

Risk Factors Comparison 2025-02-27 to 2024-02-28 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text **Moved Text Section**

We are subject to a variety of risks and uncertainties, including financial risks, operational risks, human capital risks, legal proceedings and regulatory risks and certain general risks, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. Risks that we deem material are described under “ Risk Factors ” below and include, but are not limited to, the following:

~~Legal Proceedings and Regulatory Risks • We are and in the future could become the subject of governmental investigations, regulatory actions, whistleblower lawsuits and other legal proceedings.~~ **sanctions, including exclusion from federal healthcare programs, if we fail to comply with the terms of our existing CIA, or any similar agreements** in the future could become the subject of governmental investigations, regulatory actions, whistleblower lawsuits and other legal proceedings. • We are and in the future may become involved in legal proceedings based on negligence or breach of a contractual or statutory duty from service users or their family members or from employees or former employees. • If we fail to comply with extensive laws and government regulations, we could suffer penalties or be required to make significant changes to our operations. • We could face risks associated with, or arising out of, changing laws and regulations, including those involving environmental, health and safety laws and regulations. Financial Risks • Our revenue and results of operations are significantly affected by payments received from the government and third-party payors. • Our debt could adversely affect our financial health and prevent us from fulfilling our obligations under our financing arrangements. • Servicing our debt requires a significant amount of cash. Our ability to generate sufficient cash to service our debt depends on many factors beyond our control. • We are subject to a number of restrictive covenants, which may restrict our business and financing activities. • Despite our current debt level, we may incur significant additional amounts of debt, which could further exacerbate the risks associated with our debt. • If we default on our obligations to pay our debt, we may not be able to make payments on our financing arrangements. • We are subject to volatility in the global capital and credit markets as well as significant developments in macroeconomic and political conditions that are out of our control. • ~~Increases~~ **Increased** in inflation **inflationary pressure** and rising interest rates may adversely impact our business, financial condition and results of operations. • The industry trend on value-based purchasing may negatively impact our revenue. • ~~Although the COVID-19 public health emergency expired in May 2023, our operations, business and financial condition, and our liquidity could be negatively impacted, particularly if the U. S. economy remains unstable for a significant amount of time or~~ **The trend by insurance companies and managed care organizations to enter into sole-source contracts may limit** our ability to obtain patient **patients** volumes decline at our ~~facilities.~~ **facilities.** • An increase in uninsured or underinsured patients or the deterioration in the collectability of patient accounts receivables could harm our results of ~~operation~~ **operations**. Operational Risks • An incident involving one or more of our patients or the failure by one or more of our facilities to provide appropriate care could result in increased regulatory burdens, governmental investigations, litigation, negative publicity and adversely affect the trading price of our common stock. • Joint ventures may use significant resources, may be unsuccessful and could expose us to unforeseen liabilities. • Our business growth and acquisition strategies expose us to a variety of operational and financial risks. • We care for a large number of vulnerable individuals with complex needs and any care quality deficiencies could adversely impact our brand, reputation and ability to market our services effectively. • Our business could be disrupted if our information systems fail or if our databases are destroyed or damaged. • A cybersecurity incident could have a material adverse impact on ~~us the Company~~, including substantial sanctions, fines, and damages and civil and criminal penalties under federal and state privacy laws, in addition to reputational harm and increased costs. • Although we have facilities in ~~38-39~~ **38-39** states and Puerto Rico, we have substantial operations in Pennsylvania, California, ~~and Tennessee, Massachusetts, and Arizona~~, **and Tennessee**, which makes us especially sensitive to regulatory, economic, environmental and competitive conditions and changes in those states. • Our business and operations are subject to risks related to natural disasters and climate change. • If we fail to cultivate new or maintain established relationships with referral sources, our business, financial condition and results of operations could be adversely affected. • We operate in a highly competitive industry, and competition may lead to declines in patient volumes. Human Capital Risks • Our facilities face competition for staffing, labor shortages and higher turnover rates that may increase our labor costs and reduce our profitability. • Our performance depends on our ability to recruit and retain quality psychiatrists and other physicians. ~~Legal Proceedings and Regulatory Risks • We are and in the future could become the subject of additional governmental investigations, regulatory actions and~~ **nurses, counselors** whistleblower lawsuits. • We could be subject to monetary penalties and other **medical support personnel** sanctions, including exclusion from federal healthcare....., health and safety laws and regulations. General Risk Factors • Fluctuations in our operating results, quarter to quarter earnings and other factors, including factors outside our control, may result in significant decreases in the price of our common stock. • Future sales of common stock by our existing stockholders may cause our stock price to fall. • If securities or industry analysts do not publish research or reports about our business, if they were to change their recommendations regarding our stock adversely or if our operating results do not meet their expectations, our stock price and trading volume could decline. • We incur substantial costs as a result of being a public company. Any of the following risks could materially and adversely affect our business, financial condition or results of operations. These risks should be carefully considered before making an investment decision regarding us. The risks and uncertainties described below are not the only ones we face and there may be additional risks that we are not presently aware of or that we currently consider not likely to have a significant impact. If any of the following risks actually occur, our business, financial condition and operating results could suffer, and the trading price of our common stock could decline. **Healthcare companies in the U.S. may be subject to investigations by various governmental agencies. The Company and certain** of our individual facilities have received, and from time to time, other facilities may receive, subpoenas, civil investigative demands, audit

reports and other inquiries from, and may be subject to investigation by, federal and state agencies **and subject to whistleblower actions**. See Note 11 — Commitments and Contingencies in the accompanying notes to our consolidated financial statements beginning on Page F-1 of this Annual Report on Form 10-K for additional information about pending investigations. These investigations can result in repayment obligations, and violations of the False Claims Act, **the Anti-Kickback Statute and other federal and state statutes** can result in substantial monetary penalties and fines, the imposition of a corporate integrity agreement, **loss of enrollment status**, and exclusion from participation in governmental health programs, **negative publicity and, in certain cases, criminal penalties**. **If we Responding to subpoenas, investigations and other lawsuits, claims and legal proceedings, as well as defending ourselves in and resolving such matters, has caused and will continue to cause us to** incur significant costs **responding to or resolving, including legal expense and these — the diversion of management resources or future inquiries or investigations, which could have a material adverse effect on** our business, financial condition and results of operations. **In addition, governmental investigations, regulatory actions and other legal proceedings could be materially result in us becoming the subject of negative publicity or unfavorable media attention, whether warranted or unwarranted, that could have a significant, adverse effect on the trading price of our common stock or adversely affected impact our reputation**. Further, under the False Claims Act, private parties are permitted to bring qui tam or “whistleblower” lawsuits against companies that submit false claims for payments to, or improperly retain overpayments from, the government. Because qui tam lawsuits are filed under seal, we could be named in one or more such lawsuits of which we are not aware. We may also be subject to substantial reputational harm as a result of the public announcement of any investigation into such claims. **We could Other than as described in Note 11 — Commitments and Contingencies in the accompanying notes to our consolidated financial statements of this Annual Report on Form 10-K, we cannot predict the ultimate outcomes of the various legal proceedings and regulatory matters to which we are or may** be subject **from time to time** monetary penalties and other sanctions, including exclusion from federal healthcare programs, if we fail to comply with the **those terms described in the aforementioned sections of this report, our — or the timing of existing CIA or any similar agreements in the their resolution** future. During the second quarter of 2019, we reached a settlement with the U.S. Attorney’s Office for **or the ultimate losses or impact of developments in the those matters**, Southern District of West Virginia relating to the manner in which seven of our CTCs in West Virginia had historically billed lab claims to the West Virginia Medicaid Program. During the three months ended June 30, 2019, we entered into the CIA with the OIG imposing certain compliance obligations on us and our subsidiary, CRC Health, LLC, in connection with such settlement. Material, uncorrected violations of the CIA could lead to our suspension or exclusion from participation in Medicare, Medicaid and other federal and state healthcare programs and repayment obligations. In addition, we are subject to possible civil penalties for failure to substantially comply with the terms of the CIA, including stipulated penalties ranging between \$ 1,000 to \$ 2,500 per day. We are also subject to a stipulated penalty of \$ 50,000 for each false certification made by us or on our behalf, pursuant to the reporting provisions of the CIA. The CIA increases the amount of information we must provide to the federal government regarding our healthcare practices and our compliance with federal regulations. The reports we provide in connection with the CIA could result in greater scrutiny by regulatory authorities. Even if we successfully comply with all terms of the existing CIA, we may be subject to similar agreements in the future if we are found to have violated laws against healthcare fraud, waste, and abuse. Any failure to comply with any such agreements could have a material impact **adverse effect** on our **business, reputation, financial performance condition and results of operations** our ability to operate our business. We have been in the past and will continue in the future to be subject to complaints and claims from service users and their family members alleging professional negligence, medical malpractice or mistreatment. We are also subject to claims for unlawful detention from time to time when patients allege they should not have been detained under applicable laws and regulations or where the appropriate procedures were not correctly followed. Similarly, we have been in the past and will continue in the future to be subject to substantial claims from employees in respect of personal injuries sustained in the performance of their duties. Current or former employees may also make claims against us in relation to breaches of employment laws. There may also be safeguarding incidents at our facilities which, depending on the circumstances, may result in custodial sentences or other criminal sanctions for the member of staff involved. For example, as described in more detail in Note 11 — **Commitments and Contingencies in the accompanying notes to our consolidated financial statements, on July 7, 2023, in connection with one of the lawsuits in our Desert Hills Litigation, a jury awarded the plaintiff compensatory damages of \$ 80.0 million and punitive damages of \$ 405.0 million. We subsequently paid an aggregate amount of \$ 400.0 million in exchange for the release and discharge of all claims arising from, relating to, concerning or with respect to this lawsuit, as well as two other related cases. An additional lawsuit based on similar facts has been filed and we could incur substantial damage awards or settlements in connection with this lawsuit or any future claims. The incurrence of substantial legal fees, damage awards or other fines as well as the potential impact on our brand or reputation as a result of being involved in any legal proceedings could have a material impact on our business, results of operations and financial condition. We carry a large self-insured retention and may be responsible for significant amounts not covered by insurance. In addition, our insurance may be inadequate, premiums may increase and, if there is a significant deterioration in our claims experience, insurance may not be available on acceptable terms. We have been in the past and will continue in the future to be subject to medical malpractice lawsuits and other legal actions in the ordinary course of business. Some of these actions, such as the Desert Hills Litigation, may involve large claims, as well as significant defense costs. We cannot predict the outcome of these lawsuits or the effect that findings in such lawsuits may have on us. We maintain liability insurance intended to cover service user, third-party and employee personal injury claims. Due to the structure of our insurance program under which we carry a large self-insured retention, there may be substantial claims in respect of which the liability for damages and costs falls to us before being met by any insurance underwriter. As was the case with the Desert Hills Litigation, there may also be claims in excess of our insurance coverage or claims which are not covered by our insurance due to other policy limitations or exclusions or where we have failed to comply with the terms of the policy. Furthermore, there can be no assurance that we will be**

able to obtain liability insurance coverage in the future on acceptable terms, or without substantial premium increases or at all, particularly if there is a deterioration in our claim experience history. A successful claim against us not covered by or in excess of our insurance coverage could have a material adverse effect on our business, results of operations and financial condition. We handle sensitive personal data which are protected by numerous U.S. laws in the ordinary course of business and any failure to maintain the confidentiality of such data could result in legal liability and reputational harm. We collect, process and store sensitive personal data as part of our business. In the event of a security breach, sensitive personal data could become public. We are currently not aware of any material incidences of potential data breach; however, there can be no assurance that such breaches will not arise in the future. Although we have in place policies and procedures to prevent such breaches, breaches could occur either as a result of a breach by our employees or as a result of a breach by a third-party to whom we have provided sensitive personal data. We could face liability under data protection laws. Liability under data protection laws may result in sanctions, including substantial fines and / or compensation to those affected. Additionally, liability may cause us to suffer damage to our brand and reputation, which could have a material adverse effect on our business, results of operations and financial condition. Companies operating in the behavioral healthcare industry in the U.S. are required to comply with extensive and complex laws and regulations at the federal, state and local government levels relating to, among other things: billing practices and prices for services; relationships with physicians and other referral sources; necessity and quality of medical care; condition and adequacy of facilities; qualifications of medical and support personnel; confidentiality, privacy and security issues associated with health-related information and PHI; EMTALA compliance; handling of controlled substances; certification, licensure and accreditation of our facilities; operating policies and procedures; activities regarding competitors; state and local land use and zoning requirements; and addition or expansion of facilities and services. Among the laws applicable to our operations are the federal Anti-Kickback Statute, the Stark Law, the federal False Claims Act, EKRA, and similar state laws. These laws impact the relationships that we may have with physicians and other potential referral sources. We have a variety of financial relationships with physicians and other professionals who refer patients to our facilities, including employment contracts, leases and professional service agreements. The OIG has issued certain safe harbor regulations that outline practices that are deemed acceptable under the Anti-Kickback Statute, and similar regulatory exceptions have been promulgated by CMS under the Stark Law. While we endeavor to ensure that our arrangements with referral sources comply with an applicable safe harbor to the Anti-Kickback Statute where possible, certain of our current arrangements with physicians and other potential referral sources may not qualify for such protection. Failure to meet a safe harbor does not mean that the arrangement automatically violates the Anti-Kickback Statute, but may subject the arrangement to greater scrutiny. Even if our arrangements are found to be in compliance with the Anti-Kickback Statute, they may still face scrutiny under ~~the newly enacted~~ EKRA law. Moreover, while we believe that our arrangements with physicians comply with applicable Stark Law exceptions, the Stark Law is a strict liability statute for which no intent to violate the law is required. Effective January 1, 2022, the No Surprises Act, enacted as part of the Consolidated Appropriations Act (the "CAA"), creates price transparency requirements, including (i) requiring providers to send to patients or their health plan a good faith estimate of the expected charges and diagnostic codes prior to furnishing scheduled items or services and (ii) prohibiting providers from charging patients an amount beyond the in-network cost sharing amount for services rendered by out-of-network providers, subject to limited exceptions. **Additionally, the Health Care PRICE Transparency Act, and its corresponding regulations, require hospitals, including psychiatric hospitals, to publicly post their standard and shoppable price lists on their websites. Failure to comply with the hospital price transparency regulations may result in corrective action or civil monetary penalties.** Price transparency initiatives like the No Surprises **Act and the Health Care PRICE Transparency Act** may impact our ability to obtain or maintain favorable contract terms, and may impact our competitive position and our relationships with patients and insurers. These laws and regulations are extremely complex, and, in many cases, we do not have the benefit of regulatory or judicial interpretation. In the future, it is possible that different interpretations of these laws and regulations could subject our current or past practices to allegations of impropriety or illegality or could require us to make changes in our arrangements for facilities, equipment, personnel, services, capital expenditure programs and operating expenses. A determination that we have violated one or more of these laws could subject us to liabilities, including civil penalties, exclusion of one or more facilities from participation in the government healthcare programs and, for violations of certain laws and regulations, criminal penalties. Even the public announcement that we are being investigated for possible violations of these laws could cause our reputation to suffer and have a material adverse effect on our business, financial condition or results of operations. In addition, we cannot predict whether other similar legislation or regulations at the federal or state level will be adopted, what form such legislation or regulations may take or what their impact on us may be. The construction and operation of healthcare facilities in the U.S. are subject to extensive federal, state and local regulation relating to, among other things, the adequacy of medical care, equipment, personnel, operating policies and procedures, fire prevention, rate-setting, compliance with building codes and environmental protection. Additionally, such facilities are subject to periodic inspection by government authorities to assure their continued compliance with these various standards. If we fail to adhere to these standards, we could be subject to monetary penalties or restrictions on our ability to operate. All of our facilities that handle and dispense controlled substances must comply with strict federal and state regulations regarding the purchase, storage, distribution and disposal of such controlled substances. The potential for theft or diversion of such controlled substances for illegal uses has led the federal government as well as a number of states and localities to adopt stringent regulations not applicable to many other types of healthcare providers. Compliance with these regulations is expensive and these costs may increase in the future. Property owners and local authorities have attempted, and may in the future attempt, to use or enact zoning ordinances to eliminate our ability to operate a given treatment facility or program. Local governmental authorities in some cases also have attempted to use litigation and the threat of prosecution to force the closure of certain comprehensive treatment facilities. If any of these attempts were to succeed or if their frequency were to increase, our revenue would be adversely affected and our operating results might be

harmed. In addition, such actions may require us to litigate which would increase our costs. Many of our facilities are also accredited by third-party accreditation agencies such as The Joint Commission or CARF. If any of our existing healthcare facilities lose their accreditation or any of our de novo or joint venture facilities fail to receive accreditation, such facilities could become ineligible to receive reimbursement under Medicare or Medicaid. Federal, state and local regulations determine the capacity at which many of our facilities may be operated. State licensing standards require many of our facilities to have minimum staffing levels; minimum amounts of residential space per student or patient and adhere to other minimum standards. Local regulations require us to follow land use guidelines at many of our facilities, including those pertaining to fire safety, sewer capacity and other physical plant matters. Our facilities have in the past and will continue in the future to be subject to regular surveys by federal, state, and local regulators, accreditation agencies and certain referral sources. Such surveys have in the past and could in the future result in findings of immediate jeopardy, licensing restrictions and admissions holds. Such survey activity could in the future result in loss of certification, loss of accreditation, admissions holds and license revocation, which could have a material adverse effect on our business, financial condition or results of operations. We cannot guarantee that current laws, regulations and regulatory assessment methodologies will not be modified or replaced in the future. There can be no assurance that our business, results of operations and financial condition will not be adversely affected by any future regulatory developments or that the cost of compliance with new regulations will not be material. We may be required to spend substantial amounts to comply with statutes and regulations relating to privacy and security of PHI. There are currently numerous legislative and regulatory initiatives in the U.S. addressing patient privacy and information security concerns. In particular, federal regulations issued under HIPAA require our facilities to comply with standards to protect the privacy, security and integrity of PHI. These requirements include: the adoption of certain administrative, physical, and technical safeguards; development of adequate policies and procedures, training programs and other initiatives to ensure the privacy of PHI is maintained; entry into appropriate agreements with so-called business associates; and affording patients certain rights with respect to their PHI, including notification of any breaches. Compliance with these regulations requires substantial expenditures, which could negatively impact our business, financial condition or results of operations. In addition, our management has spent, and may spend in the future, substantial time and effort on compliance measures. In addition to HIPAA, we are subject to similar, and in some cases more restrictive, state and federal privacy regulations. For example, the federal government and some states impose laws governing the use and disclosure of health information pertaining to mental health and / or substance abuse treatment that are more stringent than the rules that apply to healthcare information generally. As public attention is drawn to the issues of the privacy and security of medical information, states may revise or expand their laws concerning the use and disclosure of health information, or may adopt new laws addressing these subjects. Violations of the privacy and security regulations could subject our operations to substantial civil monetary penalties and substantial other costs and penalties associated with a breach of data security, including criminal penalties. We may also be subject to substantial reputational harm if we experience a substantial security breach involving PHI. We are subject to various federal, foreign, state and local laws and regulations that:

- regulate certain activities and operations that may have environmental or health and safety effects, such as the generation, handling and disposal of medical wastes;
- impose liability for costs of cleaning up, and damages to natural resources from, past spills, waste disposals on and off-site, or other releases of hazardous materials or regulated substances; and
- regulate workplace safety.

Compliance with these laws and regulations could increase our costs of operation. Violation of these laws may subject us to significant fines, penalties or disposal costs, which could negatively impact our results of operations, financial condition or cash flows. We could be responsible for the investigation and remediation of environmental conditions at currently or formerly owned, operated or leased sites, as well as for associated liabilities, including liabilities for natural resource damages, third-party property damage or personal injury resulting from lawsuits that could be brought by the government or private litigants, relating to our operations, the operations of facilities or the land on which our facilities are located. We may be subject to these liabilities regardless of whether we operate, lease or own the facility, and regardless of whether such environmental conditions were created by us or by a prior owner or tenant, or by a third-party or a neighboring facility whose operations may have affected such facility or land. That is because liability for contamination under certain environmental laws can be imposed on current or past owners, lessors or operators of a site without regard to fault. We cannot assure you that environmental conditions relating to our prior, existing or future sites or those of predecessor companies whose liabilities we may have assumed or acquired will not have a material adverse effect on our business, financial condition or results of operations. State efforts to regulate the construction or expansion of healthcare facilities could impair our ability to operate and expand our operations. A majority of the states in which we operate facilities have enacted CON laws that regulate the construction or expansion of healthcare facilities, certain capital expenditures or changes in services or bed capacity. In giving approval for these actions, these states consider the need for additional or expanded healthcare facilities or services. Our failure to obtain necessary state approval could (i) result in our inability to acquire a targeted facility, complete a desired expansion or make a desired replacement, (ii) make a facility ineligible to receive reimbursement under the Medicare or Medicaid programs or (iii) result in the revocation of a facility's license or imposition of civil or criminal penalties, any of which could harm our business. In addition, significant CON reforms have been proposed in a number of states that would increase the capital spending thresholds and provide exemptions of various services from review requirements. In the past, we have not experienced any material adverse effects from such requirements, but we cannot predict the impact of these changes upon our operations. We are required to treat patients with emergency medical conditions regardless of ability to pay. In accordance with our internal policies and procedures, as well as EMTALA, we provide a medical screening examination to any individual who comes to one of our hospitals seeking medical treatment (whether or not such individual is eligible for insurance benefits and regardless of ability to pay) to determine if such individual has an emergency medical condition. If it is determined that such person has an emergency medical condition, we provide such further medical examination and treatment as is required to stabilize the patient's medical condition, within the facility's capability, or arrange for the transfer of the individual to another medical facility in accordance with applicable law and the treating hospital's

s written procedures. Our hospitals may face substantial civil penalties if we fail to provide appropriate screening and stabilizing treatment or fail to facilitate other appropriate transfers as required by EMTALA. We are subject to taxation in the U.S., Puerto Rico and various state jurisdictions. Any adverse development in the tax laws of such jurisdictions or any disagreement with our tax positions could have a material adverse effect on our business, financial condition or results of operations. In addition, our effective tax rate could change materially as a result of changes in tax laws. We are subject to taxation in, and to the tax laws and regulations of, the U.S., Puerto Rico and various state jurisdictions as a result of our operations and our corporate and financing structure. Adverse developments in these tax laws or regulations, or any change in position regarding the application, administration or interpretation thereof, in any applicable jurisdiction, could have a material adverse effect on our business, financial condition or results of operations. In addition, the tax authorities in any applicable jurisdiction may disagree with the tax treatment or characterization of any of our transactions, which, if successfully challenged by such tax authorities, could have a material adverse effect on our business, financial condition or **results of operations. Certain changes in the mix of our earnings between jurisdictions and assumptions used in the calculation of income taxes, among other factors, could have a material adverse effect on our overall effective tax rate.** A significant portion of our revenue is derived from government healthcare programs. For the year ended December 31, **2023-2024**, we derived approximately **69-71%** of our **continuing operations** revenue from the Medicare and Medicaid programs. Government payors in the U. S., such as Medicaid, generally reimburse us on a fee- for- service basis based on predetermined reimbursement rate schedules. As a result, we are limited in the amount we can record as revenue for our services from these government programs, and if we have a cost increase, we typically will not be able to recover this increase. In addition, the federal government and many state governments, are operating under significant budgetary pressures, and they may seek to reduce payments under their Medicaid programs for services such as those we provide. Government payors also tend to pay on a slower schedule. In addition to limiting the amounts they will pay for the services we provide their members, government payors may, among other things, impose prior authorization and concurrent utilization review programs that may further limit the services for which they will pay and shift patients to lower levels of care and reimbursement. Therefore, if governmental entities reduce the amounts they will pay for our services, if they elect not to continue paying for such services altogether, or if there is a significant contraction of the number of individuals covered by state Medicaid programs, our business, financial condition or results of operations could be adversely affected. In addition, if governmental entities slow their payment cycles further, our cash flow from operations could be negatively affected. Commercial payors such as managed care organizations, private health insurance programs and labor unions generally reimburse us for the services rendered to insured patients based upon contractually determined rates. These commercial payors are under significant pressure to control healthcare costs. In addition to limiting the amounts they will pay for the services we provide their members, commercial payors may, among other things, impose prior authorization and concurrent utilization review programs that may further limit the services for which they will pay and shift patients to lower levels of care and reimbursement. These actions may reduce the amount of revenue we derive from commercial payors. Changes in these government programs in recent years have resulted in limitations on reimbursement and, in some cases, reduced levels of reimbursement for healthcare services. Payments from federal and state government healthcare programs are subject to statutory and regulatory changes, administrative rulings, interpretations and determinations, requirements for utilization review, and federal and state funding restrictions, all of which could materially increase or decrease program payments, as well as affect the cost of providing service to patients and the timing of payments to facilities. We are unable to predict the effect of recent and future policy changes on our operations. In addition, since most states operate with balanced budgets and since the Medicaid program is often a state's largest program, some states can be expected to enact or consider enacting legislation formulated to reduce their Medicaid expenditures. If the rates paid or the scope of services covered by government payors are reduced, there could be a material adverse effect on our business, financial condition and results of operations. In addition to changes in government reimbursement programs, our ability to negotiate favorable contracts with private payors, including managed care providers, significantly affects the financial condition and operating results of our facilities. Further, we may not be able to negotiate or sustain rate increases we have experienced in recent years, and may not be able to achieve consistent rate increases from year to year. Management expects third- party payors to aggressively manage reimbursement levels and cost controls. Reductions in reimbursement amounts received from third- party payors could have a material adverse effect on our business, financial condition and results of operations. Our healthcare facilities are also subject to federal, state and commercial payor audits to validate the accuracy of claims submitted to government healthcare programs and commercial payors. If these audits identify overpayments, we could be required to make substantial repayments, subject to various appeal rights. Our facilities are routinely subjected to claims audits in the ordinary course of business. While no such audit has identified any material overpayment liability, should a potential material overpayment liability arise from a future audit, such overpayment liability may ultimately exceed established reserves, and any excess could potentially be substantial. Further, Medicare and Medicaid regulations, as well as commercial payor contracts, also provide for withholding or suspending payments in certain circumstances, which could adversely affect our cash flow. At December 31, **2023-2024**, we had approximately \$ **1-2.40** billion of total debt (net of debt issuance costs, discounts and premiums of \$ **108.49** million), which included approximately \$ **457-1.20** million **billion** of debt under the Credit Facility, \$ 450. 0 million of debt under the 5. 500 % Senior Notes (as defined below) and \$ 475. 0 million of debt under the 5. 000 % Senior Notes (as defined below). See " Item 1. Business — Financing Transactions " for additional details regarding our outstanding indebtedness. Our debt could have important consequences to our business. For example, it could: • increase our vulnerability to general adverse economic and industry conditions; • make it more difficult for us to satisfy our other financial obligations; • restrict us from making strategic acquisitions or cause us to make non- strategic divestitures; • require us to dedicate a substantial portion of our cash flow from operations to payments on our debt (including scheduled repayments on our outstanding term loan borrowings under the Credit Facility), thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general

corporate purposes; • expose us to interest rate fluctuations because the interest on the Credit Facility is imposed at variable rates; • make it more difficult for us to satisfy our obligations to our lenders, resulting in possible defaults on and acceleration of such debt; • limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; • place us at a competitive disadvantage compared to our competitors that have less debt; • limit our ability to borrow additional funds; and • limit our ability to pay dividends, redeem stock or make other distributions. In addition, the terms of our financing arrangements contain restrictive covenants that limit our ability to engage in activities that may be in our long- term best interests. Our failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of all of our debts, including the Credit Facility and the Senior Notes (as defined below). Our ability to make payments on and to refinance our debt, to fund planned capital expenditures and to maintain sufficient working capital will depend on our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. We cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings will be available to us under the Credit Facility or from other sources in an amount sufficient to enable us to service our debt or to fund our other liquidity needs. If our cash flow and capital resources are insufficient to allow us to make scheduled payments on our debt, we may need to reduce or delay capital expenditures, sell assets, seek additional capital or restructure or refinance all or a portion of our debt on or before the maturity thereof, any of which could have a material adverse effect on our business, financial condition or results of operations. We cannot assure you that we will be able to refinance any of our debt on commercially reasonable terms or at all, or that the terms of that debt will allow any of the above alternative measures or that these measures would satisfy our scheduled debt service obligations. If we are unable to generate sufficient cash flow to repay or refinance our debt on favorable terms, it could significantly adversely affect our financial condition and the value of our outstanding debt. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. Our financing arrangements impose, and the terms of any future debt may impose, operating and other restrictions on us. Such restrictions affect, and in many respects limit or prohibit, among other things, our and our subsidiaries' ability to: • incur or guarantee additional debt and issue certain preferred stock; • pay dividends on our common stock or redeem, repurchase or retire our equity interests or subordinated debt; • transfer or sell our assets; • make certain payments or investments; • make capital expenditures; • create certain liens on assets; • create restrictions on the ability of our subsidiaries to pay dividends or make other payments to us; • engage in certain transactions with our affiliates; and • merge or consolidate with other companies. The Credit Facility also requires us to meet certain financial ratios, including a fixed charge coverage ratio and a consolidated leverage ratio. See " Item 7. Management' s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Credit Facility ". The restrictions may prevent us from taking actions that management believes would be in the best interests of our business, and may make it difficult for us to successfully execute our business strategy or effectively compete with companies that are not similarly restricted. We also may incur future debt obligations that might subject us to additional restrictive covenants that could affect our financial and operational flexibility. Our ability to comply with these covenants in future periods will largely depend on the pricing of our products and services, our success at implementing cost reduction initiatives and our ability to successfully implement our overall business strategy. We cannot assure you that we will be granted waivers or amendments to our financing arrangements if for any reason we are unable to comply with our financial covenants. The breach of any of these covenants and restrictions could result in a default under the indentures governing the Senior Notes or under the Credit Facility, which could result in an acceleration of our debt. In January 2024, we entered into the Second Amendment, which provides for the incurrence of \$ 350. 0 million of Incremental Term Loans. We may incur substantial additional debt, including additional notes and other debt, in the future. Although the indentures governing the Senior Notes and the Credit Facility contain restrictions on the incurrence of additional debt, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances, the amount of debt that could be incurred in compliance with these restrictions could be substantial. If new debt is added to our existing debt levels, the related risks that we now face would intensify and we may not be able to meet all our debt obligations. Any default under the agreements governing our debt, including a default under the Credit Facility or the indentures governing the Senior Notes, and the remedies sought by the holders of such debt, could adversely affect our ability to pay the principal, premium, if any, and interest on the Senior Notes and substantially decrease the market value of the Senior Notes. If we are unable to generate sufficient cash flows and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on our debt, or if we otherwise fail to comply with the various covenants, including financial and operating covenants, in the instruments governing our debt (including the Credit Facility and the indentures governing the Senior Notes), we would be in default under the terms of the agreements governing such debt. In the event of such default, the holders of such debt could elect to declare all the funds borrowed thereunder to be due and payable, the lenders under the Credit Facility could elect to terminate their commitments or cease making further loans and institute foreclosure proceedings against our assets, or we could be forced to apply all available cash flows to repay such debt, and, in any such case, we could ultimately be forced into bankruptcy or liquidation. Because the indentures governing the Senior Notes and the agreement governing the Credit Facility have customary cross- default provisions, if the debt under the Senior Notes or the Credit Facility is accelerated, we may be unable to repay or refinance the amounts due. We may be required to record additional charges to future earnings if our goodwill, intangible assets and property and equipment become impaired. We are required under U. S. generally accepted accounting principles (" GAAP ") to review ~~annually, or more frequently if events indicate the carrying value of a reporting unit may not be recoverable,~~ our goodwill and indefinite- lived intangible assets for impairment. ~~Although there were no impairment charges recorded for the 2023 annual~~ **annually** impairment review, we **or more frequently if events indicate the carrying value of a reporting unit** may **not** be **recoverable** required to record charges to earnings during any period in which an impairment of our goodwill,

~~intangible assets and property and equipment is determined which could adversely affect our results of operations~~. For the year ended December 31, ~~2023-2024~~, we recorded non- cash impairment charges of \$ ~~9-17. 8-3~~ million related to the closure of certain facilities, which is recorded on our ~~condensed~~ consolidated statement of operations. The non- cash impairment charges included indefinite- lived asset impairments of \$ ~~3. 5 million, property impairments of \$ 12. 4 million and operating lease right- of- use asset impairments of \$ 1. 4 million. For the year ended December 31, 2023, we recorded non- cash impairment charges of \$ 9. 8 million related to the closure of certain facilities, which is recorded on our consolidated statement of operations. The non- cash impairment charges included indefinite- lived asset impairments of \$~~ 5. 4 million, property impairments of \$ 2. 0 million and operating lease right- of- use asset impairments of \$ 2. 4 million. Our evaluation of goodwill and the need for any further impairment in subsequent periods is sensitive to revisions to our current projections. See “ Item 7. Management’ s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies — Property and Equipment and other Long- Lived Assets ” and “ Item 7. Management’ s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies — Goodwill and Indefinite- Lived Intangible Assets ” for additional information. Our operating costs are subject to increases in the wages and salaries of our staff. The most significant operating expense for our facilities is wage costs, which represent the staff costs incurred in providing our services and running our facilities, and which are primarily driven by the number of employees and pay rates. The number of employees employed by us is primarily linked to the number of facilities we operate and the number of individuals cared for by us. While we have reduced the number of employees when occupancy rates decrease at our facilities and can continue to do so in the future, there is a limit on the extent to which this can be done without impacting the quality of our services. We also have a number of recurring costs including insurance, utilities and rental costs, and may face increases to other recurring costs such as regulatory compliance costs. There can be no assurance that any of our recurring costs will not grow at a faster rate than our revenue. As a result, any increase in our operating costs could have a material adverse effect on our business, results of operations and financial condition. Our business has in the past been, and may continue to be, affected by a number of factors that are beyond our control, such as general macroeconomic conditions, conditions in the financial services markets, geopolitical conditions and other general political and economic developments, and can continue to be affected by such factors in the future. In particular, we have historically financed acquisitions, the development of de novo and joint venture facilities and the modification of our existing facilities through a variety of sources, including our own cash reserves and debt financing. While we intend to seek to finance acquisitions and new and existing developments from similar sources in the future, there may be insufficient cash reserves to fund the budgeted capital expenditure and market conditions and other factors may prevent us from obtaining debt financing on appropriate terms or at all. In addition, market conditions may limit the number of financial institutions that are willing to provide financing to landlords with whom we wish to contract to build new healthcare facilities which can then be made available to us under a long- term operating lease. If conditions in the global economy remain uncertain or weaken further, this could materially adversely impact our average daily census (“ ADC ”), which would have a corresponding negative impact on our business, results of operations and financial condition. A worsening of the economic and employment conditions in the geographies in which we operate could materially affect our business and future results of operations. During periods of high unemployment, governmental entities often experience budget deficits as a result of increased costs and lower than expected tax collections. These budget deficits at the federal, state and local levels have decreased, and may continue to decrease, spending for health and human service programs, including Medicare and Medicaid, which are significant payor sources for our facilities. In periods of high unemployment, we have faced and could continue to face the risk of potential declines in the population covered under private insurance, patient decisions to postpone or decide against receiving behavioral healthcare services, potential increases in the uninsured and underinsured populations we serve and further difficulties in collecting patient co- payment and deductible receivables. A sizable portion of our revenue from certain residential recovery, eating disorder facilities, CTCs and youth programs is from self- payors. Accordingly, a sustained downturn in the U. S. economy could restrain the ability of our patients and the families of our students to pay for services. Furthermore, the availability of liquidity and capital resources to fund the continuation and expansion of many business operations worldwide has been limited in recent years. Our ability to access the capital markets on acceptable terms may be severely restricted at a time when we would like, or need, access to those markets, which could have a negative impact on our growth plans, our flexibility to react to changing economic and business conditions and our ability to refinance existing debt (including debt under the Credit Facility and the Senior Notes). A sustained economic downturn or other economic conditions could also adversely affect the counterparties to our agreements, including the lenders under the Credit Facility, causing them to fail to meet their obligations to us. **We have experienced, inflation in the U. S. has recently accelerated and may is currently expected to continue at to experience, increased inflationary pressure on our business, including increased personnel an and supply chain costs elevated level in the near- term.** Current and future inflationary effects may be driven by, among other things, supply chain disruptions and governmental stimulus or fiscal policies, and geopolitical instability, including the ongoing conflicts between Ukraine and Russia and in Israel and Gaza. Continuing ~~increases in inflation~~ **inflationary pressure**, ~~have has~~ in the past, and could in the future, impact our costs of labor and services and the margins we are able to realize on the operation of our facilities and services, all of which could have an adverse impact on our business, financial position, results of operations and cash flows. Inflation has also resulted in higher interest rates, which in turn will result in higher costs of debt borrowing and could limit our growth strategy. There is a trend in the healthcare industry toward value- based purchasing of healthcare services, rather than per diem charges. These value- based purchasing programs include both public reporting of quality data and preventable adverse events tied to the quality and efficiency of care provided by facilities. Governmental programs including Medicare and Medicaid currently require hospitals to report certain quality data to receive full reimbursement updates. In addition, Medicare does not reimburse for care related to certain preventable adverse events. Many large commercial payors currently require hospitals to report quality data, and several commercial payors do not reimburse hospitals for certain

preventable adverse events. We expect value- based purchasing programs, including programs that condition reimbursement on patient outcome measures, to become more common and to involve a higher percentage of reimbursement amounts. We are unable at this time to predict how this trend will affect our results of operations, but it could negatively impact our revenue if we are unable to meet quality standards established by both governmental and private payers. ~~The trend by insurance companies and managed care organizations to enter into sole- source contracts may limit our ability to obtain patients.~~ Insurance companies and managed care organizations are entering into sole- source contracts with healthcare providers, which could limit our ability to obtain patients since we do not offer the range of services required for these contracts. Moreover, private insurers, managed care organizations and, to a lesser extent, Medicaid and Medicare, are beginning to carve- out specific services, including mental health and substance abuse services, and establish small, specialized networks of providers for such services at fixed reimbursement rates. Continued growth in the use of carve- out arrangements could materially adversely affect our business to the extent we are not selected to participate in such networks or if the reimbursement rate in such networks is not adequate to cover the cost of providing the service. ~~The global pandemic of COVID- 19 has affected our facilities, employees, patients, communities, business operations and financial performance, as well as the broader U. S. economy and financial markets. Since 2020, COVID- 19 resulted in fewer referrals to our facilities and lower voluntary admissions as individuals were less inclined to leave their homes and seek treatment. When employees and /or patients at a facility are infected with COVID- 19, there is a risk that the virus will spread to others at the facility and impact the operations of such facility. COVID- 19 is continuing to evolve and its full impact remains unknown and difficult to predict; however, it has adversely affected our business operations since 2020 and could negatively impact our financial performance in the future. We could experience supply chain disruptions and significant price increases in equipment, pharmaceuticals and medical supplies, which could cause delays in our ability to develop a de novo or joint venture facility or modify an existing facility. Pandemic- related staffing difficulties and equipment, pharmaceutical and medical supplies shortages may impact our ability to treat patients at our facilities. Such shortages could lead to us paying higher prices for supplies, equipment and labor and an increase in overtime hours paid to our employees. The steps we have taken to mitigate the financial impact of COVID- 19 may not be successful, and we could experience material decreases in Adjusted EBITDA in 2023 or longer. In addition, we may need to take further steps to mitigate the financial impact of COVID- 19, which actions could adversely affect our financial condition and results of operations. Broad economic factors resulting from COVID- 19, including reduced consumer spending, could also negatively affect our payor mix, increase the relative proportion of lower margin services we provide and reduce patient volumes, as well as diminish our ability to collect outstanding receivables. Business closings and layoffs in the areas in which we operate may lead to increases in the uninsured and underinsured populations and adversely affect demand for our services, as well as the ability of patients and other payors to pay for services as rendered. Any increase in the amount or deterioration in the collectability of patient accounts receivable will adversely affect our cash flows and results of operations, requiring an increased level of working capital. If general economic conditions continue to deteriorate or remain uncertain for an extended period of time, our liquidity and ability to repay our outstanding debt may be adversely affected. In addition, our results and financial condition may be further adversely affected by future federal or state laws, regulations, orders, or other governmental or regulatory actions addressing the current COVID- 19 pandemic or the U. S. healthcare system, which, if adopted, could result in direct or indirect restrictions to our business. We may also be subject to negative press and /or lawsuits from patients, employees and others exposed to COVID- 19 at our facilities. Such actions may involve large demands, as well as substantial costs to resolve. Our professional and general liability insurance may not cover all claims against us. The foregoing and other continued disruptions to our business as a result of the COVID- 19 pandemic have impacted our business and may have a material adverse effect on our business, results of operations, financial condition, cash flows and our ability to service our indebtedness. Additionally, the COVID- 19 pandemic (including governmental responses, broad economic impacts and market disruptions) has heightened the materiality of certain other risk factors described herein.~~ Collection of receivables from third- party payors and patients is critical to our operating performance. Our primary collection risks relate to uninsured patients and the portion of the bill that is the patient' s responsibility, which primarily includes co- payments and deductibles. We determine the transaction price based on established billing rates reduced by contractual adjustments provided to third- party payors, discounts provided to uninsured patients and implicit price concessions. Contractual adjustments and discounts are based on contractual agreements, discount policies and historical experience. Implicit price concessions are based on historical collection experience. At December 31, ~~2023~~ **2024**, our estimated implicit price concessions represented approximately ~~16~~ **17** % of our accounts receivable balance as of such date. Significant changes in business office operations, payor mix, economic conditions or trends in federal and state governmental health coverage could affect our collection of accounts receivable, cash flow and results of operations. If we experience unexpected increases in the growth of uninsured and underinsured patients or in bad debt expenses, our results of operations will be harmed. Failure to maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes- Oxley Act of 2002 (the " Sarbanes- Oxley Act ") could have a material adverse effect on our business. We are required to maintain internal control over financial reporting under Section 404 of the Sarbanes- Oxley Act. If we are unable to maintain adequate internal control over financial reporting, we may be unable to report our financial information on a timely basis, may suffer adverse regulatory consequences or violations of NASDAQ listing rules and may breach the covenants under our financing arrangements. There could also be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements. If we or our independent registered public accounting firm identify any material weakness in our internal control over financial reporting in the future (including any material weakness in the controls of businesses we have acquired), their correction could require additional remedial measures which could be costly, time- consuming and could have a material adverse effect on our business. We do not anticipate paying any cash dividends in the foreseeable future. We intend to retain our future earnings, if any, for use in our business or for other corporate purposes and do not anticipate that cash dividends with respect to common stock will be paid in the foreseeable future.

Any decision as to the future payment of dividends will depend on our results of operations, financial position and such other factors as our board of directors, in its discretion, deems relevant. In addition, the terms of our debt substantially limit our ability to pay dividends. As a result, capital appreciation, if any, of our common stock will be a stockholder's sole source of gain for the foreseeable future. Because many of the patients we treat suffer from severe mental health and chemical dependency disorders, patient incidents, including deaths, sexual abuse, assaults and elopements, have occurred in the past and could continue to occur in the future. As a result of adverse patient incidents, we have experienced admissions holds, adverse regulatory action, civil litigation, negative publicity and negative impacts on referrals. If one or more of our facilities experiences an adverse patient incident in the future or is found to have failed to provide appropriate patient care, an admissions hold, loss of accreditation, license revocation or other adverse regulatory action could be taken against us. Any such patient incident or adverse regulatory action could result in governmental investigations, judgments or fines and have a material adverse effect on our business, financial condition and results of operations. In addition, we have been and could become the subject of negative publicity or unfavorable media attention, whether warranted or unwarranted, that could have a significant, adverse effect on the trading price of our common stock or adversely impact our reputation and how our referral sources and payors view us. As part of our growth strategy, we have completed, and have announced plans to complete, a number of joint ventures and strategic alliances. These joint ventures may involve significant cash expenditures, debt incurrence, additional operating losses and expenses, and compliance risks that could negatively impact our business, financial condition or results of operations. Further, there is often a significant delay between our formation of a joint venture and the time that a de novo facility can be constructed and have a positive financial impact on our results of operations. The nature of a joint venture requires us to consult with and share certain decision-making powers with unaffiliated third parties, some of which may be not-for-profit healthcare systems. If our joint venture partners do not fulfill their obligations, the affected joint venture may not be able to operate according to its business or strategic plans. In that case, our financial condition and results of operations may be materially adversely affected or we may be required to increase our level of financial commitment to the joint venture. Moreover, differences in economic or business interests or goals among joint venture participants could result in delayed decisions, failures to agree on major issues and even litigation. If these differences cause the joint ventures to deviate from their business or strategic plans, or if our joint venture partners take actions contrary to our policies, objectives or the best interests of the joint venture, our business, financial condition and results of operations could be negatively impacted. In addition, our relationships with not-for-profit healthcare systems and the joint venture agreements that govern these relationships are intended to be structured to comply with current revenue rulings published by the Internal Revenue Service, as well as case law relevant to joint ventures between for-profit and not-for-profit healthcare entities. Material changes in these authorities could adversely affect our relationships with not-for-profit healthcare systems and related joint venture arrangements. Our ability to grow our business through organic expansion either by developing de novo or joint venture facilities or by modifying existing facilities is dependent upon many factors. Our ability to grow our business through organic expansion is dependent on capacity and occupancy at our facilities. Should our facilities reach maximum occupancy, we may need to implement other growth strategies either by developing de novo or joint venture facilities or by modifying existing facilities. Our facilities typically need to be purpose-designed in order to enable the type and quality of service that we provide. Consequently, we must either develop sites to create facilities or purchase or lease existing facilities, which may require substantial modification. We must be able to identify suitable sites and there is no guarantee that such sites will be available at all, or at an economically viable cost or in areas of sufficient demand for our services. The subsequent successful development and construction of a de novo or joint venture facility is contingent upon, among other things, negotiation of construction contracts, regulatory permits and planning consents and satisfactory completion of construction. Similarly, our ability to expand existing facilities is also dependent upon various factors, including identification of appropriate expansion projects, permitting, licensure, financing, integration into our relationships with payors and referral sources, and margin pressure as de novo and joint venture facilities are filled with patients. Delays caused by difficulties in respect of any of the above factors may lead to cost overruns and longer periods before a return is generated on an investment, if at all. We may incur significant capital expenditure but due to a regulatory, planning or other reason, may find that we are prevented from opening a de novo or joint venture facility or modifying an existing facility. Moreover, even when incurring such development capital expenditure, there is no guarantee that we can fill beds when they become available. Upon operational commencement of a de novo or joint venture facility, we typically expect that it will take 10 to 12 months, on average, to reach break-even results. Any delays or stoppages in our projects, the unsatisfactory completion or construction of such projects or the failure of such projects to increase our occupancy levels could have a material adverse effect on our ADC, which would have a corresponding negative impact on our business, results of operations and financial condition. A principal element of our business strategy is to grow by acquiring other companies and assets in the behavioral healthcare industry. Growth through acquisitions exposes us to a variety of operational and financial risks. We summarize the most significant of these risks below.

Integration risks We must integrate our acquisitions with our existing operations. This process includes the integration of the various components of our business and of the businesses we have acquired or may acquire in the future, including the following:

- additional psychiatrists, other physicians and employees who are not familiar with our operations;
- patients who may elect to switch to another behavioral healthcare provider;
- regulatory compliance programs; and
- disparate operating, information and record keeping systems and technology platforms.

Integrating a newly acquired facility could be expensive and time consuming and could disrupt our ongoing business, negatively affect cash flow and distract management and other key personnel from day-to-day operations. We may not be able to successfully combine the operations of acquired facilities with our operations, and even if such integration is accomplished, we may never realize the potential benefits of the acquisition. The integration of acquisitions with our operations requires significant attention from management, may impose substantial demands on our operations or other projects and may impose challenges on the combined business including, but not limited to, inconsistencies in business standards, procedures, policies, business cultures and internal

controls and compliance. Certain acquisitions involve a capital outlay, and the return that we achieve on any capital invested may be less than the return that we would achieve on our other projects or investments. If we fail to complete the integration of acquired facilities, we may never fully realize the potential benefits of the related acquisitions. Successful integration depends on the ability to effect any required changes in operations or personnel, which may entail unforeseen liabilities. The integration of acquired businesses may expose us to certain risks, including the following: difficulty in integrating these businesses in a cost-effective manner, including the establishment of effective management information and financial control systems; unforeseen legal, regulatory, contractual, employment or other issues arising out of the combination; combining corporate cultures; maintaining employee morale and retaining key employees; potential disruptions to our on-going business caused by our senior management's focus on integrating these businesses; and performance of the combined assets not meeting our expectations or plans. A failure to properly integrate these businesses could have a corresponding material adverse effect on our business, results of operations, financial condition or prospects. Benefits may not materialize. When evaluating potential acquisition targets, we identify potential synergies and cost savings that we expect to realize upon the successful completion of the acquisition and the integration of the related operations. We may, however, be unable to achieve or may otherwise never realize the expected benefits. Our ability to realize the expected benefits from potential cost savings and revenue improvement opportunities is subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control, such as changes to government regulation governing or otherwise impacting the behavioral healthcare industry, reductions in reimbursement rates from third-party payors, reductions in service levels under our contracts, operating difficulties, client preferences, changes in competition and general economic or industry conditions. If we are unsuccessful in implementing these improvements or if we do not achieve our expected results, it may adversely impact our business, financial condition or results of operations. Assumptions of unknown liabilities. Facilities that we acquire may have unknown or contingent liabilities, including, but not limited to, liabilities for uncertain tax positions, liabilities for failure to comply with healthcare laws and regulations and liabilities for unresolved litigation or regulatory reviews. Although we typically attempt to exclude significant liabilities from our acquisition transactions and seek indemnification from the sellers of such facilities, the purchase agreement for some of our significant acquisitions contain minimal representations and warranties about the entities and business that we acquired. In addition, we have no indemnification rights against the sellers under some purchase agreements and all of the purchase price consideration was paid at closing. Therefore, we may incur material liabilities for the past activities of acquired entities and facilities. Even in those acquisitions in which we have such rights, we may experience difficulty enforcing the sellers' obligations, or we may incur material liabilities for the past activities of acquired facilities. Such liabilities and related legal or other costs and / or resulting damage to a facility's reputation could negatively impact our business, financial condition or results of operations. Competing for acquisitions. We face competition for acquisition candidates primarily from other for-profit healthcare companies, as well as from not-for-profit entities. Some of our competitors may have greater resources than we do. As a result, we may pay more to acquire a target business or may agree to less favorable deal terms than we would have otherwise. Our principal competitors for acquisitions have included UHS and private equity firms. Also, suitable acquisitions may not be accomplished due to unfavorable terms. Further, the cost of an acquisition could result in a dilutive effect on our results of operations, depending on various factors, including the amount paid for an acquired facility, the acquired facility's results of operations, the fair value of assets acquired and liabilities assumed, effects of subsequent legislation and limits on rate increases. In addition, we may have to pay cash, incur debt, or issue equity securities to pay for any such acquisition, which could adversely affect our financial results, result in dilution to our stockholders, result in increased fixed obligations or impede our ability to manage our operations. There can be no assurances that we will be able to acquire facilities at historical or expected rates or on favorable terms. Antitrust and other legal challenges. We may face antitrust and other legal challenges when acquiring facilities or other businesses, which could negatively impact our ability to close acquisition transactions. Antitrust enforcement in the healthcare industry is currently a priority of the Federal Trade Commission, the Department of Justice and many state agencies, including with respect to hospital acquisitions. Additionally, many states require CONs in order to acquire a hospital or other healthcare facility. The acquisition of hospitals and other healthcare facilities also often requires licensure approvals or reviews and complex change of ownership processes for Medicare and other payers. The increasingly challenging antitrust enforcement environment and other regulatory review or approval processes could significantly delay or even prevent our ability to acquire facilities and other businesses and increase our acquisition costs, which could adversely affect our overall growth strategy. Managing growth. Some of the facilities we have acquired or may acquire in the future may have had significantly lower operating margins prior to the time of our acquisition or may have had operating losses prior to such acquisition. If we fail to improve the operating margins of the facilities we acquire, operate such facilities profitably or effectively integrate the operations of the acquired facilities, our results of operations could be negatively impacted. We incur significant transaction-related costs in connection with acquisitions and other strategic transactions. We incur substantial costs in connection with acquisitions and other strategic transactions, including transaction-related expenses. In addition, we may incur additional costs to maintain employee morale, retain key employees, and to formulate and execute integration plans. Although we expect that the elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of acquired businesses, should allow us to more than offset incremental transaction and acquisition-related costs over time, this net benefit may not be achieved in the near term, or at all. Our future growth will partly depend on our ability to maintain our reputation for providing quality patient care and, through new programs and marketing activities, increased demand for our services. Factors such as increased acuity of our patients, health and safety incidents at our facilities, regulatory enforcement actions, negative press, civil liability or general customer dissatisfaction could lead to deterioration in the level of our quality ratings or the public perception of the quality of our services (including as a result of negative publicity about our industry generally), which in turn could lead to a loss of patient placements, referrals and self-pay patients or service users. Any impairment of our reputation, loss of goodwill or damage to the value of our brand name

could have a material adverse effect on our business, results of operations and financial condition. Many of our service users have complex medical conditions or special needs, are vulnerable and often require a substantial level of care and supervision. Our service users have in the past been harmed by one or more of our employees, and could in the future be harmed by our employees, either intentionally, through negligence or by accident. Further, individuals cared for by us have in the past engaged, and may in the future engage, in behavior that results in harm to themselves, our employees or to one or more other individuals, including members of the public. A serious incident involving harm to one or more service users or other individuals could result in negative publicity. Such negative publicity could have a material adverse effect on our brand, reputation and ADC, which would have a corresponding negative impact on our business, results of operations and financial condition. Furthermore, the damage to our reputation or to the reputation of the relevant facility from any such incident could be exacerbated by any failure on our part to respond effectively to such incident. The cost of construction materials and labor has significantly increased, and we continue to grow our business through expansion of existing facilities and development of de novo and joint venture facilities. Although we evaluate the financial feasibility of construction projects by determining whether the projected cash flow return on investment exceeds our cost of capital and have implemented efforts to realize efficiencies in our design and construction processes, such returns may not be achieved if the cost of construction continues to rise significantly or the expected patient volumes are not attained. Our information technology (“IT”) platforms support, among other things, management control of patient administration, billing and financial information and reporting processes. For example, patients in some of our facilities have an electronic patient record that allows our caregivers and nurses to see information about a patient’s care and treatment. Our IT systems are subject to damage or interruption from power outages, facility damage, computer and telecommunications failures, computer viruses, security breaches including credit card or personally identifiable information breaches, vandalism, theft, natural disasters, catastrophic events, human error and potential cyber threats, including malicious codes, worms, phishing attacks, denial of service attacks, ransomware and other sophisticated cyber- attacks, and our disaster recovery planning cannot account for all eventualities. Any failure in or breach of our IT systems could adversely impact our business, results of operations and financial condition. If we do not continually enhance our facilities with the most recent technological advances, our ability to maintain and expand our markets will be adversely affected. As healthcare technology continues to advance, we expect information technology to play a greater role in our marketing and admissions processes and the operation of our facilities. To compete effectively, we must continually assess our automation needs and upgrade when significant technological advances occur. If our facilities do not stay current with technological advances in the healthcare industry, patients may seek treatment from other providers and / or physicians may refer their patients to alternate sources, which could adversely affect our results of operations and harm our business. We have experienced adverse IT events in the past including a criminal ransomware attack on our computer network, which resulted in a temporary systems outage, as well as attempts of computer hacking, vandalism and theft, malware, computer viruses, malicious codes, worms, phishing and other cyber- attacks. To date, we have seen no material impact on our business or operations from these attacks or events. However, it is widely reported that healthcare companies are increasingly prime targets for cyber- attacks and we expect our systems to continue to be subject to attack on a regular basis. The proliferation of ever- evolving cyber threats mean that we and our third- party service providers and vendors must continually evaluate and adapt our respective systems and processes and overall security environment, as well as those of any operations we acquire. As cyber criminals continue to become more sophisticated through evolution of their tactics, techniques and procedures, we have taken, and will continue to take, additional preventive measures to strengthen the cyber defenses of our networks and data. There is no guarantee that these measures will be adequate to safeguard against all data security breaches, system compromises, or misuses of data. We may be required to expend significant capital and other resources to protect against the threat of security breaches or to alleviate problems caused by breaches, including unauthorized access to patient data and personally identifiable information stored in our IT systems, and the introduction of computer viruses or other malicious software programs to our systems, and cyber- attacks, email phishing schemes, malware, and ransomware. Moreover, a security breach, or threat thereof, could require that we expend significant resources to repair or improve our information systems and infrastructure and could distract management and other key personnel from performing their primary operational duties. In the event of a material breach or cyber- attack, the associated expenses and losses may exceed our current insurance coverage for such events. In addition, some adverse consequences are not insurable, such as reputational harm and third- party business interruption. A cyber- attack that bypasses our IT security systems, or other adverse IT event, resulting in an IT security breach, loss of PHI or other data subject to privacy laws, loss of proprietary business information, or a material disruption of our IT business systems, could have a material adverse impact on our business, financial condition or results of operations. Any successful cybersecurity attack or other unauthorized attempt to access our systems or facilities could result in negative publicity which could damage our reputation or brand with our patients, referral sources, payors, or other third parties and could subject us to substantial sanctions, fines, and damages and civil and criminal penalties under federal and state privacy laws, in addition to litigation with those affected. We may fail to deal with clinical waste in accordance with applicable regulations or otherwise be in breach of relevant medical, health and safety or environmental laws and regulations. As part of our normal business activities, we produce and store clinical waste which may produce effects harmful to the environment or human health. The storage and transportation of such waste is strictly regulated. Our waste disposal services are outsourced and should the relevant service provider fail to comply with relevant regulations, we could face sanctions or fines which could adversely affect our brand, reputation, business or financial condition. Health and safety risks are inherent in the services that we provide and are constantly present in our facilities, primarily in respect of food and water quality, as well as fire safety and the risk that service users may cause harm to themselves, other service users or employees. From time to time, we have experienced, like other providers of similar services, undesirable health and safety incidents. Some of our activities are particularly exposed to significant medical risks relating to the transmission of infections or the prescription and administration of drugs for residents and patients. If any of the above medical or health and safety risks

were to materialize, we may be held liable, fined and any registration certificate could be suspended or withdrawn for failure to comply with applicable regulations, which may have a material adverse impact on our business, results of operations and financial condition. ~~Although we have facilities in 38 states and Puerto Rico, we have substantial operations in Pennsylvania, California, Tennessee, Massachusetts and Arizona, which makes us especially sensitive to regulatory, economic, environmental and competitive conditions and changes in those states.~~ Revenue from Pennsylvania, California, ~~and~~ Tennessee, ~~Massachusetts and Arizona~~ represented approximately 13 %, 8 %, ~~and~~ 7 %, 6 % and 6 % of our total revenue for the year ended December 31, ~~2023~~ **2024**, respectively. This concentration makes us particularly sensitive to legislative, regulatory, economic, environmental and competition changes in those states. Any material change in the current payment programs or regulatory, economic, environmental or competitive conditions in these locations could have a disproportionate effect on our overall business results. If our facilities in these locations are adversely affected by changes in regulatory and economic conditions, our business, financial condition or results of operations could be adversely affected. Some of our facilities are located in areas prone to hurricanes or wildfires. Natural disasters have historically had a disruptive effect on the operations of facilities and the patient populations in such areas. Our business activities could be significantly disrupted by wildfires, hurricanes or other natural disasters, and our property insurance may not be adequate to cover losses from such wildfires, storms or other natural disasters. Even if our facilities are not directly damaged, we may experience considerable disruptions in our operations due to property damage or electrical outages experienced in storm- affected areas by our personnel, payors, vendors and others. Additionally, long- term adverse weather conditions, whether caused by global climate change or otherwise, could cause an outmigration of people from the communities where our facilities are located. If any of the circumstances described above occur, our business, financial condition or results of operations could be adversely affected. **New disclosure standards and rules related to environmental matters have been adopted and may continue to be introduced in various states and other jurisdictions. In October 2023, the state of California enacted the Climate Corporate Data Accountability Act, which mandates the disclosure of greenhouse gas emissions, including Scope 1, Scope 2 and Scope 3 emissions; and the Climate- Related Financial Risk Act, which mandates the disclosure of climate- related financial risks, and measures adopted to reduce and adapt to such risks. Both California laws require initial disclosures in 2026 for companies doing business in the state and exceeding certain revenue thresholds. New or expanded climate- related laws could impose substantial costs, including those related to diligence, compliance and reporting requirements.** A pandemic, epidemic or outbreak of an infectious disease in the markets in which we operate or that otherwise impacts our facilities could adversely impact our business. If a pandemic, epidemic, outbreak of an infectious disease, ~~such as COVID-19,~~ or other public health crisis were to occur in an area in which we operate, our operations could be adversely affected. Such a crisis could diminish the public trust in healthcare facilities, especially facilities with patients affected by infectious diseases. If any of our facilities were involved, or perceived as being involved, in treating such patients, other patients might fail to seek care at our facilities, and our reputation may be negatively affected. Further, a pandemic, epidemic or outbreak might adversely impact our business by causing a temporary shutdown or diversion of patients, by disrupting or delaying production and delivery of pharmaceuticals and other medical supplies or by causing staffing shortages in our facilities. Although we have disaster plans in place and operate pursuant to infectious disease protocols, the potential impact of a pandemic, epidemic or outbreak of an infectious disease with respect to our markets or our facilities is difficult to predict and could adversely impact our business, financial condition or results of operations. Our ability to grow or even to maintain our existing level of business depends significantly on our ability to establish and maintain close working relationships with physicians, managed care companies, insurance companies, educational consultants and other referral sources. We may not be able to maintain our existing referral source relationships or develop and maintain new relationships in existing or new markets. If we lose existing relationships with our referral sources, the number of people to whom we provide services may decline, which may adversely affect our revenue. If we fail to develop new referral relationships, our growth may be restrained. The healthcare industry is highly competitive, and competition among healthcare providers (including hospitals) for patients, physicians and other healthcare professionals has intensified in recent years. There are other healthcare facilities that provide behavioral and other mental health services comparable to those offered by our facilities in each of the geographical areas in which we operate. Some of our competitors are owned by tax- supported governmental agencies or by non- profit corporations and may have certain financial advantages not available to us, including endowments, charitable contributions, tax- exempt financing and exemptions from sales, property and income taxes. Some of our for- profit competitors are local, independent operators or physician groups with strong established reputations within the surrounding communities, which may adversely affect our ability to attract a sufficiently large number of patients in markets where we compete with such providers. We also face competition from other for- profit entities, who may possess greater financial, marketing or research and development resources than us or may invest more funds in renovating their facilities or developing technology. If our competitors are better able to attract patients, recruit and retain physicians and other healthcare professionals, expand services or obtain favorable managed care contracts at their facilities, we may experience a decline in patient volume and our results of operations may be adversely affected. We may be unable to extend leases at expiration, which could harm our business, financial condition or results of operations. We lease the real property on which a number of our facilities are located. Our lease agreements generally give us the right to renew or extend the term of the leases and, in certain cases, purchase the real property. These renewal and purchase rights generally are based upon either prescribed formulas or fair market value. Management expects to renew, extend or exercise purchase options with respect to our leases in the normal course of business; however, there can be no assurance that these rights will be exercised in the future or that we will be able to satisfy the conditions precedent to exercising any such renewal, extension or purchase options. Furthermore, the terms of any such options that are based on fair market value are inherently uncertain and could be unacceptable or unfavorable to us depending on the circumstances at the time of exercise. If we are not able to renew or extend our existing leases, or purchase the real property subject to such leases, at or prior to the end of the existing lease terms, or if the terms of such options are unfavorable or

unacceptable to us, our business, financial condition or results of operations could be adversely affected. Controls designed to reduce inpatient services may reduce our revenue. Controls imposed by Medicare, Medicaid and commercial third- party payors designed to reduce admissions and lengths of stay, commonly referred to as “ utilization review, ” have affected and are expected to continue to affect our facilities. Inpatient utilization, average lengths of stay and occupancy rates continue to be negatively affected by payor- required preadmission authorization and utilization review and by payor pressure to maximize outpatient and alternative healthcare delivery services for less acutely ill patients. Efforts to impose more stringent cost controls are expected to continue. For example, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010, expanded the potential use of prepayment review by Medicare contractors by eliminating certain statutory restrictions on its use. Utilization review is also a requirement of most non- governmental managed- care organizations and other third- party payors. Although we are unable to predict the effect these controls and changes will have on our operations, significant limits on the scope of services reimbursed and on reimbursement rates and fees could have a material adverse effect on our financial condition and results of operations. **We are a holding company with no operations and rely upon our subsidiaries to provide us with the funds necessary to meet our financial obligations. Liabilities of any one or more of our subsidiaries could be imposed upon us or our other subsidiaries. We are a holding company with no direct operating assets, employees or revenue. Our principal assets are the equity interests we directly or indirectly hold in our multiple operating and other subsidiaries. As a result, we are dependent upon our subsidiaries to generate the funds necessary to meet our financial obligations. Our subsidiaries are legally distinct from us and have no obligation to make funds available to us. The ability of our subsidiaries to provide us with the funds necessary to meet our financial obligations will depend substantially on their respective operating results and may be subject to restrictions under, among other things, the laws of their respective jurisdictions of organization, agreements of those subsidiaries, the terms of our financing arrangements and the terms of any future financing arrangements of our subsidiaries. In addition, liabilities of any one or more of our subsidiaries could be imposed on us or our other subsidiaries.** Our operations depend on the efforts, abilities and experience of our management and medical support personnel, including our addiction counselors, therapists, nurses, pharmacists, licensed counselors, clinical technicians, and mental health technicians, as well as our psychiatrists and other professionals. We compete with other healthcare providers in recruiting and retaining qualified management, program directors, physicians (including psychiatrists) and support personnel responsible for the daily operations of our business, financial condition or results of operations. A shortage of nurses, qualified addiction counselors and other medical and care support personnel, combined with low unemployment rates for such personnel and intense competition from other healthcare facilities, has been a significant operating issue facing us and other healthcare providers. We may be required to enhance wages and benefits to hire nurses, qualified addiction counselors and other medical and care support personnel, hire more expensive temporary personnel or increase our recruiting and marketing costs relating to labor. We have resorted to using more expensive contract labor at certain of our facilities, and the use of temporary or agency staff could heighten the risk one of our facilities experiences an adverse patient incident. Further, because we generally recruit our personnel from the local area where the relevant facility is located, the availability in certain areas of suitably qualified personnel can be limited, particularly care home management, qualified teaching personnel and nurses. In addition, certain of our facilities are required to maintain specified staffing levels. To the extent we cannot meet those levels, we may be required to limit the services provided by these facilities, which would have a corresponding adverse effect on our net operating revenue. Certain of our treatment facilities are located in remote geographical areas, far from population centers, which increases this risk. We cannot predict the degree to which we will be affected by the future availability or cost of attracting and retaining talented medical support staff. If our general labor and related expenses increase, we may not be able to raise our rates correspondingly. Increased turnover rates within our employee base can lead to decreased efficiency and increased costs, such as increased overtime and use of contract labor to meet demand and increased wage rates to attract and retain employees. Our failure either to recruit and retain qualified management, psychiatrists, therapists, counselors, nurses and other medical support personnel or control our labor costs could have a material adverse effect on our results of operations. The success and competitive advantage of our facilities depends, in part, on the number and quality of the psychiatrists and other physicians, **and nurses, counselors and other medical support personnel** on the medical staffs of our facilities and our maintenance of good relations with those medical professionals. Although we employ psychiatrists and other physicians at many of our facilities, psychiatrists and other physicians generally are not employees of our facilities, and, in a number of our markets, they have admitting privileges at competing hospitals providing acute or inpatient behavioral healthcare services. Such physicians (including psychiatrists) may terminate their affiliation with us at any time or admit their patients to competing healthcare facilities or hospitals. If we are unable to attract and retain sufficient numbers of quality psychiatrists and other physicians by providing adequate support personnel and facilities that meet the needs of those psychiatrists and other physicians, they may stop referring patients to our facilities and our results of operations may decline. It may become difficult for us to attract and retain an adequate number of psychiatrists and other physicians to practice in certain of the communities in which our facilities are located. Our failure to recruit psychiatrists and other physicians to these communities or the loss of such medical professionals in these communities could make it more difficult to attract patients to our facilities and thereby may have a material adverse effect on our business, financial condition or results of operations. Additionally, our ability to recruit psychiatrists and other physicians is closely regulated. The form, amount and duration of assistance we can provide to recruited psychiatrists and other physicians is limited by the Stark Law, the Anti- Kickback Statute, state anti- kickback statutes, and related regulations. Some of our employees are represented by labor unions and any work stoppage could adversely affect our business. Increased labor union activity could adversely affect our labor costs. At December 31, ~~2023~~ **2024**, a labor union represented approximately ~~150~~ **131** of our employees at one of our facilities. We cannot assure you that employee relations will remain stable. Furthermore, there is a possibility that work stoppages could occur as a result of union activity, which could increase our labor costs and adversely affect our business, financial condition or results of

operations. To the extent that a greater portion of our employee base unionizes and the terms of any collective bargaining agreements are significantly different from our current compensation arrangements, it is possible that our labor costs could increase materially and our business, financial condition or results of operations could be adversely affected. We depend on key management personnel, and the departure of one or more of our key executives or a significant portion of our local facility management personnel could harm our business. The expertise and efforts of our senior executives and the chief executive officer, chief financial officer, medical directors, physicians and other key members of our facility management personnel are important to the success of our business. ~~During 2023, we hired a new chief financial officer and general counsel to replace executive officers who left the company during 2023.~~ It may take time for new officers to be integrated into our business. In addition, the loss of the services of one or more of our senior executives or our facility management personnel could significantly undermine our management expertise and our ability to provide efficient, quality healthcare services at our facilities, which could have a material adverse effect on our business, results of operations and financial condition. **Healthcare companies in the U..... effect on our overall effective tax rate**. Provisions of our charter documents or Delaware law could delay or prevent an acquisition of us, even if the acquisition would be beneficial to our stockholders, and could make it more difficult for stockholders to change management. Provisions of our amended and restated certificate of incorporation and amended and restated bylaws may discourage, delay or prevent a merger, acquisition or other change in control that stockholders may consider favorable, including transactions in which stockholders might otherwise receive a premium for their shares. This is because these provisions may prevent or frustrate attempts by stockholders to replace or remove our management. These provisions include: • a classified board of directors, **that will not be fully declassified until 2029**; • a prohibition on stockholder action through written consent; • a requirement that special meetings of stockholders be called only upon a resolution approved by a majority of our directors then in office; • advance notice requirements for stockholder proposals and nominations; and • the authority of the board of directors to issue preferred stock with such terms as the board of directors may determine. Section 203 of the Delaware General Corporation Law (the “ DGCL ”) prohibits a publicly- held Delaware corporation from engaging in a business combination with an interested stockholder, generally a person that together with its affiliates owns or within the last three years has owned 15 % of voting stock, for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. Although we have elected not to be subject to Section 203 of the DGCL, our amended and restated certificate of incorporation contains provisions that have the same effect as Section 203, except that they provide that Waud Capital Partners, L. L. C. (“ WCP ”), its affiliates and any investment fund managed by WCP will be deemed to have been approved by our board of directors, and thereby not subject to the restrictions set forth in our amended and restated certificate of incorporation that have the same effect as Section 203 of the DGCL. Accordingly, the provision in our amended and restated certificate of incorporation that adopts a modified version of Section 203 of the DGCL may discourage, delay or prevent a change in control of us. As a result of these provisions in our charter documents and Delaware law, the price investors may be willing to pay in the future for shares of our common stock may be limited. The stock markets experience volatility, in some cases unrelated to operating performance. These broad market fluctuations may adversely affect the trading price of our common stock and, as a result, there may be significant volatility in the market price of our common stock. If we are unable to operate our facilities as profitably as we have in the past or as our investors expect us to in the future, the market price of our common stock will likely decline when it becomes apparent that the market expectations may not be realized. In addition to our operating results, many economic and other factors outside of our control could have an adverse effect on the price of our common stock and increase fluctuations in our quarterly earnings. These factors include certain of the risks discussed herein, outcomes of political elections, demographic changes, operating results of other healthcare companies, changes in our financial estimates or recommendations of securities analysts, speculation in the press or investment community, the possible effects of war, terrorist and other hostilities, adverse weather conditions, climate change, the impact of a pandemic, epidemic, or outbreak of an infectious disease, managed care contract negotiations and terminations, changes in general conditions in the economy or the financial markets or other developments affecting the healthcare industry. The market price of our common stock could decline as a result of sales by us or our existing stockholders, particularly our largest stockholders, our directors and executive officers, in the market, or the perception that these sales could occur. These sales might also make it more difficult for us to sell equity securities at a time and price that we deem appropriate. The trading market for our common stock will be influenced by the research and reports that industry or securities analysts publish about us. If one or more of these analysts cease coverage of us or fail to publish regular reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline. Moreover, if one or more of the analysts who cover us downgrade our stock or if our operating results do not meet their expectations, our stock price could decline. As a public company, we incur significant legal, accounting, insurance and other expenses, including costs associated with public company reporting requirements. We incur costs associated with complying with the requirements of the Sarbanes- Oxley Act, the Dodd- Frank Wall Street Reform and Consumer Protection Act (the “ Dodd- Frank Act ”), and related rules implemented by the SEC and NASDAQ. Enacted in July 2010, the Dodd- Frank Act contains significant corporate governance and executive compensation- related provisions, some of which the SEC has implemented by adopting additional rules and regulations in areas such as executive compensation. The expenses incurred by public companies generally for reporting and corporate governance purposes have been increasing. Management expects these laws and regulations to increase our legal and financial compliance costs and to make some activities more time- consuming and costly, although management is currently unable to estimate these costs with any degree of certainty. These laws and regulations could make it more difficult or costly for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. These laws and regulations could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees or as our executive officers. Furthermore, if we are unable to

satisfy our obligations as a public company, we could be subject to delisting of our common stock, fines, sanctions and other regulatory action and potentially civil litigation.