsidiaries to, among other things, incur indebtedness and liens, and make investments and restricted payments. The maturity date may be accelerated as a remedy under the certain default provisions in the agreement, or in the event a mandatory prepayment event occurs.

In connection with the issuance of the VGS 2 Promissory Note, we also entered into a subordination agreement, dated as of March 22, 2024 (the "2024 Subordination Agreement") with VGS 2 which subordinates VGS 2's right of payment under the VGS 2 Promissory Note to the right of payment and security interests of the lenders under the Term

Loan Facility. Under the terms of the 2024 Subordination Agreement, we will be required to pay all interest under the VGS 2 Promissory Note in-kind.

In addition, we will pay VGS 2 a back-end fee at the time the VGS 2 Promissory Note is redeemed as follows: (i) if paid after June 30, 2024 and on or before September 30, 2024, 4.5%; (ii) if paid after September 30, 2024 and on or before December 31, 2024, 6.75% and (iii) if paid after December 31, 2024, 9.0%.

As of September 30, 2024, we were in compliance with the covenants under our Term Loan Facility, VGS Promissory Note, and VGS 2 Promissory Note; however, there can be no assurance that we will be able to maintain compliance with these covenants in the future or that the lenders under the term loan facility and unsecured promissory note or the lenders of any future indebtedness we may incur will grant any waiver or forbearance with respect to such covenants that we may request in the future.

Repurchase Promissory Note

In June 2019, we issued a share repurchase promissory note to a former equity investor for \$15.0 million, which was subsequently amended in November 2020 (as amended, the "Repurchase Promissory Note"). The Repurchase Promissory Note automatically matures and is due and payable on the earlier of June 30, 2026, a change in control transaction, or an underwritten primary public offering, each as defined in the agreement. The Repurchase Promissory Note accrues PIK interest of 11.0% per year. The principal balance, accrued interest, and an exit fee of \$0.6 million are due at maturity.

Cash Uses

Our primary uses of cash include payments for medical expenses, administrative expenses, cost associated with our care model, and debt service. Final reconciliation and receipts of amounts due from payors are typically settled in arrears.

Pursuant to our election under Section 754 of the Internal Revenue Code (the "Code"), we expect to obtain an increase in our share of the tax basis in the net assets of P3 LLC when its units are redeemed or exchanged. We intend to treat any redemptions and exchanges of P3 LLC units as direct purchases of the units for U.S. federal income tax purposes. These increases in tax basis may reduce the amounts that we would otherwise pay in the future to various tax authorities. They may also decrease gains (or increase losses) on future dispositions of certain capital assets to the extent the tax basis is allocated to those capital assets.

In connection with the Business Combinations, we entered into a TRA that provides for the payment by us of 85% of the amount of any tax benefits that we actually realize, or in some cases are deemed to realize, as a result of (i) increases in our share of the tax basis in the net assets of P3 LLC resulting from any redemptions or exchanges of P3 LLC, (ii) tax basis increases attributable to payments made under the TRA, and (iii) deductions attributable to imputed interest pursuant to the TRA (the "TRA Payments"). We expect to benefit from the remaining 15% of any tax benefits that we may actually realize.

The estimation of a liability under the TRA is, by its nature, imprecise and subject to significant assumptions regarding a number of factors, including (but not limited to) the amount and timing of taxable income generated by the Company each year as well as the tax rate then applicable. The TRA liability is estimated to be \$11.0 million as of September 30, 2024. Due to the Company's history of losses, the Company has not recorded tax benefits associated with the increase in tax basis as a result of the Business Combinations. As a result, the Company determined that payments to TRA holders are not probable and no TRA liability has been recorded as of September 30, 2024.

As non-controlling interest holders exercise their right to exchange their units in P3 LLC, a TRA liability may be recorded based on 85% of the estimated future tax benefits that the Company may realize as a result of increases in the tax basis of P3 LLC. The amount of the increase in the tax basis, the related estimated tax benefits, and the related TRA liability to be recorded will depend on the price of the Company's Class A common stock at the time of the relevant redemption or exchange.

Outside of the aforementioned, and any routine transactions made in the ordinary course of business, there have been no material changes to our primary short-term and long-term requirements for liquidity and capital as disclosed in Part

II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our 2023 Form 10-K.

Liquidity and Going Concern

As of the date of this Form 10-Q, we believe that our existing cash resources are not sufficient to support planned operations for at least the next year from the issuance of the unaudited condensed consolidated financial statements included elsewhere in this Form 10-Q. As a result, we have concluded that there is substantial doubt about our ability to continue as a going concern within one year after the date the unaudited condensed consolidated financial statements included elsewhere in this Form 10-Q are issued. In evaluating our ability to continue as a going concern and meet our obligations, we considered our current projections of future cash flows, current financial condition, sources of liquidity, and debt obligations for at least one year from the date of issuance of this Form 10-Q. This evaluation of our cash resources available over the next year from the date of issuance of the unaudited condensed consolidated financial statements included elsewhere in this Form 10-Q does not take into consideration the potential mitigating effect of our ongoing efforts to raise capital or our plans that have not been fully implemented or the many factors that determine our capital requirements, including the pace of our growth, ability to manage medical costs and the maturity of our members. We continue to explore raising additional capital through a combination of debt financing and equity issuances. If we raise funds by issuing debt securities or preferred stock, or by incurring loans, these forms of financing would have rights, preferences, and privileges senior to those of holders of our common stock. If we raise capital through the issuance of additional equity, such sales and issuance would dilute the ownership interests of the existing holders of our Class A common stock. The availability and the terms under which we may be able to raise additional capital could be disadvantageous, and the terms of debt financing or other non-dilutive financing may involve restrictive covenants and dilutive financing instruments, which could place significant restrictions on our operations. Macroeconomic conditions and credit markets could also impact the availability and cost of potential future debt financing. There can be no assurances that any additional debt, other non-dilutive and/or equity financing would be available to us on favorable terms, or potentially at all. We expect to continue to incur net losses, comprehensive losses, and negative cash flows from operating activities in accordance with our operating plan. If we are unable to obtain additional funding when needed, we will need to curtail planned activities, divest certain operations, sell certain assets or reduce our costs, which will likely have an unfavorable effect on our ability to execute on our business plan, and have an adverse effect on our business, results of operations, and future prospects.

The unaudited condensed consolidated financial statements included elsewhere in this Form 10-Q have been prepared assuming we will continue as a going concern and do not include any adjustments that might result from the outcome of these uncertainties.

Cash Flows

The following table summarizes our cash flows:

	Nine Months Ended September 30,	
	2024	2023
	(in thousands)	
Net cash used in operating activities	\$ (52,890)	\$ (60,150)
Net cash provided by (used in) investing activities	15,000	(2,039)
Net cash provided by financing activities	65,054	101,172
Net change in cash	27,164	38,983
Cash at beginning of period	40,934	18,457
Cash at end of period	\$ 68,098	\$ 57,440

Operating Activities

Net cash used in operating activities was \$52.9 million for the nine months ended September 30, 2024, compared to net cash used in operating activities of \$60.2 million for the nine months ended September 30, 2023. Significant changes impacting net cash used in operating activities during the nine months ended September 30, 2024 as compared to the nine months ended September 30, 2023 were primarily due to changes in working capital.

Investing Activities

Net cash provided by investing activities was \$15.0 million for the nine months ended September 30, 2024, consisting of purchase price received in advance of the sale of our Florida operations. Net cash used in investing activities was \$2.0 million for the nine months ended September 30, 2023, consisting of purchases of property and equipment.

Financing Activities

Net cash provided by financing activities was \$65.1 million for the nine months ended September 30, 2024, primarily consisting of proceeds from the May 2024 Private Placement, net of offering costs, borrowings on the VGS 2 Promissory Note, and short-term financing agreements for the funding of certain insurance policies. Net cash provided by financing activities was \$101.2 million for the nine months ended September 30, 2023, primarily consisting of proceeds from the March 2023 Private Placement, net of offering costs, and borrowings on the VGS Promissory Note.

Critical Accounting Estimates

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these consolidated financial statements requires management use judgment in the application of accounting policies, including making estimates and assumptions that could affect assets and liabilities, revenue and expenses and related disclosures of contingent assets and liabilities. Management bases its estimates on the best information available at the time, its experiences and various other assumptions believed to be reasonable under the circumstances. Actual results could differ from those estimates. To the extent that there are differences between our estimates and actual results, our future financial statement presentation, financial condition, results of operations, and cash flows will be affected. On an ongoing basis, we evaluate the continued appropriateness of our accounting estimates to make adjustments we consider appropriate under the facts and circumstances. There have been no significant changes to our critical accounting estimates as disclosed in our 2023 Form 10-K.

Recent Accounting Pronouncements

See Note 4 "Recent Accounting Pronouncements" to our unaudited condensed consolidated financial statements included elsewhere in this Form 10-Q for a description of recent accounting standards issued and the anticipated effects on our unaudited condensed consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not required for Smaller Reporting Companies.

Item 4. Controls and Procedures.

Limitations on effectiveness of controls and procedures

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Evaluation of disclosure controls and procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated, as of the end of the period covered by this Form 10-Q, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, due to the material weaknesses described below, our disclosure controls and procedures were not effective at the reasonable assurance level as of September 30, 2024.

Material weaknesses

In connection with the audit of our financial statements for the years ended December 31, 2023 and 2022, we concluded that there were material weaknesses in our internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

As previously reported, management has identified the following material weaknesses in the Company's internal control over financial reporting, which continued to exist as of September 30, 2024:

- We did not have adequate policies and procedures or sufficient qualified resources with appropriate technical knowledge to maintain effective internal controls over the accounting related to significant accounts and related financial statement disclosures;
- We did not design and implement a sufficient risk assessment process to identify and assess risks impacting internal control over financial reporting;
- We had ineffective evaluation and determination as to whether the components of internal control were present and functioning;
- We did not design and implement effective information technology general controls in the areas of user access related to certain information technology systems that support our financial reporting process;
- We did not maintain sufficient segregation of duties over the performance of control activities for financial close and reporting, including over the review of account reconciliations and journal entries;
- We did not design and maintain effective management review controls at a sufficient level of precision over all financial statement areas; and
- We did not design and maintain effective controls at a sufficient level of precision over the estimation of claims expense and payable including controls over the review of historical claims data, including the completeness and accuracy of data used to determine the financial statement amounts.

Remediation activities

In response to these material weaknesses, with oversight from the Audit Committee of the Board of Directors, we have been actively engaged in implementing a comprehensive remediation plan. We have completed the design phase of our remediation plan, and the redesigned controls will be tested by management to assess operating effectiveness. We will continue to monitor the effectiveness of these and other previously existing processes, procedures, and controls and will make any further changes management determines appropriate to enhance the overall internal control environment. Specifically, we have:

- enhanced the design of existing controls, implemented newly designed controls, and performed walkthroughs of the newly designed processes to evaluate the appropriateness of their design and implementation with the assistance of an external advisor engaged by us;
- formalized enhanced policies, procedures, and documentation for significant areas of accounting, including each area where a material weakness was identified;
- hired qualified accounting, financial reporting, information technology, and other key management personnel with public company experience;
- implemented a revised information technology general controls framework that is customized to our application landscape and information risks inherent in the financial reporting process;

- implemented user access reviews across all in-scope information technology applications, standardized and improved the change management process to mitigate execution risks, and provided training to control owners; and
- designed a segregation of duties risk framework in order to establish a technology-enabled process to identify and evaluate user roles to mitigate segregation of duties conflicts.

We are committed to maintaining a strong internal control environment. We are still in the process of implementing these steps and cannot assure investors that these measures will significantly improve or remediate the material weaknesses described above. The material weaknesses cannot be considered remediated until the newly designed control activity operates for a sufficient period of time and management has concluded, through testing, that the control is operating effectively. We may also conclude that additional measures may be required to remediate the material weaknesses in our internal control over financial reporting, which may necessitate additional implementation and evaluation time. We will continue to assess the effectiveness of our internal control over financial reporting and take steps to remediate the known material weaknesses expeditiously.

Changes in internal control over financial reporting

Other than the actions taken to remediate our material weaknesses, described above, which were ongoing as of the date of issuance of this Form 10-Q, there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended September 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

Item 1. Legal Proceedings.

The Company is a party to various claims, legal and regulatory proceedings, lawsuits and administrative actions arising in the ordinary course of business and associated with the Business Combinations. The Company carries general and professional liability insurance coverage to mitigate the Company's risk of potential loss in such cases. An accrual is established when a specific contingency is probable and estimable. The Company also faces contingencies that are reasonably possible to occur that cannot currently be estimated. The Company believes that disposition of these matters will not have a material adverse effect on the Company's consolidated financial position, net loss or cash flows. It is the Company's policy to expense costs associated with loss contingencies, including any related legal fees, as they are incurred.

Hudson Class D Dispute

On June 11, 2021, Hudson Vegas Investment SPV, LLC ("Hudson"), a holder of P3's Class D Units, filed an action in the Delaware Court of Chancery captioned Hudson Vegas Investments SPV, LLC v. Chicago Pacific Founders Fund, L.P., et al., C.A. No. 2021-0518-JTL (the "Hudson Action"), in which it challenged the Business Combinations. Specifically, Hudson purported to assert claims against P3, certain managers that were on the P3 Board of Managers, certain of its officers, and Chicago Pacific Founders Fund, L.P. for breach of P3's then-existing LLC agreement (the "LLC Agreement") (against P3 and Chicago Pacific Founders Fund, L.P.), breach of fiduciary duty (against certain of P3's officers) and breach of contract claims related to the then-existing LLC Agreement (against the P3 Board of Managers) in connection with the process leading up to, and approval of, the Business Combinations. In the Hudson Action, Hudson sought to enjoin the consummation of the Business Combinations and seeks a declaration that the Business Combinations violate its rights under the P3 then-existing LLC Agreement, a declaration that certain managers on the P3 Board of Managers and certain of P3's officers breached their fiduciary duties, and money damages including attorneys' fees.

On June 13, 2021, P3 filed an action in the Delaware Court of Chancery captioned P3 Health Group Holdings, L.L.C. v. Hudson Vegas Investment SPV, LLC, C.A. No. 2021-0519-JTL (the "P3 Action"). In the P3 Action, P3 sought: (i) a declaration that the Business Combinations do not violate Section 3.10 of P3's Existing LLC Agreement; and (ii) reformation of a provision of P3's Existing LLC Agreement. The P3 Action was consolidated with the Hudson Action. The combined cases are captioned In re P3 Health Group Holdings, L.L.C., C.A. No. 2021-0518-JTL (the "Action").

On August 22, 2024, the parties to the Action executed a Confidential Settlement and Mutual Release Agreement, pursuant to which the parties to the Action agreed to jointly file a Stipulation of Dismissal with Prejudice relating to the Action. On October 9, 2024, the Action was dismissed with prejudice.

Item 1A. Risk Factors.

Except as described below, there have been no material changes to the risk factors previously disclosed in Part I, Item 1A., "Risk Factors" of our 2023 Form 10-K. You should carefully consider the risk factors included below and discussed in our 2023 Form 10-K, which could materially affect our business, financial condition or future results.

Our failure to meet the continued listing requirements of The Nasdaq Capital Market could result in a delisting of our securities .

We are required to meet the continued listing requirements of the Nasdaq Capital Market and if we fail to satisfy such continued listing requirements, Nasdaq may take steps to delist our securities. For example, on May 15, 2024, we received a deficiency letter (the "Deficiency Letter") from the listing qualifications department of Nasdaq indicating that, for the prior thirty-one consecutive business days, the bid price for our Class A common stock had closed below the minimum \$1.00 per share requirement for continued listing on The Nasdaq Capital Market under Nasdaq Listing Rule 5550(a)(2) (the "Bid Price Rule"). In accordance with Nasdaq Listing Rule 5810(c)(3)(A), we were granted an initial period of 180 calendar days, or until November 11, 2024, to regain compliance with the Bid Price Rule. We did not achieve compliance with the Bid Price Rule prior to this time.

On November 12, 2024, Nasdaq notified us that we were eligible for an additional 180 calendar day period to regain compliance with the Bid Price Rule as we met the continued listing requirement for market value of publicly held shares and all other initial listing standards for The Nasdaq Capital Market, with the exception of the bid price requirement,

and have provided written notice to Nasdaq of our intention to cure the deficiency during the second compliance period by effecting a reverse stock split, if necessary.

We intend to actively monitor the closing bid price of our Class A common stock and will consider all available options to regain compliance with the Bid Price Rule, which may include seeking stockholder approval to effect a reverse stock split. However, there can be no assurance that any such reverse stock split, if approved by the stockholders and implemented, would increase the market price of our Class A common stock in proportion to the reverse split ratio or result in a sustained increase in the market price of our Class A common stock. In addition, it is possible that the reduced number of issued shares of Class A common stock resulting from such a reverse stock split could adversely affect the liquidity of our Class A common stock. There can also be no assurance that any actions that we take will be successful in restoring our compliance with the Bid Price Rule or will prevent future non-compliance therewith. There is also no assurance that we will maintain compliance with the other listing requirements of The Nasdaq Capital Market or that we will be successful in appealing any delisting determination.

Delisting from the Nasdaq Capital Market would cause us to pursue eligibility for trading of these securities on other markets or exchanges, or on the "pink sheets." In such case, our stockholders' ability to trade, or obtain quotations of the market value of our Class A common stock would be severely limited because of lower trading volumes and transaction delays. These factors could contribute to lower prices and larger spreads in the bid and ask prices of our Class A common stock. There can be no assurance that our securities, if delisted from the Nasdaq Capital Market in the future, would be listed on a national securities exchange, a national quotation service, the over-the-counter markets or the pink sheets. Delisting from the Nasdaq Capital Market, or even the issuance of a notice of potential delisting, would also result in negative publicity, make it more difficult for us to raise additional capital, adversely affect the market liquidity of our securities, decrease securities analysts' coverage of us or diminish investor confidence. Moreover, there is no assurance that any actions that we take will be successful in restoring our compliance with the Bid Price Rule or will prevent future non-compliance therewith. There is also no assurance that we will maintain compliance with the other listing requirements of The Nasdaq Capital Market.

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

There were no unregistered sales of our equity securities during the quarter ended September 30, 2024, that were not otherwise disclosed in a Current Report on Form 8-K.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

(a) None.

(b) None.

(c) *Insider Trading Arrangements and Policies.*

During the quarter ended September 30, 2024, no director or "officer" (as defined in Rule 16a-1(f) under the Exchange Act) of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits.

Exhibit Number	Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
2.1	Agreement and Plan of Merger, dated as of May 25, 2021, by and between Foresight Acquisition Corp., P3 Health Group Holdings, LLC and FAC Merger Sub LLC.	8-K	001-40033	2.1	6/1/2021
2.2	Transaction and Combination Agreement, dated as of May 25, 2021, by and among Foresight Acquisition Corp., the Merger Corps, the Blockers, Splitter and the Blocker Sellers.	8-K	001-40033	2.2	6/1/2021
2.3	First Amendment to Merger Agreement, dated as of November 21, 2021, by and among Foresight Acquisition Corp., FAC Merger Sub LLC and P3 Health Group Holdings, LLC.	8-K	001-40033	2.1	11/22/2021
2.4	Second Amendment, dated as of December 3, 2021, to the Agreement and Plan of Merger, dated as of May 25, 2021, by and among Foresight Acquisition Corp., FAC Merger Sub LLC and P3 Health Group Holdings, LLC.	8-K	001-40033	2.4	12/9/2021
2.5	The First Amendment to the Transaction and Combination Agreement between Foresight Acquisition Corp., the Merger Corps, the Blockers, Splitter and the Blocker Sellers.	8-K	001-40033	2.5	12/9/2021
3.1	Amended and Restated Certificate of Incorporation of the Company.	8-K	001-40033	3.1	12/9/2021
3.2	Amended and Restated Bylaws of the Company.	8-K	001-40033	3.1	3/12/2024
10.1†	* Offer Letter Agreement, dated as of July 23, 2024, by and between P3 Health Partners Inc. and Leif Pedersen.				
10.2†	* Stock Option Agreement under the 2021 Incentive Award Plan, by and between P3 Health Partners Inc. and Leif Pedersen.				
10.3†	* Restricted Stock Unit Agreement under the 2021 Incentive Award Plan, by and between P3 Health Partners Inc. and Leif Pedersen.				
31.1	* Certification of Principal Executive Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
31.2	* Certification of Principal Financial Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
32.1	** Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
32.2	** Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
101.INS	* Inline XBRL Instance Document				
101.SCH	* Inline XBRL Taxonomy Extension Schema Document				
101.CAL	* Inline XBRL Taxonomy Extension Calculation Linkbase Document				

[Table of Contents](#)

Exhibit Number	Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
101.DEF	*	Inline XBRL Taxonomy Extension Definition Linkbase Document			
101.LAB	*	Inline XBRL Taxonomy Extension Label Linkbase Document			
101.PRE	*	Inline XBRL Taxonomy Extension Presentation Document			
104	*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)			

Filed herewith

Furnished herewith

†Indicates management contract or compensatory plan

SIGNATURES

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

Date: November 12, 2024

P3 Health Partners Inc.

By: /s/ Leif Pedersen

Leif Pedersen

Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

July 23, 2024

Re: Leif Pedersen Offer Letter for P3 Health Partners

Dear Leif,

It is with great pleasure that we extend this invitation to join P3 as its next Chief Financial Officer (CFO). We believe we are building a remarkable team of thought leaders in healthcare and are thrilled to invite you to be part of it. The commitment and conviction you have demonstrated about the important role that value based care is playing, and will play, in transforming healthcare delivery in the U.S is a shared value across our team, and we truly look forward to having you join us on that journey.

As you know, P3 is a public company and, as such, this offer is contingent upon securing approval from our Board of Directors, which we will pursue expeditiously upon your indication that you are prepared to move forward based on the details outlined in this offer. Upon your acceptance we will coordinate individual meetings with the Board's Chair, Mark Thierer and our Audit Chair Jeff Park which will be confirmatory calls. We are confident that the Board will be quite supportive of your leadership.

Your target start date will be August 26th, 2024, which we hope will allow you to provide appropriate notice and complete your commitments to your current employer. Your initial base compensation will be \$440,000 per year, and your target annual bonus will be 50% of your annual salary. The annual bonus target will be based on mutually agreed upon performance metrics established by the CEO and Board, in consultation with you, prior to the start of each performance year. Your cash compensation will be reviewed annually by the Company's Compensation Committee.

If your employment with P3 is terminated by the Company without Cause after you have been employed for at least six months, you will receive six months of salary as severance pay. Please note that this severance will be subject to mitigation if you obtain new employment during that time.

As a key leader in the Company, a significant portion of your compensation will be in the form of equity. You will be granted a total of 1,500,000 units, underscoring our confidence in your ability to drive the Company's future performance and success. The equity units will be granted with an exercise price set at the market value on the date of grant.

The units are structured as follows:

You will be granted a total of 1,500,000 units, divided equally into 750,000 stock options and 750,000 RSUs. The stock options will vest over a four-year period, with 25% vesting on the first anniversary of your start date and the remaining 75% vesting pro rata quarterly over the following three years. The RSUs will also vest over a four-year period, with 25% vesting on the first anniversary of your start date and the remaining 75% vesting pro rata quarterly over the following three years. The RSU's will vest on the same schedule as the stock options. They will also have a second vesting condition tied to the Company completing a secondary transaction. This second vesting trigger will allow us to manage the tax obligations associated with the vesting of the RSU's.

In the event of a change in control, such as a merger or acquisition, 50% of your total equity units, including both options and RSUs, will vest. This means 750,000 units (375,000 options and 375,000 RSUs) will vest, provided you remain employed by the Company through the transaction and any necessary transition period as reasonably required by the acquiring company. If the Company goes private, 30% of your total stock, including both options and RSUs, will vest. This means 450,000 units (225,000 options and 225,000 RSUs) will vest.

The projected value of this equity grant would be between \$4 million and \$13 million, based on an improvement in the Company's stock price in the range from \$8 to \$25 – which would be achieved were the Company to realize valuations consistent with its peers (the \$25 share price correlates to a market cap of approximately \$13B).

We believe that this equity grant aligns your interests with those of our shareholders and underscores our commitment to your success as the CFO of P3.

Leif, we are excited to move forward with you and welcome the opportunity to discuss any questions you may have regarding this offer, or P3 Health Partners.

Finally, as you might expect, as a CFO of a CPF portfolio company we are required to undertake a routine background check by a third-party vendor who regularly completes this due diligence step for our leadership teams.

We look forward to reviewing this offer letter and the opportunity with you soon.

With warmest regards,

Aric Coffman
Chief Executive Officer
P3 Health Partners, Inc

Agreed to and Accepted By:

Name: /s/ Leif Pedersen Date: 7/23/2024
Leif Pedersen

P3 HEALTH PARTNERS INC.

2021 INCENTIVE AWARD PLAN

STOCK OPTION GRANT NOTICE

P3 Health Partners Inc., a Delaware corporation (the “**Company**”) has granted to the participant listed below (“**Participant**”) the stock option (the “**Option**”) described in this Stock Option Grant Notice (the “**Grant Notice**”), subject to the terms and conditions of the P3 Health Partners Inc. 2021 Incentive Award Plan (as amended from time to time, the “**Plan**”) and the Stock Option Agreement attached hereto as **Exhibit A** (the “**Agreement**”), both of which are incorporated into this Grant Notice by reference. Capitalized terms not specifically defined in this Grant Notice or the Agreement have the meanings given to them in the Plan.

Participant:	Leif Pedersen
Grant Date:	September 3, 2024
Exercise Price per Share:	\$0.4599
Shares Subject to the Option:	750,000
Final Expiration Date:	Ten (10) years from grant date.
Vesting Commencement Date:	August 26, 2024

Vesting Schedule:

The Option shall vest and become exercisable (i) with respect to 25% of the underlying Shares on the first anniversary of the Vesting Commencement Date, and (ii) as to the remaining 75% of the underlying Shares, in substantially equal installments on each three (3)-month anniversary over the three (3)-year period thereafter, subject to Participant's continued employment through the applicable vesting date.

Notwithstanding the foregoing, in the event of a Qualifying Change in Control, (i) the Option shall vest and become exercisable on the one (1) year anniversary of the consummation of such Qualifying Change in Control, with respect to the lesser of (A) 50% of the underlying Shares (i.e., 375,000 Shares) and (B) the number of underlying Shares that remain unvested (if any) as of such one (1)-year anniversary, subject to Participant's continued employment until such one (1)-year anniversary and (ii) following the application of the foregoing, the then-remaining unvested Shares subject to the Option shall remain eligible to vest and become exercisable over the remaining original vesting schedule (for clarity, the number of Shares that will vest and become exercisable on each remaining vesting date shall be reduced proportionately, to reflect the number of Shares that vest in accordance with subclause (i)).

If a Change in Control occurs that is a CPF Transaction, then (i) the Option shall vest and become exercisable on the one (1) year anniversary of the consummation of such Change in Control with respect to the lesser of (A) 30% of the underlying Shares (i.e., 225,000 Shares) and (B) the number of underlying Shares that remain unvested (if any) as of such one (1)-year anniversary, subject to the Participant's continued employment with the Company until such one (1)-year anniversary and (ii) following the application of the foregoing, the then-remaining unvested Shares subject to the Option shall remain eligible to vest and become exercisable over the remaining original vesting schedule (for clarity, the number of Shares that will vest and become exercisable on each remaining vesting date shall be reduced proportionately, to reflect the number of Shares that vest in accordance with the subclause (i)).

"Qualifying Change in Control" shall mean a Change in Control (as defined in the Plan), but excluding a transaction or series of transactions (i) following which Chicago Pacific Founders Fund L.P. and its affiliates (collectively, "**CPF**") beneficially own securities of the Company (or its successor entity) possessing the largest total combined voting power of the Company's or its successor entity's securities outstanding immediately after such transaction or series of transactions, or (ii) pursuant to which any "group" that includes CPF directly or indirectly acquires beneficial ownership of securities of the Company (or its successor entity) possessing a majority of the total combined voting power of the Company or its successor entity after such acquisition (either of (i) or (ii), a "**CPF Transaction**").

Type of Option	Non-Qualified Stock Option
-----------------------	----------------------------

By accepting (whether in writing, electronically or otherwise) the Option, Participant agrees to be bound by the terms of this Grant Notice, the Plan and the Agreement. Participant has reviewed the Plan, this Grant Notice and the Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Grant Notice and fully understands all provisions of the Plan, this Grant Notice and the Agreement. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan, this Grant Notice or the Agreement.

PARTICIPANT

/s/ Leif Pedersen

Leif Pedersen

STOCK OPTION AGREEMENT

Capitalized terms not specifically defined in this Agreement have the meanings specified in the Grant Notice or, if not defined in the Grant Notice, in the Plan.

ARTICLE I. GENERAL

1.1 Grant of Option. The Company has granted to Participant the Option effective as of the grant date set forth in the Grant Notice (the “**Grant Date**”).

1.2 Incorporation of Terms of Plan. The Option is subject to the terms and conditions set forth in this Agreement and the Plan, which is incorporated herein by reference. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan will control.

ARTICLE II. PERIOD OF EXERCISABILITY

2.1 Commencement of Exercisability. The Option will vest and become exercisable according to the vesting schedule in the Grant Notice (the “**Vesting Schedule**”) except that any fraction of a Share as to which the Option would be vested or exercisable will be accumulated and will vest and become exercisable only when a whole Share has accumulated. Notwithstanding anything in the Grant Notice, the Plan or this Agreement to the contrary, unless the Administrator otherwise determines, the Option will immediately expire and be forfeited as to any portion that is not vested and exercisable as of Participant’s Termination of Service for any reason (after taking into consideration any accelerated vesting and exercisability which may occur in connection with such Termination of Service).

2.2 Duration of Exercisability. The Vesting Schedule is cumulative. Any portion of the Option which vests and becomes exercisable will remain vested and exercisable until the Option expires. The Option will be forfeited immediately upon its expiration.

2.3 Expiration of Option. The Option may not be exercised to any extent by anyone after, and will expire on, the first of the following to occur:

(a) The final expiration date in the Grant Notice; *provided*, however, such final expiration date may be extended pursuant to Section 5.3 of the Plan;

(b) Except as the Administrator may otherwise approve, the expiration of three months from the date of Participant’s Termination of Service, unless Participant’s Termination of Service is for Cause (as defined below) or by reason of Participant’s death or Disability (as defined below);

(c) Except as the Administrator may otherwise approve, the expiration of one year from the date of Participant’s Termination of Service by reason of Participant’s death or Disability; and

(d) Except as the Administrator may otherwise approve, Participant’s Termination of Service for Cause.

2.4 Certain Definitions.

(a) “**Cause**” shall mean with respect to a Participant, except as may otherwise be provided in Participant’s employment or service agreement with the Company or an Affiliate thereof to

the extent such agreement is in effect at the relevant time and contains a definition of Cause, the occurrence of any one or more of the following events:

(i) Participant's unauthorized use or disclosure of confidential information or trade secrets of the Company or an Affiliate thereof or any material breach of a written agreement between Participant and the Company or an Affiliate thereof, including, without limitation, a material breach of any employment, confidentiality, non-compete, non-solicit or similar agreement;

(ii) Participant's commission of, indictment for or the entry of a plea of guilty or *no contest* by Participant to, a felony under the laws of the United States or any state thereof or any crime involving dishonesty or moral turpitude (or any similar crime in any jurisdiction outside the United States);

(iii) Participant's negligence or willful misconduct in the performance of Participant's duties or Participant's willful or repeated failure or refusal to substantially perform Participant's assigned duties;

(iv) any act of fraud, embezzlement, material misappropriation or dishonesty committed by Participant against the Company or an Affiliate thereof; or

(v) any acts, omissions or statements by Participant which the Company or an Affiliate thereof determines to be materially detrimental or damaging to the reputation, operations, prospects or business relations of the Company or an Affiliate thereof.

(b) "**Disability**" shall mean a permanent and total disability under Section 22(e)(3) of the Code.

ARTICLE III. EXERCISE OF OPTION

3.1 Person Eligible to Exercise During Participant's lifetime, only Participant may exercise the Option. After Participant's death, any exercisable portion of the Option may, prior to the time the Option expires, be exercised by Participant's Designated Beneficiary as provided in the Plan.

3.2 Partial Exercise Any exercisable portion of the Option or the entire Option, if then wholly exercisable, may be exercised, in whole or in part, according to the procedures in the Plan at any time prior to the time the Option or portion thereof expires, except that the Option may only be exercised for whole Shares.

3.3 Tax Withholding: Exercise Price

(a) Subject to Section 3.3(b) of this Agreement, payment of the exercise price and withholding tax obligations with respect to the Option may be by any of the following, or a combination thereof, as determined by the Administrator:

(i) Cash or check;

(ii) In whole or in part by delivery of Shares, including Shares delivered by attestation and Shares retained from the Option creating the tax obligation, valued at their Fair Market Value on the date of delivery; or

(iii) In whole or in part by the Company withholding of Shares otherwise issuable upon exercise of this Option.

(b) Unless the Administrator otherwise determines, and subject to Section 9.10 of the Plan, payment of the exercise price and withholding tax obligations with respect to the Option shall be by delivery (including electronically or telephonically to the extent permitted by the Company) by Participant to the Company of a copy of irrevocable and unconditional instructions to a broker acceptable to the Company that Participant has placed a market sell order with such broker with respect to Shares then-issuable upon exercise of the Option, and that the broker has been directed to deliver promptly to the Company or an Affiliate funds sufficient to satisfy the applicable exercise price and tax withholding obligations; provided, that payment of such proceeds is then made to the Company or an Affiliate at such time as may be required by the Administrator.

(c) Subject to Section 9.5 of the Plan, the applicable tax withholding obligation will be determined based on Participant's Applicable Withholding Rate. Participant's "**Applicable Withholding Rate**" shall mean (i) if Participant is subject to Section 16 of the Exchange Act, the greater of (A) the minimum applicable statutory tax withholding rate or (B) with Participant's consent, the maximum individual tax withholding rate permitted under the rules of the applicable taxing authority for tax withholding attributable to the underlying transaction, or (ii) if Participant is not subject to Section 16 of the Exchange Act, the minimum applicable statutory tax withholding rate or such other higher rate approved by the Company; *provided, however,* that (i) in no event shall Participant's Applicable Withholding Rate exceed the maximum individual statutory tax rate in the applicable jurisdiction at the time of such withholding (or such other rate as may be required to avoid the liability classification of the applicable award under generally accepted accounting principles in the United States of America); and (ii) the number of Shares tendered or withheld, if applicable, shall be rounded up to the nearest whole Share sufficient to cover the applicable tax withholding obligation, to the extent rounding up to the nearest whole Share does not result in the liability classification of the Option under generally accepted accounting principles.

(d) Participant acknowledges that Participant is ultimately liable and responsible for the exercise price and all taxes owed in connection with the Option (and, with respect to taxes, regardless of any action the Company or any Affiliate takes with respect to any tax withholding obligations that arise in connection with the Option). Neither the Company nor any Affiliate makes any representation or undertaking regarding the treatment of any tax withholding in connection with the awarding, vesting or exercise of the Option or the subsequent sale of Shares. The Company and the Affiliates do not commit and are under no obligation to structure the Option to reduce or eliminate Participant's tax liability.

ARTICLE IV. **OTHER PROVISIONS**

4.1 Adjustments. Participant acknowledges that the Option is subject to adjustment, modification and termination in certain events as provided in this Agreement and the Plan, provided that (except in connection with certain corporate transactions involving the Company) the exercise price per Share issuable hereunder may not be reduced and the Option may not be cancelled in exchange for cash or for other awards where such other award has an exercise price per Share that is less than the exercise price per share of the Option, without approval of the stockholders of the Company.

4.2 Clawback. The Option and the Shares issuable hereunder shall be subject to any clawback or recoupment policy in effect on the Grant Date or as may be adopted or maintained by the

Company following the Grant Date, including the Dodd-Frank Wall Street Reform and Consumer Protection Act and any rules or regulations promulgated thereunder.

4.3 Notices. Any notice to be given under the terms of this Agreement to the Company must be in writing and addressed to the Company in care of the Company's General Counsel at the Company's principal office or the General Counsel's then-current email address or facsimile number. Any notice to be given under the terms of this Agreement to Participant must be in writing and addressed to Participant (or, if Participant is then deceased, to the Designated Beneficiary) at Participant's last known mailing address, email address or facsimile number in the Company's personnel files. By a notice given pursuant to this Section, either party may designate a different address for notices to be given to that party. Any notice will be deemed duly given when actually received, when sent by email, when sent by certified mail (return receipt requested) and deposited with postage prepaid in a post office or branch post office regularly maintained by the United States Postal Service, when delivered by a nationally recognized express shipping company or upon receipt of a facsimile transmission confirmation.

4.4 Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

4.5 Conformity to Securities Laws. Participant acknowledges that the Plan, the Grant Notice and this Agreement are intended to conform to the extent necessary with all Applicable Laws and, to the extent Applicable Laws permit, will be deemed amended as necessary to conform to Applicable Laws.

4.6 Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement will inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth in this Agreement or the Plan, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

4.7 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan or this Agreement, if Participant is subject to Section 16 of the Exchange Act, the Plan, the Grant Notice, this Agreement and the Option will be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3) that are requirements for the application of such exemptive rule. To the extent Applicable Laws permit, this Agreement will be deemed amended as necessary to conform to such applicable exemptive rule.

4.8 Entire Agreement; Amendment. The Plan, the Grant Notice and this Agreement (including any exhibit hereto) constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof. To the extent permitted by the Plan, this Agreement may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Administrator or the Board; provided, however, that except as may otherwise be provided by the Plan, no amendment, modification, suspension or termination of this Agreement shall materially and adversely affect the Option without the prior written consent of Participant.

4.9 Agreement Severable. In the event that any provision of the Grant Notice or this Agreement is held illegal or invalid, the provision will be severable from, and the illegality or invalidity of the provision will not be construed to have any effect on, the remaining provisions of the Grant Notice or this Agreement.

4.10 Limitation on Participant's Rights. Participation in the Plan confers no rights or interests other than as herein provided. This Agreement creates only a contractual obligation on the part of the Company as to amounts payable and may not be construed as creating a trust. Neither the Plan nor any underlying program, in and of itself, has any assets. Participant will have only the rights of a general unsecured creditor of the Company with respect to amounts credited and benefits payable, if any, with respect to the Option, and rights no greater than the right to receive the Shares as a general unsecured creditor with respect to the Option, as and when exercised pursuant to the terms hereof.

4.11 Not a Contract of Employment. Nothing in the Plan, the Grant Notice or this Agreement confers upon Participant any right to continue in the employ or service of the Company or any Affiliate or interferes with or restricts in any way the rights of the Company and its Affiliates, which rights are hereby expressly reserved, to discharge or terminate the services of Participant at any time for any reason whatsoever, with or without Cause, except to the extent expressly provided otherwise in a written agreement between the Company or an Affiliate and Participant.

4.12 Counterparts. The Grant Notice may be executed in one or more counterparts, including by way of any electronic signature, subject to Applicable Law, each of which will be deemed an original and all of which together will constitute one instrument.

4.13 Incentive Stock Options. If the Option is designated as an Incentive Stock Option:

(a) Participant acknowledges that to the extent the aggregate fair market value of shares (determined as of the time the option with respect to the shares is granted) with respect to which stock options intended to qualify as "incentive stock options" under Section 422 of the Code, including the Option, are exercisable for the first time by Participant during any calendar year exceeds \$100,000 or if for any other reason such stock options do not qualify or cease to qualify for treatment as "incentive stock options" under Section 422 of the Code, such stock options (including the Option) will be treated as non-qualified stock options. Participant further acknowledges that the rule set forth in the preceding sentence will be applied by taking the Option and other stock options into account in the order in which they were granted, as determined under Section 422(d) of the Code. Participant also acknowledges that if the Option is exercised more than three months after Participant's Termination of Service, other than by reason of death or Disability, the Option will be taxed as a Non-Qualified Stock Option.

(b) Participant will give prompt written notice to the Company of any disposition or other transfer of any Shares acquired under this Agreement if such disposition or other transfer is made (i) within two years from the Grant Date or (ii) within one year after the transfer of such Shares to Participant. Such notice will specify the date of such disposition or other transfer and the amount realized, in cash, other property, assumption of indebtedness or other consideration, by Participant in such disposition or other transfer.

P3 HEALTH PARTNERS INC.

2021 INCENTIVE AWARD PLAN

RESTRICTED STOCK UNIT GRANT NOTICE

P3 Health Partners Inc., a Delaware corporation (the “**Company**”), has granted to the participant listed below (“**Participant**”) the Restricted Stock Units (the “**RSUs**”) described in this Restricted Stock Unit Grant Notice (this ‘**Grant Notice**”), subject to the terms and conditions of the P3 Health Partners Inc. 2021 Incentive Award Plan (as amended from time to time, the “**Plan**”) and the Restricted Stock Unit Agreement attached hereto as **Exhibit A** (the “**Agreement**”), both of which are incorporated into this Grant Notice by reference. Capitalized terms not specifically defined in this Grant Notice or the Agreement have the meanings given to them in the Plan.

Participant:	Leif Pedersen
Grant Date:	September 3, 2024
Number of RSUs:	750,000
Vesting Commencement Date:	August 26, 2024

Vesting Schedule:

The RSUs will be subject to both service-vesting and performance-vesting conditions, such that both conditions must be satisfied for the RSUs to vest. With respect to an RSU, the applicable vesting date will be the later of the date on which the applicable Service-Vesting Condition is satisfied and the date on which the Performance-Vesting Condition is satisfied.

Notwithstanding the foregoing, in the event of a Qualifying Change in Control, (i) the RSUs shall vest on the one (1) year anniversary of the consummation of such Qualifying Change in Control with respect to the lesser of (A) 50% of the RSUs (i.e., 375,000 RSUs) and (B) the number of RSUs that remain unvested (if any) as of such one (1)-year anniversary, subject to Participant's continued employment until such one (1)-year anniversary, and (ii) following the application of the foregoing, the then-remaining unvested RSUs shall remain eligible to vest over the remaining original vesting schedule (for clarity, the number of RSUs that will vest on each remaining vesting date shall be reduced proportionately, to reflect the number of RSUs that vest in accordance with the subclause (i)).

If a Change in Control occurs that is a CPF Transaction, then (i) the RSUs shall vest one (1)-year anniversary of such Change in Control with respect to the lesser of (A) 30% of the RSUs (i.e., 225,000 RSUs) and (B) the number of RSUs that remain unvested (if any) as of such one (1)-year anniversary, subject to Participant's continued employment with the Company until such one (1)-year anniversary, and (ii) following the application of the foregoing, the then-remaining unvested RSUs shall remain eligible to vest over the remaining original vesting schedule (for clarity, the number of RSUs that will vest on each remaining vesting date shall be reduced proportionately to reflect the number of RSUs that vest in accordance with the subclause (i)).

"Service-Vesting Condition". The service-vesting condition shall be satisfied (i) with respect to 25% of the RSUs on the first anniversary of the Vesting Commencement Date, and (ii) as to the remaining 75% of the RSUs, in substantially equal installments on each three (3)-month anniversary over the three (3)-year period thereafter, subject to Participant's continued employment through the applicable date.

"Performance-Vesting Condition". The performance-vesting condition shall be satisfied upon the closing of the first underwritten offering and sale of the Company's Class A common stock following the Grant Date (the "**Secondary Sale**"), subject to Participant's continued employment through such date.

"Qualifying Change in Control" shall mean a Change in Control (as defined in the Plan), but excluding a transaction or series of transactions (i) following which Chicago Pacific Founders Fund L.P. and its affiliates (collectively, "**CPF**") beneficially own securities of the Company (or its successor entity) possessing the largest total combined voting power of the Company's or its successor entity's securities outstanding immediately after such transaction or series of transactions, or (ii) pursuant to which any "group" that includes CPF directly or indirectly acquires beneficial ownership of securities of the Company (or its successor entity) possessing a majority of the total combined voting power of the Company or its successor entity after such acquisition (either of (i) or (ii), a "**CPF Transaction**").

By accepting (whether in writing, electronically or otherwise) the RSUs, Participant agrees to be bound by the terms of this Grant Notice, the Plan and the Agreement. Participant has reviewed the Plan, this Grant Notice and the Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Grant Notice and fully understands all provisions of the Plan, this Grant Notice and the Agreement. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan, this Grant Notice or the Agreement.

PARTICIPANT

/s/ Leif Pedersen

Leif Pedersen

RESTRICTED STOCK UNIT AGREEMENT

Capitalized terms not specifically defined in this Restricted Stock Unit Agreement (this “**Agreement**”) have the meanings specified in the Grant Notice or, if not defined in the Grant Notice, in the Plan.

ARTICLE I. GENERAL

1.1 Award of RSUs. The Company has granted the RSUs to Participant effective as of the Grant Date set forth in the Grant Notice (the “**Grant Date**”). Each RSU represents the right to receive one Share as set forth in this Agreement. Participant will have no right to the distribution of any Shares until the time (if ever) the RSUs have vested.

1.2 Incorporation of Terms of Plan. The RSUs are subject to the terms and conditions set forth in this Agreement and the Plan, which is incorporated herein by reference. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan will control.

1.3 Unsecured Promise. The RSUs will at all times prior to settlement represent an unsecured Company obligation payable only from the Company's general assets.

ARTICLE II. VESTING; FORFEITURE AND SETTLEMENT

2.1 Vesting; Forfeiture. The RSUs will vest according to the vesting schedule in the Grant Notice except that any fraction of an RSU that would otherwise be vested will be accumulated and will vest only when a whole RSU has accumulated. In the event of Participant's Termination of Service for any reason, all unvested RSUs will immediately and automatically be cancelled and forfeited, except as otherwise determined by the Administrator or provided in a binding written agreement between Participant and the Company.

2.2 Settlement.

(a) The RSUs will, to the extent vested, be paid in Shares as soon as administratively practicable after the vesting of the applicable RSU, but in no event later than March 15 of the year following the year in which the RSU's vesting date occurs.

(b) Notwithstanding the foregoing, the Company may delay any payment under this Agreement that the Company reasonably determines would violate Applicable Law until the earliest date the Company reasonably determines the making of the payment will not cause such a violation (in accordance with Treasury Regulation Section 1.409A-2(b)(7)(ii)); provided the Company reasonably believes the delay will not result in the imposition of excise taxes under Section 409A.

ARTICLE III. TAXATION AND TAX WITHHOLDING

3.1 Representation. Participant represents to the Company that Participant has reviewed with Participant's own tax advisors the tax consequences of this award of RSUs (the “**Award**”) and the transactions contemplated by the Grant Notice and this Agreement. Participant is relying solely on such advisors and not on any statements or representations of the Company or any of its agents.

3.2 Tax Withholding.

(a) Subject to Section 3.2(b) of this Agreement, payment of the withholding tax obligations with respect to the Award may be by any of the following, or a combination thereof, as determined by the Administrator:

(i) Cash or check;

(ii) In whole or in part by delivery of Shares, including Shares delivered by attestation and Shares retained from the Award creating the tax obligation, valued at their Fair Market Value on the date of delivery; or

(iii) In whole or in part by the Company or an Affiliate withholding of Shares otherwise vesting or issuable under this Award in satisfaction of any applicable withholding tax obligations.

(b) Unless the Administrator otherwise determines, and subject to Section 9.10 of the Plan, payment of the withholding tax obligations with respect to the Award shall be by delivery (including electronically or telephonically to the extent permitted by the Company) by Participant to the Company of a copy of irrevocable and unconditional instructions to a broker acceptable to the Company that Participant has placed a market sell order with such broker with respect to Shares then-issuable upon settlement of the Award, and that the broker has been directed to deliver promptly to the Company or an Affiliate funds sufficient to satisfy the applicable tax withholding obligations; provided, that payment of such proceeds is then made to the Company or an Affiliate at such time as may be required by the Administrator.

(c) Subject to Section 9.5 of the Plan, the applicable tax withholding obligation will be determined based on Participant's Applicable Withholding Rate. Participant's "**Applicable Withholding Rate**" shall mean (i) if Participant is subject to Section 16 of the Exchange Act, the greater of (A) the minimum applicable statutory tax withholding rate or (B) with Participant's consent, the maximum individual tax withholding rate permitted under the rules of the applicable taxing authority for tax withholding attributable to the underlying transaction, or (ii) if Participant is not subject to Section 16 of the Exchange Act, the minimum applicable statutory tax withholding rate or such other higher rate approved by the Company; *provided, however, that* (i) in no event shall Participant's Applicable Withholding Rate exceed the maximum individual statutory tax rate in the applicable jurisdiction at the time of such withholding (or such other rate as may be required to avoid the liability classification of the applicable award under generally accepted accounting principles in the United States of America); and (ii) the number of Shares tendered or withheld, if applicable, shall be rounded up to the nearest whole Share sufficient to cover the applicable tax withholding obligation, to the extent rounding up to the nearest whole Share does not result in the liability classification of the RSUs under generally accepted accounting principles.

(d) Participant acknowledges that Participant is ultimately liable and responsible for all taxes owed in connection with the RSUs, regardless of any action the Company or any Affiliate takes with respect to any tax withholding obligations that arise in connection with the RSUs. Neither the Company nor any Affiliate makes any representation or undertaking regarding the treatment of any tax withholding in connection with the awarding, vesting or payment of the RSUs or the subsequent sale of Shares. The Company and its Affiliates do not commit and are under no obligation to structure the RSUs to reduce or eliminate Participant's tax liability.

ARTICLE IV. OTHER PROVISIONS

4.1 Adjustments. Participant acknowledges that the RSUs and the Shares subject to the RSUs are subject to adjustment, modification and termination in certain events as provided in this Agreement and the Plan.

4.2 Clawback. The Award and the Shares issuable hereunder shall be subject to any clawback or recoupment policy in effect on the Grant Date or as may be adopted or maintained by the Company following the Grant Date, including the Dodd-Frank Wall Street Reform and Consumer Protection Act and any rules or regulations promulgated thereunder.

4.3 Notices. Any notice to be given under the terms of this Agreement to the Company must be in writing and addressed to the Company in care of the Company's General Counsel at the Company's principal office or the General Counsel's then-current email address or facsimile number. Any notice to be given under the terms of this Agreement to Participant must be in writing and addressed to Participant (or, if Participant is then deceased, to the Designated Beneficiary) at Participant's last known mailing address, email address or facsimile number in the Company's personnel files. By a notice given pursuant to this Section, either party may designate a different address for notices to be given to that party. Any notice will be deemed duly given when actually received, when sent by email, when sent by certified mail (return receipt requested) and deposited with postage prepaid in a post office or branch post office regularly maintained by the United States Postal Service, when delivered by a nationally recognized express shipping company or upon receipt of a facsimile transmission confirmation.

4.4 Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

4.5 Conformity to Securities Laws. Participant acknowledges that the Plan, the Grant Notice and this Agreement are intended to conform to the extent necessary with all Applicable Laws and, to the extent Applicable Laws permit, will be deemed amended as necessary to conform to Applicable Laws.

4.6 Successors and Assigns. The Company may assign any of its rights under this Agreement to a single or multiple assignees, and this Agreement will inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth in this Agreement or the Plan, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

4.7 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan or this Agreement, if Participant is subject to Section 16 of the Exchange Act, the Plan, the Grant Notice, this Agreement and the RSUs will be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3) that are requirements for the application of such exemptive rule. To the extent Applicable Laws permit, this Agreement will be deemed amended as necessary to conform to such applicable exemptive rule.

4.8 Entire Agreement; Amendment. The Plan, the Grant Notice and this Agreement (including any exhibit hereto) constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof. To the extent permitted by the Plan, this Agreement may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Administrator or the Board; provided, however, that except as may otherwise be provided by the Plan, no amendment, modification, suspension or termination of this Agreement shall materially and adversely affect the RSUs without the prior written consent of Participant.

4.9 Agreement Severable. In the event that any provision of the Grant Notice or this Agreement is held illegal or invalid, the provision will be severable from, and the illegality or invalidity of the provision will not be construed to have any effect on, the remaining provisions of the Grant Notice or this Agreement.

4.10 Limitation on Participant's Rights. Participation in the Plan confers no rights or interests other than as herein provided. This Agreement creates only a contractual obligation on the part of the Company as to amounts payable and may not be construed as creating a trust. Neither the Plan nor any underlying program, in and of itself, has any assets. Participant will have only the rights of a general unsecured creditor of the Company with respect to amounts credited and benefits payable, if any, with respect to the RSUs, and rights no greater than the right to receive cash or the Shares as a general unsecured creditor with respect to the RSUs, as and when settled pursuant to the terms of this Agreement.

4.11 Not a Contract of Employment Nothing in the Plan, the Grant Notice or this Agreement confers upon Participant any right to continue in the employ or service of the Company or any Affiliate or interferes with or restricts in any way the rights of the Company and its Affiliates, which rights are hereby expressly reserved, to discharge or terminate the services of Participant at any time for any reason whatsoever, with or without cause, except to the extent expressly provided otherwise in a written agreement between the Company or an Affiliate and Participant.

4.12 Counterparts. The Grant Notice may be executed in one or more counterparts, including by way of any electronic signature, subject to Applicable Law, each of which will be deemed an original and all of which together will constitute one instrument.

CERTIFICATION

I, Aric Coffman, M.D., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of P3 Health Partners Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2024

/s/ Aric Coffman, M.D.

Aric Coffman, M.D.

Chief Executive Officer

(Principal Executive Officer)

CERTIFICATION

I, Leif Pedersen, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of P3 Health Partners Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2024

/s/ Leif Pedersen

Leif Pedersen

Chief Financial Officer

(Principal Financial Officer)

**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 P3 Health Partners Inc. (the "Company") for the quarterly period ended September 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Aric Coffman, M.D., Chief Executive Officer of the Company, do hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.

Date: November 12, 2024

/s/ Aric Coffman, M.D.

Aric Coffman, M.D.

Chief Executive Officer

(Principal Executive Officer)

**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 P3 Health Partners Inc. (the "Company") for the quarterly period ended September 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Leif Pedersen, Chief Financial Officer of the Company, do hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.

Date: November 12, 2024

/s/ Leif Pedersen

Leif Pedersen

Chief Financial Officer

(Principal Financial Officer)