

REFINITIV

DELTA REPORT

10-K

ATIP - ATI PHYSICAL THERAPY, INC

10-K - DECEMBER 31, 2023 COMPARED TO 10-K - DECEMBER 31, 2022

The following comparison report has been automatically generated

TOTAL DELTAS 5643

 CHANGES 463

 DELETIONS 2422

 ADDITIONS 2758

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended **December 31, 2022** **December 31, 2023**
OR

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

For transition period from _____ to _____
Commission File Number 001-39439

ATI Physical Therapy, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

85-1408039

(I.R.S. Employer Identification Number)

790 Remington Boulevard
Bolingbrook, IL 60440
(630) 296-2223

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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

Title of each class

Class A common stock, \$0.0001 par value

Trading Symbol

ATIP

Name of each exchange on which registered

New York Stock Exchange

Redeemable Warrants, each whole warrant exercisable for one share of Class A
common stock at an exercise price of **\$11.50** **\$575.00** per share

ATIP WS ATIPW

New York Stock Exchange OTC Market

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 7(a)(2)(B) of the Securities Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

The aggregate market value of the common stock held by non-affiliates of the registrant at **June 30, 2022** **June 30, 2023**, based on the closing sale price reported on the NYSE on **June 30, 2022** **June 30, 2023**, was approximately **\$147.4** **\$17.0** million.

As of **March 6, 2023** **February 19, 2024**, there were approximately **207,384,260** **4,210,286** shares of the registrant's common stock legally outstanding.

Table of Contents

	Page
PART I	
Item 1. Business	7
Item 1A. Risk Factors	19 17
Item 1B. Unresolved Staff Comments	53 49
Item 1C. Cybersecurity	49
Item 2. Properties	53 50
Item 3. Legal Proceedings	53 50
Item 4. Mine Safety Disclosures	53 50
PART II	
Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	54 51
Item 6. Reserved	55 51
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	57 52
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	58 83
Item 8. Financial Statements and Supplementary Data	87 84
Report of Independent Registered Public Accounting Firm	88 85
Consolidated Consolidated Balance Sheets	93 91
Consolidated Consolidated Statements of Operations	94 92
Consolidated Consolidated Statements of Comprehensive Comprehensive Loss	95 93
Consolidated Statements of Changes in Stockholders' Equity	95 94
Consolidated Statements of Cash Flows	97 95
Notes to Consolidated Financial Statements	99 97
Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure	150 145
Item 9A. Controls and Procedures	150 145
Item 9B. Other Information	152 146
Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections	153 146
PART III	
Item 10. Directors, Executive Officers and Corporate Governance	154 147
Item 11. Executive Compensation	154 147
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	154 147
Item 13. Certain Relationships and Related Transactions, and Director Independence	154 147
Item 14. Principal Accountant Fees and Services	154 147
PART IV	
Item 15. Exhibits and Financial Statement Statement Schedules	155 148
Item 16. Form 10-K Summary	157 151
Signatures	157 151

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements included in this Form 10-K that are not historical facts are forward-looking statements for purposes of the safe harbor provisions under the United States Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by the use of the words such as "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "expect," "should," "would," "plan," "project," "forecast," "predict," "potential," "seem," "seek," "future," "outlook," "target" or similar expressions that predict or indicate future events or trends or that are not statements of historical matters. These forward-looking statements include, but are not limited to, statements regarding the impact of physical therapist attrition and ability to achieve and maintain clinical staffing levels and clinician productivity, anticipated visit and referral volumes and other factors on the Company's overall profitability, and estimates and forecasts of other financial and performance metrics and projections of market opportunity. These statements are based on various assumptions, whether or not identified in this Form 10-K, and on the current expectations of the Company's management and are not predictions of actual performance. These forward-looking

statements are provided for illustrative purposes only and are not intended to serve as, and must not be relied on by any investor as, a guarantee, an assurance, a prediction or a definitive statement of fact or probability. Actual events and circumstances are difficult or impossible to predict and will differ from assumptions. Many actual events and circumstances are beyond the control of the Company.

These forward-looking statements are subject to a number of risks and uncertainties, including:

- our liquidity position raises substantial doubt about our ability to continue as a going concern;
- risks associated with liquidity and capital markets, including the Company's ability to generate sufficient cash flows, together with cash on hand, to run its business, cover liquidity and capital requirements and resolve substantial doubt about the Company's ability to continue as a going concern;
- our ability to meet certain financial covenants as required by our 2022 Credit Agreement, including maintaining \$30.0 million of minimum liquidity; as amended;
- risks related to outstanding indebtedness and preferred stock, rising interest rates and potential increases in borrowing costs, compliance with associated covenants and provisions and the potential need to seek additional or alternative debt or capital financing in the future;
- risks related to the Company's ability to access additional financing or alternative options when needed;
- our dependence upon reimbursement by governmental and third-party private payors for reimbursement and that decreases in reimbursement rates, renegotiation or termination of payor contracts, billing disputes with third-party payors or unfavorable changes in payor, state and service mix may adversely affect our financial results;
- federal and state governments' continued efforts to contain growth in Medicaid expenditures, which could adversely affect the Company's revenue and profitability;
- payments that we receive from Medicare and Medicaid being subject to potential retroactive reduction;
- changes in Medicare rules and guidelines and reimbursement or failure of our clinics to maintain their Medicare certification and/or enrollment status;
- compliance with federal and state laws and regulations relating to the privacy of individually identifiable patient information, and associated fines and penalties for failure to comply;

- risks associated with public health crises, epidemics and pandemics, including the COVID-19 (and any existing pandemic, and future variants) and its their direct and indirect impacts or lingering effects on the business, which could lead to a decline in visit volumes and referrals;
- risks related to the impact on our workforce of mandatory COVID-19 vaccination of employees;
- our inability to compete effectively in a competitive industry, subject to rapid technological change and cost inflation, including competition that could impact our the effectiveness of our strategies to improve patient referrals and our ability to identify, recruit, hire and retain skilled physical therapists;
- our inability to maintain high levels of service and patient satisfaction;
- risks associated with the locations of our clinics, including the economies in which we operate, size and expected growth of our addressable markets, and the potential need to close clinics and incur closure costs;
- our dependence upon the cultivation and maintenance of relationships with customers, suppliers, physicians and other referral sources;
- the severity of climate change or the weather and natural disasters that can occur in the regions of the U.S. United States in which we operate, which could cause disruption to our business;
- risks associated with future acquisitions, divestitures and other business initiatives, which may use significant resources, may be unsuccessful and could expose us to unforeseen liabilities;
- failure of third-party vendors, including customer service, technical and IT information technology ("IT") support providers and other outsourced professional service providers to adequately address customers' requests and meet Company requirements;
- risks associated with our ability to secure renewals of current suppliers and other material agreements that the Company currently depends upon for business operations;
- risks associated with our reliance on IT infrastructure in critical areas of our operations including, but not limited to, cyber and other security threats;
- a security breach of our IT systems or our third-party vendors' IT systems may subject us to potential legal action and reputational harm and may result in a violation of the Health Insurance Portability and Accountability Act of 1996 or the Health Information Technology for Economic and Clinical Health Act;

- maintaining clients for which we perform management and other services, as a breach or termination of those contractual arrangements by such clients could cause operating results to be less than expected;
- our failure to maintain financial controls and processes over billing and collections or disputes with ~~third-parties~~ third-party private payors could have a significant negative impact on our financial condition and results of operations;
- our operations are subject to extensive regulation and macroeconomic uncertainty;
- our ability to meet revenue and earnings expectations;
- risks associated with applicable state laws regarding fee-splitting and professional corporation laws;

- inspections, reviews, audits and investigations under federal and state government programs and third-party private payor contracts that could have adverse findings that may negatively affect our business, including our results of operations, liquidity, financial condition and reputation;
- changes in or our failure to comply with existing federal and state laws or regulations or the inability to comply with new government regulations on a timely basis;
- our ability to maintain necessary insurance coverage at competitive rates;
- the outcome of any legal and regulatory matters, proceedings or investigations instituted against us or any of our directors or officers, and whether insurance coverage will be available and/or adequate to cover such matters or proceedings;
- general economic conditions, including but not limited to inflationary and recessionary periods;
- our facilities face competition for experienced physical therapists and other clinical providers that may increase labor costs, result in elevated levels of contract labor and reduce profitability;
- risks associated with our ability to attract and retain talented executives and employees amidst the impact of unfavorable labor market dynamics, ~~and~~ wage inflation and recent reduction in value of our share-based compensation incentives, including potential failure of steps being taken to reduce attrition of physical therapists and increase hiring of physical therapists;
- ~~risk~~ risks resulting from the 2L Notes, IPO Warrants, Earnout Shares and Vesting Shares being accounted for as ~~liabilities~~ liabilities at fair value and the changes in fair value affecting our financial results;
- further impairments of goodwill and other intangible assets, which represent a significant portion of our total assets, especially in view of the Company's recent market valuation;
- our inability to ~~remediate the material weaknesses in internal control over financial reporting related to income taxes and to~~ maintain effective internal control over financial reporting;
- risks related to dilution of common stock ownership interests and voting interests as a result of the issuance of 2L Notes and Series B Preferred Stock;
- costs related to operating as a public company; and
- risks associated with our efforts and ability to regain and sustain compliance with the listing requirements of our securities on the New York Stock Exchange ("NYSE").

If any of these risks materialize or our assumptions prove incorrect, actual results could differ materially from the results implied by these forward-looking statements.

These and other factors that could cause actual results to differ from those implied by the forward-looking statements in this Form 10-K are more fully described under the heading "Item 1A. Risk Factors" and elsewhere in this Form 10-K. The risks described under the heading "Item 1A. Risk Factors" are not exhaustive. Other sections of this Form 10-K describe additional factors that could adversely affect the business, financial condition or results of operations of the Company. New risk factors emerge from time to time and it is not possible to predict all such risk factors, nor can the Company assess the impact of all such risk factors on the business of the Company or the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statements. All forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the foregoing cautionary statements. Readers should not place undue reliance on forward-looking

statements. The Company undertakes no obligations to publicly update or revise any forward-looking statements after the date they are made or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or otherwise, except as required by law.

In addition, statements of belief and similar statements reflect the beliefs and opinions of the Company on the relevant subject. These statements are based upon information available to the Company, as applicable, as of the date of this Form 10-K, and while the Company believes such information forms a reasonable basis for such statements, such information may be limited or incomplete, and statements should not be read to indicate that the Company has conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and you are cautioned not to unduly rely upon these statements.

PART I

Item 1. Business

Overview

ATI Physical Therapy, Inc. and its subsidiaries (herein referred to as "we," "us," "our," "the Company" or "ATI") is a nationally recognized outpatient physical therapy provider in the United States specializing in outpatient rehabilitation and adjacent healthcare services, with 923 clinics located in 24 states (as well as 2018 clinics under management service agreements) located in 25 states as of December 31, 2022 December 31, 2023. ATI Physical Therapy, Inc., a Delaware corporation, was organized in 2020 originally under the name Fortress Value Acquisition Corp. II (herein referred to as "FAII" or "FVAC"). We operate with a commitment to providing our patients, medical provider partners, payors and employers with evidence-based, patient-centric care.

We offer a variety of services within our clinics, including physical therapy to treat spine, shoulder, knee and neck injuries or pain; work injury rehabilitation services, including work conditioning and work hardening; hand therapy; and other specialized treatment services. Our Company's team of professionals is dedicated to helping return patients to optimal physical health.

Physical therapy patients receive team-based care, standardized techniques and individualized treatment plans in an encouraging environment. To achieve optimal results, we use an extensive array of techniques including therapeutic exercise, manual therapy and strength training, among others. Our physical therapy model aims to deliver optimized outcomes and time to recovery for patients, insights and service satisfaction for referring providers and predictable costs and measurable value for payors.

In addition to providing services to physical therapy patients at outpatient rehabilitation clinics, we provide services through our ATI Worksite Solutions ("AWS") program, Management Service Agreements ("MSA"), and Sports Medicine arrangements. AWS provides an on-site team of healthcare professionals at employer worksites to promote work-related injury prevention, facilitate expedient and appropriate return-to-work follow-up and maintain the health and well-being of the workforce. Our MSA arrangements typically include the Company providing management and physical therapy-related services to physician-owned physical therapy clinics. Sports Medicine arrangements provide certified healthcare professionals to various schools, universities and other institutions to perform on-site physical therapy and rehabilitation services.

Our mission is to exceed the expectations of the hundreds of thousands of patients we serve each year by providing high quality of care in a friendly and encouraging environment.

Our strategy includes:

- Exceeding customer expectations and providing the right care at the right place at the right time;
- Building new and strengthening existing relationships with referral sources, payors and employees; and
- Allocating available capital to support initiatives and business plans.

Recent Developments

On April 28, 2022, the Company appointed Sharon Vitti as its Chief Executive Officer and to the Board of Directors. Ms. Vitti has 30 years of healthcare experience, including nearly two decades of executive leadership in clinical and consumer-focused healthcare companies.

On February 24, 2022, the Company entered into various financing arrangements to refinance its existing long-term debt (the "2022 Debt Refinancing"). The Company entered into a new 2022 Credit Agreement which is comprised of a senior secured term loan which matures on February 24, 2028, and a "super priority" senior secured revolver, which matures

on February 24, 2027. In connection with the 2022 Debt Refinancing, the Company issued shares of non-convertible preferred stock and warrants to purchase shares of the Company's common stock.

On June 16, 2021 (the "Closing Date"), a Business Combination transaction (the "Business Combination") was finalized pursuant to the Agreement and Plan of Merger ("Merger Agreement"), dated February 21, 2021 between the operating company, Wilco Holdco, Inc. ("Wilco Holdco"), and Fortress Value Acquisition Corp. II (herein referred to as "FAII" and "FVAC"), a special purpose acquisition company. In connection with the closing of the Business Combination, the Company changed its name from Fortress Value Acquisition Corp. II to ATI Physical Therapy, Inc. The Business Combination was accounted for as a reverse recapitalization in accordance with U.S. generally accepted accounting principles ("GAAP"). The Company's common stock is listed on the New York Stock Exchange ("NYSE") under the symbol "ATIP."

This description of our business should be read in conjunction with our consolidated financial statements and the related notes contained in Part II, Item 8 in this Annual Report on Form 10-K.

Transaction Support Agreement

Recent Developments

On March 15, 2023 June 15, 2023 (the "Closing Date"), the Company entered into completed a Transaction Support Agreement (the "TSA") with certain of its first lien lenders under the 2022 Credit Agreement (the "First Lien Lenders"), the administrative agent under the 2022 Credit Agreement, holders of its Series A Senior Preferred Stock (the "Preferred Equityholders") and holders of the majority of its common stock (together with the First Lien Lenders and the Preferred Equityholders, the "Parties"), setting forth the principal terms of a comprehensive transaction to enhance improve the Company's liquidity (the "Transaction" "2023 Debt Restructuring"). Pursuant On the Closing Date, certain previously executed agreements became effective, including (i) Amendment No. 2 to the TSA, Credit Agreement, (ii) a Second Lien Note Purchase Agreement and subject (iii) certain other definitive agreements relating to the terms and conditions thereof, 2023 Debt Restructuring (such documents referred to collectively as the Parties have agreed to support, act in good faith and take all steps reasonably necessary and desirable to consummate the transactions referenced therein by June 15, 2023 (the "Outside Closing Date" "Signing Date Definitive Documents").

The TSA contemplates, among other things, (i) a delayed draw new money financing, available under certain circumstances until the 18 month anniversary of the closing date of the transactions, in an aggregate principal amount equal to \$25.0 million in the form of new second lien PIK exchangeable notes ("Second Lien PIK Exchangeable Notes") On June 14, 2023, (ii) exchange of \$100.0 million of the aggregate principal amount of the term loans under the 2022 Credit Facility held by certain of the Preferred Equityholders for Second Lien PIK Exchangeable Notes, (iii) a reduction of the thresholds applicable to the minimum liquidity financial covenant under the 2022 Credit Agreement for certain periods, (iv) a waiver of the requirement to comply with the Secured Net Leverage Ratio financial covenant under the 2022 Credit Agreement for the fiscal quarters ending June 30, 2024, September 30, 2024 and December 31, 2024 and a modification of the levels and certain component definitions applicable thereto in the fiscal quarters ending after December 31, 2024, (v) waiver of the requirement for the Company to deliver audited financial statements without certain going concern qualifications for the years ended December 31, 2022, December 31, 2023, and December 31, 2024, (vi) an increase in the interest rate payable on the existing term loans and revolving loans until the achievement effected a one-for-fifty (1-for-50) reverse stock split of a specified financial metric and (vii) board representation and observer rights, and other changes to the governance of the Company. The Second Lien PIK Exchangeable Notes would be exchangeable for shares of its Class A common stock (the "Reverse Stock Split"). The Reverse Stock Split was approved by the Company's stockholders at the Company's 2023 Annual Meeting of the Company at a fixed price of \$0.25, Stockholders held on June 13, 2023, and the holders thereof would have the right to vote on corporate matters on an as-exchanged basis. The TSA contains certain representations, warranties and other agreements final reverse split ratio was subsequently approved by the Company and Parties. In accordance with the TSA, the First Lien Lenders agreed that, prior to the Outside Closing Date, they will forbear in the exercise Company's board of any rights, remedies, powers, privileges and defenses under the 2022 Credit Agreement arising directors on account of an alleged default or event of default (if any) resulting from the going concern explanatory paragraph in the independent auditors' report accompanying the consolidated financial statements for the year ended December 31, 2022 (the "Credit Agreement Forbearance") June 14, 2023. The Parties' obligations under the TSA are, and the closing of the Transaction is, subject to various customary terms and conditions set forth therein, including the execution and delivery of definitive documentation and approval by the Company's stockholders.

There is no assurance that the transactions contemplated by the TSA will be consummated on the terms as described above, common stock commenced trading on a timely reverse split-adjusted basis or at all. on June 15, 2023.

Our Operating Model

We operate under a single "ATI" brand and own the operations of nearly all of our clinics, which we believe enables us to more consistently align the clinical and patient experience, align incentives across our teams, track and analyze clinical outcome data, and promote efficiency in our operations. The key components of our operating model include:

- **Patients.** We are highly focused on providing the best possible patient experience. In our clinics, we strive to maintain a consistently positive look, feel and experience. Additionally, we aim to deliver functional outcomes that meet or exceed national physical therapy industry outcomes across all body regions, which enables patients to return to their normal activities. We are proud of our average Net Promoter Score ("NPS") of 75 and our average Google Review rating of 4.9 stars across our clinics over the trailing four quarters as of December 31, 2022 December 31, 2023. We believe these metrics are indicative of our patients' overall satisfaction with our services and the ATI brand.

- **Medical Provider Partners.** We believe our medical provider partners also benefit from our customer-driven culture, expansive patient outcomes database, and case management approach, which facilitate end-to-end patient care with musculoskeletal ("MSK") issues. Our proprietary electronic medical records ("EMR") system includes a variety of custom tools and analytics to evaluate patient performance, providing medical partner providers with simple, intuitive reports on shared patients regarding functional outcomes and performance. These scorecards are used to drive continuous quality improvement and deliver more predictable results.
- **Payors.** We derive revenue from patients with a diverse range of payor sources, including commercial health plans, government programs (i.e., Medicare and Medicaid), workers' compensation insurance and auto/personal injury insurance. We believe we offer value to payors not only through quality outcomes that may reduce downstream costs, but also through our national footprint, convenient locations and high customer ratings, which help ensure patients are satisfied with their plan offerings and benefits.

Our Platform

Key elements of our platform include:

- **Our People.** Our business strategy relies on attracting, training, developing and retaining a skilled workforce. We in recent years, we experienced elevated levels of attrition during periods of 2021 and 2022 relative to historical levels and have taken actions in an effort to improve hiring and attrition levels. During 2023, attrition levels improved and were relatively consistent with historical levels. While we observed improvement in hiring and attrition levels since implementing these actions, in 2021, attrition remained above historical levels during periods of 2022 we continue to monitor hiring and retention risk due to a continued tight labor market for available physical therapy and other healthcare providers in the workforce. We operate on a team-based approach that works to match physical therapists, physical therapy assistants and operational support specialists with patients based on acuity to ensure patients can be seen in a timely fashion and in compliance with healthcare laws and regulations and licensure requirements. Our employees' success is measured primarily by patient outcomes and customer satisfaction. We have invested in clinical and leadership development programs offering our clinical and support staff opportunities to enhance their clinical skills and take on increasing leadership responsibilities. Combined with a competitive compensation model, we strive to be an attractive employer in the physical therapy industry.
- **Our Clinical Systems & Data.** Our proprietary, internally developed EMR platform supports our clinical workflows and leverages our database of more than two and half three million unique patient cases as well as peer-reviewed best practices guidelines and care protocols to maximize outcomes for our patients. Our EMR is purpose-built for physical therapy and has diagnosis-specific guidelines in place covering the majority of our patient cases. Our clinical systems and data enhance our ability to effectively manage, deliver and track patient outcomes.
- **Our Technology-Enabled Infrastructure.** We strive to incorporate data and analytics into the ongoing management of our operations, including monitoring operating performance metrics at various levels. We continually evaluate our technology and tools to determine how best our tools can support the business.

Our Services

Physical Therapy

We offer a variety of services within our clinics, including physical therapy to treat spine, shoulder, knee and neck injuries or pain; work injury rehabilitation services, including work conditioning and work hardening; hand therapy; and other specialized treatment services.

To supplement our traditional outpatient physical therapy services, we introduced a tele-physical therapy offering in early 2020, amidst state lockdowns nationwide in response to COVID-19 (as defined below). We believe that, while virtual visits will not fully replace the need for in-person treatment, our tele-physical therapy offering serves as a convenient option for patients who either lack immediate access to a clinic or are looking to supplement traditional treatments. This offering also allows us to serve patients in locations where we do not have a physical presence today.

ATI Worksite Solutions ("AWS")

AWS is an on-site service that provides customized cost-saving injury prevention programs, work-related injury assessment services, wellness offerings and consultations for employers, ranging from Fortune 100 companies to small local businesses. We staff athletic trainers, physical therapy assistants and other clinicians as Early Intervention Specialists at the employer's site to provide early interventions and promote physical health and wellness.

Management Service Agreements ("MSA")

We partner with physician-owned practices to improve their performance, drive efficiencies and optimize patient outcomes. Utilizing our resources and infrastructure, we provide dedicated service teams to oversee the integration of our programs into physical therapy practices. This includes proprietary EMR integration, caseload management and continuing education in therapy treatments.

Sports Medicine

Our Sports Medicine athletic trainers work with athletes at all levels of competition to prevent, evaluate and treat sports injuries. We offer on-site sports physical therapy services, clinical evaluation and diagnosis, immediate and emergency care, nutrition programs and concussion management, among others.

Industry Factors and Competition

MSK conditions affect individuals of all ages and represent some of the most common causes of health problems in the United States. Physical therapy and related services are low-cost solutions that can address a variety of MSK conditions. We believe that the following factors, among others, affect the market and industry trends for outpatient physical therapy services:

- **Outpatient physical therapy services growth.** Outpatient physical therapy continues to play a key role in treating **musculoskeletal MSK** conditions for patients. According to the Centers for Medicare & Medicaid Services ("CMS"), **musculoskeletal MSK** conditions impact individuals of all ages and include some of the most common health issues in the **U.S. United States**. As healthcare trends in the **U.S. United States** continue to evolve, with a growing focus on value-based care emphasizing up-front, conservative care to deliver better outcomes, quality healthcare services addressing such conditions in lower cost outpatient settings may continue increasing in prevalence.
- **U.S. United States population demographics.** The population of adults aged 65 and older in the **U.S. United States** is expected to continue to grow and thus expand the Company's market opportunity. According to the U.S. Census Bureau, the population of adults over the age of 65 is expected to grow 30% from 2020 through 2030. **As a significant portion of our net patient revenue is derived from governmental third-party payors, including Medicare, our patient base of adults aged 65 and older may increase in the coming years.**
- **Federal funding for Medicare and Medicaid.** Federal and state funding of Medicare and Medicaid and the terms of access to these reimbursement programs affect demand for physical therapy services. In recent years, through legislative and regulatory actions, the federal government has made substantial changes to various payment systems under the Medicare program. **Beginning in January 2022, the physical therapy industry observed a reduction of Medicare reimbursement rates of approximately 0.75%, as well as a 15% decrease in payments for services performed by physical therapy assistants. Additionally, a further reduction through sequestration was postponed. Sequestration reductions resumed at 1% after March 31, 2022, and by an additional 1% after June 30, 2022, which resulted in an overall reduction of 2% in reimbursement rates related to sequestration after June 30, 2022.** In July 2022, the CMS released its proposed 2023 Medicare Physician Fee Schedule ("MPFS") which called for an approximate 4.5% reduction in the calendar year 2023 conversion factor. In December 2022, the Consolidated Appropriations Act (2023) was signed into law. The Consolidated Appropriations Act (2023) provides partial relief related to Medicare cuts including 2.5% relief in 2023 and 1.25% relief in 2024. As a result, the reimbursement rate reduction beginning in January 2023 was approximately 2.0%. **In November 2023, the CMS released its final 2024 MPFS. The final fee schedule called for an approximate 3.4% reduction in the calendar year 2024 conversion factor which led to further reductions in reimbursement rates beginning in 2024, unless these reductions are otherwise mitigated through a Congressional measure.**
- **Workers' compensation funding.** Payments received under certain workers' compensation arrangements may be based on predetermined state fee schedules, which may be impacted by changes in state funding.
- **Number of people with private health insurance.** Physical therapy services are often covered by private health insurance. Individuals covered by private health insurance may be more likely to use **healthcare physical therapy** services because it helps offset the cost of such services. As **the number of people with private** health insurance coverage rises, demand for physical therapy services tends to also increase.

The outpatient physical therapy market is highly fragmented, rapidly evolving and highly **competitive**. **competitive with few financial barriers to enter the industry.** Competition within the industry may intensify in the future as existing competitors and new entrants introduce new physical therapy services and platforms and consolidation in the healthcare industry continues. We currently face competition from the following categories of principal competitors:

- National physical therapy providers;
- Regional physical therapy providers;
- Physician-owned physical therapy providers;
- Individual practitioners or local physical therapy operators, which number in the thousands across the nation; and
- Vertically integrated hospital systems and scaled physician practices.

We believe the principal competitive factors in the outpatient physical therapy market include the quality of care, cost of care, treatment outcomes, breadth of location and geographic convenience, breadth of patient insurance coverage accepted by clinics, brand awareness and relations with referral sources and key industry participants. We compete in our existing markets by leveraging our unified brand, advertising to increase patient awareness, utilizing sales efforts to establish new and enhance existing relationships with referral sources, applying our team-based approach to care, leveraging our proprietary EMR and data-driven operating platform and striving for high quality of care expectations. Beginning in 2019, physical therapy providers were included in the CMS Quality Payment Program and were eligible to report quality metrics for the Merit-based Incentive Payment System ("MIPS"). We opted to report 2019 performance as an early adopter, and Since the inception of the MIPS program for physical therapy providers, we received an 'exceptional' rating every year based on the data submitted across our platform and platform. As a result, we received a quality 'bonus' on 2021 billed CMS payments. Beginning in 2020, the CMS MIPS measures reporting became mandatory for all physical therapy providers. In November 2021, the 2020 scores were finalized and based on our performance we again received an 'exceptional' rating while scoring in the 99th percentile across all clinics and accordingly received the highest possible quality 'bonus' 'bonuses' with respect to 2022 billed CMS payments. Furthermore, payments beginning in August 2022 the 2021 scores were finalized and based on our performance we received an 'exceptional' rating while scoring in the 99th percentile across all clinics. As such, we expect to receive the highest possible quality 'bonus' 'bonuses' with respect to 2023 2024 billed CMS payments. We believe the 'exceptional' rating by CMS reflects our commitment to delivering a high quality of care. Additionally, in January 2022 we achieved Credentialing Accreditation status by the National Committee for Quality Assurance ("NCQA"). Assurance. As an accredited organization, we have demonstrated that our credentialing processes are in accordance with the highest quality standards.

Clinic Fleet

ATI is a nationally recognized outpatient physical therapy provider We operate 896 clinics located in the United States specializing in outpatient rehabilitation and adjacent healthcare services, with 923 clinics 24 states (as well as 2018 clinics under management service agreements) located in 25 states as of December 31, 2022 December 31, 2023. We opened 110 standalone have historically expanded our clinic fleet by opening de novo and acqui-novo clinics over and by acquiring physical therapy practices. De novo clinics represent organic new clinics based on sophisticated site selection analytics. Acqui-novo clinics represent new clinics opened that were existing clinic operations not previously owned by the three years ended December 31, 2022. Company is a target geography that provides the Company with an immediate presence, available staff and referral relationships of the former owner within the surrounding areas. We have built proprietary methods to identify future sites in urban and suburban, high-traffic areas. By incorporating various datasets, including CMS and census data, we are able to compile a comprehensive assessment of potential new locations. Through our proprietary site-selection tools, we believe there continues to be significant whitespace opportunity within our existing states, with further opportunity available beyond our existing states. However, our We opened 13 and 36 standalone clinics during the years ended December 31, 2023 and 2022, respectively. Our capital expenditure, acquisition, de novo and acqui-novo spend depends on many factors, including, but not limited to, the targeted number of new clinic openings, patient volumes, clinician labor market, revenue growth rates and level of operating cash flows. As a result of negative operating cash flows, net losses and liquidity constraints, the number of new clinic openings has decreased in recent years relative to historical years and may continue at lower than historical levels. As a result of these and other factors, we also closed or sold 40 and 23 clinics in both 2023 and 2022, and 2021, respectively, and we may continue to right size our clinic fleet through clinic closures and divestitures.

Our Employees and Human Capital Resources

Our business strategy relies on attracting, training, developing, and retaining a skilled workforce. Our clinicians are a driving force for favorable patient outcomes and are key to our success. The Company has aimed focused on attempting to increase its clinical staffing levels by hiring clinicians, optimizing clinician hours based on available workforce and reducing attempting to reduce levels of clinician attrition that were elevated in recent periods, which was years relative to historical levels. The elevated levels of attrition were initially caused, in part, by changes made during the COVID-19 pandemic related to compensation, staffing levels and support for clinicians. We have implemented a range of actions related to compensation, staffing levels, clinical and professional development and other initiatives in an effort to retain and attract therapists across our platform. During 2023, attrition levels improved and were relatively consistent with historical levels. While we have observed improvements in hiring and attrition levels since implementing these actions, in 2021, attrition remained above historical levels during periods of 2022 we continue to monitor hiring and retention risk due to a continued tight labor market for available physical therapy and other healthcare providers in the workforce.

We offer comprehensive Total Rewards in an effort to attract new candidates and retain existing employees. Our Total Rewards program includes, but is not limited to, incentive compensation plans, healthcare and insurance benefits, a 401(k) plan, paid time off and other work-life and wellness benefits. We have focused on adding greater efficiency and effectiveness around accountability and decision rights, acted swiftly and decisively in the advent of COVID-19 to continue our strong commitment to workplace safety and the health and welfare of our clinicians and patients and created leadership and development programs to support clinician career development and growth.

We are an equal opportunity employer and are committed to maintaining a diverse and inclusive work environment. Employees are treated with dignity and respect in an environment free from harassment and discrimination regardless of race, color, age, gender, disability, minority, sexual orientation or any other protected class. Our commitment to diversity and inclusion enables employees to realize their full potential and drives high performance through innovation and collaboration.

As of December 31, 2022 December 31, 2023, we had approximately 5,700 6,000 employees. This number is not inclusive of any contractors or temporary staff but does include our on-call clinicians. We do not have any employees who are represented by a labor union or are party to a collective bargaining agreement.

Impact of COVID-19

COVID-19 has had a significant impact on the outpatient physical therapy industry. In March 2020, as the pandemic began to affect all aspects of daily life, hospitals and surgical centers began to postpone elective and non-essential surgeries, reducing the volume of individuals requiring physical therapy services. Additionally, closures of non-essential businesses, stay-at-home orders, and social-distancing guidelines all adversely impacted the flow of visits to clinics.

We kept the vast majority of our clinics open during this period to ensure that we continued to provide the convenience and services that our patients need. As a substitute to in-person visits, we also quickly introduced our tele-physical therapy offering to improve access for our patients that require physical therapy but were not comfortable with in-person sessions. In response to the suppressed volumes, we quickly down-sized our workforce to better match clinicians to demand at the local level. At the same time, we took significant measures to make sure our employees were cared for, including maintaining health benefits for furloughed workers and reducing executive compensation to establish an employee relief pool that provided assistance to our employees most in need.

Governmental Regulations and Supervision

We are subject to extensive federal, state and local government laws and regulations, including Medicare and Medicaid reimbursement rules and regulations, anti-kickback laws, self-referral prohibition statutes, false claims statutes, exclusions statutes, civil monetary penalty statutes and associated regulations, among others. We are also subject to federal and state laws that regulate the reimbursement of our services and that are designed to prevent fraud and abuse, and impose state licensure and corporate practice of medicine restrictions, as well as federal and state laws and regulations relating to the privacy of individually identifiable information. We maintain a robust compliance program, have made significant investments around our controls across the organization, and we periodically conduct compliance audits and reviews along with compliance training designed to keep our officers, directors and employees educated and up-to-date and to emphasize our policy of strict compliance.

Reimbursement; Fraud and Abuse

We are subject to laws regulating reimbursement under various federal and state healthcare programs. The marketing, billing, documenting and other practices of healthcare companies are all subject to government scrutiny. To ensure compliance with Medicare, Medicaid and other regulations, health insurance carriers and state agencies often conduct audits and request customer records and other documents to support our claims submitted for payment of services rendered to customers. Similarly, government agencies and their contractors periodically open investigations and obtain information from us and from healthcare providers pursuant to the legal process. Violations of federal and state regulations can result in severe criminal, civil and administrative penalties and sanctions, including disqualification from Medicare and other reimbursement programs, which could significantly impact our financial condition and results of operations.

Various federal and state laws prohibit the submission of false or fraudulent claims, including claims to obtain payment under Medicare, Medicaid, and other government healthcare programs. These laws include the federal False Claims Act, which prohibits persons or entities from knowingly submitting or causing to be submitted a claim that the person knew or should have known (i) to be false or fraudulent; (ii) for items or services not provided or provided as claimed; or (iii) was provided by an individual not otherwise qualified or who was excluded from participation in federal healthcare programs. The False Claims Act also imposes penalties for requests for payment that otherwise violate conditions of participation in federal healthcare programs or other healthcare compliance laws. In recent years, federal and state government agencies have increased the level of enforcement resources and activities targeted at the healthcare industry. Additionally, the False Claims Act and similar state statutes allow individuals to bring lawsuits on behalf of the government, in what are known as qui tam or "whistleblower" actions, and can result in civil and criminal fines, imprisonment, and exclusion from participation in federal and state healthcare programs. The use of these private enforcement actions against healthcare providers has increased dramatically in recent years, in part because the individual filing the initial complaint is entitled to share in a portion of any settlement or judgment. Revisions to the False Claims Act enacted in 2009 expanded significantly the scope of liability, provided for new investigative tools, and made it easier for whistleblowers to bring and maintain False Claims Act suits on behalf of the government.

Anti-Kickback Regulations

We are subject to federal and state laws regulating financial relationships involving federally-reimbursable healthcare services. These laws include Section 1128B(b) of the Social Security Act (the "Anti-Kickback Law"), under which civil and criminal penalties can be imposed upon persons who, among other things, offer, solicit, pay or receive remuneration in return for (i) the referral of patients for the rendering of any item or service for which payment may be made, in whole or in part, by a federal health care program (including Medicare

and Medicaid); or (ii) purchasing, leasing, ordering, or arranging for or recommending purchasing, leasing, ordering any good, facility, service, or item for which payment may be made, in whole or in part, by a federal health care program (including Medicare and Medicaid). We believe that our business procedures and business arrangements are in compliance with these laws and regulations. However, the provisions are broadly written and the full extent of their specific application to specific facts and arrangements to which we are a party is uncertain and difficult to predict. In addition, several states have enacted state laws similar to the Anti-Kickback Law, many of which are more restrictive than the federal Anti-Kickback Law.

The Office of the Inspector General ("OIG") of the Health and Human Services Department has issued regulations describing compensation arrangements that fall within a "Safe Harbor" and, therefore, are not viewed as illegal remuneration under the Anti-Kickback Law. Failure to fall within a Safe Harbor does not mean that the Anti-Kickback Law has been violated; however, the OIG has indicated that failure to fall within a Safe Harbor may subject an arrangement to increased scrutiny under a "facts and circumstances" test. Federal case law provides limited guidance as to the application of the Anti-Kickback Law to these arrangements. However, we believe our arrangements, including our compensation and financial arrangements, comply with the Anti-Kickback Law. If our arrangements are found to violate the Anti-Kickback Law, it could have an adverse effect on our business, financial condition and results of operations. Penalties for violations include denial of payment for the services, significant criminal and civil monetary penalties, and exclusion from the Medicare and Medicaid programs. In addition, claims resulting from a violation of the Anti-Kickback Law are considered false for purposes of the False Claims Act.

Physician Self-Referral

Provisions of the Omnibus Budget Reconciliation Act of 1993 (42 U.S.C. § 1395nn) (the "Stark Law") prohibit referrals by a physician of "designated health services" which are payable, in whole or in part, by Medicare or Medicaid, to an entity in which the physician or the physician's immediate family member has an investment interest or other financial relationship, subject to several exceptions. The Stark Law is a strict liability statute and proof of intent to violate the Stark Law is not required. Physical therapy services are among the "designated health services" subject to the Stark Law. Further, the Stark Law has application to our management contracts with individual physicians and physician groups, as well as, any other financial relationship between us and referring physicians, including medical advisor arrangements and any financial transaction resulting from a clinic acquisition. The Stark Law also prohibits billing for services rendered pursuant to a prohibited referral. Several states have enacted laws similar to the Stark Law. These state laws may cover all (not just Medicare and Medicaid) patients. As with the Anti-Kickback Law, we consider the Stark Law in planning our clinics, establishing contractual and other arrangements with physicians, marketing and other activities, and believe that our operations are in compliance with the Stark Law. If we violate the Stark Law or any similar state laws, our financial results and operations could be adversely affected. Penalties for violations include denial of payment for the services, significant civil monetary penalties, and exclusion from the Medicare and Medicaid programs.

Corporate Practice; Fee-Splitting; Professional Licensure

The laws of some states restrict or prohibit the "corporate practice of medicine," meaning business corporations cannot provide medical services through the direct employment of medical providers, or by exercising control over medical decisions by medical providers. In some states, the specific restrictions explicitly apply to physical therapy services, in others the specific restrictions have been interpreted to apply to physical therapy services or are not fully developed. The specific restrictions with respect to enforcement of the corporate practice of medicine or physical therapy vary from state to state and certain states in which we operate may present higher risk than others.

Many states also have laws that prohibit a non-physical therapy entity, individual, or provider fee-splitting. Generally, these laws restrict business arrangements that involve a physical therapist sharing professional fees with a referral source, but in some states, these laws have been interpreted to extend to management agreements between physical therapists and business entities under some circumstances.

We believe that each of our facilities and medical provider partners comply with any current corporate practice and fee-splitting laws of the state in which they are located. However, such laws and regulations vary from state to state and are enforced by governmental, judicial, law enforcement or regulatory authorities with broad discretion. We cannot be certain that our interpretation of certain laws and regulations is correct with respect to how we have structured our operations, service agreements and other arrangements with physical therapists in the states in which we operate. Future interpretations of corporate practice and fee-splitting laws, the enactment of new legislation, or the adoption of new regulations relating to these laws could cause us to have to restructure our business operations or close our facilities in a particular state.

Health Information Practices

The Health Insurance Portability and Accountability Act of 1996 ("HIPAA") required the Health and Human Services Department to adopt standards to protect the privacy and security of individually identifiable health-related information. HIPAA created a source of funding for fraud control to coordinate federal, state and local healthcare law enforcement programs, conduct investigations, provide guidance to the healthcare industry concerning fraudulent healthcare practices, and establish a national data bank to receive and report final adverse actions. HIPAA also criminalized certain forms of health fraud against all public and private payors. Additionally, HIPAA mandates the adoption of standards regarding the exchange of healthcare information in an effort to ensure the privacy and electronic security of patient information and standards relating to the privacy of health information. Sanctions for failing to comply with HIPAA include criminal penalties and civil sanctions. In February of 2009, the American Recovery and Reinvestment Act of 2009 ("ARRA") was

signed into law. Title XIII of ARRA, **HITECH**, the **Health Information Technology for Electronic and Clinical Health Act ("HITECH")**, provided for substantial Medicare and Medicaid incentives for providers to adopt electronic health records ("EHRs") and grants for the development of health information exchange ("HIE"). Recognizing that HIE and EHR systems will not be implemented unless the public can be assured that the privacy and security of patient information in such systems is protected, HITECH also significantly expanded the scope of the privacy and security requirements under HIPAA. Most notable are the mandatory breach notification requirements and a heightened enforcement scheme that includes increased penalties, and which now apply to business associates as well as to covered entities. In addition to HIPAA, a number of states have adopted laws and/or regulations applicable in the use and disclosure of individually identifiable health information that can be more stringent than comparable provisions under HIPAA.

In addition to HIPAA, there are numerous federal and state laws and regulations addressing patient and consumer privacy concerns, including unauthorized access or theft of personal information. State statutes and regulations vary from state to state, some of which are more stringent than HIPAA.

We believe that our operations comply with applicable standards for privacy and security of protected healthcare information. We cannot predict what negative effect, if any, HIPAA/HITECH or any applicable state law or regulation will have on our business.

Other Regulatory Factors

Political, economic and regulatory influences are fundamentally changing the healthcare industry in the United States. Congress, state legislatures and the private sector continue to review and assess alternative healthcare delivery and payment systems. Potential alternative approaches could include mandated basic healthcare benefits, controls on healthcare spending through limitations on the growth of private health insurance premiums and Medicare and Medicaid spending, the creation of large insurance purchasing groups, and price controls. Legislative debate is expected to continue in the future and market forces are expected to demand only modest increases or reduced costs. For instance, managed care entities are demanding lower reimbursement rates from healthcare providers and, in some cases, are requiring or encouraging providers to accept capitated payments that may not allow providers to cover their full costs or realize traditional levels of profitability. We cannot reasonably predict what impact the adoption of federal or state healthcare reform measures or future private sector reform may have on our business.

Available Information

We are subject to the information and periodic reporting requirements of the Securities Exchange Act of 1934 (the "Exchange Act") and, therefore, file periodic reports, proxy statements and other information with the SEC. Such periodic reports, proxy statements and other information are available on the SEC's website at www.sec.gov.

Our website address is www.refinitiv.com. Our filings with the SEC, as well as other pertinent financial and Company information, are available at no cost on our website through the investor relations section as soon as reasonably practicable after the filing of such reports with the SEC. The information on our website is not incorporated as a part of this Annual Report.

Item 1A. Risk Factors

Our operations and financial results are subject to various risks and uncertainties that could adversely affect our business. You should consider carefully the risks and uncertainties described below before deciding to invest in our Common Stock, common stock, in addition to other information contained in this Annual Report on Form 10-K, including our consolidated financial statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The following risks and uncertainties are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that adversely affect our business. If any of the following risks or others not specified below materialize, our business, financial condition and results of operations could be materially and adversely affected. In that case, the trading price of our Common Stock common stock could decline. The risks discussed below also include forward-looking statements, and our actual results may differ substantially from those discussed in these forward-looking statements. See "Cautionary Note Regarding Forward-Looking Statements."

Risk Factor Summary

We are providing the following summary of the risk factors contained in our Form 10-K to enhance the readability and usefulness of our risk factor disclosures. This summary should be read in conjunction with the full risk factors contained in this Form 10-K and should not be relied upon as an exhaustive summary of the material risks facing our business. The order of presentation is not necessarily indicative of the level of risk that each factor poses to us.

- Our liquidity position raises substantial doubt about our ability to continue as a going concern;

- If we fail to comply with covenants related to our debt agreement or our Series A Senior Preferred Stock, it could result in the acceleration of some or all of our debt and preferred stock obligations;
- We depend upon reimbursement by governmental payors through Medicare and Medicaid;
- Growth in Medicaid expenditures is not anticipated;
- Payments we receive from Medicare and Medicaid are subject to potential retroactive reduction;
- We depend upon reimbursement by third-party payors;
- Payments from workers' compensation payors may be reduced or eliminated;
- Our payor contracts are subject to renegotiation or termination;
- Billing disputes with third-party payors may decrease realized revenue and may lead to requests for recoupment of past amounts paid;
- We are subject to risks associated with public health crises and epidemics / pandemics;
- We are subject to risks related to COVID-19, including the impact on our workforce of mandatory COVID-19 vaccinations and reduced clinic visits;
- We may be adversely affected by natural disasters, pandemics and other catastrophic events;
- We are subject to increases in cost inflation and risks related to a potential recession;
- We operate in a competitive industry;
- We may not be able to attract or retain clinical or corporate talent;
- We may be unable to use our net operating loss carryforwards to offset future taxable income;
- Rapid technological change in our industry presents us with significant risks and challenges;
- We may be unable to maintain high levels of service and patient satisfaction;
- Our current locations may become unattractive and attractive new locations may not be available for a reasonable price, if at all;
- We may incur closure costs and losses;
- Our ability to generate revenue is highly sensitive to the strength of the economies, demographics and populations of the local communities that we serve;
- The size and expected growth of our addressable market has not been established with precision and may be smaller than estimated;
- Our financial results could vary significantly from quarter to quarter and are difficult to predict;
- As participants in Medicare and Medicaid programs, we are subject to various governmental laws and regulations;
- An adverse inspection, review, audit or investigation could result in fines, penalties and other sanctions, including license revocation or exclusion from participation in the Medicare or Medicaid programs or one or more managed care payor networks;
- Our systems infrastructure may not adequately support our operations;
- The issuance of additional equity securities in the future would result in dilution to existing holders of our Common Stock; common stock;
- We may issue debt or debt securities convertible into equity securities that are senior to our Common Stock common stock as to distributions or in liquidation;

- Future issuances of our Common Stock common stock or securities convertible into or exchangeable for our Common Stock common stock, as well as sales of our Common Stock common stock in the public markets, or the perception of such issuances or sales, could depress the trading price of our Common Stock common stock;
- The price and volume of our Common Stock common stock have been volatile and fluctuates substantially;
- We may be subject to securities litigation, legal proceedings, which is expensive and could divert management attention;
- The requirements of being a public company may strain our resources, divert management's attention and affect our ability to attract and retain qualified members of our Board of Directors;
- If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud which could subject us to regulatory sanctions, harm our business and operating results and cause the trading price of our Common Stock common stock to decline;
- Our efforts to regain compliance and continue operating as an NYSE-listed public company involve continued significant costs and devotion of substantial management time, and may ultimately not be successful; and
- Inaccurate or unfavorable analyst research reports or reduced analyst coverage could adversely affect our stock price and trading volume.

Risks Relating to Liquidity

Our liquidity position raises substantial doubt about our ability to continue as a going concern.

The Company has negative operating cash flows, operating losses and net losses losses. These results are, in part, due to our current capital structure and trends experienced by the Company in recent years including a tight labor market for available physical therapy and other healthcare providers in the current year. Based on current liquidity workforce, visit volume softness, decreases in rate per visit and projected cash use, increases in interest costs. If results of operations in the coming twelve months do not improve relative to the previous twelve months, the Company anticipates violation is at risk of insufficient funding to meet its \$30.0 million obligations as they become due as well as non-compliance with its minimum liquidity financial covenant under its 2022 Credit Agreement within Agreement.

In the next twelve months. As a result of the above factors, there is substantial doubt about the Company's ability to continue as a going concern within the twelve months following the issuance date of the Company's consolidated financial statements as of and for the periods ended December 31, 2023 and 2022, these conditions and events continue to raise substantial doubt about the Company's ability to continue as a going concern. In response to these conditions, management plans included refinancing the Company's debt under its 2022 Credit Agreement and improving operating results and cash flows.

On June 15, 2023, the Company completed a debt restructuring transaction under its 2022 Credit Agreement including: (i) a delayed draw new money financing in an aggregate principal amount of \$25.0 million, comprised of (A) second lien paid-in-kind ("PIK") convertible notes (the "2L Notes") and (B) shares of Series B Preferred Stock (the "Series B Preferred Stock"), which will provide the holder thereof with voting rights such that the holders thereof will have the right to vote on an as-converted basis, (ii) the exchange of \$100.0 million of the aggregate principal amount of the term loans under the 2022 Credit Agreement held by certain of the holders of its Series A Senior Preferred Stock (the "Preferred Equityholders") for 2L Notes and Series B Preferred Stock and (iii) certain other changes to the terms of the 2022 Credit Agreement, including modifications of the financial covenants thereunder and relief from the requirements related to the delivery of independent audit reports without a going concern explanatory paragraph. Holders of the 2L Notes will also receive additional 2L Notes upon the in-kind payment of interest on any outstanding 2L Notes. The 2L Notes are convertible into shares of Class A common stock at a fixed conversion price.

Additionally, the Company experienced improvements in operations that resulted in reduced levels of operating cash outflows during the year ended December 31, 2023 relative to the same period ended December 31, 2022. In the prior year. A continued improvement in business results is necessary as there remains a risk that the Company may fail to meet its minimum liquidity covenant or be unable to fund anticipated cash requirements and obligations as they become due in the future.

The Company's plan is to continue its efforts to improve its operating results and cash flow through increases to clinical staffing levels, improvements in clinician productivity, controlling costs and capital expenditures and increases in patient visit volumes, referrals and rate per visit. There can be no assurance that the Company's plan will be successful in any of these respects.

If the Company Company's plan does not complete the Transaction as contemplated by the TSA or otherwise access additional financing, result in improvement in these aspects in future periods that results in sufficient cash flow from operations, the Company will need to consider other alternatives, including pursuing separate amendments to or waivers of the minimum liquidity covenant, the requirement to deliver audited financial statements without certain going concern qualifications, and other requirements under the 2022 Credit Agreement, such as well as raising additional financing, obtaining funds from other sources, obtaining alternate financing, disposal of assets, or pursuing other strategic alternatives to improve its liquidity position business, results of operations and business results. financial condition. There can be no assurance that the Company will be successful in completing the Transaction or accessing such alternative options or financing if or when needed. Failure to do so could have a material adverse impact on our business, financial condition, results of operations and cash flows, and may lead to events including bankruptcy, reorganization or insolvency.

In addition, Management plans have not been fully implemented and, as a result, the report of the Independent Registered Public Accounting Firm accompanying the consolidated financial statements for the year ended December 31, 2022 contains an explanatory paragraph expressing Company has concluded that management's plans do not alleviate substantial doubt about our the Company's ability to continue as a going concern. Absent an amendment or waiver, the 2022 Credit Agreement provides that the receipt of a report of the Independent Registered Public Accounting Firm containing an explanatory paragraph expressing substantial doubt about our ability to continue as a going concern could be an event of default, subject to certain exceptions. Pursuant to the TSA, the First Lien Lenders have agreed that, prior to the Outside Closing Date, they will forbear in the exercise of

any rights, remedies, powers, privileges and defenses under the 2022 Credit Agreement arising on account of a default, alleged default or event of default (if any) resulting from the going concern explanatory paragraph in the report of the Independent Registered Public Accounting Firm accompanying the consolidated financial statements for the year ended December 31, 2022. However, if the transactions contemplated by the TSA are not consummated on its terms or at all, the First Lien Lenders could claim that a default or event of default has occurred under the 2022 Credit Agreement. If such claim is not waived by the First Lien Lenders and the Company is unsuccessful in disputing any such claims (including with respect to the applicability of one of the enumerated exceptions to the 2022 Credit Agreement requirement), the Company could be considered to have an event of default after the expiration of the applicable cure periods. In such event, all amounts outstanding under the 2022 Credit Facility, together with any accrued interest, could then be declared immediately due and payable and could be reclassified to current in the Company's consolidated financial statements for the period. A default on our obligations and an acceleration of our indebtedness by our lenders would have a material adverse impact on our business, financial condition, results of operations and cash flows, and may lead to events including bankruptcy, reorganization or insolvency.

On March 15, 2023, the Company entered into a Transaction Support Agreement (the "TSA") with certain of its first lien lenders under the 2022 Credit Agreement (the "First Lien Lenders"), the administrative agent under the 2022 Credit Agreement, holders of its Series A Senior Preferred Stock (the "Preferred Equityholders") and holders of the majority of its common stock (together with the First Lien Lenders and the Preferred Equityholders, the "Parties"), setting forth the principal terms of a comprehensive transaction to enhance the Company's liquidity (the "Transaction"). Pursuant to the TSA, and subject to the terms and conditions thereof, the Parties have agreed to support, act in good faith and take all steps reasonably necessary and desirable to consummate the transactions referenced therein by June 15, 2023 (the "Outside Closing Date").

The TSA contemplates, among other things, (i) a delayed draw new money financing, available under certain circumstances until the 18 month anniversary of the closing date of the transactions, in an aggregate principal amount equal to \$25.0 million in the form of new second lien PIK exchangeable notes ("Second Lien PIK Exchangeable Notes"), (ii) exchange of \$100.0 million of the aggregate principal amount of the term loans under the 2022 Credit Facility held by certain of the Preferred Equityholders for Second Lien PIK Exchangeable Notes, (iii) a reduction of the thresholds applicable to the minimum liquidity financial covenant under the 2022 Credit Agreement for certain periods, (iv) a waiver of the requirement to comply with the Secured Net Leverage Ratio financial covenant under the 2022 Credit Agreement for the fiscal quarters ending June 30, 2024, September 30, 2024 and December 31, 2024 and a modification of the levels and certain component definitions applicable thereto in the fiscal quarters ending after December 31, 2024, (v) waiver of the requirement for the Company to deliver audited financial statements without certain going concern qualifications for the years ended December 31, 2022, December 31, 2023, and December 31, 2024, (vi) an increase in the interest rate payable on the existing term loans and revolving loans until the achievement of a specified financial metric and (vii) board representation and observer rights, and other changes to the governance of the Company. The Second Lien PIK Exchangeable Notes would be exchangeable for shares of Class A common stock of the Company at a fixed price of \$0.25, and the holders thereof would have the right to vote on corporate matters on an as-exchanged basis. The TSA contains certain representations, warranties and other agreements by the Company and Parties. In accordance with the TSA, the First Lien Lenders agreed that, prior to the Outside Closing Date, they will forbear in the exercise of any rights, remedies, powers, privileges and defenses under the 2022 Credit Agreement arising on account of an alleged default or event of default (if any) resulting from the going concern explanatory paragraph in the independent auditors' report accompanying the consolidated financial statements for the year ended December 31, 2022 (the "Credit Agreement Forbearance"). The Parties' obligations under the TSA are, and the closing of the Transaction is, subject to various customary terms and conditions set forth therein, including the execution and delivery of definitive documentation and approval by the Company's stockholders.

There is no assurance that the transactions contemplated by the TSA will be consummated on the terms as described above, on a timely basis or at all.

We may be unable to generate sufficient cash and may be required to take other actions, which may not be successful, to satisfy our obligations.

To the extent our operating cash flows, together with our cash on hand and access to our revolving credit facility, become insufficient to cover our liquidity and capital requirements, including funds for any future acquisitions and other corporate transactions, we may be required to seek third-party financing or an alternative liquidity or capital transaction. There can be no assurance that we would be able to obtain any required financing, or complete an alternative liquidity or capital transaction, on a timely basis or at all. Further, lenders and other financial institutions could require us to agree to more restrictive covenants, grant liens on our assets as collateral and/or accept other terms that are not commercially beneficial to us in order to obtain financing. Such terms could further restrict our operations and exacerbate any impact on our results of operations and liquidity.

We have outstanding indebtedness and may incur additional debt in the future.

We have outstanding indebtedness that could have detrimental consequences on our ability to obtain additional debt or other financing as needed for working capital, acquisition costs, other capital expenditures or general corporate purposes. We cannot be certain that cash flow from operations will be sufficient to allow us to pay principal and interest on the debt, support operations and meet other obligations. If we do not have the resources to meet our obligations, we may be required to refinance all or part of our outstanding debt, sell assets or borrow more money. We may not be able to do so on acceptable terms, in a timely manner, or at all. If we are unable to refinance our debt on acceptable terms, we may be forced to dispose of our assets on disadvantageous terms, potentially resulting in losses. Defaults under our debt agreement could have a material adverse effect on our business, prospects, liquidity, financial condition or results of operations.

Certain of our borrowings and other obligations are based upon variable rates of interest, which could result in higher expense in the event of increases in interest rates.

Borrowings under the 2022 Credit Agreement are subject to variable rates of interest and subject us to interest rate risk. During 2023 and 2022, a rising interest rate environment was observed and interest rates may continue to rise again in the future. Such increases in interest rates would increase interest payment obligations under the 2022 Credit Agreement and could have a negative effect on our cash flow and/or financial condition.

At times, we have sought to reduce our exposure to interest rate fluctuations by entering into interest rate hedging arrangements. However, any hedging arrangements we enter into may not fully mitigate our interest rate risk, may prove disadvantageous or may create additional risks.

Our outstanding indebtedness and our Series A Senior Preferred Stock contains covenants that may limit certain operating and financial decisions. Non-compliance with these covenants may result in the acceleration of our indebtedness which could lead to bankruptcy, reorganization or insolvency.

Our credit agreement 2022 Credit Agreement contains restrictive and financial covenants, and the Certificate of Designation for our Series A Senior Preferred Stock contains provisions that impose significant operating and financial restrictions that may limit our ability to take actions that may be in our long-term best interest. Our credit agreement 2022 Credit Agreement contains customary representations and warranties, events of default, reporting and other affirmative covenants and negative covenants including, but not limited to, requirements related to the delivery of independent audit reports without certain going concern qualifications, limitations on indebtedness, liens, investments, negative pledges, dividends, junior debt payments, fundamental changes and asset sales and affiliate transactions. The Second Lien Note Purchase Agreement includes affirmative and negative covenants (other than financial covenants) that are substantially consistent with the 2022 Credit Agreement, as well as customary events of default. Based on the terms of the 2023 Debt Restructuring, the Company is temporarily relieved from the requirements related to the delivery of independent audit reports without a going concern explanatory paragraph. The financial covenants also require us to maintain minimum liquidity or a secured net leverage ratio as of each fiscal quarter end, which we may be unable to meet.

In addition, the Certificate of Designation for our Series A Senior Preferred Stock contains provisions that may likewise impose significant operating and financial restrictions on our business. If an Event of Noncompliance (as defined in the Certificate of Designation) occurs, then the holders of a majority of the then outstanding shares of Series A Senior Preferred Stock (but excluding any shares of Series A Senior Preferred Stock then held by Advent International Corporation or its controlled affiliates) (the "Majority Holders") have the right to demand that the Company engage in a sale/refinancing process for the Series A Senior Preferred Stock.

Failure to comply with our debt agreement 2022 Credit Agreement, Second Lien Note Purchase Agreement or the Certificate of Designation for our Series A Senior Preferred Stock could have a material adverse effect on our business, prospects, liquidity, financial condition or results of operation. If we are unable to cure covenant defaults within any applicable grace periods or obtain waivers or acceptable refinancing, such defaults could result in the acceleration of some or all of our indebtedness, which could lead to bankruptcy, reorganization or insolvency.

Risks Relating to our Business and Industry

We depend upon governmental payors through Medicare and Medicaid reimbursement and decreases in Medicare reimbursement rates may adversely affect our financial results.

A significant portion of our net patient revenue is derived from governmental third-party payors. In 2022, 2023, approximately 24.2% 23.2% of our net patient revenue was derived from Medicare and Medicaid. In recent years, through legislative and regulatory actions, the federal government has made substantial changes to various payment systems under the Medicare program. Additional reforms or other changes to these payment systems may be proposed or adopted, either by the U.S. Congress ("Congress") or by the Centers for Medicare & Medicaid Services ("CMS"), CMS, including bundled payments, outcomes-based payment methodologies and a shift away from traditional fee-for-service reimbursement. If revised regulations are adopted, the availability, methods and rates of Medicare reimbursements for services of the type furnished at our facilities could change. Some of these changes and proposed changes could adversely affect our business strategy, operations and financial results. The Medicare program reimburses outpatient rehabilitation providers based on the Medicare Physician Fee Schedule ("MPFS"). Beginning in January 2021, MPFS. In recent years, the physical therapy industry has observed a reduction reductions of Medicare reimbursement rates of approximately 3% in accordance with the MPFS for therapy services. rates. Beginning in January 2022, the physical therapy industry observed a reduction of Medicare reimbursement rates of approximately 0.75%, as well as a 15% decrease in payments for services performed by physical therapy assistants. Additionally, a further reduction through resuming sequestration was postponed. Sequestration reductions resumed at 1% after March 31, 2022, and by an additional 1% after June 30, 2022, which resulted in an overall reduction of 2% in reimbursement rates related to sequestration after June 30, 2022. In July 2022, the CMS released its proposed 2023 MPFS which called for an approximate 4.5% reduction in the calendar year 2023 conversion factor. In December 2022, the Consolidated Appropriations Act (2023) was signed into law. The Consolidated Appropriations Act (2023) provides partial relief related to Medicare cuts including 2.5% relief in 2023 and 1.25% relief in 2024. As a result, the reimbursement rate reduction beginning in January 2023 was approximately 2.0%. In November 2023, the CMS released its final 2024 MPFS. The final fee schedule called for an approximate 3.4% reduction in the calendar year 2024 conversion factor which led to further reductions in reimbursement rates beginning in 2024, unless these reductions are otherwise mitigated through a Congressional measure.

Statutes, regulations and payment rules governing the delivery of therapy services to Medicare and Medicaid beneficiaries are complex and subject to interpretation. Compliance with such laws and regulations requires significant expense and management attention and can be subject to future government review and interpretation, as well as significant

regulatory actions, including fines, penalties and exclusion from the Medicare and Medicaid programs if we are found to be in non-compliance. Any required actions to return to compliance, or any challenges to such regulatory actions, could be costly and time consuming and may not result in a favorable reversal of any such fines, penalties or exclusions.

Given the history of frequent revisions to the Medicare and Medicaid programs and their complexity, reimbursement rates and rules, we may not continue to receive reimbursement rates from Medicare or Medicaid that sufficiently compensate us for services or, in some instances, cover operating costs. Limits on reimbursement rates or the scope of services being reimbursed could have a material adverse effect on our revenue, financial condition and results of operations. Additionally, any delay or default by the federal or state governments in making Medicare or Medicaid reimbursement payments could materially and adversely affect our business, financial condition and results of operations.

We anticipate the federal and state governments to continue their efforts to contain growth in Medicaid expenditures, which could adversely affect our revenue and profitability.

Medicaid spending has increased rapidly in recent years, becoming a significant component of state budgets. This, combined with slower state revenue growth, has led the federal government and many states to institute measures aimed at controlling the growth of Medicaid spending, and in some instances reducing aggregate Medicaid spending. We expect these state and federal efforts to continue for the foreseeable future. Furthermore, not all of the states in which we operate have elected to expand Medicaid as part of federal healthcare reform legislation. There can be no assurance that the program, on the current terms or otherwise, will continue for any particular period of time beyond the foreseeable future. Historically, state budget pressures have translated into reductions in state spending. In addition, an economic downturn, coupled with sustained unemployment, may also impact the number of enrollees in managed care programs as well as the profitability of managed care companies, which could result in reduced reimbursement rates. If Medicaid reimbursement rates are reduced or fail to increase as quickly as our costs, or if there are changes in the rules governing the Medicaid program that are disadvantageous to our business, our business and results of operations could be materially and adversely affected.

Payments we receive from Medicare and Medicaid are subject to potential retroactive reduction.

Payments we receive from Medicare and Medicaid can be retroactively adjusted during the claims settlement process or as a result of post-payment audits. Payors may disallow our requests for reimbursement, or recoup amounts previously reimbursed, based on determinations by the payors or their third-party audit contractors that certain costs are not reimbursable because the documentation provided was inadequate or because certain services were not covered or were deemed medically unnecessary. Significant adjustments, recoupments or repayments of our Medicare or Medicaid revenue, and the costs associated with complying with audits and investigations by regulatory and governmental authorities, could adversely affect our financial condition and results of operations.

Additionally, from time to time we become aware, either based on information provided by third-parties and/or the results of internal reviews, of payments from payor sources that were either wholly or partially in excess of the amount that we should have been paid for the services provided. We are also subject to regular post-payment inquiries, investigations and audits of the claims we submit to Medicare and Medicaid for payment for our services. These post-payment reviews have increased as a result of government cost-containment initiatives. Overpayments may result from a variety of factors, including insufficient documentation to support the services rendered or the medical necessity of such services, or other failures to document the satisfaction of the necessary conditions of payment. We are required by law in most instances to refund the full amount of the overpayment after becoming aware of it, and failure to do so within requisite time limits imposed by applicable law could lead to significant fines and penalties being imposed on us. Furthermore, initial billing of and payments for services that are unsupported by the requisite documentation and satisfaction of any other conditions of payment, regardless of our awareness of the failure at the time of the billing or payment, could expose us to significant fines and penalties. We and/or certain of our operating companies could also be subject to exclusion from participation in the Medicare or Medicaid programs in some circumstances, in addition to any monetary or other fines, penalties or sanctions that we may incur under applicable federal and/or state law. Our repayment of any overpayments, as well as any related fines, penalties or other sanctions that we may be subject to, and any costs incurred in responding to requests for records or pursuing the reversal of payment denials, could be significant and could have a material and adverse effect on our results of operations and financial condition.

From time to time we are also involved in various external governmental investigations, subpoenas, audits and reviews, including in connection with our claims for reimbursement and associated payments. Reviews, audits and investigations of this sort can lead to governmental subpoenas or other actions, which can result in the assessment of damages, civil or criminal fines or penalties, or other sanctions, including restrictions or changes in the way we conduct business, loss of licensure or exclusion from participation in government programs. Failure to comply with applicable laws, regulations and rules could have a material and adverse effect on our results of operations and financial condition. Furthermore, becoming subject to these governmental subpoenas, investigations, audits and reviews can require us to incur significant legal and document production expenses as we cooperate with the governmental authorities, regardless of whether the particular investigation, audit or review leads to the identification of underlying issues.

We depend upon reimbursement by third-party payors.

A significant portion of our revenue is derived from third-party payors. In **2022, 2023**, approximately **57.6%** **58.6%** of our net patient revenue was derived from commercial payors. These private third-party payors attempt to control healthcare costs by contracting with healthcare providers to obtain services on a discounted basis. We believe that this trend may continue and may limit reimbursement for healthcare services in the future. In addition, Company claims are closely scrutinized, and failure to submit accurate and complete clinical documentation, including specific documentation by the service provider, could result in adverse actions taken by the payor. Further, if insurers or managed care companies from whom we receive substantial payments were to reduce the amounts they pay for services, our profit margins may decline, or we may lose patients if we choose not to renew our contracts with these insurers at lower rates. In addition, in certain geographical areas, our clinics must be approved as providers by key health maintenance organizations and preferred provider plans. Failure to obtain or maintain these approvals would adversely affect our financial results.

If payments from workers' compensation payors are reduced or eliminated, our revenue and profitability could be adversely affected.

In 2022, 2023, approximately 12.4% 11.7% of our net patient revenue was derived from workers' compensation payors. State workers' compensation laws and regulations vary and changes to state laws could result in decreased reimbursement by third-party payors for physical therapy services, which could have an adverse impact on our revenue. Further, payments received under certain workers' compensation arrangements may be based on pre-determined state fee schedules, which may be impacted by changes in state funding. Any modification to such schedules that reduces our ability to receive payments from workers' compensation payors could be significant and could have a material adverse effect on our results of operations and financial condition. We may continue to experience unfavorable changes in rates and payor and service mix shifts toward lower reimbursing payor classes as opposed to higher reimbursing classes such as workers' compensation and auto personal injury. These changes may reflect longer term trends in our markets. Adverse changes in payor mix and/or payor rates are likely to adversely affect our results of operations in future periods, which effects may be material.

Our payor contracts are subject to renegotiation or termination, which could result in a decrease in our revenue or profits.

The majority of our payor contracts are subject to termination by either party. Such contracts are routinely amended (sometimes through unilateral action by payors with respect to payment policies), renegotiated, subjected to bidding processes with our competitors, or terminated altogether. Oftentimes in the renegotiation process, certain lines of business may not be renewed or a payor may enlarge its provider network or otherwise change the way it conducts its business in a way that adversely impacts our revenue. In other cases, a payor may reduce its provider network in exchange for lower payment rates. Our revenue from a payor may also be adversely affected if the payor alters its utilization management expectations and/or administrative procedures for payments and audits, changes its order of preference among the providers to which it refers business or imposes a third-party administrator, network manager or other intermediary.

Billing disputes with third-party payors may decrease realized revenue and may lead to requests for recoupment of past amounts paid.

From time to time, payors dispute our billing or coding for services provided and we deal with requests for recoupment from third-party payors in the ordinary course of business. Third-party payors may decide to deny payment or recoup payment for services that they contend to have been not medically necessary, against their coverage determinations, or for which they have otherwise overpaid, and we may be required to refund reimbursements already received. Claims for recoupment also require the time and attention of our management and other key personnel, which can serve as a distraction from operating our business.

If a third-party payor successfully challenges a payment to us for prior services provided was in breach of contract or otherwise contrary to policy or law, they may recoup payment, of which amounts could be significant and would impact our operating results and financial condition. We may also decide to negotiate and settle with a third-party payor in order to resolve an allegation of overpayment. In the past, we have negotiated and settled these types of claims with third-party payors in order to avoid the costs of potential litigation. We may be required to resolve further disputes in the future. We can provide no assurance that we will not receive similar claims for recoupment from other third-party payors in the future. Any of these outcomes, including recoupment or reimbursements, could have a material and adverse effect on our business, operating results, and financial condition.

We are subject to risks associated with public health crises and epidemics / pandemics, such as COVID-19 (including variants and any future emerging variants), COVID-19.

Our operations expose us to risks associated with public health crises and epidemics / pandemics, such as the COVID-19 pandemic that has spread globally since beginning in early 2020.

The COVID-19 pandemic (including variants and any future emerging variants) has had and may continue to have, a material and adverse impact on our operations, including through restrictions on the operation of physical locations, potential cancellations of physical therapy patient appointments, clinical staff unavailable to work due to sickness or exposure and a decline in the scheduling of new or additional patient appointments. Due to these impacts and measures, we have experienced and may continue to experience, significant and unpredictable reductions and cancellations of patient visits.

The spread of COVID-19, and the related global, national and regional policy response has also led to disruption and volatility in the global capital markets, which increases increased economic uncertainty and the cost of, and adversely impacts access to, capital. The COVID-19 pandemic has caused economic impacts with potentially extended duration, and could directly or indirectly cause a global recession, continued elevated wage inflation, inflation in the cost of goods, services and other operating inputs, changes in the market interest rate environment and other economic impacts.

The

Despite the World Health Organization declaring an end to the global health emergency associated with the COVID-19 pandemic has impacted in May 2023, the global economy full extent of its future impact remains unknown and difficult to predict. The future impact of the COVID-19 pandemic and any direct or indirect resulting impacts on our performance will depend on certain developments, including the duration and spread of the virus and its newly identified strains, effectiveness and adoption rates of vaccines and other therapeutic remedies, the potential for continued or reinstated restrictive policies enforced by federal, state and local governments, and the impact of the virus on our workforce, all of which create uncertainty and cannot be predicted. While we expect the disruption caused significant macroeconomic uncertainty. Infection rates by COVID-19 and resulting impacts to diminish over time, we cannot predict the length of such impacts, and if such impacts continue for an extended period, it could have varied across a continued effect on the country in which we operate. As we have experienced with recent variants, there may be additional waves Company's results of infection, operations, financial condition and cash flows, which could be more contagious than prior waves. Governmental authorities have implemented numerous and constantly evolving measures to try to contain the virus, such as

travel bans and restrictions, masking recommendations and mandates, vaccine recommendations and mandates, limits on gatherings, quarantines, shelter-in-place orders and business shutdowns. Government measures intended to address the COVID-19 material.

Any future public health crisis, pandemic, such as mandatory quarantines, vaccine mandates and regular testing requirements, could also impact the availability of our employees or other workers or could lead to attrition of key employees or reduced visits.

Our financial results have been, and are expected to continue to be, negatively impacted by the COVID-19 pandemic. Visits per day decreased approximately 50.5%, 27.9% and 24.4% in the quarters ended June 30, 2020, September 30, 2020 and December 31, 2020, respectively, in relation to the comparative prior year periods. While we have experienced relative increases in quarterly visits per day following the low point in the quarter ended June 30, 2020, we continue to experience lower aggregate patient volumes in many geographic areas in which we operate as compared to prior to the pandemic. Visits per day during the year ended December 31, 2022 were approximately 86.7% of visits per day during the year ended December 31, 2019. The current economic conditions resulting from COVID-19 have significantly impacted consumer behavior, which have reduced, and could continue to reduce, customer spend on certain medical procedures, including physical therapy, in both the short- and medium-term. Furthermore, we are unable to predict the impact that COVID-19 may have going forward on our business, results of operations or financial position of any of our major payors, which could impact each payor to a varying degree and at different times and could ultimately impact our own financial performance. Certain of our competitors may also be better equipped to weather the impact of COVID-19 and be better able to address changes in customer demand.

Additionally, enhanced cleaning, sanitization and social distancing protocols, mask policy for all clinicians, patients and support staff and screening protocols for all employees and patients designed to identify possible COVID-19 symptoms, and initiatives we may take in the future, require expenditures of time and resources that we would otherwise be investing in growing the business and could result in slower growth and opportunity costs.

The COVID-19 pandemic epidemic could cause any of the impacts described above to recur or could cause other unpredictable events, including events that could impact our ability to access funds from financial institutions and capital markets on terms favorable to us, or at all, and there can be no assurance that the COVID-19 pandemic will not materially impact our results of operations and financial position in the future. Further, even though certain vaccines have been widely distributed and accepted in some geographies, there can be no assurance that the vaccines will ultimately be successful in limiting or stopping the spread of COVID-19, either over the long-term or against new, emerging variants of COVID-19. Even after the COVID-19 pandemic subsides, the U.S. economy and other major global economies may experience a recession, and we anticipate our business and operations could be materially adversely affected by a prolonged recession in the U.S. and other major markets. Therefore, it remains difficult to predict the ultimate impact of the pandemic on our results of operations and financial position. In addition to the extent that COVID-19 adversely affects our results of operations or financial position, it may also heighten the other risks described in this Item 1A. *Risk Factors*.

The full extent to which the COVID-19 pandemic and the various governmental responses to it impact our business, operations and financial results will depend on numerous other evolving factors that we may not be able to accurately predict, including:

- the duration and scope of the pandemic;
- the effectiveness of vaccines against COVID-19 (including against emerging variant strains);
- governmental, business and individual actions that have been and continue to be taken in response to the pandemic, and the resulting impacts on our patient volumes and other aspects of our business;
- the impact on our workforce of mandatory COVID-19 vaccination of employees;
- availability and size of the clinical labor force, competition for the employment of clinical labor and wage inflation related to clinical labor;
- our ability to comply with the requirements necessary to retain the Coronavirus Aid, Relief, and Economic Security Act provider relief funds we received;
- the effect on our patient, physician and facility referral sources and demand and ability to pay for physical therapy services;
- disruptions of or restrictions on the ability of our employees to travel and to work, including as a result of their health and well-being;
- availability of third-party providers to whom we outsource portions of our internal business functions, including billing and administrative functions relating to revenue cycle management;
- increased cybersecurity risks as a result of remote working conditions;
- the availability and cost of accessing the capital markets;

- our ability to pursue, diligence, finance and integrate acquisitions;
- our ability to comply with financial and operating covenants in our debt, preferred stock and operating lease agreements; and
- potential for goodwill, intangible and other asset impairment charges.

Furthermore, COVID-19 could increase the magnitude of many of the other risks described herein and have other adverse effects on our operations that we are not currently able to predict. Additionally, we may also be required to delay or limit our internal strategies in the short- and medium-term by, for example, redirecting significant resources and management attention away from implementing our strategic priorities or executing opportunistic corporate development transactions.

The magnitude of the effect of COVID-19 on our business will depend, in part, on the length and severity of the COVID-19- related restrictions (including the effects of any "re-opening" actions and plans) and other limitations on our ability to conduct its business in the ordinary course. The longer the pandemic continues, the more severe the impacts described above will be on our business (which may also be disproportionately larger in certain local areas compared to the national level). The extent, length and consequences of the COVID-19 pandemic are uncertain and impossible to predict all. COVID-19 and other similar outbreaks, epidemics or pandemics could have a material adverse effect on our business, financial condition, results of operations and cash flows, and could cause significant volatility in the trading prices of our securities.

We are subject to securities, and may also heighten the other risks related to the impact on our workforce of mandatory COVID-19 vaccination of employees.

We operate described in certain states that currently mandate COVID-19 vaccines for healthcare workers. While certain states have removed vaccination requirements, or allow for alternative methods to comply with such vaccination requirements, it is not possible to predict potential changes to these regulations or the impact that these regulations may have on the Company or its workforce. Similar mandatory vaccination or testing requirements that may become applicable to our employees, at the federal, state or local levels, may result in employee attrition and could have a material adverse effect on our business, including future revenue, costs and results of operations.

this Item 1A. *Risk Factors.*

We are subject to increases in the cost inflation necessary for the provision of our services and we may not be able to fully offset this cost inflation on a timely basis or at all.

Many of the components of our cost of services are subject to price increases that are attributable to factors beyond our control, including but not limited to, costs of clinician services and other professional services, contract labor, janitorial services, support staff services and clinic supplies. In the latter part of 2021 and continuing in 2022 and 2023, input costs have increased materially and at a historically high rate. The pressures of input cost inflation may continue. To the extent we are unable to offset present and future input cost increases, our operating results could be materially and adversely affected.

We operate in a competitive industry, and if we are not able to compete effectively, our business, financial condition and results of operations may be harmed.

Current or potential patients may seek competitive services in lieu of our services. We face competition from a range of entities, some of which have superior resources or other competitive advantages. If we are unable to compete successfully in the physical therapy industry, our business, financial condition and results of operations could be materially adversely affected.

The outpatient physical therapy market is rapidly evolving and highly competitive, and subject to vertical integration. Such vertical integration could reduce the market opportunity for our services. Competition may intensify in the future as existing competitors and new entrants introduce new physical therapy services and platforms. We currently face competition from a range of companies, including other incumbent providers of physical therapy consultation services, that are continuing to grow and enhance their service offerings and develop more sophisticated and effective service platforms. In addition, since there are limited capital expenditures required for providing physical therapy services, there are few financial barriers to enter the industry. Other companies could enter the healthcare industry in the future and divert some or all of our business. Competition from specialized physical therapy service providers, healthcare providers, hospital systems and other parties may result in continued pricing and volume pressures, which would be likely to lead to price and volume declines in certain of our services, all of which could negatively impact our sales, profitability and market share.

Referrals and other methods of driving patient volumes are important to our profitability. We have implemented and are implementing strategies to improve our level of referrals, and if these measures are not successful, or if we are not able to successfully capture referrals or visit demand, it could lead to a decline in patient volumes and revenues, which could negatively impact our profitability and market share.

Some competitors may have greater name recognition, longer operating histories and significantly greater resources than us. Further, our current or potential competitors may be acquired by third-parties with greater available resources. As a result, our competitors may be able to respond more quickly and effectively than us to new or changing opportunities, technologies, standards or client requirements and may have the ability to initiate or withstand substantial price competition. In addition, current and potential competitors have established, and may in the future establish, cooperative relationships with vendors of complementary products, technologies or services to increase the availability of their services in the marketplace. Accordingly, new competitors or alliances may emerge that have greater market share, a larger client base, more widely adopted proprietary technologies, greater marketing expertise, greater financial resources or larger sales forces than ours, which could put us at a competitive disadvantage. Our competitors could also be better positioned to serve certain geographies or segments of the physical therapy market, which could create additional price and volume pressure. As we expand into new geographical

areas, we may encounter competitors with stronger relationships or recognition in the community in such new areas, which could give those competitors an advantage in obtaining new patients or retaining existing ones.

We also compete for physical therapists and, **in recent years**, we experienced elevated levels of attrition **during periods of 2021 and 2022, relative to historical levels**, which has had and may continue to have adverse effects on our business, financial condition, results of operations, as well as our ability to open new clinics. We have taken and are continuing to take actions to increase hiring, reduce attrition and optimize clinician hours based on available workforce, but the impact of hiring and attrition has impacted overall profitability through wage inflation, greater benefits, and increases in other employee costs, as well as required a higher use of contract labor in difficult to staff markets. These labor market dynamics and level of competition are likely to continue. The ultimate impact on our business and industry remains difficult to predict, but may have a material adverse impact on our results of operations, cash flows and financial condition.

Moreover, we expect that competition will continue to increase as a result of consolidation in the healthcare industry. Many healthcare industry participants are consolidating to create integrated healthcare systems with greater market power, including, in some cases, integrating physical therapy services with their core medical practices. As provider networks and managed care organizations consolidate, thus decreasing the number of market participants, competition to provide services like ours may become more intense, and the importance of establishing and maintaining relationships with key industry participants will become greater.

Rapid technological change in our industry presents us with significant risks and challenges.

The healthcare market is characterized by rapid technological change, changing consumer requirements, short product lifecycles and evolving industry standards. Our success will depend on our ability to enhance our brands with next-generation technologies and to develop, acquire and market new services to access new consumer populations. Moreover, we may not be successful in developing, using, selling or maintaining new technologies effectively or adapting solutions to evolving client requirements or emerging industry standards, and, as a result, our business, financial condition and results of operations could be materially adversely affected. In addition, we have limited insight into trends that might develop and later affect our business, and which could lead to errors in our analysis of available data or in predicting and reacting to relevant business, legal and regulatory trends and healthcare reform. Further, there can be no assurance that technological advances by one or more of our current or future competitors will not result in our present or future solutions and services becoming uncompetitive or obsolete. If any of these events occur, it could harm our business.

Inability to maintain high levels of service and patient satisfaction could adversely affect our business.

Failure to retain and attract sufficient numbers of qualified personnel could strain our human resources department and impede our growth or result in ineffective growth. In addition, if demand for our services increases, we need to increase our patient services and other personnel, as well as our network of partners, to provide personalized patient service. If we are not able to continue to provide high quality physical therapy services with high levels of patient satisfaction, our reputation, as well as our business, results of operations and financial condition could be adversely affected.

Our current locations may become unattractive, and attractive new locations may not be available for a reasonable price, if at all, which could adversely affect our business.

The success of any of our clinics depends in substantial part on their locations. There can be no assurance that the current locations will continue to be attractive as demographic patterns and trade areas change. For example, neighborhood or economic conditions where our clinics are located could decline in the future, thus resulting in potentially reduced patient visits. In addition, rising real estate prices in some areas may restrict our ability to lease new desirable locations or increase the cost of operating in such locations. If desirable locations cannot be obtained at reasonable prices, our ability to execute our growth strategies could be adversely affected, and we may be impacted by declines in patient visits as a result of the deterioration of certain locations, each of which could materially and adversely affect our business and results of operations.

We may continue to close clinics and incur closure costs and losses.

The competitive, economic or reimbursement conditions in the markets in which we operate, in addition to labor market conditions and liquidity considerations, may require us to reorganize or close certain clinics. **Additionally, there is no guarantee that we will not have to close clinics in the future as a result of COVID-19 or its variants, execute measures designed to reduce the spread of COVID-19, or experience clinical staffing challenges, whether related to COVID-19 or labor market dynamics.** Any clinic closures, reorganization or related business disruptions may have a material and adverse effect on our results of operations. In each of fiscal **year** years 2023 and 2022, and 2021, we closed **or sold 40 and 23 clinics, clinics, respectively.** In the event a clinic is reorganized or closed, we may incur losses and closure costs, including, but not limited to, lease obligations, severance and write-down or write-off of goodwill, intangible assets or other assets.

We may determine to sell one or more of our clinics, and any such divestiture could adversely affect our continuing business.

We periodically evaluate our various businesses, services lines and clinics and may, as a result, consider the divestiture, wind down or exit of one or more of those clinics. Divestitures have inherent risks, including the inability to find potential buyers with favorable terms, the expense of selling the service line or clinic, the possibility that any anticipated sale will be delayed or will not occur and the potential delay or failure to realize the perceived strategic or financial merits of the divestment.

Our ability to generate revenue is highly sensitive to the strength of the economies in which we operate and the demographics and populations of the local communities that we serve.

Our revenues depend upon a number of factors, including, among others, the size and demographic characteristics of local populations and the economic condition of the communities that our locations serve. In the case of an economic downturn in a market, the utilization of physical therapy services by the local population of such market, and our resulting revenues and profitability in that market, could be adversely affected. Our revenues could also be affected by negative trends in the general economy that affect consumer spending, such as a recession or similar economic downturn. Furthermore, significant demographic changes in, or significant outmigration from, the neighborhoods where our clinics are located could reduce the demand for our services, all of which could materially and adversely affect our business and results of operations.

The size and expected growth of our addressable market has not been established with precision and may be smaller than estimated.

Our estimates of the addressable market are based on a number of internal and third-party estimates and assumptions. While we believe our assumptions and the data underlying our estimates are reasonable, these assumptions and estimates may not be correct. Accordingly, the expected growth in the market for physical therapy services may prove to be inaccurate, and the actual size of our total addressable market and resulting growth rates may be materially lower than expected.

Risks Relating to Our Operations

We depend upon the cultivation and maintenance of relationships with the physicians and other referral sources in our markets.

Our success is partially dependent upon referrals from physicians in the communities our clinics serve and our ability to maintain good relationships with these physicians and other referral sources. Physicians referring patients to our clinics are free to refer their patients to other therapy providers or to their own physician owned therapy practices. If we are unable to successfully cultivate and maintain strong relationships with such physicians and other referral sources (including as a result of negative publicity (whether true or not)), our business may be negatively impacted and our net revenues may decline. In addition, our relationships with referral sources are subject to extensive laws and regulations, and if those relationships with referral sources are found to be in violation of those requirements, we may be subject to significant civil, criminal and/or administrative penalties, exclusion from participation in government programs, such as Medicare and Medicaid, and/or reputational harm.

We operate our business in regions subject to The impacts of weather, natural disasters, climate change and other catastrophic events and any disruption to our business resulting from such natural disasters or climate change would may adversely affect our revenue revenues and results of operations.

We operate our business in regions that normally experience snow and ice during the winter months, and that are subject to severe weather and natural disasters, including hurricanes, floods, fires, earthquakes and other catastrophic events. For example, in February 2021, the state of Texas experienced unprecedented cold weather, resulting in power outages across the state. Nearly all A significant number of our clinics are located in Texas were impacted by the weather, with all clinics closing for at least one day. Additionally, in September states that are subject to periodic winter storms, hurricanes and October 2022, the effects of Hurricane Ian other severe storm systems which have negatively impacted certain clinic operations in the southeast region of the U.S. past. Any natural disaster or impacts from climate change could adversely affect our ability to conduct business and provide services to our customers, and the insurance we maintain may not be adequate to cover losses resulting from any business interruption resulting from a natural disaster or other catastrophic event.

Future acquisitions may use significant resources, may be unsuccessful and could expose us to unforeseen liabilities.

We have historically acquired outpatient physical therapy clinics and it is an important part of our long-term growth strategy. Failure to successfully identify and complete acquisitions would likely result in slower growth. Even if we are able to identify appropriate acquisition targets, we may not be able to execute transactions on favorable terms or integrate targets in a manner that allows us to fully realize the anticipated benefits of these acquisitions. Acquisitions may involve significant cash expenditures, potential debt incurrence and operational losses, dilutive issuances of equity securities and expenses that could have an adverse effect on our financial condition and results of operations. Acquisitions also involve numerous risks, including:

- the difficulty and expense of integrating acquired personnel into our business;
- the diversion of management's time from existing operations;

- the potential loss of key employees of acquired companies and existing customers of the acquired companies that may not be familiar with our brand or services;

- the difficulty of assignment and/or procurement of managed care contractual arrangements; and
- the assumption of the liabilities and exposure to unforeseen liabilities of acquired companies, including liabilities for failure to comply with healthcare regulations.

Failure of our third-party customer service and technical support providers to adequately address customers' requests could harm our business and adversely affect our financial results.

Our customers rely on our customer service support organization to resolve issues with our services. We outsource a portion of our customer service and technical support activities to third-party service providers. We depend on these third-party customer service and technical support representatives working on our behalf, and expect to continue to rely on third-parties in the future. This strategy presents risks to the business due to the fact that we may not be able to influence the quality of support as directly as we would be able to do if our own employees performed these activities. Our customers may react negatively to providing information to, and receiving support from, third-party organizations, especially if these third-party organizations are based overseas. If we encounter problems with our third-party customer service and technical support providers, our reputation may be harmed, our ability to sell our services could be adversely affected, and we could lose customers and associated revenue.

Our systems infrastructure may not adequately support our operations.

We believe our future success will depend in large part on establishing an efficient and productive **information technology ("IT")** systems infrastructure that is able to provide operational intelligence and support our platform. Our systems infrastructure is designed to address interoperability challenges across the healthcare continuum and any failure of our systems infrastructure to identify efficiencies or productivity may impact the execution of our strategies and have a significant impact on our business and operating results. Our inability to continue improving our clinical systems and data infrastructure could impact our ability to perform and continue improving outcomes for patients.

Failure by us to maintain financial controls and processes over billing and collections or disputes with third-parties could have a significant negative impact on our financial condition and results of operations.

The collection of accounts receivable requires constant focus and involvement by management, as well as ongoing enhancements of information systems and billing center operating procedures. There can be no assurance that we will be able to improve upon or maintain our current levels of collectability and days sales outstanding in future periods. Further, some of our patients or payors may experience financial difficulties, or may otherwise fail to pay accounts receivable when due, resulting in increased write-offs. If we are unable to properly bill and collect our accounts receivable, our financial condition and results of operations will be adversely affected. In addition, from time to time we are involved in disputes with various parties, including our payors and their intermediaries regarding their performance of various contractual or regulatory obligations. These disputes sometimes lead to legal and other proceedings and cause us to incur costs or experience delays in collections, increases in our accounts receivable or loss of revenue. In addition, in the event such disputes are not resolved in our favor or cause us to terminate our relationships with such parties, there may be an adverse impact on our financial condition and results of operations.

Legal and Regulatory Risks Relating to Our Business

Our operations are subject to extensive regulation.

Our operations are subject to extensive federal, state and local government laws and regulations, **such as:** which may impact:

- **Medicare** facility and **Medicaid** reimbursement rules and regulations (as discussed above); professional licensure/permits;
- **federal** conduct of operations, including financial relationships among healthcare providers, **Medicare** fraud and **state** anti-kickback laws, which prohibit the knowing abuse, and **wilful** offer, payment, solicitation or receipt of any bribe, kickback, rebate or other remuneration in return for ordering, leasing, purchasing or recommending or arranging for, or to induce, the referral of an individual, or the ordering, purchasing or leasing of items or services covered, in whole or in part, by any federal healthcare program, such as **Medicare** and **Medicaid**; physician self-referral;
- the **Physician Self-Referral Law** addition of facilities and analogous state self-referral prohibition statutes, which, subject to limited exceptions, prohibits physicians from referring **Medicare** or **Medicaid** patients to an entity for the provision of certain "designated health services," including physical therapy, if the physician or a member of such

physician's immediate family has a direct or indirect financial relationship (including an ownership interest or a compensation arrangement) with an entity, and prohibits the entity from billing Medicare or Medicaid for such "designated health services".

- the federal False Claims Acts (the "False Claims Acts"), which impose civil and/or criminal penalties against any person or entity that knowingly submits or causes to be submitted a claim that the person knew or should have known (i) to be false or fraudulent; (ii) for items or services not provided or provided as claimed; or (iii) was provided by an individual not otherwise qualified or who was excluded from participation in federal healthcare programs. The False Claims Acts also impose penalties for requests for payment that otherwise violate conditions of participation in federal healthcare programs or other healthcare compliance laws;
- U.S.C. 42 U.S. Code § 1320a-7, the Exclusions Statute of the Social Security Act, which subjects healthcare providers to exclusion from participation in federal healthcare programs if they engage in Medicare fraud, patient neglect or abuse / felony convictions related to fraud, breach of fiduciary duties or other financial misconduct related to healthcare service delivery;
- the civil monetary penalty statute and associated regulations, which authorizes the government agency to impose civil money penalties, an assessment, and program exclusion for various forms of fraud and abuse; services; and
- the Health Insurance Portability coding, billing and Accountability Act of 1996 ("HIPAA"), which created new federal criminal statutes that prohibit knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program or obtain, by means of false or fraudulent pretenses, representations or promises, any of the money or property owned by, or under the custody or control of, any healthcare benefit program, regardless of the payor (e.g., public or private) and knowingly and willfully falsifying, concealing or covering up by any trick or device a material fact or making any materially false statements in connection with the delivery of, or payment for healthcare benefits, items or services relating to healthcare matters. Similar to the federal Anti-Kickback Law, a person or entity can be found guilty of violating HIPAA without actual knowledge of the statute or specific intent to violate it. services.

In recent years, there have been heightened coordinated civil and criminal enforcement efforts by both federal and state government agencies relating to the healthcare industry, and physical therapy providers, in particular, have been subject to increased enforcement. We believe we are in substantial compliance with all laws, but differing interpretations or enforcement of these laws and regulations could subject our current practices to allegations of impropriety or illegality or could require us to make changes in our methods of operations, facilities, equipment, personnel, services and capital expenditure programs and increase our operating expenses. If we fail to comply with these extensive laws and government regulations, we could become ineligible to receive government program reimbursement, suffer civil or criminal penalties or be required to make significant changes to our operations. In addition, we could be forced to expend considerable resources responding to an investigation or other enforcement action under these laws or regulations. For a more complete description of certain of these laws and regulations, refer to "Governmental Regulations and Supervision" within Part I, Item 1. *Business*.

In conducting our business, we are required to comply with applicable state laws regarding fee-splitting and professional corporation laws.

The laws of some states restrict or prohibit the "corporate practice of medicine," meaning business corporations cannot provide medical services through the direct employment of medical providers, or by exercising control over medical decisions by medical providers. In some states, such restrictions explicitly apply to physical therapy services; in others, those restrictions have been interpreted to apply to physical therapy services or are not fully developed.

Specific restrictions with respect to enforcement of the corporate practice of medicine or physical therapy vary from state to state and certain states in which we operate may present higher risk than others. Each state has its own professional entity laws and unique requirements for entities that provide professional services. Further, states impose varying requirements on the licenses that the stockholders, directors, officers, and professional employees of professional corporations must possess.

Many states also have laws that prohibit non-physical therapy entities, individuals or providers from sharing in or splitting professional fees for patient care ("fee-splitting"). Generally, these laws restrict business arrangements that involve a physical therapist sharing professional fees with a referral source, but in some states, these laws have been interpreted to extend to management agreements between physical therapists and business entities under some circumstances.

Such laws and regulations vary from state to state and are enforced by governmental, judicial, law enforcement or regulatory authorities with broad discretion. Accordingly, we cannot be certain that our interpretation of certain laws and regulations is correct with respect to how we have structured our operations, service agreements and other arrangements with physical therapists in the states in which we operate.

The enforcement environment in any state in which we operate could also change, leading to increased enforcement of existing laws and regulations. If a court or governing body determines that we, or the physical therapists whom we support, have violated any of the fee-splitting laws or regulations, or if new fee-splitting laws or regulations are enacted, we or the physical therapists whom we support could be subject to civil or criminal penalties, our contracts could be found legally invalid and unenforceable (in whole or in part), or we could be required to restructure our contractual arrangements with our licensed providers of physical therapy (which may not be completed on a timely basis, if at all, and may result in terms materially less favorable to us), all of which may have a material adverse effect on our business.

We face inspections, reviews, audits and investigations under federal and state government programs and payor contracts. These audits could have adverse findings that may negatively affect our business, including our results of operations, liquidity, financial condition and reputation.

As a result of our participation in the Medicare and Medicaid programs, we are subject to various governmental inspections, reviews, audits, subpoenas and investigations to verify our compliance with these programs and applicable laws and regulations. Payors may also reserve the right to conduct audits. We also periodically conduct reviews of our regulatory compliance. While our facilities intend to comply with the federal requirements for properly billing, coding and documenting claims for reimbursement, there can be no assurance that these audits will determine that all applicable requirements are fully met at the facilities that are reviewed.

We may be subject to various external governmental investigations, subpoenas, audits and reviews. Certain adverse governmental investigations, subpoenas, audits and reviews may require us to refund amounts we have been paid and/or pay fines and penalties as a result of these inspections, reviews, audits and investigations, which could have a material adverse effect on our business and operating results. Furthermore, the legal, document production and other costs associated with complying with these inspections, reviews, subpoenas, audits or investigations could be significant. An adverse inspection, review, audit or investigation could result in:

- refunding amounts we have been paid pursuant to the Medicare or Medicaid programs or from payors;
- state or federal agencies imposing fines, penalties and other sanctions on us;
- temporary suspension of payment for new patients;
- decertification or exclusion from participation in the Medicare or Medicaid programs or one or more payor networks;
- self-disclosure of violations to applicable regulatory authorities;
- damage to our reputation; and
- loss of certain rights under, or termination of, our contracts with payors.

We may be subject to various external governmental investigations, subpoenas, audits and reviews. Certain adverse governmental investigations, subpoenas, audits and reviews may require us to refund amounts we have been paid and/or pay fines and penalties as a result of these inspections, reviews, audits and investigations, which could have a material adverse effect on our business and operating results. Furthermore, the legal, document production and other costs associated with complying with these inspections, reviews, subpoenas, audits or investigations could be significant.

Our facilities are subject to extensive federal and state laws and regulations relating to the privacy of individually identifiable information.

HIPAA required the Health and Human Services Department to adopt standards to protect the privacy and security of individually identifiable health-related information. The privacy regulations extensively regulate the use and disclosure of individually identifiable health-related information. The regulations also provide patients with significant rights related to understanding and controlling how their health information is used or disclosed. The security regulations require healthcare providers to implement administrative, physical and technical practices to protect the security of individually identifiable health information that is maintained or transmitted electronically. The Health Information Technology for Electronic and Clinical Health Act ("HITECH"), HITECH, which was signed into law in 2009, enhanced the privacy, security and enforcement provisions of HIPAA by, among other things establishing security breach notification requirements, allowing enforcement of HIPAA by state attorneys general and increasing penalties for HIPAA violations. Violations of HIPAA or HITECH could result in civil or criminal penalties.

In addition to HIPAA, there are numerous federal and state laws and regulations addressing patient and consumer privacy concerns, including unauthorized access or theft of personal information. State statutes and regulations vary from state to state. Lawsuits, including class actions and actions by state attorneys general, directed at companies that have experienced a privacy or security breach also can occur.

We have established policies and procedures in an effort to ensure compliance with these privacy related requirements. However, if there is a breach of these privacy related requirements, we may be subject to various penalties and damages and may be required to incur costs to mitigate the impact of the breach on affected individuals.

Our business may be adversely impacted by healthcare reform efforts, including repeal of or significant modifications to the ACA.

In recent years, Congress and certain state legislatures have considered and passed a number of laws that are intended to result in significant changes to the healthcare industry. However, there is significant uncertainty regarding the future of the Patient Protection and Affordable Care Act ("ACA"), the most prominent of these reform efforts. The law has been subject to legislative and regulatory changes and court challenges, and the prior presidential administration and certain members of Congress have stated their intent to repeal or make additional significant changes to the ACA, its implementation or its interpretation. In 2017, the Tax Cuts and Jobs Act was enacted, which, effective January 1, 2019, among other things, removed penalties for not complying with ACA's individual mandate to carry health insurance. Because the penalty associated with the individual mandate was eliminated, a federal judge in Texas ruled in December 2018 that the entire ACA was unconstitutional. On December 18, 2019, the Fifth Circuit U.S. Court of Appeals upheld the lower court's finding that the individual mandate is unconstitutional and remanded the case back to the lower court to reconsider its earlier invalidation of the full ACA. On March 2, 2020, the United States Supreme Court (the "Supreme Court") granted the petitions for writs of certiorari to review this case and on June 17, 2021, the Supreme Court dismissed this case without specifically ruling on the constitutionality of the ACA. These and other efforts to challenge, repeal or replace the ACA may result in reduced funding for state Medicaid programs, lower numbers of insured individuals, and reduced coverage for insured individuals. There is uncertainty regarding whether, when and how the ACA will be further changed or challenged, what alternative provisions, if any, will be enacted, and the impact of alternative provisions on providers and other healthcare industry participants.

Government efforts to repeal or change the ACA or to implement alternative reform measures could cause our revenues to decrease to the extent such legislation reduces Medicaid and/or Medicare reimbursement rates.

Our failure to comply with labor and employment laws could result in monetary fines and penalties.

Worker health and safety (OSHA (Occupational Safety and Health Administration and similar state and local agencies); family medical leave (the Family Medical Leave Act), wage and hour laws and regulations, equal employment opportunity and non-discrimination requirements, among other laws and regulations relating to employment, apply to us. Failure to comply with such laws and regulations could result in the imposition of consent orders or civil and criminal penalties, including fines, which could damage our reputation and have an adverse effect on our results of operations or financial condition. The regulatory framework for privacy issues is rapidly evolving and future enactment of more restrictive laws, rules or regulations and/or future enforcement actions or investigations could have a materially adverse impact on us through increased costs or restrictions on our business, and noncompliance could result in regulatory penalties and significant legal liability.

There is an inherent risk of liability. We have been and may continue to be involved in the provision of healthcare services; legal proceedings; damage to our reputation or our failure to adequately insure against losses, including from substantial claims and litigation, could have an adverse impact on our operations, financial condition or prospects.

From time to time, we are party to legal proceedings, governmental audits and investigations that arise in the ordinary course of our business. There is an inherent risk of liability in the provision of healthcare services. We are also subject to actual and potential claims, lawsuits and investigations outside of the ordinary course of business. Refer to Note 1817 - *Commitments and Contingencies* of our consolidated financial statements included in Part II, Item 8 of this Form 10-K for examples of claims to which we are subject.

Such claims, legal proceedings, governmental audits and investigations may involve large claims and significant costs to defend. In such cases, coverage under our insurance programs would not be adequate to protect us. Additionally, our insurance policies are subject to annual renewal and our insurance premiums could be subject to material increases in the future. We cannot ensure that we will be able to maintain our insurance on acceptable terms in the future, or at all. A successful claim in excess of, or not covered by, our insurance policies could have a material adverse effect on our business, financial condition, results of operations, cash flow, capital resources and liquidity. Even where our insurance is adequate to cover claims against us, damage to our reputation in the event of a judgment against us, or continued increases in our insurance costs, could have an adverse effect on our business, financial condition, results of operations, cash flow, capital resources, liquidity, or prospects.

Risks Relating to Our Human Resources

Our facilities face competition for experienced physical therapists and other clinical providers and clinical staff that may increase labor costs and reduce profitability.

Our ability to retain and attract clinical talent is critical to our ability to provide high quality care to patients and successfully cultivate and maintain strong relationships in the communities we serve. If we cannot recruit and retain our base of experienced and clinically skilled therapists and other clinical providers, management and support personnel, our business may decrease and our revenues may decline and/or operating margins may decrease as a result of increased hiring, training and retention costs or higher use of contract labor in difficult to staff markets. We compete with other healthcare providers in recruiting and retaining qualified management, physical therapists and other clinical staff and support personnel responsible for the daily operations of our business, financial condition and results of operations. We operations and have recently experienced elevated rates of attrition when compared observed a competitive labor market that is currently subject to historical levels, which has had inflationary and may continue to have adverse effects other pressure on our business, financial condition, results of operations, as well as our ability to open new clinics.

As we implement actions aimed to reduce attrition, increase hiring of physical therapists and optimize clinician hours based on available workforce, we expect to experience increases in our labor costs, primarily due to higher wages and greater benefits required to retain and attract qualified healthcare personnel, as well as higher contract labor costs until clinical staffing levels are achieved, and such increases may adversely affect our profitability. Furthermore, while wages. While we attempt to manage overall labor costs in the most efficient way, our efforts to manage them may have limited effectiveness and may lead to increased turnover, reduced profitability and other challenges.

Our ability to attract and retain talented executives and corporate employees.

We are dependent on our ability to retain and attract corporate talent. We have recently During 2022 and 2021, we experienced significant turnover in our senior management team and across our corporate organization. Our business may be adversely affected by the transitions in our senior management team, and turnover at the senior management level may create instability within the Company, which could disrupt and impede our day-to-day operations, internal controls and our ability to fully implement our business plan and initiatives. In addition, management transition inherently causes some loss of institutional knowledge, which can negatively affect strategy and execution, and our results of

operations and financial condition could be negatively impacted as a result. We compete for corporate talent within the healthcare industry and more broadly. Competition for such personnel is intense, and we may not be able to attract, assimilate or retain other highly qualified corporate personnel in the future. The inability to attract and retain the necessary personnel could cause increased employee turnover and harm to our business, results of operations, cash flow and financial condition.

Our share-based compensation incentives may not be effective in attracting, retaining and motivating key personnel and employees.

The Company adopted the ATI Physical Therapy 2021 Equity Incentive Plan (the "2021 Plan") under which it may grant equity interests of the Company, in the form of stock options, stock appreciation rights, restricted stock awards and restricted stock units, to members of management, key employees and independent directors of the Company and its subsidiaries. We believe the granting of non-cash share-based compensation is important to our ability to attract and retain key personnel and employees. Additionally, the employment agreements for members of our senior leadership team include compensation terms in the form of share-based awards at specified amounts. The maximum number of shares reserved for issuance under the 2021 Plan is approximately 1.2 million. As of December 31, 2023, approximately 0.2 million shares were available for future grant. With the current number of shares available for future grant, the Company would need to amend, subject to stockholder approval, the 2021 Plan to increase the share reserve in order to fulfill the upcoming share-based compensation terms of its senior leadership employment agreements and provide share-based awards to other key personnel and employees. There can be no assurance that such stockholder approval would be obtained and, if we are unable to obtain such approval, we may be unable to retain our existing employees and attract additional qualified candidates, which could adversely impact our business and results of operations. If such stockholder approval were to be obtained, and if we were to grant future share-based awards to senior management, key personnel and employees, we would incur additional share-based compensation expense and the ownership of existing stockholders would be further diluted.

Furthermore, in light of our recent low market capitalization and decreases in share price, our non-cash share-based compensation incentives may not be effective in attracting, retaining and motivating our senior management team, key personnel and employees. If our share-based compensation incentives under the 2021 Plan are not effective, the Company may need to explore alternative cash or non-cash compensation to retain senior management, key personnel and employees, which may lead to incurring higher compensation costs or may otherwise prove less effective. The inability to appropriately compensate and motivate the necessary personnel could cause increased employee turnover and harm to our business, results of operations, cash flow and financial condition.

We face licensing and credentialing barriers, and associated variability across states is a risk to timely delivery of productive talent.

The scope of licensing laws differs from state to state, and the application of such laws to the activities of physical therapists and other clinical providers is often unclear. Given the nature and scope of the solutions and services that we provide, we are required to maintain physical therapy licenses and registrations for us and our providers in certain jurisdictions and to ensure that such licenses and registrations are in good standing. These licenses require us and our providers to comply with the rules and regulations of the governmental bodies that issued such licenses. Our providers are also required to be credentialed with payors prior to providing services to health plan patients, and completion of the credentialing process, if delayed, may delay our ability to provide services to health plan patients. Our providers' failure to comply with such rules and regulations could result in significant administrative penalties or the suspension of a license or the loss of a license, as well as credentialing delays, all of which could negatively impact our business.

Risks Relating to Our Information Technology

We rely on information technology in critical areas of our operations, and a disruption relating to such technology could harm our financial condition.

We rely on IT systems in critical areas of our operations, including our electronic medical records system and systems supporting revenue cycle management, and financial and operational reporting, among others. We have legacy IT systems that IT is continuing to upgrade and modernize. If one of these systems were to fail or cause operational or reporting interruptions, or if we decide to change these systems or hire outside parties to provide these systems, we may fail to execute on such system changes or suffer disruptions, which could have a material adverse effect on our operation, results of operations and financial condition. In addition, we may underestimate the costs, complexity and time required to develop and implement new systems.

We use software vendors and network and cloud providers in our business and if they cannot deliver or perform as expected or if our relationships with them are terminated or otherwise change, it could have a material adverse effect on our business, financial condition and results of operations.

Our ability to provide our services and support our operations requires that we work with certain third-party providers, including software vendors and network and cloud providers, and depends on such third-parties meeting our expectations in timeliness, quality, quantity and economics. Our third-party suppliers may be unable to meet such expectations due to a number of factors. We might incur significant additional liabilities if the services provided by these third-parties do not meet our expectations, if they terminate or refuse to renew their relationships with us or if they were to offer their services on less advantageous terms. We rely on internally developed software applications and systems to conduct our critical operating and administrative functions. We also depend on our software vendors to provide long-term software maintenance support for our information systems. In addition, while there are backup systems in many of our operating facilities, we may experience an extended outage of network services supplied by these vendors or providers that could impair our ability to deliver our solutions, which could have a material adverse effect on our business, financial condition and results of operations.

We are a target of attempted cyber and other security threats and must continuously monitor and develop our IT networks and infrastructure to prevent, detect, address and mitigate the risk of unauthorized access, misuse, computer viruses and other events that could have a security impact or which may cause a violation of HIPAA or HITECH and subject us to potential legal and reputational harm.

In the normal course of business, our IT systems hold sensitive patient information including patient demographic data, eligibility for various medical plans including Medicare and Medicaid and protected health information subject to HIPAA and HITECH. We also contract with third-party vendors to maintain and store our patients' individually identifiable health information. Numerous state and federal laws and regulations address privacy and information security concerns resulting from our access to our patients' and employees' personal information. Additionally, we utilize those same systems to perform our day-to-day activities, such as receiving referrals, assigning clinicians to patients, documenting medical information and maintaining an accurate record of all transactions.

While we have not experienced any known, **material** attacks on our IT systems that have compromised patient data, our IT systems and those of our vendors that process, maintain and transmit such data are subject to computer viruses, cyber-attacks, including ransomware attacks, or breaches. We maintain our IT systems with safeguard protection against cyber-attacks including active intrusion protection, firewalls and virus detection software. We adhere to (and require our third-party vendors to adhere to) policies and procedures designed to ensure compliance with HIPAA and HITECH regulations. We have developed and tested a response plan in the event of a successful attack and maintain commercial insurance related to a cyber-attack. However, these safeguards do not ensure that a significant cyber-attack could not occur. A successful attack on our or our third-party vendors' IT systems could have significant consequences to the business, including liability for compromised patient information, business interruption, significant civil and criminal penalties, lawsuits, reputational harm and increased costs to us, any of which could have a material adverse effect on our financial condition and results of operations.

In addition, insider or employee cyber and security threats are increasingly a concern for all large companies, including us. Our future results could be adversely affected due to the theft, destruction, loss, misappropriation or release of protected health information, other confidential data or proprietary business information, operational or business delays resulting from the disruption of IT systems and subsequent mitigation activities, or regulatory action taken as a result of such incidents. We provide our employees with training and regular reminders on important measures they can take to prevent breaches. We routinely identify attempts to gain unauthorized access to our systems. However, given the rapidly evolving nature and proliferation of cyber threats, there can be no assurance our training and network security measures or other controls will detect, prevent or remediate security or data breaches in a timely manner or otherwise prevent unauthorized access to, damage to, or interruption of our systems and operations. Accordingly, we may be vulnerable to losses associated with the improper functioning, security breach, or unavailability of our information systems, as well as any systems used in acquired company operations.

Risks Relating to Our Accounting and Financial Policies

We currently outsource, and from time to time in the future may outsource, a portion of our internal business functions to third-party providers. Outsourcing these functions has significant risks, and our failure to manage these risks successfully could materially adversely affect our business, results of operations and financial condition.

We currently, and from time to time in the future, may outsource portions of our internal business functions, including billing and administrative functions relating to revenue cycle management, to third-party providers. These third-party providers may not comply on a timely basis with all of our requirements, or may not provide us with an acceptable level of service. In addition, reliance on third-party providers could have significant negative consequences, including significant disruptions in our operations and significantly increased costs to undertake such operations, either of which could damage our relationships with our customers. We could experience a reduction in revenue due to inability to collect from patients, overpayments, claim denials, recoupments or governmental and third-party audits all of which may impact our profitability and cash flow.

If our estimates or judgments relating to our accounting policies prove to be incorrect, our results of operations could be adversely affected.

The preparation of financial statements in conformity with U.S. **GAAP** generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the amounts reported in our consolidated financial statements and accompanying notes included elsewhere in this Form 10-K. The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities and equity, and the amount of revenue and expenses that are not readily apparent from other sources. Significant estimates and judgments used in preparing financial statements include those related to the determination of the revenue transaction price for current transactions and estimation of expected collections on our accounts receivable, assumptions and estimates related to realizability of deferred tax assets, assumptions and estimates related to the valuation of goodwill and intangible assets, among others. Our results of operations may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our results of operations to fall below the expectations of securities analysts and investors.

The 2L Notes are accounted for as liabilities at fair value and the changes in value could have a material effect on our financial results.

The 2L Notes are accounted for as a liability in the Company's consolidated balance sheets. The Company has made an irrevocable election to account for the 2L Notes under the fair value option in accordance with Accounting Standards Codification ("ASC") Topic 825, *Financial Instruments*, in lieu of bifurcating certain features in the Second Lien Note

Purchase Agreement. As such, the 2L Notes are initially recorded as a liability at estimated fair value and are subject to re-measurement at each balance sheet date with changes in fair value recognized in the Company's consolidated statements of operations.

As a result of the recurring fair value measurement, our financial statements and results of operations may materially fluctuate quarterly, based on factors which are outside of our control. Due to the recurring fair value measurement, we expect to recognize non-cash gains or losses each reporting period and the amount of such gains or losses could be material and variable.

The IPO Warrants are accounted for as liabilities and the changes in value of the IPO Warrants could have a material effect on our financial results.

The Company accounts for its outstanding Public Warrants and Private Placement Warrants assumed as part of the Business Combination transaction on June 16, 2021 between Wilco Holdco, Inc. and FAII (the "Business Combination") in accordance with the guidance contained in Accounting Standards Codification ASC Topic 815-40, "Derivatives and Hedging - Contracts on an Entity's Own Equity" Equity ("ASC 815-40"). As such, the IPO Warrants are accounted for as derivative liabilities and are subject to re-measurement at each balance sheet date. Changes in fair value are reported in earnings as a non-cash gain or loss in the Company's consolidated statements of operations.

As a result of the recurring fair value measurement, our financial statements and results of operations may materially fluctuate quarterly, based on factors which are outside of our control. Due to the recurring fair value measurement, we expect to recognize non-cash gains or losses on the IPO Warrants each reporting period and the amount of such gains or losses could be material and variable.

The Earnout Shares and Vesting Shares are accounted for as liabilities and the changes in value of these shares could have a material effect on our financial results.

We account for the potential Earnout Shares and the Vesting Shares as liabilities in accordance with the guidance in Accounting Standards Codification ASC Topic 480, "Distinguishing Liabilities from Equity," and ASC Topic 815-40, "Derivatives and Hedging—Hedging - Contracts on an Entity's Own Equity," which provide for the remeasurement of the fair value of such shares at each balance sheet date and changes in fair value are recognized in our consolidated statements of operations. As a result of the recurring fair value measurement, our financial statements and results of operations may materially fluctuate quarterly, based on factors which are outside of our control. Due to the recurring fair value measurement, we expect to recognize non-cash gains or losses each reporting period and the amount of such gains or losses could be material and variable.

During 2022 and 2021, we recognized impairments Impairments of our goodwill and/or other intangible assets which represent a significant portion of our total assets. Any further impairment charges may be material and have a material adverse effect on our business, financial condition, and results of operations.

As of December 31, 2022 December 31, 2023, we had \$286.5 million \$289.7 million of goodwill and \$246.6 million \$245.9 million of trade name and other intangible assets recorded on our consolidated balance sheet, excluding amounts reclassified as held for sale sheet. We test such assets for impairment at least annually on the first day of the fourth quarter of each year or on an interim basis whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Impairment may result from, among other things, increased attrition, adverse market conditions, adverse changes in applicable laws or regulations, including changes that affect the services we offer, lower visit volumes, lower revenue reimbursement rates, compressed operating margins and a variety of other factors. The amount of any quantified impairment must be expensed immediately as a charge to results of operations. Depending on future circumstances, it is possible that we may never realize the full value of our intangible assets.

In recent periods, we recognized impairments of our goodwill and other intangible assets, which represent a significant portion of our total assets. As the carrying amounts of goodwill and the Company's trade name indefinite-lived intangible asset were impaired as of December 31, 2022 and written down to fair value, those amounts are more susceptible to an impairment risk if there are unfavorable changes in assumptions and estimates. Further impairments of all or part of our goodwill or other identifiable assets may have a material adverse effect on our business, financial condition or results of operations. Refer to Part II, Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations* and Note 5 - *Goodwill, Trade Name and Other Intangible Assets* to our consolidated financial statements included in Part II, Item 8, of this Form 10-K for further discussion of our goodwill and intangible assets.

During 2022, the Company determined that factors primarily driven by potential changes in discount rates and decreases in share price constituted interim triggering events requiring further analysis with respect to potential impairments to goodwill and the trade name intangible asset. Accordingly, we performed interim quantitative impairment testing as of March 31, 2022, June 30, 2022, September 30, 2022 and December 31, 2022, and, as a result thereof, we recorded non-cash impairment charges in the line item goodwill, intangible and other asset impairment charges of \$486.3 million in the Company's consolidated statements of operations during the year ended December 31, 2022. Further impairments of all or part of our goodwill or other identifiable assets may have a material adverse effect on our business, financial condition or results of operations.

Fair value determinations require considerable judgment and are sensitive to changes in underlying assumptions, estimates and market factors. Estimating the fair value of the Company's reporting unit and the indefinite-lived intangible asset requires us to make assumptions and estimates regarding our future plans, as well as industry, economic and regulatory conditions. These assumptions and estimates include projected future revenue growth rates, EBITDA margins, terminal growth rates, discount rates, relevant market multiples, royalty rates and other market factors. If current expectations of future growth rates, margins and cash flows are not met, or if market factors outside of our control change significantly, then our reporting unit or the indefinite-lived intangible asset might become impaired in the future, negatively impacting our operating results and financial position. As the carrying amounts of the Company's goodwill and trade name indefinite-lived intangible asset were impaired during 2022, those amounts are more susceptible to an impairment

risk if there are unfavorable changes in assumptions and estimates. To the extent that business conditions deteriorate further, or if changes in key assumptions and estimates differ significantly from management's expectations, it may be necessary to record additional impairment charges in the future.

Our ability to utilize our net operating loss carryforwards and certain other tax attributes may be limited.

We have incurred significant cumulative net taxable losses in the past. Our deferred tax assets as of December 31, 2022 December 31, 2023 include federal net operating losses, or NOLs, of \$68.9 million \$77.8 million and state NOLs of \$35.5 million \$39.1 million. Our unused NOLs generally carry forward to offset future taxable income, if any, until such unused losses expire, if subject to expiration. The earliest net operating loss will expire by statute in 2023 2024 for state net operating losses, and in 2036 for federal net operating losses. We may be unable to use these NOLs to offset income before such unused NOLs expire.

In addition, if a corporation undergoes an "ownership change" (generally defined as a greater than 50 percentage-point cumulative change in the equity ownership of certain stockholders over a rolling three-year period) under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended (the "Code"), the corporation's ability to use its pre-change NOL carryforwards and other pre-change tax attributes to offset future taxable income or taxes may be limited. This limitation is based in part on the pre-change equity value of the corporation, with a lower equity value resulting in a lower and more severe limitation.

On June 15, 2023, we experienced an ownership change for purposes of Section 382 of the Internal Revenue Code of 1986, as amended. The net operating losses and interest expense carryovers in existence as of the date of the ownership change remain available to offset future taxable income during the carryforward periods based on limitations under Section 382. We may experience an additional "ownership change" as a result of future changes in our stock ownership (including the impact of issuance or conversion of new shares, or other transactions or events impacting our stock ownership), some of which changes may not be within our control. If we are unable to use NOL carryforwards before they expire or they become subject to limitation, it could have a material adverse effect on our business, financial condition and results of operations.

If we are unable to remediate the material weaknesses in our internal control over financial reporting related to income taxes, or if we identify additional experience material weaknesses in the future or otherwise fail to maintain an effective system of internal control over financial reporting, this may result in material misstatements of our consolidated financial statements or failure to meet our periodic reporting obligations.

We are required to produce consolidated financial statements in accordance with the requirements of U.S. GAAP. Effective internal controls are necessary for us to provide reliable financial reports and prevent fraud. A material weakness is We are required by federal securities laws to document and test our internal control procedures in order to satisfy the requirements of the Sarbanes-Oxley Act of 2002, which requires annual management assessments of the effectiveness of our internal control over financial reporting. As a deficiency, or a combination non-accelerated filer as defined by Rule 12b-2 of deficiencies, in the Exchange Act, our independent registered public accounting firm will not be required to issue an annual report that addresses the effectiveness of the Company's internal control over financial reporting such that there is pursuant to Section 404(b) of the Sarbanes-Oxley Act of 2002 until we are no longer a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. non-accelerated filer.

In connection We may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with the preparation of the Company's consolidated applicable law, or our independent registered public accounting firm may not be able to issue an unqualified attestation report if we conclude that our internal control over financial statements, reporting is not effective. We have found material weaknesses related to the income tax provision were identified in our internal control over financial reporting as of December 31, 2021. The Company did not design in the past and maintain an effective control environment commensurate with our financial reporting requirements as we did not maintain a sufficient complement of tax personnel with the appropriate mix of competent resources and financial reporting experience. Additionally, the Company did not design and maintain effective controls related to the income tax provision, including controls related to valuation allowances associated with the realizability of deferred tax assets.

The material weaknesses will not be considered remediated until management completes the remediation plan described in Part II, Item 9A of this Form 10-K, and the enhanced controls operate for a sufficient period of time and management has concluded, through testing, cannot assure that the related controls are effective. The Company will monitor the effectiveness of its remediation plan and will refine its remediation plan as appropriate.

If we identify any new material weaknesses in the future any such newly identified we will not find additional material weaknesses could limit weaknesses. If we fail to maintain effective internal control over financial reporting, or our ability to prevent or detect a misstatement of our accounts or disclosures that could result in a material misstatement of our annual or interim financial statements. In such case, we may be independent registered public accounting firm is unable to maintain compliance provide us with an unqualified attestation report on our internal control, we could be required to take costly and time-consuming corrective measures, be required to restate the affected historical financial statements, be subjected to investigations and/or sanctions by federal and state securities law requirements regarding timely filing regulators, and be subjected to civil lawsuits by security holders. Any of periodic reports in addition the foregoing could also cause investors to applicable stock exchange listing requirements, investors may lose confidence in our reported financial reporting information and in us and would likely result in a decline in the market price of our stock price may decline as a result. We cannot assure you that the measures we have taken and in our ability to date, or any measures we may take raise additional financing if needed in the future, will be sufficient to remediate the Company's material weaknesses related to income taxes or to avoid potential additional future material weaknesses in our internal controls over financial reporting. future.

Risks Relating to Ownership of Our Common Stock

Our stock price and trading volume may change significantly be volatile, which could result in rapid and you could substantial losses for our stockholders, who may lose all or part of your investment as a result. their investment.

The trading price of our Common Stock common stock is volatile. An active, liquid and orderly market for our common stock may not be sustained, which could depress the trading price of our common stock or cause it to be highly volatile or subject to wide fluctuations. You may not be able to resell your shares at an attractive price due to a number of factors such as those listed in "Risks Relating to Our Business and Industry" and the following:

- results of operations that vary from the expectations of securities analysts and investors;
- changes in expectations as to our future financial performance, including financial estimates and investment recommendations by securities analysts and investors or other unexpected adverse developments in our financial results, guidance or other forward-looking information, or industry, geographical or market sector trends;
- declines in the market prices of stocks generally;
- strategic actions by us or our competitors;
- announcements by us or our competitors of significant contracts, acquisitions, joint ventures, other strategic relationships or capital commitments;
- any significant change in our management;
- changes in general economic, **political** or market conditions or trends in our industry or markets;
- changes in business or regulatory conditions, including new laws or regulations or new interpretations of existing laws or regulations applicable to our business;

- future sales of our **Common Stock** common stock or other securities;
- investor perceptions or the investment opportunity associated with our **Common Stock** common stock relative to other investment alternatives;
- the public's response to press releases or other public announcements by us or third-parties, including

- our filings with the SEC;
- our liquidity position and the potential risks relating to refinancing, alternative liquidity arrangements or capital transactions;
- failure to comply with covenants related to our debt agreement or our Series A Senior Preferred Stock;
- litigation involving us, our industry, or both, or investigations by regulators into our operations or those of our competitors;
- guidance, if any, that we provide to the public, any changes in this guidance or our failure to meet this guidance;
- the development and sustainability of an active trading market for our stock;
- actions by institutional or activist stockholders;
- changes in accounting standards, policies, guidelines, interpretations or principles; and
- other events or factors, including those resulting from natural disasters, war, acts of terrorism, health pandemics or responses to these events.

These broad market and industry fluctuations may adversely affect the market price of our **Common Stock** common stock, regardless of our actual operating performance. In addition, price volatility may be greater if the public float and trading volume of our **Common Stock** common stock is low.

Because there are no current plans to pay cash dividends on our **Common Stock** common stock for the foreseeable future, you are unlikely to receive any return on investment unless you sell your **Common Stock** common stock for a price greater than that which you paid for it.

We intend to retain future earnings, if any, for future operations, expansion and debt repayment and there are no current plans to pay any cash dividends for the foreseeable future. The declaration, amount and payment of any future dividends on shares of our **Common Stock** common stock will be at the sole discretion of our Board. We have no direct operations and no significant assets other than our ownership of our subsidiaries from whom we will depend on for distributions, and whose ability to pay dividends may be limited by covenants of our current and any future indebtedness we or our subsidiaries incur. As a result, you are unlikely to receive any return on an investment in our **Common Stock** common stock unless you sell our **Common Stock** common stock for a price greater than that which you paid for it.

If securities analysts do not publish research or reports about our business or if they downgrade our stock or our sector, our stock price and trading volume could decline.

The trading market for our **Common Stock** common stock will rely in part on the research and reports that industry or financial analysts publish about us or our business. We will not control these analysts. In addition, some financial analysts may have limited expertise with our model and operations. Furthermore, if one or more of the analysts who do cover us downgrade our stock or industry, or the stock of any of our competitors, or publish inaccurate or unfavorable research about our business, the price of our stock could decline. If one or more of these analysts ceases coverage of us or fails to publish reports on us regularly, we could lose visibility in the market, which in turn could cause our stock price or trading volume to decline.

We are a smaller reporting company and a non-accelerated filer, and the reduced disclosure requirements available to us may make our common stock less attractive to investors.

Under the SEC rules, smaller reporting companies ("SRCs") may choose to comply with scaled financial and non-financial disclosure requirements in their annual and quarterly reports and registration statements relative to non-SRCs. In addition, companies that are not "accelerated filers" can take advantage of additional regulatory relief. Whether a company is an accelerated filer or a SRC is determined on an annual basis. As long as we qualify as a non-accelerated filer and/or a SRC, we will be permitted to and we intend to rely on some or all of the accommodations available to such companies. These accommodations include, but are not limited to:

- Not being required to provide an auditor's attestation of management's assessment of internal control over financial reporting required by Section 404(b) of the Sarbanes-Oxley Act;
- Reduced financial disclosure obligations, including that SRCs need only provide two years of financial statements rather than three years;
- Reduced non-financial disclosure obligations, including regarding the description of their business, management's discussion and analysis of financial condition and results of operations, market risk, executive compensation, transactions with related persons, and corporate governance; and
- Later deadlines for the filing of annual and quarterly reports compared to accelerated filers.

We will continue to qualify as a SRC and non-accelerated filer for so long as (a) our public float is less than \$75 million as of the last day of our most recently completed second fiscal quarter or (b) our public float is \$75 million or more but less than \$700 million and we reported annual revenues of less than \$100 million for our most recently completed fiscal year.

We may choose to take advantage of some, but not all, of the available accommodations. We cannot predict whether investors will find our common stock less attractive if we rely on these accommodations or if these accommodations will make it more challenging for investors to analyze our results of operations and financial prospects. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and the price of our common stock may be more volatile.

Future issuances or sales, or the perception of future issuances or sales, by us or our stockholders of Common Stock common stock or other voting securities or securities convertible into or exchangeable for our Common Stock common stock in the public market or otherwise could cause the market price for our Common Stock common stock to decline.

The issuance or sale of shares of **Common Stock** common stock or other voting securities or securities convertible into or exchangeable for shares of **Common Stock** common stock in the public market or otherwise, or the perception that such issuances or sales could occur, could harm the prevailing market price of shares of **Common Stock** common stock. These issuances or sales, or the possibility that these issuances or sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that the Company deems appropriate.

The **Common Stock** common stock reserved for future issuance under our equity incentive plans will become eligible for sale in the public market once those shares are issued, subject to provisions relating to various vesting agreements, lock-up agreements and, in some cases, limitations on volume and manner of sale applicable to affiliates under Rule 144. As of **December 31, 2022** December 31, 2023, the aggregate number of shares of **Common Stock** common stock reserved for future issuance under our equity incentive plans is **10.9** **0.2** million. The compensation committee of our Board may determine the exact number of shares to be reserved for future issuance under our equity incentive plans, **at its discretion, subject to shareholder approval**. We have filed a registration statement on Form S-8 under the Securities Act to register shares of **Common Stock** common stock issuable pursuant to our equity incentive plans and, accordingly, such shares are available for sale in the open market.

In addition, the exchange of some or all of the Second Lien PIK Exchangeable Notes that may be issued in the future as contemplated by the TSA would dilute the ownership interests and voting rights of the Company's existing stockholders, as we would be required to deliver shares of **Common Stock** to the exchanging noteholders with respect to any principal upon exchange of any of the Second Lien PIK Exchangeable Notes. Pursuant to the TSA, when issued, the Second Lien PIK Exchangeable Notes would be exchangeable at the option of their holders prior to their maturity. Prior to any such exchange, the holders of the Second Lien PIK Exchangeable Notes would have the right to vote on corporate

matter on an as-exchanged basis. Any sales in the public market of the shares of Common Stock issuable upon such exchange could adversely affect prevailing market prices of our Common Stock. In addition, the anticipated exchange of the Second Lien PIK Exchangeable Notes into shares of our Common Stock could depress the price of our Common Stock. There is no assurance that the transactions contemplated by the TSA will be consummated on the terms as described above, on a timely basis or at all.

In the future, we may also issue our securities in connection with investments or acquisitions. The amount of shares of Common Stock common stock issued in connection with an investment or acquisition could constitute a material portion of our then-outstanding shares of Common Stock common stock. Any issuance of additional securities in connection with investments or acquisitions may result in additional dilution to ATI's stockholders.

The 2L Notes are convertible into common stock, and the conversion of our 2L Notes into common stock would dilute the ownership interest of our existing stockholders and may adversely affect our stock price.

We may redeem unexpired IPO Warrants prior to their exercise at a time that is disadvantageous Pursuant to the warrantholders, thereby making such warrantholders' warrants worthless.

We have the ability to redeem outstanding IPO Warrants prior to their expiration, at a price of \$0.01 per warrant, provided that the last reported sales price terms of the Common Stock equals Second Lien Note Purchase Agreement, holders of the 2L Notes may convert their 2L Notes into common stock at their option. Additionally, on or exceeds \$18.00 per share for any 20 trading days within after June 15, 2025 and subject to certain conditions, the Company may, at its option, elect to convert (a "Forced Conversion") a 30 trading-day period ending on the third trading day prior to the date we give notice of redemption. Redemption portion of the outstanding IPO Warrants could force warrantholders to (i) exercise 2L Notes into the IPO Warrants and pay the exercise price therefor at a time when it may be disadvantageous to do so, (ii) sell the IPO Warrants at the then-current market price when the warrantholder might otherwise wish to hold onto such IPO Warrants or (iii) accept the nominal redemption price which, at the time the outstanding IPO Warrants are called for redemption, is likely to be substantially less than the market value of the IPO Warrants. None of the Private Placement Warrants will be redeemable by us so long as they are held by their initial purchasers or their permitted transferees.

In addition, we may redeem the IPO Warrants after they become exercisable for a number of shares of Common Stock determined common stock based on the redemption date and the fair market value Conversion Price then in effect. Any issuance by us of our Common Stock. Any common stock upon conversion of our 2L Notes will dilute the ownership interest of our existing stockholders and could have a dilutive effect on our earnings per share. Furthermore, any sales in the public market of our common stock issuable upon conversion of the 2L Notes could adversely affect prevailing market prices of our common stock.

The Series B Preferred Stock stapled to the 2L Notes provide voting rights which will dilute the voting interests of our existing stockholders.

Pursuant to the terms of the Second Lien Note Purchase Agreement, the Series B Preferred Stock represent voting rights only, with the number of votes being equal to the number of shares of common stock that each share of Series B Preferred Stock is assumed convertible for at a conversion price of \$12.87 per share (the "Voting Rights Conversion Price"). As a result, the voting rights associated with the Series B Preferred Stock will dilute the voting interests of our existing stockholders, for as long as such redemption may have similar consequences to a cash redemption described above. shares of Series B Preferred Stock remain outstanding.

If we are unable to maintain compliance with New York Stock Exchange ("NYSE") NYSE listing standards, our securities may be delisted, which could negatively impact the price of our securities and your ability to sell them.

In order to maintain our listing on the NYSE, we are required to comply with certain rules and listing standards of the NYSE, including those regarding minimum stockholders' equity, minimum share price, minimum market value of publicly held shares and various additional requirements. The NYSE has previously notified the Company that, due to the average closing price of the Company's Common Stock, common stock, it was below the trading price criteria of the exchange. NYSE. The notice has had no immediate impact on the listing of the Company's Common Stock common stock on the NYSE, subject to the Company's compliance with the NYSE's other continued listing requirements. The Company has submitted a plan of compliance to the NYSE addressing how we intend intended to regain compliance.

In connection with regaining compliance, on June 14, 2023, the Company effected the Reverse Stock Split. The Reverse Stock Split was approved by the Company's stockholders at the Company's 2023 Annual Meeting of Stockholders held on June 13, 2023, and the final reverse split ratio was subsequently approved by the Company's board of directors on June 14, 2023. The Company's common stock commenced trading on a reverse split-adjusted basis on June 15, 2023. On August 1, 2023, we were notified by the NYSE that the calculation of the Company's average stock price for the 30 trading days ended July 31, 2023, indicated that the Company's average stock price was above the NYSE's minimum requirement of \$1. The Company is no longer considered below the minimum share price continued listing criterion. The Reverse Stock Split may adversely affect the liquidity of the shares of our common stock given the reduced number of shares outstanding following the reverse split, especially if the reverse split-adjusted market price of our common stock does not generate greater investor interest. Furthermore, there can be no assurance that such reverse split will continue to be sufficient to satisfy the minimum share price requirement.

On June 28, 2023, the NYSE notified the Company that, due to the Company's average market capitalization, it was below the minimum market capitalization criteria of the exchange. The notice had no immediate impact on the listing of the Company's common stock on the NYSE, subject to the Company's compliance with the NYSE's other continued listing requirements. In accordance with applicable NYSE procedures, the Company submitted a plan of compliance (the "Plan") advising the NYSE of the definitive action(s) the Company has taken, or is taking, that would bring it into compliance with the continued listing standards within the 18 months of receipt of the notice. The NYSE reviewed and accepted the Plan as a reasonable demonstration of an ability to conform to the relevant standards in the 18-month period. The Company's common stock will continue to be listed and traded on the NYSE during the 18-month period, subject to the Company's compliance with the other continued listing standards of the NYSE and continued periodic review by the NYSE of the Company's progress with respect to its Plan. There can be no assurance that the Company will be able to meet its goals set forth in the Plan.

If we are unable to satisfy the NYSE rules and listing standards, or are unable to make progress on our plan of compliance, Plan, our securities could be subject to delisting.

If the NYSE were to delist our securities from trading, we could face significant consequences, **including**: including, but not limited to, the following:

- a limited availability for market quotations for our securities;
- reduced liquidity with respect to our securities;
- a determination that our **Common Stock** common stock is a "penny stock," which will require brokers trading in our **Common Stock** common stock to adhere to more stringent rules and possibly result in a reduced level of trading activity in the secondary trading market for our **Common Stock**; common stock;
- limited amount of news and analyst coverage; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

Anti-takeover provisions in our organizational documents could delay or prevent a change of control.

Certain provisions of our **Second** **Third** Amended and Restated Certificate of Incorporation, **as amended**, and our Amended and Restated Bylaws may have an anti-takeover effect and may delay, defer or prevent a merger, acquisition, tender offer, takeover attempt or other change of control transaction deemed undesirable by our Board that a stockholder might consider in its best interest, including those attempts that might result in a premium over the market price for the shares held by our stockholders.

These provisions provide for, among other things:

- there is no cumulative voting with respect to the election of our Board;
- **the division of our Board into three classes, with only one class of directors being elected in each year;**
- the ability of our Board to issue one or more series of preferred stock;
- advance notice for nominations of directors by stockholders and for stockholders to include matters to be considered at our annual meetings;
- certain limitations on convening special stockholder meetings;
- limiting the ability of stockholders to act by written consent;
- the ability of our Board to fill a vacancy created by the expansion of our Board or the resignation, death or removal of a director in certain circumstances;
- providing that our Board is expressly authorized to adopt, amend, alter or repeal our bylaws;
- the removal of directors only for cause; and
- that certain provisions may be amended only by the affirmative vote of at least 65% (for amendments to the indemnification provisions) or 66.7% (for amendments to the provisions relating to the board of directors) of the shares of our **Common Stock** common stock entitled to vote generally in the election of our directors.

These anti-takeover provisions could make it more difficult for a third-party to acquire us, even if the third-party's offer may be considered beneficial by many of our stockholders. As a result, our stockholders may be limited in their ability to obtain a premium for their shares. These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors of your choosing and to cause us to take other corporate actions you desire. In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law ("DGCL"), which generally prohibits a Delaware corporation from engaging in any of a broad range of business combinations with any "interested" stockholder for a period of three years following the date on which the stockholder became an "interested" stockholder.

Our Amended and Restated Bylaws designate the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our

directors, officers, employees or stockholders.

Our Amended and Restated Bylaws provide that, subject to limited exceptions, any (i) derivative action or proceeding brought on our behalf, (ii) action asserting a claim of breach of a fiduciary duty owed by any director, officer, stockholder or employee to us or our stockholders, (iii) action asserting a claim arising pursuant to any provision of the DGCL, our **Second** **Third** Amended and Restated Certificate of Incorporation, **as amended**, or our Amended and Restated Bylaws or (iv) action asserting a claim governed by the internal affairs doctrine shall, to the fullest extent permitted by law, be exclusively brought in the Court of Chancery of the State of Delaware ("Delaware Court of Chancery" or the "Court of Chancery") or, if such court does not have subject matter jurisdiction thereof, another state or federal court located within the State of Delaware. Our Amended and Restated Bylaws also provide that, to the fullest extent permitted by law, the federal district courts of the United States will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock shall be deemed to have notice of and to have consented to the provisions of the Amended and Restated Bylaws described above. This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and employees. This exclusive forum provision does not apply to claims under the Exchange Act but does apply to other state and federal law claims including actions arising under the Securities Act. Section 22 of the Securities Act, however, creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. Accordingly, there is uncertainty as to whether a court would enforce such a forum selection provision as written in connection with claims arising under the Securities Act, and investors cannot waive compliance with the federal securities laws and the rules and regulations thereunder. If a court were to find these provisions of our Amended and Restated Bylaws inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business and financial condition.

A recent decision The Preferred Equityholders as a group have significant influence over us.

When considering the voting rights associated with the Series B Preferred Stock attached to the 2L Notes issued as part of the **Delaware Court of Chancery may create uncertainty regarding 2023 Debt Restructuring**, the **validity of some Preferred Equityholders as a group own more than 50.0%** of our **authorized and issued shares of Common Stock**.

On March 2, 2023, we filed a petition in common stock votes. The Preferred Equityholders also have the **Delaware Court of Chancery pursuant ability to Section 205 of convert their 2L Notes into common stock**, which could lead to the **DGCL, seeking validation of group owning an amendment to our certificate of incorporation increasing the authorized shares even greater percentage of our Class A Common Stock (as further described below) and common stock. Furthermore, the shares issued pursuant thereto.**

At a special Company's Board of Directors will be fully declassified commencing with the 2024 annual meeting of the stockholders **and all directors will be elected annually by the Company held on June 15, 2021 (the "Special Meeting")**, a majority of the then-outstanding shares of the Company's Class A Common Stock and Class F Common Stock, voting together as a single class, voted to approve the Company's Second Amended and Restated Certificate of Incorporation, which, among other things, increased the authorized shares of the Company's Class A Common Stock from 200,000,000 shares to 450,000,000 shares (the "Class A Increase Amendment"). Notwithstanding the fact that the proxy statement relating to the Special Meeting did not disclose that a separate vote of the Class A Common Stock was required, a majority of the then-outstanding shares of Class A Common Stock voted in favor of the Class A Increase Amendment. 2025 annual meeting.

A recent decision of the Court of Chancery has created uncertainty regarding the validity of the Class A Increase Amendment and whether a separate vote of the majority of the then-outstanding shares of Class A Common Stock would have been required under Section 242(b)(2) of the DGCL.

The Company continues to believe that a separate vote of Class A Common Stock was not required to approve the Class A Increase Amendment. However, in light of the recent Court of Chancery decision, the Company filed a petition in the Court of Chancery pursuant to Section 205 of the DGCL seeking validation of the Class A Increase Amendment and the shares issued pursuant thereto to resolve any uncertainty with respect to those matters. Section 205 of the DGCL permits the Court of Chancery, in its discretion, to validate potentially defective corporate acts and stock after considering a variety of factors.

While the Company believes that a separate vote of Class A Common Stock was not required to approve the Class A Increase Amendment at the Special Meeting, and therefore that all of the currently outstanding shares of Class A Common Stock of the Company are validly issued, if the Company is not successful in the Section 205 proceeding, the uncertainty with respect to the Company's capitalization resulting from the Court of Chancery's decision referenced above could have a material adverse effect on the Company, including its ability to complete financing transactions, until the underlying issues are definitively resolved.

On March 3, 2023, the Court of Chancery granted the motion to expedite and set a hearing date for the petition to be heard. The hearing has been set for March 17, 2023.

As a "controlled company" within the meaning of NYSE listing standards, we qualify for exemptions from certain corporate governance requirements. We have the opportunity to elect any of the exemptions afforded a controlled company.

Because Advent International Corporation ("Advent") controls more than a majority of our total voting power, we are a "controlled company" within the meaning of NYSE Listing Standards. Under NYSE rules, a company of which more than 50% of the voting power is held by another person or group of persons acting together is a "controlled company" and may elect not to comply with the following NYSE rules regarding corporate governance:

- the requirement that a majority of its board of directors consist of independent directors;
- the requirement that compensation of its executive officers be determined by a majority of the independent directors of the board or a compensation committee comprised solely of independent directors with a written charter addressing the committee's purpose and responsibilities; and
- the requirement that director nominees be selected, or recommended for the board's selection, either by a majority of the independent directors of the board or a nominating committee comprised solely of independent directors with a written charter addressing the committee's purpose and responsibilities.

We are utilizing the benefits of a controlled company currently but remain subject to and comply with the requirements that our independent directors hold regular executive sessions and that our audit committee consists entirely of independent directors.

Advent has significant influence over us.

As of December 31, 2022, Advent beneficially owns approximately 56.1% of our Common Stock. As long as Advent owns the Preferred Equityholders own or controls control a significant percentage of our outstanding voting power, *it they* will have the ability to significantly influence all corporate actions requiring stockholder approval, including the election and removal of directors and the size of our Board, any amendment to our certificate of incorporation or bylaws, or the approval of any merger or other significant corporate transaction, including a sale of substantially all of our assets. Advent's assets, subject to any applicable restrictions set forth in the Company's 2022 Credit Agreement. The Preferred Equityholders influence over our management could have the effect of delaying or preventing a change in control or otherwise discouraging a potential acquirer from attempting to obtain control of us, which could cause the market price of our Common Stock common stock to decline or prevent stockholders from realizing a premium over the market price for our Common Stock common stock.

Advent's

The Preferred Equityholders' interests may not align with our interests as a company or the interests of our other stockholders. Accordingly, Advent the Preferred Equityholders could cause us to enter into transactions or agreements of which other stockholders would not approve or make decisions with which other stockholders would disagree. Further, Advent is in the business of making investments in companies and may acquire and hold interests in businesses that compete directly or indirectly with us. Advent may also pursue acquisition opportunities that may be complementary to our business, and, as a result, those acquisition opportunities may not be available to us. In recognition that partners, members, directors, employees, stockholders, agents and successors of Advent and its successors and affiliates and any of their respective managed investment funds and portfolio companies may serve as our directors or officers, the Second Amended and Restated Certificate of Incorporation provides, among other things, that none of Advent or any partners, members, directors, employees, stockholders, agents or successors of Advent and its successors and affiliates and any of their respective managed investment funds and portfolio companies has any duty to refrain from engaging directly or indirectly in the same or similar business activities or lines of business that we do (except as otherwise expressly provided in any agreement entered into between us and such exempted person). In the event that any of these persons or entities acquires knowledge of a potential transaction or matter which may be a corporate opportunity for itself and us, we will not have any expectancy in such corporate opportunity, and these persons and entities will not have any duty to communicate or offer such corporate opportunity to us and may pursue or acquire such corporate opportunity for themselves or direct such opportunity to another person. These potential conflicts of interest could have a material adverse effect on our business, financial condition and results of operations if, among other things, attractive corporate opportunities are allocated by Advent the Preferred Equityholders to themselves or their other affiliates.

If the Series A Senior Preferred Stock were to be redeemed, it may not be economically favorable to the Company and may lead to material adverse consequences for the Company and its other stakeholders.

The Company has the right to redeem the Series A Senior Preferred Stock, in whole or in part, at any time (subject to certain limitations on partial redemptions). Based on the voting rights associated with the Series B Preferred Stock attached to the 2L Notes issued as part of the 2023 Debt Restructuring, the Company determined that redemption of the Series A Senior Preferred Stock is no longer solely within the control of the Company. If the Series A Senior Preferred Stock were to be redeemed prior to certain dates, the Company would have to pay certain redemption price premiums related to early redemption, which could be greater than the stated value, may not be economically favorable to the Company and may lead to material adverse consequences for the Company or its other stakeholders.

There is currently no market for our Series I Warrants and Series II Warrants and a market for our Series I Warrants and Series II Warrants may not develop, which would adversely affect the liquidity and price of our Series I Warrants and Series II Warrants.

Our Series I Warrants and Series II Warrants are not listed or traded on any stock exchange and there is currently no market for our Series I Warrants and Series II Warrants. Warrantholders therefore have no access to trading price or volume information about prior market history on which to base their investment decision. Furthermore, an active trading market for our Series I Warrants and Series II Warrants may never develop or, if developed, it may not be sustained. You may be unable to sell your Series I Warrants and Series II Warrants unless a market can be established and sustained.

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cybersecurity

Cybersecurity remains a high priority for the Company, and we have made investments over the past several years to enhance our cybersecurity program, capabilities, and posture. We utilize a holistic approach to assess, identify, and manage cybersecurity risk including but not limited to the following approaches:

Layered defense and monitoring: we utilize a layered defense approach to help protect the Company's computer systems, network, and data. This approach is combined with 24x7 monitoring and analysis of security logging and alerting along with incident response processes.

Threat intelligence and industry collaboration: we leverage multiple threat intelligence sources including the health and retail information sharing and analysis centers ("ISACs"), key security vendor partners, and other sources. We also collaborate with other cyber leaders, teams, and vendor partners to discuss leading practices, mitigation strategies to address emerging industry cyber threats, and to share relevant cyber information.

Cybersecurity awareness: we use multiple approaches to help develop a culture of cybersecurity awareness in the Company. This includes annual cybersecurity training within the Company's annual employee compliance training, cyber related security bulletins, tips, and communications, and simulated email phishing tests for employees.

External and third-party assessments: we leverage external parties to conduct periodic assessments of the Company's cybersecurity posture including cybersecurity penetration testing. We also assess the cybersecurity risk of key third-parties and vendors during the vendor evaluation process and as an ongoing monitoring activity.

Integration with enterprise risk management: we utilize an enterprise risk management process which considers cybersecurity risk along with other key risks to the Company. As part of the enterprise risk management process, the Company conducts periodic risk ranking exercises including input from the Board of Directors, the Executive Leadership Team, and other leaders in the Company to evaluate key enterprise risks. The Company's enterprise risk management process resides within the legal and compliance department which is led by our Chief Legal Officer ("CLO") and who reports to our Chief Executive Officer ("CEO").

The Company's cybersecurity function resides within the information technology department which is led by our Chief Information Officer ("CIO") and who reports to our CEO. The Company's cybersecurity function is led by our Chief Information Security Officer ("CISO") who reports to the CIO and who also works closely with the Company's executive leadership team and senior management team. Our CISO has over 20 years of combined experience with cybersecurity and information technology, has been with the Company for more than five years, and has previous experience working with large public and private companies. Our cybersecurity team includes broad experience and expertise in the area of cybersecurity and information technology.

Our CIO and CISO provide information technology and cybersecurity updates to the Company's Audit Committee which has oversight for enterprise risks including cybersecurity. Our legal and compliance department also provides updates on enterprise risks to the Audit Committee. These information technology, cybersecurity, and enterprise risk updates typically occur four times per year in conjunction with the quarterly board and committee meeting process. Our CISO also provides periodic cybersecurity updates and cybersecurity tabletop practice exercises with the Board of Directors and executive leadership team. A cybersecurity executive debrief is also shared on a quarterly basis with the Company's executive leadership team, senior management team, senior clinic leaders, the information technology department, and other key leaders.

We are not aware of any cybersecurity incidents that have materially affected or that are reasonably likely to materially affect our business strategy, results of operations, or financial condition. The Company faces risk from future potential cyber-attacks which, if significant, could have a material impact to business strategy, results of operations, financial condition, or reputation. Please see Part I, Item 1A. *Risk Factors* for additional discussion of Company risks.

Item 2. Properties

As of December 31, 2022 December 31, 2023, we have 923 896 clinics located in 24 states (as well as 2018 clinics under management service agreements) located in 25 states. We lease all of the properties used for our clinics under operating leases with initial lease terms typically ranging from seven (7) to ten (10) years with options to renew. We intend to lease the premises for any new clinic locations. Our typical clinic occupies approximately 1,000 to 5,000 square feet.

We also lease our executive offices located in Bolingbrook, Illinois, under an operating lease expiring in December 2032. We currently lease approximately 135,000 square feet of space at our corporate offices. In December 2023, we entered into an agreement to sublease a portion of the office space effective on January 1, 2024 and the entire office space effective on January 1, 2025.

Item 3. Legal Proceedings

From time to time, the Company may be involved in legal proceedings or subject to claims arising in the ordinary course of business. The outcome of any litigation and claims against the Company cannot be predicted with certainty, and the resolution of these matters could materially affect our future results of operations, cash flows, or financial condition. Refer to Note 1817 - *Commitments and Contingencies* in the consolidated financial statements included in Part II, Item 8, of this Form 10-K for further details.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information and Holders

Our Class A common stock and Public Warrants are currently listed on the New York Stock Exchange ("NYSE") under the symbols "ATIP" and "ATIP WS, symbol "ATIP." respectively. As of **March 6, 2023** **February 19, 2024**, there were approximately **229,254** holders of record of our outstanding common stock.

Dividends

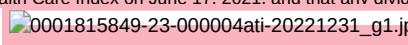
We have not paid any cash dividends on our Class A common stock to date. We currently intend to retain any future earnings to finance the operations of our business and do not expect to pay any dividends in the foreseeable future. Any decision to declare and pay dividends in the future will be made at the discretion of our board of directors, and will depend upon our results of operations, financial condition, capital requirements and other factors that our board of directors may deem relevant. In addition, our ability to pay dividends may be limited by covenants of any existing and future outstanding indebtedness we or our subsidiaries incur.

Securities Authorized for Issuance Under Equity Compensation Plans

Refer to Note 10 - *Share-Based Compensation* in the consolidated financial statements for information regarding securities authorized for issuance under our equity compensation plans.

Stock Performance Graph

The following graph compares the cumulative total return to stockholders from the closing price on June 17, 2021 (the date our Class A common stock began trading on the NYSE following the Business Combination) through December 31, 2022, relative to the performance plans is set forth in Item 12 of the NYSE Composite Index this Form 10-K and the NYSE Health Care Index. The stock performance graph assumes \$100 was invested in our Class A common stock and the common stock of each of the companies listed on the NYSE Composite Index and the NYSE Health Care Index on June 17, 2021, and that any dividends were reinvested.

 0001815849-23-000004ati-20221231_g1.jpg is incorporated herein by reference.

Recent Sales of Unregistered Securities

On February 24, 2022, the Company entered into a Series A Senior Preferred Stock Purchase Agreement with the purchasers signatory thereto, including funds affiliated with Knighthead Capital Management, LLC (the "Investors"), pursuant to which the Investors purchased from the Company, in the aggregate, 165,000 shares of Series A Senior Preferred Stock with an initial stated value of \$1,000 per share, or \$165,000,000 of stated value in the aggregate, and warrants to purchase up to 11,498,401 shares of common stock of the Company, for an aggregate purchase price of \$163,350,000 ("Preferred Stock Financing Proceeds"). Each warrant entitles the holder to purchase one share of None, other than as previously disclosed on the Company's Class A common stock. The warrants are exercisable within 5 years from issuance. The strike price is \$3.00 per share for 5,226,546 of the issued warrants, and the strike price is \$0.01 per share for 6,271,855 of the issued warrants. The Preferred Stock Financing Proceeds reflected an original issue discount of 1.0% of the stated value of the Series A Senior Preferred Stock. The Company used the Preferred Stock Financing Proceeds to refinance a portion of its existing indebtedness for borrowed money of the Company and its applicable subsidiaries, with remaining cash to the Company's balance sheet. The Series A Senior Preferred Stock and warrants were not registered under the Securities Act, and were issued in reliance Current Reports on the exemption from registration requirements thereof provided by Section 4(a) (2) of the Securities Act and/or Regulation D promulgated thereunder as a transaction by an issuer not involving a public offering without any form of general solicitation or general advertising.

Form 8-K.

Issuer Purchases of Equity Securities

During the three months ended **December 31, 2022** **December 31, 2023**, the Company withheld shares of our common stock in connection with employee minimum statutory tax withholding obligations payable upon the vesting of restricted stock, as follows:

	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid Per Share	Total Number of Shares Purchased		Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
			as Part of Publicly Announced Plans or Programs	Plans or Programs	
October 1 - October 31, 2022	—	\$ —	—	—	—
November 1 - November 30, 2022	17,406	\$ 0.51	—	—	—
December 1 - December 31, 2022	4,130	\$ 0.31	—	—	—
Total	21,536	\$ 0.47	—	—	—

	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid Per Share	Total Number of Shares Purchased		Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
			as Part of Publicly Announced Plans or Programs	Plans or Programs	
October 1 - October 31, 2023	—	\$ —	—	—	—

November 1 - November 30, 2023	215	\$ 7.40	—	—
December 1 - December 31, 2023	89	\$ 6.79	—	—
Total	304	\$ 7.22	—	—

(a) Represents shares delivered to or withheld by us in connection with employee minimum tax withholding obligations upon exercise or vesting of stock awards. No shares were purchased in the open market pursuant to a repurchase program.

Item 6. [Reserved]

Not applicable.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of ATI Physical Therapy, Inc. and its subsidiaries (herein referred to as "we," "us," "the Company," "our Company," "ATI," or "ATI" "ATIP") should be read in conjunction with the Company's consolidated financial statements and related notes thereto included elsewhere in this Annual Report. For management's discussion and analysis on the Company's financial condition and results of operations for the year ended December 31, 2021 compared to the year ended December 31, 2020, refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Annual Report on Form 10-K filed with the SEC on March 1, 2022.

We make statements in this discussion that are forward-looking and involve risks and uncertainties. These statements contain forward-looking information relating to the financial condition, results of operations, plans, objectives, future performance and business of the Company. The forward-looking statements are based on our current views and assumptions, and actual results could differ materially from those anticipated in such forward-looking statements due to factors including, but not limited to, those discussed under "Cautionary Note Regarding Forward-Looking Statements" and Part I, Item 1A. "Risk Factors."

Many factors are beyond our control. Given these uncertainties, you should not place undue reliance on our forward-looking statements. Our forward-looking statements represent our estimates and assumptions only as of the date of this Annual Report. Except as required by law, we are under no obligation to update any forward-looking statement, regardless of the reason the statement may no longer be accurate.

Certain amounts in this Management's Discussion and Analysis may not add due to rounding. All percentages have been calculated using unrounded amounts for the years ended December 31, 2022, 2021 December 31, 2023 and 2020 2022.

All dollar amounts are presented in thousands, unless indicated otherwise.

Company Overview

We are a nationally recognized outpatient physical therapy provider in the United States specializing in outpatient rehabilitation and adjacent healthcare services, with 923 896 clinics located in 24 states (as well as 20 18 clinics under management service agreements) located in 25 states as of December 31, 2022 December 31, 2023. We operate with a commitment to providing our patients, medical provider partners, payors and employers with evidence-based, patient-centric care.

We offer a variety of services within our clinics, including physical therapy to treat spine, shoulder, knee and neck injuries or pain; work injury rehabilitation services, including work conditioning and work hardening; hand therapy; and other specialized treatment services. Our Company's team of professionals is dedicated to helping return patients to optimal physical health.

Physical therapy patients receive team-based care, leading-edge standardized techniques and individualized treatment plans in an encouraging environment. To achieve optimal results, we use an extensive array of techniques including therapeutic exercise, manual therapy and strength training, among others. Our physical therapy model aims to deliver optimized outcomes and time to recovery for patients, insights and service satisfaction for referring providers and predictable costs and measurable value for payors.

In addition to providing services to physical therapy patients at outpatient rehabilitation clinics, we provide services through our ATI Worksite Solutions ("AWS") program, Management Service Agreements ("MSA") and Sports Medicine arrangements. AWS provides an on-site team of healthcare professionals at employer worksites to promote work-related injury prevention, facilitate expedient and appropriate return-to-work follow-up and maintain the health and well-being of the workforce. Our MSA arrangements typically include the Company providing management and physical therapy-related services to physician-owned physical therapy clinics. Sports Medicine arrangements provide certified healthcare professionals to various schools, universities and other institutions to perform on-site physical therapy and rehabilitation services.

Appointment of Chief Executive Officer 2023 Debt Restructuring Transaction

On April 28, 2022 June 15, 2023 (the "Closing Date"), the Company appointed Sharon Vitti as its Chief Executive Officer and completed a transaction to improve the Company's liquidity (the "2023 Debt Restructuring"). On the Closing Date, certain previously executed agreements became effective, including (i) Amendment No. 2 to the Board of Directors. Ms. Vitti has 30 years of healthcare experience, including nearly two decades of executive leadership Credit Agreement, (ii) a Second Lien Note Purchase Agreement and (iii) certain other definitive agreements relating to the 2023 Debt Restructuring (such documents referred to collectively as the "Signing Date Definitive Documents"). Refer to Note 8 - Borrowings in clinical and consumer-focused healthcare companies. the consolidated financial statements for further details.

In connection with Ms. Vitti's appointment, John (Jack) Larsen stepped down as Executive Chairman of the Company, effective April 28, 2022 and continued in his role as Chairman of the Board of the Company. Mr. Larsen was appointed Executive Chairman of the Company on August 9, 2021. In addition, effective April 28, 2022, John (Jack) Larsen, Joseph Jordan, the Company's Chief Financial Officer, and Ray Wahl, the Company's former Chief Operating Officer, no longer fulfilled the role of Principal Executive Officer. Reverse Stock Split

Recent changes in company leadership

Effective July 8, 2022, Joe Zavalishin, Chief Development Officer, resigned from the Company. The Company and Mr. Zavalishin entered into a mutual release pursuant to which Mr. Zavalishin is eligible for the payments and benefits in accordance with his employment agreement.

Effective August 29, 2022 On June 14, 2023, the Company appointed Emile Tansey effected a one-for-fifty (1-for-50) reverse stock split of its Class A common stock (the "Reverse Stock Split"). The Reverse Stock Split was approved by the Company's stockholders at the Company's 2023 Annual Meeting of Stockholders held on June 13, 2023, and the final reverse split ratio was subsequently approved by the Company's board of directors on June 14, 2023. The Company's common stock commenced trading on a reverse split-adjusted basis on June 15, 2023.

As a result of the Reverse Stock Split, every fifty (50) shares of common stock either issued and outstanding or held as treasury stock were combined into one new share of experience in human resources and operations, including more than 15 years in leadership and executive roles.

Effective November 4, 2022, Diana Chafey, Chief Legal Officer and Corporate Secretary, resigned common stock. Any fractional shares of common stock resulting from the Company. The Company appointed Erik Kantz Reverse Stock Split were rounded up to the nearest whole share. All outstanding securities entitling their holders to purchase or acquire shares of common stock, including stock options, warrants, Earnout Shares, Vesting Shares and shares of common stock subject to vesting were adjusted as the Company's Chief Legal Officer and Corporate Secretary effective November 4, 2022. Mr. Kantz previously served as Vice President and Deputy General Counsel a result of the Company, and has over 20 years Reverse Stock Split, as required by the terms of experience in corporate and securities law.

Effective December 16, 2022, Ray Wahl, Chief Operating Officer, resigned from those securities. The Reverse Stock Split did not change the Company. The Company and Mr. Wahl entered into a mutual release pursuant to which Mr. Wahl is eligible par value of the common stock or the number of shares authorized for the payments and benefits in accordance with his employment agreement. The Company appointed Chris Cox as the Company's Chief Operating Officer effective December 16, 2022. Mr. Cox has nearly 15 years of progressively higher-level leadership positions in the healthcare industry.

Effective January 3, 2023, the Company appointed Scott Gregerson as the Company's Chief Growth Officer. Mr. Gregerson has 20 years of healthcare experience including chief executive, presidential and vice-presidential roles in which he developed and led strategic business development and growth, often connecting large-scale provider groups with hospital and health systems.

issuance.

2022 Debt Refinancing and Preferred Stock Financing

On February 24, 2022, the Company entered into various financing arrangements to refinance its existing previous long-term debt (the "2022 Debt Refinancing"). The Company entered into a new the 2022 Credit Agreement (as defined in Note 8) which is comprised of a senior secured term loan which matures on February 24, 2028, and a "super priority" senior secured revolver, which matures on February 24, 2027. Refer to Note 8 - Borrowings in the consolidated financial statements for further details.

In connection with the 2022 Debt Refinancing, the Company issued shares of non-convertible preferred stock and warrants to purchase shares of the Company's common stock. stock (the "Preferred Stock Financing"). Refer to Note 11 - Mezzanine and Stockholders' Equity in the consolidated financial statements for further details.

The Business Combination

On June 16, 2021 (the "Closing Date"), a Business Combination transaction (the "Business Combination") was finalized pursuant to the Agreement and Plan of Merger ("Merger Agreement"), dated February 21, 2021 between the operating company, Wilco Holdco, Inc. ("Wilco Holdco"), and Fortress Value Acquisition Corp. II (herein referred to as "FVIC" and "FVAC"), a special purpose acquisition company. In connection with the closing of the Business Combination, the Company changed its name from Fortress Value Acquisition Corp. II to ATI Physical Therapy, Inc. The Business Combination was accounted for as a reverse recapitalization in accordance with U.S. generally accepted accounting principles ("GAAP"). The Company's common stock is listed on the New York Stock Exchange ("NYSE") under the symbol "ATIP." Refer to Note 3 - Business Combinations and Divestitures in the consolidated financial statements for further details.

Home Health divestiture

On October 1, 2021, the Company divested its Home Health service line for a sale price of \$7.3 million. The major classes of assets and liabilities associated with the Home Health service line consisted predominantly of accounts receivable, accrued expenses and other liabilities which were not material.

2021 acquisitions

During the fourth quarter of 2021, the Company completed 3 acquisitions consisting of 7 total clinics. The Company paid approximately \$4.5 million in cash and \$1.4 million in future payment consideration, subject to certain time or performance conditions set out in the purchase agreements, to complete the acquisitions.

Trends and Factors Affecting the Company's Future Performance and Comparability of Results

During 2022, 2023, we observed the following trends in our operations:

- Improved referral and patient visit volumes relative to the comparative periods in 2021 2022, primarily driven by higher clinician productivity and relative to volume softness experienced during the beginning of 2022 which was driven, in part, by an increase in COVID-19 cases due to the outbreak of additional variants. staffing.
- A continued improvements in hiring and retention in what has been a tight labor market for available physical therapy and other healthcare providers in the workforce, contributing workforce. The tight labor market has contributed to competition in hiring, attrition, clinical staffing level challenges, increased continued elevated use of contract labor and continued wage inflation in the physical therapy industry and at ATI.
- Decrease Stabilization and improvement in rate per visit relative to 2022 primarily driven by improved collections experience, lower denials experience, favorable service mix shifts and favorable payor contracting, partially offset by rate headwinds including unfavorable state and payor mix shifts and Medicare rate cuts that became effective on January 1, 2022, Medicare sequestration reductions that began after March 31, 2022 and June 30, 2022 and less favorable payor and state mix when compared to prior periods. January 1, 2023.

Our ability to achieve our business plan depends upon a number of factors, including, but not limited to, the success of a number of continued steps being taken related in an effort to increasing increase clinical staffing levels, increasing improve and sustain higher clinician productivity, controlling control costs and capital expenditures, increasing increase visit volumes and referrals and stabilizing stabilize and improve rate per visit.

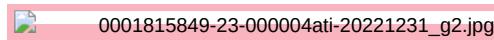
During the year ended December 31, 2022, the Company identified interim triggering events as a result of factors including potential changes in discount rates and decreases in share price. The Company determined that the combination of these factors constituted interim triggering events that required further analysis with respect to potential impairment to goodwill, trade name indefinite-lived intangible and other assets. Accordingly, the Company performed interim quantitative impairment testing as of March 31, 2022, June 30, 2022, September 30, 2022 and December 31, 2022 and determined that the fair value amounts were below the respective carrying amounts. As a result, the Company recorded non-cash impairment charges of \$318.9 million related to goodwill and \$164.4 million related to the trade name indefinite-lived intangible asset during the year ended December 31, 2022. Refer to Note 5 - Goodwill, Trade Name and Other Intangible Assets in the consolidated financial statements for further details.

COVID-19 pandemic and volume impacts

The coronavirus ("COVID-19") pandemic in the United States resulted in changes to our operating environment. We Although the direct impact on our business has decreased since the peak impact in 2020, we continue to closely monitor the impact remaining impacts from the pandemic, including its direct or indirect effects on macroeconomic factors, the labor markets in which we operate, and the physical therapy and broader healthcare landscape. Throughout the duration of COVID-19 on all aspects of our business, the pandemic and declared public health emergency, and continuing hereafter, our priorities remain have been protecting the health and safety of employees and patients, maximizing the availability of services to satisfy patient needs, and improving the operational and financial stability of our business.

As a result of the COVID-19 pandemic, visits per day ("VPD") decreased to a low point of 12,643 during the quarter ended June 30, 2020. The Company has experienced relative increases in quarterly VPD following the low point, as local restrictions in certain markets, referral levels and individual routines evolved compared to prior periods. During the fourth quarter beginning of 2021 2022, we observed volume softness caused, in part, by an increase in COVID-19 cases due to the outbreak of additional variants, which continued to impact visit volumes in the beginning of 2022. variants. Through the remainder of the first quarter of 2022 and the second quarter half of 2022, we experienced increases in visit volumes relative to the beginning of 2022. Additionally, while we observed volume softness during the third quarter of 2022 due, in part, to seasonality, we experienced increases in quarterly VPD through the fourth quarter of 2022 relative to the comparative quarters in 2021, which has continued through 2023.

The chart below reflects the quarterly trend in VPD.



As demand for physical therapy services has increased in the market since its low point during the quarter ended June 30, 2020, the Company has focused on attempting to increase its clinical staffing levels by hiring clinicians, optimizing clinician hours based on available workforce and attempting to reduce levels of clinician attrition that have

been were elevated in recent years relative to historical levels. The elevated levels of attrition were initially caused, in part, by changes made during the COVID-19 pandemic related to compensation, staffing levels and support for clinicians. We have implemented a range of actions related to compensation, staffing levels, clinical and professional development and other initiatives in an effort to retain and attract therapists across our platform, which has increased our current and future expectations for labor costs. During 2023, attrition levels improved and were relatively consistent with historical levels. While the Company has observed improvement in hiring and attrition levels since implementing these actions, attrition remains above historical levels the Company continues to monitor hiring and retention risk due to a continued tight labor market for available physical therapy and other healthcare providers in the workforce which may impede our progress toward increasing visit volumes. In an effort to drive more volume and visits per day, in addition to focusing on clinical staffing levels and clinician productivity, we are working to establish relationships with new referral sources and strengthen relationships with our partner providers and existing referral sources across our geographic footprint.

Despite the World Health Organization declaring an end to the global health emergency associated with the COVID-19 pandemic is still evolving and in May 2023, the full extent of its future impact remains unknown and difficult to predict. The future impact of the COVID-19 pandemic and any direct or indirect resulting impacts on our performance will depend on certain developments, including the duration and spread of the virus and its newly identified strains, effectiveness and adoption rates of vaccines and other therapeutic remedies, the potential for continued or reinstated restrictive policies enforced by federal, state and local governments, and the impact of the virus and vaccination requirements on our workforce, all of which create uncertainty and cannot be predicted. While we expect the disruption caused by COVID-19 and resulting impacts to diminish over time, we cannot predict the length of such impacts, and if such impacts continue for an extended period, it could have a continued effect on the Company's results of operations, financial condition and cash flows, which could be material.

CARES Act

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was signed into law providing reimbursement, grants, waivers and other funds to assist health care providers during the COVID-19 pandemic. The Company has realized benefits under the CARES Act including, but not limited to, the following:

- In 2020, the Company received approximately \$91.5 million of general distribution payments under the Provider Relief Fund. These payments have been recognized in other expense (income), net in the consolidated statements of operations throughout 2020 in a manner commensurate with the reporting and eligibility requirements issued by the U.S. Department of Health & Human Services ("HHS"). Based on the terms and conditions of the program, including reporting guidance issued by HHS in 2021, the Company believes that it has met the applicable terms and conditions. This includes, but is not limited to, the fact that the Company's COVID-19 related expenses and lost revenues for the year ended December 31, 2020 exceeded the amount of funds received. To the extent that reporting requirements and terms and conditions are subsequently modified, it may affect the Company's ability to comply and ability to retain the funds.
- The Company applied for and obtained approval to receive \$26.7 million receipt of Medicare Accelerated and Advance Payment Program ("MAAPP") funds during the quarter ended June 30, 2020. During the years ended December 31, 2022 and 2021, the Company applied \$12.3 million and \$12.6 million in MAAPP funds against the outstanding liability, respectively. During the year ended December 31, 2021, the Company transferred \$1.8 million in MAAPP funds as part deferral of the divestiture of its Home Health Service line. During the quarter ended September 30, 2022, the Company met the required performance obligations and performed the remaining services related to the MAAPP funds. Therefore, the remaining funds were applied and repaid during the quarter ended September 30, 2022. As of December 31, 2022 and December 31, 2021, zero and \$12.3 million of the funds are recorded in accrued expenses and other liabilities, respectively.
- The Company elected to defer depositing the employer portion of Social Security taxes, for payments due from March 27, 2020 through December 31, 2020, interest-free and penalty-free. The During the year ended December 31, 2022, the Company repaid applied \$12.3 million in MAAPP funds against the outstanding liability at that time. During the year ended December 31, 2022, the remaining deferred payments during the fourth quarter of 2022. Related obligations related to these payments, as of December 31, 2022 benefits were applied and December 31, 2021, zero and \$5.9 million is included in accrued expenses and other liabilities, respectively repaid.

Market and industry trends and factors

- **Outpatient physical therapy services growth.** Outpatient physical therapy continues to play a key role in treating musculoskeletal conditions for patients. According to the Centers for Medicare & Medicaid Services ("CMS"), musculoskeletal conditions impact individuals of all ages and include some of the most common health issues in the U.S. United States. As healthcare trends in the U.S. United States continue to evolve, with a growing focus on value-based care emphasizing up-front, conservative care to deliver better outcomes, quality healthcare services addressing such conditions in lower cost outpatient settings may continue increasing in prevalence.
- **U.S. United States population demographics.** The population of adults aged 65 and older in the U.S. United States is expected to continue to grow and thus expand the Company's market opportunity. According to the U.S. Census Bureau, the population of adults over the age of 65 is expected to grow 30% from 2020 through 2030. As a significant portion of our net patient revenue is derived from governmental third-party payors, including Medicare, our patient base of adults aged 65 and older may increase in the coming years.

- Federal funding for Medicare and Medicaid.** Federal and state funding of Medicare and Medicaid and the terms of access to these reimbursement programs affect demand for physical therapy services. In recent years, through legislative and regulatory actions, the federal government has made substantial changes to various payment systems under the Medicare program. **Beginning in January 2022, the physical therapy industry observed a reduction of Medicare reimbursement rates of approximately 0.75%, as well as a 15% decrease in payments for services performed by physical therapy assistants.** Additionally, a further reduction through resuming sequestration was postponed. Sequestration reductions resumed at 1% after March 31, 2022, and by an additional 1% after June 30, 2022, which resulted in an overall reduction of 2% in reimbursement rates related to sequestration after June 30, 2022. In July 2022, the CMS released its proposed 2023 Medicare Physician Fee Schedule ("MPFS") which called for an approximate 4.5% reduction in the calendar year 2023 conversion factor. In December 2022, the Consolidated Appropriations Act (2023) was signed into law. The Consolidated Appropriations Act (2023) provides partial relief related to Medicare cuts including 2.5% relief in 2023 and 1.25% relief in 2024. As a result, the reimbursement rate reduction beginning in January 2023 was approximately 2.0%. **In November 2023, the CMS released its final 2024 MPFS. The final fee schedule called for an approximate 3.4% reduction in the calendar year 2024 conversion factor which led to further reductions in reimbursement rates beginning in 2024, unless these reductions are otherwise mitigated through a Congressional measure.**
- Workers' compensation funding.** Payments received under certain workers' compensation arrangements may be based on predetermined state fee schedules, which may be impacted by changes in state funding.
- Number of people with private health insurance.** Physical therapy services are often covered by private health insurance. Individuals covered by private health insurance may be more likely to use **healthcare physical therapy** services because it helps offset the cost of such services. As **the number of people with private** health insurance coverage rises, demand for physical therapy services tends to also increase.

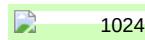
Key Business Metrics

When evaluating the results of operations, management has identified a number of metrics that allow for specific evaluation of performance on a more detailed basis. See "Results of Operations" for further discussion on financial statement metrics such as net revenue, net income (loss), EBITDA and Adjusted EBITDA.

Patient visits

As the main operations of the Company are driven by physical therapy services provided to patients, management considers total patient visits to be a key volume measure of such services. In addition to total patient visits, management analyzes (1) average VPD calculated as total patient visits divided by business days for the period, as this allows for comparability between time periods with an unequal number of business days, and (2) average VPD per clinic, calculated as average VPD divided by the average number of clinics open during the period (excluding clinics under management service agreements).

The chart below reflects recent quarterly trends in VPD:



Net patient revenue ("NPR") per visit

The Company calculates net patient revenue per visit, its most significant reimbursement metric, by dividing net patient revenue in a period by total patient visits in the same period.

Clinics

To better understand geographical and location-based trends, the Company evaluates metrics based on the 896 clinics (excluding clinics under management service agreements) and 18 managed clinic locations as of December 31, 2023. De novo clinics represent organic new clinics opened during the current period based on sophisticated site selection analytics. Acqui-novo clinics represent new clinics opened during the current period, that were existing clinic operations not previously owned by the Company, in a target geography that provides the Company with an immediate presence, available staff and referral relationships of the former owner within the surrounding areas. Acquired clinics represent new clinics from purchases of physical therapy practices. Same clinic revenue growth rate identifies revenue growth year over year on clinics that have been owned and operating for over one year. This metric is determined by isolating the population of clinics that have been open for at least 12 months and calculating the percentage change in revenue of this population between the current and prior comparable periods.

The following table presents selected operating and financial data that we believe are key indicators of our operating performance:

	Year Ended	
	December 31, 2023	December 31, 2022

Number of clinics (end of period)	896	923
Number of clinics managed (end of period)	18	20
New clinics during the period	13	36
Business days	254	255
Average visits per day	23,443	21,817
Average visits per day per clinic	26.7	23.6
Total patient visits	5,954,621	5,563,243
Net patient revenue per visit	\$ 106.82	\$ 103.53
Same clinic revenue growth rate	11.7 %	1.8 %

The following table provides a rollforward of activity related to the number of clinics during the corresponding periods:

	Year Ended	
	December 31, 2023	December 31, 2022
Number of clinics (beginning of period)	923	910
Add: New clinics opened during the period	13	36
Less: Clinics closed/sold during the period	40	23
Number of clinics (end of period)	896	923

Key Components of Operating Results

Net patient revenue. Net patient revenues are recorded for physical therapy services that the Company provides to patients including physical therapy, work conditioning, hand therapy, aquatic therapy and functional capacity ~~assessment, evaluation~~. Net patient revenue is recognized based on contracted amounts with payors or other established rates, adjusted for the estimated effects of any variable consideration, such as contractual allowances and implicit price concessions. Visit volume is primarily driven by conversion of physician referrals and marketing efforts.

Other revenue. Other revenue consists of revenue generated by our AWS, MSA and Sports Medicine service lines.

Salaries and related costs. Salaries and related costs consist primarily of wages and benefits for our healthcare professionals engaged directly and indirectly in providing services to patients.

Rent, clinic supplies, contract labor and other. Comprised of non-salary, clinic related expenses consisting of rent, clinic supplies, contract labor and other costs including travel expenses and depreciation at our clinics.

Provision for doubtful accounts. Provision for doubtful accounts represents the Company's estimate of accounts receivable recorded during the period that may ultimately prove uncollectible based upon several factors, including the age of outstanding receivables, the historical experience of collections, the impact of economic conditions and, in some cases, the specific customer account's ability to pay.

Selling, general and administrative expenses. Selling, general and administrative expenses consist primarily of wages and benefits for corporate personnel, corporate outside services, marketing costs, depreciation of corporate fixed assets, amortization of intangible assets and certain corporate level professional fees, including those related to legal, accounting and payroll.

Goodwill, intangible and other asset impairment charges. Goodwill, intangible and other asset impairment charges represent non-cash charges associated with the write-down of goodwill, trade name indefinite-lived intangible and other assets.

Change in fair value of 2L Notes. Represents non-cash amounts related to the change in the estimated fair value of the 2L Notes.

Change in fair value of warrant liability. Represents non-cash amounts related to the change in the estimated fair value of the IPO Warrants.

Change in fair value of contingent common shares liability. Represents non-cash amounts related to the change in the estimated fair value of Earnout Shares and Vesting Shares.

Loss on settlement of redeemable preferred stock. Represents the loss on settlement of the Wilco Holdco redeemable preferred stock liability based on the value of cash and equity provided to preferred stockholders in relation to the outstanding Wilco Holdco redeemable preferred stock liability at the time of the closing of the Business Combination.

Interest expense, net. Interest expense includes the cost of borrowing under the Company's credit facility 2022 Credit Facility and amortization of deferred financing costs.

Interest expense on redeemable preferred stock. Represents interest expense related to accruing dividends on the Wilco Holdco redeemable preferred stock based on contract terms, costs and original issue discount.

Other expense, (income), net. Other expense, (income), net is comprised of income statement activity not related to the core operations of the Company.

Key Business Metrics

When evaluating the results of operations, management has identified a number of metrics that allow for specific evaluation of performance on a more detailed basis. See "Results of Operations" for further discussion on financial statement metrics such as net revenue, net income, EBITDA and Adjusted EBITDA.

Patient visits

As the main operations of the Company are driven by physical therapy services provided to patients, management considers total patient visits to be a key volume measure of such services. In addition to total patient visits, management analyzes (1) average VPD calculated as total patient visits divided by business days for the period, as this allows for comparability between time periods with an unequal number of business days, and (2) average VPD per clinic, calculated as average VPD divided by the average number of clinics open during the period (excluding clinics under management service agreements).

Net patient revenue ("NPR") per visit

The Company calculates net patient revenue per visit, its most significant reimbursement metric, by dividing net patient revenue in a period by total patient visits in the same period.

Clinics

To better understand geographical and location-based trends, the Company evaluates metrics based on the 923 clinics (excluding clinics under management service agreements) and 20 managed clinic locations as of December 31, 2022. De novo clinics represent organic new clinics opened during the current period based on sophisticated site selection analytics. Acqui-novo clinics represent new clinics opened during the current period, that were existing clinic operations not previously owned by the Company, in a target geography that provides the Company with an immediate presence, available staff and referral relationships of the former owner within the surrounding areas. Acquired clinics represent new clinics from purchases of physical therapy practices. Same clinic revenue growth rate identifies revenue growth year over year on clinics that have been owned and operating for over one year. This metric is determined by isolating the population of clinics that have been open for at least 12 months and calculating the percentage change in revenue of this population between the current and prior comparable periods.

The following table presents selected operating and financial data that we believe are key indicators of our operating performance:

	Year Ended		
	December 31, 2022	December 31, 2021	December 31, 2020
Number of clinics (end of period)	923	910	875
Number of clinics managed (end of period)	20	20	22
New clinics during the period	36	58	23
Business days	255	257	257
Average visits per day	21,817	20,608	18,274
Average visits per day per clinic	23.6	23.1	21.0
Total patient visits	5,563,243	5,296,161	4,696,475
Net patient revenue per visit	\$ 103.53	\$ 105.94	\$ 112.76
Same clinic revenue growth rate	1.8 %	4.6 %	(26.9)%

The following table provides a rollforward of activity related to the number of clinics during the corresponding periods:

Year Ended

	December 31, 2022	December 31, 2021	December 31, 2020
Number of clinics (beginning of period)	910	875	872
Add: New clinics opened during the period	36	51	23
Add: Clinics acquired during the period	—	7	—
Less: Clinics closed/sold during the period	23	23	20
Number of clinics (end of period)	923	910	875

Results of Operations

Year ended December 31, 2022 December 31, 2023 compared to year ended December 31, 2021 December 31, 2022

The following table summarizes the Company's consolidated results of operations for the years year ended December 31, 2022 December 31, 2023 and 2021: 2022.

(\$ in thousands, except percentages)	Year Ended December 31,						(\$ in thousands, except percentages)	2023			(\$ in thousands, except percentages)	
	2022		2021		Increase/(Decrease)			2023		2022		
	\$	% of Revenue	\$	% of Revenue	\$	%		\$	% of Revenue	\$	%	
Net patient revenue	\$ 575,940	90.6 %	\$ 561,080	89.4 %	\$ 14,860	2.6 %	Net patient revenue	\$636,095	91.0	\$ 91.0	%	
Other revenue	59,731	9.4 %	66,791	10.6 %	(7,060)	(10.6) %	Other revenue	62,921	9.0	9.0	%	
Net revenue	635,671	100.0 %	627,871	100.0 %	7,800	1.2 %	Net revenue	699,016	100.0	100.0	%	
Cost of services:							Cost of services:					
Salaries and related costs	357,982	56.3 %	336,496	53.6 %	21,486	6.4 %	Salaries and related costs	382,370	54.7	54.7	%	
Rent, clinic supplies, contract labor and other	202,568	31.9 %	180,932	28.8 %	21,636	12.0 %	Rent, clinic supplies, contract labor and other	208,593	29.8	29.8	%	
Provision for doubtful accounts	13,869	2.2 %	16,369	2.6 %	(2,500)	(15.3) %	Provision for doubtful accounts	11,251	1.6	1.6	%	
Total cost of services	574,419	90.4 %	533,797	85.0 %	40,622	7.6 %	Total cost of services	602,214	86.2	86.2	%	
Selling, general and administrative expenses	114,724	18.0 %	111,809	17.8 %	2,915	2.6 %	Selling, general and administrative expenses	118,728	17.0	17.0	%	
Goodwill, intangible and other asset impairment charges	486,262	76.5 %	962,303	153.3 %	(476,041)	(49.5) %	Goodwill, intangible and other asset impairment charges	5,591	0.8	0.8	%	
Operating loss	(539,734)	(84.9) %	(980,038)	(156.1) %	440,304	(44.9) %	Operating loss	(27,517)	(3.9)	(3.9)	%	
Change in fair value of 2L Notes							Change in fair value of 2L Notes					

Change in fair value of warrant liability	Change in fair value of warrant liability	(4,243)	(0.7) %	(22,595)	(3.6) %	18,352	(81.2) %	Change in fair value of warrant liability	(95)	—	— %
Change in fair value of contingent common shares liability	Change in fair value of contingent common shares liability	(42,525)	(6.7) %	(175,140)	(27.9) %	132,615	(75.7) %	Change in fair value of contingent common shares liability	(2,257)	(0.3)	(0.3) %
Loss on settlement of redeemable preferred stock	Interest expense, net	—	— %	14,037	2.2 %	(14,037)	n/m	Interest expense, net	61,039	8.7 %	45.2
Interest expense on redeemable preferred stock	Interest expense, net	45,278	7.1 %	46,320	7.4 %	(1,042)	(2.2) %	Interest expense, net	1,777	0.3	0.3 %
Other expense, net	Other expense, net	—	— %	10,087	1.6 %	(10,087)	n/m	Other expense, net	3,333	0.3	3,333
Loss before taxes	Loss before taxes	(541,577)	(85.2) %	(852,988)	(135.9) %	311,411	(36.5) %	Loss before taxes	(63,510)	(9.1)	(9.1) %
Income tax benefit	Income tax expense (benefit)	(48,530)	(7.6) %	(70,960)	(11.3) %	22,430	(31.6) %	Income tax expense (benefit)	2,568	0.4 %	(48.5)
Net loss	Net loss	<u>\$ (493,047)</u>	<u>(77.6) %</u>	<u>\$ (782,028)</u>	<u>(124.6) %</u>	<u>\$ 288,981</u>	<u>(37.0) %</u>	Net loss	<u>\$ (66,078)</u>	<u>(9.5) %</u>	<u>(9.5) %</u>

Net patient revenue. Net patient revenue for the year ended December 31, 2022 December 31, 2023 was \$575.9 million \$636.1 million compared to \$561.1 million \$575.9 million for the year ended December 31, 2021 December 31, 2022, an increase of approximately \$14.9 million \$60.2 million or 2.6% 10.4%.

The increase in net patient revenue was primarily driven by increased visit volumes as a result of higher clinician staffing, higher clinician productivity and higher clinic count clinician staffing as well as favorable net patient revenue per visit in the current period, partially offset by unfavorable net patient revenue per visit and two one less business days day in the current period. In addition, visit volumes during the year ended December 31, 2022 were negatively impacted by an increase in COVID-19 cases due to the outbreak of additional variants in the beginning of 2022. Total patient visits increased by approximately 0.3 million 0.4 million visits, or 5.0% 7.0%, driving an increase in average visits per day of 1,209,1,626, or 5.9% 7.5%. Net patient revenue per visit decreased \$2.41, increased \$3.29, or 2.3% 3.2%, to \$106.82 for the year ended December 31, 2023 compared to \$103.53 for the year ended December 31, 2022 compared to \$105.94 for the year ended December 31, 2021. The decrease increase in net patient revenue per visit during the year ended December 31, 2022 December 31, 2023 compared to the year ended December 31, 2021 December 31, 2022 was primarily driven by Medicare rate cuts improved collections experience, lower denials experience, favorable service mix shift and favorable payor contracting, partially offset by unfavorable mix shifts related to states and payor classes and states. Medicare rate cuts that became effective on January 1, 2023.

The following chart reflects additional detail with respect to drivers of the change in year-to-date net patient revenue (in millions):



Other revenue. Other revenue for the year ended December 31, 2022 December 31, 2023 was \$59.7 million \$62.9 million compared to \$66.8 million \$59.7 million for the year ended December 31, 2021 December 31, 2022, a decrease an increase of \$7.1 million \$3.2 million or 10.6% 5.3%. The decrease increase in other revenue was primarily driven by the absence of Home Health service line revenue for the year ended December 31, 2022 as a result of its divestiture on October 1, 2021. higher AWS and MSA revenues.

Salaries and related costs. Salaries and related costs for the year ended December 31, 2022 December 31, 2023 were \$358.0 million \$382.4 million compared to \$336.5 million \$358.0 million for the year ended December 31, 2021 December 31, 2022, an increase of approximately \$21.5 million \$24.4 million or 6.4% 6.8%. Salaries and related costs as a percentage of net revenue was 56.3% 54.7% and 53.6% 56.3% for the year ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively. The increase of \$21.5 million \$24.4 million was primarily driven by higher compensation due to higher number of clinicians and support staff, wage inflation and higher incentive compensation for clinic labor and increased clinician and support staff due to higher visit volumes. staff. The increase decrease as a percentage of net revenue was primarily driven by higher

compensation lower cost per visit due to wage inflation for clinic labor, higher share-based compensation for clinical employees clinician productivity and lower higher net patient revenue per visit, partially offset by higher compensation during the year ended December 31, 2022 December 31, 2023.

Rent, clinic supplies, contract labor and other. Rent, clinic supplies, contract labor and other costs for the year ended December 31, 2022 December 31, 2023 were \$202.6 million \$208.6 million compared to \$180.9 million \$202.6 million for the year ended December 31, 2021 December 31, 2022, an increase of approximately \$21.6 million \$6.0 million or 12.0% 3.0%. Rent, clinic supplies, contract labor and other costs as a percentage of net revenue was 31.9% 29.8% and 28.8% 31.9% for the year ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively. The increase of \$21.6 million \$6.0 million was primarily driven by higher contract labor costs and increase higher employee relations costs related to ATI's National Leadership Event held during the year ended December 31, 2023, partially offset by a lower clinic count, and the decrease as a percentage of net revenue was primarily driven by higher net revenue and a lower clinic count, partially offset by higher contract labor costs and a higher clinic count employee relations costs during the year ended December 31, 2022 December 31, 2023.

Provision for doubtful accounts. Provision for doubtful accounts for the year ended December 31, 2022 December 31, 2023 was \$13.9 million \$11.3 million compared to \$16.4 million \$13.9 million for the year ended December 31, 2021 December 31, 2022, a decrease of \$2.5 million \$2.6 million or 15.3% 18.9%. Provision for doubtful accounts as a percentage of net revenue was 2.2% 1.6% and 2.6% 2.2% for the years year ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively. The decrease of \$2.5 million \$2.6 million was primarily driven by favorable cash collections, partially offset by higher revenue associated with higher visit volumes and the decrease as a percentage of net revenue was primarily driven by favorable cash collections during the year ended December 31, 2022 December 31, 2023.

Selling, general and administrative expenses. Selling, general and administrative expenses for the year ended December 31, 2022 December 31, 2023 were \$114.7 million \$118.7 million compared to \$111.8 million \$114.7 million for the year ended December 31, 2021 December 31, 2022, an increase of \$2.9 million \$4.0 million or 2.6% 3.5%. Selling, general and administrative expenses as a percentage of net revenue was 18.0% 17.0% and 17.8% 18.0% for the year ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively. The increase of \$2.9 million \$4.0 million was primarily due to higher transaction costs, non-ordinary legal and increase regulatory costs and employee incentive awards, partially offset by legal cost insurance reimbursements and lower legal settlement, severance costs, corporate insurance costs and professional fees during the year ended December 31, 2023. The decrease as a percentage of net revenue was primarily due driven by increased costs related to a loss on legal settlement, the items noted above, which were offset by the more significant impact of higher public company operating costs and non-ordinary legal and regulatory costs net revenue during the year ended December 31, 2022, partially offset by lower reorganization and severance costs and lower transaction costs incurred relative to the year ended December 31, 2021 December 31, 2023.

Goodwill, intangible and other asset impairment charges. Goodwill, intangible and other asset impairment charges for the year ended December 31, 2022 December 31, 2023 was \$486.3 million \$5.6 million compared to \$962.3 million \$486.3 million for the year ended December 31, 2021 December 31, 2022, a decrease of \$480.7 million. The amount primarily relates to the non-cash write-down of long-lived assets during the year ended December 31, 2023 and the non-cash write-down of goodwill and the trade name indefinite-lived intangible asset as a result of factors including during the year ended December 31, 2022. The impairment charges for the year ended December 31, 2022 resulted primarily from increases in discount rates decreases in share price and lower public company comparative multiples multiples.

Change in 2022, and revised forecasts reflecting lower than expected patient visit volumes, fair value of 2L Notes. Change in fair value of 2L Notes for the acceleration year ended December 31, 2023 was a gain of clinician attrition, competition for clinicians \$24.5 million. The gain relates to the decrease in the labor market and net patient revenue per visit decreases estimated fair value of the Company's 2L Notes, primarily driven by unfavorable payor, state and service mix shifts in 2021. Refer to Note 5 - Goodwill, Trade Name and Other Intangible Assetsdecreases in the consolidated financial statements for further details. Company's share price between June 15, 2023, the date that the 2L Notes were issued, and December 31, 2023.

Change in fair value of warrant liability. Change in fair value of warrant liability for the year ended December 31, 2022 December 31, 2023 was a gain of \$4.2 million \$0.1 million compared to a gain of \$22.6 million \$4.2 million for the year ended December 31, 2021 December 31, 2022. The gain in each period relates to the decrease in the estimated fair value of the Company's Company's IPO Warrants, primarily driven by decreases in the Company's share price during the year ended December 31, 2023 and by decreases in price of the Company's Public Warrants during the years year ended December 31, 2022 and 2021, respectively.

Change in fair value of contingent common shares liability. Change in fair value of contingent common shares liability for the year ended December 31, 2022 December 31, 2023 was a gain of \$42.5 million \$2.3 million compared to a gain of \$175.1 million \$42.5 million for the year ended December 31, 2021 December 31, 2022. The gain in each period relates to the decrease in the estimated fair value of the Company's Earnout Shares and Vesting Shares, primarily driven by decreases in the Company's share price during the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

Loss on settlement of redeemable preferred stock. Loss on settlement of redeemable preferred stock for the year ended December 31, 2021 was \$14.0 million. The loss is based on the value of cash and equity provided to preferred stockholders in relation to the outstanding Wilco Holdco redeemable preferred stock liability at the time of the closing of the Business Combination.

Interest expense, net. Interest expense, net for the year ended December 31, 2022 December 31, 2023 was \$45.3 million \$61.0 million compared to \$46.3 million \$45.3 million for the year ended December 31, 2021 December 31, 2022, a decrease an increase of \$1.0 million approximately \$15.8 million or 2.2% 34.8%. The decrease increase in interest expense was primarily driven by higher interest rates under the Company's 2022 Credit Agreement and interest on outstanding Revolving Loans balances, partially offset by lower outstanding principal balances under on the Company's credit agreement Senior Secured Term Loan and higher cash flow hedge benefits recognized during the year ended December 31, 2022, partially offset by higher interest rates under the Company's credit agreement during the year ended December 31, 2022 December 31, 2023.

Interest expense on redeemable preferred stock. Interest expense on redeemable preferred stock for the year ended December 31, 2021 was \$10.1 million. The redeemable preferred stock was fully settled in June 2021 and no longer accrued interest following the Business Combination.

Other expense, net. Other expense, net for the year ended December 31, 2022 December 31, 2023 was \$3.3 million \$1.8 million compared to \$0.2 million \$3.3 million for the year ended December 31, 2021 December 31, 2022, an increase a decrease of approximately \$3.1 million \$1.6 million. The increase decrease was primarily driven by \$2.8 million in loss on debt extinguishment related to the derecognition of the unamortized deferred financing costs and original issuance discount associated with the full repayment of the 2016 first lien term loan First Lien Term Loan during the year ended December 31, 2022. In addition, during, partially offset by \$0.5 million in loss on the year ended December 31, 2021, change in fair value of the Company recorded \$5.5 million Company's non-designated derivative instrument and \$0.4 million in loss on debt extinguishment related to the derecognition of 2023 Debt Restructuring during the unamortized deferred financing costs and original issue discount associated with the partial and full repayment of the 2016 first and second lien term loans, respectively, and recorded a \$5.8 million gain on the sale of its Home Health service line. year ended December 31, 2023.

Income tax benefit expense (benefit). Income tax benefit expense for the year ended December 31, 2022 December 31, 2023 was \$48.5 million approximately \$2.6 million compared to \$71.0 million income tax benefit of \$48.5 million for the year ended December 31, 2021 December 31, 2022, a decrease in benefit of approximately \$22.4 million \$51.1 million. The decrease was primarily driven by the difference in the effective tax rate for the respective periods. The effective tax rate was different between the respective periods primarily due to higher nondeductible impairment charges, nondeductible transaction costs, nondeductible loss on settlement the recognition of redeemable preferred stock, valuation allowances against federal and state net operating losses and other tax attributes, such as interest expense on redeemable preferred stock and fair value adjustments related to liability-classified share-based instruments disallowances, for which future realization is uncertain during the year ended December 31, 2021 December 31, 2023.

Net loss. Net loss for the year ended December 31, 2022 December 31, 2023 was \$493.0 million \$66.1 million compared to \$782.0 million \$493.0 million for the year ended December 31, 2021 December 31, 2022, a decrease in loss of approximately \$289.0 million \$427.0 million. The comparatively lower loss was primarily driven by lower goodwill, intangible and other asset impairment charges, margin on higher revenues and a gain on the change in fair value of 2L Notes, partially offset by lower net gains related to changes in fair value of warrant liability and contingent common shares liability, higher interest expense and lower income tax benefit and no expenses related to redeemable preferred stock during the year ended December 31, 2022 December 31, 2023 as compared to the year ended December 31, 2021 December 31, 2022.

Non-GAAP Financial Measures

The following table reconciles the supplemental non-GAAP financial measures, as defined under the rules of the U.S. Securities and Exchange Commission ("SEC"), presented herein to the most directly comparable financial measures calculated and presented in accordance with GAAP. U.S. generally accepted accounting principles ("GAAP"). The Company has provided the non-GAAP financial measures, which are not calculated or presented in accordance with GAAP, as supplemental information and in addition to the financial measures that are calculated and presented in accordance with GAAP. EBITDA and Adjusted EBITDA are defined as net income (loss) from continuing operations calculated in accordance with GAAP, less net income attributable to non-controlling interests, plus the sum of income tax expense, interest expense, net, depreciation and amortization ("EBITDA") and further adjusted to exclude certain items of a significant or unusual nature, including but not limited to, goodwill, intangible and other asset impairment charges, change in fair value of 2L Notes, changes in fair value of warrant liability and contingent common shares liability, share-based compensation, transaction and integration costs, non-ordinary legal and regulatory matters, loss on share-based compensation, legal settlement, cost insurance reimbursements, non-recurring labor related credits, change in fair value of non-designated derivative instrument, loss on debt extinguishment, transaction and integration pre-opening de novo costs, reorganization and severance costs, pre-opening de novo costs, loss on legal settlement, and gain on sale of Home Health service line business optimization costs, loss on settlement of redeemable preferred stock and charges related to lease terminations ("Adjusted EBITDA").

We present EBITDA and Adjusted EBITDA because they are key measures used by our management team to evaluate our operating performance, generate future operating plans and make strategic decisions. The Company believes EBITDA and Adjusted EBITDA are useful to investors for the purposes of comparing our results period-to-period and alongside peers and understanding and evaluating our operating results in the same manner as our management team and board of directors.

These supplemental measures should not be considered superior to, as a substitute for or as an alternative to, and should be considered in conjunction with, the GAAP financial measures presented. In addition, since these non-GAAP measures are not determined in accordance with GAAP, they are susceptible to varying calculations and may not be comparable to other similarly titled non-GAAP measures of other companies.

EBITDA and Adjusted EBITDA (Non-GAAP Financial Measures)

The following is a reconciliation of net loss, the most directly comparable GAAP financial measure, to EBITDA and Adjusted EBITDA (each of which is a non-GAAP financial measure) for each of the periods indicated. For additional information on these non-GAAP financial measures, see "Non-GAAP Financial Measures" above.

(\$ in thousands)	Year Ended		
	December 31, 2022	December 31, 2021	December 31, 2020
Net loss	\$ (493,047)	\$ (782,028)	\$ (298)
Plus (minus):			
Net loss (income) attributable to non-controlling interests	668	3,700	(5,073)
Interest expense, net	45,278	46,320	69,291
Interest expense on redeemable preferred stock	—	10,087	19,031
Income tax (benefit) expense	(48,530)	(70,960)	2,065
Depreciation and amortization expense	39,841	37,995	39,700
EBITDA	\$ (455,790)	\$ (754,886)	\$ 124,716
Goodwill, intangible and other asset impairment charges ⁽¹⁾	486,262	962,303	—
Goodwill, intangible and other asset impairment charges attributable to non-controlling interests ⁽¹⁾	(2,415)	(7,949)	—
Changes in fair value of warrant liability and contingent common shares liability ⁽²⁾	(46,768)	(197,735)	—
Share-based compensation	7,432	5,769	1,936
Non-ordinary legal and regulatory matters ⁽³⁾	6,408	2,914	—
Loss on legal settlement ⁽⁴⁾	3,000	—	—
Loss on debt extinguishment ⁽⁵⁾	2,809	5,534	—
Transaction and integration costs ⁽⁶⁾	3,289	9,788	4,790
Reorganization and severance costs ⁽⁷⁾	1,797	3,913	7,512
Pre-opening de novo costs ⁽⁸⁾	992	1,929	1,565
Gain on sale of Home Health service line, net	(199)	(5,846)	—
Business optimization costs ⁽⁹⁾	(105)	—	10,377
Loss on settlement of redeemable preferred stock ⁽¹⁰⁾	—	14,037	—
Charges related to lease terminations ⁽¹¹⁾	—	—	4,253
Adjusted EBITDA	\$ 6,712	\$ 39,771	\$ 155,149

(\$ in thousands)	Year Ended	
	December 31, 2023	December 31, 2022
Net loss	\$ (66,078)	\$ (493,047)
Plus (minus):		
Net (income) loss attributable to non-controlling interests	(3,717)	668
Interest expense, net	61,039	45,278
Income tax expense (benefit)	2,568	(48,530)
Depreciation and amortization expense	36,844	39,841
EBITDA	\$ 30,656	\$ (455,790)
Goodwill, intangible and other asset impairment charges ⁽¹⁾	5,591	486,262
Goodwill, intangible and other asset impairment charges attributable to non-controlling interests ⁽¹⁾	—	(2,415)
Change in fair value of 2L Notes ⁽²⁾	(24,471)	—
Changes in fair value of warrant liability and contingent common shares liability ⁽³⁾	(2,352)	(46,768)
Transaction costs ⁽⁴⁾	14,468	3,289
Non-ordinary legal and regulatory matters ⁽⁵⁾	10,729	6,408
Share-based compensation	8,793	7,432
Legal cost insurance reimbursements ⁽⁶⁾	(7,871)	—

Non-recurring labor related credits ⁽⁷⁾	(702)	(105)
Change in fair value of non-designated derivative instrument ⁽⁸⁾	475	—
Loss on debt extinguishment ⁽⁹⁾	444	2,809
Pre-opening de novo costs ⁽¹⁰⁾	342	992
Reorganization and severance costs ⁽¹¹⁾	130	1,797
Loss on legal settlement ⁽¹²⁾	—	3,000
Gain on sale of Home Health service line, net	—	(199)
Adjusted EBITDA	\$ 36,232	\$ 6,712

⁽¹⁾ Represents non-cash charges related to the write-down of long-lived assets in 2023 and the write-down of goodwill, trade name indefinite-lived intangible and other assets. assets in 2022.

⁽²⁾ Represents non-cash amounts related to the change in the estimated fair value of the 2L Notes. Refer to Note 5 Notes 8 and 14 of the accompanying consolidated financial statements for further details.

⁽³⁾ Represents non-cash amounts related to the change in the estimated fair value of IPO Warrants, Earnout Shares and Vesting Shares. Refer to Notes 3, 12 and 13 and 14 of the accompanying consolidated financial statements for further details.

⁽⁴⁾ Represents non-capitalizable debt and capital transaction costs.

⁽⁵⁾ Represents non-ordinary course legal costs related to the previously disclosed ATIP stockholder class action complaints, derivative complaint and SEC inquiry. matter. Refer to Note 18 17 of the accompanying consolidated financial statements for further details.

⁽⁶⁾ Represents charge insurance reimbursements for net settlement liability legal costs incurred related to billing dispute, the previously disclosed ATIP stockholder class action complaints and derivative complaint. Refer to Note 18 17 of the accompanying consolidated financial statements for further details.

⁽⁷⁾ Represents realized benefits of labor related credits that were not previously considered probable and relate to prior years.

⁽⁸⁾ Represents non-cash amounts related to the change in estimated fair value of derivative not designated in a hedging relationship. Refer to Note 14 of the accompanying consolidated financial statements for further details.

⁽⁹⁾ Represents charges related to the loss on debt extinguishment recognized as part of the 2023 Debt Restructuring, and the derecognition of the unamortized deferred financing costs and original issuance discount associated with the full repayment of the 2016 first lien term loan and the partial and full repayment of the 2016 first and second lien term loans, respectively. First Lien Term Loan in 2022. Refer to Note 8 of the accompanying consolidated financial statements for further details.

⁽¹⁰⁾ Represents costs related to the Business Combination, non-capitalizable debt and capital transaction costs and consulting and planning costs related to preparation to operate as a public company.

⁽¹¹⁾ Represents severance, consulting and other costs related to discrete initiatives focused on reorganization and delayering of the Company's labor model, management structure and support functions.

⁽¹²⁾ Represents expenses associated with renovation, equipment and marketing costs relating to the start-up and launch of new locations incurred prior to opening.

⁽¹³⁾ Represents non-recurring costs to optimize our platform and ATI transformative initiatives. Costs primarily relate to duplicate costs driven by IT and Revenue Cycle Management conversions, labor related costs during the transition of key positions and other incremental costs of driving optimization initiatives.

⁽¹⁴⁾ Represents loss on settlement of redeemable preferred stock based on the value of cash and equity provided to preferred stockholders in relation to the outstanding redeemable preferred stock liability at the time of the closing of the Business Combination.

⁽¹⁵⁾ Represents charges severance costs related to lease terminations prior discrete initiatives focused on reorganization and delayering of the Company's labor model, management structure and support functions.

⁽¹⁶⁾ Represents charge for net settlement liability related to billing dispute. Refer to Note 17 of the end of term accompanying consolidated financial statements for corporate facilities no longer in use, further details.

Liquidity and Capital Resources

Our principal sources of liquidity are historical operating cash flows, borrowings under our credit agreement 2022 Credit Agreement and Second Lien Note Purchase Agreement, and proceeds from equity issuances. We have used these funds for our short-term and long-term capital needs, which include salaries, benefits and other employee-related expenses, rent, clinical supplies, outside services, capital expenditures, acquisitions, de novos, acqui-novos and debt service. Our capital expenditure, acquisition, de novo and acqui-novo spend will depend on many factors, including, but not limited to, the targeted number of new clinic openings, patient volumes, clinician labor market, revenue growth rates, and level of operating cash flows, flows and overall liquidity position.

As of December 31, 2022 and December 31, 2021, we had \$83.1 million \$36.8 million and \$48.6 million \$83.1 million in cash and cash equivalents, respectively. As of December 31, 2022 December 31, 2023, we had no \$5.0 million available capacity under our 2022 revolving credit facility.

For The Company also has the year ended December 31, 2022, we had operating cash outflows right to cause to be issued an additional \$25.0 million of \$65.5 million driven by items including net losses and the application and repayment of MAAPP funds and deferred employer Social Security taxes. Our ability to generate future operating cash flows depends on many factors, including clinical staffing levels and productivity, costs and capital expenditures, patient volumes, referrals and revenue growth rates.

As of December 31, 2022 and December 31, 2021, the Company had zero and \$12.3 million of MAAPP funds included aggregate principal in the balance form of cash second lien paid-in-kind ("PIK") convertible notes (the "2L Notes") under its delayed draw right ("Delayed Draw Right"), which is governed by the Second Lien Note Purchase Agreement. If drawn, the notes under the Delayed Draw Right will be subject to the same terms as the convertible 2L Notes with associated shares of Series B Preferred Stock (the "Series B Preferred Stock") allowing for voting rights on an as-converted basis prior to conversion. The right to draw will terminate approximately 18 months after the Closing Date. The Company may request two draws in an amount of \$12.5 million each, separately or together, subject to, for each draw, (a) projected liquidity at any time during the 6-month period following the date of the relevant draw being below certain thresholds, and cash equivalents, respectively. In addition, as (b) the consent of December 31, 2022 and December 31, 2021 the board of directors. On January 30, 2024, the Company had zero and \$5.9 million issued \$25.0 million of deferred Social Security taxes included aggregate principal in the balance form of cash 2L Notes under its Delayed Draw Right, which are subject to the same terms as the convertible 2L Notes and cash equivalents. The Company began applying MAAPP funds associated shares of Series B Preferred Stock allowing for voting rights on an as-converted basis prior to Medicare billings in the second quarter of 2021 and began remitting payments on its deferred employer Social Security taxes in the third and fourth quarters of 2021. The remaining MAAPP funds and deferred employer Social Security taxes were applied and repaid during 2022. The repayment of CARES Act funds, together with net losses and other operational activity, led to a net operating cash outflow for 2022.

conversion.

We make reasonable and appropriate efforts to collect accounts receivable, including payor amounts and applicable patient deductibles, co-payments and co-insurance, in a consistent manner for all payor types. Claims are submitted to payors daily, weekly or monthly in accordance with our policy or payor's requirements. When possible, we submit our claims electronically. The collection process is time consuming and typically involves the submission of claims to multiple payors whose payment of claims may be dependent upon the payment of another payor. Claims under litigation and vehicular incidents can take a year or longer to collect.

For the year ended December 31, 2023, we had operating cash outflows of \$12.4 million driven by items including net losses and payments related to interest expense and operating lease liabilities. Our ability to generate future operating cash flows depends on many factors, including clinical staffing levels and productivity, costs and capital expenditures, patient volumes, referrals, revenue reimbursement rates and revenue growth rates.

Liquidity and going concern

In accordance with Accounting Standards Codification ("ASC") Topic 205-40, *Going Concern*, The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the Company has evaluated whether there are certain conditions realization of assets and events, considered the satisfaction of liabilities in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern normal course of business within twelve months after the date that these consolidated financial statements are issued. This evaluation includes considerations related to the covenants contained in the Company's 2022 Credit Agreement as well as the Company's liquidity position overall.

As detailed in Note 8 - *Borrowings*, the Company's 2022 Credit Agreement contains customary covenants and restrictions, including financial and non-financial covenants. The financial covenants require the Company to maintain \$30.0 million of minimum liquidity, as defined in the agreement, at each test date through the first quarter of 2024. Additionally, beginning in the second quarter of 2024, the Company must maintain a Secured Net Leverage Ratio, as defined in the agreement, not to exceed 7.00:1.00. The net leverage ratio covenant decreases in the third quarter of 2024 to 6.75:1.00 and further decreases in the first quarter of 2025 to 6.25:1.00, which level remains applicable through maturity. The financial covenants are tested as of each fiscal quarter end for the respective periods. Failure to comply with these covenants and restrictions would result in an event of default, subject to customary cure periods.

In addition, the 2022 Credit Facility contains customary representations and warranties, events of default, reporting and other affirmative covenants and negative covenants, including requirements related to the delivery of independent audit reports without certain going concern qualifications, limitations on indebtedness, liens, investments, negative pledges, dividends, junior debt payments, fundamental changes and asset sales and affiliate transactions. Failure to comply with the 2022 Credit Facility covenants and restrictions, including the provision related to certain going concern qualifications for any fiscal year, including the year ended December 31, 2022, could result in an event of default under the 2022 Credit Facility, subject to customary cure periods. In such an event, all amounts outstanding under the 2022 Credit Facility, together with any accrued interest, could then be declared immediately due and payable.

As of December 31, 2022 December 31, 2023, the Company had \$83.1 \$36.8 million in cash and cash equivalents and no \$5.0 million available capacity under its 2022 revolving credit facility. As measured based on The Company was in compliance with its minimum liquidity covenant under the definitions in the Company's 2022 Credit Agreement liquidity was \$72.9 million as of December 31, 2022 December 31, 2023.

The Company also has the right to cause to be issued to Knighthead Capital Management, LLC ("Knighthead"), Marathon Asset Management LP ("Marathon") and Caspian Capital L.P. ("Caspian") (collectively the "Delayed Draw Purchasers") an additional \$25.0 million of aggregate principal in the form of 2L Notes under its Delayed Draw Right, which is governed by the Second Lien Note Purchase Agreement. If drawn, the notes under the Delayed Draw Right will be subject to the same terms as the convertible 2L Notes with associated shares of Series B Preferred Stock allowing for voting rights on an as-converted basis prior to conversion. The right to draw will terminate approximately 18 months after the Closing Date. The Company may request two draws in an amount of \$12.5 million each, separately or together, subject to, for each draw, (a) projected liquidity at any time during the 6-month period following the date of the relevant draw being below certain thresholds, and (b) the consent of the board of directors. On January 30, 2024, the Company issued \$25.0 million of aggregate principal in the form of 2L Notes under its Delayed Draw Right, which are subject to the same terms as the convertible 2L Notes and associated shares of Series B Preferred Stock allowing for voting rights on an as-converted basis prior to conversion.

The Company has negative operating cash flows, operating losses and net losses. For the year ended **December 31, 2022** December 31, 2023, the Company had cash flow flows used in operating activities of **\$65.5 million** \$12.4 million, operating loss of **\$539.7 million** \$27.5 million and net loss of **\$493.0 million**. In addition, as of December 31, 2022, the Company had an accumulated deficit of **\$1,339.5 million** \$66.1 million. These results are, in part, due to our current capital structure and trends experienced by the Company in recent years including a tight labor market for available physical therapy and other healthcare providers in the workforce, visit volume softness, decreases in rate per visit and increases in interest costs. Based on current liquidity and projected cash use, If results of operations in the coming twelve months do not improve relative to the previous twelve months, the Company anticipates violation is at risk of insufficient funding to meet its \$30.0 million obligations as they become due as well as non-compliance with its minimum liquidity financial covenant under its 2022 Credit Agreement within Agreement.

In the next twelve months. As a result of the above factors, there is substantial doubt about the Company's ability to continue as a going concern within twelve months following the issuance date of the Company's consolidated financial statements as of and for the period periods ended December 31, 2022, December 31, 2023 and 2022, these conditions and events continue to raise substantial doubt about the Company's ability to continue as a going concern. In response to these conditions, management plans included refinancing the Company's debt under its 2022 Credit Agreement (as defined in Note 8 of the accompanying consolidated financial statements) and improving operating results and cash flows.

Improving On June 15, 2023, the Company completed a debt restructuring transaction under its 2022 Credit Agreement including: (i) a delayed draw new money financing in an aggregate principal amount of \$25.0 million, comprised of (A) 2L Notes and (B) shares of Series B Preferred Stock (as defined in Note 8), which will provide the holder thereof with voting rights such that the holders thereof will have the right to vote on an as-converted basis, (ii) the exchange of \$100.0 million of the aggregate principal amount of the term loans under the 2022 Credit Agreement held by certain of the holders of its Series A Senior Preferred Stock (the "Preferred Equityholders") for 2L Notes and Series B Preferred Stock and (iii) certain other changes to the terms of the 2022 Credit Agreement, including modifications of the financial covenants thereunder and relief from the requirements related to the delivery of independent audit reports without a going concern explanatory paragraph. Holders of the 2L Notes will also receive additional 2L Notes upon the in-kind payment of interest on any outstanding 2L Notes. The 2L Notes are convertible into shares of Class A common stock at a fixed conversion price.

Additionally, the Company experienced improvements in operations that resulted in reduced levels of operating cash outflows during the year ended December 31, 2023 relative to the same period in the prior year. A continued improvement in business results is necessary as there remains a risk that the Company may fail to meet its minimum liquidity covenant or be unable to fund anticipated cash requirements and obligations as they become due in the future.

The Company's plan is to continue its efforts to improve its operating results and cash flow is dependent upon the Company's ability through increases to achieve its business plan to increase clinical staffing levels, and improvements in clinician productivity, control controlling costs and capital expenditures increase and increases in patient visit volumes, and referrals and stabilize rate per visit. However, there There can be no assurance that the Company's plan will be successful in any of these respects.

If the Company Company's plan does not complete the Transaction as contemplated by the TSA or otherwise access additional financing, result in improvement in these aspects in future periods that results in sufficient cash flow from operations, the Company will need to consider other alternatives, including pursuing separate amendments to or waivers of the minimum liquidity covenant, the requirement to deliver audited financial statements without certain going concern qualifications, and other requirements under the 2022 Credit Agreement, such as well as raising additional financing, obtaining funds from other sources, obtaining alternate financing, disposal of assets, or pursuing other strategic alternatives to improve its liquidity position business, results of operations and business results, financial condition. There can be no assurance that the Company will be successful in completing the Transaction or accessing such alternative options or financing if or when needed. Failure to do so could have a material adverse impact on our business, financial condition, results of operations and cash flows, and may lead to events including bankruptcy, reorganization or insolvency.

In addition, Management plans have not been fully implemented and, as a result, the report of the Independent Registered Public Accounting Firm accompanying the consolidated financial statements for the year ended December 31, 2022 contains an explanatory paragraph expressing Company has concluded that management's plans do not alleviate substantial doubt about our the Company's ability to continue as a going concern. Absent an amendment or waiver, the 2022 Credit Agreement provides that the receipt of a report of the Independent Registered Public Accounting Firm containing an explanatory paragraph expressing substantial doubt about our ability to continue as a going concern could be an event of default, subject to certain exceptions. Pursuant to the TSA, the First Lien Lenders have agreed that, prior to the Outside Closing Date, they will forbear in the exercise of any rights, remedies, powers, privileges and defenses under the 2022 Credit Agreement arising on account of a default, alleged default or event of default (if any) resulting from the going concern explanatory paragraph in the report of the Independent Registered Public Accounting Firm accompanying the

The consolidated financial statements for the year ended December 31, 2022. However, if the transactions contemplated by the TSA are do not consummated on its terms or at all, the First Lien Lenders could claim that a default or event of default has occurred under the 2022 Credit Agreement. If such claim is not waived by the First Lien Lenders and the Company is unsuccessful in disputing include any such claims (including with respect adjustments relating to the applicability recoverability and classification of one recorded asset amounts or the amounts and classification of liabilities that might result from the enumerated exceptions to the 2022 Credit Agreement requirement) outcome of this uncertainty.

2023 Debt Restructuring Transaction

On June 15, 2023, the Company could be considered completed a debt restructuring transaction to have an event of default after improve the expiration Company's liquidity. On the Closing Date, certain previously executed agreements became effective, including (i) Amendment No. 2 to the Credit Agreement, (ii) a Second Lien Note Purchase Agreement and (iii) certain other definitive agreements relating to the 2023 Debt Restructuring.

As part of the applicable cure periods. In such event, all amounts 2023 Debt Restructuring, the Company exchanged a principal amount of \$100.0 million of the \$507.8 million then outstanding under the 2022 Credit Facility, together with any accrued interest, could then be declared immediately due and payable and could be reclassified to current in Senior Secured Term Loan for an equal amount of 2L Notes, which are convertible into shares of the Company's consolidated financial statements for the period. A default on our obligations and an acceleration common stock, stapled with a number of our indebtedness by our lenders would have a material adverse impact on our business, financial condition, results shares of operations and cash flows, and may lead to events including bankruptcy, reorganization or insolvency.

On March 15, 2023, the Company entered into a Transaction Support Agreement (the "TSA") with certain of its first lien lenders under the 2022 Credit Agreement (the "First Lien Lenders"), the administrative agent under the 2022 Credit Agreement, holders of its Series A Senior B Preferred Stock, which represent voting interests only. The exchange was consummated through the Intercreditor and Subordination Agreement and Second Lien Note Purchase Agreement dated April 17, 2023 (the "Preferred Equityholders") and holders of the majority of its common stock (together with the First Lien Lenders and the Preferred Equityholders, the "Parties"), setting forth the principal terms of a comprehensive transaction to enhance the Company's liquidity (the "Transaction"). Pursuant to the TSA, and subject to the terms and conditions thereof, the Parties have agreed to support, act in good faith and take all steps reasonably necessary and desirable to consummate the transactions referenced therein by June 15, 2023 (the "Outside Closing Date" "Signing Date").

The TSA contemplates, among other things, (i) Company accounted for the exchange as a debt extinguishment and recognized \$0.4 million in loss on debt extinguishment during the year ended December 31, 2023. The loss on debt extinguishment consisted of various offsetting components, including the derecognition of \$4.3 million of unamortized deferred financing costs and original issue discount on the Senior Secured Term Loan and the recognition of \$0.7 million of fair value premium at issuance on the 2L Notes, offset by the recognition of \$2.8 million in delayed draw new money financing, available under right assets related to the commitment provided by certain circumstances until lenders and the 18 month anniversary recognition of \$1.8 million of incremental original issue discount on the Senior Secured Term Loan. The loss on debt extinguishment associated with the 2023 Debt Restructuring has been reflected in other expense, net in the consolidated statements of operations.

Amendment No. 2 to the Credit Agreement

Pursuant to Amendment No. 2 to the Credit Agreement, the terms of the closing date remaining unexchanged \$407.8 million principal amount of the transactions, in an aggregate principal amount equal to \$25.0 million Senior Secured Term Loan as of the Signing Date were revised to: (i) increase the interest rate in the form of new second lien PIK exchangeable notes ("Second Lien PIK Exchangeable Notes"), paid-in-kind interest by 1.0% per annum until the achievement of certain financial metrics, (ii) exchange of \$100.0 million reset the prepayment premiums with respect to any repayment of the aggregate principal amount Senior Secured Term Loan, and (iii) amend certain covenants. At the completion of the term loans under 2023 Debt Restructuring, \$391.0 million principal of amended Senior Secured Term Loan was outstanding with HPS Investment Partners, LLC ("HPS"), \$16.3 million principal was outstanding with Onex Credit Partners, LLC ("Onex"), \$0.3 million principal was outstanding with Knighthead, and the 2022 Credit Facility held by certain remaining \$0.2 million principal was outstanding with Marathon. Additionally, the terms of the Preferred Equityholders for Second Lien PIK Exchangeable Notes, (iii) Company's Revolving Loans were revised to increase the cash interest rate by 1.0% until the achievement of certain financial metrics.

Amendment No. 2 to the Credit Agreement also provides, among other terms, (i) a reduction of the thresholds applicable to the minimum liquidity financial covenant under the 2022 Credit Agreement for certain periods, (iv) (ii) a waiver of the requirement to comply with the Secured Net Leverage Ratio financial covenant under the 2022 Credit Agreement for the fiscal quarters ending June 30, 2024, September 30, 2024 and December 31, 2024 and a modification of the levels and certain component definitions applicable thereto in the fiscal quarters ending after December 31, 2024, (v) (iii) an extension of the minimum liquidity financial covenant for the fiscal quarters in which the Secured Net Leverage Ratio financial covenant was waived, (iv) a waiver of the requirement for the Company to deliver audited financial statements without certain a going concern qualifications explanatory paragraph for the years ended December 31, 2022, December 31, 2023, and December 31, 2024, (vi) an increase in the interest rate payable on the existing term loans and revolving loans until the achievement of a specified financial metric and (vii) (v) board representation and observer rights and other changes to the governance of the Company. The

Based on the results of the cash flow tests and requirements pursuant to ASC Topic 470, *Debt*, the Company accounted for the impacts of Amendment No. 2 to the Credit Agreement related to the amount held by HPS as a modification, and the impacts related to the amounts held by Onex, Knighthead, and Marathon as an extinguishment. As part of the 2023 Debt Restructuring, the Company recognized \$1.8 million of incremental original issue discount on the Senior Secured Term Loan related to lenders treated under extinguishment accounting.

Second Lien PIK Exchangeable Note Purchase Agreement and Designation of Series B Preferred Stock

Knighthead, Marathon, and Onex collectively exchanged a principal amount of \$100.0 million of Senior Secured Term Loan for \$100.0 million of 2L Notes would be exchangeable for stapled with a number of shares of Class A Series B Preferred Stock. Of the \$100.0 million of 2L Notes issued, approximately \$50.8 million were issued to Knighthead, \$40.4 million were issued to Marathon, and \$8.8 million were issued to Onex. The 2L Notes are subordinated in right of payment and lien priority to the 2022 Credit Facility and mature on August 24, 2028, unless earlier converted, accrue interest at an annual rate of 8.0% payable in-kind on a quarterly basis in the form of additional 2L Notes, and are convertible into shares of common stock, of at the Company holder's option, at a fixed conversion price of \$0.25, \$12.50, subject to certain adjustments in the agreement (the "Conversion Price"). Upon conversion of the 2L Notes, the Company shall deliver to the holder a number of shares of common stock equal to (i) the principal amount of such 2L Notes plus any accrued and unpaid interest divided by (ii) the holders thereof Conversion Price.

The 2L Notes are effectively stapled with one share of the Company's Series B Preferred Stock for every \$1,000 principal amount of the 2L Notes. The Series B Preferred Stock represents voting rights only, with the number of votes being equal to the number of shares of common stock that each share of Series B Preferred Stock would convert into at a conversion price of \$12.87 per share (the "Voting Rights Conversion Price"). Additional voting rights accrue to the lenders through the deemed issuance of the annual 8.0% paid-in-

kind 2L Notes with stapled shares of Series B Preferred Stock. The Series B Preferred Stock does not have any dividend or redemption rights. Upon conversion of 2L Notes to common stock, the stapled shares of Series B Preferred Stock would be canceled in an amount commensurate with the portion of 2L Notes converted. Based on the voting rights associated with the Series B Preferred Stock attached to the 2L Notes as well as other terms to the 2023 Debt Restructuring, the Company determined that Knighthead, Marathon, and Onex became related parties on the Closing Date.

On the Closing Date, an additional \$3.2 million of 2L Notes with stapled Series B Preferred Stock were issued as part of the First Amendment to the Second Lien Note Purchase Agreement. The terms of the issued 2L Notes and Series B Preferred Stock are the same as those that were subject to the exchange.

The following table presents approximate changes in outstanding shares of Series B Preferred Stock since the Closing Date and associated equivalent common stock voting rights at the end of the period (in thousands):

	December 31, 2023
Series B Preferred Stock, shares at Closing Date	103
Increase (decrease) in shares during period	5
Series B Preferred Stock, shares at end of period	108
Common stock voting rights, as converted basis ⁽¹⁾	8,377

⁽¹⁾ Represents approximate shares of Series B Preferred Stock outstanding at end of period, times \$1,000, divided by the contractual Voting Rights Conversion Price of \$12.87 per share.

On or after the second anniversary of the Closing Date and subject to certain conditions, the Company may, at its option, elect to convert (a "Forced Conversion") a portion of the outstanding 2L Notes into the number of shares of common stock based on the Conversion Price then in effect.

The 2L Notes are accounted for as a liability in the Company's consolidated balance sheets. The Company has made an irrevocable election to account for the 2L Notes under the fair value option in accordance with ASC Topic 825, *Financial Instruments*, in lieu of bifurcating certain features in the Second Lien Note Purchase Agreement. As such, the 2L Notes are initially recorded as a liability at estimated fair value and are subject to re-measurement at each balance sheet date with changes in fair value recognized in the Company's statements of operations. The interest cost associated with the 2L Notes is accounted for as part of the change in fair value of the 2L Notes. As a result of applying the fair value option, direct costs and fees related to the issuance of the 2L Notes were expensed as incurred. As of December 31, 2023, the principal amount and estimated fair value of the 2L Notes were approximately \$107.8 million and \$79.5 million, respectively. Refer to Note 14 - *Fair Value Measurements* for further details on the fair value of the 2L Notes. Additionally, as of December 31, 2023, the effective interest rate on the 2L Notes was 8.0%.

The following table presents changes in the principal amount of the 2L Notes since the Closing Date (in thousands):

	December 31, 2023
2L Notes, principal amount at Closing Date	\$ 103,243
Paid-in-kind interest added during period	4,569
2L Notes, principal amount at end of period	\$ 107,812

As of December 31, 2023, of the 2L Notes principal outstanding and due to related parties, approximately \$54.7 million, \$43.6 million and \$9.5 million were outstanding with Knighthead, Marathon, and Onex, respectively.

Delayed Draw Right

The Company also has the right to vote on corporate matters cause to be issued to Knighthead, Marathon and Caspian an additional \$25.0 million of aggregate principal in the form of 2L Notes under its Delayed Draw Right, which is governed by the Second Lien Note Purchase Agreement. If drawn, the notes under the Delayed Draw Right will be subject to the same terms as the convertible 2L Notes with associated shares of Series B Preferred Stock allowing for voting rights on an as-exchanged basis. The TSA contains certain representations, warranties and other agreements by the Company and Parties. In accordance with the TSA, the First Lien Lenders agreed that, as-converted basis prior to the Outside Closing Date, they conversion. The right to draw will forbear in the exercise of any rights, remedies, powers, privileges and defenses under the 2022 Credit Agreement arising on account of an alleged default or event of default (if any) resulting from the going concern explanatory paragraph in the independent auditors' report accompanying the consolidated financial statements for the year ended December 31, 2022 (the "Credit Agreement Forbearance"). The Parties' obligations under the TSA are, and the closing of the Transaction is, subject to various customary terms and conditions set forth therein, including the execution and delivery of definitive documentation and approval by the Company's stockholders.

There is no assurance that the transactions contemplated by the TSA will be consummated on the terms as described above, on a timely basis or at all.

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business within twelve months terminate approximately 18 months after the Closing Date. The Company may request two draws in an amount of \$12.5 million each, separately or together, subject to, for each draw, (a) projected liquidity at any time during the 6-month period following the date that these of the relevant draw being below certain thresholds, and (b) the consent of the board of directors.

Upon issuance, the Company accounted for the Delayed Draw Right as an asset at fair value, which represents the Company's option to draw funds subject to certain conditions. For Knighthead's and Marathon's portion of the Delayed Draw Right, the asset was recognized as part of the calculation of loss on debt extinguishment. For Caspian, the Delayed Draw Right was recognized as a capital contribution as there was no previous lender relationship with the Company with respect to the Senior Secured Term Loan. At the Closing Date, the Company recognized approximately \$3.5 million in Delayed Draw Right assets, which is included in other current assets on the Company's consolidated financial statements balance sheets. Subsequently, the asset will be monitored for impairment. As of December 31, 2023, no impairment indicators were identified.

On January 30, 2024, the Company issued \$25.0 million of aggregate principal in the form of 2L Notes under its Delayed Draw Right, which are issued subject to the same terms as the convertible 2L Notes and associated shares of Series B Preferred Stock allowing for voting rights on an as-converted basis prior to conversion. Approximately \$12.0 million, \$8.0 million, and \$5.0 million of the 2L Notes were issued to Knighthead, Marathon and Caspian, respectively.

2022 Credit Agreement

On February 24, 2022 (the "Refinancing Date"), the Company entered into various financing arrangements to refinance its existing previous long-term debt, which consisted of \$555.0 million in principal under the Company's existing term loan (the "2016 first lien term loan"), which was repaid in full on the Refinancing Date. As part of the 2022 Debt Refinancing, ATI Holdings Acquisition, Inc. (the "Borrower"), an indirect subsidiary of ATI Physical Therapy, Inc., entered into a credit agreement among the Borrower, Wilco Intermediate Holdings, Inc. ("Holdings"), as loan guarantor, Barclays Bank PLC, as administrative agent and issuing bank, and a syndicate of lenders (the "2022 Credit Agreement"). The 2022 Credit Agreement provides a \$550.0 million credit facility (the "2022 Credit Facility") that is comprised of a \$500.0 million senior secured term loan (the "Senior Secured Term Loan") which was fully funded at closing and a \$50.0 million "super priority" senior secured revolver (the "Revolving Loans") with a \$10.0 million letter of credit sublimit.

The 2022 Credit Facility refinanced and replaced the Company's prior credit facility for which Barclays Bank PLC served as administrative agent for a syndicate of lenders.

The Company paid \$555.0 million to settle its previous term loan (the "2016 First Lien Term Loan"). The Company accounted for the transaction as a debt extinguishment and recognized \$2.8 million in loss on debt extinguishment during the year ended December 31, 2022 related to the derecognition of the remaining unamortized deferred financing costs and unamortized original issue discount in conjunction with the debt repayment. The loss on debt extinguishment associated with the repayment of the 2016 first lien term loan. First Lien Term Loan has been reflected in other expense, net in the consolidated statements of operations.

In connection with the 2022 Debt Refinancing, the Company also entered into a preferred stock purchase agreement, consisting of senior preferred stock with detachable warrants to purchase common stock for an aggregate stated value of \$165.0 million. See Note 11 - Mezzanine and Stockholders' Equity for further information regarding the Preferred Stock Financing.

The Company capitalized debt issuance costs totaling \$12.5 million related to the 2022 Credit Facility as well as an original issue discount of \$10.0 million. The Company capitalized issuance costs, which are amortized over the terms of \$0.5 million related to the Revolving Loans, respective financing arrangements.

Senior Secured Term Loan

The Senior Secured Term Loan matures on February 24, 2028 and bears interest, at the Company's election, at a base interest rate of the Alternate Base Rate ("ABR"), as defined in the agreement, plus an applicable credit spread, or the Adjusted Term Secured Overnight Financing Rate ("SOFR"), as defined in the agreement, plus an applicable credit spread. The credit spread is determined based on a pricing grid and the Company's Secured Net Leverage Ratio. The Company may was able to elect to pay 2.0% interest in-kind at a 0.5% premium during the first year under the agreement. The Company elected to pay a portion of its interest in-kind during beginning in the third and fourth quarters of 2022, 2022 through the completion of the first year under the agreement. As of December 31, 2022 December 31, 2023, borrowings on the Senior Secured Term Loan bear interest at 1-month 12.7%, consisting of 12-month SOFR, subject to a 1.0% floor, plus a credit spread of 7.25% plus the 0.5% paid-in-kind interest premium. As of December 31, 2022 December 31, 2023, the effective interest rate on the Senior Secured Term Loan was 12.1% 13.9% and the effective interest rate was 13.1%. As of December 31, 2022, the outstanding principal amount under was \$410.0 million, of which \$17.0 million was due to related parties and is primarily attributable to Onex. Beginning in October 2023, the Company is no longer incurring the incremental 1.0% paid-in-kind interest on its Senior Secured Term Loan was \$503.5 million, based on its achievement of the required financial metrics under the terms of the 2023 Debt Restructuring.

Revolving Loans

The Revolving Loans are subject to a maximum borrowing capacity of \$50.0 million and mature on February 24, 2027. Borrowings on the Revolving Loans bear interest, at the Company's election, at a base interest rate of the ABR, as defined in the agreement, plus an applicable credit spread, or the Adjusted Term SOFR Rate, as defined in the agreement, plus an applicable credit spread. The credit spread is determined based on a pricing grid and the Company's Secured Net Leverage Ratio. In December 2022, the Company drew \$48.2 million in Revolving Loans. During 2023, the Company repaid \$44.8 million in Revolving Loans and drew an additional \$35.0 million in Revolving Loans. As of December 31, 2023, \$38.5 million in Revolving Loans were outstanding and bearing interest at a weighted average rate of 9.5%, consisting of 3-month SOFR plus a credit spread of approximately 4.1%. Beginning in October 2023, the Company is no longer incurring the incremental 1.0% interest on its Revolving Loans based on its achievement of the required financial metrics under the terms of the 2023 Debt Restructuring.

Commitment fees on the Revolving Loans are payable quarterly at 0.5% per annum on the daily average undrawn portion for the quarter and are expensed as incurred. In December 2022, The balances of unamortized issuance costs related to the Company drew \$48.2 million in Revolving Loans. As of December 31, 2022, \$48.2 million in Revolving Loans were outstanding \$0.5 million as of December 31, 2023, and bearing interest at rate \$0.6 million as of 8.3% December 31, 2022.

The 2022 Credit Facility is and 2L Notes are guaranteed by certain of the Company's subsidiaries and are secured by substantially all of the assets of Holdings, the Borrower and the Borrower's wholly owned wholly-owned subsidiaries, including a pledge of the stock of the Borrower, in each case, subject to customary exceptions. Pursuant to the terms of the Intercreditor and Subordination Agreement, the 2L Notes (and the guarantees thereof) will rank junior in right of payment to the obligations under the 2022 Credit Agreement, and the liens on the collateral securing the 2L Notes will rank junior to the liens on such collateral securing the obligations under the 2022 Credit Agreement.

The 2022 Credit Agreement contains customary covenants and restrictions, including financial and non-financial covenants. The In accordance with Amendment No. 2 to the Credit Agreement, the financial covenants require the Company to maintain \$30.0 million of minimum liquidity, as defined in the agreement, at each test date through the first quarter of 2023, \$25.0 million of minimum liquidity for the second quarter of 2023, \$15.0 million of minimum liquidity through the fourth quarter of 2023 and \$10.0 million of minimum liquidity through the fourth quarter of 2024. Additionally, beginning in the second first quarter of 2024 2025, the Company must maintain a Secured Net Leverage Ratio, as defined in the agreement, not to exceed 7.00:11.00:1.00. The net leverage ratio covenant decreases in each subsequent quarter through the third second quarter of 2024 2026 to 6.75:1.00 and further decreases in the first quarter of 2025 to 6.25:7.00:1.00, which remains applicable through maturity. The financial covenants are tested as of each fiscal quarter end for the respective periods. As of December 31, 2022 December 31, 2023, the Company has met is in compliance with its minimum liquidity financial covenant.

The 2022 Credit Agreement contains provisions restricting payments from the Borrower to ATI Physical Therapy, Inc. (the "Parent"), except for payments specifically outlined, such as those related to reasonable and customary administrative expenses of the Parent up to \$0.5 million; certain reasonable and customary indemnification claims; certain tax payments; customary fees and expenses related to debt or equity offerings, investments or acquisitions; certain salaries and related amounts for any directors, officers, employees or consultants of the Parent; payments related to certain transactions related to Parent capital stock not to exceed \$5.0 million in cash in any fiscal year unless funded through certain other sources such as the sale, issuance or exercise of certain other capital stock or similar instruments; repayment or redemption of the Series A Senior Preferred Stock under certain conditions; and other categories outlined in the agreement. The 2022 Credit Agreement effectively results in restricted net assets of substantially all of the Parent's subsidiaries, which limits transferability to the Parent in the form of dividends, distributions, loans or advances.

The 2022 Credit Facility contains customary representations and warranties, events of default, reporting and other affirmative covenants and negative covenants, including requirements related to the delivery of independent audit reports without certain going concern qualifications, explanatory paragraph beginning with the report covering fiscal year 2025, limitations on indebtedness, liens, investments, negative pledges, dividends, junior debt payments, fundamental changes and asset sales and affiliate transactions. The Second Lien Note Purchase Agreement includes affirmative and negative covenants (other than financial covenants) that are substantially consistent with the 2022 Credit Agreement, as well as customary events of default. Failure to comply with the 2022 Credit Facility and Second Lien Note Purchase Agreement covenants and restrictions could result in an event of default under the 2022 Credit Facility, respective borrowing agreements, subject to customary cure periods. In such an event, all amounts outstanding under the 2022 Credit Facility and Second Lien Note Purchase Agreement, together with any accrued interest, could then be declared immediately due and payable.

Under the 2022 Credit Facility, the Company may be required to make certain mandatory prepayments upon the occurrence of certain events, including: an event of default, a Prepayment Asset Sale prepayment asset sale or receipt of Net Insurance Proceeds (as defined in the 2022 Credit Agreement) net insurance proceeds in excess of \$15.0 million \$10.0 million, or excess cash flows exceeding certain thresholds (as thresholds. A prepayment asset sale includes dispositions at fair market value, and net insurance proceeds is generally defined in as insurance proceeds received on a covered loss or as a result of assets taken under the 2022 Credit Agreement). power of eminent domain, net of costs related to the matter.

Preferred Stock Financing

In connection with the 2022 Debt Refinancing, the Company issued 165,000 shares of non-convertible preferred stock (the "Series A Senior Preferred Stock") plus 5.2 million warrants to purchase 0.1 million shares of the Company's common stock at an exercise price of \$3.00 \$150.00 per share (the "Series I Warrants") and warrants to purchase 6.3 million 0.1 million shares of the Company's common stock at an exercise price equal to \$0.01 \$0.50 per share (the "Series II Warrants"). The shares of the Series A Senior Preferred Stock have a par value of \$0.0001 per share and an initial stated value of \$1,000 per share, for an aggregate initial stated value of \$165.0 million. The Series I and Series II Warrants are exercisable for 5 years from the Refinancing Date.

The gross proceeds received from the issuance of the Series A Senior Preferred Stock and the Series I and Series II Warrants were \$165.0 million during the year ended December 31, 2022, which was allocated among the instruments based on the relative fair values of each instrument. Of the gross proceeds, \$144.7 million was allocated to the Series A Senior Preferred Stock, \$5.1 million to the Series I Warrants and \$15.2 million to the Series II Warrants. The resulting discount on the Series A Senior Preferred Stock will be recognized as a deemed dividend when those shares are subsequently remeasured upon becoming redeemable or probable of becoming redeemable. The Company recognized \$2.9 million in issuance costs and \$1.4 million of original issue discount related to the Series A Senior Preferred Stock. The Company recognized total issuance costs and original issue discount of approximately \$0.2 million and \$0.5 million related to the Series I Warrants and Series II Warrants, respectively, respectively, during the year ended December 31, 2022.

As a result of the 2022 Debt Refinancing and the Preferred Stock Financing, the Company added approximately \$77.3 million of cash to its balance sheet.

The Series A Senior Preferred Stock has priority over the Company's Class A common stock and all other junior equity securities of the Company, and is junior to the Company's existing or future indebtedness and other liabilities (including trade payables), with respect to payment of dividends, distribution of assets, and all other liquidation, winding up, dissolution, dividend and redemption rights.

The Series A Senior Preferred Stock carries an initial dividend rate of 12.0% per annum (the "Base Dividend Rate"), payable quarterly in arrears. Dividends will be paid in-kind paid-in-kind and added to the stated value of the Series A Senior Preferred Stock. The Company may elect to pay dividends on the Series A Senior Preferred Stock in cash beginning on the third anniversary of the Refinancing Date and, with respect to any such dividends paid in cash, the dividend rate then in effect will be decreased by 1.0%.

The Base Dividend Rate is subject to certain adjustments, including an increase of 1.0% per annum on the first day following the fifth anniversary of the Refinancing Date and on each one-year anniversary thereafter, and 2.0% per annum upon the occurrence of either an Event of Noncompliance (as defined in the Certificate of Designation) or a failure by the Company to redeem in full all Series A Senior Preferred Stock upon a Mandatory Redemption Event, which includes a change of control, liquidation, bankruptcy or certain restructurings. The paid in-kind paid-in-kind dividends related to the Series A Senior Preferred Stock were \$23.2 million and \$17.9 million for the year ended December 31, 2022, December 31, 2023 and 2022, respectively. As of December 31, 2022 December 31, 2023, the accumulated paid in-kind paid-in-kind dividends related to the Series A Senior Preferred Stock were \$17.9 million \$41.1 million and the aggregate stated value was \$182.9 million \$206.1 million.

The Company has the right to redeem the Series A Senior Preferred Stock, in whole or in part, at any time (subject to certain limitations on partial redemptions). The Redemption Price for each share of Series A Senior Preferred Stock is equal to the stated value subject to certain price adjustments depending on when such optional redemption takes place, if at all.

The Series A Senior Preferred Stock is perpetual and is not mandatorily redeemable at the option of the holders, except upon the occurrence of a Mandatory Redemption Event. Upon the occurrence of a Mandatory Redemption Event, to the extent not prohibited by law, the Company is required to redeem all Series A Senior Preferred Stock, in cash, at a price per share equal to the then applicable Redemption Price. Based on the Company's assessment of the conditions which would trigger the redemption of the Series A Senior Preferred Stock, the Company has determined that Because the Series A Senior Preferred Stock is neither mandatorily redeemable contingent on certain events outside the Company's control, such as a change in control, and since such events are not currently redeemable nor probable of becoming redeemable. Because deemed certain to occur, the Series A Senior Preferred Stock is classified as mezzanine equity and is not considered redeemable or probable of becoming redeemable, the paid in-kind dividends that are added to the stated value do not impact the carrying value of the Series A Senior Preferred Stock in the Company's consolidated balance sheets. Should the Series A Senior Preferred Stock become probable of becoming redeemable, the Company will recognize changes in the redemption value of the Series A Senior Preferred Stock immediately as they occur and adjust the carrying amount accordingly at the end of each reporting period. As of December 31, 2022, the redemption value of the Series A Senior Preferred Stock was \$182.9 million, which is the stated value.

If an Event of Noncompliance occurs, then the holders of a majority of the then outstanding shares of Series A Senior Preferred Stock (the "Majority Holders") have the right to demand that the Company engage in a sale/refinancing process to consummate a Forced Transaction. A Forced Transaction includes a refinancing of the Series A Senior Preferred Stock or a sale of the Company. Upon consummation of any Forced Transaction, to the extent not prohibited by law, the Company is required to redeem all Series A Senior Preferred Stock, in cash, at a price per share equal to the then applicable Redemption Price.

Holders of shares of Series A Senior Preferred Stock have no voting rights with respect to the Series A Senior Preferred Stock except as set forth in the Certificate of Designation, other documents entered into in connection with the Purchase Agreement and the transactions contemplated thereby, or as otherwise required by law. For so long as any Series A Senior Preferred Stock is outstanding, the Company is prohibited from taking certain actions without the prior consent of the Majority Holders as set forth in the Certificate of Designation which include: issuing equity securities ranking senior to or pari passu with the Series A Senior Preferred Stock, incurring indebtedness or liens, engaging in affiliate transactions, making restricted payments, consummating certain investments or asset dispositions, consummating a change of control transaction unless the Series A Senior Preferred Stock is redeemed in full, altering the Company's organizational documents, and making material changes to the nature of the Company's business.

Holders As part of Series A Senior the 2022 Debt Refinancing, the Preferred Stock, Equityholders, voting as a separate class, have had the right to designate and elect one director to serve on the Company's board of directors until such time after the Refinancing Date that (i) as of any applicable fiscal quarter end, the Company's trailing 12-month Consolidated Adjusted EBITDA (as defined in the Certificate of Designation) exceeds \$100 million, \$100.0 million, or (ii) the Lead Purchaser ceases to hold at least 50.1% of the Series A Senior Preferred Stock held by it as of the Refinancing Date. As part of the 2023 Debt Restructuring, (1) the Preferred Equityholders' preexisting rights as holders of the Company's Series A Senior Preferred Stock to designate and elect one director to the Company's board of directors (the "Board") was revised to provide that (a) the Preferred Equityholders have the right to appoint three additional directors to the Board (resulting in the right of the Preferred Equityholders to appoint a total of four directors to the Board) until such time after the Closing Date that the Lead Purchaser (as defined in certain of the transaction agreements entered into in connection with the original issuance of the Series A Senior Preferred Stock) ceases to hold at least 50.1% of the Series A Senior Preferred Stock held by it as of the Closing Date, one of whom must be unaffiliated with (and independent of) the Preferred Equityholders and who must meet the definition of "independent" under the listing standards of the NYSE, and by the SEC; and (b) all such designee directors of the Preferred Equityholders will be subject to consideration by the Board (acting in good faith and consistent with their review of other Board candidates) and (2) the provision in the Certificate of Designation of the Company's Series A Senior Preferred Stock that eliminated the Preferred Equityholders' director designation rights upon the Company's achievement of certain amounts of EBITDA was deleted.

Prior to the closing of the 2023 Debt Restructuring, because the Series A Senior Preferred Stock is classified as mezzanine equity and was not considered redeemable or probable of becoming redeemable, the paid-in-kind dividends that were added to the stated value did not impact the carrying value of the Series A Senior Preferred Stock in the Company's consolidated balance sheets. Based on the voting rights associated with the Series B Preferred Stock attached to the 2L Notes issued as part of the 2023 Debt Restructuring, the Company determined that redemption of the Series A Senior Preferred Stock is no longer solely within the control of the Company. As a result, the Company determined that the Series A Senior Preferred Stock is probable of becoming redeemable based on the accounting guidance in ASC Topic 480, *Distinguishing Liabilities from Equity*. Following the 2023

Debt Restructuring, since the Series A Senior Preferred Stock is probable of becoming redeemable, the Company will recognize changes in the redemption value of the 2022 Debt Refinancing and the Series A Senior Preferred Stock Financing, immediately as they occur and adjust the Company added approximately \$77.3 million carrying amount as if redemption were to occur at the end of cash the reporting period. As of December 31, 2023, the redemption value of the Series A Senior Preferred Stock was \$220.4 million, which includes the aggregate stated value at December 31, 2023, inclusive of paid-in-kind dividends, and an incremental redemption value adjustment to its balance sheet, reflect the carrying amount equal to what the redemption amount would be as if redemption were to occur at the end of the reporting period, based on the terms of the Certificate of Designation.

Changes in the carrying value of the Series A Senior Preferred Stock consisted of the following for the year ended December 31, 2023 (in thousands). There were no changes in carrying value in 2022.

	December 31, 2023
Carrying value, beginning of period	\$ 140,340
Write off original issue discount	1,447
Write off issuance costs	2,880
Deemed dividend from discount on initial gross proceeds allocation	20,333
Paid-in-kind dividends recognized to carrying value	41,095
Redemption value adjustment	14,298
Carrying value, end of period	\$ 220,393

Consolidated Cash Flows

The following table presents selected data from our consolidated statements of cash flows:

Year Ended			Year Ended	
(\$ in thousands)	(\$ in thousands)	December 31, 2022	December 31, 2021	(\$ in thousands)
Net cash used in operating activities	Net cash used in operating activities	\$ (65,508)	\$ (42,100)	
Net cash used in investing activities	Net cash used in investing activities	(28,048)	(39,889)	
Net cash provided by (used in) financing activities		128,079	(11,523)	
Net increase (decrease) in cash and cash equivalents		34,523	(93,512)	
Net cash (used in) provided by financing activities				
Net (decrease) increase in cash and cash equivalents				
Cash and cash equivalents at beginning of period	Cash and cash equivalents at beginning of period	48,616	142,128	

Cash and cash equivalents at end of period	Cash and cash equivalents at end of period
	<u>\$ 83,139</u> <u>\$ 48,616</u>

Year ended **December 31, 2022** **December 31, 2023** compared to year ended **December 31, 2021** **December 31, 2022**

Net cash used in operating activities for the year ended **December 31, 2022** **December 31, 2023** was **\$65.5 million** **\$12.4 million** compared to **\$42.1 million** **\$65.5 million** for the year ended **December 31, 2021** **December 31, 2022**, an increase a decrease in cash used of **\$23.4** **\$53.1** million. The change decrease was primarily the result of margin on higher revenue with approximately **\$27.7** **\$15.5 million** higher lower net losses as adjusted for non-cash items such as goodwill, intangible and other asset impairment charges and changes in fair value of 2L Notes, warrant liability and contingent common shares liability during the year ended **December 31, 2022** **December 31, 2023**, partially offset by a **\$3.6 million** payment approximately **\$21.9 million** lower net cash outflows from changes in current assets and current liabilities related to timing of transaction-related amount due to former owners collections and payments during the year ended December 31, 2023, **\$6.6 million** lower cash outflows from operating leases and **\$12.3 million** of partial application of MAAPP funds during the year ended December 31, 2022 not recurring in **2022**, 2023.

Net cash used in investing activities for the year ended **December 31, 2022** **December 31, 2023** was **\$28.0 million** **\$17.4 million** compared to **\$39.9 million** **\$28.0 million** for the year ended **December 31, 2021** **December 31, 2022**, a decrease of approximately **\$11.8** **\$10.7 million**. The decrease was primarily driven by cash outflows related to purchases of acqui-novo clinics during the year ended December 31, 2021 not recurring in 2022 and lower capital expenditures during the year ended December 31, 2022 **December 31, 2023** primarily due to fewer clinic openings.

Net cash used in financing activities for the year ended December 31, 2023 was **\$16.6 million** compared to **\$128.1 million** of cash provided by financing activities for the year ended December 31, 2022 was **\$128.1 million** compared to **\$11.5 million** of cash used in financing activities for the year ended December 31, 2021, an increase a decrease in cash provided of **\$139.6** approximately **\$144.7 million**. The change was primarily driven by payments made on and lower cash inflows from Revolving Loans during the year ended December 31, 2023, and net cash inflows related to the 2022 Debt Refinancing and Preferred Stock Financing (refer to Note 8 - Borrowings for further details) and drawing Revolving Loans under the 2022 Credit Agreement during the year ended December 31, 2022, not recurring in 2023.

Commitments and Contingencies

The Company may be subject to loss contingencies, such as legal proceedings and claims arising out of its business. The Company records accruals for such loss contingencies when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. During the year ended December 31, 2022 As of December 31, 2023, the Company recorded an **accrual** **accrued liability** related to the outcomes of certain legal matters described in Note **18** **17** - Commitments and Contingencies. As of December 31, 2022, the liability has been fully settled. Refer to Note **18** **17** to our consolidated financial statements included elsewhere in this Annual Report for further information.

We enter into contractual obligations and commitments from time to time in the normal course of business, primarily related to our debt financing and operating leases. Refer to Notes 8 and **17** **16** to our consolidated financial statements included elsewhere in this Annual Report for further information. Additionally, the Company has contractual commitments related to cloud computing and telecommunication service agreements. Refer to Note **18** **17** to our consolidated financial statements included elsewhere in this Annual Report for further information.

Off-Balance Sheet Arrangements

As of **December 31, 2022** **December 31, 2023** and **December 31, 2021** **December 31, 2022**, the Company did not have any off-balance sheet arrangements.

Critical Accounting Estimates

The discussion and analysis of the Company's financial condition and results of operations is based upon the Company's consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of the Company's consolidated financial statements requires its management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses and related disclosures. The Company's management bases its estimates, assumptions and judgments on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Different assumptions and judgments would change the estimates used in the preparation of

the Company's consolidated financial statements which, in turn, could change the results from those reported. In addition, actual results may differ from these estimates and such differences could be material to the Company's financial position and results of operations.

Critical accounting estimates are those that the Company's management considers the most important to the portrayal of the Company's financial condition and results of operations because they require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. The Company's critical accounting estimates in relation to its consolidated financial statements include those related to:

- **Patient Net patient revenue recognition and accounts receivable**
- **Provision for doubtful accounts and allowance for doubtful accounts**
- Realization of deferred tax assets
- Goodwill and intangible assets

Additional information related to our critical accounting estimates can be found in Note 2 - Basis of Presentation and Summary of Significant Accounting Policies of our **audited** consolidated financial statements included elsewhere in this Annual Report.

Patient Net patient revenue recognition and allowance for doubtful accounts receivable

Net patient revenue

We provide an array of services to our patients including physical therapy, work conditioning, hand therapy, aquatic therapy, functional capacity **assessment, evaluation**, sports medicine and wellness programs. Net patient revenue consists of these physical therapy services.

Net patient revenue is recognized at an amount equal to the consideration the Company expects to receive from third-party payors, patients and others for services rendered when the performance obligations under the terms of the contract are satisfied.

There is **an implied** a contract between the Company and the patient upon each **patient** visit resulting in the Company's **patient service** performance **obligation**. **obligation to provide services to the patient**. Generally, the performance obligation is satisfied **at a point in time**, as the **patient receives physical therapy services** provided by the Company, as each service provided is distinct and future services rendered are not dependent on previously rendered services. The Company has separate contractual agreements (**written or implied**) with third-party payors (e.g., insurers, managed care programs, government programs, workers' compensation) that provide for payments to the Company at amounts different from its established **rates**. **rates**; the difference between the Company's established **rates** and amounts paid by third-party payors represent explicit price concessions in the form of contractual allowances or denials allowances. While these agreements are not considered contracts with the customer, they are used for determining the transaction price for services provided to the patients covered by the third-party payors. The payor contracts do not indicate performance obligations of the Company but indicate reimbursement rates for patients who are covered by those payors when the services are provided.

To determine the transaction price associated with the **implied** contract, the Company includes the estimated effects of any variable consideration, such as contractual allowances, denials allowances and implicit price concessions. When the Company has **written** payment contracts with third-party payors with negotiated prices for services **provided** (contracted payors), the Company **considers** determines the transaction price using the negotiated contractual rates **when estimating to estimate** contractual allowances. **Variable** allowances as compared to established rates; additional **variable** consideration for denial allowances is estimated using a portfolio approach that incorporates whether or not the Company has historical differences from negotiated **contractual** rates due to non-compliance with contract provisions. **Historical results indicate that it is probable that** negotiated prices less **variable** consideration will be realized; therefore, this amount is **deemed**.

When the **transaction price** and recorded as revenue. The Company **records** an estimated provision for doubtful accounts based on historical collections for claims **does not have** written payment contracts with similar characteristics, such as location of service and type of third-party payor, at the time of recognition. Any subsequent impairment of the related receivable is recorded as provision for doubtful accounts.

For non-contracted payors (**non-contracted payors**), the Company determines the transaction price by applying established rates using a portfolio approach to the services provided and adjusting estimate **variable** consideration for contractual allowances, provided to third-party payors and implicit price concessions. The Company estimates the **contractual** denial allowances and implicit price concessions using a portfolio approach based on historical collections **experience** for claims with similar characteristics, such as location of service and type of third-party payor, in relation to its **established** rates, because the Company does not have a contract with the underlying payor. **Any rates**.

For both contracted and non-contracted payors, any subsequent changes in estimate **on the realization** of the **receivable transaction price** is recorded as a revenue adjustment. Management believes that calculating at the portfolio level would not differ materially from considering each patient account separately.

The Company continually reviews the **revenue** transaction price estimation process to consider updates to laws and regulations and changes in third-party payor contractual terms that result from contract renegotiations and renewals. Due to complexities involved in determining amounts ultimately due under reimbursement arrangements with third-party payors and government entities, which are often subject to interpretation, the Company may receive reimbursement for healthcare services that is different from the estimates, and such differences could be material.

In its evaluation of the **revenue** transaction price, management assesses historical collection experience in relation to contracted rates, or for non-contracted payors, established rates. The practice of applying historical collection experience to determine the revenue transaction price for current transactions involves significant judgment and estimation. Management subsequently monitors the appropriateness of its estimates for claims on a date of service basis as cash collections on previous periods mature. Actual cash collections upon maturity may differ from the transaction price estimated upon initial recognition, and such differences could be material. If initial revenue recognition estimates increased or decreased by 100 basis points relative to an annual period, the impact to collections of the annual net patient revenue would be approximately **\$5.8 million** **\$6.4 million**.

Management believes subsequent changes in estimate as a result of maturity of claims with dates of service in 2019, 2020 2021 and 2021 2022 have not been material to the consolidated statements of operations.

The following table disaggregates net patient revenue for each associated payor class for the periods indicated below:

		Year Ended		Year Ended		Year Ended	
		December 31, 2022		December 31, 2021		December 31, 2020	
		December 31, 2023					
Commercial							
Commercial							
Commercial	Commercial	57.6	%	56.3	%	53.1	%
Government	Government	24.2	%	23.7	%	22.2	%
Government							
Government							
Workers' Compensation							
Workers' Compensation							
Workers' Compensation	Workers' Compensation	12.4	%	14.3	%	17.6	%
Other (1)	Other (1)	5.8	%	5.7	%	7.1	%
		100.0	%	100.0	%	100.0	%
Other (1)							
Other (1)							
		100.0		100.0		100.0	
		100.0		100.0		100.0	
		100.0		100.0		100.0	

(1) Other is primarily comprised of net patient revenue related to auto personal injury which by its nature may have longer-term collection characteristics relative to other payor classes.

Accounts receivable

The Company's accounts receivable are reported net of contractual allowances, denials allowances and allowances for doubtful accounts. The majority of accounts receivable are due from commercial insurance companies, workers' compensation plans, auto personal injury claims and government health programs, such as Medicare or Medicaid. The Company reports accounts receivable at an amount equal to the consideration the Company expects to receive in exchange for providing healthcare services to its patients.

The following table disaggregates accounts receivable, net associated with net patient revenue for each associated payor class as of:

		December 31, 2022		December 31, 2021	
		December 31, 2023			
		December 31, 2023			
		December 31, 2023			
Commercial					
Commercial					
Commercial	Commercial	43.9	%	40.3	%
Government	Government	13.7	%	9.1	%
Government					
Government					
Workers' Compensation					
Workers' Compensation					
Workers' Compensation	Workers' Compensation	15.5	%	18.1	%
Other (1)	Other (1)	26.9	%	32.5	%

	100.0	%	100.0	%
Other (1)				
Other (1)	100.0		100.0	
	100.0		100.0	
	100.0		100.0	
	100.0		100.0	

(1) Other is primarily comprised of accounts receivable associated with net patient revenue related to auto personal injury, injury which by its nature may have longer-term collection characteristics relative to other payor classes.

Provision for doubtful accounts and allowance for doubtful accounts

Provision for doubtful accounts

For contracted payors, the Company records an estimated provision for doubtful accounts using a portfolio approach based on historical collections experience for claims with similar characteristics, such as location of service and type of third-party payor, at the time net patient revenue is recognized. Any subsequent impairment of the related receivable is recorded as provision for doubtful accounts. The provision for doubtful accounts is included in cost of services in the consolidated statements of operations. When it is determined that a customer account is uncollectible, that balance is written off against the existing allowance.

Allowance for doubtful accounts

The allowance for doubtful accounts is based on estimates of losses related to receivable balances. The risk of collection varies based upon the service, the payor class and the patient's ability to pay the amounts not reimbursed by the payor. The Company estimates the allowance for doubtful accounts based upon several factors, including the age of the outstanding receivables, the historical experience of collections, the impact of economic conditions and, in some cases, evaluating specific customer accounts for the ability to pay. Management judgment is used to assess the collectability of accounts and the ability of the Company's customers to pay. The provision for doubtful accounts is included in cost of services in the consolidated statements of operations. When it is determined that a customer account is uncollectible, that balance is written off against the existing allowance.

Realization of deferred tax assets

The Company accounts for income taxes in accordance with ASC Topic 740 ("ASC 740"), *Income Taxes*. Under ASC 740, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and the respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rate is recognized in operations in the period that includes the enactment date.

We evaluate the realizability of deferred tax assets and reduce those assets using a valuation allowance if it is more likely than not that some portion or all of the deferred tax asset will not be realized. Among the factors used to assess the likelihood of realization are projections of future taxable income streams and the expected timing of the reversals of existing temporary differences. The judgments made at any point in time may be impacted by changes in tax codes, statutory tax rates or future taxable income levels. This could materially impact our assessment of the need for valuation allowance reserves and could cause our provision for income taxes to vary significantly from period to period.

Goodwill and intangible assets

Goodwill represents the excess of the purchase price over the fair value of assets acquired and liabilities assumed. The Company accounts for goodwill and indefinite-lived intangible assets under ASC Topic 350, *Intangibles – Goodwill and Other*, which requires the Company to test goodwill and other indefinite-lived assets for impairment annually or whenever events or circumstances indicate that impairment may exist.

The cost of acquired businesses is allocated first to its identifiable assets, both tangible and intangible, based on estimated fair values. Costs allocated to finite-lived identifiable intangible assets are generally amortized on a straight-line basis over the remaining estimated useful lives of the assets. The excess of the purchase price over the fair value of identifiable assets acquired, net of liabilities assumed, is recorded as goodwill.

Goodwill and intangible assets with indefinite lives are not amortized but must be reviewed at least annually for impairment. If the impairment test indicates that the carrying value of the reporting unit exceeds its fair value, then a goodwill impairment loss should be recognized in the consolidated statements of operations in an amount equal to the excess carrying value over fair value. If the impairment test indicates that the carrying value of an intangible asset exceeds its fair value, then an impairment loss should be recognized in the consolidated statements of operations in an amount equal to the excess carrying value over fair value. Fair value is determined using valuation techniques based on estimates, judgments and assumptions the Company believes are appropriate in the circumstances. The Company completed the interim and annual impairment analyses of goodwill as of March 31, 2022, June 30, 2022, September 30, 2022, October 1, 2022 and December 31, 2022 October 1, 2023 by estimating its fair value using an average of a discounted cash flow analysis and comparable public company analysis. Goodwill The Company concluded that no goodwill impairment charges were recorded occurred during the first, second, third and fourth quarters of 2022, year ended December 31, 2023. The key assumptions associated with determining the estimated fair value include projected revenue growth rates and EBITDA margins, the terminal growth rate, the discount rate and relevant market multiples.

The Company completed the interim and annual impairment analysis of the indefinite lived intangible asset as of March 31, 2022, June 30, 2022, September 30, 2022, October 1, 2022 and December 31, 2022 October 1, 2023 by estimating its fair value using the relief from royalty method. Indefinite lived intangibles The Company concluded that no indefinite-lived intangible asset impairment charges were recorded occurred during the first, second, third and fourth quarters of 2022, year ended December 31, 2023. The key assumptions associated with determining the estimated fair value include projected revenue growth rates, the royalty rate, the discount rate and the terminal growth rate.

The Company has one reporting unit for purposes of the Company's goodwill impairment tests.

During the year ended December 31, 2022, the Company identified interim noted triggering events as a result which resulted in the recording of factors including potential changes in discount rates and decreases in share price. The Company determined that the combination of these factors constituted interim triggering events that required further analysis with respect to potential impairment to goodwill, trade name indefinite-lived intangible and other assets. Accordingly, the Company performed interim quantitative impairment testing as of March 31, 2022, June 30, 2022, September 30, 2022 and December 31, 2022 and determined that the fair value amounts were below the respective carrying amounts. As a result, the Company recorded non-cash impairment charges of \$318.9 million related to goodwill and \$164.4 million related to the trade name indefinite-lived intangible asset during the year ended December 31, 2022, losses. Refer to Note 5 - Goodwill, Trade Name and Other Intangible Assets in the consolidated financial statements for further details.

Fair value determinations require considerable judgment and are sensitive to changes in underlying assumptions, estimates and market factors. Estimating the fair value of the Company's reporting unit and the indefinite-lived intangible asset requires us to make assumptions and estimates regarding our future plans, as well as industry, economic, and regulatory conditions. These assumptions and estimates include projected revenue growth rates and EBITDA margins, terminal growth rates, discount rates, relevant market multiples, royalty rates and other market factors. If current expectations of future growth rates, margins and cash flows are not met, or if market factors outside of our control change significantly, including discount rates, relevant market multiples, company share price and other market factors, then our reporting unit or the indefinite-lived intangible asset might become impaired in the future, negatively impacting our operating results and financial position. Factors that could result in the cash flows being lower than the current estimates include decreased revenue caused by unforeseen changes in the healthcare market or the Company's business, or the inability to achieve the estimated operating margins in the forecasts due to unforeseen factors. Additionally, changes in the broader economic environments could cause changes to the estimated discount rates and comparable company valuation indicators which may impact the estimated fair values. As the carrying amounts of goodwill and the Company's trade name indefinite-lived intangible asset were impaired as of December 31, 2022 and written down to fair value, those amounts are more susceptible to an impairment risk if there are unfavorable changes in assumptions and estimates. Additionally, goodwill and indefinite-lived intangible assets associated with acquisitions that may occur in the future are recorded on the balance sheet at their estimated acquisition date fair values, those amounts are more susceptible to impairment risk if business operating results or market conditions deteriorate.

To further illustrate sensitivity of the valuation models, if we had changed the assumptions used to estimate the fair value of our goodwill reporting unit and trade name indefinite-lived intangible asset in our most recent quantitative analysis in 2023, these isolated changes, which are reasonably possible to occur, would have led to the following approximate increase/(decrease) in the aggregate fair value of the reporting unit under the discounted cash flow analysis or trade name indefinite-lived intangible asset (in thousands):

Terminal growth				EBITDA margin				Royalty rate			
Discount rate	rate ⁽¹⁾	EBITDA margin	Royalty rate	Discount rate	rate ⁽¹⁾	EBITDA margin	Royalty rate	Discount rate	rate ⁽¹⁾	EBITDA margin	Royalty rate
50 basis points	100 basis points	100 basis points	50 basis points	50 basis points	100 basis points	100 basis points	50 basis points	50 basis points	100 basis points	100 basis points	50 basis points
Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
Discount rate				Discount rate				Discount rate			
50 basis points				50 basis points				50 basis points			
Increase				Increase				Increase			
Goodwill	Goodwill \$(40,000)	\$45,000	\$45,000	\$(35,000)	\$40,000	\$40,000	\$(40,000)	Goodwill	Goodwill \$(40,000)	\$45,000	\$45,000

Trade name	Trade name	\$(10,000)	\$15,000	\$15,000	\$(10,000)	\$35,000	\$(35,000)
Trade name							
Trade name						\$(10,000)	\$15,000

(a) An increase of 100 basis points to our assumed non-terminal revenue growth rates would result in approximately \$50 million of an estimated increase to the fair value of our goodwill reporting unit, whereas a 100 basis point decrease would result in approximately \$40 million of an estimated decrease to the fair value of our goodwill reporting unit.

Recent Accounting Pronouncements

For information regarding recent accounting pronouncements, refer to Note 2 - *Basis of Presentation and Summary of Significant Accounting Policies* in the accompanying consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

As of December 31, 2022, the Company is exposed to interest rate variability with regard to its existing variable-rate debt instrument, which exposure primarily relates to movements in various interest rates, such as SOFR. The Company utilizes interest rate cap derivative instruments for purposes of hedging exposures related to such variable-rate cash payments. Based on our current hedging instruments as of December 31, 2022, a hypothetical increase of interest rates defined by 100 basis points would increase our annual cash interest expense by approximately \$2.9 million and a hypothetical decrease of interest rates by 100 basis points would decrease our annual cash interest expense by approximately \$3.0 million. As of December 31, 2022, the fair value Rule 12b-2 of the Company's derivative instruments consisted of assets of \$5.0 million Exchange Act, this Item and liabilities of \$0.1 million. As of December 31, 2021, the fair value of the Company's derivative instrument consisted of a \$0.3 million non-current asset and \$0.3 million current liability. related disclosure is not required.

In March 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The amendments in this update provide optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. This standard was subsequently amended by ASU No. 2021-01, *Reference Rate Reform (Topic 848): Scope*, and by ASU 2020-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848*. This standard is optional and may be applied by entities after March 12, 2020, but no later than December 31, 2024. As of December 31, 2022, the Company has a derivative instrument for which the interest rate is indexed to the LIBOR. During the period ended March 31, 2022, the Company modified the reference rate index on its hedged items, which are future variable-rate cash payments, from LIBOR to SOFR. The Company elected to apply the hedge accounting expedients related to probability and the assessments of effectiveness for future cash flows to assume that the index upon which future hedged transactions will be based matches the index on the corresponding derivative, which is LIBOR. The guidance allows for different expedient elections to be made at different points in time. As of December 31, 2022, the Company continues to apply the hedge accounting expedients and does not anticipate that this guidance will have a material impact on its consolidated financial statements, however, the Company will continue to assess the potential impact on its future hedging relationships and expedient elections, as applicable.

Item 8. Financial Statements and Supplementary Data

ATI Physical Therapy, Inc.
Index to Consolidated Financial Statements

	Page
Report of Independent Registered Public Accounting Firm (PCAOB (Deloitte & Touche LLP, PCAOB ID34))	85
Report of Independent Registered Public Accounting Firm (PricewaterhouseCoopers LLP, PCAOB ID 238).	88 90
Financial Statements:	
Consolidated Balance Sheets	93 91
Consolidated Statements of Operations	94 92
Consolidated Statements of Comprehensive Loss	95 93
Consolidated Statements of Changes in Stockholders' Equity	95 94
Consolidated Statements of Cash Flows	97 95
Notes to Consolidated Financial Statements	98 97

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of ATI Physical Therapy Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of ATI Physical Therapy Inc. and subsidiaries (the "Company") as of December 31, 2023, the related consolidated statements of operations, comprehensive loss, stockholders' equity, and cash flows, for the year ended December 31, 2023, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and the results of its operations and its cash flows for the year ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has experienced recurring losses from operations and negative cash flows from operations and requires operational improvement in order to meet its obligations as they become due over the next twelve months and maintain compliance with debt covenants, which raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Valuation of Goodwill and Trade Name Indefinite-Lived Intangible Asset – Refer to Notes 2 and 5 to the financial statements

Critical Audit Matter Description

The Company completed the annual impairment analysis of goodwill by estimating the fair value of the reporting unit using an average of a discounted cash flow analysis and comparable public company analysis. The key assumptions associated with determining the estimated fair value include projected revenue growth rates and EBITDA margins, the terminal growth rate, the discount rate and relevant market multiples. Fair value determinations require considerable judgment and are sensitive to changes in underlying assumptions, estimates and market factors. The Company concluded that no goodwill impairment occurred during the year ended December 31, 2023. The Company completed the annual impairment analysis of the trade name indefinite-lived intangible asset by estimating its fair value using the relief from royalty method. The key assumptions associated with determining the estimated fair value include projected revenue growth rates, the royalty rate, the discount rate and the terminal growth rate. Fair value determinations require considerable judgment and are sensitive to changes in underlying assumptions, estimates and market factors. The Company concluded that no trade name indefinite-lived intangible asset impairment occurred during the year ended December 31, 2023. As of December 31, 2023, the goodwill and trade name indefinite-lived intangible asset balances were \$289.7 million and \$245 million, respectively.

We identified goodwill and trade name indefinite-lived intangible asset impairment assessments as a critical audit matter because of the significant judgements made by management to estimate the respective fair values. This required a high degree of auditor judgement and an increased extent of effort, including the need to involve our fair value specialists, when performing audit procedures to evaluate the reasonableness of management's estimates and assumptions related to (1) the selection of the discount rate, relevant market multiples, and forecasts of future revenues and EBITDA margins in estimating the fair value of the reporting unit and (2) the selection of the discount rate, royalty rate, and forecasts of future revenue in estimating the fair value of the trade name indefinite-lived intangible asset.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to (1) the discount rate, terminal growth rate, relevant market multiples, and forecasts of future revenues and EBITDA margins used by management to estimate the fair value of the reporting unit and (2) the selection of the discount rate, royalty rate, and forecasts of future revenue in estimating the fair value of the trade name indefinite-lived intangible asset, included the following, among others:

- We evaluated management's ability to accurately forecast revenue and EBITDA margins by comparing actual results to management's historical forecasts.
- We evaluated the reasonableness of management's revenue and EBITDA margin forecasts by comparing the forecasts to:
 - Historical revenues and EBITDA margins.
 - Internal communications to the Board of Directors.
 - Forecasted information in industry reports, and certain of the Company's peer companies.
- We evaluated the impact of changes in management's forecasts of revenue and EBITDA margins from the October 1, 2023 annual measurement date to December 31, 2023.
- With the assistance of our fair value specialists, we evaluated the reasonableness of the (1) valuation methodology, (2) discount rate, and (3) relevant market multiples by:
 - Testing the underlying source information and the mathematical accuracy of the calculations and developing a range of independent estimates and comparing those to the discount rates selected by management.
 - Testing the underlying source information and mathematical accuracy of the calculations and comparing the multiples selected by management to its guideline companies.
- With the assistance of our fair value specialists, we evaluated the reasonableness of the tradename indefinite-lived intangible asset (1) valuation methodology, (2) discount rate, and (3) royalty rate by:
 - Testing the underlying source information and the mathematical accuracy of the calculations and developing a range of independent estimates and comparing those to the discount rates selected by management.
 - Testing the underlying source information and the mathematical accuracy of the calculations for the royalty rate.

Valuation of Net Patient Revenue and Related Accounts Receivable – Refer to Notes 2 and 4 to the financial statements

Critical Audit Matter Description

Net patient revenue and related accounts receivable (before the allowance for doubtful accounts) are recognized at an amount equal to the consideration the Company expects to receive from third-party payors, patients and others for services rendered when the performance obligations under the terms of the contract are satisfied. For the year ended December 31, 2023 net patient revenue was \$636.1 million and accounts receivable (before allowance for doubtful accounts) was \$136.6 million.

To determine the transaction price associated with the contract with the patient, the Company includes the estimated effects of any variable consideration, such as contractual allowances, denials allowances and implicit price concessions. When the Company has written payment contracts with third-party payors with negotiated prices for services (contracted payors), the Company determines the transaction price using the negotiated contractual rates to estimate contractual allowances as compared to established rates; additional variable consideration for denial allowances is estimated using a portfolio approach that incorporates whether or not the Company has historical differences from negotiated contractual rates due to non-compliance with contract provisions. When the Company does not have written payment contracts with third-party payors (non-contracted payors), the Company determines the transaction price using a portfolio approach to estimate variable consideration for contractual allowances, denial allowances and implicit price concessions based on historical collections experience for claims with similar characteristics, such as location of service and type of third-party payor, in relation to its established rates. In its evaluation of the transaction price, management assesses historical collection experience in relation to contracted rates, or for non-contracted payors, established rates. The practice of applying historical collection experience to determine the revenue transaction price for current transactions involves significant judgment and estimation.

We identified the valuation of net patient revenue and related accounts receivable (before the allowance for doubtful accounts) as a critical audit matter because of the significant judgments made by management to estimate the transaction price associated with its contracts with customers. This required a high degree of auditor judgment and extensive audit effort, including the need to involve data analytics specialists, when performing audit procedures to evaluate the reasonableness of management's estimates and assumptions related to the valuation of net patient revenue and related accounts receivable (before the allowance for doubtful accounts).

How the Critical Audit Matter Was Addressed in the Audit

Our procedures related to net patient revenue and related accounts receivable (before the allowance for doubtful accounts) included the following, among others:

- We obtained an understanding of the Company's methods and assumptions used to estimate the transaction price for net patient revenue and related accounts receivable (before the allowance for doubtful accounts).
- We inspected journal entries, with the assistance of data analytics specialists, in the net patient revenue population to identify and understand significant relationships between net patient revenue and related accounts affecting net patient revenue.
- We performed audit procedures on those related accounts determined to have a significant relationship with net patient revenue, including testing the existence of a sample of accounts receivable balances outstanding as of December 31, 2023.
- We tested the Company's estimate of contractual and denial allowances by developing an independent expectation of the balance using historical cash collection rates applied to patient revenue before allowances remaining in accounts receivable as of December 31, 2023.
- We tested, on a sample basis, the accuracy and completeness of patient revenue transactions before allowances and historical cash collections data used to develop our independent expectation of the contractual and denial allowances.
- We evaluated the results of management's retrospective comparison of cash collected subsequent to prior year end versus accounts receivable (before the allowance for doubtful accounts) as of prior year end to evaluate the reasonableness of the prior year estimate.

/s/ Deloitte and Touche LLP

Chicago, IL

February 27, 2024

We have served as the Company's auditor since 2023.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of ATI Physical Therapy, Inc.

Opinions Opinion on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets sheet of ATI Physical Therapy, Inc. and its subsidiaries (the "Company") as of December 31, 2022 and 2021, and the related consolidated statements of operations, of comprehensive loss, of changes in stockholders' equity and of cash flows for each of the three years in the period year then ended, December 31, 2022, including the related notes and schedule of valuation and qualifying accounts for each of the three years in the period ended December 31, 2022 appearing under Item 15 (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period year then ended December 31, 2022 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company did not maintain, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO because material weaknesses in internal control over financial reporting existed as of that date related to insufficient complement of tax personnel and ineffective controls over the income tax provision.

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 the annual or interim financial statements will not be prevented or detected on a timely basis. The material weaknesses referred to above are described in Management's Annual Report on Internal Control over Financial Reporting appearing under Item 9A. We considered these material weaknesses in determining the nature, timing, and extent of audit tests applied in our audit of the 2022 consolidated financial statements, and our opinion regarding the effectiveness of the Company's internal control over financial reporting does not affect our opinion on those consolidated financial statements.

Substantial Doubt About the Company's Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has negative operating cash flows, operating losses and net losses that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Change in Accounting Principle Basis for Opinion

As discussed in Note 2 to the These consolidated financial statements are the Company changed the manner in which it accounts for leases in 2020.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment responsibility of the effectiveness of internal control over financial reporting, included in management's report referred to above. Company's management. Our responsibility is to express opinions an opinion on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits audit of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects. fraud.

Our audits of the consolidated financial statements audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide audit provides a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Valuation of patient service revenue and related accounts receivable - contractual allowances

As described in Notes 2 and 4 to the consolidated financial statements, net patient revenue is recognized at an amount equal to the consideration the Company expects to receive from third-party payors, patients and others for services rendered when the performance obligations under the terms of the contract are satisfied. For the year ended December 31, 2022, net patient service revenue was \$575.9 million and related accounts receivable was \$80.7 million as of December 31, 2022. There is an implied contract between the Company and the patient upon each patient visit resulting in the Company's patient service performance obligation. To determine the transaction price associated with the implied contract, management includes the estimated effects of any variable consideration, such as contractual allowances and implicit price concessions. When the Company has contracts with negotiated prices for services provided, management considers the contractual rates when recording revenue and adjusts for any variable consideration to the transaction price to arrive at revenue. For non-contracted payors, management determines the transaction price by applying established rates to the services provided and adjusting for contractual allowances provided to third-party payors and implicit price concessions. Management estimates the contractual allowances and implicit price concessions using a portfolio approach based on historical collections for claims with similar characteristics, such as location of service and type of third-party payor, in relation to established rates, because the Company does not have a contract with the underlying payor. Any subsequent changes in estimate on the realization of the receivable is recorded as a revenue adjustment. Management continually reviews the revenue transaction price estimation process to consider updates to laws and regulations and changes in third-party payor contractual terms that result from contract renegotiations and renewals.

The principal considerations for our determination that performing procedures relating to the valuation of patient service revenue and related accounts receivable for contractual allowances is a critical audit matter are (i) the significant judgment by management in estimating the value of patient service revenue and related accounts receivable for contractual allowances, and (ii) a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence related to the contractual allowances.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's valuation of patient accounts receivable, including controls over the contractual allowance model, completeness and accuracy of historical collection data and review of adjustments made by management to contractual allowances. These procedures also included, among others, testing management's process for developing the estimate for contractual allowances, including (i) evaluating the appropriateness of the analysis used by management, (ii) testing the completeness and accuracy of underlying historical collection data used in the analysis, (iii) testing, on a sample basis, the accuracy of revenue transactions and cash collections from the historical billing and collection data used in management's analysis, (iv) performing a retrospective comparison of actual cash collected subsequent to the prior year-end to evaluate the reasonableness of the prior year estimate, and (v) evaluating the reasonableness of adjustments made by management to contractual allowances.

Goodwill and trade name indefinite-lived intangible asset impairment assessments

As described in Notes 2 and 5 to the consolidated financial statements, the Company's consolidated goodwill and trade name indefinite-lived intangible asset balances were \$286.5 million and \$245.0 million, respectively, as of December 31, 2022. Goodwill and intangible assets with indefinite lives are not amortized but must be reviewed at least annually for impairment, or whenever events or circumstances indicate that impairment may exist. If the impairment test indicates that the carrying value of goodwill of the reporting unit or an intangible asset exceeds its fair value, then an impairment loss should be recognized in the consolidated statements of operations in an amount equal to the excess carrying value over fair value. Management completed the interim and annual impairment analyses of goodwill as of March 31, 2022, June 30, 2022, September 30, 2022, October 1, 2022 and December 31, 2022 by estimating the fair value of the Company's single reporting unit using an average of a discounted cash flow analysis and comparable public company analysis. The key assumptions associated with determining the estimated fair value of the reporting unit include projected revenue growth rates, EBITDA margins, the terminal growth rate, the discount rate, and relevant market multiples. Management completed the interim and annual impairment analyses of the trade name indefinite-lived intangible asset as of March 31, 2022, June 30, 2022, September 30, 2022, October 1, 2022 and December 31, 2022 by estimating the fair value of the trade name indefinite-lived intangible asset using the relief from royalty method. The key assumptions associated with determining the estimated fair value of the trade name indefinite-lived intangible asset include projected revenue growth rates, the royalty rate, the discount rate and the terminal growth rate. During the year ended December 31, 2022, the Company recorded \$318.9 million and \$164.4 million of total impairment charges related to goodwill and the trade name indefinite-lived intangible asset, respectively.

The principal considerations for our determination that performing procedures relating to the goodwill and trade name indefinite-lived intangible asset impairment assessments is a critical audit matter are (i) the significant judgment by management when developing the fair value estimates of the reporting unit and trade name indefinite-lived intangible asset, (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating management's significant assumptions related to projected revenue growth rates, EBITDA margins, the terminal growth rate, the discount rate and relevant market multiples, related to goodwill and projected revenue growth rates, the royalty rate, the terminal

growth rate, and the discount rate related to the trade name indefinite-lived intangible asset, and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's goodwill and indefinite-lived intangible asset impairment assessments, including controls over the valuation of the Company's single reporting unit and the trade name indefinite-lived intangible asset. These procedures also included, among others, (i) testing management's process for developing the fair value estimates, (ii) evaluating the appropriateness of management's fair value analyses, (iii) testing the completeness and accuracy of the underlying data used in the analyses, and (iv) evaluating significant assumptions used by management related to the projected revenue growth rates, EBITDA margins, the terminal growth rate, the discount rate, and relevant market multiples related to goodwill and projected revenue growth rates, the royalty rate, the terminal growth rate and the discount rate related to the trade name indefinite-lived intangible asset. Evaluating management's assumptions related to projected revenue growth rates and EBITDA margins involved evaluating whether the assumptions were reasonable considering past performance of the Company, the consistency with external data from other sources, and whether these assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in evaluating (i) the appropriateness of the discounted cash flow analysis, comparable public company analysis and relief from royalty method, and (ii) the reasonableness of the assumptions related to the discount rates, the terminal growth rate, the royalty rate, and relevant market multiples.

opinion.

/s/ PricewaterhouseCoopers LLP

Chicago, Illinois

March 16, 2023, except for the effects of the reverse stock split discussed in Note 2 to the consolidated financial statements, as to which the date is February 27, 2024

We have served as the Company's auditor since 2021. from 2021 to 2023.

ATI Physical Therapy, Inc.
Consolidated Balance Sheets
(\$ in thousands, except share and per share data)

	December 31, 2023	December 31, 2022
Assets:		
Current assets:		
Cash and cash equivalents	\$ 36,802	\$ 83,139
Accounts receivable (net of allowance for doubtful accounts of \$48,055 and \$47,620 at December 31, 2023 and December 31, 2022, respectively)	88,512	80,673
Prepaid expenses	12,920	13,526
Insurance recovery receivable	23,981	933
Other current assets	4,367	9,107
Assets held for sale	2,056	6,755
Total current assets	168,638	194,133
Property and equipment, net	100,422	123,690
Operating lease right-of-use assets	194,423	226,092
Goodwill, net	289,650	286,458
Trade name and other intangible assets, net	245,858	246,582
Other non-current assets	4,290	2,030
Total assets	<u>\$ 1,003,281</u>	<u>\$ 1,078,985</u>
Liabilities, Mezzanine Equity and Stockholders' Equity:		
Current liabilities:		
Accounts payable	\$ 14,704	\$ 12,559
Accrued expenses and other liabilities	88,435	53,672
Current portion of operating lease liabilities	51,530	47,676

Liabilities held for sale	1,778	2,614
Total current liabilities	156,447	116,521
Long-term debt, net ⁽¹⁾	433,578	531,600
2L Notes due to related parties, at fair value	79,472	—
Warrant liability	3	98
Contingent common shares liability	578	2,835
Deferred income tax liabilities	21,367	18,886
Operating lease liabilities	185,602	218,424
Other non-current liabilities	1,696	1,834
Total liabilities	878,743	890,198
Commitments and contingencies (Note 17)		
Mezzanine equity:		
Series A Senior Preferred Stock, \$0.0001 par value; 1.0 million shares authorized; 0.2 million shares issued and outstanding; \$1,249.06 stated value per share at December 31, 2023; \$1,108.34 stated value per share at December 31, 2022	220,393	140,340
Stockholders' equity:		
Class A common stock, \$0.0001 par value; 470.0 million shares authorized; 4.2 million shares issued, 4.0 million shares outstanding at December 31, 2023; 4.1 million shares issued, 4.0 million shares outstanding at December 31, 2022	—	—
Treasury stock, at cost, 0.007 million shares and 0.002 million shares at December 31, 2023 and December 31, 2022, respectively	(219)	(146)
Additional paid-in capital	1,308,119	1,378,716
Accumulated other comprehensive income	406	4,899
Accumulated deficit	(1,409,306)	(1,339,511)
Total ATI Physical Therapy, Inc. equity	(101,000)	43,958
Non-controlling interests	5,145	4,489
Total stockholders' equity	(95,855)	48,447
Total liabilities, mezzanine equity and stockholders' equity	\$ 1,003,281	\$ 1,078,985

	December 31, 2022	December 31, 2021
Assets:		
Current assets:		
Cash and cash equivalents	\$ 83,139	\$ 48,616
Accounts receivable (net of allowance for doubtful accounts of \$47,620 and \$53,533 at December 31, 2022 and December 31, 2021, respectively)	80,673	82,455
Prepaid expenses	13,526	9,303
Other current assets	10,040	3,204
Assets held for sale	6,755	—
Total current assets	194,133	143,578
Property and equipment, net	123,690	139,730
Operating lease right-of-use assets	226,092	256,646
Goodwill, net	286,458	608,811
Trade name and other intangible assets, net	246,582	411,696
Other non-current assets	2,030	2,233
Total assets	\$ 1,078,985	\$ 1,562,694
Liabilities, Mezzanine Equity and Stockholders' Equity:		
Current liabilities:		
Accounts payable	\$ 12,559	\$ 15,146
Accrued expenses and other liabilities	53,672	64,584
Current portion of operating lease liabilities	47,676	49,433
Current portion of long-term debt	—	8,167
Liabilities held for sale	2,614	—
Total current liabilities	116,521	137,330
Long-term debt, net	531,600	543,799

Warrant liability	98	4,341
Contingent common shares liability	2,835	45,360
Deferred income tax liabilities	18,886	67,459
Operating lease liabilities	218,424	250,597
Other non-current liabilities	1,834	2,301
Total liabilities	890,198	1,051,187
Commitments and contingencies (Note 18)		
Mezzanine equity:		
Series A Senior Preferred Stock, \$0.0001 par value; 1.0 million shares authorized; \$1,108.34 stated value per share and 0.2 million shares issued and outstanding at December 31, 2022; none issued and outstanding at December 31, 2021	140,340	—
Stockholders' equity:		
Class A common stock, \$0.0001 par value; 470.0 million shares authorized; 207.5 million shares issued, 198.4 million shares outstanding at December 31, 2022; 207.4 million shares issued, 197.4 million shares outstanding at December 31, 2021	20	20
Treasury stock, at cost, 0.08 million shares and 0.03 million shares at December 31, 2022 and December 31, 2021, respectively	(146)	(95)
Additional paid-in capital	1,378,696	1,351,597
Accumulated other comprehensive income	4,899	28
Accumulated deficit	(1,339,511)	(847,132)
Total ATI Physical Therapy, Inc. equity	43,958	504,418
Non-controlling interests	4,489	7,089
Total stockholders' equity	48,447	511,507
Total liabilities, mezzanine equity and stockholders' equity	\$ 1,078,985	\$ 1,562,694

(a) Includes \$17.0 million of principal amount of debt due to related parties as of December 31, 2023.

The accompanying notes to the consolidated financial statements are an integral part of these statements.

ATI Physical Therapy, Inc.
Consolidated Statements of Operations
(in thousands, except per share data)

		Year Ended		
		Year Ended	Year Ended	Year Ended
		December 31, 2023	December 31, 2022	December 31, 2021
Net patient revenue				Year Ended
Net patient revenue			December 31, 2022	December 31, 2021
Net patient revenue	Net patient revenue	\$ 575,940	\$ 561,080	\$ 529,585
Other revenue	Other revenue	59,731	66,791	62,668
Other revenue				
Other revenue				
Net revenue				
Net revenue				
Net revenue	Net revenue	635,671	627,871	592,253
Cost of services:	Cost of services:			
Cost of services:				
Cost of services:				
Salaries and related costs				
Salaries and related costs				
Salaries and related costs	Salaries and related costs	357,982	336,496	306,471

Rent, clinic supplies, contract labor and other	Rent, clinic supplies, contract labor and other	202,568	180,932	166,144
Rent, clinic supplies, contract labor and other				
Rent, clinic supplies, contract labor and other				
Provision for doubtful accounts				
Provision for doubtful accounts				
Provision for doubtful accounts	Provision for doubtful accounts	13,869	16,369	16,231
Total cost of services	Total cost of services	574,419	533,797	488,846
Total cost of services				
Total cost of services				
Selling, general and administrative expenses				
Selling, general and administrative expenses				
Selling, general and administrative expenses	Selling, general and administrative expenses	114,724	111,809	104,320
Goodwill, intangible and other asset impairment charges	Goodwill, intangible and other asset impairment charges	486,262	962,303	—
Goodwill, intangible and other asset impairment charges				
Goodwill, intangible and other asset impairment charges				
Operating loss	Operating loss	(539,734)	(980,038)	(913)
Operating loss	Operating loss	—	—	—
Change in fair value of 2L Notes	Change in fair value of 2L Notes	—	—	—
Change in fair value of 2L Notes	Change in fair value of 2L Notes	—	—	—
Change in fair value of warrant liability	Change in fair value of warrant liability	—	—	—
Change in fair value of warrant liability	Change in fair value of warrant liability	—	—	—
Change in fair value of warrant liability	Change in fair value of warrant liability	(4,243)	(22,595)	—
Change in fair value of contingent common shares liability	Change in fair value of contingent common shares liability	(42,525)	(175,140)	—
Loss on settlement of redeemable preferred stock	Loss on settlement of redeemable preferred stock	—	14,037	—
Change in fair value of contingent common shares liability	Change in fair value of contingent common shares liability	—	—	—
Interest expense, net	Interest expense, net	45,278	46,320	69,291
Interest expense on redeemable preferred stock	Interest expense on redeemable preferred stock	—	10,087	19,031
Other expense (income), net	Other expense (income), net	3,333	241	(91,002)
(Loss) income before taxes	(Loss) income before taxes	(541,577)	(852,988)	1,767
Income tax (benefit) expense	Income tax (benefit) expense	(48,530)	(70,960)	2,065
Interest expense, net	Interest expense, net	—	—	—
Interest expense, net	Interest expense, net	—	—	—
Other expense, net	Other expense, net	—	—	—
Other expense, net	Other expense, net	—	—	—
Loss before taxes	Loss before taxes	—	—	—
Loss before taxes	Loss before taxes	—	—	—
Loss before taxes	Loss before taxes	—	—	—

Income tax expense (benefit)							
Income tax expense (benefit)							
Income tax expense (benefit)							
Net loss	Net loss		(493,047)		(782,028)		(298)
Net (loss) income attributable to non-controlling interests			(668)		(3,700)		5,073
Net loss							
Net loss							
Net income (loss) attributable to non-controlling interests							
Net income (loss) attributable to non-controlling interests							
Net income (loss) attributable to non-controlling interests							
Net loss attributable to ATI Physical Therapy, Inc.	Net loss attributable to ATI Physical Therapy, Inc.	\$	(492,379)	\$	(778,328)	\$	(5,371)
Net loss attributable to ATI Physical Therapy, Inc.							
Net loss attributable to ATI Physical Therapy, Inc.							
Less: Series A Senior Preferred Stock redemption value adjustments							
Less: Series A Senior Preferred Stock redemption value adjustments							
Less: Series A Senior Preferred Stock redemption value adjustments							
Less: Series A Senior Preferred Stock cumulative dividend							
Less: Series A Senior Preferred Stock cumulative dividend							
Less: Series A Senior Preferred Stock cumulative dividend							
Net loss available to common stockholders							
Net loss available to common stockholders							
Net loss available to common stockholders							
Loss per share of Class A common stock:							
Loss per share of Class A common stock:							
Loss per share of Class A common stock:	Loss per share of Class A common stock:						
Basic	Basic	\$	(2.51)	\$	(4.69)	\$	(0.04)
Basic							
Basic							
Diluted							
Diluted							
Diluted	Diluted	\$	(2.51)	\$	(4.69)	\$	(0.04)
Weighted average shares outstanding:	Weighted average shares outstanding:						
Weighted average shares outstanding:	Weighted average shares outstanding:						
Basic and diluted	Basic and diluted		203,150		165,805		128,286
Basic and diluted							
Basic and diluted							

The accompanying notes to the consolidated financial statements are an integral part of these statements.

ATI Physical Therapy, Inc.
Consolidated Statements of Comprehensive Loss
(\$ in thousands)

		Year Ended		
		December 31, 2022	December 31, 2021	December 31, 2020
		Year Ended	Year Ended	Year Ended
December 31, 2023				
Net loss	Net loss	\$ (493,047)	\$ (782,028)	\$ (298)
Other comprehensive income (loss):				
Unrealized gain (loss) on interest rate cap		4,871	1,935	(582)
Net loss				
Net loss				
Other comprehensive (loss) income:				
Other comprehensive (loss) income:				
Other comprehensive (loss) income:				
Cash flow hedges				
Cash flow hedges				
Cash flow hedges				
Comprehensive loss	Comprehensive loss	\$ (488,176)	\$ (780,093)	\$ (880)
Net (loss) income attributable to non-controlling interests		(668)	(3,700)	5,073
Comprehensive loss				
Comprehensive loss				
Net income (loss) attributable to non-controlling interests				
Net income (loss) attributable to non-controlling interests				
Net income (loss) attributable to non-controlling interests				
Comprehensive loss	Comprehensive loss			
attributable to ATI Physical	attributable to ATI Physical			
Therapy, Inc.	Therapy, Inc.	\$ (487,508)	\$ (776,393)	\$ (5,953)
Comprehensive loss attributable to ATI Physical				
Therapy, Inc.				
Comprehensive loss attributable to ATI Physical				
Therapy, Inc.				

The accompanying notes to the consolidated financial statements are an integral part of these statements.

ATI Physical Therapy, Inc.
Consolidated Statements of Changes in Stockholders' Equity
(\$ in thousands, except share data)

	Common Stock		Accumulated						Accumulated								
			Common Stock		Treasury Stock		Additional		Other		Non-						
			Shares	Amount	Shares	Amount	Capital	Paid-In	Comprehensive	Accumulated	Controlling	Stockholders'	Paid-In	Comprehensive	Accumulated	Non-	Stockholders'
	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Income (Loss)	Deficit	Stockholders'	Stockholders'	Equity	Capital	Income (Loss)	Accumulated	Non-	Stockholders'
Balance at January 1, 2020	938,557	\$ 9	—	\$ —	952,796	\$ —	(1,325)	\$ (63,028)	\$ 16,467	\$ 904,919	—	—	—	—	—	—	
Retrospective application of reverse recapitalization	127,346,957	4	—	—	(4)	—	—	—	—	—	—	—	—	—	—	—	
Adjusted balance at January 1, 2020	128,285,514	\$ 13	—	\$ —	952,792	\$ —	(1,325)	\$ (63,028)	\$ 16,467	\$ 904,919	—	—	—	—	—	—	

Non-cash share-based compensation	—	—	—	—	1,936	—	—	—	1,936
Cumulative impact of ASC 842 adoption	—	—	—	—	—	—	(405)	—	(405)
Other comprehensive loss	—	—	—	—	—	(582)	—	—	(582)
Distribution to non-controlling interest holders	—	—	—	—	—	—	—	(4,453)	(4,453)
Net income attributable to non-controlling interests	—	—	—	—	—	—	—	5,073	5,073
Net loss attributable to ATI	Physical Therapy, Inc.	—	—	—	—	—	(5,371)	—	(5,371)
Balance at December 31, 2020	128,285,514	\$ 13	—	\$ —	\$ 954,728	\$ (1,907)	\$ (68,804)	\$ 17,087	\$ 901,117
Net proceeds received from FAII in Business Combination	25,512,254	3	—	—	210,102	—	—	—	210,105
Shares issued through PIPE investment	30,000,000	3	—	—	299,997	—	—	—	300,000
Shares issued to Wilco Holdco Series A Preferred stockholders	12,845,282	1	—	—	128,452	—	—	—	128,453
Warrant liability recognized upon the closing of the Business Combination	—	—	—	—	(26,936)	—	—	—	(26,936)
Contingent common shares liability recognized upon the closing of the Business Combination	—	—	—	—	(220,500)	—	—	—	(220,500)
Balance at January 1, 2022									
Balance at January 1, 2022									
Balance at January 1, 2022									
Issuance of 2022 Warrants									
Vesting of restricted shares distributed to holders of ICUs	Vesting of restricted shares distributed to holders of ICUs	691,232	—	—	—	—	—	—	—
Issuance of common stock upon vesting of restricted stock awards	Issuance of common stock upon vesting of restricted stock awards	105,473	—	—	—	—	—	—	—
Tax withholdings related to net share settlement of restricted stock awards	Tax withholdings related to net share settlement of restricted stock awards	(29,791)	—	29,791	(95)	—	—	—	(95)
Non-cash share-based compensation	Non-cash share-based compensation	—	—	—	—	5,754	—	—	5,754
Other comprehensive income	Other comprehensive income	—	—	—	—	—	1,935	—	1,935

Distribution to non-controlling interest holders	Distribution to non-controlling interest holders	—	—	—	—	—	—	(6,298)	(6,298)
Net loss attributable to non-controlling interests	Net loss attributable to non-controlling interests	—	—	—	—	—	—	(3,700)	(3,700)
Net loss attributable to ATI Physical Therapy, Inc.	Net loss attributable to ATI Physical Therapy, Inc.	—	—	—	—	—	(778,328)	—	(778,328)
Balance at December 31, 2021	197,409,964	\$ 20	29,791	\$ (95)	\$1,351,597	\$ 28	\$ (847,132)	\$ 7,089	\$ 511,507
Balance at December 31, 2022									
Issuance of 2022 Warrants	—	—	—	—	19,725	—	—	—	19,725
Series A Senior Preferred Stock dividends and redemption value adjustments									
Series A Senior Preferred Stock dividends and redemption value adjustments									
Series A Senior Preferred Stock dividends and redemption value adjustments									
Capital contribution from recognition of delayed draw asset									
Vesting of restricted shares distributed to holders of ICUs	Vesting of restricted shares distributed to holders of ICUs	360,371	—	—	—	—	—	—	—
Issuance of common stock upon vesting of restricted stock units and awards	Issuance of common stock upon vesting of restricted stock units and awards	634,256	—	—	—	—	—	—	—
Tax withholdings related to net share settlement of restricted stock units and awards	Tax withholdings related to net share settlement of restricted stock units and awards	(47,235)	—	47,235	(51)	—	—	—	(51)
Issuance of common stock for fractional adjustments related to Reverse Stock Split									
Non-cash share-based compensation	Non-cash share-based compensation	—	—	—	—	7,374	—	—	7,374
Other comprehensive income	—	—	—	—	—	4,871	—	—	4,871
Other comprehensive loss									

Distribution to non-controlling interest holders	Distribution to non-controlling interest holders	—	—	—	—	—	—	(1,932)	(1,932)
Net loss attributable to non- controlling interests	—	—	—	—	—	—	—	(668)	(668)
Net income attributable to non-controlling interests	—	—	—	—	—	—	—	—	—
Net loss attributable to ATI Physical Therapy, Inc.	Net loss attributable to ATI Physical Therapy, Inc.	—	—	—	—	—	—	(492,379)	—
Balance at December 31, 2022	198,357,356	\$ 20	77,026	\$ (146)	\$ 1,378,696	\$ 4,899	\$ (1,339,511)	\$ 4,489	\$ 48,447

Balance at

December 31,
2023

The accompanying notes to the consolidated financial statements are an integral part of these statements.

ATI Physical Therapy, Inc.
Consolidated Statements of Cash Flows
($\$$ in thousands)

	Year Ended	Year Ended	Year Ended
December 31, 2023			
Operating activities:			
Operating activities:			
Operating activities:			
Net loss			
Net loss			
Net loss			
Adjustments to reconcile net loss to net cash used in operating activities:			
Adjustments to reconcile net loss to net cash used in operating activities:			
Adjustments to reconcile net loss to net cash used in operating activities:			
Goodwill, intangible and other asset impairment charges			
Goodwill, intangible and other asset impairment charges			
Goodwill, intangible and other asset impairment charges			
Depreciation and amortization			
Depreciation and amortization			
Depreciation and amortization			
Provision for doubtful accounts			
Provision for doubtful accounts			
Provision for doubtful accounts			

Deferred income tax provision
Deferred income tax provision
Deferred income tax provision
Non-cash lease expense related to right-of-use assets
Non-cash lease expense related to right-of-use assets
Non-cash lease expense related to right-of-use assets
Non-cash share-based compensation
Non-cash share-based compensation
Non-cash share-based compensation
Amortization of debt issuance costs and original issue discount
Amortization of debt issuance costs and original issue discount
Amortization of debt issuance costs and original issue discount
Non-cash interest expense
Non-cash interest expense
Non-cash interest expense
Loss on extinguishment of debt
Loss on extinguishment of debt
Loss on extinguishment of debt
Loss on disposal and sale of assets
Loss on disposal and sale of assets
Loss on disposal and sale of assets
Change in fair value of 2L Notes
Change in fair value of 2L Notes
Change in fair value of 2L Notes
Change in fair value of warrant liability
Change in fair value of warrant liability
Change in fair value of warrant liability
Change in fair value of contingent common shares liability
Change in fair value of contingent common shares liability
Change in fair value of contingent common shares liability
Change in fair value of non-designated derivative instrument
Change in fair value of non-designated derivative instrument
Change in fair value of non-designated derivative instrument
Changes in:
Changes in:
Changes in:
Accounts receivable, net
Accounts receivable, net
Accounts receivable, net
Insurance recovery receivable
Insurance recovery receivable
Insurance recovery receivable
Prepaid expenses and other current assets

Prepaid expenses and other current assets
Prepaid expenses and other current assets
Other non-current assets
Other non-current assets
Other non-current assets
Accounts payable
Accounts payable
Accounts payable
Accrued expenses and other liabilities
Accrued expenses and other liabilities
Accrued expenses and other liabilities
Operating lease liabilities
Operating lease liabilities
Operating lease liabilities
Other non-current liabilities
Other non-current liabilities
Other non-current liabilities
Medicare Accelerated and Advance
Payment Program Funds
Medicare Accelerated and Advance
Payment Program Funds
Medicare Accelerated and Advance
Payment Program Funds

	Year Ended		
	December 31, 2022		December 31, 2021
	December 31, 2020		
Operating activities:			
Net loss	\$ (493,047)	\$ (782,028)	\$ (298)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:			
Goodwill, intangible and other asset impairment charges	486,262	962,303	—
Depreciation and amortization	40,590	37,995	39,700
Provision for doubtful accounts	13,869	16,369	16,231
Deferred income tax provision	(48,573)	(71,088)	1,814
Amortization of right-of-use assets	48,253	45,536	44,526
Non-cash share-based compensation	7,374	5,754	1,936
Amortization of debt issuance costs and original issue discount	2,873	3,252	4,109
Non-cash interest expense	3,481	—	6,335
Non-cash interest expense on redeemable preferred stock	—	10,087	19,031
Loss on extinguishment of debt	2,809	5,534	—
Loss on settlement of redeemable preferred stock	—	14,037	—
Loss (gain) on disposal and impairment of assets	9	(5,189)	469
Loss on lease terminations	—	—	3,863
Change in fair value of warrant liability	(4,243)	(22,595)	—
Change in fair value of contingent common shares liability	(42,525)	(175,140)	—
Changes in:			
Accounts receivable, net	(12,573)	(10,201)	(3,307)
Prepaid expenses and other current assets	(5,024)	(6,688)	4,841

Other non-current assets	39	(284)	413
Accounts payable	(48)	1,831	798
Accrued expenses and other liabilities	854	(5,288)	9,174
Operating lease liabilities	(53,628)	(50,942)	(42,819)
Other non-current liabilities	28	861	5,056
Medicare Accelerated and Advance Payment Program Funds	(12,288)	(12,605)	26,732
Net cash used in operating activities			
Transaction-related amount due to former owners	—	(3,611)	—
Net cash (used in) provided by operating activities	(65,508)	(42,100)	138,604
Net cash used in operating activities			
Net cash used in operating activities			
Investing activities:			
Investing activities:			
Investing activities:			
Purchases of property and equipment	Purchases of property and equipment	(28,147)	(40,293)
Purchases of intangible assets	—	(1,675)	(250)
Purchases of property and equipment			
Purchases of property and equipment			
Proceeds from sale of property and equipment			
Proceeds from sale of property and equipment			
Proceeds from sale of property and equipment	Proceeds from sale of property and equipment	157	223
Proceeds from sale of clinics	Proceeds from sale of clinics	77	248
Proceeds from sale of Home Health service line	—	6,131	—
Business acquisitions, net of cash acquired	—	(4,523)	—
Proceeds from sale of clinics			
Proceeds from sale of clinics			
Payment of holdback liabilities related to acquisitions			
Payment of holdback liabilities related to acquisitions			
Payment of holdback liabilities related to acquisitions	Payment of holdback liabilities related to acquisitions	(135)	—
Net cash used in investing activities	Net cash used in investing activities	(28,048)	(39,889)
Net cash used in investing activities			
Net cash used in investing activities			

Financing activities:	Financing activities:
Financing activities:	
Financing activities:	
Proceeds from long-term debt	Proceeds from long-term debt

Proceeds from long-term debt				
Proceeds from long-term debt				
Proceeds from 2L Notes from related parties				
Proceeds from 2L Notes from related parties				
Proceeds from 2L Notes from related parties				
Financing transaction costs				
Financing transaction costs				
Financing transaction costs				
Deferred financing costs				
Deferred financing costs				
Original issue discount	Original issue discount	(10,000)	—	—
Original issue discount				
Original issue discount				
Principal payments on long-term debt				
Principal payments on long-term debt				
Principal payments on long-term debt	Principal payments on long-term debt	(555,048)	(456,202)	(8,167)
Proceeds from issuance of Series A Senior Preferred Stock	Proceeds from issuance of Series A Senior Preferred Stock	144,667	—	—
Proceeds from issuance of Series A Senior Preferred Stock				
Proceeds from issuance of Series A Senior Preferred Stock				
Proceeds from issuance of 2022 Warrants				
Proceeds from issuance of 2022 Warrants				
Proceeds from issuance of 2022 Warrants	Proceeds from issuance of 2022 Warrants	20,333	—	—
Proceeds from revolving line of credit	Proceeds from revolving line of credit	48,200	—	68,750
Proceeds from revolving line of credit				
Proceeds from revolving line of credit				
Payments on revolving line of credit	Payments on revolving line of credit	—	—	(68,750)
Cash inflow from Business Combination		—	229,338	—
Payments to Series A Preferred stockholders		—	(59,000)	—
Proceeds from shares issued through PIPE investment		—	300,000	—
Payments on revolving line of credit				
Payments on revolving line of credit				
Equity issuance costs and original issue discount				
Equity issuance costs and original issue discount				
Equity issuance costs and original issue discount	Equity issuance costs and original issue discount	(4,935)	(19,233)	—
Payment of contingent consideration liabilities	Payment of contingent consideration liabilities	(203)	—	—
Payment of contingent consideration liabilities				
Taxes paid on behalf of employees for shares withheld				
Taxes paid on behalf of employees for shares withheld				
Taxes paid on behalf of employees for shares withheld	Taxes paid on behalf of employees for shares withheld	(51)	(128)	—

Distribution to non-controlling interest holders	Distribution to non-controlling interest holders	(1,932)	(6,298)	(4,453)
Net cash provided by (used in) financing activities		128,079	(11,523)	(12,970)
Distribution to non-controlling interest holders				
Distribution to non-controlling interest holders				
Net cash (used in) provided by financing activities				
Net cash (used in) provided by financing activities				
Net cash (used in) provided by financing activities				
Changes in cash and cash equivalents:	Changes in cash and cash equivalents:			
Net increase (decrease) in cash and cash equivalents		34,523	(93,512)	103,825
Changes in cash and cash equivalents:	Changes in cash and cash equivalents:			
Net decrease in cash and cash equivalents				
Net decrease in cash and cash equivalents				
Net decrease in cash and cash equivalents				
Cash and cash equivalents	Cash and cash equivalents			
at beginning of period	at beginning of period	48,616	142,128	38,303
Cash and cash equivalents at beginning of period				
Cash and cash equivalents at beginning of period				
Cash and cash equivalents at end of period				
Cash and cash equivalents at end of period				
Cash and cash equivalents	Cash and cash equivalents			
at end of period	at end of period	\$ 83,139	\$ 48,616	\$ 142,128
Supplemental noncash disclosures:	Supplemental noncash disclosures:			
Derivative changes in fair value		\$ (4,871)	\$ (1,935)	\$ 582
Supplemental noncash disclosures:	Supplemental noncash disclosures:			
Derivative changes in fair value (1)				
Derivative changes in fair value (1)				
Derivative changes in fair value (1)				
Purchases of property and equipment in accounts payable	Purchases of property and equipment in accounts payable	\$ 1,660	\$ 4,177	\$ 3,010
Warrant liability recognized upon the closing of the Business Combination		—	\$ (26,936)	—
Contingent common shares liability recognized upon the closing of the Business Combination		—	\$ (220,500)	—
Shares issued to Wilco Holdco Series A Preferred stockholders		—	\$ 128,453	—
Purchases of property and equipment in accounts payable				
Purchases of property and equipment in accounts payable				
Exchange of Senior Secured Term Loan for related party 2L Notes				
Exchange of Senior Secured Term Loan for related party 2L Notes				
Exchange of Senior Secured Term Loan for related party 2L Notes				
Debt discount on Senior Secured Term Loan				
Debt discount on Senior Secured Term Loan				
Debt discount on Senior Secured Term Loan				

Capital contribution from recognition of delayed draw right asset							
Capital contribution from recognition of delayed draw right asset							
Capital contribution from recognition of delayed draw right asset							
Series A Senior Preferred Stock dividends and redemption value adjustments							
Series A Senior Preferred Stock dividends and redemption value adjustments							
Series A Senior Preferred Stock dividends and redemption value adjustments							
Other supplemental disclosures:							
Other supplemental disclosures:							
Other supplemental disclosures:	Other supplemental disclosures:						
Cash paid for interest	Cash paid for interest	\$ 41,617	\$ 41,937	\$ 58,421			
Cash paid for interest							
Cash paid for interest							
Cash received from hedging activities	Cash received from hedging activities	\$ 3,497	\$ —	\$ —			
Cash paid for (received from) taxes		\$ 84	\$ 81	\$ (1,098)			
Cash received from hedging activities							
Cash received from hedging activities							
Cash (received from) paid for taxes							
Cash (received from) paid for taxes							
Cash (received from) paid for taxes							

^(a) Derivative changes in fair value related to unrealized loss (gain) on cash flow hedges, including the impact of reclassifications.

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Note 1. Overview of the Company

ATI Physical Therapy, Inc., together with its subsidiaries (herein referred to as "we," "our," "the Company," "ATI Physical Therapy" and "ATI"), is a nationally recognized healthcare company, specializing in outpatient rehabilitation and adjacent healthcare services. The Company provides outpatient physical therapy services under the name ATI Physical Therapy and, as of December 31, 2022 December 31, 2023, had 923 896 clinics located in 24 states (as well as 20 18 clinics under management service agreements) located. ATI Physical Therapy, Inc., a Delaware corporation, was organized in 25 states, 2020 originally under the name Fortress Value Acquisition Corp. II (herein referred to as "FAII" or "FVAC"). The Company offers a variety of services within its clinics, including physical therapy to treat spine, shoulder, knee and neck injuries or pain; work injury rehabilitation services, including work conditioning and work hardening; hand therapy; and other specialized treatment services. The Company's direct and indirect wholly-owned subsidiaries include, but are not limited to, Wilco Holdco, Inc., ATI Holdings Acquisition, Inc. and ATI Holdings, LLC.

On June 16, 2021 (the "Closing Date"), a Business Combination transaction (the "Business Combination") was finalized pursuant to the Agreement and Plan of Merger ("Merger Agreement"), dated February 21, 2021 between the operating company, Wilco Holdco, Inc. ("Wilco Holdco"), and Fortress Value Acquisition Corp. II (herein referred to as "FAII" and "FVAC"), a special purpose acquisition company. In connection with the closing of the Business Combination, the Company changed its name from Fortress Value Acquisition Corp. II to ATI Physical Therapy, Inc. The Company's common stock is listed on the New York Stock Exchange ("NYSE") under the symbol "ATIP."

The Business Combination was accounted for as a reverse recapitalization in accordance with U.S. generally accepted accounting principles ("GAAP"). Under this method of accounting, FAII is treated as the acquired company and Wilco Holdco is treated as the acquirer for financial statement reporting and accounting purposes. As a result, the historical operations of Wilco Holdco are deemed to be those of the Company. Therefore, the financial statements included in this report reflect (i) the historical operating results of Wilco Holdco prior to the Business Combination; (ii) the combined results of FAII and Wilco Holdco following the Business Combination on June 16, 2021; (iii) the assets and liabilities of Wilco Holdco at their historical cost; and (iv) the Company's equity structure for all periods presented. The recapitalization of the number of shares of common stock attributable to the Business Combination is reflected retroactively to the earliest period presented and will be utilized for calculating earnings per share in all prior periods presented. No step-up basis of intangible assets or goodwill was recorded in the Business Combination consistent with the treatment of the transaction as a reverse recapitalization of Wilco Holdco, Inc. Refer to Note 3 - Business Combinations and Divestitures for additional information.

Impact of COVID-19 and CARES Act

The coronavirus ("COVID-19") pandemic in the United States resulted in changes to our operating environment. We Although the direct impact on our business has decreased since the peak impact in 2020, we continue to closely monitor the impact remaining impacts from the pandemic including its direct or indirect effects on macroeconomic factors, the labor markets in which we operate, and the physical therapy and broader healthcare landscape. Throughout the duration of COVID-19 on all aspects of our business, the pandemic and declared public health emergency, and continuing hereafter, our priorities remain have been protecting the health and safety of employees and patients, maximizing the availability of services to satisfy patient needs and improving the operational and financial stability of our business. While we expect the disruption caused by COVID-19 and resulting impacts to diminish over time, we cannot predict the length of such impacts, and if such impacts continue for an extended period, it could have a continued effect on the Company's results of operations, financial condition and cash flows, which could be material.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was signed into law providing reimbursement, grants, waivers and other funds to assist health care providers during the COVID-19 pandemic. The Company has realized benefits under the CARES Act including, but not limited to, the following:

- In 2020, the Company received approximately \$91.5 million of general distribution payments under the Provider Relief Fund. These payments have been recognized in other expense (income), net in the consolidated statements of operations throughout 2020 in a manner commensurate with the reporting and eligibility requirements issued by the U.S. Department of Health & Human Services ("HHS"). Based on the terms and conditions of the program, including reporting guidance issued by HHS in 2021, the Company believes that it has met the applicable terms and conditions. This includes, but is not limited to, the fact that the Company's COVID-19 related expenses and lost revenues for the year ended December 31, 2020 exceeded the amount of funds received. To the extent that reporting requirements and terms and conditions are subsequently modified, it may affect the Company's ability to comply and ability to retain the funds.
- The Company applied for and obtained approval to receive \$26.7 million receipt of Medicare Accelerated and Advance Payment Program ("MAAPP") funds during the quarter ended June 30, 2020. During the years ended December 31, 2022 and 2021, the Company applied \$12.3 million and \$12.6 million in MAAPP funds against the outstanding liability, respectively. During the year ended December 31, 2021, the Company transferred \$1.8 million in MAAPP funds as part deferral of the divestiture of its Home Health Service line. During the quarter ended September 30, 2022, the Company met the required performance obligations and performed the remaining services related to the MAAPP funds. Therefore, the remaining funds were applied and repaid during the quarter ended September 30, 2022. As of December 31, 2022 and December 31, 2021, zero and \$12.3 million of the funds are recorded in accrued expenses and other liabilities, respectively.
- The Company elected to defer depositing the employer portion of Social Security taxes, for payments due from March 27, 2020 through December 31, 2020, interest-free and penalty-free. The During the year ended December 31, 2022, the Company repaid applied \$12.3 million in MAAPP funds against the outstanding liability at that time. During the year ended December 31, 2022, the remaining deferred payments during the fourth quarter of 2022. Related obligations related to these payments, as of December 31, 2022 benefits were applied and December 31, 2021, zero and \$5.9 million is included in accrued expenses and other liabilities, respectively repaid.

Note 2. Basis of Presentation and Summary of Significant Accounting Policies

The accompanying consolidated financial statements of the Company were prepared in accordance with U.S. GAAP generally accepted accounting principles ("GAAP") and in accordance with the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). The Company's indirect wholly-owned subsidiaries include, but are not limited to, ATI Holdings Acquisition, Inc. Company meets the SEC's definition of a "Smaller Reporting Company," and ATI Holdings, LLC. therefore qualifies for the SEC's reduced disclosure requirements for smaller reporting companies.

Liquidity and going concern Reverse Stock Split

In accordance with Accounting Standards Codification ("ASC") Topic 205-40, *Going Concern* On June 14, 2023, the Company has evaluated whether there are certain conditions and events, considered in the aggregate, that raise substantial doubt about effected a one-for-fifty (1-for-50) reverse stock split of its Class A common stock (the "Reverse Stock Split"). The Reverse Stock Split was approved by the Company's ability to continue as a going concern within twelve months after the date that these consolidated financial statements are issued. This evaluation includes considerations related to the covenants contained in stockholders at the Company's 2022 Credit Agreement as well as 2023 Annual Meeting of Stockholders held on June 13, 2023, and the final reverse split ratio was subsequently approved by the Company's liquidity position overall. board of directors on June 14, 2023. The Company's common stock commenced trading on a reverse split-adjusted basis on June 15, 2023.

As detailed in Note 8 - *Borrowings*, the Company's 2022 Credit Agreement contains customary covenants and restrictions, including financial and non-financial covenants. The financial covenants require the Company to maintain \$30.0 million of minimum liquidity, as defined in the agreement, at each test date through the first quarter of 2024. Additionally, beginning in the second quarter of 2024, the Company must maintain a Secured Net Leverage Ratio, as defined in the agreement, not to exceed 7.00:1.00. The net leverage ratio covenant decreases in the third quarter of 2024 to 6.75:1.00 and further decreases in the first quarter of 2025 to 6.25:1.00, which level remains applicable through maturity. The financial covenants are tested as of each fiscal quarter end for the respective periods. Failure to comply with these covenants and restrictions would result in an event of default, subject to customary cure periods.

In addition, the 2022 Credit Facility contains customary representations and warranties, events of default, reporting and other affirmative covenants and negative covenants, including requirements related to the delivery of independent audit reports without certain going concern qualifications, limitations on indebtedness, liens, investments, negative pledges, dividends, junior debt payments, fundamental changes and asset sales and affiliate transactions. Failure to comply with the 2022 Credit Facility covenants and restrictions, including the provision related to certain going concern qualifications for any fiscal year, including the year ended December 31, 2022, could result in an event of default under the 2022 Credit Facility, subject to customary cure periods. In such an event, all amounts outstanding under the 2022 Credit Facility, together with any accrued interest, could then be declared immediately due and payable.

As of December 31, 2022, the Company had \$83.1 million in cash and cash equivalents and no available capacity under its 2022 revolving credit facility. As measured based on the definitions in the Company's 2022 Credit Agreement, liquidity was \$72.9 million as of December 31, 2022.

The Company has negative operating cash flows, operating losses and net losses. For the year ended December 31, 2022, the Company had cash flow used in operating activities of \$65.5 million, operating loss of \$539.7 million and net loss of \$493.0 million. In addition, as of December 31, 2022, the Company had an accumulated deficit of \$1,339.5 million. These results are, in part, due to trends experienced by the Company including a tight labor market for available physical therapy and other healthcare providers in the workforce, visit volume softness, decreases in rate per visit and increases in interest costs. Based on current liquidity and projected cash use, the Company anticipates violation of its \$30.0 million minimum liquidity covenant under its 2022 Credit Agreement within the next twelve months. As a result of the above factors, there is substantial doubt about Reverse Stock Split, every fifty (50) shares of common stock either issued and outstanding or held as treasury stock were combined into one new share of common stock. Any fractional shares of common stock resulting from the Company's ability Reverse Stock Split were rounded up to continue the nearest whole share. All outstanding securities entitling their holders to purchase or acquire shares of common stock, including stock options, warrants, Earnout Shares, Vesting Shares and shares of common stock subject to vesting were adjusted as a going concern within twelve months following result of the issuance date Reverse Stock Split, as required by the terms of those securities. The Reverse Stock Split did not change the par value of the common stock or the number of shares authorized for issuance.

All information included in these consolidated financial statements as of and for related notes has been adjusted, on a retrospective basis, to reflect the period ended December 31, 2022 Reverse Stock Split.

Improving operating results Liquidity and cash flow is dependent upon the Company's ability to achieve its business plan to increase clinical staffing levels and clinician productivity, control costs and capital expenditures, increase patient visit volumes and referrals and stabilize rate per visit. However, there can be no assurance that it will be successful in any of these respects.

If the Company does not complete the Transaction as contemplated by the TSA or otherwise access additional financing, the Company will need to consider other alternatives, including pursuing separate amendments to or waivers of the minimum liquidity covenant, the requirement to deliver audited financial statements without certain going concern qualifications, and other requirements under the 2022 Credit Agreement, as well as raising funds from other sources, obtaining alternate financing, disposal of assets, or pursuing other strategic alternatives to improve its liquidity position and business results. There can be no assurance that the Company will be successful in completing the Transaction or accessing such alternative options or financing when needed. Failure to do so could have a material adverse impact on our business, financial condition, results of operations and cash flows, and may lead to events including bankruptcy, reorganization or insolvency.

In addition, the report of the Independent Registered Public Accounting Firm accompanying the consolidated financial statements for the year ended December 31, 2022 contains an explanatory paragraph expressing substantial doubt about our ability to continue as a going concern. Absent an amendment or waiver, the 2022 Credit Agreement provides that the receipt of a report of the Independent Registered Public Accounting Firm containing an explanatory paragraph expressing substantial doubt about our ability to continue as a going concern could be an event of default, subject to certain exceptions. Pursuant to the TSA, the First Lien Lenders have agreed that, prior to the Outside Closing Date, they will forbear in the exercise of any rights, remedies, powers, privileges and defenses under the 2022 Credit Agreement arising on account of a default, alleged default or event of default (if any) resulting from the going concern explanatory paragraph in the report of the Independent Registered Public Accounting Firm accompanying the consolidated financial statements for the year ended December 31, 2022. However, if the transactions contemplated by the TSA are not consummated on its terms or at all, the First Lien Lenders could claim that a default or event of default has occurred under the 2022 Credit Agreement. If such claim is not waived by the First Lien Lenders and the Company is unsuccessful in disputing any such claims (including with respect to the applicability of one of the enumerated exceptions to the 2022 Credit Agreement requirement), the Company could be considered to have an event of default after the expiration of the applicable cure periods. In such event, all amounts outstanding under the 2022 Credit Facility, together with any accrued interest, could then be declared immediately due and payable and could be reclassified to current in the Company's consolidated financial statements for the period. A default on our obligations and an acceleration of our indebtedness by our lenders would have a material adverse impact on our business, financial condition, results of operations and cash flows, and may lead to events including bankruptcy, reorganization or insolvency.

On March 15, 2023, the Company entered into a Transaction Support Agreement (the "TSA") with certain of its first lien lenders under the 2022 Credit Agreement (the "First Lien Lenders"), the administrative agent under the 2022 Credit Agreement, holders of its Series A Senior Preferred Stock (the "Preferred Equityholders") and holders of the majority of its common stock (together with the First Lien Lenders and the Preferred Equityholders, the "Parties"), setting forth the principal terms of a comprehensive transaction to enhance the Company's liquidity (the "Transaction"). Pursuant to the TSA, and subject to the terms and conditions thereof, the Parties have agreed to support, act in good faith and take all steps reasonably necessary and desirable to consummate the transactions referenced therein by June 15, 2023 (the "Outside Closing Date").

The TSA contemplates, among other things, (i) a delayed draw new money financing, available under certain circumstances until the 18 month anniversary of the closing date of the transactions, in an aggregate principal amount equal to \$25.0 million in the form of new second lien PIK exchangeable notes ("Second Lien PIK Exchangeable Notes"), (ii) exchange

of \$100.0 million of the aggregate principal amount of the term loans under the 2022 Credit Facility held by certain of the Preferred Equityholders for Second Lien PIK Exchangeable Notes, (iii) a reduction of the thresholds applicable to the minimum liquidity financial covenant under the 2022 Credit Agreement for certain periods, (iv) a waiver of the requirement to comply with the Secured Net Leverage Ratio financial covenant under the 2022 Credit Agreement for the fiscal quarters ending June 30, 2024, September 30, 2024 and December 31, 2024 and a modification of the levels and certain component definitions applicable thereto in the fiscal quarters ending after December 31, 2024, (v) waiver of the requirement for the Company to deliver audited financial statements without certain going concern qualifications for the years ended December 31, 2022, December 31, 2023, and December 31, 2024, (vi) an increase in the interest rate payable on the existing term loans and revolving loans until the achievement of a specified financial metric and (vii) board representation and observer rights, and other changes to the governance of the Company. The Second Lien PIK Exchangeable Notes would be exchangeable for shares of Class A common stock of the Company at a fixed price of \$0.25, and the holders thereof would have the right to vote on corporate matters on an as-exchanged basis. The TSA contains certain representations, warranties and other agreements by the Company and Parties. In accordance with the TSA, the First Lien Lenders agreed that, prior to the Outside Closing Date, they will forbear in the exercise of any rights, remedies, powers, privileges and defenses under the 2022 Credit Agreement arising on account of an alleged default or event of default (if any) resulting from the going concern explanatory paragraph in the independent auditors' report accompanying the consolidated financial statements for the year ended December 31, 2022 (the "Credit Agreement Forbearance"). The Parties' obligations under the TSA are, and the closing of the Transaction is, subject to various customary terms and conditions set forth therein, including the execution and delivery of definitive documentation and approval by the Company's stockholders.

There is no assurance that the transactions contemplated by the TSA will be consummated on the terms as described above, on a timely basis or at all.

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business within twelve months after the date that these consolidated financial statements are issued.

The Company has negative operating cash flows, operating losses and net losses. For the year ended December 31, 2023, the Company had cash flows used in operating activities of \$12.4 million, operating loss of \$27.5 million and net loss of \$66.1 million. These results are, in part, due to our current capital structure and trends experienced by the Company in recent years including a tight labor market for available physical therapy and other healthcare providers in the workforce, visit volume softness, decreases in rate per visit and increases in interest costs. If results of operations in the coming twelve months do not improve relative to the previous twelve months, the Company is at risk of insufficient funding to meet its obligations as they become due as well as non-compliance with its minimum liquidity financial covenant under its 2022 Credit Agreement.

In the Company's consolidated financial statements as of and for the periods ended December 31, 2023 and 2022, these conditions and events continue to raise substantial doubt about the Company's ability to continue as a going concern. In response to these conditions, management plans included refinancing the Company's debt under its 2022 Credit Agreement (as defined in Note 8) and improving operating results and cash flows.

On June 15, 2023, the Company completed a debt restructuring transaction under its 2022 Credit Agreement including: (i) a delayed draw new money financing in an aggregate principal amount of \$25.0 million, comprised of (A) second lien paid-in-kind ("PIK") convertible notes (the "2L Notes") and (B) shares of Series B Preferred Stock (as defined in Note 8), which will provide the holder thereof with voting rights such that the holders thereof will have the right to vote on an as-converted basis, (ii) the exchange of \$100.0 million of the aggregate principal amount of the term loans under the 2022 Credit Agreement held by certain of the holders of its Series A Senior Preferred Stock (the "Preferred Equityholders") for 2L Notes and Series B Preferred Stock and (iii) certain other changes to the terms of the 2022 Credit Agreement, including modifications of the financial covenants thereunder and relief from the requirements related to the delivery of independent audit reports without a going concern explanatory paragraph. Holders of the 2L Notes will also receive additional 2L Notes upon the in-kind payment of interest on any outstanding 2L Notes. The 2L Notes are convertible into shares of Class A common stock at a fixed conversion price.

Additionally, the Company experienced improvements in operations that resulted in reduced levels of operating cash outflows during the year ended December 31, 2023 relative to the same period in the prior year. A continued improvement in business results is necessary as there remains a risk that the Company may fail to meet its minimum liquidity covenant or be unable to fund anticipated cash requirements and obligations as they become due in the future.

The Company's plan is to continue its efforts to improve its operating results and cash flow through increases to clinical staffing levels, improvements in clinician productivity, controlling costs and capital expenditures and increases in patient visit volumes, referrals and rate per visit. There can be no assurance that the Company's plan will be successful in any of these respects.

If the Company's plan does not result in improvement in these aspects in future periods that results in sufficient cash flow from operations, the Company will need to consider other alternatives, such as raising additional financing, obtaining funds from other sources, disposal of assets, or pursuing other strategic alternatives to improve its business, results of operations and financial condition. There can be no assurance that the Company will be successful in accessing such alternative options or financing if or when needed. Failure to do so could have a material adverse impact on our business, financial condition, results of operations and cash flows, and may lead to events including bankruptcy, reorganization or insolvency.

Management plans have not been fully implemented and, as a result, the Company has concluded that management's plans do not alleviate substantial doubt about the Company's ability to continue as a going concern.

The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of this uncertainty.

Principles of consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries, and entities for which the Company has a controlling financial interest, and including variable interest entities ("VIEs") for which the Company is the primary beneficiary. All intercompany balances and transactions have been eliminated in consolidation, and net earnings are reduced by the portion of net earnings attributable to non-controlling interests.

Variable interest entities

The Company consolidates all variable interest entities where the Company is the primary beneficiary. The Company identifies the primary beneficiary of a VIE as the enterprise that has both: (i) the power to direct the activities of the VIE that most significantly impact the entity's economic performance; and (ii) the obligation to absorb losses or the right to receive benefits of the VIE that could be significant to the entity. The Company may change the original assessment of a VIE upon subsequent events such as the modification of contractual agreements.

The Company has an investment in RSFH-ATI Physical Therapy, LLC ("RSFH") that qualifies as a VIE. Based on the provisions of the RSFH agreement, the Company manages the entity and handles all day-to-day operating decisions in exchange for management fees and may receive distributions proportionate with its level of ownership. Accordingly, the Company has the decision-making power over the activities that most significantly impact the entity's economic performance and the obligation to absorb losses or the right to receive benefits that could be significant to the entity.

As of December 31, 2022 December 31, 2023 and 2021, 2022, total assets of RSFH were \$10.1 \$10.6 million and \$13.3 \$10.1 million, respectively, and total liabilities were \$5.0 \$4.9 million and \$6.5 \$5.0 million, respectively. In general, the assets are available primarily for the settlement of obligations of RSFH.

Use of estimates

The preparation of the consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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. Actual results could differ from those estimates. The effect of any change in estimates will be recognized in the current period of the change.

Segment reporting

The Company reports segment information based on the management approach. The management approach designates the internal reporting used by management for making decisions and assessing performance as the source of the Company's reportable segments. All of the Company's operations are conducted within the United States. Our chief operating decision maker ("CODM") is our Chief Executive Officer, who reviews financial information presented on a consolidated basis for purposes of making decisions, assessing financial performance and allocating resources. We operate our business as one operating segment and therefore we have one reportable segment.

Cash, cash equivalents and restricted cash

Cash and cash equivalents include all cash balances and highly liquid investments with original maturities of three months or less when issued. Restricted cash that was consists of cash held as collateral in relation to the Company's corporate card agreement. Restricted cash included within cash and cash equivalents as presented within our consolidated balance sheets as of December 31, 2023 and December 31, 2022, and our consolidated statements of cash flows for the year ended December 31, 2023 and December 31, 2022 was \$0.8 million.

Accounts receivable

The Company's accounts receivable are reported net of contractual adjustments allowances, denials allowances and allowances for doubtful accounts. The majority of accounts receivable are due from commercial insurance companies, workers' compensation plans, auto personal injury claims and government health programs, such as Medicare or Medicaid. The Company reports accounts receivable at an amount equal to the consideration the Company expects to receive in exchange for providing healthcare services to its patients.

Allowance for doubtful accounts

The allowance for doubtful accounts is based on estimates of losses related to receivable balances. The risk of collection varies based upon the service, the payor class and the patient's ability to pay the amounts not reimbursed by the payor. The Company estimates the allowance for doubtful accounts based upon several factors, including the age of the outstanding receivables, the historical experience of collections, the impact of economic conditions and, in some cases, evaluating specific customer accounts for the ability to pay. Management judgment is used to assess the collectability of accounts and the ability of the Company's customers to pay. The provision for doubtful accounts is included in cost of services in the consolidated statements of operations. When it is determined that a customer account is uncollectible, that balance is written off against the existing allowance.

Concentrations of business risk

The Company provides physical therapy services to a large number of patients who participate in government healthcare programs, resulting in a customer concentration relating to Medicare and Medicaid's service reimbursement programs. The Company believes that the concentration of credit risk with respect to other patient accounts receivable is limited

due to the large number of patients that make up the Company's patient base and the dispersion across many different insurance companies, preferred provider organizations and individuals.

Net patient revenue

Net patient revenue consists of revenue for physical therapy services. Net patient revenue is recognized at an amount equal to the consideration the Company expects to receive from third-party payors, patients and others for services rendered when the performance obligations under the terms of the contract are satisfied.

There is an implied a contract between the Company and the patient upon each patient visit resulting in the Company's patient service performance obligation, obligation to provide services to the patient. Generally, the performance obligation is satisfied at a point in time, as the patient receives physical therapy services provided by the Company, as each service provided is distinct and future services rendered are not dependent on previously rendered services. The Company has separate contractual agreements (written or implied) with third-party payors (e.g., insurers, managed care programs, government programs, workers' compensation) that provide for payments to the Company at amounts different from its established rates, rates; the difference between the Company's established rates and amounts paid by third-party payors represent explicit price concessions in the form of contractual allowances or denials allowances. While these agreements are not considered contracts with the customer, they are used for determining the transaction price for services provided to the patients covered by the third-party payors. The payor contracts do not indicate performance obligations of the Company but indicate reimbursement rates for patients who are covered by those payors when the services are provided.

To determine the transaction price associated with the implied contract, the Company includes the estimated effects of any variable consideration, such as contractual allowances, denials allowances and implicit price concessions. When the Company has written payment contracts with third-party payors with negotiated prices for services provided (contracted payors), the Company considers the contractual rates when recording revenue and adjusts for any variable consideration to determines the transaction price using the negotiated contractual rates to arrive at revenue. Variable estimate contractual allowances as compared to established rates; additional variable consideration for denial allowances is estimated using a portfolio approach that incorporates whether or not the Company has historical differences from negotiated contractual rates due to non-compliance with contract provisions. Historical results indicate that it is probable that negotiated prices less variable consideration will be realized; therefore, this amount is deemed

When the transaction price and recorded as revenue. The Company records an estimated provision for doubtful accounts based on historical collections for claims does not have written payment contracts with similar characteristics, such as location of service and type of third-party payor, at the time of recognition. Any subsequent impairment of the related receivable is recorded as provision for doubtful accounts.

For non-contracted payors (non-contracted payors), the Company determines the transaction price by applying established rates using a portfolio approach to the services provided and adjusting estimate variable consideration for contractual allowances, provided to third-party payors and implicit price concessions. The Company estimates the contractual denial allowances and implicit price concessions using a portfolio approach based on historical collections experience for claims with similar characteristics, such as location of service and type of third-party payor, in relation to its established rates, because the Company does not have a contract with the underlying payor. Any rates.

For both contracted and non-contracted payors, any subsequent changes in estimate on the realization of the receivable transaction price is recorded as a revenue adjustment. Management believes that calculating at the portfolio level would not differ materially from considering each patient account separately.

The Company continually reviews the revenue transaction price estimation process to consider updates to laws and regulations and changes in third-party payor contractual terms that result from contract renegotiations and renewals. Due to complexities involved in determining amounts ultimately due under reimbursement arrangements with third-party payors and government entities, which are often subject to interpretation, the Company may receive reimbursement for healthcare services that is different from the estimates, and such differences could be material.

Provision for doubtful accounts

For contracted payors, the Company records an estimated provision for doubtful accounts using a portfolio approach based on historical collections experience for claims with similar characteristics, such as location of service and type of third-party payor, at the time net patient revenue is recognized. Any subsequent impairment of the related receivable is recorded as provision for doubtful accounts. The provision for doubtful accounts is included in cost of services in the consolidated statements of operations. When it is determined that a customer account is uncollectible, that balance is written off against the existing allowance.

Other revenue

Revenue from the ATI Worksite Solutions ("AWS") business is derived from on-site services provided to clients' employees including injury prevention, rehabilitation, ergonomic assessments and performance optimization. The Company accounts for AWS services as single performance obligations satisfied over time. Revenue from AWS is recognized

when obligations under the terms of the contract are satisfied. Revenues are recognized at an amount equal to the consideration the Company expects to receive in exchange for providing services to its clients, which is variable in nature and determined based on the number of hours and respective rate for services provided, provided in a given period.

Revenues from Management Service Agreements ("MSA") are derived from contractual arrangements whereby the Company manages a non-controlled clinic or clinics for third-party owners. The Company does not have any ownership interest in these clinics. The Company accounts for MSA services as single performance obligations satisfied over time. Typically, the transaction price is variable in nature and revenue is determined based on the number of visits conducted at the clinic and recognized when services per the contractual arrangements are performed. Costs, primarily salaries for the Company's employees, are recorded when incurred.

Other revenue includes physical or occupational therapy services and athletic training provided on-site, such as at schools and industrial worksites. Contract terms and rates are agreed to in advance between the Company and the third-parties. Services are typically performed over the contract period, and revenue is recorded in accordance with the contract terms, as services are performed. If the services are paid in advance, revenue is deferred and recognized as the services are performed.

Property and equipment

Property and equipment acquired is recorded at cost less accumulated depreciation, except during an acquisition of a business, in which case the assets are initially recorded at fair value. Depreciation is calculated using the straight-line method and is provided in amounts sufficient to attribute the cost of depreciable assets to operations over the estimated useful lives. The approximate useful life of each class of property and equipment is as follows:

Equipment	3 - 5 years
Furniture & fixtures	5 - 7 years
Automobiles	3 - 5 years
Software	3 - 5 years
Buildings	40 years
Leasehold improvements	Lesser of lease term or estimated useful lives of the assets (generally 5 - 15 years)

Major repairs that extend the useful life of an asset are capitalized to the property and equipment account. Routine maintenance and repairs are charged to rent, clinic supplies, contract labor and other expenses and selling, general and administrative expenses. Gains or losses associated with property and equipment retired or sold are included in earnings.

Computer software is included in property and equipment and consists of purchased software and internally developed software. The Company capitalizes application-stage development costs for significant internally developed software projects. Once the software is ready for its intended use, these costs are amortized on a straight-line basis over the software's estimated useful life. Costs recognized in the preliminary project phase and the post-implementation phase, as well as maintenance and training costs, are expensed as incurred.

Impairment of long-lived assets

The Company reviews the recoverability of long-lived assets, including operating lease right-of-use assets, whenever events or circumstances occur indicating that the carrying value of the asset may not be recoverable. If the undiscounted cash flows related to the long-lived asset or asset group are not sufficient to recover the remaining carrying value of such asset or asset group, an impairment charge is recognized for the excess carrying amount over the fair value of the asset or asset group. The Company noted triggering events during 2023 and 2022 which resulted in the recording of impairment losses which were not material. The Company did not note any triggering events during 2021 or 2020 that resulted in of \$5.6 million and \$3.0 million for the recording of an impairment loss, years ended December 31, 2023 and 2022, respectively.

Goodwill and intangible assets

Goodwill represents the excess of the purchase price over the fair value of assets acquired and liabilities assumed. The Company accounts for goodwill and indefinite-lived intangible assets under Accounting Standards Codification ("ASC") Topic 350, *Intangibles – Goodwill and Other*, which requires the Company to test goodwill and other indefinite-lived assets for impairment annually or whenever events or circumstances indicate that impairment may exist. The Company did not note any triggering events during 2023 that resulted in the recording of an impairment loss, but noted triggering events during 2021 and 2022 which resulted in the recording of impairment losses. The Company did not note any triggering events during 2020 that resulted in the recording of an impairment loss. Refer to Note 5 - Goodwill, Trade Name and Other Intangible Assets for further details. Due to the current economic uncertainty resulting from the COVID-19 pandemic, rising interest rates, inflation and other macroeconomic factors, the Company will continue to review the carrying amounts of goodwill and indefinite-lived assets for potential triggering events.

The cost of acquired businesses is allocated first to its identifiable assets, both tangible and intangible, based on estimated fair values. Costs allocated to finite-lived identifiable intangible assets are generally amortized on a straight-line basis over the remaining estimated useful lives of the assets. The excess of the purchase price over the fair value of identifiable assets acquired, net of liabilities assumed, is recorded as goodwill.

The approximate useful life of each class of intangible asset is as follows:

ATI Physical Therapy trade name/trademark	Indefinite
Non-compete agreements	2 - 5 years
Other intangible assets	15 years

Goodwill and intangible assets with indefinite lives are not amortized but must be reviewed at least annually for impairment. If the impairment test indicates that the carrying value of the reporting unit exceeds its fair value, then a goodwill impairment loss should be recognized in the consolidated statements of operations in an amount equal to the excess carrying value over fair value. If the impairment test indicates that the carrying value of an intangible asset exceeds its fair value, then an impairment loss should be recognized in the consolidated statements of operations in an amount equal to the excess carrying value over fair value. Fair value is determined using valuation techniques based on estimates, judgments and assumptions the Company believes are appropriate in the circumstances. The Company completed the **interim and annual impairment analyses** of goodwill as of **March 31, 2022, June 30, 2022, September 30, 2022, October 1, 2022 and December 31, 2022** **October 1, 2023** by estimating its fair value using an average of a discounted cash flow analysis and comparable public company analysis. The key assumptions associated with determining the estimated fair value include projected revenue growth rates and EBITDA margins, the terminal growth rate, the discount rate and relevant market multiples. The Company completed the **interim and annual impairment analyses** of the indefinite-lived intangible asset as of **March 31, 2022, June 30, 2022, September 30, 2022, October 1, 2022 and December 31, 2022** **October 1, 2023** by estimating its fair value using the relief from royalty method. The key assumptions associated with determining the estimated fair value include projected revenue growth rates, the royalty rate, the discount rate and the terminal growth rate.

Deferred financing costs

Original debt issuance discounts and costs incurred related to debt financing are recorded as a reduction to debt and amortized ratably over the term of the related debt agreement, using the effective interest method. Deferred financing costs related to revolving credit facilities are recognized as assets and amortized ratably over the term of the related agreement using the effective interest method. Deferred financing costs are amortized to interest expense, net in the Company's consolidated statements of operations. The Company recognized amortization of deferred debt issuance costs of **\$1.7 million, \$2.3 million and \$3.0 million** for the years ended **December 31, 2022, 2021 December 31, 2023 and 2020, 2022**, respectively. The Company recognized amortization of original debt issuance discounts of **\$1.2 million, \$1.0 million and \$1.0 million** for the years ended **December 31, 2022, 2021 December 31, 2023 and 2020, 2022**, respectively.

Preferred stock

Preferred stock is classified as debt, equity or mezzanine equity based on its redemption features. Preferred stock with redemption features outside of the control of the issuer, such as contingent redemption features, is classified as mezzanine equity. Preferred stock with mandatory redemption features is classified as debt. Preferred stock with no redemption features, or redemption features over which the issuer has control, is classified as equity.

The Company has preferred stock that is classified as mezzanine equity in the Company's consolidated balance sheets. Refer to Note 11 - *Mezzanine and Stockholders' Equity* for more information about the Company's outstanding Series A Senior Preferred Stock.

The Company had preferred stock that was classified as debt (redeemable preferred stock) in the Company's consolidated balance sheets, prior to its redemption as part of the Business Combination. Refer to Note 12 - Wilco Holdco Redeemable Preferred Stock for more information about the Company's previously outstanding preferred stock.

Treasury stock

Treasury stock amounts are accounted for under the cost method whereby the entire cost of the acquired stock is recorded as treasury stock. Gains and losses on the subsequent reissuance of shares are credited or charged to paid-in capital in excess of par value using the average-cost method.

Warrant liability

The Company accounts for its outstanding **Public Warrants and Private Placement IPO Warrants** in accordance with the guidance contained in ASC Topic 815-40, *Derivatives and Hedging - Contracts on an Entity's Own Equity*, and determined that the IPO Warrants do not meet the criteria for equity treatment thereunder. As such, each IPO Warrant must be recorded as a liability and is subject to re-measurement at each balance sheet date. Changes in fair value are recognized in change in fair value of warrant liability in the Company's consolidated statements of operations.

Contingent common shares liability

The Company accounts for its potential Earnout Shares and Vesting Shares as a liability in accordance with the guidance in ASC Topic 480, *Distinguishing Liabilities from Equity*, and ASC Topic 815, *Derivatives and Hedging*, and is subject to re-measurement at each balance sheet date. Changes in fair value are recognized in change in fair value of contingent common shares liability in the Company's consolidated statements of operations.

Non-controlling interests in consolidated affiliates

The consolidated financial statements include all assets, liabilities, revenues and expenses of less-than-100%-owned affiliates where the Company has a controlling financial investment. The Company has separately reflected net income (loss) attributable to the non-controlling interests in net income (loss) in the consolidated statements of operations.

Fair value of financial instruments

The Company determines fair value measurements used in its consolidated financial statements based upon the exit price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants exclusive of any transaction costs, as determined by either the principal market or the most advantageous market at the measurement date.

Inputs used in the valuation techniques to derive fair values are classified based on a three-level hierarchy. The basis for fair value measurements for each level within the hierarchy is described below with Level 1 having the highest priority and Level 3 having the lowest.

- Level 1: Observable inputs, which include unadjusted quoted prices in active markets for identical instruments.
- Level 2: Observable inputs other than Level 1 inputs, such as quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the instruments.
- Level 3: Unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

Refer to Note 15 14 - *Fair Value Measurements* for valuation techniques and inputs related to the Company's financial instruments and share-based liabilities.

2L Notes

The guidance in ASC Topic 825, *Financial Instruments*, provides a fair value option that allows companies to make an irrevocable election of fair value as the initial and subsequent measurement attribute for certain eligible financial assets and liabilities. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. The decision to elect the fair value option is determined on an instrument-by-instrument basis, must be applied to an entire instrument and is irrevocable once elected. Assets and liabilities measured at fair value pursuant to this guidance are required to be reported separately in the Company's consolidated balance sheets from those instruments using another accounting method.

The 2L Notes are accounted for as a liability in the Company's consolidated balance sheets. The Company has made an irrevocable election to account for the 2L Notes under the fair value option in accordance with ASC Topic 825, *Financial Instruments*, in lieu of bifurcating certain features in the Second Lien Note Purchase Agreement. As such, the 2L Notes are initially recorded as a liability at estimated fair value and are subject to re-measurement at each balance sheet date with changes in fair value recognized in change in fair value of 2L Notes in the Company's consolidated statements of operations. Any changes in fair value related to changes in the Company's credit risk is recognized as a component of accumulated other comprehensive income (loss).

Income taxes

The Company accounts for income taxes in accordance with ASC Topic 740 ("ASC 740"), *Income Taxes*. Under ASC 740, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and the respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rate is recognized in operations in the period that includes the enactment date.

ASC 740 provides guidance on how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are more likely than not of being sustained by the applicable tax authority. A tax position that meets the more-likely-than-not recognition threshold is measured and recognized in the consolidated financial statements at the largest amount of benefit that is greater than 50% likely of being realized upon settlement. Tax positions deemed to not meet a more-likely-than-not threshold may not be recognized in the financial statements. The Company reviews these tax uncertainties in light of changing facts and circumstances, such as the progress of tax audits, and if any tax uncertainties were identified, the Company would recognize them accordingly. The liability relating to uncertain tax positions is classified as current in the consolidated balance sheets to the extent the company anticipates making a payment within one year. The Company did not identify any uncertain tax positions in the years ended

December 31, 2023 and December 31, 2022. Interest and penalties associated with income taxes are classified in the income tax expense (benefit) expense line in the consolidated statements of operations.

Cost of services

Cost of services consist of salaries specific to the Company's clinic operations along with rent, clinic supplies expense, depreciation and advertising costs. In addition, cost of services includes the provision for doubtful accounts.

Selling, general and administrative expenses

Selling, general and administrative expenses consist primarily of wages and benefits for corporate personnel, corporate outside services, marketing costs, depreciation of corporate fixed assets, amortization of intangible assets and certain corporate level professional fees, including those related to legal, accounting and payroll.

Advertising costs

Advertising costs are expensed as incurred or when services are rendered. Advertising costs included in cost of services were \$3.4 million, \$3.2 million \$2.9 million and \$2.3 million \$3.4 million for the years ended December 31, 2022, 2021 December 31, 2023 and 2020, 2022, respectively. Advertising costs included in selling, general and administrative expenses were \$4.7 million, \$5.1 million \$4.5 million and \$4.8 million \$4.7 million for the years ended December 31, 2022, 2021 December 31, 2023 and 2020, 2022, respectively.

Share-based compensation

The Company applies the guidance in ASC Topic 718, *Compensation - Stock Compensation*, in its accounting for share-based compensation. The Company recognizes compensation expense for all share-based compensation awarded to employees, net of forfeitures, using a fair value-based method. The grant-date fair value of each award is amortized to expense on a straight-line basis over the award's vesting period. Compensation expense associated with share-based awards is included in salaries and related costs and selling, general and administrative expenses in the accompanying consolidated statements of operations, depending on whether the award recipient is a clinic-level or corporate employee, respectively. Share-based compensation expense is adjusted for forfeitures as incurred.

Loss per share

The Company applies the guidance in ASC Topic 260, *Earnings Per Share*, in its computation of loss per share. Basic loss per share is computed by dividing net loss available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted loss per share is computed by dividing net loss available to common stockholders by the weighted average number of common shares and outstanding during the period, adjusted for the impact of securities that would have a dilutive common effect on basic loss per share, equivalents outstanding, if any. Refer to Note 19 18 - *Loss per Share* for more information.

Leases

The Company applies the guidance in ASC Topic 842 ("ASC 842"), *Leases*, to classify individual leases of assets as either operating or finance leases at contract inception. All leased assets have been classified as operating lease arrangements, and the Company's classes of leased assets include real estate and equipment. The Company adopted ASC 842 on January 1, 2020 using the alternative transition method.

Operating lease balances are included in operating lease right-of-use ("ROU") assets, current portion of operating lease liabilities and operating lease liabilities in the Company's consolidated balance sheets. ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term, adjusted for prepaid or accrued lease payments and lease incentives. The Company's lease terms include the impact of options to extend or terminate the lease when it is reasonably certain that the options will be exercised or not exercised, as appropriate. When discount rates implicit in leases cannot be readily determined, the Company uses the applicable incremental borrowing rate at lease commencement to perform lease classification tests on lease components and to measure lease liabilities and ROU assets. The Company's incremental borrowing rate is the rate of interest that it would have to pay to borrow on a collateralized basis, over a similar term, an amount equal to the lease payments in a similar economic environment. Leases with an initial term of 12 months or less are not recorded on the balance sheet.

The ROU asset is subject to testing for impairment if there is an indicator for impairment, as is in accordance with the case impairment accounting guidance for owned long-lived assets. The Company noted triggering events during 2021 2023 and 2022 which resulted in the recording of ROU asset impairment losses of \$2.3 million and \$2.6 million for the years ended December 31, 2023 and 2022, respectively, which were not material. The Company did not note any triggering events during 2020 that resulted are included in the

recording of an **total long-lived asset impairment loss, losses**. The amortization of operating lease ROU assets and the accretion of operating lease liabilities are reported together as fixed lease expense. The fixed lease expense is recognized on a straight-line basis over the life of the lease. If the ROU asset has been impaired, lease expense is no longer recognized on a straight-line basis. The lease liability continues to amortize using the effective interest method, while the ROU asset is subsequently amortized on a straight-line basis.

Some of the Company's operating leases include variable lease payments, which include periodic adjustments of the Company's payments for the use of the asset based on changes in factors such as consumer price indices, fair market value, tax rates imposed by taxing authorities or lessor cost of insurance. To the extent they are not included in operating lease liabilities and operating lease ROU assets, these variable lease payments are recognized as incurred. Additionally, the Company makes payments for property taxes, insurance, common area maintenance or other services and accounts for these costs as variable lease **payments**.

Recently adopted accounting guidance

In February 2016, **payments since** the Financial Accounting Standards Board ("FASB") established ASC Topic 842, *Leases*, by issuing Accounting Standards Update ("ASU") No. 2016-02, which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. ASC 842 was subsequently amended by ASU No. 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU No. 2018-10, *Codification Improvements to Topic 842, Leases*; ASU No. 2018-11, *Targeted Improvements*; ASU No. 2019-01, *Codification Improvements*; and ASU No. 2019-10, *Leases (Topic 842)*. ASC 842 establishes a right-of-use model that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statement of operations.

ASC 842 was effective for the Company on January 1, 2021, with early adoption permitted. The Company elected to early adopt this standard on January 1, 2020 using the alternative transition method provided by ASC 842. Under the alternative transition method, the effects of initially applying the new guidance were recognized as a cumulative-effect adjustment to retained earnings at the date of initial application, which is January 1, 2020.

As part of transitioning to ASC 842, the Company elected to apply the package of transition practical expedients, which allowed the Company to not reassess under ASC 842 prior conclusions about lease identification, lease classification and initial direct costs. As a result of adopting ASC 842 and election of the transition practical expedients, the Company **recognized ROU assets and lease liabilities for those leases classified as operating leases under ASC 840 that continued to be classified as operating leases under ASC 842 at the date of initial application. Leases classified as capital under ASC 840 are classified as finance under ASC 842.** As of the date of transition to ASC 842, the Company did not have any capital leases under ASC 840.

The Company elected the practical expedient within ASC 842 to not separate lease and non-lease components within lease transactions for all classes of assets. Additionally, the Company elected the short-term lease exception for all classes of assets.

In applying the alternative modified retrospective transition method, the Company measured lease liabilities at the present value of the sum of remaining minimum lease payments. The Company's operating lease liabilities were measured using the Company's incremental borrowing rates as of January 1, 2020 (the date of initial application). Additionally, the Company's operating lease ROU assets were measured as the initial measurement of applicable lease liabilities adjusted for any unamortized initial direct costs, prepaid/accrued rent, unamortized lease incentives and any liabilities on account of exit or disposal cost obligations.

Adoption of ASC 842 at January 1, 2020, and application of the alternative modified retrospective transition method resulted in the recognition of:

- (1) operating lease ROU assets of \$263.2 million;
- (2) operating lease liabilities of \$306.4 million;
- (3) the cumulative effect adjustment to increase the opening balance of the accumulated deficit by \$0.4 million;

Adoption of this standard did not have a material impact on the Company's consolidated statements of operations and consolidated statements of cash flows. Refer to Note 17 - **Leases** for more information about the Company's lease related obligations.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provides optional **Recently adopted accounting** guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. This standard was subsequently amended by ASU No. 2021-01, *Reference Rate Reform (Topic 848): Scope*, and by ASU 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848*. This standard is optional and may be applied by entities after March 12, 2020, but no later than December 31, 2024. As of December 31, 2022, the Company has a derivative instrument for which the interest rate is indexed to the London InterBank Offered Rate ("LIBOR"). During the period ended March 31, 2022, the Company modified the reference rate index on its hedged items, which are future variable-rate cash payments, from LIBOR to the Secured Overnight Financing Rate ("SOFR"). The Company elected to apply the hedge accounting expedients related to probability and the assessments of effectiveness for future cash flows to assume that the

index upon which future hedged transactions will be based matches the index on the corresponding derivative, which is LIBOR. The guidance allows for different expedient elections to be made at different points in time. As of December 31, 2022, the Company continues to apply the hedge accounting expedients and does not anticipate that this guidance will have a material impact on its consolidated financial statements, however, the Company will continue to assess the potential impact on its future hedging relationships and expedient elections, as applicable.

In October 2021, the FASB Financial Accounting Standards Board ("FASB") issued ASU Accounting Standards Update ("ASU") 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Liabilities from Contracts with Customers*, which provides guidance to improve the accounting for acquired revenue contracts with customers in a business combination by addressing diversity in practice. This ASU is effective for the Company on January 1, 2023, with early adoption permitted, and shall be applied on a prospective basis to business combinations that occur on or after the adoption date. The Company adopted this new accounting standard effective January 1, 2023. The Company does not expect the adoption of this ASU to standard did not have a material impact on the Company's consolidated financial statements.

Recent accounting pronouncements

In November 2021 2023, the FASB issued ASU 2021-10, 2023-07, *Government Assistance Segment Reporting (Topic 832) 280: Improvements to Reportable Segment Disclosures by Business Entities about Government Assistance*, which provides guidance to increase improve the transparency of government assistance transactions with business entities that are accounted disclosures for by applying a grant or contribution accounting model reportable segments through enhanced disclosures about significant segment expenses. This ASU is effective for the Company's annual financial statements to be issued for the year ended December 31, 2022 December 31, 2024, and the Company's interim financial statements during the year ended December 31, 2025, with early adoption permitted. This ASU shall be applied on a retrospective basis for all prior periods presented in the financial statements. The Company adopted expects to adopt this new accounting standard in this its Annual Report on Form 10-K for the year ended December 31, 2022. The December 31, 2024, and does not expect the adoption of this standard did to have a material impact on the Company's consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which provides guidance to improve the disclosures for income taxes primarily through enhanced rate reconciliation and income taxes paid disclosures. This ASU is effective for the Company's annual financial statements to be issued for the year ended December 31, 2025, with early adoption permitted, and shall be applied on a prospective basis. The Company expects to adopt this new accounting standard in its Annual Report on Form 10-K for the year ended December 31, 2025, and does not expect the adoption of this standard to have a material impact on the Company's consolidated financial statements.

Note 3. Business Combinations and Divestitures

The Business Combination

As discussed in Note 1 - Overview of the Company, on June 16, 2021, a business combination between Wilco Holdco and FAII was consummated, which was accounted for as a reverse recapitalization of Wilco Holdco, Inc. At the time of the Business Combination, stockholders of Wilco Holdco, Inc. received 130.3 million shares of the Company's Class A common stock, par value \$0.0001 per share (the "Common Stock"), for the outstanding shares of Wilco Holdco common stock, par value \$0.01 per share, that such stockholders owned. Upon distribution of shares of Common Stock to holders of vested and unvested Incentive Common Units ("ICUs") granted prior to the Business Combination under the Wilco Acquisition, LP 2016 Equity Incentive Plan, 2.0 million of these shares were restricted subject to vesting requirements, resulting in total unrestricted shares of 128.3 million and an exchange ratio of 136.7 unrestricted shares of ATI Physical Therapy, Inc. for every previously outstanding Wilco Holdco share.

Immediately following the Business Combination, there were 207.3 million shares issued and 196.6 million outstanding shares of common stock of ATI Physical Therapy, Inc., consisting of the following (in thousands):

	Class A Common Shares
FAII Class A common stock prior to Business Combination	34,500
FAII Class F common stock prior to Business Combination ⁽¹⁾	8,625
Less: FAII Class A common stock redemptions	(8,988)
FAII common shares (Class A and Class F)	34,137
Add: Shares issued to Wilco Holdco stockholders ^(2, 3)	130,300
Add: Shares issued through PIPE investment	30,000
Add: Shares issued to Wilco Holdco Series A Preferred stockholders	12,845
Total shares issued as of the Closing Date of the Business Combination ⁽⁴⁾	207,282
Less: Vesting Shares ⁽⁴⁾	(8,625)
Less: Restricted shares ⁽³⁾	(2,014)
Total shares outstanding as of the Closing Date of the Business Combination ⁽⁴⁾	<u><u>196,643</u></u>

⁽¹⁾ Per the Merger Agreement, as of the closing of the Business Combination, all Class F shares converted into the equivalent number of Class A common shares and became subject to certain vesting and forfeiture provisions ("Vesting Shares") as detailed in Note 14 - *Contingent Common Shares Liability*.

⁽²⁾ Includes 1.2 million unrestricted shares upon distribution to holders of vested ICUs under the Wilco Acquisition, LP 2016 Equity Incentive Plan. Refer to Note 10 - *Share-Based Compensation* for further details.

⁽³⁾ Includes 2.0 million restricted shares upon distribution to holders of unvested ICUs under the Wilco Acquisition, LP 2016 Equity Incentive Plan. Refer to Note 10 - *Share-Based Compensation* for further details.

⁽⁴⁾ Excludes 15.0 million Earnout Shares, 6.9 million Public Warrants and 3.0 million Private Placement Warrants to purchase Class A common stock. Refer to Note 13 - *IPO Warrant Liability* and Note 14 - *Contingent Common Shares Liability* for further details.

PIPE investment

Concurrently with the closing of the Business Combination, pursuant to Subscription Agreements executed between FAII and certain investors, 30.0 million shares of Class A common stock (the "PIPE" investment) were newly issued in a private placement at a purchase price of \$10.00 per share for an aggregate purchase price of \$300.0 million. The initial PIPE investment included 7.5 million shares of Class A common stock newly issued to certain investment funds managed by affiliates of Fortress Investment Group LLC ("Fortress") at a purchase price of \$10.00 per share for an aggregate purchase price of \$75.0 million.

Wilco Holdco Series A Preferred Stock

Immediately following the Business Combination, all holders of the previously outstanding shares of Wilco Holdco Series A Preferred Stock received a proportionate share of \$59.0 million and 12.8 million shares of ATI Physical Therapy, Inc. Class A common stock based on the terms of the Merger Agreement. Refer to Note 12 - *Wilco Holdco Redeemable Preferred Stock* for further details.

Earnout Shares

Subject to the terms and conditions of the Merger Agreement, certain stockholders of Wilco Holdco, Inc. were provided the contingent right to receive, in the aggregate, up to 15.0 million shares of Class A common stock that may be issued pursuant to an earnout arrangement if certain Class A common stock price targets are achieved between the Closing Date and the 10 year anniversary of the Closing Date ("Earnout Shares"). The Earnout Shares are subject to acceleration in the event of a sale or other change in control if the holders of Class A common stock would receive a per share price in excess of the applicable Earnout Shares price target.

Refer to Note 14 - *Contingent Common Shares Liability* and Note 15 - *Fair Value Measurements* for further details.

Vesting Shares

Pursuant to the Sponsor Letter Agreement executed in connection with the Merger Agreement, 8.6 million shares of Class F common stock of FAII outstanding immediately prior to the Business Combination converted to potential Class A common shares and became subject to certain vesting and forfeiture provisions ("Vesting Shares"). The Vesting Shares are subject to acceleration in the event of a sale or other change in control if the holders of Class A common stock would receive a per share price in excess of the applicable Vesting Shares price target.

Refer to Note 14 - *Contingent Common Shares Liability* and Note 15 - *Fair Value Measurements* for further details.

IPO Warrants

Immediately following the Business Combination, the Company had outstanding Public Warrants to purchase an aggregate of 6.9 million shares of the Company's Class A common stock ("Public Warrants") and outstanding Private Placement Warrants to purchase an aggregate of 3.0 million shares of the Company's Class A common stock ("Private Placement Warrants") (collectively, the "IPO Warrants"). In conjunction with the Business Combination, 3.0 million Private Placement Warrants were transferred and surrendered for no consideration based on terms of the Sponsor Letter Agreement.

Refer to Note 13 - *IPO Warrant Liability* and Note 15 - *Fair Value Measurements* for further details.

The following table reflects the components of cash movement related to the Business Combination, PIPE investment and debt repayments (in thousands):

Cash in trust with FAII as of the Closing Date of the Business Combination	\$	345,036
Cash used for redemptions of FAII Class A common stock		(89,877)
FAII transaction costs paid at closing		(25,821)
Cash inflow from Business Combination		229,338
Wilco Holdco, Inc. transaction costs offset against proceeds		(19,233)
Net proceeds from FAII in Business Combination		210,105
Cash proceeds from PIPE investment		300,000
Repayment of second lien subordinated loan		(231,335)
Partial repayment of 2016 first lien term loan		(216,700)
Cash payment to Wilco Holdco Series A Preferred stockholders		(59,000)
Wilco Holdco, Inc. transaction costs expensed during 2021		(5,543)
Net decrease in cash related to Business Combination, PIPE investment and debt repayments	\$	(2,473)

During 2021, the Company expensed \$5.5 million in transaction costs related to the Business Combination, which were classified as selling, general and administrative expenses in the consolidated statements of operations. In addition, \$19.2 million of Wilco Holdco, Inc. transaction costs related to the Business Combination were offset against additional paid-in capital in the consolidated statements of changes in stockholders' equity as these costs were determined to be directly attributable to the recapitalization.

Home Health divestiture

On October 1, 2021, the Company divested its Home Health service line for a sale price of \$7.3 million, and the Company recognized a gain of \$5.8 million in other expense (income), net in its consolidated statements of operations. The major classes of assets and liabilities associated with the Home Health service line consisted predominantly of accounts receivable, accrued expenses and other liabilities which were not material.

2021 acquisitions

During 2021, the Company completed 3 acquisitions consisting of 7 total clinics. The Company paid approximately \$4.5 million in cash and \$1.4 million in future payment consideration, subject to certain time or performance conditions set out in the purchase agreements, to complete the acquisitions. The acquisitions qualified for purchase accounting treatment under ASC Topic 805, *Business Combinations*, whereby the purchase price was allocated to the assets acquired and liabilities assumed based upon their estimated fair values on the respective acquisition dates. Of the total amount of consideration, \$5.5 million was allocated to goodwill based on management's valuations, which were preliminary and subject to completion of the Company's valuation analysis through the 12 month measurement period. Management finalized its valuation analysis as of March 31, 2022, and valuation adjustments to the assets acquired and liabilities assumed were not material. Goodwill represents the future economic benefits arising from the other assets acquired that could not be individually identified and separately recognized, such as assembled workforce, synergies, and location. The entire amount of goodwill recorded from these purchases will be deductible for income tax purposes. Acquisition-related costs to complete the transactions, net revenue and net income recognized in 2021 related to the acquisitions were not material, individually and in the aggregate. Unaudited proforma consolidated financial information for the acquisitions have not been included as the results are not material, individually and in the aggregate.

2022 clinics Clinics held for sale

During the fourth quarter of 2022, the Company classified the assets and liabilities of certain clinics as held for sale as a result of the Company's decision to sell the clinics. The divestiture transactions are anticipated to be completed within twelve months. The clinics did not meet the criteria to be classified as discontinued operations.

During the fourth quarter of 2022, the Company classified the assets and liabilities of certain clinics as held for sale as a result of the Company's decision to sell the clinics. The divestiture transactions were anticipated to be completed within twelve months. The clinics did not meet the criteria to be classified as discontinued operations. During the first quarter of 2023, the Company completed a portion of its anticipated divestiture transactions, which were immaterial. During the second quarter of 2023, the Company concluded the remaining anticipated divestiture transactions were no longer probable due to the Company's decision to retain the clinics. As a result, the remaining assets and liabilities previously classified as held for sale were reclassified as held and used into the respective line items within the consolidated balance sheet.

Major classes of assets and liabilities classified as held for sale as of December 31, 2023 and December 31, 2022 were as follows (in thousands):

	December 31, 2022	
Accounts receivable, net	\$	486
Prepaid expenses		23
Property and equipment, net		1,113
Operating lease right-of-use assets		1,929
Goodwill, net		3,192
Other non-current assets		12
Total assets held for sale	\$	6,755
Accounts payable		\$ 22
Accrued expenses and other liabilities		201
Current portion of operating lease liabilities		685
Operating lease liabilities		1,706
Total liabilities held for sale	\$	2,614
	December 31, 2023	December 31, 2022
Accounts receivable, net	\$ —	\$ 486
Prepaid expenses	—	23
Property and equipment, net	674	1,113
Operating lease right-of-use assets	1,382	1,929
Goodwill, net	—	3,192
Other non-current assets	—	12
Total assets held for sale	\$ 2,056	\$ 6,755
Accounts payable	\$ —	\$ 22
Accrued expenses and other liabilities	—	201
Current portion of operating lease liabilities	357	685
Operating lease liabilities	1,421	1,706
Total liabilities held for sale	\$ 1,778	\$ 2,614

Note 4. Revenue from Contracts with Customers

The following table disaggregates net revenue by major service line for the periods indicated below (in thousands):

	Year Ended		
	December 31, 2022		
	Year Ended	Year Ended	Year Ended
December 31, 2023			
Net patient revenue			
Net patient revenue			
Net patient revenue	\$ 575,940	\$ 561,080	\$ 529,585
ATI Worksite	ATI Worksite		
Solutions (1)	Solutions (1)	34,583	30,864
ATI Worksite Solutions (1)			
ATI Worksite Solutions (1)			
Management Service Agreements (1)	Management Service Agreements (1)	15,246	15,837
Other revenue (1)	12,857	11,359	16,962
	<u>\$ 635,671</u>	<u>\$ 627,871</u>	<u>\$ 592,253</u>
Management Service Agreements (1)			
Management Service Agreements (1)			

Sports Medicine and other revenue ⁽¹⁾

Sports Medicine and other revenue ⁽¹⁾

Sports Medicine and other revenue ⁽¹⁾

\$

\$

\$

⁽¹⁾ ATI Worksite Solutions, Management Service Agreements and Other Sports Medicine and other revenue are included within other revenue on the face of the consolidated statements of operations.

The following table disaggregates net patient revenue for each associated payor class as a percentage of total net patient revenue for the periods indicated below:

		Year Ended						
		December 31, 2022			December 31, 2021			
		Year Ended			Year Ended			
		Year Ended			Year Ended			
		December 31, 2023						
Commercial								
Commercial								
Commercial	Commercial	57.6	%		56.3	%	53.1	%
Government	Government	24.2	%		23.7	%	22.2	%
Government								
Government								
Workers' compensation								
Workers' compensation								
Workers' compensation	Workers' compensation	12.4	%		14.3	%	17.6	%
Other ⁽¹⁾	Other ⁽¹⁾	5.8	%		5.7	%	7.1	%
		100.0	%		100.0	%	100.0	%
Other ⁽¹⁾								
Other ⁽¹⁾								
		100.0			100.0		100.0	
		100.0			100.0		100.0	
		100.0			100.0		100.0	

⁽¹⁾ Other is primarily comprised of net patient revenue related to auto personal injury, injury reimbursement.

Note 5. Goodwill, Trade Name and Other Intangible Assets

Our indefinite-lived intangible asset consists of the ATI trade name. We test the indefinite-lived intangible asset for impairment on an annual basis as of October 1. The While the Company concluded that no indefinite-lived intangible asset impairment existed at the time of annual impairment tests performed for the years ended December 31, 2022, December 31, 2023 and 2020. For 2022, the annual impairment tests performed in 2022 and 2021, no impairments existed as of October 1 since impairments were recorded on September 30. The Company noted separate interim triggering events during 2022 and 2021 which resulted in the recording of impairment losses.

For the annual impairment test performed in 2022, no impairment existed as of October 1 since impairment was recorded on September 30.

The Company has one reporting unit for purposes of the Company's goodwill impairment test, which is completed as of October 1. The While the Company concluded that no goodwill impairment existed at the time of the annual impairment test performed for the years ended December 31, 2022, December 31, 2023 and 2020. For 2022, the annual

impairment tests performed in 2022 and 2021, no impairments existed as of October 1 since impairments were recorded on September 30. The Company noted separate interim triggering events during 2022 and 2021 which resulted in the recording of impairment losses.

As for the carrying amounts annual impairment test performed in 2022, no impairment existed as of the Company's goodwill and trade name indefinite-lived intangible asset were impaired during 2022 and 2021, those amounts are more susceptible to an October 1 since impairment risk if there are unfavorable changes in assumptions and estimates. If the estimated cash flows decrease or market factors change, impairment charges may need to be recorded in the future. Factors that could result in the cash flows being lower than the current estimates include decreased revenue caused by unforeseen changes in the healthcare market or the Company's business, or the inability to achieve the estimated operating margins in the forecasts due to unforeseen factors. Additionally, changes in the broader economic environments could cause changes to the estimated discount rates and comparable company valuation indicators which may impact the estimated fair values on September 30.

Changes in the carrying amount of goodwill during the current year consisted of the following (in thousands):

	Total Goodwill
Goodwill at December 31, 2021	\$ 608,811
Impairment charges	(318,925)
Acquisitions (2)	(236)
Held for sale reclassifications (3)	(3,192)
Goodwill at December 31, 2022	\$ 286,458
Impairment charges (2)	—
Reclassifications to held and used	3,192
Goodwill at December 31, 2023 (1)	<u>\$ 289,650</u>

(1) Net of accumulated impairment losses of \$726.8 \$1,045.7 million.

(2) Represents final valuation adjustments related to 2021 acquisitions. Refer to Note 3 - *Business Combinations and Divestitures* for additional information.

(3) Goodwill reclassified to assets held for sale is related to clinics held for sale as The Company did not note any triggering events during the year ended December 31, 2023 that resulted in the recording of December 31, 2022. Refer to Note 3 - *Business Combinations and Divestitures* for additional information. an impairment loss.

The table below summarizes the Company's carrying amount of trade name and other intangible assets at December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022 (in thousands):

	December 31, 2022	December 31, 2021	
	December 31, 2023	December 31, 2023	December 31, 2022
Gross intangible assets:	Gross intangible assets:		
ATI trade name (1)			
ATI trade name (1)			
ATI trade name (1)	ATI trade name (1)	\$ 245,000	\$ 409,360
Non-compete agreements	Non-compete agreements	2,395	2,405
Other intangible assets	Other intangible assets	640	640
Accumulated amortization:	Accumulated amortization:		
Accumulated amortization – non-compete agreements	Accumulated amortization – non-compete agreements	(1,126)	(425)

Accumulated amortization – non-compete agreements		
Accumulated amortization – non-compete agreements		
Accumulated amortization – other intangible assets	Accumulated amortization – other intangible assets	
		(327)
Total trade name and other intangible assets, net	Total trade name and other intangible assets, net	
		\$ 246,582
		\$ 411,696

(1) Not subject to amortization. The Company recorded \$164.4 million of impairment charges related to the trade name indefinite-lived intangible asset during the year ended December 31, 2022.

Amortization expense for the years ended December 31, 2022, 2021 December 31, 2023 and 2020 2022 was immaterial. The Company estimates that amortization expense related to intangible assets is expected to will be immaterial over the next five fiscal years and thereafter.

Interim impairment testing during 2021

During the quarters ended June 30, 2021 and September 30, 2021, the Company identified interim triggering events. In late July 2021, the Company revised its earnings forecast to reflect (i) the impact of clinician attrition on both volume and operating cost expectations and (ii) payor, state and service mix shift impacts on net patient revenue per visit expectations. These factors accelerated in the second quarter and continued into the third quarter. In October 2021, the Company further revised its forecast to reflect lower than expected patient visit volume. The Company determined that the combination of these factors constituted interim triggering events that required further analysis with respect to potential impairment to goodwill, trade name indefinite-lived intangible and other assets.

As it was determined that it was more likely than not that the fair value of our trade name indefinite-lived intangible asset was below its carrying value, the Company performed an interim quantitative impairment test as of the June 30, 2021 and September 30, 2021 balance sheet dates. The Company utilized the relief from royalty method to estimate the fair value of the trade name indefinite-lived intangible asset. The key assumptions associated with determining the estimated fair value include projected revenue growth rates, the royalty rate, the discount rate and the terminal growth rate. As a result of the analyses, during the year ended December 31, 2021, the Company recognized \$234.3 million in non-cash interim impairments in the line item goodwill, intangible and other asset impairment charges in its consolidated statements of operations, which represented the difference between the estimated fair value of the Company's trade name indefinite-lived intangible asset and its carrying value.

The Company evaluated its asset groups, including operating lease right-of-use assets that were evaluated based on clinic-level cash flows and clinic-specific market factors, noting no material impairment.

As it was determined that it was more likely than not that the fair value of our single reporting unit was below its carrying value, the Company performed an interim quantitative impairment test as of the June 30, 2021 and September 30, 2021 balance sheet dates. In order to determine the fair value of our single reporting unit, the Company utilized an average of a discounted cash flow analysis and comparable public company analysis. The key assumptions associated with determining the estimated fair value include projected revenue growth rates, earnings before interest, taxes, depreciation and amortization ("EBITDA") margins, the terminal growth rate, the discount rate and relevant market multiples. As a result of the analyses, during the year ended December 31, 2021, the Company recognized \$726.8 million in non-cash interim impairments in the line item goodwill, intangible and other asset impairment charges in its consolidated statements of operations, which represented the difference between the estimated fair value of the Company's single reporting unit and its carrying value.

Interim impairment testing during 2022

During the quarters ended March 31, 2022, June 30, 2022, September 30, 2022 and December 31, 2022, the Company identified interim triggering events as a result of factors including potential changes in discount rates and decreases in share price. The Company determined that the combination of these factors constituted interim triggering events that required further analysis with respect to potential impairment to goodwill, trade name indefinite-lived intangible and other assets.

The Company assessed its long-lived asset groups, including operating lease right-of-use assets that were evaluated based on clinic-specific cash flows and clinic-specific market factors, noting no material impairment.

As it was determined that it was more likely than not that the fair value of our trade name indefinite-lived intangible asset was below its carrying value, the Company performed an interim quantitative impairment test as of the March 31, 2022, June 30, 2022, September 30, 2022 and December 31, 2022 balance sheet dates. The Company utilized the relief from royalty method to estimate the fair value of the trade name indefinite-lived intangible asset. The key assumptions associated with determining the estimated fair value include projected revenue growth rates, the royalty rate, the discount rate and the terminal growth rate. As a result of the analyses, during the year ended December 31, 2022, the Company recognized \$164.4 million in non-cash interim impairments in the line item goodwill, intangible and other asset impairment charges in its consolidated

statements of operations, which represents the difference between the estimated fair value of the Company's trade name indefinite-lived intangible asset and its carrying value.

The Company evaluated its asset groups, including its operating lease right-of-use assets and leasehold improvement assets that were evaluated based on location-specific cash flows and market factors, noting no material impairment.

As it was determined that it was more likely than not that the fair value of our single reporting unit was below its carrying value, the Company performed an interim quantitative impairment test with respect to goodwill. In order to determine the fair value of our single reporting unit, the Company utilized an average of a discounted cash flow analysis and comparable public company analysis. The key assumptions associated with determining the estimated fair value include projected revenue growth rates, EBITDA earnings before interest, taxes, depreciation and amortization ("EBITDA") margins, the terminal growth rate, the discount rate and relevant market multiples. As a result of the analyses, during the year ended December 31, 2022, the Company recognized a \$318.9 million in non-cash interim impairment impairments in the line item goodwill, intangible and other asset impairment charges in its consolidated statements of operations, which represented the difference between the estimated fair value of the Company's single reporting unit and its carrying value.

The impairment in the fourth quarter included an out of period adjustment to reduce goodwill impairment charges of \$8.8 million, of which \$1.8 million relates to the year ended December 31, 2021. We evaluated the impact of this error on our previously issued financial statements, assessing both quantitatively and qualitatively, and concluded the error was not material to any of our prior period or the current period financial statements.

Fair value determinations require considerable judgment and are sensitive to changes in underlying assumptions, estimates and market factors. Estimating the fair value of the Company's reporting unit and the indefinite-lived intangible asset requires us to make assumptions and estimates regarding our future plans, as well as industry, economic, and regulatory conditions. These assumptions and estimates include projected revenue growth rates and EBITDA margins, terminal growth rates, discount rates, relevant market multiples, royalty rates and other market factors. If current expectations of future growth rates, margins and cash flows are not met, or if market factors outside of our control change significantly, including discount rates, relevant market multiples, company share price and other market factors, then our reporting unit or the indefinite-lived intangible asset might become impaired in the future, negatively impacting our operating results and financial position. Factors that could result in the cash flows being lower than the current estimates include decreased revenue caused by unforeseen changes in the healthcare market or the Company's business, or the inability to achieve the estimated operating margins in the forecasts due to unforeseen factors. Additionally, changes in the broader economic environments could cause changes to the estimated discount rates and comparable company valuation indicators which may impact the estimated fair values. As the carrying amounts of goodwill and the Company's trade name indefinite-lived intangible asset have been impaired as of December 31, 2022 and written down to fair value, those amounts are more susceptible to an impairment risk if there are unfavorable changes in assumptions and estimates.

Note 6. Property and Equipment

Property and equipment consisted of the following at December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022 (in thousands):

		December 31, 2022	December 31, 2021	December 31, 2023	December 31, 2022
Equipment	Equipment	\$ 38,102	\$ 36,278		
Furniture and fixtures	Furniture and fixtures	17,215	17,141		
Leasehold improvements	Leasehold improvements	191,182	183,542		
Automobiles	Automobiles	19	19		
Computer equipment and software	Computer equipment and software	102,651	95,362		
Construction-in-progress	Construction-in-progress	3,727	3,793		
		352,896	336,135		
Accumulated depreciation and amortization	Accumulated depreciation and amortization	(229,206)	(196,405)		
Property and equipment, net	Property and equipment, net	\$ 123,690	\$ 139,730		
(1)	(1)				

(a) Excludes \$0.7 million and \$1.1 million reclassified as held for sale as of December 31, 2023 and December 31, 2022, respectively. Refer to Note 3 - Business Combinations and Divestitures for additional information.

Property and equipment includes internally developed computer software costs in the amount of \$64.3 million \$66.1 million and \$58.7 million \$64.3 million as of December 31, 2022 December 31, 2023 and 2021, 2022, respectively. The related amortization expense was \$8.2 million, \$6.8 million, \$7.7 million and \$9.8 million \$8.2 million for the years ended

December 31, 2022, 2021 December 31, 2023 and 2020, 2022, respectively.

Depreciation and amortization expense is recorded within rent, clinic supplies, contract labor and other and selling, general and administrative expenses within the consolidated statements of operations, depending on the use of the underlying fixed assets. The depreciation and amortization expense recorded in **cost of services** rent, clinic supplies, contract labor and other relates to revenue-generating assets, which primarily includes clinic leasehold improvements and therapy equipment. The depreciation and amortization expense included in selling, general and administrative expenses is related to infrastructure items, such as corporate leasehold improvements, computer equipment and software.

The following table presents the amount of depreciation and amortization expense related to property and equipment recorded in rent, clinic supplies, contract labor and other and selling, general and administrative expenses in the Company's consolidated statements of operations for the periods indicated below (in thousands):

		Year Ended			Year Ended
		December 31, 2022	December 31, 2021	December 31, 2020	
Rent, clinic supplies, contract labor and other	Rent, clinic supplies, contract labor and other	\$ 27,429	\$ 26,664	\$ 25,409	
Rent, clinic supplies, contract labor and other					
Rent, clinic supplies, contract labor and other					
Selling, general and administrative expenses	Selling, general and administrative expenses	12,417	10,873	14,101	
Total depreciation expense	Total depreciation expense	\$ 39,846	\$ 37,537	\$ 39,510	
Total depreciation expense					
Total depreciation expense					

Note 7. Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consisted of the following at December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022 (in thousands):

		December	December	December 31, 2023	December 31, 2022
		31, 2022	31, 2021		
Salaries and related costs	Salaries and related costs	\$ 28,949	\$ 27,257	Salaries and related costs	\$ 37,630
Accrued legal settlement					\$ 28,949
(1)	Accrued legal settlement (1)			21,324	1,015
Credit balances due to patients and payors	Credit balances due to patients and payors	6,117	4,240	Credit balances due to patients and payors	7,712
Accrued professional fees	Accrued professional fees	5,551	5,998		6,117
Accrued interest	Accrued interest			4,146	4,536
Accrued occupancy costs				4,913	762
Accrued occupancy costs					
Accrued occupancy costs				2,593	2,410

Accrued contract labor	Accrued contract labor	4,483	2,057	2,255	4,483
Accrued occupancy costs		2,410	1,895		
CARES Act funds ⁽¹⁾		—	18,179		
Other payables and accrued expenses					
Other payables and accrued expenses					
Other payables and accrued expenses	Other payables and accrued expenses	6,162	4,958	7,862	5,400
Total	Total	\$ 53,672	\$ 64,584	\$ 88,435	\$ 53,672

(1) Includes current portion estimated liability of MAAPP funds received \$20.0 million related to settlement agreement in principle as of December 31, 2023. Refer to Note 17 - *Commitments and deferred employer Social Security tax payments*. Contingencies for additional information.

Note 8. Borrowings

Long-term debt, net consisted of the following at December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022 (in thousands):

	December 31, 2022	December 31, 2021	
	December 31, 2023	December 31, 2023	December 31, 2022
Senior Secured Term Loan (1, 2) (due February 24, 2028)	Senior Secured Term Loan (1, 2) (due February 24, 2028)	\$ 503,481	\$ —
Revolving Loans (3) (due February 24, 2027)	Revolving Loans (3) (due February 24, 2027)	48,200	—
2016 first lien term loan (4)		—	555,048
Less: unamortized debt issuance costs	Less: unamortized debt issuance costs	(11,137)	(1,935)
Less: unamortized original issue discount	Less: unamortized original issue discount	(8,944)	(1,147)
Total debt, net	Total debt, net	531,600	551,966

Less: current portion of long-term debt	Less: current portion of long-term debt	—	(8,167)
Long-term debt, net	Long-term debt, net	\$ 531,600	\$ 543,799

(i) Interest rate of 12.7% and 12.1% at December 31, 2023 and December 31, 2022, respectively, with interest payable in designated installments at a variable interest rate. The effective interest rate for the Senior Secured Term Loan was 13.9% and 13.1% at December 31, 2023 and December 31, 2022, respectively.

(ii) During the third and fourth quarters of 2022, the Company elected to pay has paid a portion of its interest in-kind on its Senior Secured Term Loan by capitalizing and adding such interest to the principal amount of the debt. As of December 31, 2023 and December 31, 2022, the Company has recognized paid in-kind total paid-in-kind interest in the amount of \$10.0 million and \$3.5 million, respectively.

(iii) Interest Weighted average interest rate of 9.5% and 8.3% at December 31, 2023 and December 31, 2022, respectively, with interest payable in designated installments at a variable interest rate.

(iv) Loan balance was repaid in its entirety on February 24, 2022. The effective interest rate for 2L Notes due to related parties, at fair value consisted of the 2016 first lien term loan was 4.9% following at December 31, 2021. December 31, 2023 and December 31, 2022 (in thousands):

2016	first	and	second	lien	credit	agreements
					December 31, 2023	
2L Notes due to related parties, at fair value				\$ 79,472	\$ —	

In connection with the Business Combination on June 16, 2021 2023 Debt Restructuring Transaction

On June 15, 2023 (the "Closing Date"), the Company paid down \$216.7 million of its 2016 first lien term loan. The Company recognized \$1.7 million in loss on completed a debt extinguishment related restructuring transaction to improve the Company's liquidity (the "2023 Debt Restructuring"). On the Closing Date, certain previously executed agreements became effective, including (i) Amendment No. 2 to the derecognition Credit Agreement, (ii) a Second Lien Note Purchase Agreement and (iii) certain other definitive agreements relating to the 2023 Debt Restructuring (such documents referred to collectively as the "Signing Date Definitive Documents").

As part of the proportionate 2023 Debt Restructuring, the Company exchanged a principal amount of remaining unamortized deferred financing costs and unamortized original issue discount associated with the partial debt repayment.

In connection with the Business Combination on June 16, 2021, the Company paid \$231.3 million to settle its second lien subordinated term loan. The Company recognized \$3.8 million in loss on debt extinguishment related to the derecognition \$100.0 million of the remaining unamortized deferred financing costs in conjunction with the debt repayment.

The total loss on debt extinguishment associated with the partial repayment \$507.8 million then outstanding Senior Secured Term Loan for an equal amount of 2L Notes, which are convertible into shares of the first lien term loan Company's common stock, stapled with a number of shares of Series B Preferred Stock (the "Series B Preferred Stock"), which represent voting interests only. The exchange was consummated through the Intercreditor and the settlement of the second lien subordinated term loan was \$5.5 million for the year ended December 31, 2021 Subordination Agreement and Second Lien Note Purchase Agreement dated April 17, 2023 (the "Signing Date"). This amount has been reflected in other expense (income), net in the consolidated statements of operations.

On February 24, 2022, the Company paid \$555.0 million to settle its existing term loan (the "2016 first lien term loan"). The Company accounted for the transaction exchange as a debt extinguishment and recognized \$2.8 million \$0.4 million in loss on debt extinguishment related to during the year ended December 31, 2023. The loss on debt extinguishment consisted of various offsetting components, including the derecognition of the remaining \$4.3 million of unamortized deferred financing costs and unamortized original issue discount on the Senior Secured Term Loan and the recognition of \$0.7 million of fair value premium at issuance on the 2L Notes, offset by the recognition of \$2.8 million in conjunction with delayed draw right assets related to the debt repayment commitment provided by certain lenders and the recognition of \$1.8 million of incremental original issue discount on the Senior Secured Term Loan. The loss on debt extinguishment associated with the repayment of the 2016 first lien term loan 2023 Debt Restructuring has been reflected in other expense, (income), net in the consolidated statements of operations.

Amendment No. 2 to the Credit Agreement

Pursuant to Amendment No. 2 to the Credit Agreement, the terms of the remaining unexchanged \$407.8 million principal amount of the Senior Secured Term Loan as of the Signing Date were revised to: (i) increase the interest rate in the form of paid-in-kind interest by 1.0% per annum until the achievement of certain financial metrics, (ii) reset the prepayment premiums with respect to any repayment of the Senior Secured Term Loan, and (iii) amend certain covenants. At the completion of the 2023 Debt Restructuring, \$391.0 million principal of amended Senior Secured Term Loan was outstanding with HPS Investment Partners, LLC ("HPS"), \$16.3 million principal was outstanding with Onex Credit Partners, LLC ("Onex"), \$0.3 million principal was outstanding with Knighthead Capital Management, LLC ("Knighthead"), and the remaining \$0.2 million principal was outstanding with Marathon Asset Management LP ("Marathon"). Additionally, the terms of the Company's Revolving Loans were revised to increase the cash interest rate by 1.0% until the achievement of certain financial metrics.

Amendment No. 2 to the Credit Agreement also provides, among other terms, (i) a reduction of the thresholds applicable to the minimum liquidity financial covenant under the 2022 Credit Agreement for certain periods, (ii) a waiver of the requirement to comply with the Secured Net Leverage Ratio financial covenant under the 2022 Credit Agreement for the fiscal quarters ending June 30, 2024, September 30, 2024 and December 31, 2024 and a modification of the levels and certain component definitions applicable thereto in the fiscal quarters ending after December 31, 2024, (iii) an extension of the minimum liquidity financial covenant for the fiscal quarters in which the Secured Net Leverage Ratio financial

covenant was waived, (iv) a waiver of the requirement for the Company to deliver audited financial statements without a going concern explanatory paragraph for the years ended December 31, 2022, December 31, 2023, and December 31, 2024, and (v) board representation and observer rights and other changes to the governance of the Company.

Based on the results of the cash flow tests and requirements pursuant to ASC Topic 470, *Debt*, the Company accounted for the impacts of Amendment No. 2 to the Credit Agreement related to the amount held by HPS as a modification, and the impacts related to the amounts held by Onex, Knighthead, and Marathon as an extinguishment. As part of the 2023 Debt Restructuring, the Company recognized \$1.8 million of incremental original issue discount on the Senior Secured Term Loan related to lenders treated under extinguishment accounting.

Second Lien Note Purchase Agreement and Designation of Series B Preferred Stock

Knighthead, Marathon, and Onex collectively exchanged a principal amount of \$100.0 million of Senior Secured Term Loan for \$100.0 million of 2L Notes stapled with a number of shares of Series B Preferred Stock. Of the \$100.0 million of 2L Notes issued, approximately \$50.8 million were issued to Knighthead, \$40.4 million were issued to Marathon, and \$8.8 million were issued to Onex. The 2L Notes are subordinated in right of payment and lien priority to the 2022 Credit Facility and mature on August 24, 2028, unless earlier converted, accrue interest at an annual rate of 8.0% payable in-kind on a quarterly basis in the form of additional 2L Notes, and are convertible into shares of common stock, at the holder's option, at a fixed conversion price of \$12.50, subject to certain adjustments in the agreement (the "Conversion Price"). Upon conversion of the 2L Notes, the Company shall deliver to the holder a number of shares of common stock equal to (i) the principal amount of such 2L Notes plus any accrued and unpaid interest divided by (ii) the Conversion Price.

The 2L Notes are effectively stapled with one share of the Company's Series B Preferred Stock for every \$1,000 principal amount of the 2L Notes. The Series B Preferred Stock represents voting rights only, with the number of votes being equal to the number of shares of common stock that each share of Series B Preferred Stock would convert into at a conversion price of \$12.87 per share (the "Voting Rights Conversion Price"). Additional voting rights accrue to the lenders through the deemed issuance of the annual 8.0% paid-in-kind 2L Notes with stapled shares of Series B Preferred Stock. The Series B Preferred Stock does not have any dividend or redemption rights. Upon conversion of 2L Notes to common stock, the stapled shares of Series B Preferred Stock would be canceled in an amount commensurate with the portion of 2L Notes converted. Based on the voting rights associated with the Series B Preferred Stock attached to the 2L Notes as well as other terms to the 2023 Debt Restructuring, the Company determined that Knighthead, Marathon, and Onex became related parties on the Closing Date.

On the Closing Date, an additional \$3.2 million of 2L Notes with stapled Series B Preferred Stock were issued as part of the First Amendment to the Second Lien Note Purchase Agreement. The terms of the issued 2L Notes and Series B Preferred Stock are the same as those that were subject to the exchange.

The following table presents approximate changes in outstanding shares of Series B Preferred Stock since the Closing Date and associated equivalent common stock voting rights at the end of the period (in thousands):

	December 31, 2023
Series B Preferred Stock, shares at Closing Date	103
Increase (decrease) in shares during period	5
Series B Preferred Stock, shares at end of period	108
Common stock voting rights, as converted basis ⁽¹⁾	8,377

⁽¹⁾ Represents approximate shares of Series B Preferred Stock outstanding at end of period, times \$1,000, divided by the contractual Voting Rights Conversion Price of \$12.87 per share.

On or after the second anniversary of the Closing Date and subject to certain conditions, the Company may, at its option, elect to convert (a "Forced Conversion") a portion of the outstanding 2L Notes into the number of shares of common stock based on the Conversion Price then in effect.

The 2L Notes are accounted for as a liability in the Company's consolidated balance sheets. The Company has made an irrevocable election to account for the 2L Notes under the fair value option in accordance with ASC Topic 825, *Financial Instruments*, in lieu of bifurcating certain features in the Second Lien Note Purchase Agreement. As such, the 2L Notes are initially recorded as a liability at estimated fair value and are subject to re-measurement at each balance sheet date with changes in fair value recognized in the Company's statements of operations. The interest cost associated with the 2L Notes is accounted for as part of the change in fair value of the 2L Notes. As a result of applying the fair value option, direct costs and fees related to the issuance of the 2L Notes were expensed as incurred. As of December 31, 2023, the principal amount and estimated fair value of the 2L Notes were approximately \$107.8 million and \$79.5 million, respectively. Refer to Note 14 - *Fair Value Measurements* for further details on the fair value of the 2L Notes. Additionally, as of December 31, 2023, the effective interest rate on the 2L Notes was 8.0%.

The following table presents changes in the principal amount of the 2L Notes since the Closing Date (in thousands):

	December 31, 2023
2L Notes, principal amount at Closing Date	\$ 103,243
Paid-in-kind interest added during period	4,569
2L Notes, principal amount at end of period	<u>107,812</u>

As of December 31, 2023, of the 2L Notes principal outstanding and due to related parties, approximately \$54.7 million, \$43.6 million and \$9.5 million were outstanding with Knighthead, Marathon, and Onex, respectively.

Delayed Draw Right

The Company also has the right to cause to be issued to Knighthead, Marathon and Caspian Capital L.P. ("Caspian") (collectively the "Delayed Draw Purchasers") an additional \$25.0 million of aggregate principal in the form of 2L Notes under its delayed draw right ("Delayed Draw Right"), which is governed by the Second Lien Note Purchase Agreement. If drawn, the notes under the Delayed Draw Right will be subject to the same terms as the convertible 2L Notes with associated shares of Series B Preferred Stock allowing for voting rights on an as-converted basis prior to conversion. The right to draw will terminate approximately 18 months after the Closing Date. The Company may request two draws in an amount of \$12.5 million each, separately or together, subject to, for each draw, (a) projected liquidity at any time during the 6-month period following the date of the relevant draw being below certain thresholds, and (b) the consent of the board of directors.

Upon issuance, the Company accounted for the Delayed Draw Right as an asset at fair value, which represents the Company's option to draw funds subject to certain conditions. For Knighthead's and Marathon's portion of the Delayed Draw Right, the asset was recognized as part of the calculation of loss on debt extinguishment. For Caspian, the Delayed Draw Right was recognized as a capital contribution as there was no previous lender relationship with the Company with respect to the Senior Secured Term Loan. At the Closing Date, the Company recognized approximately \$3.5 million in Delayed Draw Right assets, which is included in other current assets on the Company's consolidated balance sheets. Subsequently, the asset will be monitored for impairment. As of December 31, 2023, no impairment indicators were identified.

On January 30, 2024, the Company issued \$25.0 million of aggregate principal in the form of 2L Notes under its Delayed Draw Right, which are subject to the same terms as the convertible 2L Notes and associated shares of Series B Preferred Stock allowing for voting rights on an as-converted basis prior to conversion. Approximately \$12.0 million, \$8.0 million, and \$5.0 million of the 2L Notes were issued to Knighthead, Marathon and Caspian, respectively.

2022 Credit Agreement

On February 24, 2022 (the "Refinancing Date"), the Company entered into various financing arrangements to refinance its ~~existing~~ previous long-term debt (the "2022 Debt Refinancing"). As part of the 2022 Debt Refinancing, ATI Holdings Acquisition, Inc. (the "Borrower"), an indirect subsidiary of ATI Physical Therapy, Inc., entered into a credit agreement among the Borrower, Wilco Intermediate Holdings, Inc. ("Holdings"), as loan guarantor, Barclays Bank PLC, as administrative agent and issuing bank, and a syndicate of lenders (the "2022 Credit Agreement"). The 2022 Credit Agreement provides a \$550.0 million credit facility (the "2022 Credit Facility") that is comprised of a \$500.0 million senior secured term loan (the "Senior Secured Term Loan") which was fully funded at closing and a \$50.0 million "super priority" senior secured revolver (the "Revolving Loans") with a \$10.0 million letter of credit sublimit.

The 2022 Credit Facility refinanced and replaced the Company's prior credit facility for which Barclays Bank PLC served as administrative agent for a syndicate of lenders. The Company paid \$555.0 million to settle its previous term loan (the "2016 First Lien Term Loan"). The Company accounted for the transaction as a debt extinguishment and recognized \$2.8 million in loss on debt extinguishment during the year ended December 31, 2022 related to the derecognition of the remaining unamortized deferred financing costs and unamortized original issue discount in conjunction with the debt repayment. The loss on debt extinguishment associated with the repayment of the 2016 First Lien Term Loan has been reflected in other expense, net in the consolidated statements of operations.

In connection with the 2022 Debt Refinancing, the Company also entered into a preferred stock purchase agreement, consisting of senior preferred stock with detachable warrants to purchase common stock for an aggregate stated value of \$165.0 million (collectively, the "Preferred Stock Financing"). See Note 11 - *Mezzanine and Stockholders' Equity* for further information regarding the Preferred Stock Financing.

The Company capitalized debt issuance costs totaling \$12.5 million related to the 2022 Credit Facility as well as an original issue discount of \$10.0 million, which are amortized over the terms of the respective financing arrangements.

Senior Secured Term Loan

The Senior Secured Term Loan matures on February 24, 2028 and bears interest, at the Company's election, at a base interest rate of the Alternate Base Rate ("ABR"), as defined in the agreement, plus an applicable credit spread, or the Adjusted Term ~~SOFR~~ Secured Overnight Financing Rate ("SOFR"), as defined in the agreement, plus an applicable credit spread. The credit spread is determined based on a pricing grid and the Company's Secured Net Leverage Ratio. The Company ~~may~~ was able to elect to pay 2.0% interest in-kind at a 0.5% premium during the first year under the agreement. The Company elected to pay a portion of its interest in-kind ~~during beginning in the third and fourth quarters quarter of 2022~~ through the completion of the first year under the agreement. As of December 31, 2022 December 31, 2023, borrowings on the Senior Secured Term Loan bear interest at ~~1-month~~ 12.7%, consisting of 12-month SOFR, subject to a 1.0% floor, plus a credit spread of 7.25% ~~plus~~. As of December 31, 2023, the ~~0.5%~~ effective interest rate on the Senior Secured Term Loan was 13.9% and the outstanding principal amount was \$410.0 million, of which \$17.0 million was due to related parties and is primarily attributable to Onex. Beginning in October 2023, the Company is no longer incurring the incremental 1.0% paid-in-kind interest ~~premium~~ on its Senior Secured Term Loan based on its achievement of the required financial metrics under the terms of the 2023 Debt Restructuring.

Revolving Loans

The Revolving Loans are subject to a maximum borrowing capacity of \$50.0 million and mature on February 24, 2027. Borrowings on the Revolving Loans bear interest, at the Company's election, at a base interest rate of the ABR, as defined in the agreement, plus an applicable credit spread, or the Adjusted Term SOFR Rate, as defined in the agreement, plus an applicable credit spread. The credit spread is determined based on a pricing grid and the Company's Secured Net Leverage Ratio. In December 2022, the Company drew \$48.2 million in Revolving Loans. During 2023, the Company repaid approximately \$44.8 million in Revolving Loans and drew an additional \$35.0 million in Revolving Loans. As of December 31, 2022 December 31, 2023, \$48.2 million \$38.5 million in Revolving Loans were outstanding and bearing interest at 1-month a weighted average rate of 9.5%, consisting of 3-month SOFR plus a credit spread of approximately 4.1%.

The Beginning in October 2023, the Company capitalized issuance costs is no longer incurring the incremental 1.0% interest on its Revolving Loans based on its achievement of \$0.5 million related to the Revolving Loans. Unamortized issuance costs of \$0.2 million related to the revolving loans required financial metrics under the 2016 credit agreement were added to the balance of unamortized issuance costs to be amortized over the term terms of the Revolving Loans pursuant to debt extinguishment accounting guidance. 2023 Debt Restructuring.

Commitment fees on the Revolving Loans are payable quarterly at 0.5% per annum on the daily average undrawn portion for the quarter and are expensed as incurred. The balances of unamortized issuance costs related to the Revolving Loans were \$0.5 million as of December 31, 2023, and the revolving loans under the 2016 credit agreement, respectively, were \$0.6 million as of December 31, 2022, and \$0.3 million as of December 31, 2021.

The 2022 Credit Facility is and 2L Notes are guaranteed by certain of the Company's subsidiaries and is are secured by substantially all of the assets of Holdings, the Borrower and the Borrower's wholly owned wholly-owned subsidiaries, including a pledge of the stock of the Borrower, in each case, subject to customary exceptions.

Pursuant to the terms of the Intercreditor and Subordination Agreement, the 2L Notes (and the guarantees thereof) will rank junior in right of payment to the obligations under the 2022 Credit Agreement, and the liens on the collateral securing the 2L Notes will rank junior to the liens on such collateral securing the obligations under the 2022 Credit Agreement.

The 2022 Credit Agreement contains customary covenants and restrictions, including financial and non-financial covenants. The In accordance with Amendment No. 2 to the Credit Agreement, the financial covenants require the Company to maintain \$30.0 million of minimum liquidity, as defined in the agreement, at each test date through the first quarter of 2023, \$25.0 million of minimum liquidity for the second quarter of 2023, \$15.0 million of minimum liquidity through the fourth quarter of 2023 and \$10.0 million of minimum liquidity through the fourth quarter of 2024. Additionally, beginning in the second first quarter of 2024, 2025, the Company must maintain a Secured Net Leverage Ratio, as defined in the agreement, not to exceed 7.00:11.00:1.00. The net leverage ratio covenant decreases in each subsequent quarter through the third second quarter of 2024 2026 to 6.75:1.00 and further decreases in the first quarter of 2025 to 6.25:7.00:1.00, which remains applicable through maturity. The financial covenants are tested as of each fiscal quarter end for the respective periods. As of December 31, 2022 December 31, 2023, the Company has met is in compliance with its minimum liquidity financial covenant.

The 2022 Credit Facility contains customary representations and warranties, events of default, reporting and other affirmative covenants and negative covenants, including requirements related to the delivery of independent audit reports without certain going concern qualifications, explanatory paragraph beginning with the report covering fiscal year 2025, limitations on indebtedness, liens, investments, negative pledges, dividends, junior debt payments, fundamental changes and asset sales and affiliate transactions. The Second Lien Note Purchase Agreement includes affirmative and negative covenants (other than financial covenants) that are substantially consistent with the 2022 Credit Agreement, as well as customary events of default. Failure to comply with the 2022 Credit Facility and Second Lien Note Purchase Agreement covenants and restrictions could result in an event of default under the 2022 Credit Facility, respective borrowing agreements, subject to customary cure periods. In such an event, all amounts outstanding under the 2022 Credit Facility and Second Lien Note Purchase Agreement, together with any accrued interest, could then be declared immediately due and payable.

Under the 2022 Credit Facility, the Company may be required to make certain mandatory prepayments upon the occurrence of certain events, including: an event of default, a Prepayment Asset Sale prepayment asset sale or receipt of Net Insurance Proceeds net insurance proceeds in excess of \$15.0 million \$10.0 million, or excess cash flows exceeding certain thresholds. A Prepayment Asset Sale prepayment asset sale includes dispositions at fair market value, and Net Insurance Proceeds net insurance proceeds is generally defined as insurance proceeds received on a covered loss or as a result of assets taken under the power of eminent domain, net of costs related to the matter.

The Company had letters of credit totaling \$1.8 million \$6.5 million and \$1.2 million \$1.8 million under the letter of credit sub-facility on the revolving credit facilities Revolving Loans as of December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022, respectively. The letters of credit auto-renew on an annual basis and are pledged to insurance carriers as collateral.

Aggregate maturities of long-term debt the Company's borrowings at December 31, 2022 December 31, 2023 are as follows (in thousands):

2023	\$	—
2024	2024	—
2025	2025	—
2026	2026	—

2027	2027	48,200
2028		
Thereafter	Thereafter	503,481
Total future maturities		551,681
Thereafter		
Thereafter		
Total future maturities ⁽¹⁾		
Unamortized original issue discount and debt issuance costs	Unamortized original issue discount and debt issuance costs	(20,081)
Total debt, net	\$	531,600

2L Notes due to related parties, principal amount^(1, 2)

⁽¹⁾Excludes any contractual paid-in-kind interest that may be accrued and added to the principal amounts between now and the respective maturity dates.

⁽²⁾The principal amount of the 2L Notes differs from the estimated fair value presented on the consolidated balance sheet. Refer to Note 14 - Fair Value Measurements for further details on the fair value of the 2L Notes.

Note 9. Employee Benefit Plans

The Company maintains a defined contribution 401(k) retirement plan for its full-time employees. The plan allows all participants to make elective pretax contributions of up to 100% of their compensation, up to a maximum amount as limited by law. The Company makes matching contributions to the plan on behalf of the employee in the amount of 50% of the first 6% of the contributing participant's elective deferral contribution. Matching contributions to the plan were \$4.9 million, \$4.6 million and \$4.7 million for the years ended December 31, 2022, 2021 December 31, 2023 and 2020, respectively.

The following table presents the Company's matching contributions to the plan recorded in cost of services salaries and related costs and selling, general and administrative expenses in the consolidated statements of operations for the periods indicated below (in thousands):

		Year Ended		
		Year Ended		
		December 31, 2022	December 31, 2021	December 31, 2020
Salaries and related costs	Salaries and related costs	\$ 4,374	\$ 4,102	\$ 4,206
Salaries and related costs				
Salaries and related costs				
Selling, general and administrative expenses				
Selling, general and administrative expenses				
Selling, general and administrative expenses	Selling, general and administrative expenses	559	532	520
Total	Total	\$ 4,933	\$ 4,634	\$ 4,726
Total				
Total				

Note 10. Share-Based Compensation

The Company recognizes compensation expense for all share-based compensation awarded to employees, net of forfeitures, using a fair value-based method. The grant-date fair value of each award is amortized to expense on a straight-line basis over the award's vesting period. Compensation expense associated with share-based awards is included in salaries and related costs and selling, general and administrative expenses in the accompanying consolidated statements of operations, depending on whether the award recipient is a clinic-level or corporate employee, respectively. Share-based compensation expense is adjusted for forfeitures as incurred.

Wilco Acquisition, LP 2016 Equity Incentive Plan

Prior to the Business Combination transaction on June 16, 2021 between Wilco Holdco, Inc. and FAll (the "Business Combination"), Wilco Acquisition, LP was the parent company of Wilco Holdco, Inc. and its subsidiaries. In 2016, the Company adopted the Wilco Acquisition, LP 2016 Equity Incentive Plan (the "2016 Plan") under which, prior to the Business Combination, it granted profit interests of Wilco Acquisition, LP in the form of Incentive Common Units ("ICUs"), to members of management, key employees and independent directors of Wilco Acquisition, LP and its subsidiaries.

Service-based vesting

Prior to the Business Combination, Wilco Acquisition, LP The ICUs granted Incentive Common Units, consisted of awards subject to service-based vesting to members of management, key employees and independent directors. performance-based vesting.

Following the closing of the Business Combination, holders of service-based ICUs were entitled to a distribution of a number of Class A common shares of ATI Physical Therapy, Inc. based on the distribution priorities under the Wilco Acquisition, LP limited partnership agreement. The shares related to vested service-based ICUs were distributed as unrestricted Class A common shares of ATI. The shares related to unvested service-based ICUs were distributed as restricted Class A common shares of ATI eligible to vest over the shorter of: (a) the existing vesting schedule applicable to the underlying ICUs, or (b) in installments on each quarterly anniversary of the closing over three years post-closing of the Business Combination, subject to the grantee's continued service through each vesting date.

Pursuant to the 2016 Plan, total share-based compensation expense related to service-based awards recognized in the years ended December 31, 2022, 2021 and 2020 was \$0.8 million, \$2.7 million and \$1.9 million, respectively.

For the year ended December 31, 2022, 0.1 million shares distributed to holders of service-based ICUs vested, and forfeitures related to shares distributed to holders of service-based ICUs were immaterial. There were no service-based awards granted under the 2016 Plan during the year ended December 31, 2022.

As of December 31, 2022, the remaining unvested restricted shares distributed to holders of service-based ICUs totaled 0.1 million Class A common shares, with unrecognized compensation expense of \$0.6 million to be recognized over a weighted-average period of 1.4 years.

Performance-based vesting

Prior to the Business Combination, Wilco Acquisition, LP granted Incentive Common Units, subject to performance-based vesting, to members of management, key employees and independent directors. Following the closing of the Business Combination, holders of performance-based ICUs were entitled to a distribution of a number of Class A common shares of ATI Physical Therapy, Inc. based on the distribution priorities under the Wilco Acquisition, LP limited partnership agreement. The shares related to performance-based ICUs were distributed to holders as restricted Class A common shares of ATI eligible to vest in installments on each quarterly anniversary of the closing over the shorter of: (a) the eight-year period from the original grant date of the underlying ICUs, or (b) three years post-closing of the Business Combination, subject to the grantee's continued service through each vesting date.

Based on the terms of the performance-based ICUs, the performance-based awards follow the treatment of an initial public offering ("IPO") as a result of the Business Combination and, therefore, converted to service-based vesting requirements. Prior

Pursuant to the Business Combination, no 2016 Plan, total share-based compensation expense was recognized related to the performance-based awards, as a change-in-control or IPO cannot be assessed as probable prior to its occurrence. Following the closing of the Business Combination, the Company began recognizing share-based compensation expense associated with the performance-based awards. Recognition of such expense follows a straight-line expense allocation based on the original grant date and the shorter of (a) the eight-year period from the original grant date of the underlying ICUs, or (b) three years post-closing of the Business Combination. For in the years ended December 31, 2022 December 31, 2023 and 2021, share-based compensation expense related to the performance-based awards 2022 was \$0.3 million \$0.6 million and \$2.5 million \$1.1 million, respectively.

For the year ended December 31, 2022, 0.2 million shares distributed to holders of performance-based ICUs vested, and 0.1 million shares distributed to holders of performance-based ICUs were forfeited. There were no performance-based awards granted under the 2016 Plan during the year ended December 31, 2022 December 31, 2023.

For the year ended December 31, 2023, vestings related to shares distributed to holders of ICUs were immaterial, and forfeitures related to shares distributed to holders of ICUs were immaterial. As of December 31, 2022 December 31, 2023, the remaining unvested restricted shares distributed to holders of performance-based ICUs totaled 0.1 million shares, with and unrecognized compensation expense of \$0.5 million to be recognized over a weighted-average period of 1.5 years. were immaterial.

ATI 2021 Equity Incentive Plan

The Company adopted the ATI Physical Therapy 2021 Equity Incentive Plan (the "2021 Plan") under which it may grant equity interests of ATI Physical Therapy, Inc., in the form of stock options, stock appreciation rights, restricted stock awards and restricted stock units, to members of management, key employees and independent directors of the Company and its subsidiaries. The Compensation Committee is authorized to make grants and to make various other decisions under the 2021 Plan. The maximum number of shares

reserved for issuance under the 2021 Plan is approximately **21.3** **1.2** million. As of **December 31, 2022** **December 31, 2023**, approximately **10.9** **0.2** million shares were available for future grant.

Stock options

The Company grants stock options to members of management, key employees and independent directors. Stock options typically vest in equal annual installments over a service period ranging from three to four years from the date of grant, depending on the terms of the agreement. All options have a maximum term of 10 years from the date of grant and may be exercised for one share of Class A common stock.

Pursuant to the 2021 Plan, total share-based compensation expense related to stock options recognized in the years ended **December 31, 2022** **December 31, 2023** and **2021** **2022** was approximately **\$1.3 million** **\$1.5 million** and **\$0.1 million** **\$1.3 million**, respectively. **No share-based compensation expense was recognized in the year ended December 31, 2020 related to stock options.**

The following table summarizes the activity of stock options for the year ended **December 31, 2022** **December 31, 2023** (aggregate intrinsic value in thousands):

	Number of Options	Weighted-Average Exercise		Weighted-Average	
		Price	Contractual Term (in years)	Aggregate Intrinsic Value	
Outstanding, January 1, 2022	774,796	\$ 3.41	9.9	\$ 9	
Granted	6,369,881	1.69	N/A	N/A	
Exercised	—	—	N/A	—	
Forfeited/Cancelled	(1,831,938)	1.98	N/A	N/A	
Outstanding, December 31, 2022	<u>5,312,739</u>	\$ 1.84	9.1	\$ —	
Exercisable, December 31, 2022	202,337	\$ 3.40	6.9	\$ —	
Expected to vest, December 31, 2022	5,110,402	\$ 1.78	9.2	\$ —	

	Number of Options	Weighted-Average Exercise		Weighted-Average	
		Price	Contractual Term (in years)	Aggregate Intrinsic Value	
Outstanding, January 1, 2023	106,495	\$ 92.14	9.1	\$ —	
Granted	—	—	N/A	N/A	
Adjustments	2,676	87.00	N/A	N/A	
Exercised	—	—	N/A	—	
Forfeited/Cancelled	(9,886)	96.46	N/A	N/A	
Outstanding, December 31, 2023	<u>99,285</u>	\$ 91.73	8.2	\$ —	
Exercisable, December 31, 2023	32,181	\$ 99.93	8.1	\$ —	
Unvested, December 31, 2023	67,104	\$ 87.80	8.2	\$ —	

The fair values of each stock option granted was determined using the Black-Scholes option-pricing model. As the Company does not have sufficient historical share option exercise experience for such "plain-vanilla" awards, the expected option term was determined using the simplified method, which is the average of the option's vesting and contractual term. Volatility is measured using the historical volatility of certain comparable public companies, using daily log-returns of stock prices, as adjusted for the impact of financial leverage. The risk-free interest rate reflects the U.S. Treasury yield curve in effect at the time of the grant.

The following table summarizes the weighted-average grant-date fair value and assumptions used to develop the fair value estimates for the options granted in **2022** and **2021**. **2022**. No stock options were granted under the 2021 Plan during the year ended **December 31, 2020** **December 31, 2023**:

	2022	2021
Weighted-average grant-date fair value of options	\$ 0.98	\$ 1.69

Risk-free interest rate	1.74%	1.45%
Term (years)	6.2	6.0
Volatility	61.19%	51.67%
Expected dividend	—%	—%
2022		
Weighted-average grant-date fair value of options	\$48.79	
Risk-free interest rate	1.74%	
Term (years)	6.2	
Volatility	61.19%	
Expected dividend	—%	

As of December 31, 2022 December 31, 2023, the unrecognized compensation expense related to stock options was \$4.1 million \$2.4 million, to be recognized over a weighted-average period of 2.91.9 years.

Restricted stock units

The Company grants restricted stock units ("RSUs") to members of management, key employees and independent directors. RSUs are time-based vesting awards and are subject to the continued service of the employee or non-employee director over the vesting period. RSUs typically vest in equal annual installments over one to three years from the date of grant, based on the terms of the agreement. The fair value of RSUs was based on the price of the Company's common stock on the grant date.

Pursuant to the 2021 Plan, total share-based compensation expense related to RSUs recognized in the years ended December 31, 2022 December 31, 2023 and 2021 2022 was approximately \$4.4 million \$6.2 million and \$0.1 million \$4.4 million, respectively. No share-based compensation expense was recognized in the year ended December 31, 2020 related to RSUs.

The following table summarizes the activity of unvested RSUs and the respective weighted-average grant date fair value per RSU for the year ended December 31, 2022 December 31, 2023:

	2022	
	RSUs	Weighted-Average Grant Date Fair Value
Outstanding and unvested, beginning of year	404,235	\$ 3.41
Granted ⁽¹⁾	5,428,281	2.08
Vested	(489,461)	3.58
Forfeited	(1,143,246)	2.23
Outstanding and unvested, end of year	<u>4,199,809</u>	<u>\$ 1.99</u>

⁽¹⁾ The vesting start date for certain RSUs granted in 2022 is the Closing Date.

	2023	
	RSUs	Weighted-Average Grant Date Fair Value
Outstanding and unvested, beginning of year	84,283	\$ 99.46
Granted	762,201	16.58
Vested	(39,145)	101.33
Forfeited	(39,975)	30.22
Outstanding and unvested, end of year	<u>767,364</u>	<u>\$ 20.56</u>

During the year ended December 31, 2021 December 31, 2022, the Company granted approximately 0.4 0.1 million RSUs with a weighted-average grant date fair value of \$3.41. No RSUs were granted or outstanding for the year ended December 31, 2020. \$104.51. During the year years ended December 31, 2022, December 31, 2023 and 2022, the fair value of vested RSUs was \$1.8 million \$4.0 million and no RSUs vested in 2021. \$1.8 million, respectively.

As of December 31, 2022 December 31, 2023, the unrecognized compensation expense related to RSUs was \$5.6 million \$10.9 million, to be recognized over a weighted-average period of 1.9 2.0 years.

Restricted stock awards

The Company grants restricted stock awards ("RSAs") to members of management and key employees. RSAs are time-based vesting awards and are subject to the continued service of the employee over the vesting period. RSAs typically vest in equal quarterly installments over a service period of three years from the grant date. The vesting start date for the RSAs granted in 2021 is the Closing Date. The fair value of restricted stock was based on the price of the Company's common stock on the grant date.

Pursuant to the 2021 Plan, total share-based compensation expense related to RSAs recognized in the years ended December 31, 2022 December 31, 2023 and 2021 2022 was approximately \$0.5 million \$0.4 million and \$0.4 million \$0.5 million, respectively. No share-based compensation expense was recognized in the year ended December 31, 2020 related to RSAs.

The following table summarizes the activity of unvested RSAs and respective weighted-average grant date fair value per RSA for the year ended December 31, 2022 December 31, 2023:

		2022	
		RSAs	Weighted-Average Grant Date Fair Value
		2023	2023
		2023	2023
		RSAs	RSAs
		RSAs	RSAs
		RSAs	RSAs
Outstanding and unvested, beginning of year			
Outstanding and unvested, beginning of year			
Outstanding and unvested, beginning of year	Outstanding and unvested, beginning of year	447,731	\$ 3.42
Granted	Granted	—	—
Granted			
Granted			
Vested			
Vested	Vested	(144,795)	3.42
Forfeited	Forfeited	(128,227)	3.42
Forfeited			
Forfeited			
Outstanding and unvested, end of year	Outstanding and unvested, end of year	174,709	\$ 3.42
Outstanding and unvested, end of year			
Outstanding and unvested, end of year			

During the year ended December 31, 2021, the Company granted approximately 0.6 million RSAs with a weighted-average grant date fair value of \$3.42. No RSAs were granted or outstanding for during the year years ended December 31, 2020. December 31, 2023 and 2022. During the years ended December 31, 2022 December 31, 2023 and 2021, 2022, the fair value of vested RSAs was \$0.5 million \$0.4 million and \$0.4 million \$0.5 million, respectively.

As of December 31, 2022 December 31, 2023, the unrecognized compensation expense related to RSAs was \$0.6 million \$0.2 million, to be recognized over a weighted-average period of 1.5 0.5 years.

Note 11. Mezzanine and Stockholders' Equity

ATI Physical Therapy, Inc. Series A Senior Preferred Stock

In connection with the 2022 Debt Refinancing, the Company issued 165,000 shares of non-convertible preferred stock (the "Series A Senior Preferred Stock") plus 5.2 million warrants to purchase 0.1 million shares of the Company's common stock at an exercise price of \$3.00 \$150.00 per share (the "Series I Warrants") and warrants to purchase 6.3 million 0.1 million shares of the Company's common stock at an exercise price equal to \$0.01 \$0.50 per share (the "Series II Warrants"). The shares of the Series A Senior Preferred Stock have a par value of \$0.0001 per share and an initial stated value of \$1,000 per share, for an aggregate initial stated value of \$165.0 million. The Company is authorized to issue 1.0 million shares of preferred stock per the Certificate of Designation. As of December 31, 2022 December 31, 2023, there was 0.2 million shares of Series A Senior Preferred Stock issued and outstanding.

The gross proceeds received from the issuance of the Series A Senior Preferred Stock and the Series I and Series II Warrants were \$165.0 million during the year ended December 31, 2022, which was allocated among the instruments based on the relative fair values of each instrument. Of the gross proceeds, \$144.7 million was allocated to the Series A Senior Preferred Stock, \$5.1 million to the Series I Warrants and \$15.2 million to the Series II Warrants. The resulting discount on the Series A Senior Preferred Stock will be recognized as a deemed dividend when those shares are subsequently remeasured upon becoming redeemable or probable of becoming redeemable. The Company recognized \$2.9 million in issuance costs and \$1.4 million of original issue discount related to the Series A Senior Preferred Stock.

The following table reflects the components of the initial proceeds related to the Series A Senior Preferred Stock (in thousands):

Gross proceeds allocated to Series A Senior Preferred Stock	\$ 144,667
Less: original issue discount	(1,447)
Less: issuance costs	(2,880)
Net proceeds received from issuance of Series A Senior Preferred Stock	\$ 140,340

The Series A Senior Preferred Stock has priority over the Company's Class A common stock and all other junior equity securities of the Company, and is junior to the Company's existing or future indebtedness and other liabilities (including trade payables), with respect to payment of dividends, distribution of assets, and all other liquidation, winding up, dissolution, dividend and redemption rights.

The Series A Senior Preferred Stock carries an initial dividend rate of 12.0% per annum (the "Base Dividend Rate"), payable quarterly in arrears. Dividends will be paid in-kind paid-in-kind and added to the stated value of the Series A Senior Preferred Stock. The Company may elect to pay dividends on the Series A Senior Preferred Stock in cash beginning on the third anniversary of the Refinancing Date and, with respect to any such dividends paid in cash, the dividend rate then in effect will be decreased by 1.0%.

The Base Dividend Rate is subject to certain adjustments, including an increase of 1.0% per annum on the first day following the fifth anniversary of the Refinancing Date and on each one-year anniversary thereafter, and 2.0% per annum upon the occurrence of either an Event of Noncompliance (as defined in the Certificate of Designation) or a failure by the Company to redeem in full all Series A Senior Preferred Stock upon a Mandatory Redemption Event, which includes a change of control, liquidation, bankruptcy or certain restructurings. The paid in-kind paid-in-kind dividends related to the Series A Senior Preferred Stock were \$23.2 million and \$17.9 million for the year ended December 31, 2022, December 31, 2023 and 2022, respectively. As of December 31, 2022 December 31, 2023, the accumulated paid in-kind paid-in-kind dividends related to the Series A Senior Preferred Stock were \$17.9 million \$41.1 million and the aggregate stated value was \$182.9 million \$206.1 million.

The following table presents the change

Changes in the aggregate stated value and stated value per share of the Series A Senior Preferred Stock since consisted of the Refinancing Date following (in thousands, except per share data):

	Series A Senior Preferred Stock
Aggregate stated value as of February 24, 2022	\$ 165,000
Accumulated paid in-kind dividends as of December 31, 2022	17,876
Aggregate stated value as of December 31, 2022	\$ 182,876
Preferred shares issued and outstanding as of December 31, 2022	165
Stated value per share as of December 31, 2022	\$ 1,108.34

	December 31, 2023	December 31, 2022
Aggregate stated value, beginning of period	\$ 182,876	\$ 165,000
Paid-in-kind dividends ⁽¹⁾	23,219	17,876
Aggregate stated value, end of period	<u>206,095</u>	<u>182,876</u>
Preferred shares issued and outstanding, end of period	<u>165</u>	<u>165</u>
Stated value per share, end of period	<u>\$ 1,249.06</u>	<u>\$ 1,108.34</u>

(a) Changes in the stated value for the year ended December 31, 2022 represent changes since the Refinancing Date, which is when the Series A Senior Preferred Stock was issued and established.

The Company has the right to redeem the Series A Senior Preferred Stock, in whole or in part, at any time (subject to certain limitations on partial redemptions). The Redemption Price for each share of Series A Senior Preferred Stock is equal to the stated value subject to certain price adjustments depending on when such optional redemption takes place, if at all.

The Series A Senior Preferred Stock is perpetual and is not mandatorily redeemable at the option of the holders, except upon the occurrence of a Mandatory Redemption Event. Upon the occurrence of a Mandatory Redemption Event, to the extent not prohibited by law, the Company is required to redeem all Series A Senior Preferred Stock, in cash, at a price per share equal to the then applicable Redemption Price. Because the Series A Senior Preferred Stock is mandatorily redeemable contingent on certain events outside the Company's control, such as a change in control, and since such events are not currently deemed certain to occur, the Series A Senior Preferred Stock is classified as mezzanine equity in the Company's consolidated balance sheets. Based on the Company's assessment of the conditions which would trigger the redemption of the Series A Senior Preferred Stock, the Company has determined that the Series A Senior Preferred Stock is neither currently redeemable nor probable of becoming redeemable. Because the Series A Senior Preferred Stock is classified as mezzanine equity and is not considered redeemable or probable of becoming redeemable, the paid in-kind dividends that are added to the stated value do not impact the carrying value of the Series A Senior Preferred Stock in the Company's consolidated balance sheets. Should the Series A Senior Preferred Stock become probable of becoming redeemable, the Company will recognize changes in the redemption value of the Series A Senior Preferred Stock immediately as they occur and adjust the carrying amount accordingly at the end of each reporting period. As of December 31, 2022, the redemption value of the Series A Senior Preferred Stock was \$182.9 million, which is the stated value.

If an Event of Noncompliance occurs, then the holders of a majority of the then outstanding shares of Series A Senior Preferred Stock (the "Majority Holders") have the right to demand that the Company engage in a sale/refinancing process to consummate a Forced Transaction. A Forced Transaction includes a refinancing of the Series A Senior Preferred Stock or a sale of the Company. Upon consummation of any Forced Transaction, to the extent not prohibited by law, the Company is required to redeem all Series A Senior Preferred Stock, in cash, at a price per share equal to the then applicable Redemption Price.

Holders of shares of Series A Senior Preferred Stock have no voting rights with respect to the Series A Senior Preferred Stock except as set forth in the Certificate of Designation, other documents entered into in connection with the Purchase Agreement and the transactions contemplated thereby, or as otherwise required by law. For so long as any Series A Senior Preferred Stock is outstanding, the Company is prohibited from taking certain actions without the prior consent of the Majority Holders as set forth in the Certificate of Designation which include: issuing equity securities ranking senior to or pari passu with the Series A Senior Preferred Stock, incurring indebtedness or liens, engaging in affiliate transactions, making restricted payments, consummating certain investments or asset dispositions, consummating a change of control transaction unless the Series A Senior Preferred Stock is redeemed in full, altering the Company's organizational documents, and making material changes to the nature of the Company's business.

Holders

As part of Series A Senior the 2022 Debt Refinancing, the Preferred Stock, Equityholders, voting as a separate class, have had the right to designate and elect one director to serve on the Company's board of directors until such time after the Refinancing Date that (i) as of any applicable fiscal quarter end, the Company's trailing 12-month Consolidated Adjusted EBITDA (as defined in the Certificate of Designation) exceeds \$100 \$100.0 million, or (ii) the Lead Purchaser ceases to hold at least 50.1% of the Series A Senior Preferred Stock held by it as of the Refinancing Date. As part of the 2023 Debt Restructuring, (1) the Preferred Equityholders' preexisting rights as holders of the Company's Series A Senior Preferred Stock to designate and elect one director to the Company's board of directors (the "Board") was revised to provide that (a) the Preferred Equityholders have the right to appoint three additional directors to the Board (resulting in the right of the Preferred Equityholders to appoint a total of four directors to the Board) until such time after the Closing Date that the Lead Purchaser (as defined in certain of the transaction agreements entered into in connection with the original issuance of the Series A Senior Preferred Stock) ceases to hold at least 50.1% of the Series A Senior Preferred Stock held by it as of the Closing Date, one of whom must be unaffiliated with (and independent of) the Preferred Equityholders and who must meet the definition of "independent" under the listing standards of the New York Stock Exchange ("NYSE"), and by the SEC; and (b) all such designee directors of the Preferred Equityholders will be subject to consideration by the Board (acting in good faith and consistent with their review of other Board candidates) and (2) the provision in the Certificate of Designation of the Company's Series A Senior Preferred Stock that eliminated the Preferred Equityholders' director designation rights upon the Company's achievement of certain amounts of EBITDA was deleted.

Prior to the closing of the 2023 Debt Restructuring, because the Series A Senior Preferred Stock is classified as mezzanine equity and was not considered redeemable or probable of becoming redeemable, the paid-in-kind dividends that were added to the stated value did not impact the carrying value of the Series A Senior Preferred Stock in the Company's consolidated balance sheets. Based on the voting rights associated with the Series B Preferred Stock attached to the 2L Notes issued as part of the 2023 Debt Restructuring, the Company determined that redemption of the Series A Senior Preferred Stock is no longer solely within the control of the Company. As a result, the Company determined that the Series A Senior Preferred Stock is probable of becoming redeemable based on the accounting guidance in ASC Topic 480, *Distinguishing Liabilities from Equity*. Following the 2023 Debt Restructuring, since the Series A Senior Preferred Stock is probable of becoming redeemable, the Company will recognize changes in the redemption value of the Series A Senior Preferred Stock immediately as they occur and adjust the carrying amount as if redemption were to occur at the end of the reporting period. As of December 31, 2023, the redemption value of the Series A Senior Preferred Stock was \$220.4 million, which includes the aggregate stated value at December 31, 2023, inclusive of paid-in-kind dividends, and an incremental redemption value adjustment to reflect the carrying amount equal to what the redemption amount would be as if redemption were to occur at the end of the reporting period, based on the terms of the Certificate of Designation.

Changes in the carrying value of the Series A Senior Preferred Stock consisted of the following for the year ended December 31, 2023 (in thousands). There were no changes in carrying value in 2022.

	December 31, 2023
Carrying value, beginning of period	\$ 140,340
Write off original issue discount	1,447
Write off issuance costs	2,880
Deemed dividend from discount on initial gross proceeds allocation	20,333
Paid-in-kind dividends recognized to carrying value	41,095
Redemption value adjustment	14,298
Carrying value, end of period	<u><u>\$ 220,393</u></u>

2022 Warrants

In connection with the Preferred Stock Financing, the Company agreed to issue to the preferred stockholders the Series I Warrants entitling the holders thereof to purchase 5.2 million 0.1 million shares of the Company's common stock at an exercise price equal to \$3.00 \$150.00 per share, exercisable for 5 years from the Refinancing Date; and the Series II Warrants entitling holders thereof to purchase 6.3 million 0.1 million shares of the Company's common stock at an exercise price equal to \$0.01 \$0.50 per share, exercisable for 5 years from the Refinancing Date (collectively, the "2022 Warrants"). Such number of shares of common stock purchasable pursuant to the 2022 Warrant Agreement (the "2022 Warrant Shares") and related exercise prices may be adjusted from time to time under certain scenarios as set forth in the 2022 Warrant Agreement, which relate to potential changes in the Company's capital structure.

The 2022 Warrants are classified as equity instruments and were initially recorded at an amount equal to the proceeds received from the Preferred Stock Financing allocated among the Series A Senior Preferred Stock, the Series I Warrants, and the Series II Warrants based upon their relative fair values. Of the gross proceeds, \$5.1 million was allocated to the Series I Warrants and \$15.2 million was allocated to the Series II Warrants. The Company recognized total issuance costs and original issue discount of approximately \$0.2 million and \$0.5 million related to the Series I Warrants and Series II Warrants, respectively, respectively, during the year ended December 31, 2022.

The following table reflects the components of proceeds related to the 2022 Warrants (in thousands):

	Series I Warrants	Series II Warrants	Total
Gross proceeds allocated to 2022 Warrants	\$ 5,101	\$ 15,232	\$ 20,333
Less: original issue discount	(51)	(152)	(203)
Less: issuance costs	(102)	(303)	(405)
Net proceeds received from issuance of 2022 Warrants	<u><u>\$ 4,948</u></u>	<u><u>\$ 14,777</u></u>	<u><u>\$ 19,725</u></u>

Class A common stock

The Company is authorized to issue 470.0 million shares of Class A common stock with a par value of \$0.0001 per share. Holders of the Company's Class A common stock are entitled to one vote for each share on each matter on which they are entitled to vote. At December 31, 2022 December 31, 2023, there were 207.5 million 4.2 million shares of Class A common stock issued and 198.4 4.0 million shares outstanding.

As a result of the recapitalization associated with the Business Combination, shares are reflected as if they were issued and outstanding as of the earliest reported period to reflect the new capital structure. At the time of the Business Combination, stockholders of Wilco Holdco, Inc. received 130.3 million shares of the Company's Class A common stock, par value \$0.0001 per share, for the outstanding shares of Wilco Holdco common stock, par value \$0.01 per share, that such stockholders owned. Upon distribution of shares to holders of unvested Incentive Common Units granted prior to the Business Combination under the Wilco Acquisition, LP 2016 Equity Incentive Plan, 2.0 million of these shares were restricted subject to vesting requirements, resulting in total unrestricted shares of 128.3 million and an exchange ratio of 136.7 unrestricted shares of ATI Physical Therapy, Inc. for every previously outstanding Wilco Holdco share.

As of December 31, 2022 December 31, 2023, shares of Class A common stock reserved for potential future issuance, on an as-if converted basis, were as follows (in thousands):

	December 31, 2022	2023
2L Notes ⁽¹⁾	8,625	8,625
Shares available for grant under the 2021 Plan	10,862	241
2021 Plan share-based awards outstanding	9,687	868
Earnout Shares reserved	15,000	300
2022 Warrants outstanding Warrant shares reserved	11,498	230
IPO Warrants outstanding Warrant shares reserved	9,867	197
Vesting Shares reserved ⁽²⁾	8,625	173
Restricted shares ^(1,2)	4025	4025
Total shares of common stock reserved	65,941	10,639

⁽¹⁾Calculated based on the principal amount of 2L Notes and Conversion Price of \$12.50 per share. This figure differs from the contractual Voting Rights Conversion Price of \$12.87 as outlined in Note 8 - *Borrowings*.

⁽²⁾Represents shares of Class A common stock legally issued, but not outstanding, as of December 31, 2022 December 31, 2023.

⁽²⁾Represents a portion of the 2.0 million restricted shares distributed following the Business Combination to holders of unvested Incentive Common Units under the Wilco Acquisition, LP 2016 Equity Incentive Plan.

Treasury stock

During the year ended December 31, 2022 December 31, 2023, the Company net settled 0.05 million 5,254 shares of its Class A common stock related to employee tax withholding obligations associated with the Company's share-based compensation program. These shares are reflected at cost as treasury stock in the consolidated financial statements. As of December 31, 2022 December 31, 2023, there were 0.08 million 6,794 shares of treasury stock totaling \$0.1 \$0.2 million recognized in the consolidated balance sheets.

Note 12. Wilco Holdco Redeemable Preferred Stock

On May 10, 2016, Wilco Holdco, Inc. issued shares of Series A Preferred Stock (the "Wilco Holdco preferred stock") for a total consideration value of \$98.0 million. Prior to the Business Combination, the Wilco Holdco preferred stock was a class of equity that had priority over the Common Stock with respect to distribution rights, liquidation rights and dividend rights.

The Wilco Holdco preferred stockholders, from and after issuance, were entitled to cumulative preferred dividends at an annual rate per share equal to 10.25% of the original issue price. The dividend rate of the Wilco Holdco preferred stock increased by 0.25% at the end of each fiscal quarter beginning after the second anniversary of the issuance of the Wilco Holdco preferred stock.

Based on the terms of the Wilco Holdco preferred stockholder agreement, Wilco Holdco, Inc. was required to redeem all outstanding shares of preferred stock upon the occurrence of certain events, such as those related to full repayment of the 2016 first and second lien credit agreements or a deemed liquidating event. Based on these redemption requirements, the Wilco Holdco preferred stock was classified as debt (redeemable preferred stock) in the Company's historical consolidated balance sheets.

Cumulative dividends related to the Wilco Holdco preferred stock were accrued as preferred dividends that increased the balance of the redeemable preferred stock on the Company's consolidated balance sheets and were recognized as interest expense on redeemable preferred stock in the Company's consolidated statements of operations. For the years ended December 31, 2021 and 2020, the Company incurred cumulative preferred dividends related to the preferred stock of \$10.1 million and \$19.0 million, respectively. No dividends were paid related to the preferred stock.

In connection with the Business Combination, holders of the outstanding shares of Wilco Holdco Series A Preferred Stock received a proportionate share of \$59.0 million and 12.8 million shares of Class A common stock based on the settlement terms in the Merger Agreement. During 2021, the Company recorded a loss on settlement of redeemable

preferred stock in the consolidated statements of operations of \$14.0 million based on the value of the cash and equity provided to preferred stockholders in relation to the outstanding redeemable preferred stock liability. As a result of the Business Combination, the balance of redeemable preferred stock was fully settled.

Note 13, 12. IPO Warrant Liability

The Company has outstanding **Public Warrants** **public warrants** to purchase an aggregate of **6.9** **approximately 0.1** million shares of the Company's Class A common stock at an exercise price of **\$11.50** **\$575.00** per share ("Public Warrants") and outstanding **Private Placement Warrants** **private placement warrants** to purchase an aggregate of **3.0** **approximately 0.1** million shares of the Company's Class A common stock at an exercise price of **\$11.50** **\$575.00** per share ("Private Placement Warrants") (collectively, the "IPO Warrants"). As of December 31, 2023, the Public Warrants remain delisted from the NYSE and are traded in the over-the-counter market. There were no IPO Warrants exercised during the year ended December 31, 2022 December 31, 2023.

The Company accounts for its outstanding IPO Warrants in accordance with the guidance contained in ASC Topic 815-40, *Derivatives and Hedging - Contracts on an Entity's Own Equity*, and determined that the IPO Warrants do not meet the criteria for equity treatment thereunder. As such, each IPO Warrant must be recorded as a liability and is subject to re-measurement at each balance sheet date. Refer to Note **15, 14** - *Fair Value Measurements* for further details. Changes in fair value are recognized in change in fair value of warrant liability in the Company's consolidated statements of operations.

The following table presents the change in the fair value of Private Placement Warrants that is recognized in change in fair value of warrant liability in the consolidated statements of operations for the periods indicated below (in thousands):

	Year Ended	
	December 31, 2022	December 31, 2021
Fair value, beginning of period ⁽¹⁾	\$ 1,305	\$ 8,099
Changes in fair value ⁽¹⁾	(1,276)	(6,794)
Fair value, end of period	\$ 29	\$ 1,305

	Year Ended	
	December 31, 2023	December 31, 2022
Fair value, beginning of period	\$ 29	\$ 1,305
Decrease in fair value	(28)	(1,276)
Fair value, end of period	\$ 1	\$ 29

(1) The year ended December 31, 2021 represents changes in fair value from the Closing Date of the Business Combination, which is when the liabilities were established.

The following table presents the changes in the fair value of the Public Warrants that is recognized in change in fair value of warrant liability in the consolidated statements of operations for the periods indicated below (in thousands):

	Year Ended	
	December 31, 2022	December 31, 2021
Fair value, beginning of period ⁽¹⁾	\$ 3,036	\$ 18,837
Changes in fair value ⁽¹⁾	(2,967)	(15,801)
Fair value, end of period	\$ 69	\$ 3,036

	Year Ended	
	December 31, 2023	December 31, 2022
Fair value, beginning of period	\$ 69	\$ 3,036
Decrease in fair value	(67)	(2,967)
Fair value, end of period	\$ 2	\$ 69

(1) The year ended December 31, 2021 represents changes in fair value from the Closing Date of the Business Combination, which is when the liabilities were established.

Each Public Warrant entitles the holder to purchase one share of Class A common stock at an exercise price of **\$11.50** **\$575.00** per share, subject to adjustment. The Public Warrants became exercisable 30 days after the completion of the Business Combination, subject to certain conditions, including that the Company maintains an effective registration statement under the Securities Act covering the Class A common stock issuable upon exercise of the Public Warrants. The Public Warrants will expire five years after the completion of the Business Combination or earlier upon redemption or liquidation. The Company may call the Public Warrants for redemption for cash or for Class A common stock under certain circumstances.

The Private Placement Warrants are identical to the Public Warrants, except that (i) the Private Placement Warrants and the Class A common stock issuable upon exercise of the Private Placement Warrants were not transferable, assignable or salable until 30 days after the completion of the Business Combination, subject to certain limited exceptions, (ii) the Private Placement Warrants are non-redeemable (except under certain circumstances) so long as they are held by the initial purchasers or such purchasers' permitted transferees, (iii) the Private Placement Warrants may be exercised by the holders on a cashless basis, and (iv) the Private Placement Warrants and the Class A common stock issuable upon exercise of the Private Placement Warrants are entitled to registration rights. If the Private Placement Warrants are held by someone other than the initial stockholders or their permitted transferees, the Private Placement Warrants will be redeemable by the Company in all redemption scenarios and exercisable by such holders on the same basis as the Public Warrants.

The exercise price and number of Class A common stock issuable upon exercise of the IPO Warrants may be adjusted in certain circumstances including in the event of a stock dividend, recapitalization, reorganization, merger or consolidation.

Note 14.13. Contingent Common Shares Liability

Earnout Shares

Subject to the terms and conditions of the **Merger Agreement**, merger agreement between Wilco Holdco, Inc. and **FAII**, certain stockholders of Wilco Holdco, Inc. were provided the contingent right to receive, in the aggregate, up to **15.0** **0.3** million shares of Class A common stock if, from the closing of the **Business Combination** Company's business combination with **FAII** until the 10th anniversary thereof, the dollar volume-weighted average price ("VWAP") of Class A common stock exceeds certain **thresholds**:

- thresholds (the "Earnout Shares"). The first issuance of 5.0 million Earnout Shares will occur in three equal and separate tranches of 0.1 million shares each if the VWAP of Class A common stock exceeds **\$12.00** **\$600.00**, **\$700.00** and **\$800.00** per share, respectively, for any 5 trading days within any consecutive 10 trading day period.
- The second issuance of 5.0 million Earnout Shares will occur if the VWAP exceeds **\$14.00** for any 5 trading days within any consecutive 10 trading day period.
- The third issuance of 5.0 million Earnout Shares will occur if the VWAP exceeds **\$16.00** for any 5 trading days within any consecutive 10 trading day period.

The Earnout Shares are subject to acceleration in the event of a sale or other change in control if the holders of Class A common stock would receive a per share price in excess of the applicable Earnout Shares price target.

The Company accounts for the potential Earnout Shares as a liability in accordance with the guidance in ASC Topic 480, *Distinguishing Liabilities from Equity*, and ASC Topic 815, *Derivatives and Hedging*, and is subject to re-measurement at each balance sheet date. Changes in fair value are recognized in change in fair value of contingent common shares liability in the Company's consolidated statements of operations. As of **December 31, 2022**, **December 31, 2023**, no Earnout Shares have been issued as none of the corresponding share price thresholds have been met.

The following table presents the changes in the fair value of the Earnout Shares that is recognized in change in fair value of contingent common shares liability in the consolidated statements of operations for the periods indicated below (in thousands):

	Year Ended	
	December 31, 2022	December 31, 2021
Fair value, beginning of period ⁽¹⁾	\$ 28,800	\$ 140,000
Changes in fair value ⁽¹⁾	(27,000)	(111,200)
Fair value, end of period	\$ 1,800	\$ 28,800

⁽¹⁾ The year ended December 31, 2021 represents changes in fair value from the Closing Date of the Business Combination, which is when the liabilities were established.

	Year Ended	
	December 31, 2023	December 31, 2022
Fair value, beginning of period	\$ 1,800	\$ 28,800

Decrease in fair value		(1,433)	(27,000)
Fair value, end of period		\$ 367	\$ 1,800

Refer to Note 15.14 - Fair Value Measurements for further details.

Vesting Shares

Subject to the terms and conditions of the **Sponsor Letter Agreement** that was executed in connection with the **Merger Agreement**, **8.6** merger agreement between Wilco Holdco, Inc. and FAII, approximately **0.2** million shares of Class F common stock of FAII outstanding immediately prior to the **Business Combination Company's** business combination with FAII converted to potential Class A common shares and became subject to vesting and forfeiture provisions. **provisions** (the "Vesting Shares"). The Vesting Shares vest in three equal and separate tranches of **2.9** approximately **0.1** million shares each if the VWAP of Class A common stock exceeds **certain thresholds** within **10** years of the **Closing Date**:

- **\$600.00, \$700.00 and \$800.00** pThe first issuance of 2.9 million Vesting Shares will occur if the VWAP exceeds \$12.00 for any 5 trading days within any consecutive 10 trading day period.
- The second issuance of 2.9 million Vesting Shares will occur if the VWAP exceeds \$14.00 for any 5 trading days within any consecutive 10 trading day period.
- The third issuance of 2.9 million Vesting Shares will occur if the VWAP exceeds \$16.00 per share, respectively, for any 5 trading days within any consecutive 10 trading day period.

The Vesting Shares are subject to acceleration in the event of a sale or other change in control if the holders of Class A common stock would receive a per share price in excess of the applicable Vesting Shares price target.

The Company accounts for the Vesting Shares as a liability in accordance with the guidance in ASC **Topic 480, Distinguishing Liabilities from Equity**, and ASC **Topic 815, Derivatives and Hedging**, and is subject to re-measurement at each balance sheet date. Changes in fair value are recognized in **change in fair value of contingent common shares liability** in the Company's consolidated statements of operations. As of December 31, **2022**, **2023**, no Vesting Shares are outstanding as none of the corresponding share price thresholds have been met.

The following table presents the changes in the fair value of the Vesting Shares that is recognized in **change in fair value of contingent common shares liability** in the consolidated statements of operations for the periods indicated below (in thousands):

	Year Ended	
	December 31, 2022	December 31, 2021
Fair value, beginning of period ⁽¹⁾	\$ 16,560	\$ 80,500
Changes in fair value ⁽¹⁾	(15,525)	(63,940)
Fair value, end of period	\$ 1,035	\$ 16,560

(1) The year ended December 31, 2021 represents changes in fair value from the Closing Date of the Business Combination, which is when the liabilities were established.

	Year Ended	
	December 31, 2023	December 31, 2022
Fair value, beginning of period	\$ 1,035	\$ 16,560
Decrease in fair value	(824)	(15,525)
Fair value, end of period	\$ 211	\$ 1,035

Refer to Note 15.14 - Fair Value Measurements for further details.

Note 15.14. Fair Value Measurements

The Company determines fair value measurements used in its consolidated financial statements based upon the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels, with Level 1 having the highest priority and Level 3 having the lowest.

- Level 1: Observable inputs, which include unadjusted quoted prices in active markets for identical instruments.
- Level 2: Observable inputs other than Level 1 inputs, such as quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the instruments.
- Level 3: Unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

As of December 31, 2022 and December 31, 2021, respectively, the recorded values of cash, and cash equivalents and restricted cash, accounts receivable, other current assets, accounts payable, accrued expenses and deferred revenue approximate their fair values due to the short-term nature of these items. Money market funds categorized in Level 1 of the fair value hierarchy are measured at fair value based on quoted market prices. As of December 31, 2022 and December 31, 2021, respectively, the fair value of money market fund investments included in cash and cash equivalents was \$30.0 million.

Fair value measurement of debt

The Company's Senior Secured Term Loan and Revolving Loans are Level 2 fair value measures which have a variable interest rates rate structure that resets on a frequent short-term basis and, as of December 31, 2022, December 31, 2023, the recorded amounts approximate fair value. Prior to the 2023 Debt Restructuring, the Company's Senior Secured Term Loan was a Level 2 fair value measure. The Company utilizes the utilized market approach valuation technique techniques based on interest rates and credit data that are currently available to the Company for issuance of debt with similar terms or maturities.

In connection with the 2023 Debt Restructuring, the Company estimated the fair value of a portion of its Senior Secured Term Loan using a Black-Derman-Toy Lattice Bond Pricing Model, which utilized Level 3 inputs. During the third quarter of 2023, the Company prospectively changed its method to estimate the fair value of its Senior Secured Term Loan to a Discounted Cash Flow Model, noting no material changes to the presentation of fair values relative to the previous method. The Discounted Cash Flow Model utilizes observable and unobservable Level 3 inputs, such as SOFR forward rates and an estimated yield. As of December 31, 2023, the carrying amount and estimated fair value of the Senior Secured Term Loan was approximately \$395.1 million and \$369.0 million, respectively.

As discussed in Note 8 - Borrowings, the Company has made an irrevocable election to account for the 2L Notes under the fair value option in accordance with ASC Topic 825, *Financial Instruments*. As such, the 2L Notes are initially recorded as a liability at estimated fair value and are subject to re-measurement at each balance sheet date with changes in fair value recognized in the Company's consolidated statements of operations. The Company determines the fair value of the 2L Notes using Level 3 inputs. In connection with the 2023 Debt Restructuring, the fair value of the 2L Notes was estimated using a Goldman Sachs Convertible Bond Valuation Model to consider the impacts of the conversion feature. During the third quarter of 2023, the Company prospectively changed its method to estimate the fair value of its 2L Notes to a Bond Plus Call Model, which also considers the impacts of the conversion feature, noting no material changes to the presentation of fair values relative to the previous method. Changes in the assumptions of the unobservable inputs may materially affect the estimated fair value of the 2L Notes.

The key inputs into the respective valuation models used to estimate the fair value of the 2L Notes were as follows as of December 31, 2023 and the Closing Date, which is when the 2L Notes were issued:

	2L Notes	
	December 31, 2023	June 15, 2023
Risk-free interest rate	3.83%	3.90%
Volatility	45.00%	50.00%
Selected yield	20.50%	20.00%
Expected term (years)	4.7	5.3
Share price	\$6.14	\$10.21

The following table presents the changes in the fair value of the 2L Notes that is recognized in change in fair value of 2L Notes in the consolidated statements of operations for the periods indicated below (in thousands). None of the change in fair value is attributable to instrument-specific credit risk:

	Year Ended	
	December 31, 2023	
Fair value, beginning of period ⁽¹⁾	\$	103,943
Decrease in fair value ⁽¹⁾		(24,471)
Fair value, end of period	\$	79,472

⁽¹⁾ Represents changes in fair value from the Closing Date, which is when the 2L Notes were issued.

Fair value measurement of share-based financial liabilities

The Prior to June 30, 2023, the Company determined the fair value of the Public Warrant liability using Level 1 inputs.

The Company inputs, and determined the fair value of the Private Placement Warrant liability using the price of the Public Warrants as a Level 2 input.

The Beginning June 30, 2023, the Company determined the fair value of the IPO Warrant liability using Level 3 inputs as its Public Warrants were delisted from the NYSE.

As of December 31, 2023, the Company determined the fair value of the IPO Warrant liability, Earnout Shares liability and Vesting Shares liability using Level 3 inputs. The warrants would be deemed exercisable or redeemable if the Company's common stock price over a specified measurement period was trading at certain thresholds. The contingent common shares contain specific market conditions to determine whether the shares vest based on the Company's common stock price over a specified measurement period. Given the path-dependent nature of the requirement in which the warrants are exercised or redeemed, and the shares are earned, a Monte-Carlo simulation was used to estimate the fair value of the liability. The Company's common stock price was simulated to each measurement period based on the above methodology. In each iteration, the simulated stock price was compared to the conditions under which the warrants are exercised or redeemed, or the shares vest. In iterations where the stock price corresponded to warrants being exercised or redeemed, or shares vesting, the future value of the warrants or contingent common shares was discounted back to present value. The fair value of the liability was estimated based on the average of all iterations of the simulation.

Inherent in a Monte-Carlo valuation model are assumptions related to expected stock-price volatility, expected term, risk-free interest rate and dividend yield. The Company estimates the volatility based on the historical volatility of certain guideline companies, as well as the Company's historical volatility over the available look-back period as of the valuation date. The risk-free interest rate is based on the U.S. Treasury zero-coupon yield curve on the grant date for a maturity similar to the expected term of the IPO Warrants, Earnout Shares and Vesting Shares. The dividend yield percentage is zero based on the Company's current expectations related to the payment of dividends during the expected term of the IPO Warrants, Earnout Shares or Vesting Shares.

The key inputs into the Monte-Carlo option pricing model were as follows as of December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022 for the respective Level 3 instruments:

		Earnout Shares		Vesting Shares						
		December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021	IPO Warrants		IPO Warrants		Earnout Shares and Vesting Shares
		December 31, 2023				December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022	December 31, 2023
Risk-free interest rate	Risk-free interest rate	3.88%	1.50%	3.88%	1.50%	Risk-free interest rate	4.09%	N/A	3.84%	3.88%
Volatility	Volatility	74.60%	44.86%	74.60%	44.86%	Volatility	98.10%	N/A	77.20%	74.60%
Dividend yield	Dividend yield	—%	—%	—%	—%	Dividend yield	—%	N/A	—%	—%
Expected term (years)	Expected term (years)	8.5	9.5	8.5	9.5	Expected term (years)	2.5	N/A	7.5	8.5
Share price	Share price	\$0.31	\$3.39	\$0.31	\$3.39	Share price	\$6.14	N/A	\$6.14	\$15.50

Refer to Note 14 12 - IPO Warrant Liability and Note 13 - Contingent Common Shares Liability for further details on the change in fair value of the IPO Warrants and change in fair value of the Earnout Shares and Vesting Shares, respectively.

Fair value measurement of interest rate derivative instruments

The Company is exposed to interest rate variability with regard to its existing variable-rate debt instrument, which exposure primarily relates to movements in various interest rates, such as SOFR. The Company utilizes interest rate cap derivative instruments for purposes of hedging exposures related to such variable-rate cash payments. The Company's interest rate caps are have historically been designated as cash flow hedging instruments. During the third quarter of 2023, the Company made a 12-month SOFR election on its Senior Secured Term Loan and, as a result, the Company's interest rate cap no longer qualifies as a designated cash flow hedging instrument.

The Company records derivatives on the balance sheet at fair value, which represents the estimated amounts it would receive or pay upon termination of the derivative prior to the scheduled expiration date. The fair value is derived from model-driven information based on observable Level 2 inputs, such as LIBOR or SOFR forward rates. For derivatives designated and that qualify as a cash flow hedge of interest rate risk, the gain or loss on the derivative is recorded in accumulated other comprehensive income and

subsequently reclassified into interest expense in the same period(s) during which the hedged transaction affects earnings. For derivatives that are considered to be ineffective, or are not designated in a hedging relationship, the gain or loss on the derivative is immediately recognized in other expense (income), net.

As discussed in Note 2 – Basis of Presentation and Summary of Significant Accounting Policies, the Company has a derivative instrument for which the interest rate is indexed to LIBOR. During the period ended March 31, 2022, the Company modified the reference rate index on its hedged items from LIBOR to SOFR. The Company elected to apply the hedge accounting expedients under ASC Topic 848, Reference Rate Reform, related to probability and the assessments of effectiveness for future cash flows to assume that the index upon which future hedged transactions will be based matches the index on the corresponding derivative, which is LIBOR. As of December 31, 2022, the Company continues to apply the hedge accounting expedients and does not anticipate this guidance will have a material impact on its consolidated financial statements.

The following table presents the activity of cash flow hedges included in accumulated other comprehensive income (loss) for the years ended December 31, 2022 December 31, 2023 and 2021, respectively (in thousands):

Cash Flow Hedges		
Balance as of December 31, 2022	\$	4,899
Unrealized gain recognized in other comprehensive income before reclassifications		801
Reclassification to interest expense, net		(5,294)
Balance as of December 31, 2023	\$	406
Balance as of December 31, 2021	\$	28
Unrealized gain recognized in other comprehensive income before reclassifications		8,310
Reclassification to interest expense, net		(3,439)
Balance as of December 31, 2022	\$	4,899
Balance as of December 31, 2020	\$	(1,907)
Unrealized gain recognized in other comprehensive income before reclassifications		490
Reclassification to interest expense, net		1,445
Balance as of December 31, 2021	\$	28

For the year ended December 31, 2023, the change in fair value of the Company's non-designated cash flow hedge was immaterial.

The following table presents the fair value of derivative assets and liabilities within the consolidated balance sheets as of December 31, 2022 2023 and December 31, 2021 December 31, 2022 (in thousands):

	December 31, 2023		December 31, 2022		December 31, 2021
	Assets	Liabilities	Assets	Liabilities	
Derivatives not designated as cash flow hedging instruments:					
Other current assets	\$ 33	—	—	—	—
Other non-current assets	—	—	—	—	—
Accrued expenses and other liabilities	—	—	—	—	—
Other non-current liabilities	— \$ 62	—	—	—	—
Derivatives designated as cash flow hedging instruments:					
Other current assets	—	—	\$ 5,028	\$ 277	—
Other non-current assets	—	—	—	—	—
Accrued expenses and other liabilities	—	—	—	288	—
Other non-current liabilities	—	—	—	\$ 73	—

Note 16, 15. Income Taxes

The Company's (loss) income before taxes consists of only domestic operations. The details of the Company's income tax expense (benefit) expense for the years ended December 31, 2022, 2021 December 31, 2023 and 2020 2022 are as follows (in thousands):

	2022	2021	2020
Current:			
Current:			
Current:	Current:		
Federal	Federal	\$ 6	\$ —
Federal			
Federal			
State			
State			
State	State	37	128
Total current	Total current	43	128
Total current			251
Total current			
Deferred:			
Deferred:			
Deferred:	Deferred:		
Federal	Federal	(37,634)	(60,002)
Federal			
Federal			
State			
State			
State	State	(10,939)	(11,086)
Total deferred	Total deferred	(48,573)	(71,088)
Total income tax (benefit) expense	\$ (48,530)	\$ (70,960)	\$ 2,065
Total deferred			
Total deferred			
Total income tax expense (benefit)			
Total income tax expense (benefit)			
Total income tax expense (benefit)			

The effective tax rate for the years ended December 31, 2022, 2021 December 31, 2023 and 2020 2022 was 9.0%, 8.3% (4.0%) and (62.5)% 9.0%, respectively. The Company's effective income tax rate varies from the federal statutory rate due to various items, such as state income taxes, valuation allowances and nondeductible items such as interest expense on redeemable preferred stock, fair value adjustments related to liability-classified share-based instruments and impairment charges. The differences between the federal tax rate and the Company's effective tax rate for the years ended December 31, 2022, 2021 December 31, 2023 and 2020 2022 are as follows (in thousands):

	2022	2021	2020
2023			
2023			
2023			
Federal income tax benefit at statutory rate	Federal income tax benefit at statutory rate	\$ (113,731)	21.0 %
State income tax (benefit) expense, net of federal tax benefit		(16,827)	3.1 %
Federal income tax benefit at statutory rate		(25,814)	3.0 %
Federal income tax benefit at statutory rate		1,248	(37.8) %

State income tax benefit, net of federal tax benefit									
State income tax benefit, net of federal tax benefit									
State income tax benefit, net of federal tax benefit									
Change in state tax rate	Change in state tax rate	5	—	%	34	—	%	(2,551)	77.1 %
Change in state tax rate									
Change in state tax rate									
Share-based compensation									
Share-based compensation									
Share-based compensation									
Prior period adjustments and other									
Prior period adjustments and other	Prior period adjustments and other	167	—	%	1,515	(0.2)	%	(105)	3.2 %
Valuation allowance	Valuation allowance	31,595	(5.8)	%	35,731	(4.2)	%	(981)	29.7 %
Interest expense on redeemable preferred stock		—	—	%	2,118	(0.2)	%	3,997	(120.9) %
Valuation allowance									
Valuation allowance									
Changes in fair value of warrant liability and contingent common shares liability									
Changes in fair value of warrant liability and contingent common shares liability									
Changes in fair value of warrant liability and contingent common shares liability	Changes in fair value of warrant liability and contingent common shares liability	(9,821)	1.8	%	(41,524)	4.9	%	—	— %
Goodwill impairment charges	Goodwill impairment charges	59,893	(11.1)	%	132,447	(15.5)	%	—	— %
Goodwill impairment charges									
Goodwill impairment charges									
Other permanent differences, net	Other permanent differences, net	189	—	%	3,661	(0.5)	%	1,151	(34.8) %
Total income tax (benefit) expense	\$ (48,530)	9.0	%	\$ (70,960)	8.3	%	\$ 2,065	(62.5) %	
Other permanent differences, net									
Other permanent differences, net									
Total income tax expense (benefit)									
Total income tax expense (benefit)									
Total income tax expense (benefit)									

Deferred income taxes have been provided on temporary differences, which consist of the following at December 31, 2022 December 31, 2023 and 2021 2022 (in thousands):

2022 2021

		2023		2023		2022	
Deferred income tax assets:	Deferred income tax assets:						
Accrued liabilities	Accrued liabilities						
Accrued liabilities	Accrued liabilities	\$ 7,112	\$ 10,420				
Provision for bad debt	Provision for bad debt	11,828	12,530				
Operating lease liabilities	Operating lease liabilities	64,288	74,115				
Acquisition and transaction costs	Acquisition and transaction costs	3,186	3,770				
Net operating losses	Net operating losses	104,419	82,304				
Interest expense	Interest expense	43,323	33,163				
Other deferred tax assets	Other deferred tax assets	6,335	4,798				
Total gross deferred income tax assets	Total gross deferred income tax assets	240,491	221,100				
Valuation allowance	Valuation allowance	(89,907)	(58,312)				
Total gross deferred income tax assets, net of valuation allowance	Total gross deferred income tax assets, net of valuation allowance	150,584	162,788				
Deferred income tax liabilities:	Deferred income tax liabilities:						
Goodwill	Goodwill	26,251	26,563				
Goodwill	Goodwill						
Trade name/trademark	Trade name/trademark	66,445	114,451				
Operating lease right-of-use assets	Operating lease right-of-use assets	54,360	63,252				
Depreciation	Depreciation	20,039	22,089				
Deferred debt issuance costs and original issue discount	Deferred debt issuance costs and original issue discount						
Other deferred tax liabilities	Other deferred tax liabilities	2,375	3,892				
Total gross deferred income tax liabilities	Total gross deferred income tax liabilities	169,470	230,247				
Net deferred income tax liabilities	Net deferred income tax liabilities	\$18,886	\$67,459				

Deferred tax assets include federal net operating losses of \$77.8 million and \$68.9 million at December 31, 2023 and \$49.8 million at December 31, 2022 and 2021, 2022, respectively, and state net operating losses of \$39.1 million and \$35.5 million at December 31, 2023 and \$32.5 million at December 31, 2022 and 2021, 2022, respectively. Deferred tax assets are expected to be used in the reduction of taxable earnings of future tax years unless it is determined they are not more likely than not to be realized based on the weight of available evidence. The earliest net operating loss will expire by statute in 2023 2024 for state net operating losses, and in 2036 for federal net operating losses.

In evaluating the Company's ability to recover deferred income tax assets, all available positive and negative evidence is considered, including scheduled reversal of deferred tax liabilities, operating results and forecasts of future taxable income in each of the jurisdictions in which the Company operates. As of December 31, 2023, the Company determined that a significant portion of its federal and state net operating loss carryforwards with definite and certain indefinite carryforward periods and certain deferred tax assets were not more likely than not to be realized based on the weight of available evidence. As a result, the Company recorded an increase of \$13.4 million to its valuation allowance related to federal net operating loss and interest expense carryforwards and an increase of \$6.8 million to its valuation allowance related to state net operating loss carryforwards and certain deferred tax assets. These amounts were recorded during the year ended December 31, 2023 in income tax expense (benefit) in the consolidated statements of operations.

As of December 31, 2022, the Company determined that a significant portion of its federal and state net operating loss carryforwards with definite and certain indefinite carryforward periods and certain deferred tax assets were not more likely than not to be realized based on the weight of available evidence. As a result, the Company recorded an increase of \$25.8 million to its valuation allowance related to federal net operating loss and interest expense carryforwards and an increase of \$5.8 million to its valuation allowance related to state net operating loss carryforwards and certain deferred tax assets. These amounts were recorded during the year ended December 31, 2022 in income tax expense (benefit) in the consolidated statements of operations.

As of December 31, 2021 On June 15, 2023, the Company determined that a significant portion experienced an ownership change for purposes of its federal and state Section 382 of the Internal Revenue Code of 1986, as amended. The net operating loss carryforwards with definite losses and interest expense carryovers in existence as of the date of the ownership change remain available to offset future taxable income during the carryforward periods and certain deferred tax assets were not more likely than not to be realized based on the weight of available evidence. As a result, the Company recorded an increase of \$22.5 million to its valuation allowance related to federal net operating loss carryforwards and an increase of \$13.3 million to its valuation allowance related to state net operating loss carryforwards and certain deferred tax assets. These amounts were recorded during the year ended December 31, 2021 in income tax (benefit) expense in the consolidated statements of operations.

For the year ended December 31, 2020, the Company reached the conclusion that it was more likely than not that the Company's federal and certain state deferred income tax assets were expected to be realized, and the Company maintained a valuation allowance mainly related to certain state net operating losses, limitations under Section 382.

The Company is routinely audited by the tax authorities in various U.S. states and is currently not subject to examination. The statute remains open for most state jurisdictions for periods beginning in 2018, 2019. For federal tax purposes, tax years through 2018, 2019 are closed for examination by the Internal Revenue Service. Any interest and penalties related to the tax uncertainties are recorded in income tax (benefit) expense.

As reflected in the following table (in thousands), the Company had an uncertain tax position related to the tax treatment of tenant improvement allowances. Due to the Company's net operating loss position, there were no accrued interest and penalties related to the unrecognized tax benefits in any year. Our gross unrecognized tax benefits were reduced by \$3.0 million during the year ended December 31, 2021 due to tax filings. Of the gross unrecognized tax benefits, none were recognized as liabilities in the consolidated balance sheets in any year due to tax attribute carryforwards available to offset a potential tax liability.

	2022	2021	2020
Balance at beginning of period	\$ —	\$ 3,027	\$ 2,341
Increases for positions taken during the year	—	—	686
Decreases for positions taken in prior years	—	(3,027)	—
Balance at end of period	\$ —	\$ —	\$ 3,027

Note 17, 16. Leases

The Company leases various facilities and office equipment for its physical therapy operations and administrative support functions under operating leases. The Company's initial operating lease terms are generally between 7 and 10 years, and typically contain options to renew for varying terms. Right-of-use ("ROU") assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The amortization of operating lease ROU assets and the accretion of operating lease liabilities are reported together as fixed lease expense. The fixed lease expense is recognized on a straight-line basis over the life of the lease. If the ROU asset has been impaired, lease expense is no longer recognized on a straight-line basis. The lease liability continues to amortize using the effective interest method, while the ROU asset is subsequently amortized on a straight-line basis. Refer to Note 2 - Basis of Presentation and Summary of Significant Accounting Policies for more information about the Company's lease accounting policies and ASC 842 adoption policies.

Lease costs are included as components of **cost of services** rent, clinic supplies, contract labor and other and selling, general and administrative expenses on the consolidated statements of operations. Lease charges related to ROU asset impairments are included in goodwill, intangible and other asset impairment charges on the consolidated statements of operations. **Lease** The components of the Company's lease costs incurred by lease type were as follows for the periods indicated below (in thousands):

		Year Ended		
		December 31, 2022	December 31, 2021	December 31, 2020
		Year Ended	Year Ended	Year Ended
December 31, 2023				
Lease cost				
Lease cost				
Lease cost	Lease cost			
Operating lease cost ⁽¹⁾	Operating lease cost ⁽¹⁾	\$ 69,533	\$ 65,555	\$ 67,279
Operating lease cost ⁽¹⁾				
Operating lease cost ⁽¹⁾				
Variable lease cost ⁽²⁾	Variable lease cost ⁽²⁾	20,951	20,045	18,689
Total lease cost ⁽³⁾	Total lease cost ⁽³⁾	\$ 90,484	\$ 85,600	\$ 85,968
Total lease cost ⁽³⁾				
Total lease cost ⁽³⁾				

(1) Includes ROU asset impairment charges of \$2.6 million \$2.3 million and \$1.2 million \$2.6 million for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

(2) Includes short term lease costs, which are immaterial immaterial.

(3) Sublease income was immaterial primarily relates to subleases of certain clinic facilities to third parties, and is immaterial.

During the year ended December 31, 2020,

The Company leases its executive offices under an operating lease expiring in December 2032. In December 2023, the Company terminated certain lease agreements primarily entered into an agreement to sublease a portion of the office space effective on January 1, 2024 and the entire office space effective on January 1, 2025. The Company recognized initial broker commissions costs related to corporate facilities no longer in use. These terminations resulted in net charges of \$4.3 million, comprised of \$3.9 million in loss on lease terminations and \$0.4 million executing the sublease in other non-current assets and accrued expenses and other liabilities in the Company's consolidated balance sheets, which are immaterial. The costs associated with will amortize ratably over the terminations. The charges are recorded sublease term in selling, general and administrative expenses on the Company's consolidated statements of operations. The Company paid approximately \$4.6 million related to these terminations during the year ended December 31, 2021.

During the years ended December 31, 2022 December 31, 2023 and 2021, 2022, the Company modified the lease terms for a significant number of its real estate leases, primarily related to lease term extensions and renewals in the normal course of business. Modifications during the years ended December 31, 2022 December 31, 2023 and 2021 resulted in 2022 contributed an increase to the Company's operating lease ROU assets and operating lease liabilities of approximately \$13.7 million \$12.1 million and \$18.4 million \$13.7 million, respectively.

Other supplemental quantitative disclosures were as follows for the periods indicated below (in thousands):

		Year Ended		
		December 31, 2022	December 31, 2021	December 31, 2020
		Year Ended	Year Ended	Year Ended
December 31, 2023				
Cash paid for amounts included in the measurement of lease liabilities:				
Cash paid for amounts included in the measurement of lease liabilities:				

Cash paid for amounts included in the measurement of lease liabilities:	Cash paid for amounts included in the measurement of lease liabilities:						
Operating cash flows from operating leases	Operating cash flows from operating leases	\$ 72,440	\$ 65,678	\$ 61,993			
Cash payments related to lease terminations		\$ —	\$ 4,570	\$ —			
Operating cash flows from operating leases							
Operating cash flows from operating leases							
Right-of-use assets obtained in exchange for new operating lease liabilities	Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 9,688	\$ 28,759	\$ 14,067			
Right-of-use assets obtained in exchange for new operating lease liabilities							
Right-of-use assets obtained in exchange for new operating lease liabilities							

Average lease terms and discount rates as of December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022 were as follows:

	December 31, 2022	December 31, 2021	
	December 31, 2023		December 31, 2022
Weighted-average remaining lease term:			
Operating leases			
Operating leases			
Operating leases	5.9 years	6.4 years	5.4 years
Weighted-average discount rate:			
Operating leases	6.9%	6.5%	
Operating leases			
Operating leases		7.4%	6.9%

Estimated undiscounted future lease payments under non-cancellable operating leases, along with a reconciliation of the undiscounted cash flows to operating lease liabilities, respectively, at December 31, 2022 December 31, 2023 were as follows (in thousands):

Year	Year	Amount ⁽¹⁾	Year	Amount ⁽¹⁾
2023		\$ 64,066		
2024	2024	61,885		
2025	2025	52,459		
2026	2026	46,069		
2027	2027	35,108		
2028				
Thereafter				
Thereafter				

Thereafter	Thereafter	68,006
Total	Total	
undiscounted	undiscounted	
future cash	future cash	
flows	flows	327,593
Less: Imputed	Less: Imputed	
Interest	Interest	(61,493)
Present value	Present value	
of future cash	of future cash	
flows	flows	<u><u>\$266,100</u></u>
Presentation on Balance Sheet		
Presentation on Balance Sheet:		
Current		
Current		
Current	Current	\$ 47,676
Non-current	Non-current	\$218,424

(1) Excludes \$0.7 \$0.4 million of current portion of operating lease liabilities and \$1.7 \$1.4 million of operating lease liabilities, respectively, reclassified as held for sale as of December 31, 2022 December 31, 2023. Refer to Note 3 - *Business Combinations and Divestitures* for additional information.

Note 18.17. Commitments and Contingencies

The Company has contractual commitments that are not required to be recognized in the consolidated financial statements related to cloud computing and telecommunication services agreements. As of December 31, 2022 December 31, 2023, minimum amounts due under these agreements are approximately \$7.2 million \$11.6 million through December January of 2024 2026 subject to customary business terms and conditions.

On January 16, 2024, the Company entered into a networking technology and telecommunications service agreement with a contractual commitment that is not required to be recognized in the consolidated financial statements. The minimum amount due under this agreement is approximately \$27.0 million through May 2029, subject to customary business terms and conditions.

From time to time, the Company is a party to legal proceedings, governmental audits and investigations that arise in the ordinary course of business. Management is not aware of any legal proceedings, governmental audits and investigations of which the outcome is probable to have a material adverse effect on the Company's results of operations, cash flows or financial condition. The outcome of any litigation and claims against the Company cannot be predicted with certainty, and the resolution of current or future claims could materially affect our future results of operations, cash flows or financial condition.

The Company recognizes loss contingencies related to legal matters when a loss is both probable and reasonably estimable, and provides disclosures for loss contingencies that do not meet both of these conditions if there is a reasonable possibility that a loss has been incurred. Legal fees are expensed as incurred.

During 2022, the Company engaged in discussions with a payor regarding a billing dispute related to certain historical claims. Management believed, based on discussions with its legal counsel, that the Company had meritorious defenses against such unasserted claim. However, based on the progress of settlement discussions to avoid the cost of potential litigation, the Company recorded a charge for a net settlement liability related to the billing dispute of \$3.0 million, which is included in selling, general and administrative expenses in its consolidated statements of operations. operations for the year ended December 31, 2022. As of December 31, 2022, the liability has been was fully settled.

Section 205 proceeding

On March 2, 2023, we filed a petition in the Delaware Court of Chancery (the "Court of Chancery") pursuant to Section 205 of the Delaware General Corporation Law ("DGCL"), seeking validation of an amendment to our certificate of incorporation increasing the authorized shares of our Class A Common Stock (as further described below) and the shares issued pursuant thereto.

At a special meeting of the stockholders of the Company held on June 15, 2021 (the "Special Meeting"), a majority of the then-outstanding shares of the Company's Class A Common Stock and Class F Common Stock, voting together as a single class, voted to approve the Company's Second Amended and Restated Certificate of Incorporation, which, among other things, increased the authorized shares of the Company's Class A Common Stock from 200,000,000 shares to 450,000,000 shares (the "Class A Increase Amendment"). Notwithstanding the fact that the proxy statement relating to the Special Meeting did not disclose that a separate vote of the Class A Common Stock was required, a majority of the then-outstanding shares of Class A Common Stock voted in favor of the Class A Increase Amendment.

A recent decision of the Court of Chancery has created uncertainty regarding the validity of the Class A Increase Amendment and whether a separate vote of the majority of the then-outstanding shares of Class A Common Stock would have been required under Section 242(b)(2) of the DGCL.

The Company continues to believe that a separate vote of Class A Common Stock was not required to approve the Class A Increase Amendment. However, in light of the recent Court of Chancery decision, the Company filed a petition in the Court of Chancery pursuant to Section 205 of the DGCL seeking validation of the Class A Increase Amendment and the shares issued pursuant thereto to resolve any uncertainty with respect to those matters. Section 205 of the DGCL permits the Court of Chancery, in its discretion, to validate potentially defective corporate acts and stock after considering a variety of factors.

While the Company believes that a separate vote of Class A Common Stock was not required to approve the Class A Increase Amendment at the Special Meeting, and therefore that all of the currently outstanding shares of Class A Common Stock of the Company are validly issued, if the Company is not successful in the Section 205 proceeding, the uncertainty with respect to the Company's capitalization resulting from the Court of Chancery's decision referenced above could have a material adverse effect on the Company, including its ability to complete financing transactions, until the underlying issues are definitively resolved.

On March 3, 2023, the Court of Chancery granted the motion to expedite and set a hearing date for the petition to be heard. The hearing has been set for March 17, 2023.

Stockholder class action complaints

Federal Securities Litigation. On August 16, 2021, two purported ATI stockholders, Kevin Burbige and Ziyang Nie, filed a putative class action complaint in the U.S. District Court for the Northern District of Illinois against ATI, Labeed Diab, Joe Jordan, and Drew McKnight (collectively, the "ATI Individual Defendants"), and Joshua Pack, Marc Furstein, Leslee Cowen, Aaron Hood, Carmen Policy, Rakefet Russak-Aminoach, and Sunil Gulati (collectively, the "FVAC Defendants").

On October 7, 2021, another purported ATI stockholder, City of Melbourne Firefighters' Retirement System ("City of Melbourne"), filed a nearly identical putative class action complaint in the U.S. District Court for the Northern District of Illinois against ATI, the ATI Individual Defendants, and the FVAC Defendants. On November 18, 2021, the court consolidated the cases and appointed The Phoenix Insurance Company Ltd. and The Phoenix Pension & Provident Funds as lead plaintiffs (together, "Lead Plaintiffs").

On February 8, 2022, Lead Plaintiffs filed a consolidated amended complaint against ATI, the ATI Individual Defendants, and the FVAC Defendants, which asserts claims against (i) ATI and the ATI Individual Defendants under Section 10(b) of the Exchange Act; (ii) the ATI Individual Defendants under Section 20(a) of the Exchange Act (in connection with the Section 10(b) claim); (iii) all defendants under Section 14(a) of the Exchange Act; and (iv) the ATI Individual Defendants and the FVAC Defendants under Section 20(a) of the Exchange Act (in connection with the Section 14(a) claim). Lead Plaintiffs purport to assert these claims on behalf of those ATI stockholders who purchased or otherwise acquired their ATI shares between February 22, 2021 and October 19, 2021, inclusive, and/or held FVAC Class A common shares as of May 24, 2021 and were eligible to vote at FVAC's June 15, 2021 special meeting. The consolidated amended complaint generally alleges that the proxy materials for the FVAC/ATI merger, as well as other ATI disclosures (including the press release announcing ATI's financial results for the first quarter of 2021), were false and misleading (and, thus, in violation of Sections 10(b) and 14(a) of the Exchange Act) because they failed to disclose that: (i) ATI was experiencing attrition among its physical therapists; (ii) ATI faced increasing competition for clinicians in the labor market; (iii) as a result, ATI faced difficulty retaining therapists and incurred increased labor costs; (iv) also as a result, ATI would open fewer new clinics; and (v) also as a result, the defendants' positive statements about ATI's business, operations, and prospects were materially misleading and/or lacked a reasonable basis. Lead Plaintiffs, on behalf of themselves and the putative class, seek money damages in an unspecified amount and costs and expenses, including attorneys' and experts' fees. On April 11, 2022, defendants filed motions to dismiss the consolidated amended complaint, which were fully briefed as of July 25, 2022. On September 6, 2023, the court granted in part and remain pending. The Company has determined that potential liabilities related denied in part the motions to dismiss. On October 19, 2023, ATI, the ATI Individual Defendants, and the FVAC Defendants answered the consolidated amended complaint are not considered probable or reasonably estimable at complaint. Discovery then commenced. Thereafter, the parties reached an agreement in principle to resolve all claims in this time action for \$20.0 million (to be paid entirely by insurance), which agreement remains subject to the negotiation of formal settlement documentation, notice to the putative class, and court approval. The parties have the right to terminate the agreement in principle under certain conditions. The Company recorded an estimated liability of \$20.0 million related to this agreement in principle, which is included in accrued expenses and other liabilities in its consolidated balance sheets as of December 31, 2023, and a corresponding insurance recovery receivable of \$20.0 million, which is included in insurance recovery receivable in its consolidated balance sheets as of December 31, 2023.

Delaware Litigation. On February 7, 2023, another purported ATI stockholder, Wendell Robinson, filed a putative class action complaint in the Court of Chancery of the State of Delaware against Fortress Acquisition Sponsor II, LLC, Andrew A. McKnight, Joshua A. Pack, Marc Furstein, Leslee Cowen, Aaron F. Hood, Carmen A. Policy, Rakefet Russak-Aminoach, Sunil Gulati, Daniel N. Bass, Micah B. Kaplan and Labeed Diab. Diab (the "Robinson Action"). The complaint asserts claims against: (i) Fortress Acquisition Sponsor II, LLC, Andrew A. McKnight, Joshua A. Pack, Marc Furstein, Leslee Cowen, Aaron F. Hood, Carmen A. Policy, Rakefet Russak-Aminoach, Sunil Gulati, Daniel N. Bass and Micah B. Kaplan for breach of fiduciary duty; and (ii) Labeed Diab for aiding and abetting breach of fiduciary duty. Plaintiff's allegations generally mirror those asserted in the federal stockholder class action described above, and Plaintiff further alleges that the alleged misrepresentations and omissions in the proxy materials for the FVAC/ATI merger prevented stockholders from making a fully informed decision on whether to approve the merger or have their shares redeemed. Defendants filed motions to dismiss on April 28, 2023, which were fully briefed as of June 23, 2023 and remain pending.

On June 1, 2023, another purported ATI stockholder, Phillip Goldstein, filed a putative class action and derivative complaint in the Court of Chancery of the State of Delaware against Labeed Diab, Joseph Jordan, Cedric Coco, Ray Wahl, John L. Larsen, John Maldonado, Carmine Petrone, Joanne M. Burns, Christopher Krubert, James E. Parisi, Joshua A. Pack, Andrew A. McKnight, Marc Furstein, Aaron F. Hood, Carmen A. Policy, Sunil Gulati, Leslee Cowen, and Rakefet Russak-Aminoach (the "Goldstein Action"). The complaint asserts direct and/or derivative claims against: (i) Labeed Diab, Joseph Jordan, Cedric Coco, Ray Wahl, John Larsen, John Maldonado, Carmine Petrone, Joanne Burns, Christopher Krubert, and James Parisi for tortious interference with redemption rights, aiding and abetting breach of fiduciary duty, and fraud; and (ii) Joshua A. Pack, Andrew A.

McKnight, Marc Furstein, Aaron F. Hood, Carmen A. Policy, Sunil Gulati, Leslee Cowen, and Rakefet Russak-Aminoach for breach of fiduciary duty. Plaintiff's allegations generally mirror those asserted in the Robinson Action referenced above. Defendants have not yet responded to the complaint.

On August 16, 2023, Plaintiffs in the Robinson and Goldstein Actions filed a motion for consolidation of the Robinson and Goldstein Actions and for appointment of lead plaintiff and lead counsel. On August 31, 2023, defendants opposed the motion for consolidation and concurrently moved to stay the Goldstein Action pending a decision on the motions to dismiss in the Robinson Action. The motion for consolidation and the motion to stay were fully briefed as of September 20, 2023. A hearing was held on October 6, 2023, at which the court (i) denied the motion for consolidation (without prejudice to renewing the motion post-decision on the motions to dismiss in the Robinson Action) and (ii) granted the motion to stay the Goldstein Action (pending the same decision). A hearing on defendants' motions to dismiss the Robinson Action was held on December 1, 2023, after which the court reserved judgment. The Company has determined that potential liabilities related to the Robinson and Goldstein Actions are not considered probable or reasonably estimable at this time.

Stockholder derivative complaint

Federal Derivative Litigation. Between December 1, 2021 and September 22, 2022, five purported ATI stockholders filed four derivative actions, purportedly on behalf of ATI, in the U.S. District Court for the Northern District of Illinois. On November 21, 2022, four of these stockholder plaintiffs, Vinay Kumar, Brendan Reginbald, Ziyang Nie and Julia Chang, filed a consolidated amended complaint against Labeed Diab, Joe Jordan, John Larsen, John Maldonado, Carmine Petrone, Christopher Krubert, Joanne Burns and James Parisi (collectively, the "Legacy ATI Defendants"), Drew McKnight, Joshua Pack, Aaron Hood, Carmen Policy, Marc Furstein, Leslee Cowen, Rakefet Russak-Aminoach, and Sunil Gulati (collectively, the "FVACII Individual Defendants"), and Fortress Acquisition Sponsor II, LLC and Fortress Investment Group LLC (together, the "Fortress Entity Defendants," and together with the FVACII Individual Defendants, the "FVACII Defendants"). The consolidated amended complaint asserts claims on behalf of ATI against: (i) the FVACII Defendants for breach of fiduciary duty; (ii) Fortress Acquisition Sponsor II, LLC and the Legacy ATI Defendants for aiding and abetting breach of fiduciary duty; (iii) Labeed Diab, Joe Jordan, and Drew McKnight for contribution under Section 21D of the Exchange Act; (iv) the FVACII Defendants under Section 14(a) of the Exchange Act; (v) the Legacy ATI Defendants for unjust enrichment; and (vi) all defendants for contribution and indemnification under Delaware law. Plaintiffs' allegations generally mirror those asserted in the stockholder class action described above. On January 20, 2023, defendants filed motions to dismiss the consolidated amended complaint, which remain pending. On March 3, 2023, in lieu of filing a response to defendants' motions to dismiss, Plaintiffs filed a motion for leave to file an amended complaint, which was fully briefed as of April 7, 2023 and remains pending. The Company has determined that potential liabilities related to the consolidated amended complaint action are not considered probable or reasonably estimable at this time.

Insurance coverage complaint

On March 8, 2023, the Company filed a complaint against Federal Insurance Company, U.S. Specialty Insurance Company and other insurers titled ATI Physical Therapy, Inc. v. Federal Insurance Company et. al., Case No. N23C-03-074, in the Superior Court of the State of Delaware related to a coverage dispute and those certain insurers' denial of coverage for the stockholder class action complaints, and the stockholder derivative complaint, and the SEC requests discussed above, in this section. The complaint asserts claims against Federal Insurance Company for breach of contract and bad faith, and claims for declaratory judgment as to Federal Insurance Company, U.S. Specialty Insurance Company, XL Specialty Insurance Company and the Company's excess insurance carriers, seeking coverage for the stockholder class action complaints, the stockholder derivative complaint, and the SEC requests. On June 26, 2023, the Company filed an amended complaint asserting the same claims and seeking the same relief. On July 18, 2023, the defendants filed their answers to the amended complaint. On July 14, 2023, Federal Insurance Company issued a supplemental coverage position in which, subject to certain reservations and limitations, Federal Insurance Company accepted coverage for certain insureds with respect to the stockholder class action complaints and the stockholder derivative complaints. The insurance coverage litigation remains pending.

During the third quarter of 2023, the Company began receiving insurance reimbursements for legal costs incurred related to the stockholder class action complaint and stockholder derivative complaint, previously disclosed. The Company recognized \$7.9 million of legal cost insurance reimbursements which is included as an offset to selling, general and administrative expenses in its consolidated statements of operations for the year ended December 31, 2023, of which \$4.7 million was received in cash.

Regulatory matters

On November 5, 2021, the Company received from the SEC a voluntary request for the production of documents relating to the earnings forecast and financial information referenced in the Company's July 26, 2021 Form 8-K and related matters. The Company has subsequently received a subsequent request from the SEC additional requests for the production of additional documents and information related to the same matter on February 17, 2023. The Company matters, and is cooperating with the SEC in connection with this request. SEC's review and investigation of those matters.

Indemnifications

The Company has agreed to indemnify its current and former directors and executive officers for costs associated with any fees, expenses, judgments, fines and settlement amounts incurred by them in any action or proceeding to which any of them are, or are threatened to be, made a party by reason of their service as a director or officer. The Company maintains director and officer insurance coverage that would generally enable it to recover a portion of any amounts paid. The ultimate cost of current or potential future litigation may exceed the Company's current insurance coverages and may have a material adverse impact on our results of operations, cash flows and financial condition. The Company also may be subject to indemnification obligations by law with respect to the actions of its employees under certain circumstances and in certain jurisdictions.

Note 19, 18. Loss per Share

Basic loss per share is computed by dividing **net loss available to common stockholders** by the weighted average number of common shares outstanding during the period. **Diluted loss per share** is computed by dividing **loss available to common stockholders** by the **weighted average number of common shares outstanding during the period, adjusted for the impact of securities that would have a dilutive effect on basic loss per share, if any**. For the years ended **December 31, 2021** **December 31, 2023** and **2020**, shares of **Wilco Holdco preferred stock Series A Senior Preferred Stock** are treated as participating securities and therefore are included in computing earnings per common share using the two-class method. The two-class method is an earnings allocation formula that calculates basic and diluted net earnings per common share for each class of common stock separately based on dividends declared and participation rights in undistributed earnings as if the earnings for the year had been distributed. **As the Wilco Holdco preferred stockholders do not participate in losses, for any periods with a net loss, there is no allocation to participating securities in the period. As such, no undistributed earnings or losses were allocated to the Wilco Holdco preferred shares for** For the years ended **December 31, 2021** **December 31, 2023** and **2020**. As of **2022**, the **closing of the Business Combination**, the **Wilco Holdco preferred stock is no longer outstanding**.

For the year ended December 31, 2022, the **income loss available to common stockholders** is **reduced increased** by the amount of the cumulative dividend and any **redemption value adjustments** for the Series A Senior Preferred Stock that was issued as part of the 2022 Debt Refinancing. As discussed in Note 8 - **Borrowings**, the Series B Preferred Stock are non-economic and represent voting rights only and, therefore, are not considered in the calculation of basic or diluted loss per share.

The calculation of both basic and diluted loss per share for the periods indicated below was as follows (in thousands, except per share data):

		Year Ended			Year Ended	
		December 31, 2022	December 31, 2021	December 31, 2020		
Basic and diluted loss per share:	Basic and diluted loss per share:					
Basic and diluted loss per share:						
Net loss	Net loss	\$ (493,047)	\$ (782,028)	\$ (298)		
Less: Net (loss) income attributable to non-controlling interests		(668)	(3,700)	5,073		
Net loss						
Net loss						
Less: Net income (loss) attributable to non-controlling interests						
Less: Net income (loss) attributable to non-controlling interests						
Less: Net income (loss) attributable to non-controlling interests						
Less: Series A Senior Preferred redemption value adjustments ⁽¹⁾						
Less: Series A Senior Preferred redemption value adjustments ⁽¹⁾						
Less: Series A Senior Preferred redemption value adjustments ⁽¹⁾						
Less: Series A Senior Preferred cumulative dividend						
Less: Series A Senior Preferred cumulative dividend						
Less: Series A Senior Preferred cumulative dividend						
Less: Series A Senior Preferred cumulative dividend						
Loss available to common stockholders	Loss available to common stockholders	\$ 17,876	—	—		
Loss available to common stockholders						
Loss available to common stockholders						
Loss available to common stockholders						

Weighted average shares outstanding ^(1,2)	203,150	165,805	128,286
Weighted average shares outstanding ⁽²⁾			
Weighted average shares outstanding ⁽²⁾			
Weighted average shares outstanding ⁽²⁾			

Basic and diluted loss per share	Basic and diluted loss per share	\$ (2.51)	\$ (4.69)	\$ (0.04)
Basic and diluted loss per share				
Basic and diluted loss per share				

(1) The weighted-average number For the year ended December 31, 2023, the Series A Senior Preferred Stock was remeasured to its redemption value. For the year ended December 31, 2023, this adjustment included a one-time recognition of shares outstanding in periods presented prior a deemed dividend primarily from the original issue discount and an incremental redemption value adjustment to reflect the closing carrying amount equal to what the redemption amount would be as if redemption were to occur at the end of the Business Combination has been retrospectively adjusted based on the exchange ratio established through the transaction reporting period. Refer to Note 11 - Mezzanine and Stockholders' Equity for additional information.

(2) Included within weighted average shares outstanding following the 2022 Debt Refinancing are common shares issuable upon the exercise of the Series II Warrants, as the Series II Warrants are exercisable at any time for nominal consideration. As such, the shares are considered to be outstanding for the purpose of calculating basic and diluted loss per share.

For the periods presented, the basic and diluted loss per share were equal. The following number of shares issuable related to outstanding securities were not required to be included could potentially dilute earnings per share in the computation of diluted shares outstanding, as their impact would have been anti-dilutive. Figures presented are future (in thousands):

	Year Ended	
	December 31, 2023	December 31, 2022
2L Notes ⁽¹⁾	8,625	—
Series I Warrants	105	105
IPO Warrants	197	197
Restricted shares ⁽²⁾	5	8
Stock options	99	106
RSUs	767	84
RSAs	1	4
Total	9,799	504

(1) Potential dilution is reflected on an if-converted basis based on the number principal amount of underlying 2L Notes as of the end of the periods presented, and Conversion Price of \$12.50 per share.

(2) Represents certain shares of Class A common shares following the Business Combination (in thousands):

	Year Ended		
	December 31, 2022	December 31, 2021	December 31, 2020
Series I Warrants	5,226	—	—
IPO Warrants	9,867	9,867	—
Restricted shares ⁽¹⁾	402	1,323	—
Stock options	5,313	775	—
RSUs	4,200	404	—
RSAs	175	448	—
Total	25,183	12,817	—

(1) Represents a portion stock legally issued, but not outstanding, as of the 2.0 million restricted shares distributed following the Business Combination to holders of unvested Incentive Common Units under the Wilco Acquisition, LP 2016 Equity Incentive Plan. Refer to Note 10 - Share-Based Compensation for further details, respective periods.

15.0 million Earnout Shares and 8.6 million Vesting Shares were excluded from the calculation of basic and diluted per share calculations asAs the vesting thresholds have not yet been met as of the end of the reporting period, 0.3 million Earnout Shares and approximately 0.2 million Vesting Shares were excluded from the reporting period, basic and diluted shares outstanding calculations.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosures

Not applicable.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is accumulated and communicated to management to allow timely decisions regarding required disclosure.

As required by Rules 13a-15 and 15d-15 under the Exchange Act, our Principal Executive Officer and our Principal Financial Officer carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2022 December 31, 2023. Based upon their evaluation, our Principal Executive Officer and our Principal Financial Officer concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were not effective as of December 31, 2022 due to the previously reported material weaknesses in internal control over financial reporting described below.

Management concluded that notwithstanding the existence of the material weaknesses, the consolidated financial statements included in this Annual Report on Form 10-K present fairly, in all material respects, the Company's financial position, results of operations and cash flows for the periods presented in conformity with U.S. GAAP. December 31, 2023.

Management's Annual Report on Internal Control over Financial Reporting

Our management, including our Principal Executive Officer and Principal Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act. Internal control over financial reporting is a process designed by, or under the supervision of, our principal executive and principal financial officers, or persons performing similar functions, and effected by our board of directors, management and other personnel, 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 and includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of management and our directors and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Internal control over financial reporting has inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements will not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Our management, under the supervision and with participation of our Principal Executive Officer and our Principal Financial Officer, has conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2022 December 31, 2023 using criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that our internal control over financial reporting was not effective as of December 31, 2022 as December 31, 2023.

As a result non-accelerated filer, this Annual Report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting.

Remediation of Previously Disclosed Material Weaknesses

As initially disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021, we had identified material weaknesses in our internal control over financial reporting discussed below.

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 the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

We did not design and maintain an effective control environment commensurate with our financial reporting requirements as we did not maintain a sufficient complement of tax personnel with the appropriate mix of competent resources and financial reporting experience. Additionally, we did not design and maintain effective resulting from controls related to

the income tax provision including controls related to and valuation allowances associated with the realizability of deferred tax assets.

These material weaknesses resulted in adjustments to income tax (benefit) expense and deferred income taxes and related disclosures as of and for the year ended December 31, 2021. Additionally, these material weaknesses could result in misstatements of the aforementioned account balances or disclosures that would result in a material misstatement to the Company's annual or interim consolidated financial statements that would not be prevented or detected.

The Company's internal control over financial reporting has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report included on page 88.

Remediation Efforts with Respect to the Material Weaknesses

The Company's management, under the oversight of the Audit Committee, has continued to execute a remediation plan for the process of executing its remediation plan. Management has executed on the following measures in its remediation plan: material weaknesses, which included:

- revised the Company's tax staffing model, and implemented technology to assist in the income tax provision processes, in order to better position the capabilities and capacity of the Company's in-house tax department based on tax reporting requirements;
- refined the scope of the Company's external tax advisors to provide advice related to complex or unusual items, as well as advise on end-to-end corporate tax accounting matters;
- enhanced the design and precision of the Company's controls related to the income tax provision calculations and documentation, including controls related to the valuation allowance assessment.

We believe the measures described above will contribute to remediating the control deficiencies we have identified. Management has completed its documentation, testing and strengthen our internal control over financial reporting. We are committed to continuing to improve our internal control processes and will continue to review, optimize and enhance our financial reporting controls and procedures. As we continue to evaluate and work to improve our internal control over the income tax provision, we may take additional measures to address control deficiencies, or we may modify, or in appropriate circumstances not complete, certain evaluation of the controls associated with the remediation measures described above. These material weaknesses will not be considered remediated until the applicable controls operate for a sufficient period activities above, and determined that, as of time and management has concluded, through testing, that these December 31, 2023, such controls are operating effectively. effectively and the previously identified material weaknesses have been remediated.

Changes in Internal Control over Financial Reporting

Other than the changes related to the material weaknesses above, there have been no changes in our internal control over financial reporting during the fiscal quarter ended December 31, 2022 December 31, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

Disclosure Pursuant to Item 1.01 During the fourth quarter of Form 8-K - Entry into a Material Definitive Agreement

On March 15, 2023, the Company entered into a Transaction Support Agreement (the "TSA") with certain of its first lien lenders under the 2022 Credit Agreement (the "First Lien Lenders"), the administrative agent under the 2022 Credit Agreement, holders of its Series A Senior Preferred Stock (the "Preferred Equityholders") and holders of the majority of its common stock (together with the First Lien Lenders and the Preferred Equityholders, the "Parties"), setting forth the principal terms of a comprehensive transaction to enhance the Company's liquidity (the "Transaction"). Pursuant to the TSA, and subject to the terms and conditions thereof, the Parties have agreed to support, act in good faith and take all steps reasonably necessary and desirable to consummate the transactions referenced therein by June 15, 2023 (the "Outside Closing Date").

The TSA contemplates, among other things, (i) a delayed draw new money financing, available under certain circumstances until the 18 month anniversary of the closing date of the transactions, in an aggregate principal amount equal to \$25.0 million in the form of new second lien PIK exchangeable notes ("Second Lien PIK Exchangeable Notes"), (ii) exchange of \$100.0 million of the aggregate principal amount of the term loans under the 2022 Credit Facility held by certain of the Preferred Equityholders for Second Lien PIK Exchangeable Notes, (iii) a reduction of the thresholds applicable to the minimum liquidity financial covenant under the 2022 Credit Agreement for certain periods, (iv) a waiver of the requirement to comply with the Secured Net Leverage Ratio financial covenant under the 2022 Credit Agreement for the fiscal quarters ending June 30, 2024, September 30, 2024 and December 31, 2024 and a modification of the levels and certain component definitions applicable thereto in the fiscal quarters ending after December 31, 2024, (v) waiver of the requirement for the Company to deliver audited financial statements without certain going concern qualifications for the years ended December 31, 2022, December 31, 2023, and December 31, 2024, (vi) an increase in the interest rate payable on the existing term loans and revolving loans until the achievement of a specified financial metric and (vii) board representation and observer rights, and other changes to the governance of the Company. The Second Lien PIK Exchangeable Notes would be exchangeable for shares of Class A common stock of the Company at a fixed price of \$0.25, and the holders thereof would have the right to vote on corporate matters on an as-exchanged basis. The TSA contains certain representations, warranties and other agreements by the Company and Parties. In accordance with the TSA, the First Lien Lenders agreed that, prior to the Outside Closing Date, they will forbear in the exercise of 2023, no director or Section 16 officer adopted or terminated any rights, remedies, powers, privileges and defenses under the 2022 Credit

Agreement arising on account of an alleged default Rule 10b5-1 plan or event of default (if any) resulting from the going concern explanatory paragraph in the independent auditors' report accompanying the consolidated financial statements for the year ended December 31, 2022 (the "Credit Agreement Forbearance"). The Parties' obligations under the TSA are, and the closing of the Transaction is, subject to various customary terms and conditions set forth therein, including the execution and delivery of definitive documentation and approval by the Company's stockholders.

There is no assurance that the transactions contemplated by the TSA will be consummated on the terms as described above, on a timely basis or at all.

The foregoing description of the Transaction Support Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the TSA, a copy of which is filed as Exhibit 10.1 to this report and is incorporated herein by reference. non-Rule 10b5-1 trading arrangements.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required in response to this Item 10 is incorporated herein by reference to our definitive proxy statement relating to our 2023 2024 Annual Meeting of Stockholders to be filed with the SEC pursuant to Regulation 14A, not later than 120 days after the end of our fiscal year covered by this report.

Item 11. Executive Compensation

The information required in response to this Item 11 is incorporated herein by reference to our definitive proxy statement relating to our 2023 2024 Annual Meeting of Stockholders to be filed with the SEC pursuant to Regulation 14A, not later than 120 days after the end of our fiscal year covered by this report.

Item 12. Security Ownership of Certain Beneficial Owner and Management and Related Stockholder Matters

The information required in response to this Item 12 is incorporated herein by reference to our definitive proxy statement relating to our 2023 2024 Annual Meeting of Stockholders to be filed with the SEC pursuant to Regulation 14A, not later than 120 days after the end of our fiscal year covered by this report.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required in response to this Item 13 is incorporated herein by reference to our definitive proxy statement relating to our 2023 2024 Annual Meeting of Stockholders to be filed with the SEC pursuant to Regulation 14A, not later than 120 days after the end of our fiscal year covered by this report.

Item 14. Principal Accounting Fees and Services

The information required in response to this Item 14 is incorporated herein by reference to our definitive proxy statement relating to our 2023 2024 Annual Meeting of Stockholders to be filed with the SEC pursuant to Regulation 14A, not later than 120 days after the end of our fiscal year covered by this report.

PART IV

Item 15. Exhibits and Financial Statement Schedules

The consolidated financial statements filed as part of this Annual Report on Form 10-K are listed in the accompanying Index to Consolidated Financial Statements on page 87. See page 157 for Schedule II - Valuation and Qualifying Accounts. All other schedules are omitted because of the absence of conditions under which they are required or because the required information is shown in the consolidated financial statements or notes thereto. The exhibits filed as a part of this Annual Report are listed in the Exhibit Index below.

<u>Exhibit Number</u>	<u>Description</u>
3.1	Second Amended and Restated Certificate of Incorporation of ATI Physical Therapy, Inc. (filed as Exhibit 3.1 to the Current Report on Form 8-K of the Company on June 23, 2021 June 13, 2023 and incorporated herein by reference)
3.2	Certificate of Amendment to Third Amended and Restated Certificate of Incorporation (filed as Exhibit 3.1 to the Current Report on Form 8-K of the Company on June 14, 2023 and incorporated herein by reference)
3.3	Amended and Restated Bylaws of ATI Physical Therapy, Inc. (filed as Exhibit 3.2 to the Current Report on Form 8-K of the Company on June 23, 2021 and incorporated herein by reference)
3.3 3.4	First Amended and Restated Certificate of Designation of Series A Senior Preferred Stock of ATI Physical Therapy, Inc., filed on February 24, 2022 (filed as Exhibit 3.1 to the Current Report on Form 8-K of the Company on February 25, 2022 June 15, 2023 and incorporated herein by reference)
4.1 3.5	Certificate of Designation of Series B Preferred Stock of ATI Physical Therapy, Inc. (filed as Exhibit 3.2 to the Current Report on Form 8-K of the Company on June 15, 2023 and incorporated herein by reference)
4.1*	Description of Securities
4.2	Warrant Agreement between Fortress Value Acquisition Corp. II and Continental Stock Transfer & Trust Company (filed as Exhibit 4.4 to the Registration Statement on Form S-1 on July 24, 2020 and incorporated herein by reference)
4.3	Warrant Agreement, dated as of February 24, 2022, by and between ATI Physical Therapy, Inc. and Continental Stock Transfer & Trust Company, as Warrant Agent (filed as Exhibit 4.1 to the Current Report on Form 8-K of the Company on February 24, 2022 and incorporated herein by reference)
4.2*	Description of Securities
10.1* [†]	Transaction Support Agreement, dated as of March 15, 2023, by and among ATI Physical Therapy Inc., ATI Holdings Acquisition, Inc., Wilco Intermediate Holdings, 2021 Equity Incentive Plan (filed as Annex L to the Definitive Proxy Statement of the Company filed on May 14, 2021 and other parties thereto incorporated herein by reference)
10.2†	First Amendment to 2021 Equity Incentive Plan (filed as Exhibit 10.2 to the Current Report on Form 8-K of the Company on June 6, 2022 and incorporated herein by reference)
10.3†	Second Amendment to 2021 Equity Incentive Plan (filed as Exhibit 10.3 to the Current Report on Form 8-K of the Company on June 13, 2023 and incorporated herein by reference)
10.4	Credit Agreement, dated as of February 24, 2022, by and among ATI Holdings Acquisition, Inc., Wilco Intermediate Holdings, Inc., Barclays Bank PLC, as Administrative Agent and Issuing Bank and the other lenders party thereto (filed as Exhibit 10.1 to the Current Report on Form 8-K of the Company on February 25, 2022 and incorporated herein by reference)
10.3 10.5	Amendment No. 1 to Credit Agreement, dated as of March 30, 2022, by and among ATI Holdings Acquisition, Inc., Wilco Intermediate Holdings, Inc., HPS Investment Partners, LLC, as Lender Representative and Barclays Bank PLC, as Administrative Agent (filed as Exhibit 10.24 to the Post-Effective Amendment to the Registration Statement on Form S-1 filed on April 1, 2022 and incorporated herein by reference)

10.4 10.6	Amendment No. 2 to Credit Agreement, dated April 17, 2023, by and among ATI Holdings Acquisition, Inc., Wilco Intermediate Holdings, Inc., HPS Investment Partners, LLC, as Lender Representative and Barclays Bank PLC, as Administrative Agent (filed as Exhibit 10.2 to the Current Report on Form 8-K of the Company on April 21, 2023 and incorporated herein by reference)
10.7	Consent to Amendment No. 2 to Credit Agreement, dated June 15, 2023, by and among ATI Holdings Acquisition, Inc., Wilco Intermediate Holdings, Inc., HPS Investment Partners, LLC, as Lender Representative and Barclays Bank PLC as Administrative Agent (filed as Exhibit 10.3 to the Current Report on Form 8-K of the Company on June 15, 2023 and incorporated herein by reference)
10.8	Second Lien Note Purchase Agreement, dated April 17, 2023, by and among ATI Physical Therapy, Inc., Wilco Holdco, Inc., Wilco Intermediate Holdings, Inc., ATI Holdings Acquisition, Inc., the Purchasers party thereto and Wilmington Savings Fund Society, FSB (filed as Exhibit 10.3 to the Current Report on Form 8-K of the Company on April 21, 2023 and incorporated herein by reference)
10.9	First Amendment to Note Purchase Agreement, dated June 15, 2023, by and among ATI Physical Therapy, Inc., Wilco Holdco, Inc., Wilco Intermediate Holdings, Inc., ATI Holdings Acquisition, Inc., the Subsidiary Guarantors party thereto, the other Purchasers party thereto and Wilmington Savings Fund Society, FSB (filed as Exhibit 10.7 to the Current Report on Form 8-K of the Company on June 15, 2023 and incorporated herein by reference)
10.10	Series A Senior Preferred Stock Purchase Agreement, dated as of February 24, 2022, by and between ATI Physical Therapy, Inc. and the Purchasers signatory thereto (filed as Exhibit 10.2 to the Current Report on Form 8-K of the Company on February 25, 2022 and incorporated herein by reference)
10.5 10.11	Investors' Rights Agreement, dated as of February 24, 2022, by and among ATI Physical Therapy, Inc. and the Holders party thereto from time to time (filed as Exhibit 10.3 to the Current Report on Form 8-K of the Company on February 25, 2022 and incorporated herein by reference)
10.12	First Amendment to the Investors' Rights Agreement, dated June 15, 2023, by and among ATI Physical Therapy, Inc. and the Preferred Equityholders party thereto (filed as Exhibit 10.5 to the Current Report on Form 8-K of the Company on June 15, 2023 and incorporated herein by reference)
10.13	Amended and Restated Registration Rights Agreement, dated as of February 21, 2021, by and among Fortress Value Acquisition Corp. II, Fortress Acquisition Sponsor II LLC and the other parties thereto (filed as Exhibit 10.4 to the Current Report on Form 8-K of the Company on June 23, 2021 and incorporated herein by reference)
10.14	First Amendment to Amended and Restated Registration Rights Agreement, dated as of June 16, 2021, by and among Fortress Value Acquisition Corp. II, Fortress Acquisition Sponsor II LLC and the other parties thereto (filed as Exhibit 10.5 to the Current Report on Form 8-K of the Company on June 23, 2021 and incorporated herein by reference)
10.15	Registration Rights Agreement, dated June 15, 2023, by and among ATI Physical Therapy, Inc. and certain Preferred Equityholders (filed as Exhibit 10.6 to the Current Report on Form 8-K of the Company on June 15, 2023 and incorporated herein by reference)
10.16 †	Employment Agreement by and between ATI Physical Therapy, Inc. and Sharon A. Vitti dated March 30, 2022, effective April 28, 2022 (filed as Exhibit 10.1 to the Current Report on Form 8-K of the Company on April 28, 2022 and incorporated herein by reference)

10.7 10.17 †	Employment Agreement by and between ATI Physical Therapy, Inc. and Eimile Tansey dated June 28, 2022, Chris Cox effective August 29, 2022 December 16, 2022 (filed as Exhibit 10.1 to the Quarterly Current Report on Form 10-Q 8-K of the Company on August 9, 2022 December 14, 2022 and incorporated herein by reference)
10.8 10.18 †	Employment Agreement by and between ATI Physical Therapy, Inc. and Scott Gregerson effective December 16, 2022 (filed as Exhibit 10.1 to the Current Report on Form 8-K of the Company on December 22, 2022 and incorporated herein by reference)
10.19 †	Employment Agreement, dated as of February 21, 2021, between Fortress Value Acquisition Corp. II and Joseph Jordan (filed as Exhibit 10.6 to the Current Report on Form 8-K of the Company on February 22, 2021 and incorporated herein by reference)
10.20 †	Employment Agreement by and between ATI Physical Therapy, Inc. and Erik Kantz effective November 4, 2022 (filed as Exhibit 10.1 to the Current Report on Form 8-K of the Company on November 7, 2022 and incorporated herein by reference)
10.21 †	Employment Agreement, dated as of May 14 2021, between Fortress Value Acquisition Corp. II and Augustus Oakes (filed as Exhibit 10.16 to the Annual Report on Form 10-K of the Company on March 1, 2022 and incorporated herein by reference)
10.22 †	First Amendment to Employment Agreement by and between ATI Physical Therapy, Inc. and Augustus Oakes effective June 20, 2022 (filed as Exhibit 10.1 to the Current Report on Form 8-K of the Company on June 24, 2022 and incorporated herein by reference)
10.9 10.23 †	Employment Agreement by and between ATI Physical Therapy, Inc. and Erik Kantz Eimile Tansey dated June 28, 2022, effective November 4, 2022 August 29, 2022 (filed as Exhibit 10.1 to the Current Quarterly Report on Form 8-K 10-Q of the Company on November 7, 2022 August 9, 2022 and incorporated herein by reference)

10.10 19.1 †*	Insider Trading Policy	Employment Agreement by and between ATI Physical Therapy, Inc. and Chris Cox effective December 16, 2022
---	------------------------	--

December
16, 2022
(filed as
Exhibit 10.1
to the
Current
Report on
Form 8-K of
the
Company
on
December
14, 2022
and
incorporated
herein by
reference)

10.11†	Employment Agreement by and between ATI Physical Therapy, Inc. and Scott Gregerson effective December 16, 2022 (filed as Exhibit 10.1 to the Current Report on Form 8-K of the Company on December 22, 2022 and incorporated herein by reference)
21.1*	Subsidiaries of the Registrant (filed as Exhibit 21.1 to the Annual Report on Form 10-K of the Company on March 1, 2022 and incorporated herein by reference)
23.1* 23.1*	Consent of Deloitte & Touche, LLP
23.2*	Consent of PricewaterhouseCoopers LLP
31.1*	Certification of Principal Executive Officer pursuant to Rules 13a-14(a) and 15(d)-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer pursuant to Rules 13a-14(a) and 15(d)-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.32.1*	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
97.1*	ATI Physical Therapy, Inc. Clawback Policy
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed or furnished herewith

† Management contract or compensatory plan or arrangement

Schedule II - Valuation and Qualifying Accounts

\$ in thousands	Balance at Beginning of Year	Additions	Deductions/ Adjustments	Balance at End of Year
Year ended December 31, 2022				
Allowance for doubtful accounts (1)	53,533	13,869	(19,782)	47,620
Valuation allowance for deferred tax assets (2)	58,312	31,595	—	89,907
Year ended December 31, 2021				
Allowance for doubtful accounts (1)	69,693	16,369	(32,529)	53,533
Valuation allowance for deferred tax assets (2)	22,581	35,731	—	58,312
Year ended December 31, 2020				
Allowance for doubtful accounts (1)	80,350	16,231	(26,888)	69,693
Valuation allowance for deferred tax assets (3)	23,562	—	(981)	22,581

(a) The additions to the allowance for doubtful accounts represent the provision for doubtful accounts that is recorded based upon the Company's evaluation of the collectability of accounts receivable. Deductions/Adjustments are primarily related to actual write-offs of receivables and other adjustments.

(b) The increase in the valuation allowance for deferred tax assets is primarily related to an increase in net operating loss carryforwards not expected to be realized prior to expiration. Refer to Note 16 - *Income Taxes* in the consolidated financial statements included in Part II, Item 8, of this Form 10-K for further details.

(c) The decrease in the valuation allowance for deferred tax assets is primarily related to removal of valuation allowance on net loss carryforwards due to current period taxable income.

Item 16. Form 10-K Summary

None.

SIGNATURES

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

ATI PHYSICAL THERAPY, INC.

Date: **March 16, 2023** February 27, 2024

/s/ JOSEPH JORDAN

Joseph Jordan

Chief Financial Officer

(Duly Authorized Officer and Principal Financial Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities as of **March 16, 2023** February 27, 2024.

/s/ SHARON VITTI

Sharon Vitti

Chief Executive Officer and Director

(Principal Executive Officer)

/s/ JOSEPH JORDAN

Joseph Jordan

Chief Financial Officer

(Principal Financial Officer)

/s/ BRENT RHODES

Brent Rhodes

Chief Accounting Officer

(Principal Accounting Officer)

/s/ JOHN (JACK) LARSEN

John (Jack) Larsen

Chairman of the Board and Director

/s/ JOHN MALDONADO

John Maldonado

Director

/s/ CARMINE PETRONE

Carmine Petrone

Director

/s/ JOANNE M. BURNS

Joanne M. Burns

Director

/s/ JAMES E. PARISI

James E. Parisi

Director

/s/ ANDREW A. MCKNIGHT

Andrew A. McKnight

Director

/s/ TERESA SPARKS

Teresa Sparks

Director

/s/ DANIEL DOURNEY

Daniel Dourney

Director

/s/ ANDREW SHANAHAN

Andrew Shannahan

Director

/s/ RANDY RAISMAN

Randy Raisman

Director

/s/ JEFF GOLDBERG

Jeff Goldberg

Director

158 152

Exhibit 4.24.1

DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED
PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

General

REFINITIV CORPORATE DISCLOSURES | www.refinitiv.com | Contact Us

144/293

©2024 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV 

The common stock and warrants to purchase common stock As of the date of the Annual Report on Form 10-K of which this Exhibit is a part, ATI Physical Therapy, Inc. (the "Company" or "ATI") are had two classes of securities registered under pursuant to Section 12(b) 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"): Class A common stock, \$0.0001 par value ("Common Stock") and redeemable warrants, each entitling the holder thereof to purchase shares of Common Stock at an exercise price equal to \$575.00 per share (the "Public Warrants").

General

The 2022 Warrants, Private Placement Warrants, Series A Preferred Stock, Series B Preferred Stock and the Notes (each as defined below) are not registered under Section 12(b) of the Exchange Act but are described herein to the extent certain of their terms may impact holders of Common Stock and Public Warrants.

The following descriptions summarize the most important certain terms of our Common Stock, Warrants (as defined below) and Warrants (as defined below). Notes that would be important to holders of such securities. Because it is these descriptions are only a summary, it does summaries, they do not contain all of the information that may be important to you, and is are qualified by reference to the Second Third Amended and Restated Certificate of Incorporation of the Company, as amended (the "Charter"), the Amended and Restated Bylaws of the Company (the "Bylaws"), the IPO Warrant Agreements, Agreement, the 2022 Warrant Agreement, the Purchase Agreement, the Investor Investors' Rights Agreement and (as defined below), the Amended and Restated Registration Rights Agreement, dated as of February 21, 2021, by and among Fortress Value Acquisition Corp. II, Fortress Acquisition Sponsor II LLC and the other parties thereto, as amended, the Note Purchase Agreement (as defined below), the Registration Rights Agreement, dated as of June 15, 2023, by and among the Company and certain Preferred Equityholders, the First Amended and Restated Certificate of Designation for the Series A Preferred Stock (the "Series A Certificate of Designation"), and the Certificate of Designation for the Series B Preferred Stock (the "Series B Certificate of Designation"), as applicable, each of which are exhibits filed as (or incorporated by reference as) an exhibit to the Annual Report on Form 10-K ("Annual (the "Annual Report") of which this exhibit is a part. We urge you to read each of the Second Amended and Restated Certificate of Incorporation, the Amended and Restated Bylaws, the Warrant Agreement and the Amended and Restated Registration Rights Agreement foregoing documents in their entirety for a complete description of the rights and preferences of our securities.

On June 14, 2023, we filed a Certificate of Amendment to the Charter to effect a one-for-50 reverse stock split of the Common Stock (the "Reverse Stock Split"), effective as of 4:01 p.m. Eastern Time on June 14, 2023 (the "Effective Time"). As a result of the Reverse Stock Split, every 50 shares of the Company's issued and outstanding Common Stock were automatically combined into one issued and outstanding share of Common Stock, without any change in the authorized number of shares or the par value of the Common Stock. No fractional shares were issued as a result of the Reverse Stock Split and all fractional shares were rounded up to the next whole share. As a result of the Reverse Stock Split, proportionate adjustments were made to the per share exercise price and/or the number of shares issuable upon the exercise or vesting of all stock options, warrants and shares of Common Stock subject to vesting. In addition, the number of shares reserved for issuance under the Company's equity compensation plan immediately prior to the Effective Time was reduced proportionately. The following descriptions of the terms of our securities give effect to the Reverse Stock Split, except as otherwise indicated.

Capitalized terms used herein and not defined herein shall have the meaning ascribed to such terms in the Annual Report.

Authorized Capital Stock

The Second Amended and Restated Certificate of Incorporation Charter authorizes the issuance of 471,000,000 shares of capital stock, consisting of (i) 470,000,000 450,000,000 shares of Common Stock, (ii) 20,000,000 shares of Class AF common stock \$0.0001 par value (the "Common Stock" ("Class F Common stock") and (iii) 1,000,000 shares of preferred stock, par value \$0.0001 per share. The Company has designated 165,000 shares of the Preferred Stock preferred stock as Series A Senior Preferred Stock (the "Series A Preferred Stock") and 450,000 shares of preferred stock as Series B Preferred Stock (the "Series B Preferred Stock").

Common Stock

Voting Power

Except as otherwise required by law or as otherwise provided in any certificate of designation for any series of preferred stock, under the Second Amended and Restated Certificate of Incorporation, Charter, the holders of shares of Common Stock possess all voting power for the election of our directors and all other matters requiring stockholder action and are entitled or will be entitled, as applicable, to one vote per share on matters to be voted on by stockholders.

Dividends

Subject to the rights, if any, of the holders of any outstanding shares of preferred stock, under the Second Amended and Restated Certificate of Incorporation, Charter, holders of Common Stock are entitled to receive such dividends and other distributions, if any, as may be declared from time to time by our Board the Company's board of directors (the "Board") in its discretion out of funds legally available therefor and shall share equally on a per share basis in such dividends and distributions.

Liquidation, Dissolution and Winding Up

The Second Amended and Restated Certificate of Incorporation Charter provides that subject to applicable law and the rights, if any, of the holders of any outstanding series of the preferred stock, in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, after payment or provision for payment of the debts and other liabilities of the Company, the holders of shares of Common Stock will be entitled to share ratably in all the remaining assets of the Company available for distribution to its stockholders.

Preemptive or Other Rights

Under the **Second Amended and Restated Certificate of Incorporation, Charter**, our stockholders have no preemptive or other subscription rights and there is no sinking fund or redemption provisions applicable to the Common Stock.

Number and Election of Directors

Under Following approval by our stockholders, our Charter and Bylaws were amended in June 2023 to eliminate the **terms classified structure** of the **Second Amended Board** and **Restated Certificate** provide for the annual election of **Incorporation, our Board** all directors. The transition to a declassified board structure is divided into three classes, **Class I, Class II and Class III**, being effected over time such that each director will be elected annually upon expiration of the director's term, beginning with **only one class of directors being elected in each year and each class** (except for those directors appointed to **Class I and Class II**) serving a three-year term. Each class of directors is voted on whose terms expired at the 2023 annual meeting of stockholders, and ending with directors whose terms will expire at the 2025 annual meeting of stockholders. Beginning with the 2025 annual meeting of stockholders and at each annual meeting of stockholders thereafter, all directors will be elected for one-year terms expiring at the **Company** every third year.next annual meeting of stockholders.

Under the **Second Amended and Restated Certificate of Incorporation, Charter**, there is no cumulative voting with respect to the election of directors. **Our Subject to the rights of the holders of one or more series of preferred stock, voting separately by class or series, to elect directors pursuant to the terms of one or more series of preferred stock, our directors are elected by a plurality of the votes cast at a meeting of the Company's stockholders by holders of Common Stock.**

Preferred Stock

The Charter provides that the Board is authorized to fix the voting rights, if any, designations, powers, preferences and relative, participating, optional, special and other rights, if any, and any qualifications, limitations and restrictions thereof, applicable to the shares of each series. The Board is able, without stockholder approval, to issue preferred stock with voting and other rights that could adversely affect the voting power and other rights of the holders of the Common Stock and could have anti-takeover effects.

Series A Preferred Stock

The Company has 165,000 issued and outstanding shares of Series A Preferred Stock. The Series A Preferred Stock is not registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

Each share of Series A Preferred Stock **has had** an initial stated value of \$1,000.

The Series A Preferred Stock ranks senior to the **Company's common stock Common Stock** and all other junior equity securities of the Company, and junior to the Company's existing or future indebtedness and other liabilities (including trade payables) of the Company, with respect to payment of dividends, distribution of assets and all other liquidation, winding up, dissolution, dividend and redemption rights.

The Series A **Senior** Preferred Stock carries an initial dividend rate of 12.0% per annum (the "Base Dividend Rate"), payable quarterly in arrears. If such dividends are not paid in cash, they are automatically compounded and added to the stated value of the Series A Preferred Stock. The Base Dividend Rate is subject to certain adjustments, including an increase of 1.0% per annum on the first day following the fifth anniversary of February 24, 2022 and each one-year anniversary thereafter, and 2.0% per annum upon the occurrence of either an Event of Noncompliance (as defined in the **Series A Certificate of Designation**) or a failure by the Company to redeem in full all Series A Preferred Stock upon a Mandatory Redemption Event (as defined in the **Series A Certificate of Designation**). The Company may elect to pay dividends on the Series A Preferred Stock in cash beginning on the third anniversary of February 24, 2022 and, with respect to any such dividends paid in cash, the dividend rate then in effect shall be decreased by 1.0%.

The Company has the right to redeem the Series A Preferred Stock, in whole or in part, at any time (subject to certain limitations on partial redemptions). The Redemption Price (as defined in the **Series A Certificate of Designation**) for each share of Series A Preferred Stock depends on when such optional redemption takes place, if at all.

The Series A Preferred Stock is perpetual and is not mandatorily redeemable at the option of the holders of the Series A Preferred Stock, except upon the occurrence of a Mandatory Redemption Event (as defined in the **Series A Certificate of Designation**). Upon the occurrence of a Mandatory Redemption Event, to the extent not prohibited by law, the Company is required to redeem all Series A Preferred Stock, in cash, at a price per share equal to the then applicable Redemption Price.

If an Event of Noncompliance occurs, then the holders of a majority of the then outstanding shares of Series A Preferred Stock (but excluding any shares of Series A Preferred Stock then held by Advent International Corporation or its controlled affiliates) (the "Majority Holders") have the right to demand that the Company engage in a sale/refinancing process to consummate a Forced Transaction (as defined in the **Series A** Certificate of Designation); provided, however, no such demand may be made if holders of less than two-thirds of the then outstanding Series A Preferred Stock (which must include the Lead Purchaser (as defined in the **Series A** Certificate of Designation) so long as it holds at least 50.1% of the shares of Series A Preferred Stock held by it as of February 24, 2022) consent to the exercise of such demand. A Forced Transaction includes a refinancing of the Series A Preferred Stock or a sale of the Company. Upon consummation of any Forced Transaction, to the extent not prohibited by law, the Company is required to redeem all Series A Preferred Stock, in cash, at a price per share equal to the then applicable Redemption Price.

Holders of shares of Series A Preferred Stock have no voting rights with respect to the Series A Preferred Stock except as set forth in the **Series A** Certificate of Designation, other documents entered into in connection with the Purchase Agreement and the transactions contemplated thereby, (collectively, the "Transaction Documents"), or as otherwise required by law. For so long as any Series A Preferred Stock is outstanding, the Company is prohibited from taking certain actions without the prior consent of the Majority Holders (which consent must include the Lead Purchaser for so long as it holds at least 50.1% of the shares of Series A Preferred Stock held by it as of February 24, 2022). Such actions are set forth in the Certificate of Designation and include, without limitation, issuing equity securities ranking senior to or pari passu with the Series A Preferred Stock, incurring indebtedness or liens, engaging in affiliate transactions, making restricted payments, consummating investments or asset dispositions, consummating a change of control transaction unless the Series A Preferred Stock is redeemed in full, altering the Company's organizational documents, and making material changes to the nature of the Company's business, in each case subject to the terms and conditions set forth in the Certificate of Designation.

Holders of Series A Preferred Stock, voting as a separate class, have the right to designate and elect **one director four directors** to serve on the **Company's board of directors** Board until such time after February 24, 2022 that (i) as of any applicable fiscal quarter end, the **Company's trailing 12-month Consolidated Adjusted EBITDA** **Lead Purchaser** (as defined in the **Series A** Certificate of Designation) exceeds \$100,000,000, or (ii) the **Lead Purchaser** ceases to hold at least 50.1% of the Series A Preferred Stock held by it as of February 24, 2022. **Investors' Rights Agreement**. The designee directors are subject to consideration by the Board (acting in good faith and consistent with their review of other Board candidates), and at least one of the designees must be unaffiliated with (and independent of) the holders of the Series A Preferred Stock and meet the definition of "independent" under the listing standards of the New York Stock Exchange and SEC rules.

The Company entered into an Investors' Rights Agreement with **holders of the Investors (the Series A Preferred Stock as of February 24, 2022, as amended by that certain First Amendment to the Investors' Rights Agreement, dated as of June 15, 2023 (as amended, the "Investors' Rights Agreement") as of February 24, 2022.** The Investors' Rights Agreement sets forth the **Investors' holders' right to designate one director four directors to the Company's board of directors** Board (subject to certain conditions as summarized above) and to receive certain quarterly and annual financial and other information of the Company. The Investors' Rights Agreement also sets forth restrictions on transfer of shares of Series A Preferred Stock by the **Investors' holders** and rights of first refusal in favor of any holder that, individually or together with its affiliates, holds, in the aggregate, at least 25% of the then-outstanding Series A Preferred Stock.

Series B Preferred Stock

Our Second Amended and Restated Certificate The Series B Preferred Stock has a par value of **incorporation** provides that one \$0.0001 per share. The Series B Preferred Stock does not have any dividend, distribution or **more new shares** redemption rights or, right to receive any distribution of preferred stock may be issued from time to time in one or more series. Our Board is authorized to fix the voting rights, if any designations, powers, preferences and relative, participating, optional, special and other rights, if any, and any qualifications, limitations and restrictions thereof, applicable to the shares of each series. Our Board is able, without stockholder approval, to issue preferred stock with voting and other rights that could adversely affect the voting power and other rights of the **Company's assets**.

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, holders of Series B Preferred Stock are entitled to be paid out of the assets of the Company available for distribution to its stockholders, after satisfying any senior payment obligations and before any payment in respect of any Common Stock, and could have anti-takeover effects. The ability an amount per share of **our Board Series B Preferred Stock** equal to **issue preferred stock without stockholder approval** could have the effect of delaying, deferring or preventing a change of control of us or the removal of existing management. We have no preferred stock outstanding at the date hereof. Although we do not currently intend to issue any shares of preferred stock, we cannot assure you that we will not do so in the future. \$0.0001.

Warrants Holders of Series B Preferred Stock have full voting rights and powers equal to the voting rights and powers of holders of Common Stock, and are be entitled to notice of any stockholders' meeting in accordance with the Bylaws, are entitled to vote, together with holders of Common Stock, with respect to any question upon which holders of Common Stock have the right to vote. Fractional votes are not permitted, and any fractional voting rights available on an as-converted basis (after aggregating all shares into which shares of Series B Preferred Stock held by each holder could be converted) will be rounded down to the nearest whole share of Series B Preferred Stock. Notwithstanding anything to the contrary in the Series B Certificate of Designation, shares of Series B Preferred Stock are deemed to be converted into Common Stock solely for the purposes of providing the holder thereof with voting rights such that the holders thereof have the right to vote on corporate matters on an as-converted basis as if the conversion occurred at an initial price per share equal to \$12.87 (subject to adjustment as provided for in the Series B Certificate of Designation and the Note Purchase Agreement), but in no event will any shares of Series B Preferred Stock actually be converted into or exchanged for Common Stock.

February 2022 Private Placement Warrants

The Company has four series of outstanding warrants, consisting of: (i) the Public Warrants, (ii) private placement warrants, (the "Series I Warrants") each entitling the holders holder thereof to purchase 5,226,546 shares of Common Stock at an exercise price equal to \$3.00 \$575.00 per share exercisable for a five-year period from February 24, 2022; (the "Private Placement Warrants"), (iii) warrants entitling the holders thereof to purchase shares of Common Stock at an exercise price equal to \$150.00 per share (the "Series I Warrants") and (iv) warrants entitling holders thereof to purchase shares of Common Stock at an exercise price equal to \$0.50 per share (the "Series II Warrants" and together with the Series I Warrants, the "2022 Warrants" and, the 2022 Warrants together with the Public Warrants and Private Placement Warrants, the "Warrants" entitling holders thereof to purchase 6,271,855 .

2022 Warrants

The Series I Warrants are exercisable for 104,530 shares of Common Stock at an exercise price equal to \$0.01 per share, for a five-year period from February 24, 2022, and the Series II Warrants are exercisable for 125,437 shares of Common Stock for a five-year period from February 24, 2022. Such number of shares of Common Stock purchasable pursuant to the 2022 Warrants (the "Warrant" "2022 Warrant Shares") may be adjusted from time to time as set forth in the 2022 Warrant Agreement (as defined below).

The Company has entered into a Warrant Agreement with Continental Stock Transfer & Trust Company, as warrant agent, as of February 24, 2022 (the "Warrant" "2022 Warrant Agreement"). Under the terms of the 2022 Warrant Agreement, the Investors holders are entitled to, among other things, registration rights with respect to the 2022 Warrant Shares, anti-dilution protection (subject to customary carve-outs) and pre-emptive rights.

Public Stockholders' Warrants

Each whole public warrant Public Warrant entitles the registered holder to purchase one share of Common Stock at a price of \$11.50 \$575.00 per share, subject to adjustment as discussed below, at any time commencing on the date that is 12 months from the closing of FAII's initial public offering, below. A warrant holder may exercise its Public Warrants only for a whole number of shares of Common Stock. This means that only a whole public warrant Public Warrant may be exercised at any given time by a warrant holder. No fractional Public Warrants will be issued upon separation of the units and only whole Public Warrants will trade. The Public Warrants will expire five years after the completion of our initial business combination, at 5:00 p.m., New York City time, or earlier upon redemption or liquidation.

We are not obligated to deliver any shares of Common Stock pursuant to the exercise of a public warrant Public Warrant and will have no obligation to settle such public warrant Public Warrant exercise unless a registration statement under the Securities Act of 1933, as amended (the "Securities Act"), with respect to the shares of Common Stock underlying the Public Warrants is then effective and a prospectus relating thereto is current, subject to our satisfying our obligations described below with respect to registration. No public warrant Public Warrant will be exercisable for cash or on a cashless basis, and we will not be obligated to issue any shares of Common Stock to holders seeking to exercise their Public Warrants, unless the issuance of the such shares upon such exercise is registered or qualified under the securities laws of the state of the exercising holder, or an exemption is available. In the event that the conditions in the two immediately preceding sentences are not satisfied with respect to a public warrant, Public Warrant, the holder of such public warrant Public Warrant will not be entitled to exercise such public warrant Public Warrant and such public warrant Public Warrant may have no value and expire worthless. In no event will we be required to net cash to settle any warrant. In the event that a registration statement is not effective for the exercised Public Warrants, the purchaser of a unit containing such public warrant Public Warrant will have paid the full purchase price for the unit solely for the share of Common Stock underlying such unit.

We have registered the shares of Common Stock issuable upon exercise of the Public Warrants. We will use our best efforts to maintain the effectiveness of such registration statement, and a current prospectus relating thereto, until the expiration of the Public Warrants in accordance with the provisions of the warrant agreement. Notwithstanding the above, if our the Common Stock is at the time of any exercise of a public warrant Public Warrant not listed on a national securities exchange such that it satisfies the definition of a "covered security" under Section 18(b)(1) of the Securities Act, we may, at our option, require holders of Public Warrants who exercise their Public Warrants to do so on a "cashless basis" in accordance with Section 3(a)(9) of the Securities Act and, in the event we so elect, we will not be required to maintain in effect a registration statement, but will use our best efforts to register or qualify the shares under applicable blue sky laws to the extent an exemption is not available.

Redemption of Warrants for Cash. Once the Public Warrants become exercisable, we may call the Public Warrants for redemption:

- in whole and not in part;
- at a price of \$0.01 per public warrant; Public Warrant;
- upon not less than 30 days' prior written notice of redemption to each warrant holder; and
- if, and only if, the last reported sale price of shares of the Common Stock equals or exceeds \$18.00 \$900.00 per share (as adjusted for stock splits, stock dividends, reorganizations, recapitalizations and the like) for any 20 trading days within a 30 trading day period ending on the third trading day prior to the date we send to the notice of

redemption to the warrant holders.

If and when the Public Warrants become redeemable by us, we may exercise our redemption right even if we are unable to register or qualify the underlying securities for sale under all applicable state securities laws. As a result, we may redeem the **warrants** **Public Warrants** as set forth above even if the holders are otherwise unable to exercise their warrants.

We have established the last of the redemption criterion discussed above to prevent a redemption call unless there is at the time of the call a significant premium to the warrant exercise price. If the foregoing conditions are satisfied and we issue a notice of redemption of the Public Warrants, each warrant holder will be entitled to exercise his, her or its public warrant prior to the scheduled redemption date. However, the price of the Common Stock may fall below the **\$18.00** **\$900.00** redemption trigger price (as adjusted for stock splits, stock dividends, reorganizations, recapitalizations and the like) as well as the **\$11.50** **\$575.50** warrant exercise price after the redemption notice is issued.

Redemption of Warrants for Common Stock. Commencing 90 days after the Public Warrants become exercisable, we may redeem the Public Warrants (except as described herein with respect to the Private Placement Warrants):

- in whole and not in part;
- at \$0.10 per warrant upon a minimum of 30 days' prior written notice of redemption provided that holders will be able to exercise their warrants prior to redemption and receive that number of shares determined by reference to the table below, based on the redemption date and the "fair market value" of our Common Stock except as otherwise described below;
- if, and only if, the last reported sale price of our Common Stock equals or exceeds **\$10.00** **\$500.00** per share (as adjusted for stock splits, stock dividends, reorganizations, recapitalizations and the like) on the trading day prior to the date on which we send the notice of redemption to the warrant holders;
- if, and only if, the Private Placement Warrants are also concurrently exchanged at the same price (equal to a number of shares of Common Stock) as the outstanding Public Warrants, as described above; and
- if, and only if, there is an effective registration statement covering the issuance of the shares of Common Stock issuable upon exercise of the warrants and a current prospectus relating thereto available throughout the 30-day period after written notice of redemption is given.

The numbers in the table below represent the number of shares of Common Stock that a warrant holder will receive upon exercise in connection with a redemption by us pursuant to this redemption feature, based on the "fair market value" of our Common Stock on the corresponding redemption date (assuming holders elect to exercise their warrants and such warrants are not redeemed for \$0.10 per **public warrant** **Public Warrant**), determined based on the average of the last reported sales price for the ten trading days ending on the third trading day prior to the date on which the notice of redemption is sent to the holders of Public Warrants, and the number of months that the corresponding redemption date precedes the expiration date of the Public Warrants, each as set forth in the table below.

The share prices set forth in the column headings of the table below will be adjusted as of any date on which the number of shares issuable upon exercise of a **public warrant** **Public Warrant** is adjusted as set forth below. The adjusted stock prices in the column headings will equal the stock prices immediately prior to such adjustment, multiplied by a fraction, the numerator of which is the number of shares deliverable upon exercise of a **public warrant** **Public Warrant** immediately prior to such adjustment and the denominator of which is the number of shares deliverable upon exercise of a **public warrant** **Public Warrant** as so adjusted. The number of shares in the table below shall be adjusted in the same manner and at the same time as the number of shares issuable upon exercise of a **public warrant**.

Redemption Date (period to expiration of warrants)	Fair Market Value of Common Stock								
	10.00	11.00	12.00	13.00	14.00	15.00	16.00	17.00	18.00
57 months	0.257	0.277	0.294	0.310	0.324	0.337	0.348	0.358	0.365
54 months	0.252	0.272	0.291	0.307	0.322	0.335	0.347	0.357	0.365
51 months	0.246	0.268	0.287	0.304	0.320	0.333	0.346	0.357	0.365
48 months	0.241	0.263	0.283	0.301	0.317	0.332	0.344	0.356	0.365
45 months	0.235	0.258	0.279	0.298	0.315	0.330	0.343	0.356	0.365
42 months	0.228	0.252	0.274	0.294	0.312	0.328	0.342	0.355	0.364
39 months	0.221	0.246	0.269	0.290	0.309	0.325	0.340	0.354	0.364

36 months	0.213	0.239	0.263	0.285	0.305	0.323	0.339	0.353	0.364
33 months	0.205	0.232	0.257	0.280	0.301	0.320	0.337	0.352	0.364
30 months	0.196	0.224	0.250	0.274	0.297	0.316	0.335	0.351	0.364
27 months	0.185	0.214	0.242	0.268	0.291	0.313	0.332	0.350	0.364
24 months	0.173	0.204	0.233	0.260	0.285	0.308	0.329	0.348	0.364
21 months	0.161	0.193	0.223	0.252	0.279	0.304	0.326	0.347	0.364
18 months	0.146	0.179	0.211	0.242	0.271	0.298	0.322	0.345	0.363
15 months	0.130	0.164	0.197	0.230	0.262	0.291	0.317	0.342	0.363
12 months	0.111	0.146	0.181	0.216	0.250	0.282	0.312	0.339	0.363
9 months	0.090	0.125	0.162	0.199	0.237	0.272	0.305	0.336	0.362
6 months	0.065	0.099	0.137	0.178	0.219	0.259	0.296	0.331	0.362
3 months	0.034	0.065	0.104	0.150	0.197	0.243	0.286	0.326	0.361
0 months	—	—	0.042	0.115	0.179	0.233	0.281	0.323	0.361

Public Warrant.

The share prices and number of shares in the table below do not give effect to the Reverse Stock Split.

Redemption Date (period to expiration of warrants)	Fair Market Value of Common Stock								
	10.00	11.00	12.00	13.00	14.00	15.00	16.00	17.00	18.00
57 months	0.257	0.277	0.294	0.310	0.324	0.337	0.348	0.358	0.365
54 months	0.252	0.272	0.291	0.307	0.322	0.335	0.347	0.357	0.365
51 months	0.246	0.268	0.287	0.304	0.320	0.333	0.346	0.357	0.365
48 months	0.241	0.263	0.283	0.301	0.317	0.332	0.344	0.356	0.365
45 months	0.235	0.258	0.279	0.298	0.315	0.330	0.343	0.356	0.365
42 months	0.228	0.252	0.274	0.294	0.312	0.328	0.342	0.355	0.364
39 months	0.221	0.246	0.269	0.290	0.309	0.325	0.340	0.354	0.364
36 months	0.213	0.239	0.263	0.285	0.305	0.323	0.339	0.353	0.364
33 months	0.205	0.232	0.257	0.280	0.301	0.320	0.337	0.352	0.364
30 months	0.196	0.224	0.250	0.274	0.297	0.316	0.335	0.351	0.364
27 months	0.185	0.214	0.242	0.268	0.291	0.313	0.332	0.350	0.364
24 months	0.173	0.204	0.233	0.260	0.285	0.308	0.329	0.348	0.364
21 months	0.161	0.193	0.223	0.252	0.279	0.304	0.326	0.347	0.364
18 months	0.146	0.179	0.211	0.242	0.271	0.298	0.322	0.345	0.363
15 months	0.130	0.164	0.197	0.230	0.262	0.291	0.317	0.342	0.363
12 months	0.111	0.146	0.181	0.216	0.250	0.282	0.312	0.339	0.363
9 months	0.090	0.125	0.162	0.199	0.237	0.272	0.305	0.336	0.362
6 months	0.065	0.099	0.137	0.178	0.219	0.259	0.296	0.331	0.362
3 months	0.034	0.065	0.104	0.150	0.197	0.243	0.286	0.326	0.361
0 months	—	—	0.042	0.115	0.179	0.233	0.281	0.323	0.361

The exact fair market value and redemption date may not be set forth in the table above, in which case, if the fair market value is between two values in the table or the redemption date is between two redemption dates in the table, the number of shares of Common Stock to be issued for each public warrant Public Warrant exercised will be determined by a straight-line interpolation between the number of shares set forth for the higher and lower fair market values and the earlier and later redemption dates, as applicable, based on a 365/365 or 366-day year, as applicable. For example, if the average last reported sale price of our Common Stock for the ten trading days ending on the third trading date prior to the date on which the notice of redemption is sent to the holders of the Public Warrants is \$11.00/\$550.00 per share, and at such time there are 57 months until the expiration of the Public Warrants, holders may choose to, in connection with this redemption feature, exercise their Public Warrants for 0.277 shares of our Common Stock for each whole public warrant. Public Warrant. For an example, where the exact fair market value and redemption date are not as set forth in the table above, if the average last reported sale price of our Common Stock for the ten trading days ending on the third trading date prior to the date on which the notice of redemption is sent to the holders of the Public Warrants is \$13.50/\$675.00 per share, and at such time there are 38 months until the expiration of the Public Warrants, holders may choose to, in connection with this redemption feature,

exercise their Public Warrants for 0.298 shares of our Common Stock for each whole **public warrant**, **Public Warrant**. In no event will the Public Warrants be exercisable in connection with this redemption feature for more than 0.365 shares of our Common Stock per **public warrant**, **Public Warrant**. Finally, as reflected in the table above, if the Public Warrants are out of the money and about to expire, they cannot be exercised on a cashless basis in connection with a redemption by us pursuant to this redemption feature, since they will not be exercisable for any shares of Common Stock.

This redemption feature differs from the typical public warrant redemption features used in other blank check offerings, which typically only provide for a redemption of Public Warrants for cash (other than the Private Placement Warrants) when the trading price for the Common Stock exceeds **\$18.00**, **\$900.00** per share for a specified period of time. This redemption feature is structured to allow for all of the outstanding Public Warrants to be redeemed when the Common Stock is trading at or above **\$10.00**, **\$500.00** per share, which may be at a time when the trading price of our Common Stock is below the exercise price of the Public Warrants. We have established this redemption feature to provide us with the flexibility to redeem the Public Warrants without the Public Warrants having to reach the **\$18.00**, **\$900.00** per share threshold set forth above under “—Redemption of Warrants for Cash.” Holders choosing to exercise their Public Warrants in connection with a redemption pursuant to this feature will, in effect, receive a number of shares of Common Stock for their Public Warrants based on an option pricing model with a fixed volatility input. This redemption right provides us with an additional mechanism by which to redeem all of the outstanding Public Warrants, and therefore have certainty as to our capital structure as the Public Warrants would no longer be outstanding and would have been exercised or redeemed and we will be required to pay the redemption price to public warrant holders if we choose to exercise this redemption right and it will allow us to quickly proceed with a redemption of the Public Warrants if we determine it is in our best interest to do so. As such, we would redeem the Public Warrants in this manner when we believe it is in our best interest to update our capital structure to remove the Public Warrants and pay the redemption price to the public warrant holders.

As stated above, we can redeem the Public Warrants when the Common Stock is trading at a price starting at **\$10.00**, **\$500.00**, which is below the exercise price of **\$11.50**, **\$575.00**, because it will provide certainty with respect to our capital structure and cash position while providing public warrant holders with the opportunity to exercise their Public Warrants on a cashless basis for the applicable number of shares, shares of Common Stock. If we choose to redeem the Public Warrants when the Common Stock is trading at a price below the exercise price of the Public Warrants, this could result in the **public warrant** holders receiving fewer Common Stock than they would have received if they had chosen to wait to exercise their Public Warrants for Common Stock if and when such Common Stock were trading at a price higher than the exercise price of **\$11.50**, **\$575.00**.

No fractional shares of Common Stock will be issued upon exercise. If, upon exercise, a holder would be entitled to receive a fractional interest in a share, we will round down to the nearest whole number of the number of Common Stock to be issued to the holder. If, at the time of redemption, the Public Warrants are exercisable for a security other than the shares of Common Stock pursuant to the **warrant agreement** (for instance, if we are not the surviving company in our initial business combination), **IPO Warrant Agreement**, the Public Warrants may be exercised for such security.

Redemption Procedures and Cashless Exercise. If we call the Public Warrants for redemption as described above under “—Redemption of Warrants for Cash,” management will have the option to require any holder that wishes to exercise his, her or its **public warrant**, **Public Warrant** to do so on a “cashless basis.” In determining whether to require all holders to exercise their Public Warrants on a “cashless basis,” our management will consider, among other factors, our cash position, the number of Public Warrants that are outstanding and the dilutive effect on our stockholders of issuing the maximum number of shares of Common Stock issuable upon the exercise of our Public Warrants. If our management takes advantage of this option, all holders of Public Warrants would pay the exercise price by surrendering their Public Warrants for that number of shares of Common Stock equal to the quotient obtained by dividing (A) the product of the number of shares of Common Stock underlying the Public Warrants, multiplied by the excess of the “fair market value” (defined below) over the exercise price of the Public Warrants by (B) the fair market value. The “fair market value” shall mean the average last reported sale price of shares of the Common Stock for the ten trading days ending on the third trading day prior to the date on which the notice of redemption is sent to the holders of Public Warrants. If our management takes advantage of this option, the notice of redemption will contain the information necessary to calculate the number of shares of Common Stock to be received upon exercise of the Public Warrants, including the “fair market value” in such case. Requiring a cashless exercise in this manner will reduce the number of shares to be issued and thereby lessen the dilutive effect of a public warrant redemption. We believe this feature is an attractive option to us if we do not need the cash from the exercise of the Public Warrants after our initial business combination. **Warrants.**

A holder of a **public warrant**, **Public Warrant** may notify us in writing in the event it elects to be subject to a requirement that such holder will not have the right to exercise such **public warrant**, **Public Warrant**, to the extent that after giving effect to such exercise, such person (together with such person's affiliates), to the public warrant agent's actual knowledge,

would beneficially own in excess of 9.8% (or such other amount as a holder may specify) of the shares of Common Stock outstanding immediately after giving effect to such exercise.

Anti-dilution Adjustments. If the number of outstanding shares of our Common Stock is increased by a stock dividend payable in shares of Common Stock to all or substantially all holders of Common Stock, or by a split-up of shares of Common Stock or other similar event, then, on the effective date of such stock dividend, split-up or similar event, the number of shares of Common Stock issuable on exercise of each public warrant will be increased in proportion to such increase in the outstanding shares of Common Stock. A rights offering to holders of shares of Common Stock entitling holders to purchase shares of Common Stock at a price less than the fair market value will be deemed a stock dividend of a number of shares of Common Stock equal to the product of (A) the number of shares of Common Stock actually sold in such rights offering (or issuable under any other equity securities sold in such rights offering that are convertible into or exercisable for Common Stock) multiplied by (B) one (1) minus the quotient of (i) the price per share of Common Stock paid in such rights offering divided by (ii) the fair market value. For these purposes (A) if the rights offering is for securities convertible into or exercisable for Common Stock, in determining the price payable for Common Stock, there will be taken into account any consideration received for such rights, as well as any additional amount payable upon exercise or conversion and (B) fair market value means the volume weighted average price of Common Stock as reported during the ten trading day period ending on the trading day prior to the first date on which the shares of Common Stock trade on the applicable exchange or in the applicable market, regular way, without the right to receive such rights.

In addition, if we, at any time while the Public Warrants are outstanding and unexpired, pay a dividend or make a distribution in cash, securities or other assets to all or substantially all holders of Common Stock on account of such shares of Common Stock (or other shares of our capital stock into which the Public Warrants are convertible), other than (A) as described above, (B) certain ordinary cash dividends or (C) to satisfy the redemption rights of the holders of Common Stock in connection with the Business Combination, then the **public warrant Public Warrant** exercise price will be decreased, effective immediately after the effective date of such event, by the amount of cash and/or the fair market value of any securities or other assets paid on each share of Common Stock in respect of such event.

If the number of outstanding shares of our Common Stock is decreased by a consolidation, combination, reverse stock split or reclassification of shares of Common Stock or other similar event, then, on the effective date of such consolidation, combination, reverse stock split, reclassification or similar event, the number of shares of Common Stock issuable on exercise of each **public warrant Public Warrant** will be decreased in proportion to such decrease in outstanding shares of Common Stock.

Whenever the number of shares of Common Stock purchasable upon the exercise of the Public Warrants is adjusted, as described above, the **public warrant Public Warrant** exercise price will be adjusted by multiplying the **warrant Public Warrant** exercise price immediately prior to such adjustment by a fraction (A) the numerator of which will be the number of shares of Common Stock purchasable upon the exercise of the Public Warrants immediately prior to such adjustment and (B) the denominator of which will be the number of shares of Common Stock so purchasable immediately thereafter.

In case of any reclassification or reorganization of the outstanding shares of Common Stock (other than those described above or that solely affects the par value of such shares of Common Stock), or in the case of any merger or consolidation of us with or into another corporation (other than a consolidation or merger in which we are the continuing corporation and that does not result in any reclassification or reorganization of our outstanding shares of Common Stock), or in the case of any sale or conveyance to another corporation or entity of the assets or other property of us as an entirety or substantially as an entirety in connection with which we are dissolved, the holders of the Public Warrants will thereafter have the right to purchase and receive, upon the basis and upon the terms and conditions specified in the Common Stock and in lieu of our shares of Common Stock immediately theretofore purchasable and receivable upon the exercise of the rights represented thereby, the kind and amount of shares of stock or other securities or property (including cash) receivable upon such reclassification, reorganization, merger or consolidation, or upon a dissolution following any such sale or transfer, that the holder of the Public Warrants would have received if such holder had exercised their Public Warrants immediately prior to such event. However, if such holders were entitled to exercise a right of election as to the kind or amount of securities, cash or other assets receivable upon such consolidation or merger, then the kind and amount of securities, cash or other assets for which each **public warrant Public Warrant** will become exercisable will be deemed to be the weighted average of the kind and amount received per share by such holders in such consolidation or merger that affirmatively make such election, and if a tender, exchange or redemption offer has been made to and accepted by such holders under circumstances in which, upon completion of such tender or exchange offer, the maker thereof, together with members of any group (within the meaning of Rule 13d-5(b)(1) under the Exchange Act) of which such maker is a part, and together with any affiliate or associate of such maker (within the meaning of Rule 12b-2 under the Exchange Act) and any members of any such group of which any such affiliate or associate is a part, own beneficially (within the meaning of Rule 13d-3 under the Exchange Act) more than 50% of the outstanding Common Stock, the holder of a **public warrant Public Warrant** will be entitled to receive the highest amount of cash, securities or other property to which such holder would actually have been entitled as a stockholder if such public warrant holder had exercised the **public warrant Public Warrant** prior to the expiration of such tender or exchange offer, accepted such offer and all of the

Common Stock by such holder had been purchased pursuant to such tender or exchange offer, subject to adjustment (from and after the consummation of such tender or exchange offer) as nearly equivalent as possible to the adjustments provided for in the **warrant agreement** **IPO Warrant Agreement**.

Additionally, if less than 70% of the consideration receivable by the holders of Common Stock in such a transaction is payable in the form of capital stock or shares in the successor entity that is listed for trading on a national securities exchange or is quoted in an established over-the-counter market, or is to be so listed for trading or quoted immediately following such event, and if the registered holder of the **public warrant** **Public Warrant** properly exercises the **public warrant** **Public Warrant** within 30 days following public disclosure of such transaction, the **public warrant** exercise price will be reduced as specified in the **warrant agreement** **IPO Warrant Agreement** based on the per share consideration minus the Black-Scholes Warrant Value (as defined in the **warrant agreement** **IPO Warrant Agreement**) of the **warrant**.

Public Warrant.

The Public Warrants were issued in registered form under a warrant agreement between Continental Stock Transfer & Trust Company, as warrant agent, and FAII. You should review a copy of the **warrant agreement**, which was filed as an exhibit to the registration statement pertaining to FAII's us (the "IPO Warrant Agreement"). The IPO for a complete description of the terms and conditions applicable to the warrants. The **warrant agreement** **Warrant Agreement** provides that the terms of the **warrants** **Public Warrants** may be amended without the consent of any holder to cure any ambiguity or correct any defective provision, but requires the approval by the holders of at least 50% of the then outstanding Public Warrants to make any change that adversely affects the interests of the registered holders of Public Warrants.

The warrant holders do not have the rights or privileges of holders of Common Stock and any voting rights until they exercise their **warrants** **Public Warrants** and receive shares of Common Stock. After the issuance of shares of Common Stock upon exercise of the **warrants**, **Public Warrants**, each holder will be entitled to one vote for each share held of record on all matters to be voted on by stockholders.

Sponsor Private Placement Warrants

The Sponsor purchased 5,933,333 Private Placement Warrants at a price of \$1.50 per Private Placement Warrant for an aggregate purchase price of \$8,900,000 in a Private Placement that occurred on FAII's IPO closing date. The Private Placement Warrants **were issued under the IPO Warrant Agreement and** are identical to the Public Warrants **sold as part of the units in FAII's IPO** except that, so long as they are held by the Sponsor or its permitted transferees, (A) they will not be redeemable by us (except as described above under "Description" **Description of Securities—Warrants—Public Stockholders' Warrants—Redemption of warrants for Class A common stock**" **stock**"), (B) they will not be transferable, assignable or salable until 30 days after the completion of the Business Combination (except, among other limited exceptions, to our officers and directors and other persons or entities affiliated with the Sponsor), (C) they may be exercised by the holders on a cashless basis and (D) they (including the shares of Common Stock issuable upon exercise of these warrants) are entitled to registration rights. If the Private Placement Warrants are held by holders other than Sponsor or its permitted transferees, the Private Placement Warrants will be redeemable by us in all redemption scenarios and exercisable by the holders on the same basis as the **warrants included in the units sold in FAII's initial public offering** **Public Warrants**.

If holders of the Private Placement Warrants elect to exercise their warrants on a cashless basis, they would pay the exercise price by surrendering his, her or its warrants for that number of shares of Common Stock equal to the quotient obtained by dividing (A) the product of the number of shares of Common Stock underlying the warrants, multiplied by the excess of the "fair market value" (defined below) over the exercise prices of the **such** **warrants** by (B) the fair market value. The "fair market value" shall mean the average last reported sale price of the Common Stock for the ten trading days ending on the third trading day prior to the date on which the notice of warrant exercise is sent to the warrant agent. The reason that we have agreed that these warrants will be exercisable on a cashless basis so long as they are held by Sponsor and its permitted transferees is because it is not known at this time whether they will be affiliated with us following a business combination. If they remain affiliated with us, their ability to sell our securities in the open market will be significantly limited. We have policies in place that prohibit insiders from selling our securities except during specific periods of time. Even during such periods of time when insiders are permitted to sell our securities, an insider cannot trade in our securities if he or she is in possession of material non-public information.

Accordingly, unlike public stockholders who could exercise their warrants and sell the shares of Common Stock received upon such exercise freely in the open market in order to recoup the cost of such exercise, the insiders could be significantly restricted from selling such securities. As a result, we believe that allowing the holders to exercise such warrants on a cashless basis is appropriate.

Convertible Notes

On April 17, 2023, we entered into a Second Lien Note Purchase Agreement (the "Original Note Purchase Agreement") with the parties thereto, pursuant to which we exchanged \$100.0 million of the aggregate principal amount of the term loans under the 2022 Credit Agreement, held by certain of the Company's preferred equityholders for \$100.0 million aggregate principal amount of a new stapled security, comprised of (A) second lien PIK convertible notes (the "Notes") and (B) shares of Series B Preferred Stock. In addition, on June 15, 2023, we entered into a First Amendment to Note Purchase Agreement with the parties thereto, pursuant to which we issued an additional \$3,243,302.02 aggregate principal amount of Notes and shares of Series B Preferred Stock (together with the Original Note Purchase Agreement, the "Note Purchase Agreement").

The Notes bear interest at a rate of 8.00% per annum, payable quarterly in-kind in the form of additional Notes by capitalizing the amount of such interest on the outstanding principal balance of the Notes in arrears on each interest payment date. The Notes will mature on August 24, 2028, unless earlier repurchased or converted. The Notes may be converted, in whole or in part (if the portion to be converted is \$1,000 principal amount or an integral multiple thereof), at the option of the holder, into shares of Common Stock at an initial fixed conversion price of \$12.50 (subject to adjustment as provided in the Note Purchase Agreement).

The Notes are guaranteed by Wilco Holdco, Inc., Wilco Intermediate Holdings, Inc., ATI Holdings Acquisition, Inc., and the subsidiaries of ATI Holdings Acquisition, Inc. that guaranty the obligations under the 2022 Credit Agreement. The Notes are secured by the same collateral that secures the obligations under the 2022 Credit Agreement.

Pursuant to the terms of an intercreditor and subordination agreement, the Notes (and the guarantees thereof) rank junior in right of payment to the obligations under the 2022 Credit Agreement, and the liens on the collateral securing the Notes rank junior to the liens on such collateral securing the obligations under the 2022 Credit Agreement.

Certain Anti-Takeover Provisions of Delaware Law, the Company's Certificate of Incorporation Charter and Bylaws

Provisions The following is a summary of provisions of the DGCL and our Second Amended Charter and Restated Certificate of Incorporation Bylaws that may be deemed to have an anti-takeover effect and **Amended and Restated Bylaws could** **may** make it more difficult to acquire the Company by means of a tender offer, a proxy contest or otherwise, or to remove incumbent officers and directors. These provisions, summarized below, are intended to discourage coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of the Company to first negotiate with the board of directors. We believe that the benefits of these provisions outweigh the disadvantages of discouraging certain takeover or acquisition proposals because, among other things, negotiation of these proposals could result in an improvement of their terms and enhance the ability of the Board to maximize stockholder value. However, these provisions may delay, deter or prevent a merger or acquisition of us that a stockholder might consider is in its best interest, including those attempts that might result in a premium over the prevailing market price of our Common Stock.

Business Combinations

We have opted out of Section 203 of the DGCL; however the Second Amended and Restated Certificate of Incorporation contains a provision that is substantially similar to Section 203, but excludes Advent and its affiliates and successors and investment funds affiliated with Advent (the "Excluded Parties") from the definition of "interested stockholder," and make certain related changes. Upon consummation of the Business Combination, the Excluded Parties became "interested stockholders" within the meaning of Section 203 of the DGCL, but are not subject to the restrictions on business combinations set forth in Section 203, as the FAII Board approved the Business Combination in which the Excluded Parties became interested stockholders prior to such time they became interested stockholders.

In addition, our Second Amended and Restated Certificate of Incorporation Charter provides for certain other provisions that may have an anti-takeover effect:

- the Company's Board approved the transaction that made the stockholder an "interested stockholder," prior to the date of the transaction;
- after the completion of the transaction that resulted in the stockholder becoming an interested stockholder, that stockholder owned at least 85% of our voting stock outstanding at the time the transaction commenced, other than certain excluded shares of Common Stock; or
- on or subsequent to the date of the transaction, the business combination is approved by the Company's Board and authorized at a meeting of our stockholders, and not by written consent, by an affirmative vote of at least two-thirds of the outstanding voting stock not owned by the interested stockholder.

In addition, our Second Amended and Restated Certificate of Incorporation provide for certain other provisions that may have an anti-takeover effect:

- There is no cumulative voting with respect to the election of directors.

- Our Board is empowered to appoint a director to fill a vacancy created by the expansion of the Board or the resignation, death, or removal of a director in certain circumstances.
- Directors may only be removed from the Board for cause.
- A prohibition on Our Bylaws prohibit stockholder action by written consent, which forces stockholder action to be taken at an annual or special meeting of our stockholders.

- A prohibition on Our Bylaws prohibit stockholders from calling a special meeting and the requirement require that a meeting of the stockholders may only be called by members of our Board, by our Chief Executive Officer or by our Chairman, which may delay the ability of our stockholders to force consideration of a proposal or to take action, including the removal of directors.
- Our authorized but unissued common stock and preferred stock are available for future issuances without stockholder approval and could be utilized for a variety of corporate purposes, including future offerings to raise additional capital, acquisitions and employee benefit plans. The existence of authorized but unissued and unreserved common stock and preferred stock could render more difficult or discourage an attempt to obtain control of us by means of a proxy contest, tender offer, merger or otherwise.

Classified Board

Under the terms of Our Bylaws require that any stockholder proposals or nominations for election to our Second Amended and Restated Certificate of Incorporation, the Board is divided into three classes, Class I, Class II and Class III, with only one class of directors being elected in each year and each class (except must meet specific advance notice requirements, which make it more difficult for those directors appointed our stockholders to Class I and Class II) serving a three-year term. Each class make proposals or director nominations.

Business Combinations

We have opted out of directors is voted on at the annual meeting Section 203 of the stockholders DGCL; however the Charter contains a provision that is substantially similar to Section 203, but excludes Advent and its affiliates and successors and investment funds affiliated with Advent (the "Excluded Parties") from the definition of "interested stockholder," and make certain related changes. Upon consummation of the Company every third year. Directors will be elected by a plurality Business Combination, the Excluded Parties became "interested stockholders" within the meaning of Section 203 of the votes cast at a meeting of DGCL, but are not subject to the stockholders by holders of Common Stock. So long restrictions on business combinations set forth in Section 203, as the FAll Board is classified, it would take at least two elections of directors for any individual or group to gain control of approved the Board. Accordingly, while Business Combination in which the classified board is in effect, these provisions could discourage a third party from initiating a proxy contest, making a tender offer or otherwise attempting to gain control of the Company.

Advance notice requirements for stockholder proposals and director nominations

The Amended and Restated Bylaws provide that Excluded Parties became interested stockholders seeking to bring business before the annual meeting of the stockholders, or to nominate candidates for election as directors at the annual meeting of the stockholders, must provide timely notice of their intent in writing. To be timely, a stockholder's notice will need to be received by the Company's secretary at our principal executive offices not later than the close of business on the 90th nor earlier than the close of business on the 120th day prior to the anniversary date of the immediately preceding annual meeting of the such time they became interested stockholders. Pursuant to Rule 14a-8 of the Exchange Act, proposals seeking inclusion in our annual proxy statement must comply with the notice periods contained therein. The Amended and Restated Bylaws also specify certain requirements as to the form and content of a stockholders' meeting. These provisions may preclude our stockholders from bringing matters before our annual meeting of the stockholders or from making nominations for directors at our annual meeting of the stockholders.

Right of Certain Company Stockholders to Appoint Members of the Board

In connection with the execution Holders of the Merger Agreement, FAll and Series A Preferred Stock have certain holders of Company stock affiliated with Advent entered into the Stockholders Agreement, pursuant to which, among other things, Advent is entitled to designate for nomination to the Board (A) five directors if Advent holds equal to or greater than 50% of the outstanding shares of Common Stock, (B) four directors if Advent holds less than 50% but equal to or greater than 38% of the outstanding shares of Common Stock, (C) three directors if Advent holds less than 38% but equal to or greater than 26% of the outstanding shares of Common Stock, (D) two directors if Advent holds less than 26% but equal to or greater than 13% of the outstanding shares of Common Stock and (E) one director if Advent holds less than 13% but equal to or greater than 5% of the outstanding shares of Common designation rights, as described above under "Series A Preferred Stock."

Exclusive Forum

The Amended and Restated Bylaws provide that, unless ATI consents to the selection of an alternative forum, any (A) derivative action or proceeding brought on behalf of ATI, (B) action asserting a claim of breach of a fiduciary duty owed by any director, officer, stockholder or employee to ATI or its stockholders, (C) action asserting a claim against ATI or its directors, officers or employees arising pursuant to any provision of the DGCL or our Second Amended and Restated Certificate of Incorporation Charter or the Amended and Restated Bylaws or (D) action asserting a claim against ATI or its directors, officers or employees governed by the internal affairs doctrine shall, to the fullest extent permitted by law, be exclusively brought in the Court of Chancery of the State of Delaware. Additionally, the Amended and Restated Bylaws also provide that, to the fullest extent permitted by law, unless ATI consents to the selection of an alternative forum, the federal district courts of the United States of America will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act. Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of ATI shall be deemed to have notice of and consented to the forum provisions in the Amended and Restated Bylaws. This exclusive forum provision will not apply to claims under the Exchange Act but will apply to other state and federal law claims including actions arising under the Securities Act. Section 22 of the Securities Act, however, creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. Accordingly, there is uncertainty as to whether a court would enforce such a forum selection provision as written in connection with claims arising under the Securities Act, and investors cannot waive compliance with the federal securities laws and the rules and regulations thereunder.



SI

Execution Version WEIL:\99037057\16\18434.0011 THIS TRANSACTION SUPPORT AGREEMENT IS NOT AND SHALL NOT BE DEEMED AN OFFER OR ACCEPTANCE WITH RESPECT TO ANY SECURITIES. ANY SUCH OFFER OR SOLICITATION WILL COMPLY WITH ALL APPLICABLE SECURITIES LAWS. NOTHING CONTAINED IN THIS TRANSACTION SUPPORT AGREEMENT SHALL BE AN ADMISSION OF FACT OR LIABILITY OR, UNTIL THE OCCURRENCE OF THE SUPPORT EFFECTIVE DATE (AS DEFINED HEREIN), DEEMED BINDING ON ANY OF THE PARTIES TO THIS AGREEMENT ON THE TERMS DESCRIBED IN THIS AGREEMENT. TRANSACTION SUPPORT AGREEMENT This TRANSACTION SUPPORT AGREEMENT (together with all exhibits, schedules, ATI Physical Therapy, Inc.

Insider Trading and attachments hereto, as amended, supplemented, amended Regulation FD Policy

I. INTRODUCTION

A. Purpose

The purpose of this Insider Trading and restated, or otherwise modified from time Regulation FD Policy (this "Policy") is to time in accordance with the terms hereof, this "Agreement", dated as of March 15, 2023, is entered into by and among: (i) help ATI Physical Therapy, Inc. ("Topco"), ATI Holdings Acquisition, Inc. and its subsidiaries (the "Borrower"), Wilco Intermediate Holdings, Inc. ("Holdings" "Company") comply with U.S. federal and state securities laws, as well as similar laws in other countries where the Guarantors under Company does business, and to preserve the Credit Agreement (each, a "Company Party" reputation and collectively, the "Company" or the "Company Parties"); (ii) Barclays Bank PLC ("Barclays"), as lender under the Credit Agreement; (iii) Barclays, as Administrative Agent under the Credit Agreement (pursuant to Section 28 hereof); (iv) HPS Investment Partners, LLC, as Lender Representative under the Credit Agreement and each HPS Lender under the Credit Agreement ("HPS" and together with Barclays, the "Consenting First Lien Lenders"); (v) Certain entities affiliated with or managed by, or affiliates of each of (a) Knighthead Capital Management, LLC, (b) Marathon Asset Management LP, (c) Onex Credit Management LLC and Onex Credit Partners, LLC, and (d) Caspian Capital L.P., as holders of 100% integrity of the Preferred Stock Company.

B. What Is Insider Trading?

Insider trading is illegal and prohibited. Insider trading occurs when a person who is aware of material non-public information about a company buys or sells that company's securities or provides material non-public information to the extent specified another person who may trade on the signature pages hereto, as lenders under the Credit Agreement; and (vi) The undersigned investment entities affiliated with Advent International Corporation ("Advent" and together with the Consenting First Lien Lenders and the Consenting Preferred Equityholders, the "Consenting Stakeholders"), as holder basis of that information.

C. What Securities are Subject to this Policy?

This Policy applies to purchases or sales of the majority of the Common Stock issued and outstanding Company's securities (e.g., common stock, as of the date hereof. Each Company Party and Consenting Stakeholder is referred to well as a "Party" and collectively, the "Parties." WHEREAS, the Parties have agreed to undertake the Transaction (as defined herein) on the terms and subject to the conditions set forth herein, including as set forth in the Transaction Exhibit 10.1



-2- WEIL:\9903705\16\18434.0011 Term Sheet (as defined herein), which is the product of arm's-length, good faith discussions between the Parties and their respective advisors; WHEREAS, as of the date hereof, each Consenting First Lien Lender and Consenting Crossholder is the beneficial owner options, puts, calls [] the investment advisor or manager for the beneficial owner(s), of Term Loans or Revolving Loans, as applicable, in the amount set forth on its signature page hereto; WHEREAS, as of the date hereof, each Consenting Preferred Equityholder is the beneficial owner, or the investment advisor or manager for the beneficial owner(s), of Preferred Stock in the amounts set forth on its signature page hereto; WHEREAS, as of the date hereof, HPS and the Consenting Crossholders collectively hold, directly or indirectly, 100% of the outstanding Term Loans; WHEREAS, as of the date hereof, the Consenting Preferred Equityholders collectively hold, directly or indirectly, 100% of the Preferred Stock; WHEREAS, as of the date hereof, Advent holds, directly or indirectly, in excess of 56% of the Common Stock issued and outstanding as of the date hereof; and WHEREAS, the Parties desire to express to each [] their mutual support and commitment in respect of the matters addressed in this Agreement and in the transaction term sheet attached hereto as Exhibit A (together with all term sheets, schedules, exhibits, and annexes attached thereto, and as may be modified in accordance with the terms hereof, the "Transaction Term Sheet"). NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, agree as follows:

1. Certain Definitions. Capitalized terms used but not defined in this Agreement shall have the meanings ascribed to them in the Transaction Term Sheet. As used in this Agreement, the following terms have the following meanings:

(a) "Administrative Agent" as defined in the definition of "Credit Agreement".

(b) "Agreement Among Lenders" has the meaning ascribed to the term "AAL" in the Credit Agreement.

(c) "Alternative Transaction" means any plan, dissolution, winding up, liquidation, receivership, assignment for the benefit of creditors, workout, sale or disposition, reorganization, assignment for the benefit of creditors, merger, consolidation, tender offer, exchange offer, business combination, joint venture, partnership, sale of all or substantially all assets, debt Exhibit 10.1

slide3

(3) WFI 1990370571618434.0011 equitization, recapitalization, refinancing, material amendment, new money financing, transaction or restructuring of any of the Company Parties or their assets other than the Transaction, as set forth in the Transaction Term Sheet. (d) "Assignment and Assumption Agreement" means the Master Assignment and Assumption Agreement, the terms and conditions of which are materially set forth in the Transaction Term Sheet. (e) "Certificate of Designation Amendment" means that certain Certificate of Amendment to Certificate of Designation of Series A Senior Preferred Stock of Topco, filed with the Delaware Secretary of State on or prior to the Closing Date. (f) "Claim" means, except as otherwise defined solely for the purposes of section 6 of this Agreement, any right to payment, ~~derivatives~~, such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured. (g) "Closing Date" means, ~~issued by~~, the date on which the Transaction is consummated. (h) "Common Stock" means Topco's issued and outstanding Class A common stock. (i) "Consenting Crossholder" means any party to this agreement which is both a lender under the Credit Agreement and a holder of Preferred Stock, in each case as indicated on the signature page or applicable Joinder Agreement for such party. (j) "Consenting Preferred Equityholder" means any party to this agreement which is a holder of Preferred Stock, as indicated on the signature page or applicable Joinder Agreement for such party. (k) "Consenting Preferred Equityholders' Consent" means that certain Action by Written Consent of the Series A Senior Preferred Stockholders of the Company approving the Transaction and certain related matters. (l) "Credit Agreement" means that certain Credit Agreement, dated as of February 24, 2022, by and among the Borrower, Holdings, the lenders party thereto, Barclays, as Administrative Agent (together with its permitted successors and assigns in such capacity, the "Administrative Agent"), and HPS Investment Partners LLC, as Lender Representative, as amended by that certain Amendment No. 1 to Credit Agreement dated as of March 30, 2022. (m) "Credit Agreement Amendment" means Amendment No. 2 to the Credit Agreement, the material terms and conditions of which are set forth in the Transaction Term Sheet and Exhibit B to the Transaction Term Sheet. (n) "Default" has the meaning assigned to such term in the Credit Agreement. (o) "Definitive Documents" means the material agreements that are necessary to implement the Transaction, including, but not limited to: (a) the Credit Agreement Amendment, (b) the Assignment and Assumption Agreement, (c) any documents relating to the New Money Exhibit 10.1.

4- WEIL:\99037057\16\18434.0011 Financing, including, without limitation, the Second Lien Note Purchase Agreement, the Intercreditor Agreement, and the Registration Rights Agreement, (d) any documents relating to the Preferred Stock, including, without limitation, the Investors' Rights Agreement Amendment, the Certificate of Designation Amendment, and the Consenting Preferred Equityholders' Consent, (e) the Management Incentive Program, (f) any other documents related to the amendment and/or restatement of the Organizational Documents of the Company required to implement the Transaction, (g) an amendment to the Agreement Among Lenders and (h) such other related documents and ancillary agreements required to implement the Transaction. (p) "Event of Default" has the meaning assigned to such term in the Credit Agreement. (q) "Fees and Expenses" has the meaning set forth in Section 4(v). (r) "First Lien Loans" means the Term Loans and the Revolving Loans. (s) "First Lien Termination Event" means, solely with respect to the Consenting First Lien Lenders, any of the following: (i) if (a) any Default that is, in the good faith determination of the Company, incapable of being cured or (b) an Event of Default shall occur under the Credit Agreement; provided, that, clause (i) shall not apply to any Specified Default; or (ii) notice of the occurrence of a Consenting Stakeholder Termination Event by any other Consenting Stakeholder. (t) "Governmental Authority" means any federal, state, local or other governmental authority having jurisdiction over any of the Company Parties. (u) "Intercreditor Agreement" means the subordination and intercreditor agreement, to be entered as of the Closing Date, by and among the Administrative Agent on behalf of the holders of the First Lien Loans and an agent to be determined on behalf of the New Second Lien PIK Exchangeable Notes. (v) "Interest" means any capital stock, membership interest, partnership interest, or other equity security or rights exercisable or exchangeable into capital stock Company or any other equity security, whether vested or unvested, type of securities that the Company Party. (w) "Investors' Rights Agreement" means may issue, such as preferred stock, debt, convertible debentures and warrants (collectively, "Company Securities"). This Policy also prohibits trading in the securities of another company if you become aware of material non- public information about that certain Investors' Rights Agreement, dated February 24, 2022, by and among Topco and company in the Consenting Preferred Equityholders, among others. (x) "Investors' Rights Agreement Amendment" means that certain First Amendment to course of your position with the Investors' Rights Agreement, to be entered as of the Closing Date, by and among Topco and the Consenting Preferred Equityholders party thereto. (y) "Joinder Agreement" means a joinder Company.

D. Who is subject to this Agreement substantially in the form attached to this Agreement as Exhibit B providing, among other things, that such Person signatory thereto is bound by the terms of this Agreement. For the avoidance of doubt, any party that executes a Joinder Agreement shall be a "Consenting Stakeholder" and "Party" under this Agreement as provided therein. Exhibit 10.1

Policy?

5

15-WEIL\199037057\16\18434.0011 (z) "Loan Documents" has the meaning assigned to such term in the Credit Agreement. (aa) "Majority Consenting Preferred Equityholders" means, at any time, Consenting Preferred Equityholders that collectively beneficially own or control more than at least 50% of all issued and outstanding Preferred Stock at such time. (bb) "Management Incentive Program" means that certain management incentive program to be adopted by Topco as of the Closing Date on terms and conditions reasonably acceptable to each of the Consenting Stakeholders. (cc) "New Money Financing" has the meaning set forth in the Transaction Term Sheet. (dd) "New Second Lien PIK Exchangeable Notes" means the new second lien PIK exchangeable notes to be issued by the Borrower (or, upon the request of the Majority Consenting Preferred Equityholders, Topco) to the Consenting Preferred Equityholders, the material terms of which are set forth in the Transaction Term Sheet. (ee) "Organizational Documents" means (a) with respect to a corporation, the charter, articles or certificate of incorporation, as applicable, and bylaws thereof, (b) with respect to a limited liability company, the certificate of formation or organization, as applicable, and the operating or limited liability company agreement thereof, (c) with respect to a partnership, the certificate of formation and the partnership agreement, and (d) with respect to any other Person the organizational, constituent and/or governing documents and/or instruments of such Person. (ff) "Outside Closing Date" means June 15, 2023. (gg) "Outside Signing Date" means April 15, 2023. (hh) "Person" means any "person" as defined in section 101(41) of the Bankruptcy Code, including any individual, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof or other entity. (ii) "Preferred Equity Held Term Loans" means the Term Loans held by the Consenting Crossholders or their respective affiliates. (jj) "Preferred Stock" means Topco's issued and outstanding Series A Preferred Stock. (kk) "Registration Rights Agreement" means a registration rights agreement to be entered as of the Closing Date, by and among Topco and the Consenting Preferred Equityholders for the benefit of the holders of the New Second Lien PIK Exchangeable Notes and the shares of Common Stock into which such notes are exchangeable. (ll) "Revolving Credit Facility" means the "Revolving Facility" as defined in the Credit Agreement, Exhibit 10.1.

(1) Company Personnel

slide6

-6- WEIL\9903705716\18434 0011 (mm) "Revolving Loans" has the meaning assigned to such term in the Credit Agreement. (nn) "Securities Act" means the Securities Act of 1933, as amended. (oo) "Special Committee" means those certain special committees of the boards of directors of Topco and Borrower. (pp) "Specified Default" means any Default or Event of Default under Section 7.01(e) of the Credit Agreement prior to the Outside Closing Date arising from the Borrower's failure to deliver an audit report for its fiscal year ended December 31, 2022 that satisfies the requirements set forth in Section 5.01(b) of the Credit Agreement. (qq) "Support Effective Date" means the date on which the counterpart signature pages to this Agreement have been executed and delivered by each of the Parties hereto. (rr) "Tax Code" means the Internal Revenue Code of 1986, as amended. (ss) "Term Loan Facility" means the "Term Facility" as defined in the Credit Agreement. (tt) "Term Loans" has the meaning assigned to such term in the Credit Agreement. (uu) "Transaction" means all acts, events, and transactions contemplated by, required for, and taken to implement the transactions contemplated under this Agreement (including the Transaction Term Sheet and, for the avoidance of doubt, all other term sheets, schedules, exhibits, and annexes attached thereto), pursuant to the Definitive Documents, each in the singular and collectively, as applicable. (vv) "TSA Support Period" means the period commencing on the Support Effective Date and ending on the earliest of (i) with respect to any Party, the date on which this Agreement is terminated in accordance with Section 8 hereof with respect to such Party, (ii) the Outside Closing Date, and (iii) the Closing Date. 2. Transaction Term Sheet; Definitive Documents. (a) Transaction Term Sheet. The Transaction Term Sheet (and all schedules, annexes, and exhibits thereof) is expressly incorporated herein by reference and made part of this Agreement as if fully set forth herein. The Transaction Term Sheet, including the schedules, annexes, and exhibits thereto, sets forth certain material terms and conditions of the Transaction. Notwithstanding anything else in this Agreement to the contrary, in the event of any inconsistency between this Agreement and the Transaction Term Sheet (including the attachments thereto, as applicable), the Transaction Term Sheet (including the attachments thereto, as applicable) shall control. (b) Definitive Documents. The Definitive Documents remain subject to negotiation and completion. Each of the Definitive Documents shall (i) contain terms and conditions consistent in all material respects with this Agreement, including, for the avoidance of doubt, the Exhibit 10.1



b- WEIL\99037057\16\18434.0011 consummation of the Transaction (to the extent not prohibited by law or regulation applicable to the Consenting Stakeholders); and (viii) consent to the releases set forth in Section 6 hereof (it being understood that such releases shall not become effective until the Closing Date), provided, that, any obligation, other than with respect to the commitment obligations in connection with the New Money Financing, arising under this Section 3(a) shall not require any Consenting Stakeholder to, directly or indirectly, incur any non de minimis cost, expense, liability, or claim. (b) Temporary Forbearance, Etc. (i) Forbearance by the Consenting Preferred Equityholders and Advent. Each of the Consenting Preferred Equityholders and Advent shall temporarily forbear during the TSA Support Period from the exercise of any and all rights and remedies against any of the Company Parties in contravention of this Agreement or that would reasonably be expected to prevent, interfere with, delay, or impede the consummation of the Transaction, whether at law, in equity, by agreement or otherwise, which are or become available to them in respect of any claims (as defined below) or interests, as applicable, including, without limitation, any rights and all rights and remedies arising under or in connection with the Certificate of Designation or the Investors' Rights Agreement, in each case to the maximum extent permitted by law. For the avoidance of doubt, the foregoing forbearance shall not be construed to impair the ability of the Consenting Stakeholders to take any remedial action, without requirement for any notice, demand, or presentation of any kind (except as required by the Credit Agreement and/or any other Loan Document), at any time after the TSA Support Period (unless the TSA Support Period is terminated solely as a result of the occurrence of the Closing Date). If the Transaction is not consummated or if this Agreement is terminated for any reason (other than termination solely as a result of the occurrence of the Closing Date), the Consenting Stakeholders fully reserve any and all of their rights. (ii) Forbearance by Consenting First Lien Lenders. (A) To induce the Consenting First Lien Lenders to execute this Agreement, each Company Party (for itself and on behalf of each of their respective subsidiaries) hereby acknowledges, stipulates, represents, warrants and agrees as follows: (1) No Default or Event of Default under the Credit Agreement and/or any other Loan Document has occurred and is continuing as of the date hereof; provided that no

representation is made in this sentence with respect to the forbearance in respect of any Specified Default. Except as expressly set forth in this Section 3(b)(ii) with respect to any Specified Default, the agreements of the Consenting First Lien Lenders hereunder to forbear in the exercise of their respective rights, remedies, powers, privileges and defenses under the Loan Documents in respect of any Specified Default during the TSA Support Period do not in any manner whatsoever limit any right of any of the Consenting First Lien Exhibit 10.1

slide9

.9- WEIL\9903705716\18434.0011 Lenders to insist upon compliance with this Agreement or any Loan Document during the TSA Support Period. (2) Nothing has occurred that constitutes or otherwise can be construed or interpreted as a waiver of, or, except as expressly set forth in this Section 3(b)(ii) with respect to any Specified Default, otherwise to limit in any respect, any rights, remedies, powers, privileges and defenses that the Administrative Agent, the Consenting First Lien Lenders or any other lenders under the Credit Agreement have or may have arising as the result of any Default or Event of Default (including any Specified Default) that has occurred or that may occur under the Credit Agreement, the other Loan Documents or applicable law. Except as expressly set forth in this Section 3(b)(ii) with respect to any Specified Default, the Consenting First Lien Lenders' actions in entering into this Agreement are without prejudice to the rights of any of the Administrative Agent, the Consenting First Lien Lenders or any other lenders under the Credit Agreement to pursue any and all remedies under the Loan Documents pursuant to applicable law or in equity available to it in its sole discretion upon the termination (whether upon expiration thereof, upon acceleration or otherwise) of the TSA Support Period. (3) All of the assets pledged, assigned, conveyed, mortgaged, hypothecated or transferred to the Administrative Agent pursuant to the Collateral Documents (as defined in the Credit Agreement) are (and shall continue to be) subject to valid and enforceable, subject to the Legal Reservations (as defined in the Credit Agreement), liens and security interests of the Administrative Agent, as collateral security for all of the Secured Obligations (as defined in the Credit Agreement), subject to no Liens other than Liens permitted by Section 6.02 of the Credit Agreement, and all of the Secured Obligations are secured by unavoidable, subject to the Legal Reservations, first-priority, subject to Liens permitted by Section 6.02 of the Credit Agreement, security interest in and lien on the Collateral, as described in the Collateral Documents. Each Company Party (for itself and for each of their respective subsidiaries) hereby reaffirms and ratifies its prior conveyance to the Administrative Agent of a continuing security interest in and lien on the Collateral (as defined in the Credit Agreement). There are no offsets, counterclaims or defenses (other than any defense arising from the permitted release of any Loan Party from its obligations under the Loan Documents in accordance with the express terms hereof) to any of the Secured Obligations, nor are there any bases for any arguments for avoidance, recharacterization, subordination or any other claim, cause of action or other challenge of any kind to the Secured Obligations or the security interests in and liens on the Collateral, as applicable, under the Bankruptcy Code or under any other applicable law or otherwise. (4) Except as expressly set forth herein in this Section 3(b)(ii) with respect to any Specified Default, the Company Parties understand and accept the temporary nature of the forbearance provided hereby and that the Consenting First Lien Lenders have given no assurances that they will extend such forbearance beyond the TSA Support Period or provide waivers under or amendments to the Exhibit 10.1

-10- WEIL\9903705716\18434.0011 Credit Agreement or any other Loan Document. For the avoidance of doubt, and except as expressly set forth in this Section 3(b)(ii) with respect to any Specified Default, the forbearance in this Section 3(b)(ii) shall not be construed to impair the ability of the Consenting First Lien Lenders to take any remedial action, without requirement for any notice, demand, or presentment of any kind, at any time during or after the TSA Support Period (other than any such notice, demand or presentment that is required by the terms of the Loan Documents). If this Agreement is terminated for any reason, the Consenting First Lien Lenders fully reserve any and all of their rights. (B) Subject to (1) the occurrence of the Support Effective Date and (2) the continuing effectiveness and enforceability of the Loan Documents in accordance with their terms, the Consenting First Lien Lenders and the Consenting Crossholders agree to forbear in the exercise of their respective rights, remedies, powers, privileges and defenses under the Credit Agreement and the other Loan Documents solely in respect of any Specified Default during the TSA Support Period, provided that, (i) without limiting the terms of this clause (B), each Company Party shall comply with all limitations, restrictions, covenants and prohibitions that would otherwise be effective or applicable under the Loan Documents, and (ii) nothing herein shall be construed as a waiver by the Administrative Agent, any Consenting First Lien Lender or any other Lender of any Specified Default. (C) Upon the occurrence of a termination of this Agreement with respect to any of the Consenting First Lien Lenders, this Agreement shall automatically and without any further action or notice terminate and be of no force and effect with respect to the Consenting First Lien Lenders, it being expressly agreed that the effect of such termination will be to permit the Consenting First Lien Lenders to exercise, or cause the exercise of, any rights, remedies, powers, privileges and defenses available to any of them under the Credit Agreement, the other Loan Documents or applicable law, immediately, without any further notice, demand, passage of time, presentment, protest or forbearance of any kind (all of which each Company Party hereby waives), in each case, subject to the terms of the Credit Agreement and the other Loan Documents. Notwithstanding anything contained in this Section 3(b)(ii) to the contrary, nothing in this Section 3(b)(ii) shall supersede, limit, waive or otherwise impair and/or modify the terms of any Definitive Document. Notwithstanding anything to the contrary in this Agreement, it is understood and agreed for the avoidance of doubt that the provisions in this Agreement that reference any Specified Default shall not be deemed to constitute an acknowledgement, inference or admission by the Company that any Specified Default has occurred or will occur. (C) Preservation of Rights. Notwithstanding the foregoing, nothing in this Agreement, shall: (i) be construed to limit consent and approval rights provided in this Agreement, the Transaction Term Sheet, and the Definitive Documents; (ii) be construed to prohibit any Consenting Stakeholder from contesting whether any matter, fact, or thing is a breach of, or is inconsistent with, this Agreement; and (iii) constitute a waiver or amendment of any provision of any documents or agreements that give rise to a Consenting Stakeholder's Claims or Interests, as applicable. Exhibit 10.1

-11- WEIL\99037057\16\18434.0011 (d) New Money Financing Commitment. So long as this Agreement has not been terminated and remains in full force and effect, each of the Consenting Preferred Equityholders (i) hereby commits, severally and not jointly, to provide (including through their affiliated designee(s) or assignee(s)) to the Company on the Closing Date a portion of the New Money Financing in an amount equal to the amount of the New Money Financing commitment set forth below its name on the signature page hereto in the form of the New Second Lien PIK Exchangeable Notes on the terms and conditions set forth in the Transaction Term Sheet (or as otherwise reasonably acceptable to the Consenting Preferred Equityholders, HPS, Barclays and the Company) and subject to the satisfaction of any conditions precedent reasonably agreed among the Consenting Preferred Equityholders and the Company Parties, and (ii) shall instruct the applicable agent or other representative under the New Second Lien PIK Exchangeable Notes to enter into the Intercreditor Agreement on the Closing Date. (e) Treatment of Preferred Equity Held Term Loans. So long as this Agreement has not been terminated and remains in full force and effect, each Consenting Crossholder hereby agrees that on the Closing Date (i) the amount of Preferred Equity Held Term Loans held by such Consenting Crossholder that is set forth below its name on the signature page hereto, which amounts for all such Consenting Crossholders aggregate to \$100,000,000, shall be exchanged for New Second Lien PIK Exchangeable Notes on the terms and conditions set forth in the Transaction Term Sheet (or as otherwise reasonably acceptable to the Consenting Crossholders, HPS, Barclays and the Company) and subject to the satisfaction of any conditions precedent reasonably agreed among the Consenting Crossholders and the Company Parties, and (ii) such Consenting Crossholders shall instruct the applicable agent or other representatives under the New Second Lien PIK Exchangeable Notes to enter into the Intercreditor Agreement on the Closing Date. The New Second Lien PIK Exchangeable Notes shall be issued by the Borrower, or, if requested by the Majority Consenting Preferred Equityholders, Topco. (f) Consent Under the Credit Agreement. So long as this Agreement has not been terminated and remains in full force and effect, and subject to (i) the consummation of the actions contemplated under Section 3(d) and 3(e) above and the other transactions contemplated by the Transaction Term Sheet and (ii) the terms and conditions of this Agreement and the Transaction Term Sheet, each Consenting First Lien Lender and each Consenting Crossholder hereby agrees that on the Closing Date it shall (i) consent to (A) the covenant relief and modifications to the (1) Minimum Liquidity Covenant (as defined in the Credit Agreement), (2) Maximum Secured Net Leverage Covenant (as defined in the Credit Agreement), (B) the waiver of the requirement of the Borrower under Section 5.01(b) of the Credit Agreement to deliver audited financials without a "going concern" explanatory paragraph or like statement for the Fiscal Years (as defined in the Credit Agreement) ending December 31, 2022, December 31, 2023 and December 31, 2024, in each case, as set forth in the Transaction Term Sheet and (C) the other amendments to the Credit Agreement set forth in the Transaction Term Sheet and Exhibit B to the Transaction Term Sheet and (ii) enter into the Documentation and take such actions contemplated by the Transaction Term Sheet. In consideration for the foregoing consent to the Transaction, the Company Parties hereby acknowledge and agree that (A) from and after the date of the Definitive Documents and until the second consecutive date for which Consolidated Adjusted EBITDA of the Borrower and its Subsidiaries for a Test Period ending on the last day of a fiscal quarter ending after the Closing Date is greater than \$50,000,000 and the Borrower shall have delivered a Compliance Certificate (as defined in the Credit Agreement) to the Administrative Agent showing such calculation in Exhibit 10.1

1.12- WEIL\199037057\16\18434.0011 reasonable detail, interest on all Term Loans and Revolving Loans shall be increased by 1.00% per annum, which increased amount shall be paid on each Interest Payment Date (as defined in the Credit Agreement) (i) with respect to the Term Loans, in kind, and (ii) with respect to the Revolving Loans, in cash, (B) the Prepayment Premium with respect to all Term Loans in Section 2.12(f) of the Credit

Agreement shall be reset from the Closing Date, (C) the Credit Agreement Amendment shall include the modifications thereto set forth in the Transaction Term Sheet, (D) the Company shall pay the Increased Revolving Loan Interest Rate set forth in the Transaction Term Sheet, (E) the Company shall not have been terminated by any non-Advent Party, and (F) subject in all respects to the negotiation and completion of the Definitive Documents reasonably acceptable to Advent and that are consistent in all material respects with the terms and subject to the conditions set forth herein and in the Transaction Term Sheet, Advent, in its capacity solely as a holder of the Common Stock, hereby agrees to vote (in person or by proxy) at any meeting of the stockholders of Topco (whether annual, special or otherwise, and whether or not adjourned or postponed) or consent (or cause to be voted or consented) to any action by any written consent or resolution (x) in favor of any matters required under applicable law or stock exchange regulation to give effect to the Transaction, which shall include (i) the Company's entry into the Definitive Documents, (ii) the appointment of directors to the board of directors of Topco by the Consenting Preferred Equityholders, (iii) any amendment and/or restatement of the Organizational Documents of the Company Parties or any other actions related to the Company's corporate governance that are reasonably necessary to consummate the Transaction and (iv) any other transaction or proposal approved and/or recommended by the Special Committee, boards of directors, or members (as applicable) of the Company Parties relating directly or indirectly to the Transaction, which is reasonably necessary and appropriate to consummate the Transaction and are otherwise materially consistent with the Transaction Term Sheet and this Agreement and are reasonably acceptable to Advent, and (y) not support any other proposals that could reasonably be expected to delay or impair the ability of the Company to enter into the Definitive Documents or give effect to the Transaction. 4. Agreements of the Company Parties. (a) Covenants. Each Company Party agrees that, for the duration of the TSA Support Period, such Company Party shall (and shall cause its subsidiaries to): (i) support and use commercially reasonable efforts to consummate and complete the Transaction and take any actions reasonably necessary to consummate the Transaction in a manner consistent with this Agreement, as promptly as practicable, and in no event later than the Outside Closing Date; (ii) if the Company Parties receive an unsolicited bona fide proposal or expression of interest in undertaking an Alternative Transaction the Company Parties shall, within 48 hours of the receipt of such expression of interest, notify the Consenting Stakeholders of the receipt thereof, with such notice to include the material terms thereof and thereafter comply with Section 4(a)(iii)(B); Exhibit 10.1

 slide13

:13- WEIL\99037057\16118434.0011 (ii) not (A) solicit, initiate or encourage the submission of any proposal or offer from any Person relating to an Alternative Transaction or (B) participate in any discussions or negotiations regarding, furnish any information with respect to, assist or participate in, or facilitate in any other manner any effort or attempt by any Person to do or seek any of the foregoing, provided that, the foregoing shall not limit the Company's rights under section 8(e) (ii) in connection with the Fiduciary Out; (iv) not, nor encourage any other person or entity to, take any action which would, or would reasonably be expected to, breach or be inconsistent with this Agreement or delay, impede, appeal, or take any other negative action, directly or indirectly, to interfere with the consummation or implementation of the Transaction and, if such person or entity takes any action inconsistent with any Company Party's obligations under this Agreement, the Company Party shall direct and use commercially reasonable efforts to cause such person or entity to cease, withdraw, and refrain from taking any such action; (v) (a) (i) no less than three (3) business days after the Support Effective Date and (II) during the TSA Support Period promptly (and no later than within five (5) business days after request) pay or reimburse the reasonable and documented, fees and out-of-pocket expenses of (1) Milbank LLP, counsel to HPS, (2) Davis Polk & Wardwell LLP, counsel to the Consenting Preferred Equityholders, (3) Ropes & Gray LLP, counsel to Advent, and (4) Cahill Gordon & Reindel LLP, counsel to Barclays and the Administrative Agent (collectively, the "Fees and Expenses"), and (b) upon the Closing Date, pay or reimburse any unpaid Fees and Expenses, in each case incurred pursuant to the representation of their respective client in connection with the negotiation, implementation, or closing of the Transaction and in each case by wire transfer to the applicable professional of immediately available funds; (vi) prepare such proxy statements, information statements or other disclosure documents with respect to solicitations of the Topco's existing shareholders necessary or advisable to implement the Transaction, including providing any and all information reasonably required in connection therewith; (vii) to the extent any legal or structural impediment arises that would prevent, hinder, or delay the consummation of the Transaction, negotiate in good faith appropriate additional or alternative provisions to address any such impediment; (viii) consent to the releases set forth in Section 6 hereof; (ix) provide prompt written notice (in accordance with Section 22 hereof) to the Consenting First Lien Lenders, the Consenting Preferred Equityholders and Advent between the date hereof and the Closing Date of (A) receipt of any written notice from any Governmental Authority in connection with this Agreement or the Transaction; and (B) receipt of any written notice of any proceeding commenced, or, to the actual knowledge of the Company Parties, threatened against the Company Parties, that, if successful, would prevent or materially interfere with, delay, or impede the consummation of the Transaction; (x) without limiting the generality of the foregoing, except as expressly contemplated by this Agreement or otherwise in the ordinary course of business consistent with Exhibit 10.1

-14- WEIL:\99037057\16\18434.0011 past practice, each of the Company Parties shall not, without prior written consent of each of the Consenting Stakeholders, (A) amend its Organizational Documents, (B) combine or reclassify any shares of capital stock of the Topco or declare, set aside, or pay any dividend or other distribution in respect of the capital stock of the Company, or redeem, repurchase or otherwise acquire or offer to redeem, repurchase, or otherwise acquire any Company equity securities, (C) issue, deliver or sell, or authorize the issuance, delivery or sale of, any Company equity securities or amend any term of any Company equity security, except, for the avoidance of doubt, in connection with any grant under the Company's 2021 Equity Incentive Plan (as amended, expanded or supplemented from time to time), or (D) enter into an agreement to do any of the foregoing; (xi) from and after the date of this Agreement and during the TSA Support Period, operate the business employees of the Company and its subsidiaries and to those acting on behalf of the Company, such as auditors, agents, and consultants (collectively, "Company Personnel"). The use of "you" throughout this Policy speaks directly to Company Personnel.

(2) Family Members and Others Living in Your Household

This Policy also applies to anyone who lives in the household of Company Personnel (whether or not family members) and any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, and includes adoptive relationships (collectively referred to as "FamilyMembers"). You are responsible for the transactions of Family Members and therefore should inform your Family Members of the need to confer with you before they trade in Company Securities.

(3) Controlled Entities

This Policy also applies to any entities or accounts that are under the influence or control or are a manner determined beneficiary of, including corporations, partnerships or trusts, of Company Personnel or their Family Members (collectively, "Controlled Entities"), and transactions by such Controlled Entities should be treated for the purposes of this Policy and applicable securities laws as if they were for the account of the Company Personnel or Family Member.

(4) Designated Persons

In addition, as specified in Section III of this Policy, Designated Persons (as defined below) are subject to additional restrictions relating to the prohibition of purchases and sales of Company Securities.

E. Questions

F. Individual Responsibility

You are responsible for complying with this Policy, including for determining whether you are aware of material non-public information. Any action on the part of the Company, the Legal Department or Company Personnel pursuant to this Policy (or otherwise) does not in any way constitute legal advice or insulate an individual from liability under applicable securities laws. You could be subject to severe legal penalties and disciplinary action by the Company for any conduct prohibited by this Policy or applicable securities laws, as described below in more detail under the heading "Consequences of Violation."

II. INSIDER TRADING

A. Policy Prohibiting Insider Trading

- **No Trading on Material Non-Public Information.** If you are aware of material non-public information about the Company, you may not, directly or indirectly, buy or sell Company Securities.
- **No Tipping.** If you are aware of material non-public information about the Company, you may not communicate or pass ("tip") that information on to others outside the Company, including Family Members and friends. The federal securities laws impose liability on any person who "tips" (the "tipper"), or communicates material non-public information to another person or entity (the "tippee"), who then trades on the basis of the information. Penalties may apply regardless of whether the tipper derives any benefits from the tippee's trading activities.
- **Blackout Period.** Designated Persons (as defined below) are restricted from trading in Company Securities during a Blackout Period (as defined below). Other persons should also consider refraining from trading in Company Securities during a Blackout Period to avoid even the appearance of impropriety, even if you are not expressly prohibited under Section III below.

Moreover, if you, in the course of working for the Company, learn of material non-public information about a company with which the Company does business, including a customer or supplier of the Company, you may not trade in, take advantage of, or share information about that company's securities until the information becomes public or is no longer material.

B. What is Material, Non-Public Information?

(1) Identifying Material Information

As a general rule, you should consider material information as any information that a reasonable investor would consider important in making a decision to buy, hold, or sell securities. Any information that could be expected to affect a company's stock price, whether it is positive or negative, should be considered material. There is no bright-line standard for assessing materiality; rather, materiality is based on an assessment of all of the facts and circumstances, and you should carefully consider how a transaction may be construed by enforcement authorities who will have the benefit of hindsight. While it is not possible to define all categories of material information, some examples of information that ordinarily would be regarded as material are:

- A proposed acquisition, sale, joint venture, merger or tender offer;
- Large contracts, renewals and terminations;
- Projected future earnings or losses;
- Changes to earnings guidance or projections, if any;
- A significant expansion or cutback of operations;
- Significant changes to vendor or supplier pricing;
- Extraordinary management or business developments;
- Changes in executive management;
- Major lawsuits or legal settlements;
- Material cybersecurity incidents;

- Extraordinary customer quality claims;
- The commencement or results of regulatory proceedings;
- The gain or loss of a major customer or supplier;
- Company restructuring;
- Borrowing activities, including contemplated financings and refinancings (other than in the ordinary course);

- A change in dividend policy, the declaration of a stock split, or an offering of additional securities;
- The establishment, actual purchases, or the anticipated timing of purchases of a repurchase program for Company Securities;
- A change in pricing or cost structure;
- Major marketing changes;
- A change in auditors or notification that the auditor's reports may no longer be relied upon;
- Commercialization of a significant new product, process, or service;
- Removal of a product from the market;
- The imposition of a ban on trading in Company Securities or the securities of another company; or
- Impending bankruptcy or the existence of severe liquidity problems.

(2) When Is Information Considered "Public"?

Information that has not been disclosed to the public is generally considered to be reasonable non-public information. In order to establish that the information has been disclosed to the public, it may be necessary to demonstrate that the information has been widely disseminated. Filings with the U.S. Securities and **prudent given** Exchange Commission ("SEC") and press releases are generally regarded as public information. By contrast, information would likely not be considered widely disseminated if it is available only to the Company's employees, or if it is only available to a select group of analysts, brokers, and institutional investors.

Once information is widely disseminated, it is still necessary to afford the investing public with sufficient time to absorb the information. As a general rule, information should not be considered fully absorbed by the marketplace until after one trading day has elapsed since the day on which the information is released. Depending on the particular circumstances, **existing** the Company may determine that a longer or shorter period should apply to the release of specific material non-public information.

(3) Confidentiality of Material, Non-Public Information

Company Personnel who have access to material, non-public information must take special precautions to keep it confidential, including by storing and communicating all files and documents containing the material, non-public information using the Company's information systems, and may only disclose material, non-public information to authorized parties for business purposes. Any disclosure of material, non-public information may only be made by Authorized Spokespersons and must be made at the **time; time and (xii)** in the manner required to meet legal requirements, which may impact the timing or format of planned internal or external communications. Teams working on confidential projects may be required to take additional confidentiality precautions, such as properly labelling material, non-public information to indicate how it should be handled, distributed and destroyed or maintaining a list of individuals to whom sensitive information has been disclosed.

Even though Company Personnel must generally keep material, non-public information confidential, this does not designate any subsidiaries as "Unrestricted Subsidiaries" under the Credit Agreement. 5. Conditions limit or interfere with their ability, without notice to **Effectiveness** or authorization of the Transaction. (a) Conditions Company, to Closing. The closing communicate in good faith with any government agency for the purpose of reporting a possible violation of law, or to participate in any investigation or proceeding that may be conducted by any government agency, including by providing documents or other information.

Page 3

Additionally, Company Personnel who work outside of the **Transaction** Company's office, whether at home, on planes and the obligations of the parties trains, in connection therewith are subject shared office spaces or in public spaces, should take special care to satisfaction of each of the following conditions: (i) (a) each Definitive Document and any other documentation necessary to consummate the Transaction (other than those documents permitted to be executed and delivered on a post-closing basis in accordance with the terms thereof) shall be in form and substance reasonably acceptable to, and have been executed and delivered by, each party thereto, provided, ensure that any provision material, non-public information is kept in a secure location, and cannot be seen, heard, accessed or stolen by others, including Family Members or friends.

If you have any questions as to whether information is material or is publicly available, please err on the side of any Definitive Document which has caution and direct an adverse effect on HPS or the Revolving Lenders shall be in form and substance satisfactory to HPS or the Required Revolving Lenders, as applicable, and (b) any conditions precedent related thereto shall have been satisfied or waived; (ii) this Agreement shall be in full force and effect; (iii) the conditions precedent inquiry to the Transaction Term Sheet and any Definitive Document shall have been satisfied or waived by the appropriate parties in accordance with their terms; (iv) the Company Parties shall have paid or reimbursed any and all reasonable and documented, fees and out-of-pocket expenses of (A) Milbank LLP, counsel to HPS, (B) Davis Polk & Wardwell LLP, counsel to the Consenting Preferred Equityholders, (C) Ropes & Gray LLP, counsel to Advent, and (D) Cahill Gordon & Reindel LLP, counsel to Barclays and the Administrative Agent, in each case incurred pursuant to the representation of their respective client in connection with the negotiation, implementation, and closing of the Transaction; (v) approval by Topco stockholders of the Transaction and the other transactions contemplated by the Definitive Documents; and Exhibit 10.1

Legal Department.



-15- WEIL:1990370571618434.0011 (vi) the Fees and Expenses as of such date shall be paid by the Company by wire transfer or immediately available funds. In addition, solely with respect to Barclays, the closing of the Transaction and the obligations of Barclays connection therewith**III.** **CERTAIN**

ADDITIONAL RESTRICTIONS

A. Designated Persons

All Designated Persons are subject to the condition that each party to the Agreement Among Lenders shall have executed an amendment to the Agreement Among Lenders if required or reasonably requested by Barclays in connection with the Credit Agreement Amendment (which condition may be waived by Barclays). 6. Releases. (a) In consideration of the agreements of the Company, HPS, the Consenting Preferred Equityholders, Advent Blackout Periods and Barclays contained herein and in the Definitive Documents, and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, except with respect to the representations, warranties and/or covenants of the Company, HPS, the Consenting Preferred Equityholders, Advent and Barclays contained in the Definitive Documents and any other related transaction documents, (I) each Company Party, on behalf of itself and its successors, assigns, and other legal representatives (the "Company Releasing Parties"), hereby absolutely, unconditionally and irrevocably releases, remises and forever discharges HPS, Barclays, each Consenting Preferred Equityholder, and Advent, and, in each case, its successors and assigns, and its present and former shareholders, direct and indirect owners, partners, members, managers, consultants, affiliates, subsidiaries, divisions, predecessors, directors, officers, employees, agents, attorneys, accountants, investment bankers, consultants and other representatives, and all Persons acting by, through, under or in concert with any of them, and each solely in their capacity as such (the "Company Released Parties"), (II) HPS, on behalf of itself and its successors, assigns, and other legal representatives (the "HPS Releasing Parties"), hereby absolutely, unconditionally and irrevocably releases, remises and forever discharges each Company Party, Consenting Preferred Equityholders (solely in such equityholder's capacity as a Consenting Preferred Equityholder), Barclays and Advent, and, in each case, its successors and assigns, and its present and former shareholders, direct and indirect owners, partners, members, managers, consultants, affiliates, subsidiaries, divisions, predecessors, directors, officers, employees, agents, attorneys, accountants, investment bankers, consultants and other representatives, and all Persons acting by, through, under or in concert with any of them, and each solely in their capacity as such (the "HPS Released Parties"), (III) each Consenting Preferred Equityholder, on behalf of itself and its successors, assigns, and other legal representatives (the "Consenting Preferred Equityholder Releasing Parties"), hereby absolutely, unconditionally and irrevocably releases, remises and forever discharges each Company Party, HPS, Barclays and Advent and, in each case, its successors and assigns, and its present and former shareholders, direct and indirect owners, partners, members, managers, consultants, affiliates, subsidiaries, divisions, predecessors, directors, officers, employees, agents, attorneys, accountants, investment bankers, consultants and other representatives, and all Persons acting by, through, under or in concert with any of them, and each solely in their capacity as such (the "Consenting Preferred Equityholder Released Parties"), (IV) Advent, on behalf of itself and its successors, assigns, and other legal representatives (the "Advent Releasing Parties"), hereby absolutely, unconditionally and irrevocably releases, remises and forever discharges each Company Party, HPS, Barclays and each Consenting Preferred Equity Holder, and, in each case, its successors and assigns, and its present and former shareholders, direct and indirect owners, partners, members, Exhibit 10.1

The following are "Designated Persons":

- All directors and (ii) nothing officers (as defined in this Section 6(a) shall be construed to (x) release Rule 16a-1(f) of the Released Parties from any (1) gross negligence, willful misconduct, Securities Exchange Act of 1934, as amended (the "Exchange Act") of the Company.
- Family Members and Controlled Entities of directors and officers of the Company.
- Employees in key financial reporting or actual fraud, communication roles and such other persons, in each case, as determined by a final order of a court of competent jurisdiction where such order is not subject to appeal, (2) Claims that arise solely from or relate to acts or omissions occurring after the Closing Date, (3) liability arising from or in connection with any pending shareholder or derivative actions filed against the Company or any of its officers and directors or any pending SEC inquiry or demand for information, or (4) obligations under, or waive any right to enforce, the terms of the Definitive Documents; or (y) (1) impact any Parties' rights, as applicable and if any, to enforce the terms of the Loan Documents, including, without limitation, the indemnification provisions set forth therein, (2) constitute a waiver of any default or Event of Default arising thereunder or limit in any respect, any rights, remedies, powers, privileges and defenses that the Administrative Agent, the Consenting First Lien Lenders or any other lenders under the Credit Agreement have or may have arising as the result of any Default or Event of Default that has occurred or that may occur under the Credit Agreement or the other Loan Documents or (3) waive or release any indemnification and other obligations that are expressly stated in the Credit Agreement or any other Loan Document as surviving that respective agreement's termination which shall remain in full force and effect. (b) Each Releasing Party understands, acknowledges and agrees that the release set forth above may be pleaded as designated from time to time by the Legal Department (designated individuals will be identified and contacted through a full and complete defense and separate memorandum).

B. Blackout Periods

Subject to Section III.F below, Designated Persons may be used as a basis for an Exhibit 10.1.

not conduct transactions (for their own or related accounts) involving Company Securities during the following periods (the "Blackout Periods"):

5.7- WEIL\99037057\1618434.0011 injunction against any action, suit or other proceeding which may be instituted, prosecuted or attempted. The period in breach of the provisions of such release. Each Releasing Party agrees that no fact, event, circumstance, evidence or transaction which could now be asserted or which may hereafter be discovered shall affect in any manner the final, absolute and unconditional nature of the release set forth above. (c) In entering into this Agreement, each Releasing Party has consulted with, and has been represented by, legal counsel and expressly disclaims any reliance on any representations, acts or omissions by any of the Released Parties and hereby agrees and acknowledges that first, second or third fiscal quarters commencing on the validity and effectiveness fifteenth day of the release set forth above does not depend third calendar month (i.e., March 15, June 15 and September 15) or in any way the fourth quarter commencing on any such representations, acts and/or omissions or the accuracy, completeness or validity hereof. The release set forth herein shall survive the termination of this Agreement or the other agreements contemplated hereby. Each Releasing Party acknowledges and agrees that the release set forth above may not be changed, amended, waived, discharged or terminated orally. (d) For the avoidance of doubt and notwithstanding anything in this Agreement to the contrary, the releases set forth in this Section 6 shall survive the termination of this Agreement but shall become effective only upon the closing first day of the Transaction. (e) References to Barclays in this Section 6 shall be third calendar month (i.e., December 1) and ending after the second full business day after the date of public disclosure of the financial results for such fiscal quarter or year. If public disclosure occurs on a collective reference to Barclays Bank PLC in its capacity as Administrative Agent and Revolving Lender. 7. Transfer trading day before the markets close, then such date of Claims, Interests and Securities. (a) Except as otherwise provided in the Transaction Term Sheet, during the TSA Support Period, the Consenting Stakeholders agree, subject to the terms and conditions hereof, that each Consenting Stakeholder, severally and not jointly, shall not sell, transfer, loan, issue, participate, pledge, hypothecate, assign or otherwise dispose of or offer or contract to pledge, encumber, assign, sell or otherwise transfer (each, a "Transfer"), directly or indirectly, in whole or in part, any of its Claims against or Interests in the Company or any option thereon or any right or interest therein, unless such Transfer is made to a Person that is or becomes party to this Agreement or is otherwise approved by the Company. Notwithstanding the foregoing, (i) the Consenting Stakeholders shall be permitted during the TSA Support Period to Transfer their Claims and Interests, as applicable, to their respective affiliates and managed funds and accounts without the consent of any other party, provided that any such affiliate or managed fund or accounts agrees to be bound by the terms of this Agreement; and (ii) the foregoing restriction disclosure shall not be applicable to transferees that are broker-dealers or considered the first trading desks in their capacity or to the extent of their holdings as a broker-dealer or market maker of claims engaged in market making or riskless back-to-back trades. (b) Notwithstanding anything to the contrary herein, except as otherwise provided in the Transaction Term Sheet, each of the Consenting Preferred Equityholders and Advent, severally and not jointly, agrees that such Consenting Preferred Equityholder or Advent shall not, during the TSA Support Period, Transfer, or contract to Transfer, in whole or in part, directly or indirectly, any portion of its right, title, or interests in any of its shares, stock, or other equity interests in Topco, to the extent such action would impair any of the U.S. income tax attributes of Topco, Borrower, Holdings or any of their subsidiaries including, for the avoidance of doubt, under section Exhibit 10.1



.18- WEIL\99037057\16\18434.0011 382 of the Tax Code (or analogous provisions of state income tax law); provided, however, that, (1) with respect solely to this Section 7(b), upon receipt of written notice of any proposed Transfer or contract to Transfer of shares, stock or other equity interests in TopCo, the Company shall (x) evaluate in good faith such proposed Transfer or contract to Transfer and, within 15 business days of the receipt of such notice, advise the proposing party as to whether such Transfer would result in an "ownership change" under Section 382 of the Internal Revenue Code (and to the extent applicable, U.S. Department of Treasury Regulations Section 1.1502-92) when viewed in the aggregate with any other proposed Transfers and (2) if the Company does not, within 15 business days, advise such proposing party that such proposed Transfer would be expected to result in such an "ownership change", such Transfer shall not be prohibited by this Section 7(b). 8. Termination of Agreement. (a) This Agreement shall terminate as to all Parties or, if such termination arises under Section 8(e)(i) and (iv), the applicable Party, upon the receipt of written notice to Such Parties, delivered in accordance with Section 22 hereof, from the Company Parties at any time after and during the continuance of any Company Termination Event. (b) This Agreement shall terminate with respect to a Consenting Stakeholder upon delivery to the other Parties of written notice, delivered in accordance with Section 22 hereof, from such Consenting Stakeholder at any time after and during the continuance of a Consenting Stakeholder Termination Event; provided, this Agreement shall remain in effect with respect to each other non-terminating Consenting Stakeholder unless and until such other Consenting Stakeholder separately terminates this Agreement as to itself pursuant to this Section 8(b). (c) This Agreement shall terminate with respect to each of HPS and Barclays upon delivery to the other Parties of written notice, delivered in accordance with Section 22 hereof, from HPS or Barclays, as applicable, at any time after and during the continuance of a First Lien Termination Event. (d) Notwithstanding any provision to the contrary in this Section 8, (A) except with respect to a Consenting Stakeholder Termination Event occurring under clause (ix) of the definition thereof, no Party may terminate this Agreement on account of a Company Termination Event or Consenting Stakeholder Termination Event, as applicable, caused by such Party's failure to perform or comply in all material respects with the terms and conditions of this Agreement or where such Party is otherwise in breach of this Agreement (in each case unless such failure to perform, failure to comply, or breach arises from another Party's breach of this Agreement that would otherwise be a Company Termination Event or Consenting Stakeholder Termination Event, as applicable) and (B) solely with respect to the Consenting First Lien Lenders, if (i) any Default that is, in the good faith determination of the Company, incapable of being cured or (ii) an Event of Default shall occur under the Credit Agreement, a Consenting First Lien Lender may terminate this Agreement on account of a Consenting Stakeholder Termination Event. (e) A "Company Termination Event" shall mean any of the following: (i) with respect to the applicable Consenting Stakeholder only, the breach in any material respect by any of the Consenting Stakeholders of any of the undertakings, Exhibit 10.1



:19- WEIL\99037057\1618434.0011 representations, warranties, or covenants set forth herein in any material respect that remains uncured for a period of five (5) business days after the receipt of written notice of such breach pursuant to Section 22 hereof (as applicable); (ii) the Special Committee, boards of directors, or members (as applicable) of the Company Parties reasonably determines in good faith based upon the advice of outside counsel that continued performance Under this Agreement or pursuit of the Transaction would be inconsistent with the exercise of its fiduciary duties under applicable law; provided, however, that in the event a Company Party desires to terminate this Agreement pursuant to this Section 8(e)(ii) (such right to terminate this Agreement pursuant to this Section 8(e)(ii), the "Fiduciary Out"), the Company Party shall as soon as reasonably practicable but in no event less than one (1) [] advance written notice to the Consenting First Lien Lenders, the Consenting Preferred Equityholders and Advent prior to the date such Company Party elects to terminate this Agreement pursuant to the Fiduciary Out advising the Consenting First Lien Lenders, the Consenting Preferred Equityholders and Advent that such Company Party intends to terminate this Agreement pursuant to the Fiduciary Out; (iii) the issuance by any Governmental Authority, including any regulatory authority or court of competent jurisdiction, of any ruling, judgment or order declaring this Agreement to be unenforceable, enjoining the consummation of a material portion of the Transaction or rendering illegal this Agreement or the Transaction, where such ruling, judgment or order has not been stayed, reversed or vacated within twenty-five (25) calendar days after such issuance and where the Company has used commercially reasonable efforts to cause such ruling to be stayed, reversed or vacated; (iv) if any Consenting Stakeholder (A) publicly announces their intention not to support the Transaction or (B) validly terminates this Agreement as to themselves pursuant to Section 8(b), in which case the Company can terminate as to such Consenting Stakeholder; (v) if the Definitive Documents shall not have been executed by the requisite parties by the Outside Signing Date; or (vi) if the Transaction shall not have been consummated by the Outside Closing Date. Notwithstanding the foregoing, any of the dates or deadlines set forth in this Section 8 may be extended in writing by agreement of the Company, the Consenting First Lien Lenders, the Consenting Preferred Equityholders and Advent (email being sufficient), provided, for the avoidance of doubt, that the Outside Signing Date and Outside Closing Date shall only be extended in accordance with the terms of section 12 of this Agreement. (f) A "Consenting Stakeholder Termination Event" shall mean any of the following: (i) the material breach by any Company Party or another Consenting Stakeholder of (A) any covenant contained in this Agreement or (B) any other obligations of the Company Parties set forth in this Agreement, and, in each case, such breach remains uncured for Exhibit 10.1

:20-WEIL\99037057\16\18434.0011 a period of five (5) business days after receipt of written notice thereof pursuant to Section 22 hereof (as applicable); (ii) the representations or warranties made by the Company will have been untrue in any material respect when made; (iii) the representations or warranties made by any Consenting Stakeholder will have been untrue in any material respect when made; (iv) the Definitive Documents and any amendments, modifications, or supplements thereto include terms that are materially inconsistent with the Transaction Term Sheet and are not otherwise reasonably acceptable to the Consenting Stakeholders who have consent rights over the applicable Definitive Document in accordance with Section 2(b) hereof, and such event remains unremedied for a period of five (5) business days following the Company Parties' receipt of notice pursuant to Section 22 hereof (as applicable); (v) the issuance by any Governmental Authority, including any regulatory authority or court of competent jurisdiction, of any ruling, judgment or order declaring this Agreement to be unenforceable, enjoining the consummation of the Transaction or rendering illegal this Agreement or the Transaction, and either (A) such ruling, judgment or order has been issued at the request of or with the acquiescence of a Company Party, or (B) in all other circumstances, such ruling, judgment or order has not been stayed, reversed or vacated within twenty-five (25) calendar days after such issuance; (vi) if any Company Party (A) proposes, supports or agrees in writing to pursue (including, for the avoidance of doubt, as may be evidenced by a duly executed term sheet, letter of intent, or similar document) an Alternative Transaction, or (B) validly terminates this Agreement as to themselves pursuant to Section 8(b); (vii) [reserved]; (viii) if the Definitive Documents shall not have been executed by the requisite parties by the Outside Signing Date; (ix) if the Transaction shall not have been consummated on or before the Outside Closing Date; (x) solely with respect to the Consenting First Lien Lenders, a First Lien Termination Event; (xi) with respect to any Consenting Stakeholder other than the Consenting First Lien Lenders, obligations under the Credit Agreement shall have been accelerated and/or one or more lenders shall have exercised remedies hereof; or (xii) with respect to Advent, this Agreement is terminated by (i) any of the Consenting First Lien Lenders or (ii) Consenting Preferred Equityholders that collectively beneficially own or control more than 50% of all issued and outstanding Preferred Stock as of the date of such termination. Exhibit 10.1

 slide21

.21- WEIL\99037057\1618434.0011 (g) Mutual Termination. This Agreement may be terminated by mutual agreement of each Party upon the receipt of written notice delivered in accordance with Section 22 hereof. (h) Automatic Termination. This Agreement shall terminate automatically, without any further action required by any Party, upon: (i) the filing or commencement of any proceeding relating to any of the Company Parties under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or similar official of any of the Company Parties or of any substantial part of their property; (ii) the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or similar official of any of the Company Parties or of any substantial part of their property; (iii) the making by any of the Company Parties of an assignment for the benefit of creditors or the admission by any of the Company Parties in writing of its inability to pay its debts generally as they become due; and (iv) the occurrence of the Closing Date. For the avoidance of doubt, the termination events outlined in this Section 8 shall not survive the Closing Date. (i) Effect of Termination. Upon the termination of this Agreement as to a Party in accordance with this Section 8, if the Transaction has not been consummated, and except as provided in Section 16 hereof, this Agreement shall forthwith become void and of no further force or effect as to such Party and such Party shall, except as provided otherwise in this Agreement, be immediately released from its liabilities, forbearances, obligations, commitments, undertakings and agreements under or related to this Agreement and shall have all the rights and remedies that it would have had and shall be entitled to take all actions, whether with respect to the Transaction or otherwise, that it would have been entitled to take had it not entered into this Agreement, including all rights and remedies available to it under applicable law and any applicable agreements (including, for the avoidance of doubt, the Loan Documents); provided, however, that, in no event shall any such termination relieve a Party from liability for its breach or non- performance of its obligations hereunder prior to the date of such termination. (j) If the Transaction has not been consummated prior to the date of termination of this Agreement, nothing herein shall be construed as a waiver by any Party of any or all of such Party's rights and the Parties expressly reserve any and all of their respective rights. Pursuant to Federal Rule of Evidence 408 and any other applicable rules of evidence, this Agreement and all negotiations relating hereto shall not be admissible into evidence in any proceeding other than a proceeding to enforce its terms. Exhibit 10.1



.22-WEIL\99037057\16\18434.0011 9. Definitive Documents; Good Faith Cooperation; Further Assurances. Subject to the terms and conditions described herein, during the TSA Support Period, each Company Party, severally and jointly, and each Consenting Stakeholder, severally but not jointly, hereby covenants and agrees to reasonably cooperate with the other Parties in good faith in connection with, and shall exercise commercially reasonable efforts with respect to the pursuit, approval, implementation, and consummation of the Transaction pursuant to the Transaction Term Sheet, as well as the negotiation, drafting, execution (to the extent such Party is a party thereto), and delivery of the Definitive Documents. Furthermore, subject to the terms and conditions hereof, during the TSA Support Period each Consenting Stakeholder, severally but not jointly, shall each use reasonable efforts to take such action as may be reasonably necessary or reasonably requested by the other Parties to carry out the purposes and intent of this Agreement, including the making and filing of any required regulatory filings, and shall each refrain from taking any action that would frustrate the purpose and intent of this Agreement; provided, that, (x) any obligation, other than with respect to the commitment obligations in connection with the New Money Financing, arising under this Section 9 shall not require any Consenting Stakeholder to, directly or indirectly, incur any non de minimis cost, expense, liability, or Claim and (y) for the avoidance of doubt, notwithstanding anything herein or the Transaction Term Sheet to the contrary, in no instance shall any Definitive Document cause, require, or in any way permit any Company Party or any of their affiliates to amend, modify, impair, or in any way alter any indemnification or contribution agreement, undertaking, or obligation in favor of any Advent Released Party currently in place as of the date hereof. 10. Representations and Warranties. (a) Each Consenting Stakeholder, severally and not jointly, and each Company Party, severally and jointly, represent and warrant to the other Parties that the following statements are true, correct and complete as of the date hereof: (i) such Party is validly existing and in good standing under the laws of its jurisdiction of incorporation or organization, and has all requisite corporate, partnership, limited liability company or similar authority to enter into this Agreement and carry out the transactions contemplated hereby and perform its obligations contemplated hereunder, and the execution and delivery of this Agreement and the performance of such Party's obligations hereunder have been duly authorized by all necessary corporate, limited liability company, partnership or other similar action on its part; (ii) the execution, delivery and performance by such Party of this Agreement does not and will not (A) violate any material provision of law, rule or regulation applicable to it or, as applicable, any of its subsidiaries or its charter or bylaws (or other similar governing documents) or those of any of its subsidiaries or (B) conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any material contractual obligation to which it or, as applicable, any of its subsidiaries is a party, other than any default contemplated by the Transaction, Exhibit 10.1.

-23- WEIL\9903705716\18434.0011 (iii) the execution, delivery and performance by such Party of this Agreement does not and will not require any registration or filing with, consent or approval of, or notice to, or other action, with or by, any federal, state or Governmental Authority or regulatory body; (iv) this Agreement is the legally valid and binding obligation of such Party, enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability; (v) such Party (A) is a sophisticated party with respect to the subject matter of this Agreement and the transactions contemplated hereby, (B) has adequate information concerning the matters that are the subject of this Agreement and the transactions contemplated hereby, (C) has such knowledge and experience in financial and business matters of this type that it is capable of evaluating the merits and risks of entering into this Agreement and of making an informed investment decision, and has independently and without reliance upon any warranty or representation by, or information

from, any other Party or any officer, employee, agent or representative thereof, of any sort, oral or written, except the warranties and representations expressly set forth in this Agreement, and based on such information as such Party has deemed appropriate, made its own analysis and decision to enter into this Agreement and the transaction contemplated hereby, and (D) acknowledges that it has entered into this Agreement voluntarily and of its own choice and not under coercion or duress; (vi) with respect to the Company, such Party is not aware of the occurrence of any event, fact or circumstance that, due to any fiduciary or similar duty to any other Person, would prevent it from taking any action required of it under this Agreement; and (vii) such Party is not currently engaged in any discussions, negotiations or other arrangements with respect to any Alternative Transaction. (b) Each Consenting First Lien Lender, severally and not jointly, represents and warrants to the other Parties that such Consenting First Lien Lender is the beneficial owner of the aggregate principal amount of Term Loans or Revolving Loans, as applicable, set forth below its name on the signature page hereto, free and clear of any restrictions on transfer, liens, or options, warrants, purchase rights, contracts, commitments, claims, demands, and other encumbrances and does not own any other First Lien Loans, and/or (B) has sole investment and/or voting discretion and/or authority to vote on and provide consent or waivers with respect to such Term Loans or Revolving Loans. (c) Each Consenting Preferred Equityholder, severally and not jointly, represents and warrants to public disclosure.

- Any other period designated in writing by the other Parties that, as of the date hereof, each Consenting Preferred Equityholder (i) is the owner of the number of shares of Preferred Stock set forth below its name on the signature page hereto, free and clear of any restrictions on transfer, liens or options, warrants, purchase rights, contracts, commitments, claims, demands, and other encumbrances and does not own any other existing equity interests and (ii) has (A) sole investment or voting discretion with respect thereto, and (B) full power and authority to vote on and consent to matters concerning such equity interests or to exchange, assign, and transfer such equity interests. Exhibit 10.1

Legal Department.



1-24-WEIL\99037057\1618434.0011 (d) Advent, severally and not jointly, represents and warrants to the other Parties that, as of the date hereof, Advent (i) is the owner of the number of shares of Common Stock set forth below its name on the signature page hereof, free and clear of any restrictions on transfer, liens or options, warrants, purchase rights, contracts, commitments, claims, demands, and other encumbrances and does not own any other existing equity interests and (ii) has (A) sole investment or voting discretion with respect thereto, and (B) full power and authority to vote on and consent to matters concerning such equity interests or to exchange, assign, and transfer such equity interests. (e) Each Consenting Stakeholder represents and warrants to the other Parties that it (i) is an accredited investor (as such term is defined in Rule 501(a) of Regulation D promulgated under the Securities Act), (ii) understands that any securities to be acquired by it (if any) pursuant to the Transaction have not been registered under the Securities Act and that such securities [if you] are being offered and sold pursuant to the exemption from registration pursuant to Regulation D promulgated under the Securities Act, based in part upon such Consenting Stakeholder's representations, as applicable, contained in this Agreement and cannot be sold unless subsequently registered under the Securities Act or an exemption from registration is available, (iii) has such knowledge and experience in financial and business matters that such Consenting Stakeholder is capable of evaluating the merits and risks of the securities to be acquired by it (if any) pursuant to the Transaction and understands and is able to bear any economic risks with such investment, (iv) is acquiring any securities to be acquired by it (if any) pursuant to the Transaction for its own account, for investment purposes only and not with a view to any distribution thereof that would not otherwise comply with the Securities Act and (v) did not decide to acquire any securities to be acquired by it (if any) pursuant to the Transaction as a result of any general solicitation or general advertising within the meaning of Rule 502 of Regulation D promulgated under the Securities Act. (f) Each Consenting Crossholder, severally and not jointly, represents and warrants to the other Parties that such Consenting Crossholder is the beneficial owner of the aggregate principal amount of Term Loans set forth below its name on the signature page hereof, free and clear of any restrictions on transfer, liens, or options, warrants, purchase rights, contracts, commitments, claims, demands, and other encumbrances and does not own any other Term Loans, and/or has sole investment and/or voting discretion and/or authority to vote on and provide consent or waivers with respect to such Term Loans. 11. Disclosure, Publicity. The Company Parties shall submit drafts to counsel to the Consenting Stakeholders, respectively, of any press release or other public statements that constitute disclosure [trade aware] of an event-specific Blackout Period, you should not disclose the existence of such Blackout Period to any other person.

C. Pre-Clearance

All Designated Persons must clear purchases or terms of this Agreement or any amendment sales in Company Securities with the Legal Department before the trade may occur. The Legal Department may designate and provide notice to other key employees who may, from time to time, be subject to the terms pre-clearance procedures under this Policy.

Page 4

Designated Persons seeking to pre-clear a trade in Company Securities must notify the Legal Department in writing of this Agreement or otherwise announcing the Transaction or relating desire to the Transaction conduct a trade at least two (2) business days prior to disclosure, or if such submission two business days prior to disclosure is not possible, as soon as reasonably practicable prior to disclosure. Except as required by applicable law, subpoena, or other legal process or regulation, and notwithstanding any provision of any other agreement between before the Company and any Consenting Stakeholder to the contrary (other than in the Credit Agreement), no Party or its advisors shall disclose to any person (including, for the avoidance of doubt, any other Consenting Stakeholder), other than advisors to the Company, the principal amount or percentage of any debt or equity holdings of any Consenting Stakeholder without such Exhibit 10.1



25- WEIL:\99037057\16\18434.0011 Consenting Stakeholder's prior written consent; provided, however, that (a) if such disclosure is required by law, subpoena, or other legal process or regulation, the disclosing Party shall, to the extent permitted by law, afford the relevant Consenting Stakeholder a reasonable opportunity to review and comment in advance of such disclosure and shall take commercially reasonable measures to limit such disclosure (the expense of which, if any, shall be borne by the relevant Consenting Stakeholder), (b) the foregoing shall not prohibit the disclosure date of the aggregate percentage or aggregate principal amount of indebtedness or equity securities, as applicable, collectively held by proposed transaction. Designated Persons should be prepared to provide the Consenting Stakeholders, (c) nothing in this Section 11 shall constitute a waiver or modification of any provision of those certain Confidentiality Agreements entered into between dates on which the Company proposed transactions are expected to occur and each Consenting Preferred Equityholder, and (d) nothing in this Section 11 shall prohibit any disclosures by HPS, Barclays or to identify the Administrative Agent to any person to the extent such disclosure is permitted by the Credit Agreement, the Agreement Among Lenders broker- dealer or any other Loan Document. Notwithstanding investment professional responsible for executing the provisions in this Section 11, any Party may disclose, to trade. The Legal Department will inform the extent consented to in writing by requesting individual of a Consenting Stakeholder, such Consenting Stakeholder's individual holdings. 12. Amendments and Waivers. This Agreement, including any exhibits or schedules

hereto, may not be waived, modified, amended or supplemented except with the written consent of (i) the Company Parties, (ii) HPS, (iii) each of the Consenting Preferred Equityholders, provided that, with respect to Consenting Preferred Equityholders in the case of this clause (iii), any extension to the Outside Closing Date to a date no later than August 31, 2023 shall only require the written consent of Consenting Preferred Equityholders that collectively beneficially own or control more than at least 75% of all issued and outstanding Preferred Stock as of the date of such extension, and (iv) Advent and (v) Barclays (including in its capacity as Administrative Agent with respect to Section 11, Section 27 and Section 28), and any waiver, modification, amendment or supplement to this Section 12 shall require the written consent of all of the Parties provided, that this Agreement may not be amended in a manner adverse to any Released Party decision with respect to the releases governed by Section 6 hereof without such Released Party's prior written consent. For request as soon as possible after considering all the avoidance circumstances relevant to his/her determination. The Legal Department is under no obligation to approve a transaction submitted for pre-clearance, and may determine not to permit the transaction. If the Legal Department has not responded to a request for pre-clearance, do not trade in the Company's Securities. If approved, the transaction must occur with two (2) business days after receipt of doubt, this Agreement shall approval (so long as the transaction is not modify or amend Section 9.02 during a Blackout Period). If permission is denied, refrain from initiating any transaction in Company Securities, and do not inform any other person of the Credit Agreement. 13. Effectiveness; Effect on Credit Agreement. restriction. Pre- clearance requests will not be granted during a Blackout Period.

Designated Persons must also clear gifts and other transfers of Company Securities with the Legal Department before the gift or other transfer is made.

Even if approval to trade pursuant to the pre-clearance process is obtained in writing, or pre-clearance is not required for a particular transaction, Designated Persons may not trade in the Company Securities if he or she is aware of material, non-public information about the Company or any of the companies covered by this Policy. This Agreement shall become effective Policy does not require pre-clearance of transactions in any other company's securities unless otherwise indicated in writing by the Legal Department.

D. Prohibited and binding on all Parties on the Support Effective Date. The Credit Agreement, the Agreement Among Lenders and Special Transactions

In addition to the other Loan Documents remain in full force restrictions and effect, except as expressly modified hereby. Nothing prohibitions contained in this Agreement shall be construed as a substitution or novation Policy, you may not:

- **Short-Term Trading:** Sell any Company Securities of the obligations same class during the six months following a purchase of any Company Securities of that class (or vice versa). Shares purchased through the Company's equity plans and transactions with the Company are not subject to this restriction.
- **Short Sales:** Engage in short sales (selling securities that you do not own, with the intention of buying the securities at a lower price in the future) of Company Securities. In addition, Section 16(c) of the Loan Parties outstanding Exchange Act prohibits directors and officers from engaging in short sales.
- **Publicly Traded Options:** Engage in puts, calls, or other derivative securities, on an exchange or in any other organized market.
- **Pledging:** Pledge, hypothecate, or otherwise encumber shares of Company Securities as collateral for indebtedness. This includes but is not limited to holding such shares in a margin account or any other account that could cause Company Securities to be subject to a margin call or otherwise be available as collateral for a margin loan.
- **Hedging:** Purchase a financial instrument or enter into any transaction that is designed to hedge, establish downside price protection or otherwise offset declines in the market value of Company Securities, including puts, calls, prepaid variable forward contracts, equity swaps, collars, exchange funds (excluding broad-based index funds) and other financial instruments that are designed to or have the effect of hedging or offsetting any decrease in the market value of Company Securities.
- **Standing and Limit Orders:** Place standing or limit orders on Company Securities outside of a properly established Rule 10b5-1 Plan.

Page 5

E. Transactions under Company Plans

The limitations of this Policy do not apply to the following, except as specifically noted:

- **Stock Option Exercises:** Exercise of an employee stock option acquired pursuant to the Company's plans, or to the exercise of a tax withholding right pursuant to which a person has elected to have the Company withhold shares subject to an option to satisfy tax withholding requirements. This Policy does apply, however, to any sale of the underlying stock or to a cashless exercise of the option through a broker, as this entails selling a portion of the underlying stock to cover the cost of exercise.
- **Restricted Stock Awards:** Vesting of restricted stock, or the exercise of a tax withholding right pursuant to which a person elected to have the Company withhold shares of stock to satisfy tax withholding requirements upon the vesting of any restricted stock. The Policy does apply, however, to any market sale of restricted stock.
- **401(k) Plan:** Purchases of Company Securities in the Company's 401(k) plan resulting from periodic contribution of money to the plan pursuant to standard payroll deduction elections.
- **Employee Stock Purchase Plan:** Purchases of Company Securities in any employee stock purchase plan resulting from periodic contribution of money to the plan pursuant to the election made at the time of enrollment in the plan. This Policy also does not apply to purchases of Company Securities resulting from lump sum contributions to the plan, provided that elections to participate by lump sum payment were made at the beginning of the applicable enrollment period. This Policy does apply, however, to elections to participate in the plan for any enrollment period, and to sales of Company Securities purchased pursuant to the plan.

- **Other Similar Transactions:** Any other similar purchase of Company Securities from the Company or sales of Company Securities to the Company are not subject to this Policy.

F. Planned Trading Programs

Rule 10b5-1 under the Credit Agreement Exchange Act provides an affirmative defense, under certain conditions, against allegations that an insider traded in the Company's securities while aware of material non-public information. In order to be eligible to rely on this defense, a person subject to this Policy must enter into a trading plan for transactions in Company Securities that meets certain conditions specified in Rule 10b5-1 (a "Rule 10b5-1 Plan"). If the plan meets the requirements of Rule 10b5-1, Company Securities may be purchased or instruments securing sold without regard to certain insider trading restrictions, including blackout and pre-clearance requirements.

To comply with this Policy, Rule 10b5-1 Plans must be approved by the same, Legal Department and meet the requirements of Rule 10b5-1. In general, a Rule 10b5-1 Plan must be entered into at a time when the person entering into the plan is not aware of material non-public information and not during a blackout period. Once the plan is adopted, the person must not exercise any influence over the amount of securities to be traded, the price at which obligations shall remain in full force and effect, except as expressly modified hereby. Nothing express they are to be traded, or implied in this Agreement shall be construed as a release or other discharge the date of the Loan Parties trade. The plan must either specify the amount, pricing, and timing of transactions in advance or delegate discretion on these matters to an independent third party. Any Rule 10b5-1 Plan must be submitted for approval two weeks prior to the entry into the Rule 10b5-1 Plan.

G. Post-Termination Transactions

The Policy continues to apply to transactions in Company Securities even after your service with the Company has ended (other than the pre-clearance and trading prohibitions during a Blackout Period, which will cease to apply upon the expiration of any Blackout Period pending at the time of the termination of service). If you are aware of material non-public information when your employment terminates, you may not purchase or sell Company Securities until that information has become public or is no longer material.

Page 6

IV. REGULATION FD AND COMMUNICATION WITH THE PUBLIC

The Company engages in communications with investors, securities analysts, and the financial press. It is against the law – specifically Regulation FD (Fair Disclosure) promulgated by the SEC – as well as this Policy, for any person acting on behalf of the Company to selectively disclose material non-public information to securities professionals (including, for example, analysts, institutional investment managers, and investment companies) or investors in any Company Securities where it is reasonably foreseeable that the recipient may be likely to trade on the basis of such information, unless the information has first or simultaneously been disclosed to the public.

In addition, this Policy prohibits Company Personnel from disclosing any of their obligations Company material, non-public information to anyone outside the Company, including analysts, stockholders, journalists or liabilities under any Loan Document, media outlet, Family Members and such obligations and liabilities shall remain in full force and effect, except as expressly modified hereby. Exhibit 10.1

slide26

26-WEIL:990370571618434.0011 14. Governing Law; Jurisdiction; Waiver of Jury Trial (a) This Agreement shall be construed and enforced [friends, other than [rights of the Parties shall be governed [Company or its business through any online or internet-based forum, including social media] and [this Policy. Company Personnel also may not discuss

Any disclosure by the law Company of the State of New York, without giving effect [material non-public information must be made first or simultaneously to the conflict of laws principles thereof. Each of the Parties irrevocably agrees [public in a manner that any legal action, suit or proceeding arising out of or relating is designed to this Agreement brought by any Party or its successors or assigns shall achieve broad public dissemination and must be brought and determined in any federal or state court in the Borough of Manhattan in the State of New York, and, in the event the Company becomes the subject of any bankruptcy cases under chapter 11 of title 11 of the United States Code, the presiding bankruptcy court, and each of the Parties hereby irrevocably submits to the exclusive jurisdiction of the aforesaid courts for itself and with respect to its property, generally and unconditionally, with regard to any such proceeding arising out of or relating to this Agreement or the Transaction. Each of the Parties agrees not to commence any proceeding relating hereto or thereto except in the courts described above, other than proceedings in any court of competent jurisdiction to enforce any judgment, decree or award rendered by any such court as described herein. Each of the Parties further agrees that notice as provided herein shall constitute sufficient service of process and the Parties further waive any argument that such service is insufficient. Each of the Parties hereby irrevocably and unconditionally waives, and agrees not to assert, by way of motion or as a defense, counterclaim or otherwise, in any proceeding arising out of or relating to this Agreement or the Transaction, (i) any claim that it is not personally subject to the jurisdiction of the courts in New York as described herein for any reason, (ii) that it or its property is exempt or immune from jurisdiction of any such court or from any legal process commenced in such courts (whether through service of notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment or otherwise) and (iii) that (A) the proceeding in any such court is brought in an inconvenient forum, (B) the venue of such proceeding is improper or (C) this Agreement, or the subject matter hereof, may not be enforced in or by such courts. (b) EACH PARTY HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY (i) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO

ENFORCE THE FOREGOING WAIVER AND (II) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION. 15. Specific Performance/Remedies. It is understood and agreed by the Parties that money damages would not be a sufficient remedy for any breach of this Agreement by any Party and each non-breaching Party shall be entitled to specific performance and injunctive or other equitable relief. Each Party also agrees Exhibit 10.1

slide27

27- WEIL\99037057\16\18434.0011 that it will not seek, and will waive any requirement for, the securing or posting of a bond in connection with any Party seeking or obtaining such relief. 16. Survival. Notwithstanding the termination of this Agreement pursuant to Section 8 hereof, the agreements and obligations of the Parties in this Section 16, and Sections 6, 8(i), 8(j), 10, 11, 14, 15, 17, 18, 19, 20, and 24 shall survive such termination and shall continue in full force and effect made terms hereof, provided, however, Company's policies and procedures for releasing material information.

The Company has established procedures for releasing material information in a manner that is designed to achieve broad public dissemination of the information immediately upon its release.

(1) Authorized Spokespersons

The Company limits the number of spokespersons authorized to communicate on behalf of the Company with any liability person or entity outside the Company – both to ensure compliance with Regulation FD and otherwise to protect the confidentiality of a Party sensitive business or financial information regarding the Company. Accordingly, the Company has designated the Chief Executive Officer, Chief Financial Officer, Senior Vice President of investor Relations and the Director of Corporate Communications and any other specifically designated person as the sole Authorized Spokespersons for failure the Company. Unless you have been designated in writing as an Authorized Spokesperson, you may not publicly respond to comply any inquiries.

All inquiries regarding the Company or its securities made by any person or entity outside the Company, including but not limited to securities analysts, members of the media, existing stockholders and/or debtholders and potential investors (except in the context of planned and authorized presentations) with regard to the terms Company's business operations or prospects as well as the Company's financial condition, results of this Agreement shall survive such termination. For operations, share price or any development or plan affecting the avoidance of doubt, the Company's obligations Company, should be referred immediately and exclusively to pay accrued and unpaid Fees and Expenses incurred in connection with the Transaction an Authorized Spokesperson.

Company Personnel should not review analyst reports prior to their being published, send analyst reports to investors or prospective investors, comment on an analyst's model, provide analyst phone numbers for people to call them directly, endorse or ratify revenue or earnings projections made by an analyst, or express comfort or disagreement analyst estimates. In addition, Company Personnel should not discuss financial or operational information about the Company's exercise of the Fiduciary Out shall survive termination of this Agreement. 17. Headings The headings of the sections, paragraphs and subsections of this Agreement are inserted for convenience only and shall not affect the interpretation hereof or, for any purpose, be deemed a part of this Agreement. 18. Successors and Assigns; Severability; Several Obligations. This Agreement is intended to bind and inure to the benefit of the Parties and their respective successors, permitted assigns, heirs, and executors. If any provision of this Agreement, or the application of any such provision to any Person or circumstance, shall be held invalid or unenforceable in whole or in part, such invalidity or unenforceability shall attach only to such provision or part thereof and the remaining part of such provision hereof and this Agreement shall continue in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any Party. Upon any such determination of invalidity, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in a reasonably acceptable manner in order that the transactions contemplated hereby are consummated as originally contemplated to the greatest extent possible. The agreements, representations and obligations of the Parties are, in all respects, ratable and several and neither joint nor joint and several. 19. No Third-Party Beneficiaries. Unless expressly stated herein, this Agreement shall be Company's competitors. An Authorized Spokesperson may review an analyst report solely for the benefit purpose of the Parties (and their respective successors, permitted assigns, heirs, and executors) and no other Person shall be a third-party beneficiary hereof; provided, confirming or correcting publicly disclosed information that with respect to any Released Party, such Released Party shall be, and is deemed to be, a third-party beneficiary with respect to the releases granted pursuant to Section 6 hereof. 20. Prior Negotiations; Entire Agreement. This Agreement, including the exhibits and schedules hereto (including the Transaction Term Sheet) constitutes the entire agreement of the Parties, and supersedes all other prior negotiations, with respect to the subject matter hereof and thereof, except that the Parties Exhibit 10.1

28- WEIL\99037057\16\18434.0011 acknowledge that any confidentiality agreements (if any) heretofore executed between the Company Parties, on the one hand, and each Consenting Stakeholder, on the other hand, as applicable, shall continue in full force and effect; provided, that, in the event of a conflict between this Agreement and the Transaction Term Sheet, the Transaction Term Sheet shall control in all respects. 21. Counterparts. This Agreement executed [contained] counterparts, each of which shall [such analyst report].

Page 7

Company Personnel could be deemed to be an original, "acting on behalf of" the Company and all subject the Company to possible SEC enforcement action for violation of which together shall be deemed to be one and the same agreement, with the effect as Regulation FD if all Parties had signed the same agreement. Execution copies of this Agreement may be delivered by electronic mail in portable document format (pdf), which shall be deemed to be an original for the purposes of this paragraph. 22. Notices. All notices hereunder shall be deemed given if Company Personnel orally, or in writing (including all written electronic communications), communicate material

non-public information to market professionals and delivered, if contemporaneously sent by electronic mail, by overnight courier investors in situations where the Company has not either previously or by registered or certified mail (return receipt requested) simultaneously released that information to the public pursuant to one or more of the following addresses: (a) If methods:

- Form 8-K or other document filed with, or submitted to, the Company Parties: ATI Physical Therapy, Inc. 790 Remington Blvd Bolingbrook, IL 60440 Attention: Erik Kantz Email: Erik.Kantz@atipt.com With SEC;
- A press release; or
- A conference call or webcast of such a copy to (which shall not constitute notice): Weil, Gotshal & Manges LLP 767 Fifth Avenue New York, NY 10153 Attention: Ray C. Schrock, P.C. Natasha S. Hwangpo Email: Ray.Schrock@weil.com Natasha.Hwangpo@weil.com (b) If to HPS: HPS Investment Partners, LLC 40 West 57th Street New York, NY US 10019 Attn: Aman Malik with a copy to: Milbank LLP 55 Hudson Yards New York, NY US 10001-2163 Exhibit 10.1



.29- WEIL\9903705716\18434.0011 Attention: John Britton Email: jbritton@milbank.com (c) If [call that is open] [redacted] Consenting Preferred Equityholders: Davis Polk & Wardwell LLP 450 Lexington Ave New York, NY 10017 Attention: Brian Resnick Email: brian.resnick@davispolk.com (d) If to Barclays: Cahill Gordon & Reindel LLP 32 Old Slip New York, NY 10005 Attention: David Barash Email: dbarash@cahill.com (e) If to Advent: Ropes & Gray LLP 191 N Upper Wacker Drive 32nd Floor Chicago, IL 60606 Attention: Ryan Preston Dahl Email: Ryan.Dahl@ropesgray.com Any notice given by delivery, mail or courier shall be effective when received. Any notice given by electronic mail shall be effective upon transmission. 23. Joinder. One or more additional Persons may become party hereto after the date of this Agreement by executing [public at large] [redacted] delivering a Joinder Agreement to the Company. Immediately upon the execution and delivery of a Joinder Agreement (and without any further action), each such additional Person will be bound by the terms of this Agreement and deemed to be a (i) "Consenting Stakeholder" and (ii) a "Party" for all purposes under this Agreement. For the avoidance of doubt, each Person that executes a Joinder Agreement shall have all of the rights and obligations of a Consenting Stakeholder of the applicable class of Consenting Stakeholder hereunder. 24. Reservation of Rights; No Admission. (a) Nothing contained herein shall limit the ability of any Party to consult with other Parties so long as such consultation or appearance is consistent with such Party's obligations hereunder. Exhibit 10.1



-30- WEIL\99037057\16\18434.0011 (b) Except as expressly provided in this Agreement, nothing herein is intended to, or does, in any manner waive, limit, impair, or restrict the ability of each of the Parties to protect and preserve its rights, remedies, and interests, including its Claims against any of the other Parties (or their respective affiliates or subsidiaries). This Agreement, including the Transaction Term Sheet, is part of a proposed settlement of matters that could otherwise be has been the subject of litigation among adequate advance notice within the Parties. Pursuant to Rule 408 meaning of Regulation FD.

(2) Quiet Period

At the Federal Rules end of Evidence and any other applicable rules of evidence, and any other applicable law, foreign or domestic, this Agreement and all negotiations relating hereto shall not be admissible into evidence in any proceeding other than each fiscal quarter, the Company will observe a proceeding to enforce its terms. This Agreement shall in no event be construed as or be deemed to be evidence of an admission or concession on the part of any Party of any claim or fault or liability or damages whatsoever. Each of the Parties denies any and all wrongdoing or liability of any kind and does not concede any infirmity in the claims or defenses which it has asserted or could assert. 25. No Offer; Representation by Counsel; Adequate Information. (a) This Agreement is not and shall not be deemed an offer "quiet period" with respect to communication with the issue investment community, commencing at the close of the quarter. During this quiet period, the Company, including Authorized Spokespersons, should not provide information or sale guidance on expected financial results, previously published financial or other performance estimates or other guidance (including any reference to previously published estimates or guidance which might implicitly reaffirm the previously published estimate or guidance), analyst models, Company outlook, market trends or any other matters which might be directly or indirectly indicative of securities the Company's prospective financial results for the period. On-site meetings will not be conducted. Immediately prior to any person or entity, or the solicitation of an offer to acquire or buy securities, in any jurisdiction where such offer or solicitation would be unlawful. (b) Each Party acknowledges that it has had an opportunity to receive information from earnings release, the Company Parties and should cease all communication with the investing public. The quiet period ends when the Company's earnings information for that quarter is publicly released. If management believes it has been, is necessary or is part of a group that has been, or has had an opportunity to be, represented by counsel in connection with this Agreement and the transactions contemplated hereby. Accordingly, any rule of law or any legal decision that would provide any Party with a defense to the enforcement best interest of the terms of this Agreement against such Party based upon lack of legal counsel shall have no application and is expressly waived. 26. Time is of Company to engage in communications during the Essence. The Parties acknowledge and agree that time is of quiet period, the essence and that they must each use commercially reasonable efforts to effectuate and consummate the Transaction as soon as reasonably practicable. 27. Administrative Agent. Barclays, as Administrative Agent under the Credit Agreement, hereby agrees, at the direction of (i) HPS, representing the Required Term Lenders (as defined in the Credit Agreement), and (ii) Barclays, in its capacity as a Lender and representing the Required Revolving Lenders (in each case as such terms are defined in the Credit Agreement), to enter into the Intercreditor Agreement on the Closing Date so long as such Intercreditor Agreement is reasonably acceptable to Barclays in its capacity as Administrative Agent. 28. Administrative Agent Direction; Indemnity; Release. Barclays, as Administrative Agent under the Credit Agreement, makes no representations as to the validity or sufficiency of this Agreement. Each of the parties hereto acknowledges and agrees that Barclays Bank PLC is acknowledging this Agreement in its capacity as Administrative Agent under the Credit Agreement pursuant to direction from the Consenting Stakeholders signatory hereto and the Borrower with respect to Section 27 of this Agreement only. In Exhibit 10.1

[SIGNATURE PAGE TO TRANSACTION SUPPORT AGREEMENT] IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed and, as applicable, delivered by their respective duly authorized officers, solely in their respective capacities as officers of the undersigned and not in any other capacity, as of the date first set forth above. ATI PHYSICAL THERAPY, INC. By: Name: Joseph Jordan Title: Chief Financial Officer
ATI HOLDINGS ACQUISITION, INC. By: Name: Joseph Jordan Title: Chief Financial Officer WILCO INTERMEDIATE HOLDINGS, INC. By: Name: Joseph Jordan Title: Chief Financial Officer DocuSign Envelope ID: C267CFC5-30A2-4898-9EFD-A76EDBC50EFA Exhibit 10.1

slide33

[SIGNATURE PAGE TO TRANSACTION SUPPORT AGREEMENT] Subsidiary Guarantors: ATI HOLDINGS OF ALABAMA, LLC IDEAL PHYSICAL THERAPY OF TEXAS, LLC ATI HOLDINGS, INC. TOUCHSTONE HOLDCO LLC ATI HOLDINGS MISSOURI, LLC PROAXIS THERAPY, LLC ADIENT ALASKA, LLC ATI OF NEVADA AT DESERT VALLEY THERAPY, LLC ATI HOLDINGS OF ARIZONA, LLC ATI HOLDINGS, LLC ATHLETIC & THERAPEUTIC INSTITUTE OF BOLINGBROOK, LLC ATHLETIC & THERAPEUTIC INSTITUTE OF NAPERVILLE, LLC ATHLETIC & THERAPEUTIC INSTITUTE OF MILWAUKEE, LLC ATHLETIC & THERAPEUTIC INSTITUTE OF BOURBONNAIS, LLC OHIO CENTERS FOR HAND AND PHYSICAL REHABILITATION, LLC ADVANCED PHYSICAL THERAPY, LLC COMMUNITY REHAB OF IOWA, LLC PERFORMANCE REHABILITATION OF WESTERN NEW ENGLAND, LLC MICHIGAN REHABILITATION SPECIALISTS OF FOWLERVILLE, LLC QUANTUM PHYSICAL THERAPY CENTERS – YPSILANTI LLC COMMUNITY REHAB, LLC NEW CENTURY REHABILITATION, LLC PHYSICAL THERAPY AT DAWN, LLC ERHARDT PHYSICAL THERAPY AND SPORTS MEDICINE, LLC WILLAMETTE SPINE CENTER PHYSICAL THERAPY AND REHABILITATION, LLC MCMINNVILLE PHYSICAL THERAPY & SPORTS MEDICINE, LLC PROAXIS GREENVILLE, LLC PROAXIS THERAPY NC, LLC PROAXIS THERAPY SC, LLC MCM REHABILITATION, LLC APPLE PHYSICAL THERAPY, LLC By: Name: Joseph Jordan Title: Chief Financial Officer DocuSign Envelope ID: 30F-E94F9-759A-4322-85A7-018672A932FC Exhibit 10.1

slide34

[SIGNATURE PAGE TO TRANSACTION SUPPORT AGREEMENT] HPS INVESTMENT PARTNERS, LLC By: Name: Aman Malik Title: Managing Director Exhibit 10.1

slide35

[SIGNATURE PAGE TO TRANSACTION SUPPORT AGREEMENT] HPS SPECIALTY LOAN FUND V, L.P. By: HPS Investment Partners, LLC, its Investment Manager By: Name: Aman Malik Title: Managing Director Principal Amount of Term Loans: \$58,200,172.81 HPS SPECIALTY LOAN FUND V-L, L.P. By: HPS Investment Partners, LLC, its Investment Manager By: Name: Aman Malik Title: Managing Director Principal Amount of Term Loans: \$60.63 SLIF V HOLDINGS, LLC By: HPS Investment Partners, LLC, its Investment Manager By: Name: Aman Malik Title: Managing Director Principal Amount of Term Loans: \$29,923,116.81 HPS SPECIALTY LOAN EUROPE FUND V, SCSP By: HPS Investment Partners, LLC, its Investment Manager By: Name: Aman Malik Title: Managing Director Principal Amount of Term Loans: \$10,924,153.86 Exhibit 10.1

(SIGNATURE PAGE TO TRANSACTION SUPPORT AGREEMENT) HPS SPECIALTY LOAN ONTARIO FUND V, L.P. By: HPS Investment Partners, LLC, its Investment Manager By: Name: Aman Malik Title: Managing Director Principal Amount of Term Loans: \$6,972,864.15 HPS SPECIALTY LOAN MASTER FUND (EUR) V L.P. By: HPS Investment Partners, LLC, its Investment Manager By: Name: Aman Malik Title: Managing Director Principal Amount of Term Loans: \$4,365,633.53 MORENO STREET DIRECT LENDING FUND, L.P. By: HPS Investment Partners, LLC, its Investment Manager By: Name: Aman Malik Title: Managing Director Principal Amount of Term Loans: \$5,410,873.75 SPECIALTY LOAN VG FUND, L.P. By: HPS Investment Partners, LLC, its Investment Manager By: Name: Aman Malik Title: Managing Director Principal Amount of Term Loans: \$2,806,480.28 Exhibit 10.1

[SIGNATURE PAGE TO TRANSACTION SUPPORT AGREEMENT] FALCON CREDIT FUND, L.P. By: HPS Investment Partners, LLC, its Investment Manager By: Name: Aman Malik Title: Managing Director Principal Amount of Term Loans: \$1,326,699.76 SAFETY NATIONAL CASUALTY CORPORATION By: HPS Investment Partners, LLC, as Investment Manager By: Name: Aman Malik Title: Managing Director Principal Amount of Term Loans: \$4,066,996.61 HALITE 2020 DIRECT LIMITED By: HPS Investment Partners, LLC, its Investment Manager By: Name: Aman Malik Title: Managing Director Principal Amount of Term Loans: \$10,180,381.67 HC DIRECT LENDING FUND, L.P. By: HPS Investment Partners, LLC, its Investment Manager By: Name: Aman Malik Title: Managing Director Principal Amount of Term Loans: \$6,062,603.65 Exhibit 10.1

[SIGNATURE PAGE TO TRANSACTION SUPPORT AGREEMENT] HPS OCOEE SPECIALTY LOAN FUND, L.P. By: HPS Investment Partners, LLC, its Investment Manager By: Name: Aman Malik Title: Managing Director Principal Amount of Term Loans: \$5,926,934.54 HPS ELBE UNLEVERED DIRECT LENDING FUND SCSP By: HPS Investment Partners, LLC, its Portfolio Manager By: Name: Aman Malik Title: Managing Director Principal Amount of Term Loans: \$4,546,952.72 HPS SPECIALTY LOAN FUND TX, L.P. By: HPS Investment Partners, LLC, its Investment Manager By: Name: Aman Malik Title: Managing Director Principal Amount of Term Loans: \$9,320,395.10 PHILADELPHIA INDEMNITY INSURANCE COMPANY By: HPS Investment Partners, LLC, as Investment Manager By: Name: Aman Malik Title: Managing Director Principal Amount of Term Loans: \$1,161,999.02 Exhibit 10.1

 slide39

[SIGNATURE PAGE TO TRANSACTION SUPPORT AGREEMENT] BUILD PRIVATE CREDIT, L.P. By: HPS Investment Partners, LLC, as Investment Manager By: Name: Aman Malik Title: Managing Director Principal Amount of Term Loans: \$580,999.52 HPS CORPORATE LENDING FUND By: HPS Investment Partners, LLC, its Investment Manager By: Name: Aman Malik Title: Managing Director Principal Amount of Term Loans: \$40,675,040.90 CACTUS DIRECT HOLDINGS, L.P. By: HPS Investment Partners, LLC, its Investment Manager By: Name: Aman Malik Title: Managing Director Principal Amount of Term Loans: \$15,194,400.38 SLF CX-2 HOLDINGS, L.P. By: HPS Investment Partners, LLC, its Investment Manager By: Name: Aman Malik Title: Managing Director Principal Amount of Term Loans: \$7,624,027.22 BRICKYARD DIRECT HOLDINGS, L.P. By: HPS Investment Partners, LLC, its Investment Manager By: Name: Aman Malik Title: Managing Director Principal Amount of Term Loans: \$3,046,458.34 Exhibit 10.1



(SIGNATURE PAGE TO TRANSACTION SUPPORT AGREEMENT) SLF V INTERNATIONAL-L HOLDINGS, L.P. By: HPS Investment Partners, LLC, its Investment Manager By: Name: Aman Malik Title: Managing Director Principal Amount of Term Loans: \$18,416,856.64 SLF V-L HOLDINGS, L.P. By: HPS Investment Partners, LLC, its Investment Manager By: Name: Aman Malik Title: Managing Director Principal Amount of Term Loans: \$16,016,087.89 SLF V-L HOLDINGS B, L.P. By: HPS Investment Partners, LLC, its Investment Manager By: Name: Aman Malik Title: Managing Director Principal Amount of Term Loans: \$16,016,027.26 SLF V INTERNATIONAL-L HOLDINGS B, L.P. By: HPS Investment Partners, LLC, its Investment Manager By: Name: Aman Malik Title: Managing Director Principal Amount of Term Loans: \$18,416,856.65 Exhibit 10.1

 slide41

[SIGNATURE PAGE TO TRANSACTION SUPPORT AGREEMENT] PRESIDIO LOAN HOLDINGS, L.P. By: HPS Investment Partners, LLC, its Investment Manager By: Name: Aman Malik Title: Managing Director Principal Amount of Term Loans: \$3,827,018.54 VG HPS PRIVATE DEBT FUND L.P. By: HPS Investment Partners, LLC, its Investment Manager By: Name: Aman Malik Title: Managing Director Principal Amount of Term Loans: \$27,380,938.38 Exhibit 10.1

Exhibit 10.1

slide43

KNIGHTHEAD ANNUITY & LIFE ASSURANCE COMPANY By: Knighthead Capital Management, LLC, its investment advisor +t-j \ By: UVI::: A ----- Name: Laura Torrado Title: General Counsel Principal Amount of Term Loans: \$17,866,077.93 Shares of Preferred Stock: 14,755 Amount of New Money Financing commitment: \$5,304,456.00 Amount of Preferred Equity Held Term Loans to be exchanged for New Second Lien PIK Convertible Notes: \$17,866,077.93
[Exhibit 10.1](#)

KNIGHTHEAD DISTRESSED OPPORTUNITIES FUND, L.P. By: Knighthead Capital Management, LLC, its investment manager By:  Name ura Torrado Title: General Counsel Principal Amount of Term Loans: Shares of Preferred Stock: 19,232 Amount of New Money Financing commitment: Amount of Preferred Equity Held Term Loans to be exchanged for New Second Lien PIK Convertible Notes: Exhibit 10.1

KNIGHTHEAD (NY) FUND, L.P. By: Knighthead Capital Management, LLC, its investment advisor By (i) Name: Laura Torrado Title: General Counsel Principal Amount of Term Loans: \$5,138,548.68 Shares of Preferred Stock: 9,477 Amount of New Money Financing commitment: \$1,525,646.00 Amount of Preferred Equity Held Term Loans to be exchanged for New Second Lien PIK Convertible Notes: \$5,138,548.68 Exhibit 10.1

slide47

ONEX CAPITAL SOLUTIONS HOLDINGS, LP By: Onex Capital Solutions GP, LP, its general partner By: Onex Capital Solutions GP, LLC, its general partner By: Name: Steven Gutman Title: General Counsel Principal Amount of Term Loans: 8,841,296.99 Shares of Preferred Stock: 22,145.30 Amount of New Money Financing commitment: Amount of Preferred Equity Held Term Loans to be exchanged for New Second Lien PIK Convertible Notes: 8,841,296.99 Exhibit 10.1

 slide48

ONEX SENIOR CREDIT II, LP By: Onex Credit Partners, LLC, its investment manager By: Name: Steven Gutman Title: General Counsel Principal Amount of Term Loans: 816,430.64 Shares of Preferred Stock: Amount of New Money Financing commitment: Amount of Preferred Equity Held Term Loans to be exchanged for New Second Lien PIK Convertible Notes: 317,835.79 Exhibit 10.1

Onex Senior Credit Fund, LP. By: Onex Credit Partners, LLC its investment manager By: Name: Steven Gutman Title: General Counsel Principal Amount of Term Loans: 7,571,181.66 Shares of Preferred Stock: Amount of New Money Financing commitment: Amount of Preferred Equity Held Term Loans to be exchanged for New Second Lien PIK Convertible Notes: 2,947,454.88 Exhibit 10.1



OCM Loan Holdings LLC By: Onex Credit Management LLC, as Portfolio Manager By: Name: Steven Gutman Title: General Counsel Principal Amount of Term Loans: 240,483.28 Shares of Preferred Stock: Amount of New Money Financing commitment: Amount of Preferred Equity Held Term Loans to be exchanged for New Second Lien PIK Convertible Notes: 93,619.95 Exhibit 10.1



Gore Mutual Insurance Company By: Onex Credit Management LLC, as Investment Manager By:

Name: Steven Gutman Title: General Counsel Principal Amount of Term Loans: 213,201.57 Shares of Preferred Stock: Amount of New Money Financing commitment: Amount of Preferred Equity Held Term Loans to be exchanged for New Second Lien PIK Convertible Notes: 82,999.20 Exhibit 10.1

OCP CLO 2015-9, Ltd. By: Onex Credit Partners, LLC, as Portfolio Manager By:

Name: Steven Gutman Title: General Counsel Principal Amount of Term Loans: 950,818.36 Shares of Preferred Stock:
Amount of New Money Financing commitment: Amount of Preferred Equity Held Term Loans to be exchanged for New Second Lien PIK Convertible Notes: 370,152.81 Exhibit 10.1

slide55

OCP CLO 2015-10, Ltd. By: By: Onex Credit Partners, LLC, as Portfolio Manager By: Name: Steven Gutman Title: General Counsel Principal Amount of Term Loans: 953,849.66 Shares of Preferred Stock: Amount of New Money Financing commitment: Amount of Preferred Equity Held Term Loans to be exchanged for New Second Lien PIK Convertible Notes: 371,332.90 Exhibit 10.1

slide56

OCP CLO 2016-12, Ltd. By: Onex Credit Partners, LLC, as Portfolio Manager By: Name: Steven Gutman Title: General Counsel Principal Amount of Term Loans: 1,666,106.59 Shares of Preferred Stock:
Amount of New Money Financing commitment: Amount of Preferred Equity Held Term Loans to be exchanged for New Second Lien PIK Convertible Notes: 649,613.94 Exhibit 10.1

OCP CLO 2017-14, Ltd. By: Onex Credit Partners, LLC, as Portfolio Manager By: Name: Steven Gutman Title: General Counsel Principal Amount of Term Loans: 1,424,711.88 Shares of Preferred Stock: Amount of New Money Financing commitment: Amount of Preferred Equity Held Term Loans to be exchanged for New Second Lien PIK Convertible Notes: 554,639.18 Exhibit 10.1

OCP CLO 2018-15, Ltd. By: Onex Credit Partners, LLC, as Portfolio Manager By:

Name: Steven Gutman Title: General Counsel Principal Amount of Term Loans: 1,424,711.88 Shares of Preferred Stock:
Amount of New Money Financing commitment: Amount of Preferred Equity Held Term Loans to be exchanged for New Second Lien PIK Convertible Notes: 554,639.18 Exhibit 10.1

OCP CLO 2019-16, Ltd. By: Onex Credit Partners, LLC, as Portfolio Manager By:
Amount of New Money Financing commitment: Amount of Preferred Equity Held Term Loans to be exchanged for New Second Lien PIK Convertible Notes: 461,805.96 Exhibit 10.1

Name: Steven Gutman Title: General Counsel Principal Amount of Term Loans: 1,186,249.47 Shares of Preferred Stock:
Amount of New Money Financing commitment: Amount of Preferred Equity Held Term Loans to be exchanged for New Second Lien PIK Convertible Notes: 461,805.96 Exhibit 10.1

OCP CLO 2019-17, Ltd. By: Onex Credit Partners, LLC, as Portfolio Manager By: Name: Steven Gutman Title: General Counsel Principal Amount of Term Loans: 1,191,301.64 Shares of Preferred Stock:
Amount of New Money Financing commitment: Amount of Preferred Equity Held Term Loans to be exchanged for New Second Lien PIK Convertible Notes: 463,772.76 Exhibit 10.1

OCP CLO 2020-18, Ltd. By: Onex Credit Partners, LLC, as Portfolio Manager By: Name: Steven Gutman Title: General Counsel Principal Amount of Term Loans: 953,849.66 Shares of Preferred Stock:
Amount of New Money Financing commitment: Amount of Preferred Equity Held Term Loans to be exchanged for New Second Lien PIK Convertible Notes: 371,332.90 Exhibit 10.1

slide63

OCP CLO 2020-19, Ltd. By: Onex Credit Partners, LLC, as Portfolio Manager By: Name: Steven Gutman Title: General Counsel Principal Amount of Term Loans: 1,191,301.64 Shares of Preferred Stock: Amount of New Money Financing commitment: Amount of Preferred Equity Held Term Loans to be exchanged for New Second Lien PIK Convertible Notes: 463,772.76 Exhibit 10.1

slide64

OCP CLO 2021-22, Ltd. By: Onex Credit Partners, LLC, as Portfolio Manager By: Name: Steven Gutman Title: General Counsel Principal Amount of Term Loans: 1,310,532.85 Shares of Preferred Stock: Amount of New Money Financing commitment: Amount of Preferred Equity Held Term Loans to be exchanged for New Second Lien PIK Convertible Notes: 510,189.37 Exhibit 10.1

slide65

OCP CLO 2022-25, Ltd. By: Onex Credit Partners, LLC, as Portfolio Manager By:

Name: Steven Gutman Title: General Counsel Principal Amount of Term Loans: 1,427,833.73 Shares of Preferred Stock:
Amount of New Money Financing commitment: Amount of Preferred Equity Held Term Loans to be exchanged for New Second Lien PIK Convertible Notes: 555,854.51 Exhibit 10.1

MAM PT LLC By: Name: Title: Principal Amount of Term Loans: Shares of Preferred Stock: 45,590 Amount of New Money Financing commitment: Amount of Preferred Equity Held Term Loans to be exchanged for New Second Lien PIK Convertible Notes: Exhibit 10.1

MARATHON DISTRESSED CREDIT MASTER FUND By: Name: Title: Principal Amount of Term Loans: \$34,112,249.81 Shares of Preferred Stock: Amount of New Money Financing commitment: \$6,752,000 Amount of Preferred Equity Held Term Loans to be exchanged for New Second Lien PIK Convertible Notes: \$34,112,250 Exhibit 10.1

MARATHON STEPSTONE MASTER FUND LP By: Name: Title: Principal Amount of Term Loans: \$2,738,275.98 Shares of Preferred Stock: Amount of New Money Financing commitment: \$542,400
Amount of Preferred Equity Held Term Loans to be exchanged for New Second Lien PIK Convertible Notes: \$2,738,276 Exhibit 10.1



CASPIAN CAPITAL L.P. in its capacity as manager, advisor, sub-advisor or similar capacity on behalf of certain funds and accounts By:
Preferred Stock: 19,420 Shares of Preferred Stock Per Caspian Fund Caspian PT Holdings LLC: 10,704 Caspian Solitude Master Fund, L.P.: 1,353 Caspian HLSC1, LLC: 1,072 Caspian SC Holdings, L.P.: 849 Spring Creek Capital, LLC: 2,403 Blackstone Alternative Multi-Strategy Fund IV L.L.C. II: 1,516 Blackstone Alternative Multi-Strategy Fund IV L.L.C. IIA: 1,523 Amount of New Money Financing Total: \$5,000,000.00 Amount of New Money Financing Per Caspian Fund Caspian Select Credit Master Fund, Ltd.: \$1,826,725.03 Caspian Solitude Master Fund, L.P.: \$348,352.21 Caspian HLSC1, LLC: \$276,004.12 Caspian SC Holdings, L.P.: \$218,589.08 Spring Creek Capital, LLC: \$618,692.07 Caspian Focused Opportunities Fund, L.P.: \$413,491.25 Caspian Keystone Focused Fund, L.P.: \$515,705.46 Blackstone Alternative Multi-Strategy Fund IV L.L.C. II: \$390,319.26 Blackstone Alternative Multi-Strategy Fund IV L.L.C. IIA: \$392,121.52
Exhibit 10.1

slide71

SIGNATURE PAGE TO TRANSACTION SUPPORT AGREEMENT Restricted - External Acknowledged pursuant to the direction in Section 28: BARCLAYS BANK PLC, as Administrative Agent By:
Ronnie Glenn Title: Director Exhibit 10.1

Name:

slide72

[SIGNATURE PAGE TO TRANSACTION SUPPORT AGREEMENT] Restricted - External BARCLAYS BANK PLC, as Revolving Lender By:
Revolving Loans: \$30,000,000 Exhibit 10.1

Name: Ronnie Glenn Title: Director Principal Amount of

SIGNATURE PAGE TO TRANSACTION SUPPORT AGREEMENT) ADVENT INTERNATIONAL GPE VII LIMITED PARTNERSHIP By: GPE VII GP S.p.a.r.l., General Partner By: Advent International GPE VII, LLC, Manager Justin Nuccio By: Advent International Corporation, Manager By: Name: Amanda McGrady Morrison Title: Shares may do so in a manner consistent with Regulation FD. In no event shall such communication include any comment on the Company's financial results or outlook for the current or future periods.

(3) Inadvertent Disclosure

Company Personnel should notify the Legal Department immediately if they become aware of Common Stock: 11,324,692 ADVENT INTERNATIONAL GPE VII-B LIMITED PARTNERSHIP By: GPE VII GP S.p.a.r.l., General Partner By: Advent International GPE VII, LLC, Manager Justin Nuccio By: Advent International Corporation, Manager By: Name: Amanda McGrady Morrison Title: Chief Legal Officer Shares facts suggesting that material non-public information may have been communicated in violation of Common Stock: 30,970,374 Exhibit 10.1 Exhibit 10.1

(SIGNATURE PAGE TO TRANSACTION SUPPORT AGREEMENT) ADVENT INTERNATIONAL GPE VII-C LIMITED PARTNERSHIP By: GPE VII GP S.a.r.l., General Partner By: Advent International GPE VII, LLC
Manager Justin Nuccio By: Advent International Corporation, Manager By: Name: Amanda McGrady Morrison Title: Chief Legal Officer Shares of Common Stock: In certain
circumstances, steps can be taken promptly upon discovery Common Stock: 9,845,475 ADVENT INTERNATIONAL GPE VII-D LIMITED PARTNERSHIP By: GPE VII GP S.a.r.l., General Partner By: Advent International GPE VII, LLC
Manager Justin Nuccio By: Advent International Corporation, Manager By: Name: Amanda McGrady Morrison Title: Chief Legal Officer Shares of Common Stock:
6,777,137 Exhibit 10.1 Exhibit 10.1

(SIGNATURE PAGE TO TRANSACTION SUPPORT AGREEMENT) ADVENT INTERNATIONAL GPE VII-F LIMITED PARTNERSHIP By: GPE VII GP S.p.a.r.l., General Partner By: Advent International GPE VII, LLC.
Manager Justin Nuccio By: Advent International Corporation, Manager By: Name: Amanda McGrady Morrison Title: Chief Legal Officer Shares of Common Stock:

REFINITIV CORPORATE DISCLOSURES | www.refinitiv.com | Contact Us

251/293

©2024 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV 

slide76

[SIGNATURE PAGE TO TRANSACTION SUPPORT AGREEMENT] ADVENT INTERNATIONAL GPE VII-A LIMITED PARTNERSHIP By: GPE VII GP Limited Partnership, General Partner By: Advent International GPE VII, LLC, General Partner By: Advent International Corporation, Manager By: Name: Amanda McGrady Title: Chief Legal Officer Shares of Common Stock: 10,481,755 ADVENT INTERNATIONAL GPE VII-E LIMITED PARTNERSHIP By: GPE VII GP Limited Partnership, General Partner By: Advent International GPE VII, LLC, General Partner By: Advent International Corporation, Manager By: Name: Amanda McGrady Title: Chief Legal Officer Shares of Common Stock: 22,316,206 Exhibit 10.1 Exhibit 10.1

slide77

[SIGNATURE PAGE TO TRANSACTION SUPPORT AGREEMENT] ADVENT INTERNATIONAL GPE VII-H LIMITED PARTNERSHIP By: GPE VII GP Limited Partnership, General Partner By: Advent International GPE VII, LLC, General Partner By: Advent International Corporation, Manager By: Name: Amanda McGrady Title: Chief Legal Officer Shares of Common Stock: 1,743,884 ADVENT PARTNERS GPE VII LIMITED PARTNERSHIP By: Advent International GPE VII, LLC, General Partner By: Advent International Corporation, Manager By: Name: Amanda McGrady Morrison Title: Chief Legal Officer Shares of Common Stock: 45,267 Exhibit 10.1 Exhibit 10.1

slide78

(SIGNATURE PAGE TO TRANSACTION SUPPORT AGREEMENT) ADVENT PARTNERS GPE VII CAYMAN LIMITED PARTNERSHIP By: Advent International GPE VII, LLC, General Partner By: Advent International Corporation, Manager By: Name: Amanda McGrady Morrison Title: Chief Legal Officer Shares of Common Stock: 806,132 ADVENT PARTNERS GPE VII-A LIMITED PARTNERSHIP By: Advent International GPE VII, LLC, General Partner By: Advent International Corporation, Manager By: Name: Amanda McGrady Morrison Title: Chief Legal Officer Shares of Common Stock: 107,151 Exhibit 10.1 Exhibit 10.1



[SIGNATURE PAGE TO TRANSACTION SUPPORT AGREEMENT] ADVENT PARTNERS GPE VII-A CAYMAN LIMITED PARTNERSHIP By: Advent International GPE VII, LLC, General Partner By: Advent International Corporation, Manager By: Name: Amanda McGrady Morrison Title: Chief Legal Officer Shares of Common Stock: 212,875 ADVENT PARTNERS VII-B CAYMAN LIMITED PARTNERSHIP By: Advent International GPE VII, LLC, General Partner By: Advent International Corporation, Manager By: Name: Amanda McGrady Morrison Title: Chief Legal Officer Shares of Common Stock: 1,063,662 Exhibit 10.1 Exhibit 10.1

[SIGNATURE PAGE TO TRANSACTION SUPPORT AGREEMENT] ADVENT PARTNERS GPE VII 2014 LIMITED PARTNERSHIP By: Advent International GPE VII, LLC, General Partner By: Advent International Corporation, Manager
By: Name: Amanda McGrady Morrison Title: Chief Legal Officer Shares of Common Stock: 65,045 ADVENT PARTNERS GPE VII 2014 CAYMAN LIMITED PARTNERSHIP By: Advent International GPE VII
LLC, General Partner By: Advent International Corporation, Manager By: Name: Amanda McGrady Morrison Title: Chief Legal Officer Shares of Common Stock: 155,782 Exhibit 10.1 Exhibit 10.1



[SIGNATURE PAGE TO TRANSACTION SUPPORT AGREEMENT] ADVENT PARTNERS GPE VII-A 2014 LIMITED PARTNERSHIP By: Advent International GPE VII, LLC, General Partner By: Advent International Corporation, Manager By: Name: Amanda McGrady Morrison Title: Chief Legal Officer Shares of Common Stock: 179,333 ADVENT PARTNERS GPE VII-A 2014 CAYMAN LIMITED PARTNERSHIP By: Advent International GPE VII, LLC, General Partner By: Advent International Corporation, Manager By: Name: Amanda McGrady Morrison Title: Chief Legal Officer Shares of Common Stock: 109,904 Exhibit 10.1 Exhibit 10.1

[SIGNATURE PAGE TO TRANSACTION SUPPORT AGREEMENT] GPE VII ATI CO-INVESTMENT (DELAWARE) LIMITED PARTNERSHIP By: Advent International GPE VII, LLC, General Partner By: Advent International Corporation, Manager By: Name: Amanda McGrady Morrison Title: Chief Legal Officer Shares of Common Stock: 13,878,964 Exhibit 10.1 Exhibit 10.1

Final Version SUMMARY OF TERMS AND CONDITIONS FOR NEW MONEY FINANCING AND AMENDMENTS TO THE EXISTING ATI CREDIT AGREEMENT This term sheet summarizes [] principal economic terms [] selective disclosure to protect both the Company and the person responsible for that communication. Regulation FD, for example, gives a brief period, generally 24 hours, after discovery [] new money financing [] careless or inadvertent selective disclosure ATI Physical Therapy Inc. ("Topco") and certain amendments and waivers [] avoid potential SEC enforcement action by fully disclosing the information [] Credit Agreement, dated as [] public

(4) Responding to Rumors and News Media

Rumors and media reports concerning the business and affairs of February 24, 2022, by and among ATI Holdings Acquisition, Inc. (the "Borrower"), Wilco Intermediate Holdings, Inc. ("Holdings"), the lenders party thereto, Barclays Bank PLC, as Administrative Agent (the "Administrative Agent") and HPS Investment Partners, LLC ("HPS"), as Lender Representative (as amended or modified Company may circulate from time to time, time. It is the "Existing Credit Facility"). The transaction contemplated herein is subject Company's general policy not to among other things, negotiation and execution of mutually acceptable definitive documentation. Capitalized terms used and comment upon such rumors and/or to publish corrections about inaccurate or incomplete media statements. Company Personnel should not otherwise defined herein have the meanings set forth in the Existing Credit Facility. References to "Barclays" herein shall mean Barclays Bank PLC in its capacity as a Revolving Lender under the Existing Credit Facility. I. New Money Financing Commitment by Preferred Equityholders Commitment to provide a delayed draw new money financing (the "New Money Financing") in an aggregate principal amount equal to \$25.0 million in the form of new second lien PIK exchangeable notes (the "New Second Lien PIK Exchangeable Notes") on the terms described below. Draws under the New Second Lien PIK Exchangeable Notes will be available during the period beginning on the date of the closing of the Transactions (as defined below) and ending on the date that is 18 months after such closing, in up to two draws of \$12.5 million subject to, for each such draw, (a) projected liquidity within the 6 month period following the date of the relevant draw being below either (i) \$20 million comment upon or (ii) the prevailing minimum liquidity covenant level and (b) the consent of the board of directors of Topco; provided, that, for the avoidance of doubt, the Company may draw \$25 million under the New Second Lien PIK Exchangeable Notes in a single draw during such 18 month period. Proceeds of the New Second Lien PIK Exchangeable Notes shall be used solely for working capital purposes of the Loan Parties. The commitment for the New Money Financing shall be provided by certain holders (the "Preferred Equityholders") of the Series A preferred stock of Topco (the "Preferred Topco Stock") as provided in the Transaction Support Agreement. II. Treatment of Term Loans held by Preferred Equityholders \$100.0 million of the aggregate principal amount of the Term Loans held by certain of the Preferred Equityholders or their Affiliates under the Existing Credit Facility in such amounts as to each such Preferred Equityholder as specified in the Transaction Support Agreement shall be exchanged for second lien debt in the form of additional New Second Lien PIK Exchangeable Notes (the "Preferred Equity Held Term Loan Exchange"). III. Terms of New Second Lien PIK Exchangeable Notes The terms and conditions of the New Second Lien PIK Exchangeable Notes will be reasonably satisfactory to the Preferred Equityholders, Barclays, the Administrative Agent, HPS, each Sponsor who provides New Second Lien PIK Exchangeable Notes, and the Borrower and shall, without limitation, include the following: (a) the New Second Lien PIK Exchangeable Notes will bear interest at a rate equal to 8.00% per annum, payable quarterly in kind in the form of additional New Second Lien PIK Exchangeable Notes and shall contain no amortization; provided that, upon the request of the Borrower or Topco, the last interest accrual period shall be extended by up to six months; Exhibit 10.1

2 (b) the New Second Lien PIK Exchangeable Notes shall have substantially similar terms (provided that such terms shall reflect the payment and lien subordination of the New Second Lien PIK Exchangeable Notes to the Existing Credit Facility, shall be consistent with the Intercreditor Agreement, shall contain customary cushions to the Existing Credit Facility and shall not contain financial covenants) and the same Loan Parties and Collateral as the Existing Credit Facility and shall be subordinated in right of payment and lien priority to the Existing Credit Facility subject to an intercreditor and subordination agreement, the material terms of which are set forth in the intercreditor term sheet annexed hereto as Exhibit A (the "Intercreditor Term Sheet" and such agreement, the "Intercreditor Agreement"); (c) the New Second Lien PIK Exchangeable Notes shall have a maturity date occurring at least 6 months after the Initial Term Loan Maturity Date under the Existing Credit Facility; (d) the New Second Lien PIK Exchangeable Notes will be exchangeable, at the option of the holders thereof, into shares Class A common stock of Topco at a fixed price of \$0.25; (e) prior to exchange, the New Second Lien PIK Exchangeable Notes will have voting rights on an "as-exchanged" basis, as if exchanged into common stock, provided that if the voting rights afforded to holders of the New Second Lien PIK Exchangeable Notes prior to exchange (as contemplated by clause (e) above) are capped under applicable NYSE listing rules in a manner that would result in a holder of a New Second Lien PIK Exchangeable Note having less voting power immediately prior to an exchange than such holder would have immediately following such exchange, the Borrower and Topco shall take any and all such other steps as are lawful and necessary to provide the holders of the New Second Lien PIK Exchangeable Notes with the voting rights they would have been afforded under clause (e) above but for such NYSE listing rule limitations (such voting rights, the "Equivalent Voting Rights"), including without limitation by (x) amending, supplementing, modifying or otherwise altering the terms of the Preferred Topco Stock to provide the holders thereof with the right to vote together with the holders of common stock as a single class, (y) issuing to holders of the New Second Lien PIK Exchangeable Notes additional equity securities issued by Topco (or options or warrants to purchase additional equity securities issued by Topco) and/or (z) taking any and all such other actions lawful and necessary, in each case in a manner that would result in the aggregate voting rights afforded to the holders of the New Second Lien PIK Exchangeable Notes (including via the issuance or modification of any such other securities) prior to exchange being equal to the aggregate voting rights that would be afforded ~~respond~~ ~~holders~~ ~~immediately following such exchange~~, provided further that it is understood and agreed that the Preferred Equityholders, Topco and the Borrower shall negotiate in good faith in order to achieve the Equivalent Voting Rights to the extent possible without modifying the existing economic rights of the Parties; provided further still that (xx) any modification providing ~~rumors and/or media reports~~ Requests Equivalent Voting Rights that would otherwise have a non de minimis impact on Advent's economic position with respect to the Transaction (including Advent's pro forma equity ownership) shall require Advent's prior written consent and (yy) The Preferred Equityholders will not be required to agree to the terms of the New Second Lien PIK Exchangeable Notes if the Equivalent Voting Rights cannot be achieved and if the Preferred Equityholders deliver written notice to the Parties that they do not otherwise agree, then the Transaction Support Agreement shall automatically be terminated; and (ff) the New Second Lien PIK Exchangeable Notes will not provide for a "forced exchange" right during the first two years of issuance and will not be redeemable prior to maturity, Exhibit 10.1.

3.4. Waivers under the Existing Credit Facility The Required Lenders under the Existing Credit Facility shall consent to the following covenant relief and modifications: (i) Minimum Liquidity Covenant (Section 6.15(a)): Commencing with the Fiscal Quarter ending March 31, 2023, the covenant level, which shall be tested with respect to each Fiscal Quarter through and including December 31, 2024, shall be modified as follows: Test Date Minimum Liquidity March 31, 2023 \$30 million June 30, 2023 \$25 million September 30, 2023 \$15 million December 31, 2023 \$15 million All Fiscal Quarters in 2024 \$10 million (ii) Net First Lien Leverage Ratio Financial Covenant (Section 6.15(b)): Compliance with the covenant shall be waived for the Test Periods ending June 30, 2024, September 30, 2024 and December 31, 2024, respectively. For Test Periods ending thereafter, the maximum net first lien leverage ratio covenant levels shall be reset to the following levels: Test Period Ended Maximum Net First Lien Leverage Ratio March 31, 2025 11.00x June 30, 2025 10.00x September 30, 2025 9.00x December 31, 2025 8.00x March 31, 2026 7.50x June 30, 2026 and thereafter 7.00x (iii) No Going Concern Requirement: The requirement to deliver an audit that is not subject to a "going concern" explanatory paragraph [comments](#) like statement shall be waived for the fiscal years ending December 31, 2022, December 31, 2023 and December 31, 2024, respectively. V. Term Loan Facility In consideration for the waiver and permitting the transactions contemplated herein (the "Transactions"), (i) from and after the date of the Definitive Documents, interest on all Term Loans held after giving effect to the Transactions shall be increased by 100 bps per annum with such increased amount to be paid in kind (the "PIK Interest Increase"); provided that the PIK Interest Increase shall fall away after the end of the two consecutive trailing four fiscal quarter periods for which Consolidated Adjusted EBITDA is \$50.0 million or higher; and (ii) call protection on all Term Loans after giving effect to the Transactions shall be reset from the date of the waiver as indicated below. [Exhibit 10.1](#)

slide87

4. Period Prepayment Premium Prior to the second anniversary of the waiver Make-Whole Amount On or after the second anniversary of the waiver but prior to the third anniversary of the waiver 3.00% of the outstanding principal amount of the Term Loans being prepaid or repaid On or after the third anniversary of the waiver 0.00% of the outstanding principal amount of the Term Loans being prepaid or repaid VI. Revolving Credit Facility The Required Revolving Lenders under the Existing Credit Facility to consent to the modifications of the Minimum Liquidity Financial Covenant and the Maximum Net First Lien Leverage Ratio Financial Covenant specified herein, and waiver of the requirement to deliver an audit that is not subject to a "going concern" explanatory paragraph or like statement for the fiscal years ending December 31, 2022 and December 31, 2023 and December 31, 2024. For the avoidance of doubt, there shall be no change to the Commitment Fee Rate applicable to any unused amount of the Revolving Credit Commitment. In consideration for the waiver and permitting the Transactions, from and after the date of the Definitive Documents, interest on the Revolving Loans shall be increased by 100 bps per annum (payable in cash) (such increased rate, the "Increased Revolving Loan Interest Rate"); provided that such increase shall fall away upon the Borrower achieving Consolidated Adjusted EBITDA equal to \$50.0 million or higher for two consecutive trailing four fiscal quarter periods. VII. Conditions Precedent The effectiveness of the waivers and amendments to the Existing Credit Facility contained herein and the other Transactions shall be subject to customary conditions precedent for a transaction of this type and, in any event, to include: A. Receipt by the Borrower of commitments for the New Money Financing. The documentation governing the commitment for the New Money Financing, together with any documentation necessary or advisable to implement the transactions contemplated by this term sheet, shall be in form and substance materially consistent with this term sheet (including the Intercreditor Term Sheet and the existing credit agreement modifications term sheet annexed hereto as Exhibit B (the "Credit Agreement Modifications Term Sheet")) and otherwise reasonably satisfactory to the Preferred Equityholders, HPS, Barclays, the Administrative Agent, the Borrower and Advent, as applicable. B. The Preferred Equity Held Term Loan Exchange shall have been completed and the Intercreditor Agreement shall have been entered into by the representative of the New Second Lien PIK Exchangeable Notes and the Administrative Agent under the Existing Credit Facility, and acknowledged by the Loan Parties. The documentation governing the New Second Lien PIK Exchangeable Notes shall be in form and substance reasonably satisfactory to the Preferred Equityholders, HPS, Barclays, the Administrative Agent and the Borrower. The terms in the Intercreditor Agreement that are not otherwise set forth in the Intercreditor Term Sheet shall be in form and substance reasonably satisfactory to the Preferred Equityholders, HPS, Barclays, the Administrative Agent and the Borrower. Exhibit 10.1

5. C. Lenders shall have received from the Borrower a budget (including an initial 13-week cash flow budget) in form reasonably acceptable to HPS, Barclays, the Administrative Agent and the Preferred Equityholders. D. After giving effect to the Transactions, (a) the capitalization and governance of Topco and its subsidiaries shall be materially consistent with this term sheet and otherwise reasonably satisfactory to HPS, Barclays, the Preferred Equityholders, Advent and the Borrower, (b) John Maldonado will not seek re-election to the board of directors of Topco (the "Topco Board") at the 2023 shareholders meeting of Topco, (c) HPS shall have the right to appoint one board observer to the Topco Board, (d) (i) The Preferred Equityholders shall have the right to appoint three additional directors to the Topco Board (resulting in the right of the Preferred Equityholders to appoint a total of four directors to the Topco Board and such that the Topco Board shall consist of 10 directors (or 11 directors if Andrew A. McKnight remains on the Topco Board) in total) and (ii) the EBITDA based fall-away provision for the director designation rights of the Preferred Equityholders set forth in clause (i) of the proviso in Section 3(a) of the certificate of designation for the Preferred Topco Stock will be deleted, (e) the Topco Board will be declassified to effect, among other things, that all go-forward appointments of directors to the Topco Board will be for terms of one year (for the avoidance of doubt, without affecting the length of the terms of directors of the Topco Board that are in effect on the date on which the Transactions are consummated), and (f) Advent will no longer have the right to appoint five directors to the Topco Board and the Topco stockholders agreement will be terminated. E. Execution of customary, mutual releases with respect to Preferred Equityholders, HPS, Barclays, the Administrative Agent, Borrower, and the Sponsors. F. Payment of reasonable fees and expenses incurred by the Sponsors, HPS, Barclays, the Administrative Agent and the Preferred Equityholders in connection with the transactions contemplated by this term sheet. G. The consents required pursuant to the Existing Credit Agreement and that certain Agreement Among Lenders, dated as of February 24, 2022, by and among the Administrative Agent, HPS and each of the revolving lenders under the Existing Credit Agreement (the "Agreement Among Lenders") to consummate the Transactions and amend the Existing Credit Agreement shall have been obtained. H. If reasonably requested by Barclays or HPS, the Agreement Among Lenders shall be amended in a manner to be reasonably agreed among the parties thereto, including, without limitation, an amendment to modify clause (e)(ii) of the definition of "Waterfall/Voting Triggering Event" in a manner reasonably acceptable to the parties thereto. Exhibit 10.1.

§ VIII. Additional Matters Requiring Shareholder Approval Any corporate actions in connection with the Transactions that require shareholder approval, including without limitation, issuances of securities, voting rights for the New Second Lien PIK Exchangeable Notes on an "as-exchanged" basis, increase in authorized shares and amendments of the certificate of incorporation will be (a) approved by the special committee and board of directors of Topco and recommended by the board of directors of Topco for approval by the shareholders of Topco at a shareholder meeting and (b) in connection with the entry into the agreements providing for the Transactions, shareholders holding a majority of the stock of Topco will execute irrevocable voting and support agreements materially consistent with this term sheet and otherwise reasonably acceptable to the parties agreeing to vote in favor of such transactions for all relevant Delaware and NYSE purposes at the shareholder meeting. Promptly thereafter, Topco will file with the SEC and thereafter mail to its shareholders a Proxy Statement on Schedule 14A in connection with the foregoing transactions and promptly upon receipt of the approval of shareholders at the shareholder meeting, the Transactions will close. IX. Certain Additional Matters The Existing Credit Facility will be amended to, among other things, (a) require the delivery of an updated 13-week cash flow budget and variance report every four weeks in form and substance reasonably acceptable to HPS and Barclays with such requirement to fall away after the end of the first four quarter period for which Consolidated Adjusted EBITDA is \$50 million or higher, (b) require the delivery of monthly reports together with operating metrics, liquidity calculations and KPI's to be agreed, (c) permit incurrence of and address matters relating to the New Second Lien PIK Exchangeable Notes, and require the use of proceeds thereof to be used for working capital purposes, (d) add events of default for the failure to retain the HPS board observation rights and to comply with the updated reporting requirements, (e) implement the changes contemplated in the Credit Agreement Modifications Amendment, which shall not, for the avoidance of doubt, include any modifications to the Liquidity Covenant Cure Right or the Leverage Covenant Cure Right and (f) amend the definition of "Permitted Holders" to include certain of the Preferred Equityholders and their respective affiliates, related funds or investment vehicles. Both the Existing Credit Facility and the terms of the Preferred Topco Stock will be amended to include a covenant that, so long as the Borrower is required to deliver an updated 13-week cash flow budget and variance report every four weeks, the Borrower shall be required to retain an operational and cash flow consultant to be agreed upon and reasonably satisfactory to each of the Borrower, HPS, Barclays and the Preferred Equityholders. The parties will negotiate in good faith regarding a Management Incentive Program (MIP) and other employee compensation matters. X. Counsel Well, Gotshal & Manges LLP (Borrower) Milbank LLP (HPS) Davis Polk & Wardwell LLP (Preferred Equityholders) Ropes & Gray LLP (Advent) Cahill Gordon & Reindel LLP (Barclays) Exhibit 10.1

Intercreditor Term Sheet Summary of Principal Terms and Conditions of the Intercreditor Agreement Parties: (i) Barclays Bank PLC, as collateral agent (the "First Lien Collateral Agent") for the lenders under the Existing Credit Facility (the "First Lien Credit Agreement", the agents and lenders under the First Lien Credit Agreement, collectively, the "First Lien Secured Parties"), and (ii) a person to be agreed, as collateral agent (the "Second Lien Collateral Agent") for the holders of the New Second Lien PIK Exchangeable Notes (the "Second Lien Note Purchase Agreement", the collateral agent, notes trustee and holders of the Second Lien Notes, collectively, the "Second Lien Secured Parties"). The Loan Parties shall acknowledge the terms of the Intercreditor Agreement. All documents entered into in connection with the First Lien Credit Agreement, including collateral documents, shall responses should as an Authorized Spokesperson.

V. CONSEQUENCES OF VIOLATION

Selective disclosure of material, nonpublic information in any forum other than the "First Lien Loan Documents" approved methods listed above, and all documents entered into in connection with the New Second Lien PIK Exchangeable Notes, including collateral documents, shall by any individual other than an Authorized Spokesperson, is considered a violation of this Policy and may be referred to as the "Second Lien Note Documents". Purpose: To establish payment subordination and the relative rights and privileges considered a violation of the parties with respect to the collateral for the obligations under the First Lien Credit Agreement (the "First Lien Obligations", including any refinancings, replacements, extensions, or increases thereof) and for the obligations under the New Second Lien PIK Exchangeable Notes and the documents governing New Second Lien PIK Exchangeable Notes (the "Second Lien Obligations") (collectively, the "Collateral"). Priority U.S. federal securities laws. A violation of Obligations: The Intercreditor shall provide for (a) the payment subordination of the Second Lien Obligations to the First Lien Obligations and (b) the lien subordination of the liens securing the Second Lien Obligations to the liens securing the First Lien Obligations. Until the payment of the First Lien Obligations (other than contingent obligations for which no claim has been made) in full in cash and termination of all commitments and termination or cash collateralization of all letters of credit (the "Discharge of First Lien Obligations"): (i) all Second Lien Obligations shall be junior and subordinated in right and time of payment in all respects to the First Lien Obligations; (ii) the liens securing the Second Lien Obligations shall be junior and subordinated in all respects to the liens securing the First Lien Obligations; (iii) until the date that is 180 days after notice from the Second Lien Collateral Agent to the First Lien Collateral Agent of the occurrence of this Policy may result an acceleration of the Second Lien Obligations (the "Standstill Exhibit 10.1")

 slide92

.2 - Period"), the Second Lien Collateral Agent shall not exercise or seek to exercise any rights or remedies (including setoff, recoupment, the right to credit bid its debt (other than as specifically described below under "Exercise of Remedies/No Contest") and foreclosure on any Collateral) (other than acceleration, the filing of a proof of claim or statement of interest, and actions to preserve, create or perfect liens and the filing of defensive or responsive pleadings, so long as such pleadings are not adverse to, or could impair the rights and remedies and priority status of, the First Lien Secured Parties and are not inconsistent with the terms of the Intercreditor Agreement) against any Loan Party and shall not institute any action or proceeding against any Loan Party with respect to such rights or remedies (collectively, "Enforcement Action"); provided that the Standstill Period shall be tolled if an insolvency or bankruptcy proceeding shall have commenced against a Loan Party or if the First Lien Secured Parties are then diligently pursuing an [SEC civil](#) [Loan Parties](#) (this clause (ii), the "Standstill Clause"); (iv) the Second Lien Collateral Agent will not take or receive any payment or other distribution (whether in cash, securities or other property, including, without limitation, Collateral, any proceeds of Collateral or assets that are not Collateral or any proceeds of avoidance actions) (a "Distribution") on account of the Second Lien Obligations (other than (i) customary agency and administration fees, (ii) reimbursement of reasonable out-of-pocket fees and expenses of legal counsel to the Second Lien Secured Parties relating to the transactions to be consummated on the Closing Date or otherwise prior to an Event of Default under the First Lien Loan Documents and (iii) interest that is paid in kind on the New Second Lien PIK Exchangeable Notes); and (v) if any Distribution in respect of any Second Lien Obligation shall be received by a Second Lien Secured Party in contravention of the Intercreditor Agreement, then such Distribution shall be held in trust for the benefit of, and shall be paid over or delivered to, the First Lien Collateral Agent for distribution to the First Lien Secured Parties, in such order as specified in the relevant First Lien Loan Document, to the extent necessary to pay all First Lien Obligations in full in cash. Exercise of Remedies/No contest: Until the Discharge of First Lien Obligations and subject to the Standstill Clause, the First Lien Collateral Agent shall have the sole and exclusive right to commence and maintain any enforcement action or otherwise enforce rights or exercise remedies against the Loan Parties (including set-off, recoupment, the right to credit bid its debt and foreclosure on any Collateral) and the holders of the Second Lien Obligations will not contest, protest or object to, or otherwise interfere with, any foreclosure proceeding or action brought by the First Lien Collateral Agent or any holders of the First Lien Obligations against any Loan Party. No Second Lien Secured Party (or anyone acting on their behalf) shall initiate, prosecute or participate in any claim, action or other proceeding challenging the enforceability, validity, perfection or priority of the First Lien Obligations, the First Lien Debt Documents Exhibit 10.1.

1.3 - or any liens and security interests in property securing the First Lien Obligations and no First Lien Secured Party (or anyone acting on their behalf) shall initiate, prosecute or participate in any claim, action or other proceeding challenging the enforceability, validity, perfection or priority of the Second Lien Obligations, the Second Lien Debt Documents or any liens and security interests in property securing the Second Lien Obligations. For the avoidance of doubt, nothing provided for in the preceding sentence shall be interpreted or construed under any circumstances to impair, limit, prevent, restrict or contradict the rights of the First Lien Collateral Agent to enforce the Intercreditor Agreement. Distributions: Until the Discharge of First Lien Obligations, all Distributions received in connection with the exercise of remedies or in any bankruptcy or insolvency proceeding, shall be applied by the First Lien Collateral Agent to the First Lien Obligations in such order as specified in the relevant First Lien Loan Documents. Upon the Discharge of First Lien Obligations, the First Lien Collateral Agent shall deliver to the Second Lien Collateral Agent all remaining proceeds of Distributions held by it to be applied by the Second Lien Collateral Agent to the Second Lien Obligations in such order as specified in the Second Lien Note Documents. Restrictions on Amendments: Neither the First Lien Loan Documents nor the Second Lien Note Documents may be amended or refinanced without the consent of the Second Lien Collateral Agent or First Lien Collateral Agent, respectively, to the extent such amendment or refinancing would violate the provisions of the Intercreditor Agreement or contravene other matters as may be agreed. Any waivers, amendments or consents with respect to any provision of the collateral documents securing the First Lien Obligations shall be deemed to automatically apply to any applicable provisions of the collateral documents securing the Second Lien Obligations; provided no such waiver, amendment or consent shall (i) remove or release assets subject to the lien of the Second Lien Note Documents, except to the extent that a release of such lien is permitted by the Intercreditor Agreement and the Second Lien Note Documents and there is a corresponding release of the liens securing the First Lien Obligations, (ii) impose duties on the Second Lien Collateral Agent without its consent, or (iii) permit other liens on the Collateral not permitted under the terms of the Second Lien Note Documents or the Intercreditor Agreement. Releases: The Intercreditor Agreement will provide that if (i) in connection with (x) any sale of other disposition of Collateral by any Loan Party permitted under the terms of the First Lien Credit Agreement and the Second Lien Note Documents or (y) any Enforcement Action or other exercise of remedies by the First Lien Collateral Agent against a Loan Party, the First Lien Collateral Agent releases any of its liens on any part of the Collateral of such Loan Party, then the liens, if any, of the Second Lien Collateral Agent on such Collateral, shall be automatically, unconditionally and simultaneously released, or (ii) the Exhibit 10.1

- 4 - equity interests of any Loan Party are foreclosed upon or otherwise disposed of, or any Loan Party is released from its guaranty, in a manner permitted under the terms of the First Lien Credit Agreement and the Second Lien Note Documents or in connection with any Enforcement Action or other exercise of remedies by the First Lien Collateral Agent against a Loan Party and the First Lien Collateral Agent releases its lien on the equity interests, property or assets of such Loan Party and the obligations of such Loan Party under its guaranty of the First Lien Obligations, then the liens, if any, of the Second Lien Collateral Agent on such equity interests, property or assets, and the obligations of such Loan

Party under its guaranty of the Second Lien Obligations, shall be automatically, unconditionally and simultaneously released; provided, that the proceeds of such foreclosure, sale or disposition are applied pursuant to the payments waterfall or in the case of a permitted asset sale, in accordance with the terms of the First Lien Credit Agreement, Bankruptcy. In the event of an insolvency or liquidation proceeding of the Borrower, whether voluntary or involuntary, if the First Lien Collateral Agent or any other First Lien Secured Party shall desire to permit the use of cash collateral or to permit the Borrower to obtain debtor-in-possession financing (a "DIP Financing"), then, if the principal amount of such DIP Financing does not exceed 20% of the principal amount of the then outstanding First Lien Obligations, plus the amount of any First Lien Obligations that are rolled-up into or refinanced by such DIP Financing, the Second Lien Collateral Agent, on behalf of itself and the Second Lien Secured Parties, agrees that it will (i) raise no objection to such use of cash collateral or DIP Financing, (ii) will not request adequate protection or any other relief in connection therewith (unless (A) the First Lien Collateral Agent is granted a senior lien on such adequate protection lien and (B) such adequate protection is subordinated to the adequate protection requested by the First Lien Collateral Agent, in each case to the same extent as the Second Lien Obligations are subordinated to the First Lien Obligations) and (iii) the Second Lien Collateral Agent will subordinate its liens in the Collateral to the liens securing such DIP Financing (and all obligations relating thereto) to the extent the liens securing the First Lien Obligations are subordinated or pari passu with such DIP Financing. No Second Lien Collateral Agent or Second Lien Secured Party may provide a DIP Financing. Each of the Second Lien Secured Parties shall be deemed to have consented to, and agrees that it will raise no objection to or contest (or support any other Person in objecting to or contesting), (i) any disposition (whether under Sections 363, 1123 or 1129 of the Bankruptcy Code) of any Collateral free and clear of any Liens, claims or interests held by or on behalf of the Second Lien Collateral Agent or the Second Lien Secured Parties, to the extent that such disposition has been consented to by the First Lien Collateral Agent (and so long as the proceeds of such Collateral, if any, are applied in accordance with the payments waterfall), (ii) any motion for bid procedures or other procedures related to any such disposition, or (iii) any credit bid by the Exhibit 10.1

-5 - First Lien Secured Parties (including through one or more acquisition vehicles) in connection therewith. For the avoidance of doubt, the Second Lien Collateral Agent and any of the Second Lien Secured Parties may submit a credit bid or cash bid with respect to the Collateral if such bid provides for the First Lien Obligations (including any DIP Financing provided by First Lien Secured Parties) are indefensibly paid in full in cash (1) on closing of a sale under section 363 of the Bankruptcy Code or (2) if proceeds of the sale are not distributed on the closing of such sale, on the effective date of a chapter 11 plan that is confirmed by the Bankruptcy Court pursuant to an order (that is not subject to a stay) not later than 90 days following the closing date of the sale referenced in (1). Plan Voting: The Second Lien Collateral Agent and the Second Lien Secured Parties may not propose or support or vote in favor of any plan of reorganization or liquidation (and each shall and shall be deemed to have voted to reject any plan of reorganization) unless such plan (a) pays off, at the time of effectiveness thereof, in cash and in full, all First Lien Obligations or (b) is accepted by the class of holders of First Lien Obligations voting thereon in accordance with Section 1126(c) of the Bankruptcy Code. The Second Lien Collateral Agent and the Second Lien Secured Parties may propose or support or vote in favor of any plan of reorganization or liquidation that pays off, at the time of effectiveness thereof, in cash and in full, all First Lien Obligations. Purchase Right: Following an acceleration of the First Lien Obligations or a payment event of default with respect to the First Lien Obligations that has been continuing for more than 30 days or the commencement of an insolvency or bankruptcy proceeding with respect to a material Loan Party (each, a "Purchase Event"), the holders of the Second Lien Obligations will have the right for a period of time not to exceed 30 days after the initial occurrence of a Purchase Event to purchase all, but not less than all, of the First Lien Obligations in immediately available funds in an amount equal to 100% of the principal of such First Lien Obligations (and the purchase price shall include all accrued and unpaid interest thereon plus all accrued and unpaid fees and premiums, including any Prepayment Premium and any Make-Whole Amount then applicable), without warranty, representation or recourse (other than a representation as to title). Amendments; Waivers: The Intercreditor Agreement may not be amended without the written consent of the First Lien Collateral Agent (acting at the direction of the Required Term Lenders and the Required Revolving Lenders under the First Lien Credit Agreement) and the Second Lien Collateral Agent. Other Specified Junior Debt: If additional Specified Junior Debt is permitted to be incurred under the First Lien Credit Documents, the representative of such Specified Junior Debt shall become a party to the Intercreditor Agreement, on behalf of itself and the holders of such Specified Junior Debt, as a Second Lien Collateral Agent, the holders of such Specified Junior Debt shall be Second Lien Secured Parties and the obligations under Exhibit 10.1

- 6 - such Specified Junior Debt shall be treated as additional Second Lien Obligations (it being understood that in the case of Specified Junior Debt in the form of unsecured indebtedness, the Intercreditor Agreement shall provide that such indebtedness is not subject to the lien subordination provisions for therein). Governing Law: The State of New York. The foregoing is intended to summarize certain basic terms of the Intercreditor Agreement and is not intended to be a definitive list of all of the terms of the Intercreditor Agreement. Exhibit 10.1

Exhibit B Credit Agreement Modifications Term Sheet Exhibit 10.1

slide98

WEIL\99050386\718434.0011 EXISTING CREDIT AGREEMENT MODIFICATIONS No. Item Modification Certain Defined Terms 1. "Consolidated Adjusted EBITDA" clause (c)(vii) Reduce cap applicable to clause (c)(vii)(D) from \$20m to \$15m. 2. "Consolidated Adjusted EBITDA", clause (c)(ix) Reduce cap in clause (c)(ix) from \$9m to \$6m. 3. "Available Amount" Modify the definition of "Available Amount" as follows: - (i) Delete \$5m starter amount in clause (a)(i); - (ii) Delete clause (a)(iv) - (iii) Add that in no event shall any proceeds or the conversion into equity of the New Second Lien PIK Exchangeable Notes build the Available Amount. Same addition to be made to the definition of "Available Excluded Contribution Amount". 4. "Affiliate" Add that for purposes of the transactions with affiliates covenant, "Affiliates" includes any person that can vote more than 5% of the equity interests of the subject person. 5. "Affiliated Lenders" Modify definition to include any holder of the New Second Lien PIK Exchangeable Notes and any Affiliate thereof. 6. . Default Interest Modify Section 2.13(d) to provide that interest at the default rate accrues on all obligations automatically upon the occurrence of a payment or bankruptcy related Event of Default. 7. "Waterfall/Voting Triggering Event" Modify clause (e)(ii) of the definition of "Waterfall/Voting Triggering Event" in a manner to be reasonably agreed among Barclays, HPS and the Borrower, including, without limitation, to reference the new Net First Lien Leverage Ratio Financial Covenant instead of the Secured Net Leverage Ratio Financial Covenant. Unrestricted Subsidiaries 8. Unrestricted Subsidiaries (§5.10) Remove ability to designate subsidiaries as "Unrestricted". Delete Section 5.10 and modify definition of "Restricted Subsidiaries" to capture any subsidiary of the Borrower. The Borrower shall represent on the amendment effective date that it does not have any Unrestricted Subsidiaries. Indebtedness Exhibit 10.1

J2 - WEIL\99050386\718434.0011 No. Item Modification 9. Incremental Facility (§2.22) "Incremental Cap" (i) Add that Required Lender consent is required for any incurrence of additional pari lien indebtedness and, in addition, that Required Revolving Lender consent shall also be required for any incurrence of Incremental Revolving Facilities. (ii) Delete clause (d) of the definition of "Incremental Cap" (iii) Holders of the New Second Lien PIK Exchangeable Notes and their Affiliates may not provide an incremental facility. 10. General Debt basket (§6.01(u)) General Lien Basket (§6.02(u)) Reduce each of the general debt and lien basket cap to \$3.5m. Remove grower. 11. Junior Lien / Unsecured Debt basket (§6.01(w)) Delete existing ratio basket. New basket permitting the issuance of additional junior lien debt in the form of (i) without duplication of what is contemplated by the Transaction Term Sheet, the New Second Lien Exchangeable Notes contemplated by the Transaction Term Sheet, plus (ii) additional amounts of junior lien or subordinated unsecured debt (in each case, the interest on which must be paid in kind and the terms of which (other than with respect to

conversion) shall be consistent with the terms of the New Second Lien PIK Exchangeable Notes) to be capped at \$150,000,000, in each case, plus PIK interest with respect thereto (collectively, the "Specified Junior Debt"); and, in each case, Subject at all times to the Intercreditor Agreement or a substantially consistent subordination agreement. Asset Sales and Asset Sale Sweep 12. Dispositions Covenant (\$6.07) Reduce de minimis exclusion in the introduction to Section 6.07 to \$1m / \$2.5m, applicable after the amendment effective date. 13. General Asset Sale basket (\$6.07(h)) Modify clause (h) of Section 6.07 to provide the 75% minimum cash consideration requirement applies for all dispositions made under this basket (i.e. no thresholds or deemed cash exceptions) 14. Asset Sale Sweep (\$2.11(o)(ii)) (i) Delete \$15m de minimis threshold in clause (b)(ii) of Section 2.11. (ii) Add an annual cap on reinvestment rights not to exceed \$10 million (with measurement to commence after the amendment effective date). (iii) Reinvestment period to be 12 months (with no additional 180 day commitment to reinvest period), subject to extension by the Lender Representative. (iv) Limit reinvestments solely to capital expenditures and long-term capital assets useful to the business, as determined by the Borrower in good faith. 15. "Dispositions" Definition of Dispositions shall include issuances of Equity Interests of subsidiaries of the Borrower Exhibit 10.1

slide100

13 - WEIL:\99050386\718434.0011 No. Item Modification Restricted Payments / Restricted Debt Payments 16. Shared RP and RDP basket (\$6.04(a)(x) and (\$6.04(b)(iv)) Reduce the general RP and RDP baskets in clauses (a)(x) and (b)(iv) of Section 6.04 to \$1m and limit use of RP basket to payments to ATI Physical Therapy, Inc., but not to any shareholders of ATI Physical Therapy, Inc. 17. Specified Junior Debt Credit Agreement to be modified to provide that (i) no payments (including, without limitation, any refinancing, exchange or similar transaction) shall be permitted to be made under the Specified Junior Debt prior to the payment in full in cash of the Obligations (subject to exceptions for (a) customary administrative agency fees, (b) provided no Event of Default under the Credit Agreement has occurred, payment of reasonable legal fees and (c) conversions to equity issued by ATI Physical Therapy, Inc.); and (ii) No amendments may be made to the documentation governing the Specified Junior Debt that are adverse to the interests of the Lenders without the consent of the Administrative Agent and the Lender Representative (the "Second Lien Amendment Provision") Investments 18. Similar Businesses Investments basket (\$6.06(d)) Limit clause (d) of Section 6.06 to investments in joint ventures and reduce cap to \$3.5m and eliminate grower. Affiliate Transactions 19. Sponsor Management Fees (\$6.09(f)(i)) Delete clause (i) of Section 6.09(f). 20. Reimbursement of Sponsor Expenses (\$6.09(f)(ii)) Modify clause (ii) to include a \$500,000 cap on the reimbursement of Sponsor expenses (which cap shall not, for the avoidance of doubt, apply to indemnification obligations). 21. Advisory Fees (\$6.09(m)) Delete clause (h) of Section 6.09. 22. Fairness Opinion (\$6.09(o)) Delete clause (o) of Section 6.09. Other 23. N/A Other modifications as needed to implement the Transaction Term Sheet and as otherwise agreed. If the New Second Lien PIK Exchangeable Notes are issued by ATI Physical Therapy Inc., ATI Physical Therapy Inc. will be added as a guarantor and grantor on a senior basis to the New Second Lien PIK Exchangeable Notes. 24. Certain Amendments (i) Consent of the Required Term Lenders and the Required Revolving Lenders shall be required for any amendments to (i) the Intercreditor Exhibit 10.1.

slide101

:4 - WEIL\99050386\718434.0011 No. Item Modification Agreement, (ii) the Second Lien Amendment Provision and (iii) the covenant restricting payments on junior debt in the Credit Agreement to permit payments under the Specified Junior Debt. (ii) Consent of the Required Revolving Lenders shall be required for any amendment to the restricted payment covenant that would permit any "restricted payment" (as defined in the Existing Credit Agreement) to any shareholder of the Borrower, Holdings or ATI Physical Therapy, Inc. Exhibit 10.1

slide102

J2- WEIL\99037057\1618434.0011 Exhibit B FORM OF JOINDER AGREEMENT FOR CONSENTING STAKEHOLDER This Joinder Agreement to the Transaction Support Agreement, dated as of March [●], 2023 (as amended, supplemented, or otherwise modified from time to time, the "Agreement"), by and among [individual offender] [Consenting Stakeholders] [Company's officers and directors].

Insider trading is [executed] a serious crime. There are no thresholds or limits on the size of a transaction that will trigger insider trading liability. Insider trading violations are pursued vigorously by the SEC and [delivered by] _____ (the "Joining Party") can be detected using advanced technologies. In the past, relatively small trades have resulted in investigations by the SEC or the Department of Justice and lawsuits.

Page 8

Individuals found liable for insider trading (and tipping) face penalties of up three (3) times the profit gained or loss avoided, a criminal fine of up to \$5 million and up to twenty (20) years in jail. In addition to the potential criminal and civil liabilities, in certain circumstances the Company may be able to recover all profits made by an insider who traded illegally plus collect other damages. Furthermore, the Company (and its executive officers and directors) could face penalties the greater of \$1 million or three (3) times the profit gained or loss avoided as a result of _____, 2023. Each capitalized term used herein but not otherwise defined shall have an employee's violation and/or criminal penalty of up to \$25 million.

Any violation of this Policy should be brought to the meaning set forth in the Agreement. 1. Agreement to be Bound. The Joining Party hereby agrees to be bound by all attention of the terms of the Agreement, a copy of which is attached Legal Department. Without regard to this Joinder Agreement as Annex I (as the same has been civil or criminal penalties that may be hereafter amended, restated, or otherwise modified imposed by others, violation of this Policy and its procedures may constitute grounds for dismissal from time to time in accordance with the provisions hereof). The Joining Party shall hereafter be deemed to be a (i) "Consenting Stakeholder" and (ii) a "Party" for all purposes under the Agreement and with respect to any and all indebtedness or share of stock held by such Joining Party. 2. Representations and Warranties. With respect to the aggregate principal amount of indebtedness or number of shares of stock, in each case, set forth below its name on the signature page hereto, the Joining Party hereby makes the representations and warranties set forth in Section 11 of the Agreement to each other Party to the Agreement. 3. Governing Law. This Joinder Agreement shall be governed by and construed in accordance with the internal laws of the State of New York, without regard to any conflict of laws provisions that would require the application of the law of any other jurisdiction. [Signature] Company.

Page Follows] 9



Subsidiary Name	Jurisdiction of Organization / Incorporation
Adient Alaska, LLC	Delaware
Advanced Physical Therapy, LLC	Indiana
Apple Physical Therapy, LLC	Washington
Athletic & Therapeutic Institute of Bourbonnais, LLC	Illinois
Athletic & Therapeutic Institute of Milwaukee, LLC	Illinois
Athletic & Therapeutic Institute of Naperville, LLC	Illinois
ATI Holdings Acquisition, Inc.	Delaware
ATI Holdings Missouri, LLC	Delaware
ATI Holdings of Alabama, LLC	Alabama
ATI Holdings of Arizona, LLC	Delaware
ATI Holdings, Inc.	Delaware
ATI Holdings, LLC	Illinois
Community Rehab of Iowa, LLC	Iowa
Community Rehab, LLC	Nebraska
Erhardt Physical Therapy and Sports Medicine, LLC	Oregon
Greenville Proaxis Therapy, LLC	South Carolina
Ideal Physical Therapy of Texas, LLC	Arizona
MCM Rehabilitation, LLC	Tennessee
McMinnville Physical Therapy & Sports Medicine, LLC	Oregon
Michigan Rehabilitation Specialists of Fowlerville, LLC	Michigan
New Century Rehabilitation, LLC	Nevada
Ohio Centers for Hand and Physical Rehabilitation, LLC	Illinois
Performance Rehabilitation of Western New England, LLC	Massachusetts
Physical Therapy at Dawn, LLC	New Mexico
Proaxis Greenville, LLC	South Carolina
Proaxis Therapy NC, LLC	South Carolina
Proaxis Therapy SC, LLC	South Carolina
Proaxis Therapy, LLC	Delaware
Quantum Physical Therapy Centers - Ypsilanti LLC	Michigan
RSFH-ATI Physical Therapy LLC	Delaware
THI of Nevada at Desert Valley Therapy, LLC	Delaware
Touchstone Holdco LLC	Delaware
Wilco Holdco, Inc.	Delaware
Wilco Intermediate Holdings, Inc.	Delaware
Willamette Spine Center Physical Therapy and Rehabilitation, LLC	Oregon

IN WITNESS WHEREOF, the Joining Party has caused this Joinder to be executed as of the date first written above. CONSENTING STAKEHOLDER By:

Name: Title: Principal Amount of Term Loans: \$ _____ Principal Amount of Revolving Loans: \$ _____ Principal Amount of Preferred Stock: \$ _____ Principal Amount of Common Stock: \$ _____ Notice Address: Fax: Attention: Email: Exhibit 10.1

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-273843 and 333-257801 on Form S-3 and Registration Statement Nos. 333-259320 and 333-270743 on Form S-8 of our report dated February 27, 2024, relating to the financial statements of ATI Physical Therapy, Inc. appearing in this Annual Report on Form 10-K for the year ended December 31, 2023.

/s/ Deloitte and Touche LLP

Chicago, Illinois

February 27, 2024

1

EXHIBIT 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-259320) (Nos. 333-259320 and 333-270743) and Form S-3 (No. 333-257801) 333-273843 of ATI Physical Therapy, Inc. of our report dated March 16, 2023, except for the effects of the reverse stock split discussed in Note 2 to the consolidated financial statements, as to which the date is February 27, 2024, relating to the financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Chicago, Illinois

March 16, 2023 February 27, 2024

EXHIBIT 31.1
CERTIFICATION

I, Sharon Vitti, certify that:

1. I have reviewed this Annual Report on Form 10-K of ATI Physical Therapy, 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(s) 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(s) 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.

/s/ SHARON VITTI

 Sharon Vitti
 Chief Executive Officer
 (Principal Executive Officer)

Date: **March 16, 2023** February 27, 2024

EXHIBIT 31.2
CERTIFICATION

I, Joseph Jordan, certify that:

1. I have reviewed this Annual Report on Form 10-K of ATI Physical Therapy, 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(s) 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(s) 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.

/s/ JOSEPH JORDAN

Joseph Jordan
Chief Financial Officer
(Principal Financial Officer)

Date: **March 16, 2023** February 27, 2024

EXHIBIT 32.1
CERTIFICATION OF PERIODIC REPORT

In connection with the Annual Report on Form 10-K of ATI Physical Therapy, Inc. (the "Company") for the year ended **December 31, 2022** December 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Sharon Vitti, Chief Executive Officer of the Company, and Joseph Jordan, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (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.

/s/ SHARON VITTI

Sharon Vitti
Chief Executive Officer
(Principal Executive Officer)

/s/ JOSEPH JORDAN

Joseph Jordan
Chief Financial Officer
(Principal Financial Officer)

March 16, 2023 February 27, 2024

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 97.1

ATI PHYSICAL THERAPY, INC.
CLAWBACK POLICY

Introduction

The Board of Directors (the “**Board**”) of ATI Physical Therapy, Inc.’(the “**Company**”) believes that it is in the best interests of the Company and its stockholders to maintain a culture that emphasizes integrity and accountability and that reinforces the Company’s pay-for-performance compensation philosophy. The Board has, therefore, adopted this policy which provides for the recoupment of certain executive compensation in the event of an accounting restatement resulting from material noncompliance with financial reporting requirements under the federal securities laws (the “**Policy**”). This Policy is designed to comply with Section 10D of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”).

Administration

This Policy shall be administered by the Board or, if so designated by the Board, the Compensation Committee, in which case references herein to the Board shall be deemed references to the Compensation Committee. Any determinations made by the Board shall be final and binding on all affected individuals.

Covered Executives

This Policy applies to the Company’s current and former executive officers, as determined by the Board in accordance with Section 10D of the Exchange Act and the listing standards of the national securities exchanges on which the Company’s securities are from time to time listed, and such other senior executives who may from time to time be deemed subject to the Policy by the Board (“**Covered Executives**”).

Recoupment; Accounting Restatement

In the event the Company is required to prepare an accounting restatement of its financial statements due to the Company’s material non-compliance with any financial reporting requirement under the securities laws, the Board will require reimbursement or forfeiture of any excess Incentive Compensation, as defined below, received by any Covered Executive during the three completed fiscal years immediately preceding the date on which the Company is required to prepare an accounting restatement.

Incentive Compensation

For purposes of this Policy, “**Incentive Compensation**” means any of the following; provided that such compensation is granted, earned, or vested based wholly or in part on the attainment of a financial reporting measure:

- Annual bonuses and other short- and long-term cash incentives,
- Stock options,
- Stock appreciation rights,
- Restricted stock,
- Restricted stock units,
- Performance shares, and/or
- Performance units.

Financial reporting measures include:

- Company stock price,
- Total stockholder return,
- Revenues,
- Net income,
- Earnings before interest, taxes, depreciation, and amortization (EBITDA),
- Funds from operations,
- Liquidity measures such as working capital or operating cash flow,
- Return measures such as return on invested capital or return on assets, and/or
- Earnings measures such as earnings per share.

Excess Incentive Compensation: Amount Subject to Recovery

The amount to be recovered will be the excess of the Incentive Compensation paid to the Covered Executive based on the erroneous data over the Incentive Compensation that would have been paid to the Covered Executive had it been based on the restated results, as determined by the Board.

If the Board cannot determine the amount of excess Incentive Compensation received by the Covered Executive directly from the information in the accounting restatement, then it will make its determination based on a reasonable estimate of the effect of the accounting restatement. If the Board makes its determination based on a reasonable estimate, the Company will maintain documentation of the determination of that reasonable estimate and provide such documentation to the national securities exchange on which the Company's securities are listed.

Method of Recoupment

The Board will determine, in its sole discretion, the method for recouping Incentive Compensation hereunder, which may include, without limitation:

- (a) requiring reimbursement of cash Incentive Compensation previously paid;
- (b) seeking recovery of any gain realized on the vesting, exercise, settlement, sale, transfer, or other disposition of any equity-based awards;
- (c) offsetting the recouped amount from any compensation otherwise owed by the Company to the Covered Executive;
- (d) cancelling outstanding vested or unvested equity awards; and/or
- (e) taking any other remedial and recovery action permitted by law, as determined by the Board.

No Indemnification

The Company shall not indemnify any Covered Executives against the loss of any incorrectly awarded Incentive Compensation.

Interpretation

The Board is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy. It is intended that this Policy be interpreted in a manner that is consistent with the requirements of Section 10D of the Exchange Act and any applicable rules or standards adopted by the Securities and Exchange Commission or any national securities exchange on which the Company's securities are listed.

ATI Physical Therapy, Inc. Clawback Policy

Page 2

Effective Date

This Policy shall be effective as of the date it is adopted by the Board (the "Effective Date") and shall apply to Incentive Compensation that is approved, awarded or granted to Covered Executives on or after that date.

Amendment; Termination

The Board may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary to reflect final regulations adopted by the Securities and Exchange Commission under Section 10D of the Exchange Act and to comply with any rules or standards adopted by a national securities exchange on which the Company's securities are listed. The Board may terminate this Policy at any time.

Other Recoupment Rights

The Board intends that this Policy will be applied to the fullest extent of the law. The Board may require that any employment agreement, equity award agreement, or similar agreement entered into on or after the Effective Date shall, as a condition to the grant of any benefit thereunder, require a Covered Executive to agree to abide by the terms of this Policy. Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company pursuant to the terms of any similar policy in any employment agreement, equity award agreement, or similar agreement, and any other legal remedies available to the Company.

Impracticability

The Board shall recover any excess Incentive Compensation in accordance with this Policy unless such recovery would be impracticable, as determined by the Board in accordance with Rule 10D-1 of the Exchange Act and the listing standards of the national securities exchange on which

the Company's securities are listed.

Successors

This Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.

Approved by the Board of Directors and Effective on November 22, 2023.

ATI Physical Therapy, Inc. Clawback Policy

Page 3

DISCLAIMER

THE INFORMATION CONTAINED IN THE REFINITIV CORPORATE DISCLOSURES DELTA REPORT™ IS A COMPARISON OF TWO FINANCIALS PERIODIC REPORTS. THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORT INCLUDING THE TEXT AND THE COMPARISON DATA AND TABLES. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED IN THIS REPORT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S ACTUAL SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2024, Refinitiv. All rights reserved. Patents Pending.