

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

**FORM 10-K**

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended September 30, 2021

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-31923

**UNIVERSAL TECHNICAL INSTITUTE, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**86-0226984**  
(IRS Employer Identification No.)

**4225 East Windrose Drive, Suite 200**  
**Phoenix, Arizona 85032**  
(Address of principal executive offices)

**(623) 445-9500**  
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, \$0.0001 par value	UTI	New York Stock Exchange

Securities registered pursuant to section 12(g) of the Act: **None.**

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

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

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

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

At November 30, 2021, 32,832,555 shares of common stock were outstanding. The aggregate market value of the shares of common stock held by non-affiliates of the registrant on the last business day of the registrant's most recently completed second fiscal quarter (March 31, 2021) was approximately \$186,000,000 (based upon the closing price of the common stock on such date as reported by the New York Stock Exchange). For purposes of this calculation, the registrant has excluded the market value of all common stock beneficially owned by all executive officers and directors of the registrant.

#### **Documents Incorporated by Reference**

Portions of the registrant's definitive proxy statement for the 2022 Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

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## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K and the documents incorporated by reference herein contain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (“Exchange Act”), Section 27A of the Securities Act of 1933, as amended (“Securities Act”) and the Private Securities Litigation Reform Act of 1995, which include information relating to future events, future financial performance, strategies, expectations, competitive environment, regulation and availability of resources and involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. From time to time, we also provide forward-looking statements in other materials we release to the public as well as verbal forward-looking statements.

In some cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “could,” “would,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “projects,” “predicts,” “potential” and similar expressions (including the negative form of such expressions) intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Forward-looking statements are based on our current expectations and assumptions, do not strictly relate to historical or current facts, any of which may not prove to be accurate. Many factors could cause actual results to differ materially and adversely from these forward-looking statements. Important factors that could cause actual results to differ from those in our forward-looking statements include, without limitation:

- failure of our schools to comply with the extensive regulatory requirements for school operations;
- our failure to maintain eligibility for federal student financial assistance funds;
- continued Congressional examination of the for-profit education sector;
- a disruption in our ability to process student loans under the Federal Direct Loan Program;
- regulatory investigations of, or actions commenced against, us or other companies in our industry;
- the effect of public health pandemics, epidemics or outbreak, including COVID-19;
- changes in the state regulatory environment or budgetary constraints;
- our failure to realize the expected benefits of our acquisition of MIAT College of Technology;
- our failure to successfully integrate MIAT College of Technology’s programs offerings into our current program offerings;
- our failure to improve underutilized capacity at certain of our campuses;
- enrollment declines or challenges in our students’ ability to find employment as a result of macroeconomic conditions;
- our failure to maintain and expand existing industry relationships and develop new industry relationships with our industry customers;
- our ability to update and expand the content of existing programs and develop and integrate new programs in a timely and cost-effective manner while maintaining positive student outcomes;
- our failure to effectively identify, establish and operate additional schools, programs or campuses;
- the effect of our principal stockholder owning a significant percentage of our capital stock, and thus being able to influence certain corporate matters and the potential in the future to gain substantial control over our company;
- the impact of certain holders of our Series A Preferred Stock owning a significant percentage of our capital stock, their ability to influence and control certain corporate matters and the potential for future dilution to holders of our common stock;
- loss of our senior management or other key employees; and
- risks related to other factors discussed in this Annual Report on Form 10-K, including those described in Item 1A. “Risk Factors.”

The factors above are not exhaustive, and new factors may emerge or changes to the foregoing factors may occur that could impact our business. We cannot guarantee that any forward-looking statement will be realized. Achievement of future results is subject to risks, uncertainties and potentially inaccurate assumptions. Many events beyond our control may determine whether results we anticipate will be achieved. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could differ materially from past results and those anticipated, estimated or projected. Among the factors that could cause actual results to differ materially are the factors discussed under Item 1A. “Risk Factors,” Item 1. “Business,” and Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” You should bear this in mind as you consider forward-looking statements.

Also, these forward-looking statements represent our estimates and assumptions only as of the date of the document containing the applicable statement. Except as required by law, we undertake no obligation to update or revise forward-

looking statements, whether as a result of new information, future events or otherwise. Thus, you should not assume that our silence over time means that actual events are bearing out as expressed or implied in such forward-looking statements. We qualify all of the forward-looking statements in this Annual Report on Form 10-K, including the documents that we incorporate by reference herein, by these cautionary statements. You are advised, however, to consult any further disclosures we make on related subjects in our reports and filings with the Securities and Exchange Commission (“SEC”).

## PART I

### ITEM 1. BUSINESS

#### Overview

Founded in 1965, with more than 225,000 graduates in its history, Universal Technical Institute, Inc. (“we,” “us” or “our”) is a leading provider of transportation and technical training programs. As of September 30, 2021, we offered certificate, diploma or degree programs at 12 campuses across the United States under the banner of several well-known brands, including Universal Technical Institute (“UTI”), Motorcycle Mechanics Institute and Marine Mechanics Institute (collectively, “MMI”) and NASCAR Technical Institute (“NASCAR Tech”). Additionally, we offer manufacturer specific advanced training (“MSAT”) programs, including student-paid electives, at our campuses and manufacturer or dealer sponsored training at certain campuses and dedicated training centers.

All of our campuses are nationally accredited and are eligible for federal student financial assistance funds under the Higher Education Act of 1965, as amended (“HEA”), commonly referred to as Title IV Programs, which are administered by the U.S. Department of Education (“ED”). Our programs are also eligible for financial aid from federal sources other than Title IV Programs, such as the programs administered by the U.S. Department of Veterans Affairs (“VA”) and under the Workforce Investment Act.

#### Business Model and Industry Partnerships

We serve students, partners and communities by providing quality education and training for in-demand careers. We continue to evolve our business model to provide our students with accessible, affordable training with a focus on bringing education to the students at convenient locations. The market for qualified service technicians is large and growing. The United States Department of Labor Bureau of Labor Statistics (“U.S. DOL BLS”) estimates that an average of approximately 112,300 new job openings, due to growth and net replacements, will exist annually for newly trained technicians in the automotive, diesel, and collision fields through 2030. Additionally, the U.S. DOL BLS estimates that an average of 49,200 new job openings for welders, 16,500 new job openings for computer-controlled machine tool operators, and 4,500 new job openings for marine and motorcycle technicians will exist annually for new entrants through 2030 in these fields.

Our student recruitment efforts begin with our commitment to positive outcomes, both for our students and our industry relationships. We use a multi-touch media approach for our three primary admissions channels (high school, adult, and military) to enroll and start students, which involves national and local outreach to generate a high quality and quantity of prospective students. To maximize the likelihood of student retention and graduation, our admissions process is intended to identify students who have the desire and ability to succeed in their chosen program. In addition, we have established processes to identify students who may be in need of assistance to succeed in and complete their chosen program. To assist these students in graduating, we employ student service professionals that provide tutoring, and academic, financial, personal, and employment advisement. Additionally, as our campus locations do not offer housing for students, we have service professionals who leverage third-party relationships and assist our students in finding affordable housing near our campuses.

To ensure our programs provide students with the necessary hard and soft skills needed upon graduation, we have relationships with over 35 original equipment manufacturers (“OEMs”) and industry brand partners across the country to understand their needs for qualified service professionals. Through our industry relationships, we are able to continuously refine and expand our programs and curricula. We believe our industry-focused educational model and national presence have enabled us to develop valuable industry relationships, which provide us with significant competitive advantages and supports our market leadership, along with enabling us to provide highly specialized education to our students, resulting in enhanced employment opportunities and the potential for higher wages for our graduates.

Our industry relationships also extend to thousands of local employers, after-market retailers, fleet service providers and enthusiast organizations. Other target groups for relationship-building, such as parts and tools suppliers, provide us with a variety of strategic and financial benefits that include equipment sponsorship, new product support, licensing and branding opportunities and financial sponsorship for our campuses and students.

We offer the majority of our programs in a blended learning model that combines instructor-facilitated online teaching and demonstrations with hands-on labs. This blended learning format has allowed us to continue to offer our programs to our students during the COVID-19 pandemic and aligns with an increasing trend of online education now being offered as

individuals seek life-long learning opportunities. On-campus labs are designed to meet or exceed the current national guidelines recommended by the Centers for Disease Control (“CDC”) as well as state and local mandates, while still meeting our accreditation and curriculum requirements.

### **Business Strategy**

Our core business strategies are aligned with our mission to serve students, partners and communities by providing quality education and training for in-demand careers. Additionally, as we evolve our business model, we are focused on growth and diversification achieved through acquisitions, opening new campus locations, expanding program offerings, and new funding and business operating models.

### **Recruit, Train and Identify Employment Opportunities for More Students**

Our student recruitment efforts begin with our commitment to positive outcomes for our students and our industry relationships. Our responsibility to present job-ready graduates to employers requires that we recruit, enroll and train prospective students who have the drive and potential to successfully pursue a career in their field of training.

Our student recruitment efforts for prospective students are conducted through three admissions channels:

- *High School:* Field-based representatives develop and maintain relationships with high school guidance counselors, teachers and administrators as well as local employers. These representatives generate student interest in pursuing a professional technician career path and our training programs through career presentations and workshops at high schools and career fairs and inviting students and their influencers on field trips and tours of our campuses and local employers’ businesses.
- *Adult:* Campus-based representatives serve adult career-seeking or career changing students who typically inquire with our schools as a result of our advertising campaigns.
- *Military:* Our military representatives are strategically located throughout the country. These representatives focus on building relationships with military installations in order to serve the needs of those transitioning from military service.

We collaborate with employers to help prospective students and their families understand the potential career opportunities that may be available during and after completing one of our programs. As competition for the graduates we train grows, employers are increasingly partnering with us to raise awareness of the benefits of a technician career path for prospective students.

### **Return on Education**

We provide an excellent return on our students’ education investment by working with our industry partners to offer manufacturer-specific training that is tailored to industry standards and requirements, that improves students’ opportunities to find employment and maximizes their earnings potential. We actively engage transportation industry partners in defining our core curriculum and improving and expanding our MSAT courses. We regularly evaluate program offerings, schedules and locations that are most appealing to students and aligned with employer expectations. We also update and expand our core and MSAT courses to align our training programs with current industry standards and requirements.

These unique industry-aligned course offerings make our students more valuable to employers by giving them training that is consistent with industry needs and rapidly changing technology and the opportunity to earn a variety of industry-recognized certifications and credentials. As a result, we believe we are well positioned to better meet the industry’s demand for skilled technicians.

We provide relevant services to assist students with possible tuition financing options, educational and career counseling, opportunities for part-time work while attending school, and ultimately, graduate employment. Our national employment services team develops job opportunities and outreach, while our local employment services teams advise active students on employment search and interviewing skills, facilitate employer visits to campuses, provide access to reference materials and assist with the composition of resumes.

### **Strengthen Industry Relationships**

Our relationships with leading manufacturer brand partners and other strategic partners are important to our business. We deliver value to these partners and employers by functioning as an efficient hiring source and low cost training option for new and existing technicians. These relationships give us direct input on the latest needs and requirements of employers, which not only guides our prospective student recruitment, but also strengthens our curricula and our students' opportunities for employment and higher earnings after graduation. In addition, our manufacturer brand partners support our students through manufacturer-paid courses, scholarships, tuition reimbursement programs and early employment initiatives.

### **Growth and Diversification**

Our growth strategy is predicated on adding new campuses and expanding program offerings in the transportation and skilled trades fields. We also have the opportunity to pursue our growth strategy through acquisitions. With a national higher-education market in transition, we are exploring potential acquisition opportunities that would allow us to enter new markets, expand our presence in existing markets, broaden our program offerings, enter into adjacent markets such as other skilled trades or high demand energy, or that could drive significant cost and operational synergies.

Our diversification strategy is focused on program diversification by adding new disciplines; evolving our instructional and delivery model to leverage enabling technologies resulting in better usage of campus facilities and instructional costs per student; executing on new instructional strategies that drive student outcomes and allow the business to more effectively scale; and identifying and adding new ways for programs to be funded by and for students.

During the year ended September 30, 2021, we executed the following as part of our growth and diversification strategy:

- We entered into a definitive agreement to acquire MIAT College of Technology ("MIAT") from HCP & Company. MIAT served approximately 1,200 students as of September 30, 2021 through its campuses in Canton, Michigan and Houston, Texas. The company offers vocational and technical certificates as well as associates degrees in fields with robust and growing demand for skilled technical workers, including aviation maintenance, energy technology, wind power, robotics and automation, non-destructive testing, HVACR, and welding. The acquisition will enable us to further expand our program offerings into growing industry sectors and rapidly expanding fields likely to be bolstered by technological innovation and the country's focus on sustainable energy. The transaction closed on November 1, 2021.
- Announced and began execution on our plans to open two additional campus locations during fiscal 2022 in Austin, Texas and Miramar, Florida.
- Announced the expansion of our welding technology program to our Bloomfield, New Jersey campus (launched in July 2021), to our Mooresville, North Carolina campus (in January 2022), and plans to launch a ninth welding program later in fiscal 2022.
- Launched or expanded the following MSAT programs:
  - The Fendt® Technician Academy, a new program with AGCO Corporation, a global leader in the design, manufacture and distribution of agricultural machinery and solutions, at our Lisle, Illinois campus.
  - The Daimler Trucks North America ("DTNA") Finish First program to our Orlando, Florida campus.
  - Transition of BMW to the Fast Track program our Avondale, Arizona and Orlando, Florida campuses, with Long Beach, California launching in May 2022 and three additional locations launching by the end of fiscal 2022.
- Launched or expanded the following military base MSAT programs:
  - Premier Truck Group Technician Skills Program, a first-of-its-kind diesel-commercial vehicle technician career skills program, for service members at Fort Bliss, a U.S. Army post in El Paso, Texas.
  - BMW Military Service Technician Education Program at Fort Bragg, a U.S. Army post near Fayetteville, North Carolina.
- Purchased our Avondale, Arizona campus at the end of December 2020, for approximately \$45.2 million, including closing costs and other fees, with the intention of consolidating our MMI Phoenix, Arizona campus into the same location by the end of fiscal 2022. During May 2021, we completed the financing of our Avondale, Arizona campus which replenished approximately \$31.2 million of the funds used to purchase the campus.



- Announced the future consolidation and reconfiguration of the UTI and MMI Orlando, Florida campus facilities into one site which is currently scheduled for completion by the end of the second quarter of 2022.

**Schools and Programs**

We offer certificate, diploma or degree programs at campuses across the United States under the banner of several well-known brands. The majority of our programs are designed to be completed in 36 to 90 weeks and culminate in a certificate, diploma or associate of occupational studies degree, depending on the program and campus. Tuition rates vary by type and length of our programs and the program level, such as core or advanced training.

The table below sets forth our current locations that operate under the UTI, MMI, and NASCAR Tech brands, the year the campus opened, and the principal programs taught at each location.

Location	Brand	Year Campus Opened	Principal Programs
Arizona (Avondale)	UTI	1965	Automotive; Diesel; Welding
Arizona (Phoenix)	MMI	1973	Motorcycle
California (Long Beach)	UTI	2015	Automotive; Diesel; Collision Repair and Refinishing; Welding
California (Rancho Cucamonga)	UTI	1998	Automotive; Diesel; Welding
California (Sacramento)	UTI	2005	Automotive; Diesel; Collision Repair and Refinishing <sup>(1)</sup>
Florida (Orlando)	UTI/MMI	1986	Automotive; Diesel; Motorcycle; Marine
Illinois (Lisle)	UTI	1988	Automotive; Diesel; Welding
New Jersey (Bloomfield)	UTI	2018	Automotive; Diesel; Welding
North Carolina ( Mooresville)	NASCAR Tech	2002	Automotive; NASCAR; CNC Machining; Welding <sup>(2)</sup>
Pennsylvania (Exton)	UTI	2004	Automotive; Diesel
Texas (Dallas/Ft. Worth)	UTI	2010	Automotive; Diesel; Welding
Texas (Houston)	UTI	1983	Automotive; Diesel; Collision Repair and Refinishing; Welding

(1) This program stopped enrolling new students in late fiscal 2020. The teach-out of enrolled students was completed during the first quarter of fiscal 2022.

(2) The welding program in Mooresville is currently eligible for enrollment with programs starting during the second quarter of fiscal 2022.

**New Campus Expansion**

During the year ended September 30, 2021, we announced our plans to open two additional campus locations during fiscal 2022. The location and initial programs expected to be offered at these campuses are summarized below.

Location	Brand	Expected Opening	Initial Programs Expected to be Offered <sup>(1)</sup>
Texas (Austin)	UTI	Q2 2022	Automotive; Diesel; Welding
Florida (Miramar)	UTI	Q4 2022	Automotive; Diesel; Welding

(1) Both campuses have approximately 10,000 square feet of available space to accommodate additional programs that are expected to be added at a later date.

**Description of Current Programs Offered**

The majority of our students receive their training in a blended training model that combines instructor-facilitated online teaching and demonstrations with hands-on labs. The blended learning model not only increases access for students, but

better prepares them to be life-long learners as technicians today perform many day-to-day tasks and continuing education courses online or on a digital device.

The table below provides an overview of the programs taught by UTI owned and operated institutions, including the year a program was first offered at one of our campuses, the focus of the program, and the type of employment the program was designed to prepare graduates to obtain.

Program	Year Established	Program Focus	Target Job Placement <sup>(1)</sup>
Automotive	1965	Diagnose, service and repair automobiles	Entry-level service technicians in automotive dealer service departments or automotive repair facilities
Diesel	1968	Diagnose, service and repair diesel systems and industrial equipment	Entry-level service technicians in medium and heavy truck facilities, truck dealerships, or in service and repair facilities
Automotive/Diesel	1970	Diagnose, service and repair automobiles and diesel systems	Entry-level service technicians in automotive repair facilities, automotive dealer service departments, diesel engine repair facilities, medium and heavy truck facilities, truck dealerships, or in service and repair facilities
Motorcycle	1973	Diagnose, service and repair motorcycles and all-terrain vehicles	Entry-level service technicians in motorcycle dealerships and independent repair facilities
Marine	1991	Diagnose, service and repair boats	Entry-level service technicians for marine dealerships and independent repair shops, as well as for marinas, boat yards and yacht clubs
Collision Repair and Refinishing	1999	How to repair non-structural and structural automobile damage as well as how to prepare cost estimates on all phases of repair and refinishing	Entry-level technicians at OEM dealerships and independent repair facilities
NASCAR	2002	Automotive training along with additional NASCAR-specific elective courses	Entry-level service technicians in automotive dealer service departments or automotive repair facilities, or opportunities in racing-related industries
Welding	2017	How to weld various materials using a wide range of welding processes	Entry-level welders in the construction, structural, pipe, mechanical contracting and fabrication industries.
CNC Machining	2017	How to produce precision parts used in high-performance engines and a wide variety of trucks, motorcycles, cars and boats, and also in industrial applications, aerospace components and medical and surgical equipment	Entry-level CNC operators in the manufacturing and mechanical fabrication industries

(1) Target job placement describes the type of employment the program was designed to prepare graduates to obtain. Graduates may also secure positions outside of the Target Job Placement, including, for example, parts associate, service writer, fabricator, paint and preparation, and shop owner or operator, among others.

**Manufacturer Specific Advanced Training (“MSAT”) Programs**

In addition to the program offerings noted above, we also offer advanced training programs in the form of manufacturer-paid post-graduate MSAT programs and in the form of student-paid MSAT courses, which may be added as electives to a student’s core automotive, diesel or motorcycle program.

### Manufacturer-Paid MSATs

A select number of students are offered manufacturer-paid MSATs, which are paid for by the manufacturer and/or its dealers in return for a commitment by the student to work for a dealer of that manufacturer for a certain period of time upon completion of the program. Students who are high performing graduates of an automotive or diesel program may apply to be selected for these programs. The programs range from 12 to 23 weeks in duration. Our manufacturer-paid MSATs are intended to offer in-depth instruction on specific manufacturers' products, qualifying a graduate for employment with a dealer seeking highly specialized, entry-level technicians with brand-specific skills.

We currently offer the following manufacturer-paid MSAT programs using vehicles, equipment, specialty tools and curricula provided by our manufacturer brand partners:

<b>Manufacturer-Paid MSAT Programs Offered</b>	<b>Location</b>
BMW Service Technician Education Program (STEP) <sup>(1)</sup>	Avondale, Orlando
Fendt Technician Academy by AGCO <sup>(2)</sup>	Lisle
Mercedes-Benz DRIVE	Mercedes-Benz facilities in Long Beach, California, Jacksonville, Florida, Robbinsville, New Jersey and Grapevine, Texas
Peterbilt Technician Institute	Lisle, Dallas/Ft. Worth
Porsche Technician Apprenticeship Program (PTAP)	Porsche facilities in Eastvale, California, Atlanta, Georgia, and Easton, Pennsylvania
Volvo Service Automotive Factory Education (SAFE)	Avondale

- (1) The BMW STEP program is being replaced in fiscal 2022 with the BMW FastTrack Program, a student-paid MSAT program. The FastTrack program is targeted to expand the BMW footprint to six UTI campuses, with Avondale and Orlando launching in January 2022, Long Beach launching in May 2022, and three additional locations launching by the end of fiscal 2022.
- (2) The Fendt Technician Academy, which is exclusive to UTI, launched in September 2021.

### Student-Paid MSATs

We currently offer the following student-paid MSAT programs using vehicles, equipment, specialty tools and curricula provided by and/or developed in collaboration with our manufacturer brand partners:

<b>Student-Paid MSAT Programs Offered</b>	<b>Location</b>
<b>UTI and NASCAR Tech Campuses</b>	
Cummins Engines	Avondale, Exton, Houston
Cummins Power Generation	Avondale
Daimler Trucks Finish First Program	Avondale, Lisle, Orlando
Ford Accelerated Credential Training (FACT)	Avondale, Rancho Cucamonga, Sacramento, Orlando, Lisle, Mooresville, Bloomfield, Exton, Houston
General Motors Technician Career Training	Avondale
Mopar TEC by Fiat Chrysler Automobiles US LLC	Mooresville
Toyota Professional Automotive Technician (TPAT)	Lisle, Rancho Cucamonga

**Student-Paid MSAT Programs Offered****Location****MMI Campuses**

American Honda Motor Company, Inc.	Phoenix, Orlando
BMW Motorrad of North America, LLC	Phoenix, Orlando
Harley-Davidson Motor Company	Phoenix, Orlando
Kawasaki Motors Corporation, U.S.A	Phoenix, Orlando
Mercury Marine	Orlando
Suzuki Motor of America, Inc.	Phoenix, Orlando
Volvo Penta of the Americas	Orlando
Yamaha Motor Corporation, USA	Phoenix, Orlando

**Military Base Programs**

In addition to the MSATs noted above, in partnership with the military and select industry partners, we have been developing and implementing advanced training programs at select military base locations. Military base programs differ from our traditional MSATs in that the students do not complete our traditional core programs at a UTI campus before entering these advanced training programs. These programs range from 12 to 16 weeks and are available to all men and women transitioning out of the military. Candidates are interviewed and selected for these programs. Additionally, to be considered, candidates must be within six months of their separation dates from the military. There is no tuition cost to the participating service members.

We currently offer the following military base programs using vehicles, equipment, specialty tools and curricula provided by and/or developed in collaboration with certain manufacturer brand partners:

**Military Base Programs Offered****Location**

BMW Military Service Technician Education Program	Marine Corps Base Camp Pendleton in California, U.S. Army Base Fort Bragg in North Carolina
Penske Premier Truck Group Technician Skills Program	Fort Bliss in El Paso, Texas

**Affordability and Accessibility**

During the year ended September 30, 2021, tuition ranged from approximately \$20,000 for our CNC program (lasting 36 weeks) to \$60,000 for our Automotive and Diesel program with one specialized elective program (lasting 90 weeks). During the year ended September 30, 2021, the average annual revenue per student was approximately \$29,200, net of scholarships or grants funded by us. We are focused on making our training more affordable and accessible through financing options, proprietary loans, institutional and relocation grants, scholarships based on need and merit, and employer sponsored training and tuition reimbursement. During the year ended September 30, 2021, approximately 42% of our active students received a UTI-funded scholarship or grant and approximately 23% of active students received funding from our proprietary loan program.

To maximize student affordability and speed to completion, we are working with high schools across the nation to increase our Technical Education Institutional Grant (“TEIG”) agreements. The TEIG agreements allow students who have completed course(s) related to their selected program of study to receive a corresponding tuition credit for up to six courses. Our students may opt out of the courses provided they pass an Advanced Placement Opportunities Test for each selected course. We have approximately 4,000 curriculum-specific TEIG agreements in place across the country. This represents approximately 2% of the high schools covered by our admissions teams. We continue to identify new opportunities to expand the volume of these curriculum-specific TEIG agreements.

In response to growing demand for trained technicians, our industry partners and employers are increasingly willing to participate in our students’ cost of education by providing them with scholarship money and relocation assistance to attend school and by offering our graduates tuition reimbursement plans and competitive compensation and benefit packages, including signing bonuses, relocation grants and tool incentives. There are over 4,800 employer location incentive

opportunities, which when made available make our training programs more affordable for students and may provide them with valuable relationships or employment opportunities following graduation.

### **Student Enrollment**

We enroll students throughout the year, and courses start every three to six weeks. For the year ended September 30, 2021, our average number of undergraduate full-time active students was 11,489, representing an increase of approximately 9.8% as compared to 10,462 for the year ended September 30, 2020. At September 30, 2021, our end of period number of undergraduate full-time active students was 13,682, an increase of 9.2% from our ending full-time enrollment of 12,524 at September 30, 2020.

Currently, our student body is geographically diverse. While our campus locations attract local students that live within 50 miles, we estimate that approximately 50% of our students elect to relocate to attend our programs. Due to the seasonality of our business and normal fluctuations in student populations, we expect variability in our quarterly results. See "Seasonality" within Part II, Item 7 of this Annual Report on Form 10-K for further discussion of seasonal fluctuations in our revenues and operating results.

### **Graduate Employment**

Identifying employment opportunities and preparing our graduates for their future careers is critical to our ability to deliver value to our graduates from their education. Accordingly, we dedicate significant resources to maintaining an effective employment team. Our campus-based staff facilitates several career development processes, including instruction and coaching for interview skills, interview etiquette and professionalism. Additionally, the employment team provides students with reference materials and assistance with the composition of resumes. Finally, we place emphasis on and devote significant time to assisting students with part-time and graduate job searches.

We also have a centralized department whose focus is to build and maintain relationships with potential and existing national employers and develop graduate job opportunities and, where possible, relocation assistance, sign-on bonuses, tool packages and tuition reimbursement plans with our manufacturer brand partners and other industry employers. Together, the campuses and centralized department coordinate and host career fairs, industry awareness presentations, interview days and employer visits to our campus locations. We believe that our graduate employment services provide our students with a compelling value proposition and enhance the employment opportunities for our graduates and are a competitive differentiator from other education institutions.

Our employment rate for 2020 and 2019 graduates who were employed within one year of graduation was 80% and 84%, respectively. The employment calculation is based on all graduates, including those that completed MSAT programs, from October 1, 2019 to September 30, 2020 and October 1, 2018 to September 30, 2019, respectively, excluding graduates not available for employment because of continuing education, military service, medical reasons, incarceration, death or international student status. We count a graduate as employed based on a verified understanding of the graduate's job duties to assess and confirm that the graduate's primary job responsibilities are in his or her field of study. We verify employment by sending written verification requests to the graduate and/or the employer or collecting written information with all required elements. Verifications must include employer name, job duties, job title, hire date and employer contact information. Once we receive written verification from either source, the graduate is classified as employed in field as long as all verification requirements are met. If any information provided in a written format requires clarification, a call is made to clarify certain elements with notes documented in our student database. In instances where we are unable to obtain written verification, we also classify graduates as employed in field if we are able to obtain verbal verification, collecting the same information as noted above, from both the graduate and the employer. We periodically review a sample of employment verifications to ensure accuracy.

The table below summarizes the graduate employment rate data:

	Year Ended September 30,	
	2020	2019
Graduate employment rate <sup>(1)</sup>	80 %	84 %
Graduates	6,832	8,482
Graduates available for employment	6,476	8,065
Graduates employed	5,176	6,763

(1) The decrease in the graduate employment rate from fiscal 2019 to fiscal 2020 was due primarily to the impacts of the COVID-19 pandemic on our student population and the employer community.

### Competition

The for-profit, postsecondary education industry is highly competitive and highly fragmented, with no one provider controlling significant market share. We compete with other institutions that are eligible to receive Title IV funding, including not-for-profit public and private schools, community colleges and for-profit institutions which offer automotive, diesel, collision repair, motorcycle, marine, welding, CNC machining and closely related skilled trades training programs. Our competition differs in each market depending on the curriculum we offer and the availability of other choices, including job prospects. Other competitive factors that influence our ability to attract new students include the employment market, community colleges, other career-oriented and technical schools, and the military.

Prospective students may choose to forego additional education and enter the workforce directly, especially during periods when the unemployment rate declines or remains stable as it has in recent years. This may include employment with our industry partners or with other manufacturers and employers of our graduates.

We compete with local community colleges for students seeking programs that are similar to ours, mainly due to local accessibility, low tuition rates and in certain cases free tuition. Public institutions are generally able to charge lower tuition than our schools, due in part to government subsidies and other financial sources not available to for-profit schools. No single community college is a significant competitor; rather, the sector as a whole provides competition.

Within the for-profit career-oriented and technical school sector, some of our national and regional competitors are Lincoln Technical Institute and Tulsa Welding School. We also consider other single location institutions with a larger local presence near one of our campuses to be competitors. Competition is generally based on location, tuition rates, the type of programs offered, the quality of instruction and instructional facilities, graduate employment rates, reputation and recruiting. Additionally, the military often recruits or retains potential students when branches of the military offer enlistment or re-enlistment bonuses.

### Human Capital Management

As of September 30, 2021, we had approximately 1,660 full-time employees, including approximately 540 instructors, 320 admissions representatives, and 475 student support employees.

Each of our employees plays a key role in our mission to serve students, partners and communities by providing quality education and training for in-demand careers. We believe that diversity and inclusion (“D&I”) among our employees is essential in this process, as a truly innovative educational institution relies on a wealth of backgrounds and experiences to enhance student outcomes. During fiscal 2021 we hired a Director of Diversity and Inclusion who is responsible for setting the D&I strategy and roadmap to ensure that we meet our objectives both internally, of creating a company where everyone feels they belong, and externally, by working closely with our marketing and talent acquisition function to attract diverse talent. To attract a truly diverse workforce, we strive to instill a culture where employees are encouraged to draw upon their own unique skills and perspectives when engaging with our growing and diverse student population.

Faculty members are hired nationally in accordance with established criteria, applicable accreditation standards and applicable state regulations. Members of our faculty are primarily industry professionals and are hired based on their prior work and educational experience. We require a specific level of industry experience in order to enhance the quality of the programs we offer and to address current and industry-specific issues in our course content. We provide intensive

instructional training and continuing education to our faculty members to maintain the quality of instruction in all fields of study. A majority of our existing instructors have a minimum of five years' experience in the industry and an average of eight years of experience teaching at UTI.

We employ field, military and campus-based admissions representatives who work directly with prospective students to facilitate the enrollment process. Additionally, each school has a support team that typically includes a campus president, an education director, a financial aid director, a student services director, and an employment services director.

We believe our management team has the experience necessary to effectively implement our growth and diversification strategy and continue to drive positive educational and employment outcomes for our students. For discussion of the risks relating to the attraction and retention of management and executive management employees, see Item 1A. "Risk Factors."

#### **Environmental Matters**

We use hazardous materials at our training facilities and campuses and generate small quantities of regulated waste, including, but not limited to, used oil, antifreeze, transmission fluid, paint, solvents and car batteries. As a result, our facilities and operations are subject to a variety of environmental laws and regulations governing, among other things, the use, storage and disposal of solid and hazardous substances and waste, and the clean-up of contamination at our facilities or off-site locations to which we send or have sent waste for disposal. Certain of our campuses are required to obtain permits for our air emissions. In the event we do not maintain compliance with any of these laws and regulations, or if we are responsible for a spill or release of hazardous materials, we could incur significant costs for clean-up, damages, and fines or penalties.

#### **Regulatory Environment**

Our institutions are subject to extensive regulatory requirements imposed by a wide range of federal and state agencies, as well as by institutional and programmatic accreditors. These regulatory requirements cover the vast majority of our operations, including our educational programs, facilities, instructional and administrative staff, administrative procedures, marketing, recruiting, financial operations and financial condition. These regulatory requirements also affect our ability to acquire, expand or open additional institutions or campuses, add new, or expand our existing educational programs and change our corporate structure and ownership.

The approvals granted by these entities permit our schools to operate and to participate in a variety of government-sponsored financial aid programs that assist students in paying for their education. This includes the federal programs of student financial assistance under Title IV of the HEA, commonly referred to as Title IV Programs. We also are subject to oversight by other federal agencies including the Consumer Financial Protection Bureau ("CFPB"), the SEC, the Federal Trade Commission, the Internal Revenue Service and the Departments of Veterans Affairs, Defense, Treasury, Labor and Justice. Below, we discuss certain elements of this regulatory environment.

#### **State Authorization**

To operate and offer postsecondary programs, and to be certified to participate in Title IV Programs, each of our institutions must obtain and maintain authorization from the state in which it is physically located ("Home State"). To engage in recruiting activities outside of its Home State, each institution also may be required to obtain and maintain authorization from the states in which it is recruiting students. UTI is authorized to participate in the State Authorization Reciprocity Agreement ("SARA"). SARA is an agreement among member states, districts and territories that establishes comparable national standards for interstate offering of post-secondary distance education courses and programs. SARA is overseen by a national council (NC-SARA) and administered by four regional education compacts. As of September 1, 2021, all states other than California are members of SARA. Each of our institutions holds the state and/or SARA authorizations required to operate and offer postsecondary education programs in its Home State, and to recruit in the states in which it engages in recruiting activities.

The level of regulatory oversight varies substantially from state to state and is extensive in some states. State laws may establish standards for instruction, qualifications of faculty, location and nature of facilities and equipment, administrative procedures, marketing, recruiting, student outcomes reporting, disclosure obligations to students, limitations on mandatory arbitration clauses in enrollment agreements, financial operations, and other operational matters. Some states prescribe standards of financial responsibility and mandate that institutions post surety bonds. Many states have requirements for

institutions to disclose institutional data to current and prospective students, as well as to the public, and some states require that our schools meet prescribed performance standards as a condition of continued approval. States can and often do revisit, revise, and expand their regulations governing postsecondary education and recruiting.

**Accreditation**

Accreditation is a non-governmental process through which an institution voluntarily submits to ongoing qualitative reviews by an organization of peer institutions. Institutional accreditation by an ED-recognized accreditor is required for an institution to be certified to participate in Title IV Programs. All of our institutions are accredited by the ACCSC, which is an accrediting agency recognized by ED.

ACCSC reviews the academic quality of each institution’s instructional programs, as well as the administrative and financial operations of the institution to ensure that it has the resources necessary to perform its educational mission, implement continuous improvement processes, and support student success. Our institutions must submit annual reports, and at times, supplemental reports, to demonstrate ongoing compliance and improvement. ACCSC requires institutions to disclose certain institutional information to current and prospective students, as well as to the public, and requires that our schools and programs meet various performance standards as a condition of continued accreditation. ACCSC often revisits, revises, and expands its standards and policies. Institutions must periodically renew their accreditation by completing a comprehensive renewal of accreditation process.

We strive to maintain the highest standards. Currently 11 of our campuses are classified as a School of Excellence or Distinction. Six of our campuses have achieved this award twice in their history, and one campus has received this award three times in its history.

The table below sets out the renewal cycle for each of our schools.

<b>Campus</b>	<b>Accreditation Expiration</b>	<b>Renewal Status</b>	<b>On-Site Evaluation</b>
Long Beach, California	September 2022	Renewed	March 2017
Exton, Pennsylvania <sup>(1)</sup>	October 2022	Renewed	June 2016
Dallas/Ft. Worth, Texas <sup>(1)</sup>	March 2023	Renewed	December 2016
Sacramento, California <sup>(1)</sup>	December 2023	Renewed	March 2017
Mooresville, North Carolina; NASCAR Technical Institute (NASCAR Tech) <sup>(1)</sup>	December 2024	Renewed	July 2018
Avondale, Arizona <sup>(1)</sup>	February 2025	Renewed	February 2019
Orlando, Florida <sup>(1)</sup>	February 2025	Renewed	August 2018
Houston, Texas <sup>(1)</sup>	February 2025	Renewed	September 2018
Lisle, Illinois <sup>(1)</sup>	February 2025	Renewed	December 2018
Rancho Cucamonga, California <sup>(1)</sup>	February 2025	Renewed	March 2019
Phoenix, Arizona; Motorcycle Mechanics Institute (MMI) <sup>(1)</sup>	May 2025	Renewed	April 2019
Bloomfield, New Jersey <sup>(2)</sup>	May 2025	Renewed	December 2019

- (1) Indicates a school that has achieved School of Excellence status during its most recent renewal of accreditation, which recognizes ACCSC-accredited institutions for their commitment to the expectations and rigors of ACCSC accreditation, as well as the efforts made by the institution in maintaining high levels of achievement among their students.
- (2) Indicates a school that has achieved School of Distinction status during its most recent renewal of accreditation, which recognizes accredited member schools that demonstrated a commitment to the expectations and rigors of ACCSC accreditation, as well as a commitment to delivering quality educational programs to students.

**Title IV Programs**

The federal government provides a substantial part of its support for postsecondary education through Title IV Programs in the form of grants and loans to students who can use those funds at any institution that has been certified as eligible to participate by ED. All of our institutions are certified to participate in Title IV Programs. The HEA, which authorizes Title



IV Programs, has not been comprehensively reauthorized since 2008. Despite repeated attempts, Congress has not completed a full reauthorization since then. In addition to HEA reauthorization, policies directly related to Title IV Programs and funding for those programs may be impacted by the annual budget and appropriations process as well as by other legislation. At this time, UTI cannot predict any or all of the changes that Congress may ultimately make, and any of those changes could potentially have a material adverse effect on UTI’s business and operations.

In fiscal 2021, we derived approximately 68% of our revenues, on a cash basis as defined by ED, from Title IV Programs. We derived approximately 49% of our revenues, on a cash basis, from the Direct Loan program, pursuant to which ED makes loans to students or their parents. We derived approximately 18% of our revenues, on a cash basis, from the Pell program, pursuant to which ED makes grants to students who demonstrate financial need. And we derived less than 1% of our revenues, on a cash basis, from the Federal Supplemental Educational Opportunity Grant (“FSEOG”) program. FSEOG grants are designed to supplement Pell grants for students with the greatest financial need. Institutions must provide matching funding equal to 25% of all awards made under this program.

The Title IV Program statutes and regulations are applied primarily on an institutional basis. The HEA defines an “institution” as a main campus and its additional locations. Pursuant to this definition, ED recognizes us as operating three institutions (“OPEIDs”), organized as follows:

<b>Institution:</b>	Universal Technical Institute of Arizona
<b>Main campus:</b>	Universal Technical Institute, Avondale, Arizona
<b>Additional campuses:</b>	Universal Technical Institute, Lisle, Illinois
	Universal Technical Institute, Long Beach, California
	Universal Technical Institute, Rancho Cucamonga, California
	NASCAR Technical Institute, Mooresville, North Carolina
<b>Institution:</b>	Universal Technical Institute of Phoenix
<b>Main campus:</b>	Universal Technical Institute DBA Motorcycle Mechanics Institute, Motorcycle & Marine Mechanics Institute, Phoenix, Arizona
<b>Additional campuses:</b>	Universal Technical Institute, Sacramento, California
	Universal Technical Institute, Orlando, Florida for the following divisions:
	Motorcycle Mechanics Institute, Orlando, Florida
	Marine Mechanics Institute, Orlando, Florida
	Automotive, Orlando, Florida
<b>Institution:</b>	Universal Technical Institute of Texas
<b>Main campus:</b>	Universal Technical Institute, Houston, Texas
<b>Additional campuses:</b>	Universal Technical Institute, Exton, Pennsylvania
	Universal Technical Institute, Dallas/Ft. Worth, Texas
	Universal Technical Institute, Bloomfield, New Jersey

To participate in Title IV Programs, an institution must be authorized by the relevant state, accredited by an ED-recognized accreditor, and certified by ED. To obtain and maintain certification, institutions also must demonstrate ongoing compliance with the HEA and its extensive and complex implementing regulations; regulations that ED frequently revisits, revises, and expands. Because all of our institutions are certified to participate in Title IV Programs, they all must comply with this complex framework of statutes, regulations, and guidance, and undergo detailed oversight and review. Below, we discuss the core components of the Title IV Programs’ regulatory framework.

#### *Eligibility and Recertification*

All institutions participating in the Title IV Programs must first establish their eligibility to do so. The Program Participation Agreement (“PPA”) document serves as ED’s formal recognition that an institution and its associated additional locations have satisfied this requirement, and are authorized to participate in Title IV Programs for a specified period of time. An

institution seeking to expand its activities in certain ways, such as opening an additional location or raising the highest academic credential it offers, must obtain approval from ED. Every institution also is required to periodically renew its certification by applying for continued certification before its current term of certification expires. Terms of certification are typically six years, but can be three years or shorter. We received a fully recertified PPA for Universal Technical Institute of Texas in April 2018, which will expire March 31, 2022. In November 2018, we received a fully recertified PPA for Universal Technical Institute of Arizona and for Universal Technical Institute of Phoenix. Both of the PPA's will expire on March 31, 2022.

#### *The 90/10 Rule*

As a condition of participation in Title IV Programs, proprietary institutions must agree when they sign their PPA to comply with the 90/10 rule. Under the current 90/10 rule, a proprietary institution is subject to sanctions if it derives more than 90% of its revenue from Title IV Program funds for a single year and loses its eligibility to participate in Title IV programs if it derives more than 90% of its revenue from Title IV Program funds for two consecutive fiscal years. We regularly monitor compliance with this requirement to minimize the risk that any of our institutions would derive more than the allowable maximum percentage of its revenue from Title IV Programs for any fiscal year. As of September 30, 2021, our institutions' annual Title IV percentages as calculated under the 90/10 rule ranged from approximately 65% to 69% between our institution's three OPEIDs.

Under the American Rescue Plan Act of 2021 ("ARPA"), a proprietary institution must derive at least 10% of its revenue from sources other than "Federal education assistance funds," instead of from sources other than "Title IV Program funds." The phrase "Federal education assistance funds" is broadly defined as "[f]ederal funds that are disbursed or delivered to or on behalf of a student to be used to attend such institution." While ARPA, is current law, by the statute's own terms, the earliest this revision to the 90/10 rule may take effect is for institutional fiscal years beginning on or after January 1, 2023.

We are currently reviewing the potential impact of this change and will be monitoring the proposed and final regulations promulgated by ED to carry out this change, which are anticipated in 2022. Based on currently available information and reasonable expectations regarding the scope of the phrase "Federal education assistance funds" we do not believe this change will materially impact our ability to comply with the 90/10 rule.

#### *Administrative Capability*

To continue its participation in Title IV Programs, an institution must demonstrate that it remains administratively capable of providing the education it promises and of properly managing the Title IV Programs. ED assesses the administrative capability of each institution that participates in Title IV Programs under a series of standards listed in the regulations, which cover a wide range of operational and administrative topics, including the designation of capable and qualified individuals, the quality and scope of written procedures, the adequacy of institutional communication and processes, the timely resolution of issues, the sufficiency of recordkeeping, and the frequency of findings of noncompliance, to name a few. ED's administrative capability standards also include thresholds and expectations for federal student loan cohort default rates (discussed below), satisfactory academic progress, and loan counseling. Failure to satisfy any of the standards may lead ED to find the institution ineligible to participate in Title IV Programs, require the institution to repay Title IV Program funds, change the method of payment of Title IV Program funds, place the institution on provisional certification as a condition of its continued participation or take other actions against the institution.

#### *Three-Year Student Loan Default Rates*

To remain eligible to participate in Title IV Programs, institutions also must maintain federal student loan cohort default rates below specified levels. ED calculates an institution's cohort default rate on an annual basis. Under the current calculation, the cohort default rate is derived from student borrowers who first enter loan repayment during a federal fiscal year ("FFY") ending September 30 and subsequently default on those loans within the two following years; parent borrowers are excluded from the calculation. This represents a three-year measuring period.

The following tables set forth the most recent three-year cohort default rates for our institutions:

Institution:	Three-Year Cohort Default Rates for Cohort Years Ended September 30, <sup>(1)</sup>		
	2018	2017	2016
Universal Technical Institute of Arizona	11.9%	13.8%	14.8%
Universal Technical Institute of Phoenix	11.9%	14.0%	14.4%
Universal Technical Institute of Texas	12.1%	16.1%	15.0%
All proprietary postsecondary institutions <sup>(2)</sup>	11.2%	14.7%	15.2%

(1) Based on information published by ED.

(2) Includes other proprietary institutions beyond Universal Technical Institute.

An institution whose cohort default rate exceeds 30% in consecutive fiscal years may be subject to conditions and restrictions, and will lose eligibility if the rate remains above 30% three years in a row. An institution also will lose eligibility if its rate exceeds 40% for any fiscal year. As demonstrated in the table above, none of our institutions had a three-year cohort default rate of 30% or greater for 2018, 2017 or 2016, for the three most recent FFYs with published rates. An institution whose three-year cohort default rate is 15% or greater for any one of the three preceding years is subject to a 30-day delay in receiving the first disbursement on federal student loans for first-time borrowers. As of September 30, 2021, only Universal Technical Institute of Texas was subject to a 30-day delay in receiving the first disbursement on federal student loans for first-time borrowers due to a three-year cohort default rate that was 15% or greater for one of the three most recent years.

#### Financial Responsibility

All institutions participating in Title IV Programs also must satisfy specific ED standards of financial responsibility. Among other things, an institution must meet all of its financial obligations, including required refunds to students and any Title IV Program liabilities and debts, be current in its debt payments, comply with certain past performance requirements, not receive an adverse, qualified, or disclaimed opinion by its accountants in its audited financial statements. Each year, ED also evaluates institutions' financial responsibility by calculating a "composite score," which utilizes information provided in the institutions' annual audited financial statements. The composite score is based on three ratios: (1) the equity ratio which measures the institution's capital resources, ability to borrow and financial viability; (2) the primary reserve ratio which measures the institution's ability to support current operations from expendable resources; and (3) the net income ratio which measures the institution's ability to operate at a profit.

ED assigns a strength factor to the results of each of these ratios on a scale from negative 1.0 to positive 3.0, with negative 1.0 reflecting financial weakness and positive 3.0 reflecting financial strength. ED then assigns a weighting percentage to each ratio and adds the weighted scores for the three ratios together to produce a composite score for the institution. If an institution's composite score is above 1.5, and it meets all other requirements, it is deemed financially responsible. If its composite score is below 1.5, but at least 1.0, the institution is still considered to be financially responsible, but must agree to additional oversight by ED in the form of cash monitoring and other participation requirements.

If an institution's composite score is below 1.0, the institution is considered by ED to lack financial responsibility. ED may permit the institution to continue to participate in the Title IV Programs if it agrees to, among other things: (1) post a letter of credit in an amount equal to at least 50% of the total Title IV Program funds received by the institution during its most recently completed fiscal year; or (2) post a letter of credit in an amount equal to at least 10% of such prior year's Title IV Program funds, accept provisional certification for a period of no more than three years, comply with additional ED notification and operating requirements and conditions, and agree to receive Title IV Program funds under an arrangement other than ED's standard advance funding arrangement. If an institution is unable to establish financial responsibility on an alternative basis, the institution may be subject to financial penalties, restrictions on operations and loss of external financial aid funding.

ED has historically evaluated the financial condition of our institutions on a consolidated basis based on the financial statements of Universal Technical Institute, Inc. as the parent company. ED's regulations permit ED to examine the financial

statements of Universal Technical Institute, Inc., the financial statements of each institution and the financial statements of any related party. ED has not required us currently to post a letter of credit on behalf of any of our schools. ED has required us to provide certain information on a regular basis following our issuance of preferred stock on July 15, 2016, and we continue to provide monthly reports to ED pursuant to such direction. For our year ended September 30, 2021, we calculated our composite score to be 2.6. However, the composite score calculations and resulting requirements imposed on our institutions are subject to determination by ED once it receives and reviews our audited financial statements.

Between composite score calculations, ED also will reevaluate the financial responsibility of an institution following the occurrence of certain “triggering events,” which must be timely reported to the agency. Specifically, ED may determine that an institution is not able to meet its financial or administrative obligations if one of the following events occurs:

- The institution incurs a liability from a settlement, final judgment or final determination arising from an administrative or judicial action or proceeding initiated by a federal or state entity and, as a result of that liability, the institution’s recalculated composite score is less than 1.0 as determined by ED under procedures described in the regulations;
- For a proprietary institution whose composite score is less than 1.5, there is a withdrawal of owner’s equity from the institution by any means (as defined by the regulations) and, as a result of that withdrawal, the institution’s recalculated composite score is less than 1.0 as determined by ED under procedures described in the regulations;
- The SEC issues an order suspending or revoking the registration of the institution’s securities or suspends trading of the institution’s securities on any national securities exchange;
- The national securities exchange on which the institution’s securities are traded notifies the institution that it is not in compliance with the exchange’s listing requirements and, as a result, the institution’s securities are delisted;
- The SEC is not in timely receipt of a required report and did not issue an extension to file the report; or
- If two or more “discretionary” triggering events (as described below) take place within a certain time period unless a triggering event is resolved before any subsequent event(s) occurs.

ED also may determine that an institution is not able to meet its financial or administrative obligations if one of the following discretionary triggering events occurs and is likely to have a material adverse effect on the financial condition of the institution:

- The accrediting agency for the institution issued an order, such as a show cause order or similar action, that, if not satisfied, could result in the withdrawal, revocation or suspension of institutional accreditation;
- The institution violated a provision or requirement in a security or loan agreement and a default, delinquency or other event occurs that triggers or enables the creditor to require or impose on the institution an increase in collateral, a change in contractual obligations, an increase in interest rates or payments, or other sanctions, penalties, or fees;
- The institution’s state licensing agency notifies the institution of an intent to withdraw or terminate the institution’s state licensure if the institution does not take the steps necessary to come into compliance with a state licensing agency requirement;
- The institution did not receive at least 10 percent of its revenue from non-Title IV sources for its most recently completed fiscal year as calculated by ED;
- The institution has high annual drop-out rates as calculated by ED; or
- The institution’s two most recent official cohort default rates are 30 percent or greater, as determined under the regulations and unless the institution has a pending or successful appeal that sufficiently reduces at least one of the rates.

ED regulations give the institution an opportunity to provide information to the agency demonstrating that the triggering event is not material to the institution’s financial position in advance of any final determination regarding the institution’s financial responsibility.

### *Substantial Misrepresentation*

The regulatory definitions of “misrepresentation” and “substantial misrepresentation” enforced by ED are exceptionally broad and do not require intent by the institution to misrepresent, or actual reliance by the person to whom the alleged misrepresentation was made. Therefore, it is possible that a statement made by the institution or one of its service providers or representatives could be construed by ED to constitute a substantial misrepresentation, even if the statement was made in error, without intent to misrepresent, and the person to whom it was made did not actually rely upon it.

### *Incentive Compensation*

The “incentive compensation” prohibition forbids institutions from providing any commission, bonus, or other incentive payment based in any part, directly or indirectly, on success in securing enrollments or the award of financial aid to any person or entity engaged in any student recruiting or admission activities or in making decisions regarding the awarding of Title IV Program funds. We have made adjustments to the compensation practices for our admissions representatives which we believe comply with the current regulations and ED’s guidance. We will continue to evaluate other compensation options under these regulations and guidance.

### *Distance Education*

In response to the COVID-19 pandemic, ED provided broad approval for institutions to use distance education without going through the standard ED approval process. ED also permitted accreditors to waive their distance education review requirements. Taking advantage of these flexibilities, we transitioned our students into blended program formats, which permitted their non-clinical training to be offered online.

ED’s temporary flexibilities currently remain in place, and will continue through the end of the payment period that begins after the date on which the federally-declared national emergency related to COVID-19 is rescinded. However, having observed that our blended learning programs offer a range of academic, operational, and financial efficiencies, we have determined to seek the permanent approvals that will permit us to continue offering blended learning programming after the noted temporary flexibilities have expired. We also continue to work to ensure that our blended learning programming complies with applicable distance education rules and standards, including ED’s new distance education rules, which became effective July 1, 2021. We intend to offer our Automotive, Diesel, Automotive/Diesel, Motorcycle and Marine programs in a blended learning format on a permanent basis. Additionally, we intend to continue to invest in our blended learning platform and curriculum to further enhance the student experience and student outcomes.

To date, we have received approval from ACCSC to permanently offer blended format programs that utilize both distance and on-ground education. Additionally, we have received permanent approvals by all state education authorizing agencies to offer blended format programs. Finally, we are working to secure approval from the Florida State veterans agency to classify our MMI non-degree, blended programs as resident training for purposes of VA benefits, to ensure that veterans enrolling in these programs can access their VA benefits after December 21, 2021, when applicable waivers are currently set to expire.

### *Title IV Program Rulemaking*

ED is almost continuously engaged in one or more negotiated rulemakings, which is the process pursuant to which it revisits, revises, and expands the complex and voluminous Title IV Program regulations. On May 26, 2021, ED announced its intention to establish multiple rulemaking committees and for these committees to prepare proposed regulations. These regulations could involve revisiting and potentially revising regulations across 14 different topics areas identified by ED, including the rules governing changes in ownership, standards of administrative capability, borrower defense to repayment, closed school loan discharges, mandatory pre-dispute arbitration clauses, and gainful employment. It is expected that these negotiated rulemakings will occur throughout 2022 and 2023, and that any resulting rules will become effective thereafter. ED has also invited public commentary on other matters around potential gaps in postsecondary outcomes, including retention, completion, loan repayment and student loan default. The potential outcome, if any, from these announced actions is unknown at this time. We devote significant effort to understanding the effects of ED regulations and rulemakings on our business and to developing compliant solutions that also are congruent with our business, culture, and mission to serve our students and industry relationships.

### *Borrower Defense to Repayment Rulemaking*

The Obama administration carried out a negotiated rulemaking in 2016 to significantly revise and enhance the borrower defense to repayment (“BDTR”) framework, which specifies in regulation which acts or omissions of an institution of higher education a borrower may assert as a defense to repayment of Title IV Program loans. Dissatisfied with the results of the 2016 effort (the “2016 BDTR Rule”), the Trump administration held a second negotiated rulemaking in 2018 to revise the BDTR rule yet again, and published its own final rule on September 23, 2019 (the “2019 BDTR Rule”), which became effective on July 1, 2020.

Litigation and regulatory actions caused considerable confusion regarding the effective date for each version of the BDTR rule, and how and when each will be interpreted and applied. Institutions of higher education are required to comply (and to have complied) with the 2016 BDTR Rule from July 1, 2017 to June 30, 2020, and to comply with the 2019 BDTR Rule from July 1, 2020 forward. Because the 2016 BDTR Rule was not deemed “good law” until October 2018, institutions also are required to follow nuanced guidance from ED regarding compliance during the period prior to the Court’s decisions, but subsequent to July 1, 2017. Finally, when promulgating the 2019 BDTR Rule, ED determined that some elements of the 2016 BDTR Rule would continue to be applied on a go-forward basis, if the underlying events that gave rise to the issue occurred prior to the implementation of the 2019 BDTR Rule. As such, elements of the 2016 BDTR Rule will remain in place, coexisting with the 2019 BDTR Rule and being applied by ED in specified circumstances.

While the borrower defense claim process was (and is) at the heart of the BDTR rulemaking, the regulatory reforms carried out by the rule are far more extensive. In 2016, and then again in 2018, the BDTR rule included material changes to the regulations governing financial responsibility, closed school discharge, false certification discharge, misrepresentation, student grievance processes, the reporting of litigation and arbitration proceedings, the use of pre-dispute arbitration agreements and class action waivers in agreements with students, and the publication of repayment rates. Additional details regarding certain of these reforms are as follows:

- *The Borrower Defense Claim Process.* The BDTR rules establish amended procedures and standards for borrowers, either individually or as a group, to assert through an ED-administered process a defense to the borrowers’ obligation to repay certain Title IV Program loans based on certain acts or omissions of the institution. The 2016 BDTR Rule details the types of defenses available for loans first disbursed between July 1, 2017 and June 30, 2020. The 2019 BDTR Rule details the types of defenses available for loans first disbursed on or after July 1, 2020. If ED approves a borrower’s defense to repayment through the applicable administrative process established in the proposed regulations, ED may discharge the borrower’s obligation to repay some or all of the borrower’s student loans and may initiate a separate proceeding to collect from the institution the discharged and returned amounts.
- *Financial Responsibility.* The 2016 BDTR Rule significantly revised ED’s financial responsibility framework to specify certain triggering events, and to require that they be timely reported to ED. It was believed that these new requirements would permit ED to identify, as early as possible, events that might impact an institution’s financial health. The 2019 BDTR Rule does not abandon the revised financial responsibility framework established by the 2016 BDTR Rule, both triggering events and reporting timeframes remain. However, the 2019 BDTR Rule meaningfully simplifies the reporting requirements, and affords institutions additional opportunity to dialogue with ED regarding the materiality of a reported event.
- *Pre-Dispute Contractual Provisions.* The 2016 BDTR Rule prohibited the use and reliance upon certain contractual provisions regarding dispute resolution processes, such as pre-dispute arbitration agreements or class action waivers, and required certain notifications, contract provisions, and disclosures by institutions regarding students’ ability to participate in class action lawsuits or to initiate certain lawsuits instead of through arbitration. The rules also required institutions to submit to ED copies of certain records in connection with any claim filed in arbitration by or against the school concerning a borrower defense claim and any claim filed in a lawsuit by the school against the student or by any party against the school concerning a borrower defense claim. The 2019 BDTR Rule, which took effect on July 1, 2020, generally permits the use of arbitration clauses and class action waivers provided institutions make certain disclosures to students. The litigation and regulatory actions that impacted the effective date for each version of the BDTR rule have made it extremely difficult to predict when and how the ban on these pre-dispute contractual provisions will be interpreted and applied by courts, particularly to litigation that precedes or spans the effective dates of the BDTR rules.

- *Closed School Loan Discharge.* ED regulations have long provided that ED may discharge a borrower’s obligation to repay certain Title IV Program loans if the borrower (or the student on whose behalf a parent borrowed) did not complete the program of study for which the loan was made because the campus at which the borrower (or student) was enrolled closed. If ED discharges the loans, the agency may seek to recover from the school or other related parties the amount of loans discharged and to impose other liabilities and penalties. Consequently, if we close a campus, ED could discharge borrower obligations to repay certain Title IV Program loans. We may be able to mitigate these losses by conducting or arranging for an orderly teach-out of students at a closed campus, but these efforts could be unsuccessful if students decline to participate in the teach-out or transfer their credits to another school or if they fail to complete their programs. The 2019 BDTR Rule revised the closed school loan discharge regulations to allow students to obtain a discharge if, among other requirements, they were enrolled not more than 180 days before the campus closed. ED has the authority to extend the 180-day period for extenuating circumstances. ED also has the authority to discharge on its own initiative the loans of qualified borrowers without a borrower application if the borrower did not subsequently re-enroll in any Title IV eligible institution within three years from the date the school closed. The 2019 BDTR Rule limits this authority to schools that closed between November 1, 2013 and July 1, 2020. If we were to close a campus, we would intend to teach-out all of the currently enrolled students at the campus. However, certain students may elect to withdraw before graduation. We cannot predict the number of students who might withdraw prior to the closure of a campus and potentially qualify for a loan discharge.

As noted above, ED has announced its intent to establish multiple rulemaking committees to revisit a wide range of existing Title IV Program regulations. One such committee, which began deliberations in October 2021, is considering revisions to the BDTR rules outlined above. We are monitoring this process and will carefully review any proposed or final regulations promulgated by ED.

#### *Accreditation and Innovation Rulemaking*

On October 15, 2018, ED announced its intent to establish a negotiated rulemaking to develop regulations related to several matters, including, but not limited to, requirements for accrediting agencies in their oversight of member institutions and programs; criteria used by ED to recognize accrediting agencies; simplification of ED’s recognition and review of accrediting agencies; clarification of the core oversight responsibilities amongst accrediting agencies, states and ED; clarification of the permissible arrangements between an institution of higher education and another organization to provide a portion of an educational program; roles and responsibilities of institutions and accrediting agencies in the teach-out process; regulatory changes required to ensure equitable treatment of brick-and-mortar and distance education programs; regulatory changes required to enable expansion of direct assessment programs, distance education, and competency-based education; regulatory changes required to clarify disclosure and other requirements of state authorization; emphasizing the importance of institutional mission in evaluating its policies, programs and outcomes; simplification of state authorization requirements related to distance education; defining “regular and substantive interaction” as it relates to distance education and correspondence courses; defining the term “credit hour;” defining the requirements related to the length of educational programs and entry level requirements for the occupation; and other matters.

In early 2019, ED hosted multiple rounds of negotiated rulemaking. The committee and subcommittees completed their meetings in April 2019 and reached consensus on draft proposed regulations. On November 1, 2019, ED published its final rule covering accreditation and state authorization matters, with a general effective date of July 1, 2020.

#### *Gainful Employment Rulemaking*

ED’s gainful employment regulations that took effect July 1, 2015, included debt-to-earning metrics and disclosure requirements that applied to all programs offered by proprietary institutions. Programs with debt-to-earnings that failed to satisfy certain thresholds could lose Title IV Program eligibility. On July 1, 2019, following a contentious negotiated rulemaking, ED issued final regulations that rescinded the existing gainful employment regulations, effective July 1, 2020. However, ED has announced its intent to establish a rulemaking committee to revisit the gainful employment rule. We are monitoring this process and will carefully review any proposed or final regulations promulgated by ED.

#### *Other Federal and State Student Aid Programs*

Some of our students also receive financial aid from federal sources other than Title IV Programs, such as the programs administered by the VA, the U.S. Department of Defense (“DOD”) and under the Workforce Investment Act. Additionally,

some states provide financial aid to our students in the form of grants, loans or scholarships. Our Long Beach, Rancho Cucamonga and Sacramento, California campuses, for example, are currently eligible to participate in the Cal Grant program. All of our institutions must comply with the eligibility and participation requirements applicable to each of these funding programs, which vary by funding agency and program.

In 2021 we derived approximately 14% of our revenues, on a cash basis, from veterans' benefits programs, which include the Post-9/11 GI Bill, the Montgomery GI Bill, the Reserve Education Assistance Program ("REAP") and VA Vocational Rehabilitation. To continue participation in veterans' benefits programs, an institution must comply with certain requirements established by the VA, including that the institution report on the enrollment status of eligible students; maintain student records and make such records available for inspection; follow rules applicable to the individual benefits programs; and comply with applicable limits on the percentage of students receiving certain veterans' benefits on a program and campus basis.

The VA shares responsibility for VA benefit approval and oversight with designated State Approving Agencies ("SAAs"). SAAs play a critical role in evaluating institutions and their programs to determine if they meet VA benefit eligibility requirements. Processes and approval criteria, as well as interpretation of applicable requirements, can vary from state to state. Therefore, approval in one state does not necessarily result in approval in all states.

The VA imposes limitations on the percentage of students per program receiving benefits under certain veterans' benefits programs, unless the program qualifies for certain exemptions. If the VA determines that a program is out of compliance with these limitations, the VA will continue to provide benefits to current students, but new students will not be eligible to use their veterans' benefits for an affected program until we demonstrate compliance. Additionally, the VA requires a campus be in operation for two years before it can apply to participate in VA benefit programs. With the exception of our newest campus in Bloomfield, New Jersey, which opened in August 2018, all of our campuses are eligible to participate in VA education benefit programs.

During 2012, President Obama signed an Executive Order directing the DOD, Veterans Affairs and Education to establish "Principles of Excellence" ("Principles"), based on certain guidelines set forth in the Executive Order, to apply to educational institutions receiving federal funding for service members, veterans and family members. As requested, we provided written confirmation of our intent to comply with the Principles to the VA in June 2012. We are required to comply with the Principles to continue recruitment activities on military installations. Additionally, there is a requirement to possess a memorandum of understanding ("MOU") with the DOD as well as with certain individual installations. Our access to bases for student recruitment has become more limited due to recent changes in the Transition Assistance Program (Transition Goals, Plans, Success) and increased enforcement of the MOU requirement. Each of our institutions has an MOU with the DOD. We have MOUs with certain key individual installations and are pursuing MOUs at additional locations; however, some installations will not provide MOUs to institutions that do not teach at the installation. We continue to strengthen and develop relationships with our existing contacts and with new contacts in order to maintain and rebuild our access to military installations.

#### **Available Information**

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are available free of charge on our website at [www.uti.edu](http://www.uti.edu) under the "Investor Relations - Financial Information - SEC Filings" captions, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Reports of our executive officers, directors and any other persons required to file securities ownership reports under Section 16(a) of the Exchange Act are also available through our website. Information contained on our website is not a part of this Annual Report on Form 10-K and is not incorporated herein by reference.



## ITEM 1A. RISK FACTORS

*We provide the following cautionary discussion of risks and uncertainties relevant to our business. These are factors that, individually or in the aggregate, could cause our actual results to differ materially from expected and historical results. We note these factors for investors within the meaning of Section 21E of the Exchange Act and Section 27A of the Securities Act. You should understand that it is not possible to predict or identify all such factors. Consequently, you should not consider the following to be a complete discussion of all potential risks or uncertainties. You should consider carefully the risks and uncertainties described below in addition to other information contained in this Annual Report on Form 10-K, including our consolidated financial statements and related notes.*

### **Risks Related to the Extensive Regulation of Our Business**

***Our failure to comply with the extensive regulatory requirements for school operations could result in financial requirements or penalties, restrictions on our operations and loss of external financial aid funding.***

As detailed in “Business - Regulatory Environment,” our institutions are subject to extensive regulatory requirements imposed by a wide range of federal and state agencies, as well as by our institutional accreditor. These requirements, which are subject to frequent change, cover virtually every aspect of our schools’ operations. The approvals granted by these entities permit our schools to operate and to participate in a variety of government-sponsored financial aid programs, including Title IV Programs, from which we derived approximately 68% of our revenues, on a cash basis, in fiscal year 2021. If our institutions fail to comply with any of these regulatory requirements, our regulators could take an array of actions, including, without limitation, revocation of the approval granted by the agency. Any such adverse action could adversely affect our cash flows, results of operations and financial condition, and could include the imposition of significant operating restrictions upon us. We cannot predict with certainty how each regulatory body will apply its requirements or whether each of our schools will be able to comply with all of the requirements in the future.

***Failure to maintain eligibility to participate in Title IV Programs could materially and adversely affect our business.***

Title IV Program requirements, as described in “Business - Regulatory Environment-Title IV Programs,” are complex, at time imprecise, and subject to changing interpretations. In the event an institution violates these requirements, ED could impose sanctions or limitations, or terminate an institution’s Title IV Program eligibility. Forms of noncompliance that could result in sanctions or limitations, or cause the institution to lose its eligibility to participate in some or all Title IV Programs, include, without limitation, failures to: maintain state authorizations; maintain institutional accreditations; satisfy ED’s administrative capability standards; satisfy ED’s loan default rate thresholds; correctly calculate and timely return unearned Title IV Program funds received for students who withdraw before completing their educational programs; correctly determine whether students are making satisfactory academic progress in their programs and, as such, remain eligible to receive Title IV Program funds; satisfy ED’s financial responsibility standards; and comply with the 90/10 rule, the substantial misrepresentation rules or the incentive compensation rule. Types of sanctions or limitations ED might impose upon an institution include, without limitation: requiring the repayment of Title IV Program funds; imposing a less favorable payment system for the institution’s receipt of Title IV Program funds; placing an institution on provisional certification status; commencing a proceeding to impose a fine or to limit, suspend, or terminate the institution’s participation in Title IV Programs; or declining to renew the institution’s program participation agreement. Such sanctions or limitations, including the loss of Title IV Program eligibility by any of our current or future institutions, could have a material adverse effect on our academic or operational initiatives, cash flows, results of operations, or financial condition. For more information, see “Business - Regulatory Environment - Title IV Programs.”

***Current and future Title IV Program regulations arising out of negotiated rulemakings could materially and adversely affect our business.***

ED is almost continuously engaged in negotiated rulemakings, which is the process by which it revisits, revises, and expands the complex and voluminous Title IV Program regulations. These regulations also are frequently challenged through litigation, creating significant uncertainty as to when and what part of the regulations have taken effect, how they should be implemented, and how they will be interpreted and enforced. We devote significant effort to understanding the effects of these regulations on our business and to developing compliant solutions that also are congruent with our business, culture, and mission to serve our students and industry relationships. However, we cannot predict with certainty how these new and developing regulatory requirements will be applied or whether each of our schools will be able to comply with all of the

requirements in the future. Significant negotiated rulemakings that could materially and adversely affect our business are discussed in “Business - Regulatory Environment - Title IV Program Rulemaking.”

***The loss of funds from Veterans' benefits programs could materially and adversely affect our business.***

As discussed in “Business - Regulatory Environment - Other Federal and State Student Aid Programs,” to participate in veterans' benefits programs, including the Post-9/11 GI Bill, the Montgomery GI Bill, the REAP, and VA Vocational Rehabilitation, our institutions must comply with certain requirements applicable to these programs. If we fail to comply with these requirements, we could lose our eligibility to participate in veterans' benefits programs, which could have a material adverse effect on our operations, cash flows, results of operations, or financial condition. If we fail to secure approval from the Florida State veterans agency to classify our MMI non-degree, blended programs as resident training for purposes of VA benefits, it could impede the ability of veterans enrolling in these programs to access their VA benefits after December 21, 2021, when the current waivers are currently set to expire. Future legislative or regulatory initiatives that could negatively impact the funding we receive from veterans' benefits programs include, without limitation: (1) proposals to restrict access to military installations for student recruitment; (2) federal legislative proposals that would increase the requirements of the 90/10 Rule, such as reducing the 90% maximum under the rule to 85% and/or including military and veteran funding in the 90% portion of the calculation; (3) a reduction in appropriations for veterans' benefits programs, or an extended government shutdown; (4) an inability to secure approvals in one or more states, delays in the process for obtaining approvals, or the revocation of an approval; (5) changes in the interpretation and application of the 85/15 rule, which prohibits paying VA benefits to students enrolling in a program where more than 85% of the students enrolled in that program have any portion of their tuition, fees, or other charges paid for them by the institution or the VA; and (6) changes in the interpretation and application of the VA rules governing the classification and treatment of blended coursework, and the eligibility of such coursework for veterans' benefits programs.

***Congress may change the law or reduce funding for or place restrictions on the use of funds received through Title IV Programs, which could reduce our student population, revenues and/or profit margin.***

Congress periodically revises the HEA and other laws, and enacts new laws, governing Title IV Programs and determining the funding level for each Title IV Program. Congress most recently reauthorized the HEA in 2008. It is actively working on another HEA reauthorization, but it is uncertain whether and when the process will be completed. Any action by Congress that significantly reduces funding for Title IV Programs or the ability of our schools or students to receive funding through these programs or places restrictions on the use of funds received by an institution through these programs could have a material adverse effect on our operations, cash flows, results of operations, or financial condition. Such action may occur during HEA reauthorization as part of separate technical amendments to the HEA or during Congress' annual budget and appropriations cycle. These uncertainties could reduce our student population, revenues and/or profit margin.

***Continued or increased examination of the for-profit education sector could result in further legislation, appropriations, regulations, and enforcement actions that could materially and adversely affect our business.***

Over the last decade, Congress has focused significantly on for-profit education institutions, specifically regarding participation in Title IV Programs and DOD oversight of tuition assistance for military service members attending for-profit colleges. Continued or increased Congressional activity could result in the enactment of more stringent legislation, further rulemakings affecting participation in Title IV Programs and other governmental actions, increasing regulation of the for-profit sector. The likelihood of such activity could be increased as a result of elections and appointments. The composition of federal and state executive offices, executive agencies, and legislatures are subject to change based on the results of periodic elections, appointments, and other events. In some cases, candidates for elected positions in federal or state executive or legislative offices or for appointments to positions in federal or state agencies have negative opinions on for-profit education providers or may support initiatives such as eliminating or reducing student aid eligibility for for-profit education providers or providing funding to free or reduced tuition programs at public and other nonprofit postsecondary education institutions, which could adversely impact our ability to compete with such institutions. Action by Congress or other regulators may increase our administrative costs and require us to modify our practices in order for our institutions to comply with Title IV Program requirements. In addition, concerns generated by this Congressional activity may adversely affect enrollment in for-profit educational institutions such as ours. Any laws that are adopted that limit our or our students' participation in Title IV Programs or in programs to provide funds for active duty service members and veterans or the amount of student financial aid for which our students are eligible, or any decreases in enrollment related to the Congressional activity concerning this sector, could have a material adverse effect on our operations, cash flows, results of operations, or financial condition.

***Our business could be harmed if we experience a disruption in our ability to process student loans under the Federal Direct Loan Program.***

Because all Title IV Program student loans (other than Perkins loans) are now processed under the DL program, any disruption in our ability to process student loans through the DL program, either because of administrative challenges on our part or the inability of ED to process the increased volume of loans through the DL program on a timely basis, could impact our students' ability to timely obtain their student loans and have a material adverse effect on our operations, cash flows, results of operations, or financial condition.

***Government and regulatory agencies and third parties may conduct compliance reviews, bring claims or initiate litigation against us.***

Because we operate in a highly regulated industry, we are subject to compliance reviews and claims of noncompliance by government agencies, regulatory agencies and third parties alleging noncompliance with applicable standards. Each of our institutions' administration of Title IV Program funds must be audited annually by independent accountants and the resulting audit report must be submitted to ED for review. Compliance reviews and claims could also result from our notification to an agency or third party based upon our own internal compliance review. We are also subject to various lawsuits, investigations and claims, covering a wide range of matters, including, but not limited to, alleged violations of federal and state laws, false claims made to the federal government and routine employment matters. While we are committed to strict compliance with all applicable laws, regulations, and accrediting standards, if the results of government, regulatory or third party reviews or proceedings are unfavorable to us, or if we are unable to successfully defend against lawsuits or claims, we may be required to pay monetary damages or be subject to fines, limitations, loss of regulatory approvals or Title IV Program funding or other federal and state funding, injunctions or other penalties. We could also incur substantial legal costs that are not covered or are in excess of our insurance coverage. Even if we adequately address issues raised by an agency review or successfully defend a lawsuit or claim, we may have to divert significant financial and management resources from our ongoing business operations to address issues raised by those reviews or defend those lawsuits or claims. Additionally, given the significant public scrutiny being placed on the sector we operate in, numerous state attorneys general have initiated investigations of for-profit schools operating in their state. Changes occurring at the federal or state level, as well as our financial performance in recent years, may spur further action or additional reporting requirements by state attorneys general, Congressional leadership or state licensing bodies.

We cannot predict the outcome of unsettled matters, and we may incur significant defense costs and other expenses in connection with them in excess of our insurance coverage related to these matters. We may be required to pay substantial damages, settlement costs or fines or penalties. Such costs and expenses could have a material adverse effect on our business, cash flows, results of operations and financial condition. An adverse outcome in any of these matters could also materially and adversely affect our licenses, accreditation and eligibility to participate in Title IV Programs.

***Our business and stock price could be adversely affected as a result of regulatory investigations of, or actions commenced against, us or other companies in our industry.***

The operations of companies in the education and training services industry, including us, are subject to intense regulatory scrutiny. In some cases, allegations of wrongdoing on the part of such companies have resulted in formal or informal investigations by the U.S. Department of Justice, the SEC, state governmental agencies, ED and other federal agencies. These allegations have attracted adverse media coverage and have been the subject of legislative hearings and regulatory actions at both the federal and state levels, focusing not only on the individual schools but in some cases on the for-profit postsecondary education sector as a whole. These investigations of, or regulatory actions against, specific companies in the education and training services industry could have a negative impact on our industry as a whole and on our stock price. Furthermore, the outcome of such investigations and any accompanying adverse publicity could negatively affect student enrollment and heighten the risk of class action lawsuits against us, which could have a material adverse effect on our academic or operational initiatives, cash flows, results of operations, or financial condition.

***Changes in the state regulatory environment, state and agency budget constraints and increased regulatory requirements, may affect our ability to obtain and maintain necessary authorizations or approvals from those states to conduct or change our operations.***

Due to state budget constraints and changes in the regulatory environment in some of the states in which we operate, it is possible that some states may reduce the number of employees in, or curtail the operations of, the state education agencies

that authorize our schools. A delay or refusal by any state education agency in approving any changes in our operations that require state approval, such as the opening of a new campus, the introduction of new programs or the revision of existing programs, a change of control or the hiring or placement of new admissions representatives, could prevent us from making such changes or delay our ability to make such changes, or could require substantial additional costs to accommodate such delay.

State education agencies that authorize our schools continue to revise or issue new regulations requiring significant additional reporting and monitoring of student outcomes. Additionally, state education agencies may request additional information or supplemental reporting as a result of our recent financial performance. The regulations and reporting requirements may lengthen the time to obtain necessary state approvals and require us to modify our operations in order to comply with the requirements. This could impose substantial additional costs on our institutions, which could have a material adverse effect on our cash flows, results of operations and financial condition.

State legislatures also continue to contemplate creating new performance metrics that would have to be satisfied to maintain eligibility. The enactment of one or more of these proposed laws or similar laws could create compliance challenges and impose substantial additional costs on our institutions, which could have a material adverse effect on our academic or operational initiatives, cash flows, results of operations, or financial condition.

***Budget constraints in states that provide state financial aid to our students could reduce the amount of such financial aid that is available to our students, which could reduce our student population and negatively affect our 90/10 Rule calculation and other compliance metrics.***

Some states are facing budget constraints that are causing them to reduce state appropriations in a number of areas including financial aid provided to students that may attend one of our programs. We cannot predict how significant any of these reductions will be or how long they will last. If the level of state funding available to our students decreases and our students are not able to secure alternative sources of funding, it could have a material adverse effect on our operations, cash flows, results of operations, or financial condition, negatively impact our cohort default rates, or impact our performance under the federal 90/10 Rule calculation.

***If we acquire an institution that participates in Title IV Programs or open an additional location, one or more of our regulators could decline to approve the acquired institution or additional location, or could impose material conditions or restrictions, which could impair our ability to operate the acquired institution and/or the additional location as planned or to realize the anticipated benefits from the acquisition of that institution and/or opening of the additional location.***

If we acquire an institution that participates in Title IV Program funding or open an additional location, we must obtain approval from ED and applicable state education agencies and accrediting commissions in order for the institution or additional location to be able to operate and participate in Title IV Programs. An acquisition can result in the temporary suspension of the acquired institution's participation in Title IV Programs and opening an additional location can result in a delay of the campus' participation in Title IV Programs unless we submit a timely and materially complete application for approval of the acquisition or the opening of the new location. If we were unable to timely establish or re-establish the state authorization, accreditation or ED certification of the acquired institution or obtain approval for the new location, our ability to operate the acquired institution or open the additional location as planned or to realize the anticipated benefits from the acquisition of that institution or the opening of the additional location could be significantly impaired.

Further, ED and applicable state education agencies and accrediting agencies could impose material conditions or restrictions on us and the acquired institution or the additional location, including, but not limited to, a material letter of credit, limitations or prohibitions on the ability to add new campuses or add or change educational programs, placement of the institution on the heightened cash monitoring or reimbursement method of payment and reporting and notification requirements. Additionally, an acquired institution may have known or unknown instances of noncompliance with federal, state or accrediting agency requirements, including, but not limited to, noncompliance with requirements included in the defense to repayment regulations that could result in liabilities, sanctions, or material conditions or restrictions that we may inherit by acquiring the institution. Further, our due diligence efforts relating to institutions that we intend to acquire may be unsuccessful and fail to identify noncompliance or other facts that could result in liabilities, sanctions, or material conditions or restrictions. The imposition of liabilities, sanctions, or material conditions or restrictions by one or more regulators could impair our ability to operate the acquired institution or open the additional location as planned or to realize the anticipated benefits from the acquisition of that institution or the opening of the additional location.

***If regulators do not approve additional or revised programs, it could have an adverse effect on our academic or operational initiatives***

A student may only use Title IV Program funds to pay the costs associated with enrollment in an eligible educational program offered by an institution participating in Title IV Programs. Our expansion plans are based, in part, on our ability to add new educational programs at our existing institutions. Generally, an institution that is eligible to participate in Title IV Programs, and is not provisionally certified, may obtain ED approval if the new program is licensed by the applicable state agency and accredited by an agency recognized by ED. However, ED, or state education agencies, and our accreditor could decline to approve a new program, or impose material conditions or restrictions on us. Any such denial or material limitation could have a material adverse effect on our operations, cash flows, results of operations, or financial condition.

***If regulators do not approve or delay their approval of transactions involving a change of control of our company or any of our schools, our ability to participate in Title IV Programs may be impaired.***

If we or any of our schools experience a change of control under the standards of applicable federal and state agencies, our accrediting commission or ED, we or the affected schools must seek the approval of the relevant regulatory agencies. These agencies do not have uniform criteria for what constitutes a change of control. Transactions or events that constitute a change of control include significant acquisitions or dispositions of our common stock or significant changes in the composition of our board of directors. Some of these transactions or events may be beyond our control. Our failure to obtain, or a delay in receiving, approval of any change of control from ED, our accrediting commission or any state in which our schools are located would impair our ability to participate in Title IV Programs, which would have a material adverse effect on our academic or operational initiatives, cash flows, results of operations, or financial condition. Our failure to obtain, or a delay in obtaining, approval of any change of control from any state in which we do not have a school but in which we recruit students could require us to suspend our recruitment of students in that state until we receive the required approval. The potential adverse effects of a change of control with respect to participation in Title IV Programs could influence future decisions by us and our stockholders regarding the sale, purchase, transfer, issuance or redemption of our stock.

**Risks Related to Our Business**

***Public health pandemics, epidemics or outbreaks, including the COVID-19 pandemic, could have a material adverse effect on our business and operations.***

The ongoing COVID-19 pandemic and the resulting containment measures have caused economic and financial disruptions globally. The extent to which COVID-19, like any other rapidly spreading contagious illness, may impact our business and operations will depend on a variety of factors beyond our control, including the actions of governments, businesses and other enterprises in response to the COVID-19 pandemic, the effectiveness of those actions, and vaccine availability, distribution and adoption, all of which cannot be predicted with any level of certainty. We believe that the continued spread of COVID-19 could adversely impact our business and operations, including as a result of workforce limitations and travel restrictions and related government actions. If a significant percentage of our workforce is unable to work, including because of illness or travel or government restrictions in connection with pandemics or disease outbreaks, our operations and enrollment may be negatively impacted. Finally, state and federal regulators, including the ED, are augmenting existing regulatory processes, waiving others, and overseeing various emergency relief and aid programs. It is highly uncertain how long such regulatory accommodations will continue, or how long and in what amount emergency relief and aid funds will continue to be available. We also cannot predict the types of conditions that may be attached to participation in emergency relief and aid programs, and whether and to what extent compliance with such conditions will be monitored and enforced.

During the year ended September 30, 2020, we transitioned our on-campus, in-person education model to a blended training model that combines instructor-facilitated online teaching and demonstrations with hands-on labs so that our students could continue their education during the COVID-19 pandemic. On-campus labs are designed to meet the current national guidelines recommended by the Centers for Disease Control (“CDC”) as well as state and local mandates, while still meeting our accreditation and curriculum requirements.

All of our campuses remained open during the year ended September 30, 2021, and as of September 30, 2021, all students were back in person for labs at our campuses with less than 1% of students with catch-up lab work outstanding. If further outbreaks occur and more students elect to take a leave of absence, withdraw, or do not make up the required in person labs on a timely basis, our revenues could be impacted in fiscal 2022.

***The occurrence of natural or man-made catastrophes, including those caused by climate change and other climate-related causes, could materially and adversely affect our business, financial condition, results of operations and prospects.***

Our business and operations could be materially adversely affected in the event of earthquakes, hurricanes, severe storms, blackouts or other power losses, floods, fires, telecommunications failures, break-ins, acts of terrorism, public health crises, including the ongoing COVID-19 pandemic, other inclement weather or similar events.

We teach our UTI and MMI programs at leased campus locations in Orlando, Florida, and have signed a lease for a new campus in Miramar, Florida, both areas that can experience tropical storms and hurricanes, severe storms, floods, coastal storms, tornadoes and power outages. We also lease three campus locations in California, two campus locations in Texas and have signed a lease for a new campus in Austin, Texas, all areas that have historically been susceptible to severe weather events.

If floods, fire, inclement weather, including extreme rain, wind, heat, or cold, or accidents due to human error were to occur and cause damage to our campus facilities, or limit the ability of our students or faculty to participate in or contribute to our academic programs or our ability to comply with federal and state educational requirements or our agreements with our vendors, our business may be adversely effected, especially if such events were to occur in the midst of ongoing academic programs during an academic cycle. Such disruptions may also result in increases in student attrition, voluntary or mandatory closure of some or all of our facilities, or our inability to procure essential supplies or travel during the pendency of mandated travel restrictions. We may not be able to effectively shift our operations due to disruptions arising from the occurrence of such events, and our business and results of operations could be affected adversely as a result. Moreover, damage to or total destruction of our campus facilities from various weather events may not be covered in whole or in part by any insurance we may have.

***Macroeconomic conditions and aversion to debt could adversely affect our business.***

We believe that our enrollment, which tends to be counter cyclical, is affected by changes in economic conditions. During periods when the unemployment rate declines or remains stable, prospective students have more employment options and recruiting new students has traditionally been more challenging. In addition, affordability concerns associated with increased living expenses, relocation expenses and the availability of full- and part-time jobs for students attending classes have made it more challenging for us to attract and retain students.

Conversely, an increase in the unemployment rate and weaker macroeconomic conditions could reduce the willingness of employers to sponsor educational opportunities for their employees and affect the ability of our students to find employment in the industries that we serve, any of which could have a material adverse effect on our cash flows, results of operations and financial condition.

Adverse market conditions for consumer and federally guaranteed student loans could negatively impact the ability of borrowers with little or poor credit history, such as many of our students, to borrow the necessary funds at an acceptable interest rate. These events could adversely affect the ability or willingness of our former students to repay student loans, which could increase our student loan cohort default rate and require increased time, attention and resources to manage these defaults.

***Competition could decrease our market share and create tuition pricing concerns.***

The postsecondary education market is highly competitive. We continue to experience a high level of competition for higher quality students not only from similar programs, but also from the overall employment market and the military. Some traditional public and private colleges and universities and community colleges, as well as other private career-oriented schools, offer programs that may be perceived by students to be similar to ours. We compete with local community colleges for students seeking programs that are similar to ours, mainly due to local accessibility, low tuition rates and in certain cases free tuition. Most public institutions are able to charge lower tuition than our schools, due in part to government subsidies and other financial sources not available to for-profit schools.

Prospective students may choose to forego additional education and enter the workforce directly, especially during periods when the unemployment rate declines or remains stable as it has in recent years. This may include employment with our industry partners or with other manufacturers and employers of our graduates. Additionally, the military often recruits or retains potential students when branches of the military offer enlistment or re-enlistment bonuses.

We may limit tuition increases or increase spending in response to competition in order to retain or attract students or pursue new market opportunities; however, if we cannot effectively respond to competitor changes, it could reduce our enrollments and our student populations. We cannot be sure that we will be able to compete successfully against current or future competitors or that competitive pressures faced by us will not adversely affect our market share, revenues and operating margin.

***Our financial performance depends in part on our ability to continue to develop awareness and acceptance of our programs among high school graduates, military personnel and adults seeking advanced training.***

The awareness of our programs among high school graduates, military personnel and working adults seeking advanced training is critical to the continued acceptance and growth of our programs. Factors that could impact our ability to increase such awareness include: continued school district limitations on access to students by for-profit institutions; actions that would limit our access to military bases and installations; and our failure to maintain relationships with automotive, diesel, collision repair, motorcycle and marine manufacturers and suppliers. Our inability to continue to develop awareness of our programs could reduce our enrollments, which could have a material adverse effect on our cash flows, results of operations and financial condition.

***Failure on our part to maintain and expand existing industry relationships and develop new industry relationships with our industry customers could impair our ability to attract and retain students.***

We have extensive industry relationships that we believe afford us significant competitive strength and support our market leadership. These relationships enable us to support enrollment in our core programs by attracting students through brand name recognition and the associated prospect of high-quality employment opportunities. Additionally, these relationships allow us to diversify funding sources, expand the scope and increase the number of programs we offer and reduce our costs and capital expenditures due to the fact that, pursuant to the terms of the underlying contracts with manufacturer brand partners, we provide a variety of specialized training programs and typically do so using tools, equipment and vehicles provided by the manufacturer brand partners. These relationships also provide additional incremental revenue opportunities from training the employees of our industry customers. Our success depends in part on our ability to maintain and expand our existing industry relationships and to enter into new industry relationships. Certain of our existing industry relationships, including those with American Honda Motor Company, Inc.; Mercury Marine, a division of Brunswick Corporation; Volvo Penta of the Americas, Inc. and Yamaha Motor Corporation, USA, are not memorialized in writing and are based on verbal understandings. As a result, the rights of the parties under these arrangements are less clearly defined than they would be had they been in writing. Additionally, certain of our written agreements may be terminated without cause by the OEM. Finally, certain of our existing industry relationship agreements expire within the next six months. We are currently negotiating to renew these agreements and intend to renew them to the extent we can do so on satisfactory terms. The reduction or elimination of, or failure to renew any of our existing industry relationships, or our failure to enter into new industry relationships, could impair our ability to attract and retain students, require additional capital expenditures or increase expenses and have a material adverse effect on our cash flows, results of operations and financial condition.

***Our success depends in part on our ability to update and expand the content of existing programs and develop and integrate new programs in a cost-effective manner and on a timely basis.***

Prospective employers of our graduates demand that their entry-level employees possess appropriate technological skills. These skills are becoming more sophisticated in line with technological advancements in the automotive, diesel, collision repair, motorcycle and marine industries. Accordingly, educational programs at our schools must keep pace with those technological advancements. Additionally, the method used to deliver curriculum has evolved to include online delivery. The updates to our existing programs and the development of new programs, and changes in the method in which we deliver them, may not be accepted by our students, prospective employers or the technical education market. Even if we are able to develop acceptable new programs, we may not be able to introduce these new programs as quickly as the industries we serve require or as quickly as our competitors. If we are unable to adequately respond to changes in market requirements due to unusually rapid technological changes or other factors, our ability to attract and retain students could be impaired and our graduate employment rates could suffer.

Additionally, if we are unable to address and respond to requirements for new or updated curricula such as training instructors to teach the curricula, obtaining the appropriate equipment to teach the curricula to our students, or obtaining the appropriate regulatory approvals, we may not be able to successfully roll out the curricula to our campuses in a timely and

cost-effective manner. If we are not able to effectively and efficiently integrate curricula, this could have a material adverse effect on our cash flows, results of operations and financial condition.

***Expanding our blended learning format could be difficult for us.***

The expansion of existing and creation of new blended programs may not be accepted by students or employers. Our efforts may be materially adversely affected by increased competition in the online or blended education market, or because of performance or reliability issues with our blended program infrastructure. Regulators could determine not to grant us the permanent approvals that will permit us to continue offering blended learning programming after the temporary pandemic-based flexibilities have expired, which could result in the loss of eligibility to participate in the federal student aid programs, including VA benefits.

***We are heavily dependent on the reliability and performance of an internally developed student management and reporting system, and any difficulties in maintaining this system may result in service interruptions, decreased customer service or increased expenditures.***

The software that underlies our student management and reporting has been developed primarily by our own employees. The reliability and continuous availability of this internal system and related integrations are critical to our business. Any interruptions that hinder our ability to timely deliver our services, or that materially impact the efficiency or cost with which we provide these services, or our ability to attract and retain computer programmers with knowledge of the appropriate computer programming language, would adversely affect our reputation and profitability and our ability to conduct business and prepare financial reports. Additionally, many of the software systems we currently use will need to be enhanced over time or replaced with equivalent commercial products, either of which could entail considerable effort and expense.

***System disruptions and security threats to our computer networks, including breach of the personal information we collect, could have a material adverse effect on our business and our reputation.***

Our computer systems as well as those of our service providers are vulnerable to interruption, malfunction or damage due to events beyond our control, including malicious human acts committed by foreign or domestic persons, natural disasters, and network and communications failures. We have established a written data breach incident response policy, which we test informally and formally at least annually. Additionally, we periodically perform vulnerability self-assessments and engage service providers to perform independent vulnerability assessments and penetration tests. However, despite network security measures, our servers and the servers at our service providers are potentially vulnerable to physical or electronic unauthorized access, computer hackers, computer viruses, malicious code, organized cyber attacks and other security problems and system disruptions. Increasing socioeconomic and political instability in some countries has heightened these risks. Despite the precautions we and our service providers have taken, our systems may still be vulnerable to these threats. A user who circumvents security measures could misappropriate proprietary information or cause interruptions or malfunctions in operations.

Additionally, the personal information that we collect subjects us to additional risks and costs that could harm our business and our reputation. We collect, retain and use personal information regarding our students and their families and our employees, including personally identifiable information, tax return information, financial data, bank account information and other data. Although we employ various network and business security measures to limit access to and use of such personal information, we cannot guarantee that a third party will not circumvent such security measures, resulting in the breach, loss or theft of the personal information of our students and their families and our employees. Possession and use of personal information in our operations also subjects us to legislative and regulatory burdens that could restrict our use of personal information and require notification of data breaches. A violation of any laws or regulations relating to the collection, retention or use of personal information could also result in the imposition of fines or lawsuits against us.

Sustained or repeated system failures or security breaches that interrupt our ability to process information in a timely manner or that result in a breach of proprietary or personal information could have a material adverse effect on our operations and our reputation. Although we maintain insurance in respect of these types of events, available insurance proceeds may not be adequate to compensate us for damages sustained due to these events.



***We may not be able to retain our key personnel or hire and retain the personnel we need to sustain and grow our business.***

Our success to date has depended, and will continue to depend, largely on the experience, skills, efforts and motivation of our executive officers. Our success also depends in large part upon our ability to attract and retain highly qualified faculty, campus presidents, administrators and corporate management. Due to the nature of our business, we face significant competition in the attraction and retention of personnel who possess the skill sets that we seek. The for-profit education sector can experience periods of significant regulatory and government scrutiny, which may make it more difficult to attract and retain talent. If we are unable to, or are perceived to be unable to, attract and retain experienced and qualified personnel, our business, financial condition and results of operations may be materially adversely affected. Additionally, key personnel may leave us and subsequently compete against us. Because we do not currently carry “key man” life insurance, the loss of the services of any of our key personnel, or our failure to attract and retain other qualified and experienced personnel on acceptable terms, could impair our ability to successfully manage our business.

***If we are unable to hire, retain and continue to develop and train our admissions representatives, the effectiveness of our student recruiting efforts would be adversely affected.***

In order to support revenue growth and student enrollment, we need to hire and train new admissions representatives, as well as retain and continue to develop our existing admissions representatives, who are our employees dedicated to student recruitment. Our ability to develop a strong admissions representative team may be affected by a number of factors, including: competition in hiring qualified persons; limitations on compensation payable to admissions representatives arising from the incentive compensation rule; and our ability to adequately train and motivate our admissions representatives. If we are unable to hire, develop or retain quality admissions representatives, the effectiveness of our student recruiting efforts would be adversely affected.

***If we fail to reduce our underutilized capacity, we may experience a deterioration of our profitability and operating margins.***

We have underutilized capacity at a number of our campuses. Our ongoing efforts to increase utilization may strain our management, operations, employees or other resources. We may not be able to maintain our current capacity utilization rates, effectively manage our operations or achieve planned capacity utilization on a timely or profitable basis. If we are unable to improve our underutilized capacity, we may experience operating inefficiencies at a level that would result in higher than anticipated costs, which would adversely affect our profitability and operating margins.

***Our success depends, in part, on the effectiveness of our marketing and advertising programs in recruiting new students.***

In order to maintain and increase our revenues and margins, we must continue to develop our admissions programs and attract new students in a cost-effective manner. The level of marketing and advertising and types of strategies used are affected by the specific geographic markets, regulatory compliance requirements and the specific individual nature of each institution and its students. The complexity of these marketing efforts contributes to their cost. If we are unable to advertise and market our institutions and programs successfully, our ability to attract and enroll new students could be materially adversely affected and, consequently, our financial performance could suffer. We use marketing tools such as the Internet, radio, television and print media advertising to promote our institutions and programs. Our representatives also make presentations at high schools and career fairs. Additionally, we rely on the general reputation of our institutions and referrals from current students, alumni and employers as a source of new enrollment. As part of our marketing and advertising, we also subscribe to lead-generating databases in certain markets, the cost of which may increase. Among the factors that could prevent us from marketing and advertising our institutions and programs successfully are the failure of our marketing tools and strategies to appeal to prospective students, regulatory constraints on marketing, current student and/or employer dissatisfaction with our program offerings or results and diminished access to high school campuses and military bases. In order to maintain our growth, we will need to attract a larger percentage of students in existing markets and increase our addressable market by adding locations in new markets and rolling out new academic programs. Any failure to accomplish this may have a material adverse effect on our future growth.

***Failure on our part to effectively identify, establish and operate additional schools or campuses could reduce our ability to implement our growth strategy.***

As part of our business strategy, we anticipate opening and operating new schools or campuses. Establishing new schools or campuses poses unique challenges and requires us to make investments in management and capital expenditures, incur

marketing expenses and devote other resources that are different, and in some cases greater, than those required with respect to the operation of acquired schools. Accordingly, when we open new schools, initial investments could reduce our profitability. To open a new school or campus, we would be required to obtain appropriate state and accrediting commission approvals, which may be conditioned or delayed in a manner that could significantly affect our growth plans. Additionally, to be eligible for Title IV Program funding, a new school or campus would have to be certified by ED. We cannot be sure that we will be able to identify suitable expansion opportunities to maintain or accelerate our current growth rate or that we will be able to successfully integrate or profitably operate any new schools or campuses. Our failure to effectively identify, establish, license, accredit, obtain necessary approvals and manage the operations of newly established schools or campuses could slow our growth and make any newly established schools or campuses more costly to operate than we have historically experienced.

***We may be unable to successfully complete or integrate future acquisitions.***

We may consider selective acquisitions in the future. We may not be able to complete any acquisitions on favorable terms or, even if we do, we may not be able to successfully integrate the acquired businesses into our business. Integration challenges include, among others, regulatory approvals, significant capital expenditures, assumption of known and unknown liabilities, our ability to control costs and our ability to integrate new personnel. The successful integration of future acquisitions may also require substantial attention from our senior management and the senior management of the acquired schools, which could decrease the time that they devote to the day-to-day management of our business. If we do not successfully address risks and challenges associated with acquisitions, including integration, future acquisitions could harm, rather than enhance, our operating performance. Additionally, if we consummate an acquisition, our capitalization and results of operations may change significantly. A future acquisition could result in the incurrence of debt and contingent liabilities, an increase in interest expense, amortization expenses, goodwill and other intangible assets, charges relating to integration costs or an increase in the number of shares outstanding. In addition, our acquisition of a school is a change of ownership of that school, which may result in the temporary suspension of that school's participation in federal student financial aid programs until it obtains ED's approval. These results could have a material adverse effect on our cash flows, results of operations and financial condition or result in dilution to current stockholders.

***We are party to a Credit Agreement which contains restrictive covenants, and if we are unable to comply with these covenants then the lender could declare an event of default wherein we may need to immediately repay the amounts due under the Credit Agreement.***

On May 12, 2021, we entered into a Credit Agreement with Fifth Third Bank, National Association to finance the Avondale, Arizona property that we purchased in December 2020, via a term loan in the maximum principal amount of \$31.2 million with a maturity of seven years (the "Term Loan"). We are required to make monthly payments of principal plus accrued interest. As of September 30, 2021, \$30.9 million in principal was outstanding under the Term Loan. The Credit Agreement imposes various restrictions and contains customary affirmative and restrictive covenants, including, without limitation, certain reporting obligations and certain limitations on restricted payments; and limitations on liens, encumbrances and indebtedness. In addition, borrowings under the Credit Agreement are secured by a first priority lien on our Avondale, Arizona property, including all land and improvements. If we fail to comply with the covenants or payments specified in the Credit Agreement, the lender could declare an event of default, which would give it the right to declare all borrowings outstanding, together with accrued and unpaid interest and fees, to be immediately due and payable. The amount of our outstanding indebtedness could have an adverse effect on our operations and liquidity, including by, among other things: (i) making it more difficult for us to pay or refinance our debts as they become due during adverse economic and industry conditions, because we may not have sufficient cash flows to make our scheduled debt payments; (ii) causing us to use a larger portion of our cash flows to fund interest and principal payments, thereby reducing the availability of cash to fund working capital, capital expenditures and other business activities; (iii) making it more difficult for us to take advantage of significant business opportunities, such as acquisition opportunities or other strategic transactions, and to react to changes in market or industry conditions; and (iv) limiting our ability to borrow additional monies in the future to fund the activities and expenditures described above and for other general corporate purposes as and when needed, which could force us to suspend, delay or curtail business prospects, strategies or operations.

***An increase in interest rates would increase the cost of servicing our debt and could reduce our profitability.***

A portion of our Term Loan bears interest at variable rates. We have entered into an interest rate swap agreement with the lender that effectively fixes the interest rate on 50% of the principal amount of the Term Loan at 3.5% for the entire loan term. However, increases in interest rates with respect to any amount of our debt not covered by the interest rate swap could

increase the cost of servicing our debt and could reduce our profitability and cash flows. Such increases may occur from changes in regulatory standards or industry practices, such as the upcoming transition away from LIBOR as a benchmark reference for short-term interests. Such a transition may result in the usage of a higher reference rate for our variable rate debt. Excluding the effect of the interest rate swap on the Term Loan, each 1.0% increase in interest rates on the Term Loan would increase our annual interest expense by \$0.1 million based on balances outstanding under the Term Loan as of September 30, 2021.

***Our proprietary loan program could have a negative effect on our results of operations.***

Our proprietary loan program enables students who have utilized all available government-sponsored or other financial aid and have not been successful in obtaining private loans from other financial institutions, for independent students, or PLUS loans, for dependent students, to borrow a portion of their tuition if they meet certain criteria.

Under our proprietary loan program, the bank originates loans for our students who meet our specific credit criteria with the related proceeds to be used exclusively to fund a portion of their tuition. We then purchase all such loans from the bank at least monthly and assume all the related credit and collection risk. See Note 2 of the notes to our Consolidated Financial Statements within Part II. Item 8 of this Annual Report on Form 10-K for further discussion of activity under our proprietary loan program.

Factors that may impact our ability to collect these loans include the following, without limitation: current economic conditions; compliance with laws applicable to the origination, servicing and collection of loans; the quality of our loan servicers' performance; and a decline in graduate employment opportunities and the priority that the borrowers under this loan program attach to repaying these loans as compared to other obligations, particularly students who did not complete or were dissatisfied with their programs of study.

The portion of a student's tuition revenue related to the proprietary loan program is considered a form of variable consideration. We estimate the amount we ultimately expect to collect from the portion of tuition that is funded by the proprietary loan program, resulting in a note receivable. The estimated amount is determined at the inception of the contract, and we recognize the related revenue as the student progresses through school. Each reporting period, we update our assessment of the variable consideration associated with the proprietary loan program. Estimating the collection rate requires significant management judgment. If we are unable to accurately assess the variable consideration, our revenues and profitability may be adversely impacted.

Federal, state and local laws and general legal and equitable principles relating to the protection of consumers can apply to the origination, servicing and collection of the loans under our proprietary loan program. Any violation of various federal, state or local laws, including, in some instances, violations of these laws by parties not under our control, may result in losses on the loans or may limit our ability to collect all or part of the principal or interest on the loans. This may be the case even if we are not directly responsible for the violations by such parties.

Our proprietary loan program may also be subject to oversight by the CFPB, which could result in additional reporting requirements or increased scrutiny. Other proprietary postsecondary institutions have been subject to information requests from the CFPB with regard to their private student loan programs. The possibility of litigation, and the associated cost, are risks associated with our proprietary loan program. At least two proprietary education institutions have been subject to lawsuits under the Consumer Financial Protection Act of 2010; the institutions are accused of having unfair private student loan programs and of allegedly engaging in certain abusive practices, including interfering with students' ability to understand their debt obligations and failing to provide certain material information.

Changes in laws or public policy could negatively impact the viability of our proprietary loan program and cause us to delay or suspend the program. Additionally, depending on the terms of the loans, state consumer credit regulators may assert that our activities in connection with our proprietary loan program require us to obtain one or more licenses, registrations or other forms of regulatory approvals, any of which may not be able to be obtained in a timely manner, if at all. All of these factors could result in our proprietary loan program having a material adverse effect on our cash flows, results of operations and financial condition.

***We rely on third parties to originate, process and service loans under our proprietary loan program. If these companies fail or discontinue providing such services, our business could be harmed.***

A state chartered bank with a small market capitalization originates loans under our proprietary loan program. If the bank no longer provides service under the contract, we do not currently have an alternative bank to fulfill the demand. There are a limited number of banks that are willing to participate in a program such as our proprietary loan program. The time it could take us to replace the bank could result in an interruption in the loan origination process, which could result in a decrease in our student populations. Furthermore, a single company processes loan applications and services the loans under our proprietary loan program. There is a 90-day termination clause in the contract under which they provide these services. If this company were to terminate the contract, we could experience an interruption in loan application processing or loan servicing, which could result in a decrease in our student populations.

***We have goodwill, which may become impaired and subject to a write-down.***

Goodwill represents the excess of the cost of an acquired business over the estimated fair values of the assets acquired and liabilities assumed. Goodwill is reviewed at least annually for impairment, which might result from the deterioration in the operating performance of acquired businesses, adverse market conditions, adverse changes in applicable laws or regulations and a variety of other circumstances. Any resulting impairment charge is recognized as an expense in the period in which impairment is identified. Our total recorded goodwill of \$8.2 million as of September 30, 2021 relates to our MMI Orlando, Florida campus and resulted from the acquisition of our motorcycle and marine education business in 1998. We perform our annual goodwill impairment assessment during the fourth quarter of each fiscal year. Future assessments of goodwill could result in reductions. Any reduction in net income and operating income resulting from the write-down or impairment of goodwill could adversely affect our financial results. If economic or industry conditions deteriorate or if market valuations decline, including with respect to our common stock, we may be required to impair goodwill in future periods.

#### **Risks Related to Investing in Our Common Stock**

***Holders of our Series A Preferred Stock own a significant percentage of our capital stock, are able to influence and control certain corporate matters and could in the future substantially dilute the ownership interest of holders of our common stock.***

On June 24, 2016, we entered into a purchase agreement (the “Coliseum Securities Purchase Agreement”) pursuant to which we sold 700,000 shares of Series A Preferred Stock to Coliseum Holdings I, LLC (“Coliseum Holdings”), and filed a Certificate of Designation, Preferences and Rights of Series A Convertible Preferred Stock (the “Certificate of Designations”) with the Secretary of State of the State of Delaware. The Certificate of Designations authorized a total of 700,000 shares of Series A Preferred Stock, all of which were purchased by Coliseum Holdings, and set forth the negotiated rights, powers, preferences and privileges of the Series A Preferred Stock, including the terms of a Conversion Cap and an Investor Voting Cap (each as defined in the Certificate of Designations), which generally prohibit: (i) the conversion of Series A Preferred Stock into common stock; and (ii) the voting of common stock issuable upon conversion of the Series A Preferred Stock, to the extent that such conversion results in the issuance of a number of shares of common stock exceeding 4.99% of our outstanding shares of common stock as of June 24, 2016 or that has voting power that exceeds 4.99% of the voting power of our outstanding shares of common stock as of June 24, 2016.

The Certificate of Designations provides that the Conversion Cap and the Investor Voting Cap may only be removed upon our receipt of: (i) certain stockholder approvals required by Section 312.03 of the New York Stock Exchange Listed Company Manual (“NYSE Rule 312”); and (ii) either (A) Education Regulatory Approval (as defined in the Certificate of Designations), or (B) a good faith determination by our board of directors that Education Regulatory Approval is not required. Our stockholders approved a proposal at the annual meeting of stockholders on February 27, 2020, in accordance with the listing standards of the New York Stock Exchange (“NYSE”), that satisfied NYSE Rule 312.

In September 2020, Coliseum Holdings distributed all of its 700,000 shares of Series A Preferred Stock to its members, who subsequently distributed their shares to (i) limited partners affiliated with Coliseum Holdings and certain other entities for whom Coliseum Capital Management, LLC (an affiliate of Coliseum Holdings) holds voting and dispositive power with respect to the Series A Preferred Stock (the “Affiliated Holders”), which Affiliated Holders, following such distribution, owned Series A Preferred Stock that represented, on an as converted basis, approximately 24.9% of our outstanding shares of common stock and voting power, and (ii) limited partners unaffiliated with Coliseum Holdings (the “Unaffiliated Holders”), which Unaffiliated Holders, following such distribution, each owned shares of Series A Preferred Stock that represented, on

an as converted basis, 9.9% or less of our outstanding shares of common stock and voting power (collectively, the “Distributions”).

In connection with the Distributions, our board of directors made a good faith determination that: (i) no Education Regulatory Approval would be required for the Unaffiliated Holders to remove the Conversion Cap and the Investor Voting Cap with respect to the Series A Preferred Stock acquired in the Distributions; and (ii) as to the Series A Preferred Stock held by the Affiliated Holders, no Education Regulatory Approval would be required prior to the Affiliated Holders (A) converting a number of shares of Series A Preferred Stock into common stock provided that the number of shares of common stock issued pursuant to such conversion, in the aggregate, is less than or equal to 9.9% of the number of shares of common stock outstanding on an as converted basis as of the date of the Distributions, and (B) voting a number of shares of Series A Preferred Stock provided that the voting power of such Series A Preferred Stock and any shares of common stock issued upon conversion of such Series A Preferred Stock is less than or equal to 9.9% of the voting power of the common stock outstanding as of the date of the Distributions (the foregoing limitations, the “Continuing Caps”).

In September 2020, the Distributions were completed and the removal of the Conversion Cap and Investor Voting Cap became effective, subject to the Continuing Caps remaining in place with respect to the Series A Preferred Stock distributed to the Affiliated Holders. Education Regulatory Approval continues to be required for, and the Continuing Caps will remain in place with respect to, the Series A Preferred Stock acquired by the Affiliated Holders in the Distributions to the extent such shares, on an as converted basis, represent in excess of 9.9% of our common stock and voting power as of the date of the Distributions. The Affiliated Holders may, at any time, request that we seek Education Regulatory Approval or make a good faith determination that such approval is not required. If we are required to or elect to obtain Education Regulatory Approval and if such approvals are not obtained within the 120-day time period set forth in the Certificate of Designations, the dividend rates with respect to the Cash Dividend and Accrued Dividend (each as defined in the Certificate of Designations) will be increased by 5.0% per year, not to exceed a maximum of 14.5% per year, subject to downward adjustment on obtaining the foregoing approvals

As of September 30, 2020, as a result of the removal of the Conversion Cap and the Investor Voting Cap, the Unaffiliated Holders and the Affiliated Holders were entitled to vote their Series A Preferred Stock in an amount equal to 12,968,878 shares of common stock on a fully diluted basis. Those holders may also convert such shares of Series A Preferred Stock and receive approximately 30.03 shares of common stock for each share of Series A Preferred Stock converted, resulting in our issuance of up to 12,968,878 shares of common stock if such shares of Series A Preferred Stock were all converted. On a fully converted basis, the shares of Series A Preferred Stock are convertible into 21,021,021 shares of common stock. Holders of shares of Series A Preferred Stock are entitled to vote with the holders of shares of common stock and any other class or series similarly entitled to vote with the holders of common stock and not as a separate class, at any annual or special meeting of stockholders, and may act by written consent in the same manner as the holders of common stock, on an as converted basis. Shares of Series A Preferred Stock are convertible to common stock at any time at the option of the holder, subject to the Continuing Caps.

Any conversion of Series A Preferred Stock into common stock would dilute the ownership interest of existing holders of our common stock, and any sales in the public market of the common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock. We have granted Coliseum Holdings and certain recipients of Series A Preferred Stock in the Distributions registration rights in respect of the shares of Series A Preferred Stock and any shares of common stock issued upon conversion thereof. These registration rights could facilitate the resale of such securities into the public market, and any resale of these securities would increase the number of shares of our common stock available for public trading. Sales of a substantial number of shares of our common stock in the public market, or the perception that such sales might occur, could have a material adverse effect on the price of our common stock.

Additionally, a majority of the voting power of the Series A Preferred Stock must approve certain significant corporate actions, such as (i) amendments to our Certificate of Incorporation or bylaws in a manner adverse to the rights, preferences, privileges or voting powers of the holders of Series A Preferred Stock, (ii) the creation or issuance of a series of stock, or other security convertible into a series of stock, with equal or greater rights than those of the holders of Series A Preferred Stock, (iii) the issuance of equity securities, or securities convertible into equity securities, at a price that is 25% below fair market value at the time of issuance, (iv) subject to certain exceptions, the incurrence of indebtedness, (v) subject to certain exceptions, the sale or licensing of any of our material assets, (vi) subject to certain exceptions, the consummation of acquisitions (of stock or assets), (vii) subject to certain exceptions, the payment of certain dividends or distributions with respect to a series of stock junior to the Series A Preferred Stock, (viii) the voluntary liquidation, dissolution or winding-up of UTI if the Series A Preferred Stock would not have the option to receive the liquidation preference then in effect upon such

liquidation, dissolution or winding-up, or (ix) subject to certain exceptions, any merger, consolidation, recapitalization, reclassification or other transaction in which substantially all of our common stock is exchanged or converted into cash, securities or property and in which the holders of the Series A Preferred Stock shall not have the option to receive the full liquidation preference as a result of that transaction.

The interests of the holders of the Series A Preferred Stock may not always coincide with the interests of our other stockholders and Coliseum Holdings' concentration of ownership may have the effect of delaying or preventing a change of control of UTI otherwise favored by our other stockholders and could depress our stock price.

***The price of our common stock has fluctuated significantly in the past and may continue to do so in the future. As a result, you could lose all or part of your investment.***

Volatility in the market price of our common stock may prevent you from being able to sell your shares at or above the price you paid for your shares. The market price of our common stock has fluctuated significantly in the past, and may continue to fluctuate significantly for a variety of different reasons, including, without limitation, developments in our industry; our quarterly or annual earnings or those of other companies in our industry; changes in earnings estimates or recommendations by research analysts who track our common stock or the stocks of other companies in our industry; negative publicity, including government hearings and other public lawmaker or regulator criticism, regarding our industry or business; changes in enrollment; and changes in general conditions in the United States and global economies or financial markets, including those resulting from health epidemics, war, incidents of terrorism or responses to such events. In addition, in recent years, the stock market has experienced extreme price and volume fluctuations. This volatility has had a significant impact on the market price of securities issued by many companies, including companies in our industry. Changes may occur without regard to the operating performance of these companies. The price of our common stock could fluctuate based upon factors that have little or nothing to do with our company.

***Seasonal and other fluctuations in our results of operations could adversely affect the trading price of our common stock.***

In reviewing our results of operations, you should not focus on quarter-to-quarter comparisons. Our results in any quarter may not indicate the results we may achieve in any subsequent quarter or for the full year. Our revenues normally fluctuate as a result of seasonal variations in our business, principally due to changes in total student population. Student population varies as a result of new student enrollments, graduations and student attrition. Historically, our schools have had lower student populations in our third fiscal quarter than in the remainder of our fiscal year because fewer students are enrolled during the summer months. Our expenses, however, do not generally vary at the same rate as changes in our student population and revenues and, as a result, such expenses do not fluctuate significantly on a quarterly basis. We expect quarterly fluctuations in results of operations to continue as a result of seasonal enrollment patterns. Such patterns may change, however, as a result of acquisitions, new school openings, new program introductions and increased enrollments of adult students. Additionally, our revenues for our first fiscal quarter are adversely affected by the fact that we do not recognize revenue during the calendar year-end holiday break, which falls primarily in that quarter. These fluctuations may result in volatility or have an adverse effect on the market price of our common stock.

#### **ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

## ITEM 2. PROPERTIES

### Campuses and Other Properties

The following sets forth certain information relating to our campuses and corporate headquarters as of September 30, 2021. Many of the leases are renewable for additional terms at our option. Our facilities are utilized consistent with management's expectations, and we believe such facilities are suitable and adequate for currently identifiable requirements and that additional space, if needed, can be obtained on commercially reasonable terms to meet any future requirements.

Location	Brand	Approximate Square Footage	Leased or Owned	Lease Expiration Date
<b>Campus locations:</b>				
Arizona (Avondale) <sup>(1)</sup>	UTI	283,000	Owned	N/A
Arizona (Phoenix) <sup>(1)</sup>	MMI	117,000	Leased	December 2022
California (Long Beach)	UTI	137,000	Leased	August 2030
California (Rancho Cucamonga)	UTI	148,000	Leased	September 2031
California (Sacramento) <sup>(2)</sup>	UTI	245,000	Leased	February 2033
Florida (Miramar) <sup>(3)</sup>	UTI	83,200	Leased	March 2032
Florida (Orlando) <sup>(4)</sup>	UTI	178,875	Leased	August 2029 and March 2031
Florida (Orlando) <sup>(4)</sup>	MMI	117,700	Leased	August 2022
Illinois (Lisle)	UTI	187,000	Leased	December 2032
New Jersey (Bloomfield)	UTI	102,000	Leased	December 2030
North Carolina (Mooresville) <sup>(5)</sup>	NASCAR Tech	146,000	Leased	October 2030
Pennsylvania (Exton)	UTI	129,000	Leased	October 2029
Texas (Dallas/Ft. Worth)	UTI	95,000	Owned	N/A
Texas (Houston)	UTI	172,000	Owned	N/A
Texas (Austin) <sup>(6)</sup>	UTI	107,000	Leased	December 2031
<b>Other locations:</b>				
Arizona (Phoenix) <sup>(7)</sup>	Corporate Headquarters	29,000	Leased	December 2025
Arizona (Phoenix) <sup>(1)</sup>	Operational Support	47,000	Leased	December 2022

(1) During fiscal 2021, we purchased our Avondale, Arizona campus for approximately \$45.2 million, including closing costs and other fees, with the intention of consolidating our MMI Phoenix, Arizona campus into the same location by the end of fiscal 2022.

(2) In September 2020, we signed an amendment to the lease for our Sacramento, California campus which extended the lease through February 2033. Additionally, this amendment reduces our leased space by approximately 128,000 square feet to 117,000 square feet effective as of January 1, 2022.

(3) During fiscal 2021, we signed a lease agreement for a new campus in Miramar, Florida. We expect to take possession of the building for construction in early fiscal 2022 with plans to open the campus in the fourth quarter of fiscal 2022. Excludes approximately 20,000 square feet of mezzanine space constructed by UTI that is not subject to rent.

(4) As part of our plans to consolidate the MMI Orlando, Florida campus into the UTI Orlando, Florida campus, during fiscal 2021 we signed a new lease agreement for approximately 34,000 square feet adjacent to our current UTI Orlando campus with a term that ends in March 2031. Additionally, we amended our UTI Orlando lease agreements to extend the lease term through August 2029. In October 2021, we further amended one of the Orlando lease agreements to add an additional 9,000 square feet as of November 1, 2021. We expect to exit the current MMI Orlando campus by the end of the second quarter of fiscal 2022. The net square foot reduction as a result of the campus optimization plan is approximately 75,000 square feet.

- (5) In December 2020, we signed an amendment to the lease for our Mooresville, North Carolina campus which extended the lease through October 2030.
- (6) During fiscal 2021, we signed a lease agreement for a new campus in Austin, Texas. We took possession of the building in September 2021. The Austin campus is expected to open during the second quarter of fiscal 2022.
- (7) In September 2021, we listed approximately 8,500 square feet of our Corporate Headquarters for sublease. As of September 30, 2021, no sublease arrangements had been executed.

### **ITEM 3. LEGAL PROCEEDINGS**

In the ordinary conduct of our business, we are periodically subject to lawsuits, demands in arbitrations, investigations, regulatory proceedings or other claims, including, but not limited to, claims involving current and former students, routine employment matters, business disputes and regulatory demands. When we are aware of a claim or potential claim, we assess the likelihood of any loss or exposure. If it is probable that a loss will result and the amount of the loss can be reasonably estimated, we would accrue a liability for the loss. When a loss is not both probable and estimable, we do not accrue a liability. Where a loss is not probable but is reasonably possible, including if a loss in excess of an accrued liability is reasonably possible, we determine whether it is possible to provide an estimate of the amount of the loss or range of possible losses for the claim. Because we cannot predict with certainty the ultimate resolution of the legal proceedings (including lawsuits, investigations, regulatory proceedings or claims) asserted against us, it is not currently possible to provide such an estimate. The ultimate outcome of pending legal proceedings to which we are a party may have a material adverse effect on our business, cash flows, results of operations or financial condition.

### **ITEM 4. MINE SAFETY DISCLOSURES**

None.



## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

#### Market Information

Our common stock is listed on the NYSE under the symbol "UTI."

The closing price of our common stock as reported by the NYSE on November 30, 2021 was \$8.40 per share. As of November 30, 2021, there were 25 holders of record of our common stock.

#### Dividends

On June 9, 2016, our board of directors voted to eliminate the quarterly cash dividend on our common stock. Any future common stock dividends require the approval of a majority of the voting power of the Series A Preferred Stock.

We continuously evaluate our cash position in light of growth opportunities, operating results and general market conditions.

#### Repurchase of Securities

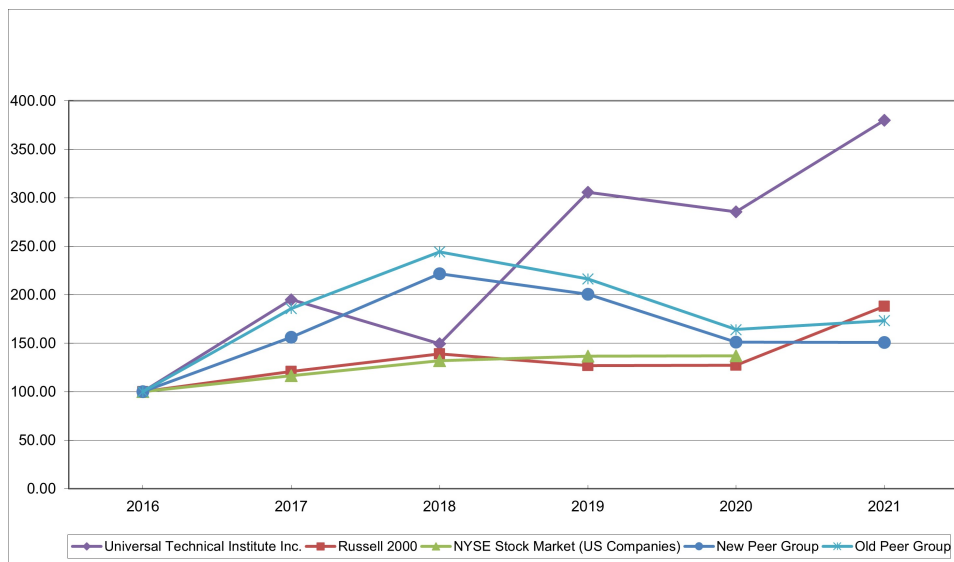
On December 10, 2020, our Board of Directors authorized a new share repurchase plan that would allow for the repurchase of up to \$35.0 million of our common stock in the open market or through privately negotiated transactions. This new share repurchase plan replaced the previously authorized plan from fiscal 2012. Any repurchases under this new stock repurchase program require the approval of a majority of the voting power of our Series A Preferred Stock. We did not repurchase any shares during the year ended September 30, 2021.

#### Stock Performance Graph

*The following Stock Performance Graph and related information shall not be deemed "soliciting material" or "filed" with the SEC, nor should such information be incorporated by reference into any future filings under the Securities Act or the Exchange Act except to the extent that we specifically incorporate it by reference in such filing.*

The following performance graph compares the performance of our common stock to the Russell 2000 Index, CRSP NYSE Stock Market (US Companies) Index, our previous peer group as determined by management, and a new peer group established by management based upon changes in our growth and diversification strategy. The companies comprising the old and new peer groups are summarized in the tables below. We feel that the Russell 2000 Index and the new peer group provides a more meaningful comparison to our common stock's performance and we intend to compare our performance to these two indices going forward.

The graph below compares our annual percentage change in cumulative total return on common shares over the past five years with the cumulative total return of companies comprising the Russell 2000 Index, CRSP NYSE Stock Market (US Companies) Index, our previous peer group index and our new peer group index. This presentation assumes that \$100 was invested in shares of the relevant issuers on September 30, 2016, and that dividends received were immediately invested in additional shares. The graph plots the value of the initial \$100 investment at one-year intervals for the fiscal years shown. The CRSP index has been included with data through 2020 as such data is no longer available.



**CRSP Total Returns Index for:**

	09/2016	09/2017	09/2018	09/2019	09/2020	09/2021
Universal Technical Institute, Inc.	\$ 100.00	\$ 194.94	\$ 149.44	\$ 305.62	\$ 285.39	\$ 379.78
Russell 2000	100.00	120.74	139.14	126.77	127.27	187.94
NYSE Stock Market (US Companies)	100.00	116.49	131.92	136.53	137.11	—
New Peer Group	100.00	156.11	221.72	200.49	151.15	150.63
Old Peer Group	100.00	185.72	244.33	216.35	164.02	173.23

**Companies in the New Self-Determined Peer Group:**

Adtalem Global Education, Inc.	Lincoln Educational Services Corporation
American Public Education, Inc.	Perdoceo Education Corporation
Aspen Group, Inc.	Strategic Education, Inc.

**Companies in the Old Self-Determined Peer Group:**

Adtalem Global Education, Inc.	Perdoceo Education Corporation
Grand Canyon Education, Inc.	Strategic Education, Inc.
Lincoln Educational Services Corporation	Zovio, Inc.

**Notes:**

- The lines represent monthly index levels derived from compounded daily returns that include all dividends.
  - The indexes are reweighted daily, using the market capitalization on the previous trading day
  - If the monthly interval, based on the fiscal year-end, is not a trading day, the preceding trading day is used.
  - The index level for all series was set to \$100 on September 30, 2016.
  - Russell 2000 Index Data: Copyright Russell Investments. Used with permission. All rights reserved. Copyright 1980-2021.
  - NYSE Index Data: Calculated (or Derived) based from CRSP NYSE Stock Market (US Companies), Center for Research in Security Prices (CRSP®), Graduate School of Business, The University of Chicago. Copyright 2021. Used with permission. All rights reserved.
- Prepared by Zacks Investment Research, Inc. Used with permission. All rights reserved.

**ITEM 6. [RESERVED]**

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion together with the "Selected Financial Data" and the consolidated financial statements and the related notes included elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements that are based on our current expectations, estimates and projections about our business and operations. Our actual results may differ materially from those currently anticipated and expressed in such forward-looking statements as a result of a number of factors, including those we discuss under "Risk Factors" "Cautionary Note Regarding Forward-Looking Statements" and elsewhere in this Annual Report on Form 10-K.

### General Overview

Founded in 1965, with more than 225,000 graduates in its history, we are a leading provider of transportation and technical training programs. As of September 30, 2021, we offered certificate, diploma or degree programs at 12 campuses across the United States under the banner of several well-known brands, including Universal Technical Institute, Motorcycle Mechanics Institute and Marine Mechanics Institute and NASCAR Technical Institute. Additionally, we offer manufacturer specific advanced training ("MSAT") programs, including student-paid electives, at our campuses and manufacturer or dealer sponsored training at certain campuses and dedicated training centers.

### Revenues

Our revenues consist primarily of student tuition and fees derived from the programs we provide after reductions are made for discounts and scholarships that we sponsor and for refunds for students who withdraw from our programs prior to specified dates. Tuition and fee revenue is recognized ratably over the term of the course or program offered. Approximately 99% of our revenues for each of the years ended September 30, 2021, 2020 and 2019, respectively, consisted of gross tuition. We supplement our tuition and fee revenues with additional revenues from sales of textbooks and program supplies and other revenues, which are recognized as the transfer of goods or services occurs. Through our proprietary loan program, we, in substance, provide the students who participate in this program with extended payment terms for a portion of their tuition. Under ASC 606, the portion of tuition revenue related to the proprietary loan program is considered a form of variable consideration. We estimate the amount we ultimately expect to collect from the portion of tuition that is funded by the proprietary loan program, resulting in a note receivable. Estimating the collection rate requires significant management judgment. Upon adoption of ASU 2016-13, *Financial Instruments-Credit Losses: Measurement of Credit Losses on Financial Instruments (Topic 326)* as of October 1, 2020, we revised our estimated collection rate to only include historical collections from the past ten years as we determined that such population better represents our current expected collections. The estimated amount is determined at the inception of the contract and we recognize the related revenue as the student progresses through school. Each reporting period, we update our assessment of the variable consideration associated with the proprietary loan program. Accordingly, we recognize tuition and loan origination fees financed by the loan and any related interest revenue under the effective interest method required under the loan based on this collection rate. Tuition revenue and fees generally vary based on the average number of students enrolled and average tuition charged per program. We also provide dealer technician training or instructor staffing services to manufacturers, and we recognize revenue as the transfer of services occurs.

### Student Enrollment and Tuition

Average full-time enrollments vary depending on, among other factors, the number of continuing students at the beginning of a period, new student enrollments during the period, students who have previously withdrawn but decide to re-enroll during the period, graduations and withdrawals during the period. Our average full-time enrollments are influenced by the:

- Attractiveness of our program offerings to high school graduates and potential adult students;
- Effectiveness of our marketing efforts;
- Depth of our industry relationships;
- Strength of employment markets and long-term career prospects;
- Quality of our instructors and student services professionals;
- Persistence of our students; the length of our education programs;
- Availability of federal and alternative funding for our programs; and

- Number of graduates of our programs who elect to attend the advanced training programs we offer and general economic conditions.

The introduction of additional program offerings at existing campuses and opening additional campuses is expected to influence our average full-time enrollment. We currently offer start dates at our campuses that range from every three to six weeks throughout the year in our core programs. The number of start dates of advanced training programs varies by the duration of those programs and the needs of the manufacturers which sponsor them.

Our tuition charges vary by type and length of our programs and the program level, such as core or advanced training. We implemented tuition rate increases of up to 2.5%, 3.5% and 3.0% for each of the years ended September 30, 2021, 2020 and 2019, respectively. We regularly evaluate our tuition pricing based on individual campus markets, the competitive environment and ED regulations.

#### ***Financial Aid***

Most students at our campuses rely on funds received under various government-sponsored student financial aid programs, predominantly Title IV Programs and various veterans' benefits programs, to pay a substantial portion of their tuition and other education-related expenses. Approximately 68% of our revenues, on a cash basis, were collected from funds distributed under Title IV Programs for the year ended September 30, 2021 as calculated under the 90/10 rule. Additionally, approximately 14% of our revenues, on a cash basis, were collected from funds distributed under various veterans' benefits programs for the year ended September 30, 2021.

We extend credit for tuition and fees, for a limited period of time, to the majority of our students. Our credit risk is mitigated through the students' participation in federally funded financial aid and veterans' benefit programs unless students withdraw prior to the receipt by us of Title IV or veterans' benefit funds for those students. The financial aid and veterans' benefits programs are subject to political and budgetary considerations. There is no assurance that such funding will be maintained at current levels. Extensive and complex regulations govern the financial assistance programs in which our students participate. Our administration of these programs is periodically reviewed by various regulatory agencies. Any regulatory violation could be the basis for the initiation of potential adverse actions, including a suspension, limitation, placement on reimbursement status or termination proceeding, which could have a material adverse effect on our business.

If any of our institutions were to lose its eligibility to participate in federal student financial aid or veterans' benefit programs, the students at that institution, and other locations of that institution, would lose access to funds derived from those programs and would have to seek alternative sources of funds to pay their tuition and fees. The receipt of financial aid and veterans benefit funds reduces the students' amounts due to us and has no impact on revenue recognition, as the transfer relates to the source of funding for the costs of education which may occur through Title IV, veterans benefit or other funds and resources available to the student. Additionally, we bear all credit and collection risk for the portion of our student tuition that is funded through our proprietary loan program.

#### ***Operating Expenses***

We categorize our operating expenses as (i) educational services and facilities and (ii) selling, general and administrative.

Major components of educational services and facilities expenses include: faculty and other campus administration employees' compensation and benefits; facility rent; maintenance; utilities; depreciation and amortization of property and equipment used in the provision of educational services; tools; training aids; royalties under our licensing arrangements; and other costs directly associated with teaching our programs and providing educational services to our students.

Selling, general and administrative expenses include: compensation and benefits of employees who are not directly associated with the provision of educational services, such as: executive management, finance and central accounting, information technology, legal, human resources, marketing and student admissions; marketing and student enrollment expenses; professional services; bad debt expense; costs associated with the implementation and operation of our student management and reporting system; rent for our corporate office headquarters; depreciation and amortization of property and equipment that is not used in the provision of educational services; and other costs that are incidental to our operations. All marketing and student enrollment expenses are recognized in the period incurred. Costs related to the opening of new facilities, excluding related capital expenditures, are expensed in the period incurred or when services are provided.

## 2021 Overview

### Student Metrics

	September 30, 2021	September 30, 2020	% Change
Total new student starts	13,028	11,283	15.5 %
Average undergraduate full-time active students	11,489	10,462	9.8 %
End of period undergraduate full-time active students	13,682	12,524	9.2 %

The increase in new student starts, average undergraduate full-time active students and end of period undergraduate full-time active students was due to increased effectiveness of our marketing and admissions efforts and the impacts of the COVID-19 pandemic on the prior year.

Our ability to start new students continues to be influenced by various factors including: unemployment rates; competition; adverse media coverage, legislative hearings, regulatory actions and investigations by attorneys general and various agencies related to allegations of wrongdoing on the part of other companies within the education and training services industry, which have cast the industry in a negative light; and the state of the general macro-economic environment and its impact on price sensitivity and the ability and willingness of students and their families to incur debt. For more information, see Item 1A. "Risk Factors."

### Operations

Our revenues for the year ended September 30, 2021 were \$335.1 million, an increase of \$34.3 million, or 11.4%, from the prior year. The increase in revenue was due to growth in students, increased revenue per student, and the impact of the COVID-19 pandemic in the prior year, which resulted in more students being on leave of absence and the suspension of operations at our campuses for a period of time in fiscal 2020. All of our campuses were fully operational during fiscal 2021, and as of September 30, 2021, all students were attending in person for labs at our campuses with less than 1% of students with catch-up lab work outstanding. As a result, there was no deferred revenue related to the impact of COVID-19 as of September 30, 2021, while we had \$6.1 million of deferred revenue as of September 30, 2020.

In fiscal 2021, we had operating income of \$14.9 million, as compared to an operating loss of \$3.9 million in the prior year. Our operating expenses for fiscal 2021 increased 5.1% as compared to the prior year primarily due to support activities related to the increase in student enrollment. Productivity improvements and proactive cost actions have been a key part of our operating model for the past several years, and we continue to identify and execute on efficiency opportunities throughout our cost structure, while improving and investing in the overall student experience. Net income for the year ended September 30, 2021 was \$14.6 million, compared to net income of \$8.0 million in the prior year. The prior period included a \$10.7 million tax benefit resulting from the application of revised net operating loss carryback regulations from the CARES Act.

### Business Strategy

Our core business strategies are aligned with our mission to serve students, partners and communities by providing quality education and training for in-demand careers. Additionally, as we evolve our business model, we are focused on growth and diversification which is achieved through acquisitions, opening new campus locations, the expansion of new program offerings, and new funding and business operating models.

During the year ended September 30, 2021, we executed the following as part of our growth and diversification strategy:

- We entered into a definitive agreement to acquire MIAT College of Technology ("MIAT") from HCP & Company. MIAT served approximately 1,200 students as of September 30, 2021 through its campuses in Canton, Michigan and Houston, Texas. The company offers vocational and technical certificates as well as associates degrees in fields with robust and growing demand for skilled technical workers, including aviation maintenance, energy technology, wind power, robotics and automation, non-destructive testing, HVACR, and welding. The acquisition will enable us to further expand our program offerings into growing industry sectors and rapidly expanding fields likely to be bolstered by technological innovation and the country's focus on sustainable energy. The transaction closed on November 1, 2021.

- Announced and began execution on our plans to open two additional campus locations during fiscal 2022 in Austin, Texas and Miramar, Florida.
- Announced the expansion of our welding technology program to our Bloomfield, New Jersey campus (launched in July 2021), to our Mooresville, North Carolina campus (in January 2022), and plans to launch a ninth welding program later in fiscal 2022.
- Launched or expanded the following MSAT programs:
  - The Fendt® Technician Academy, a new program with AGCO Corporation, a global leader in the design, manufacture and distribution of agricultural machinery and solutions, at our Lisle, Illinois campus.
  - The Daimler Trucks North America (“DTNA”) Finish First program to our Orlando, Florida campus.
  - Transition of BMW to the Fast Track program our Avondale, Arizona and Orlando, Florida campuses, with Long Beach, California launching in May 2022 and three additional locations launching by the end of fiscal 2022.
- Launched or expanded the following military base MSAT programs:
  - Premier Truck Group Technician Skills Program, a first-of-its-kind diesel-commercial vehicle technician career skills program, for service members at Fort Bliss, a U.S. Army post in El Paso, Texas.
  - BMW Military Service Technician Education Program at Fort Bragg, a U.S. Army post near Fayetteville, North Carolina.
- Purchased our Avondale, Arizona campus at the end of December 2020, for approximately \$45.2 million, including closing costs and other fees, with the intention of consolidating our MMI Phoenix, Arizona campus into the same location by the end of fiscal 2022. During May 2021, we completed the financing of our Avondale, Arizona campus which replenished approximately \$31.2 million of the funds used to purchase the campus.
- Announced the future consolidation and reconfiguration of the UTI and MMI Orlando, Florida campus facilities into one site which is currently scheduled for completion by the end of the second quarter of 2022.

## Results of Operations

The following table sets forth selected statements of operations data as a percentage of revenues for each of the periods indicated.

	Year Ended September 30,		
	2021	2020	2019
Revenues	100.0 %	100.0 %	100.0 %
Operating expenses:			
Educational services and facilities	49.8 %	51.9 %	53.8 %
Selling, general and administrative	45.8 %	49.4 %	48.6 %
Total operating expenses	95.6 %	101.3 %	102.4 %
Income (loss) from operations	4.4 %	(1.3)%	(2.4)%
Interest (expense) income, net	(0.1)%	0.4 %	(0.5)%
Other income	0.2 %	— %	0.6 %
Total other income, net	0.1 %	0.4 %	0.1 %
Income (loss) before income taxes	4.5 %	(0.9)%	(2.3)%
Income tax (expense) benefit	(0.2)%	3.5 %	(0.1)%
Net income (loss)	4.3 %	2.6 %	(2.4)%
Preferred stock dividends	1.6 %	1.8 %	1.6 %
Income (loss) available for distribution	2.7 %	0.8 %	(4.0)%

### Year Ended September 30, 2021 Compared to Year Ended September 30, 2020

#### Revenues

Our revenues for the year ended September 30, 2021 were \$335.1 million, an increase of \$34.3 million, or 11.4%, as compared to revenues of \$300.8 million for the year ended September 30, 2020. During fiscal 2021, our average full-time

student enrollment increased by 9.8% and our new student starts increased 15.5%, reflecting strong front-end demand across all channels. Revenues for fiscal 2020 were impacted by a higher number of students on leave of absence and the deferral of \$6.1 million of revenue related to the large number of make-up labs and online-only students that resulted when we paused operations during the year due to the onset of the COVID-19 pandemic in March 2020. Our revenue recognized for active students in fiscal 2021 was also impacted by COVID-19, with lower average revenue per student versus pre-COVID levels driven by the pace at which students were progressing through their programs and by students retaking courses previously completed or attempted. However, as of September 30, 2021, all students were attending in person for labs at our campuses with less than 1% of students with catch-up lab work outstanding. As a result, we had no deferred revenue as of September 30, 2021.

We recognized \$9.7 million on an accrual basis related to revenues and interest under our proprietary loan program for the year ended September 30, 2021, as compared to \$7.4 million recognized for the year ended September 30, 2020.

#### **Educational services and facilities expenses**

Our educational services and facilities expenses for the year ended September 30, 2021 were \$166.8 million, representing an increase of \$10.9 million, or 7.0%, as compared to \$155.9 million for the year ended September 30, 2020.

The following table sets forth the significant components of our educational services and facilities expenses (in thousands):

	<b>Year Ended September 30,</b>	
	<b>2021</b>	<b>2020</b>
Salaries expense	\$ 75,561	\$ 71,516
Employee benefits and tax	11,689	11,911
Bonus expense	1,985	1,023
Stock-based compensation	60	64
Compensation and related costs	89,295	84,514
Occupancy costs	31,409	37,742
Depreciation and amortization expense	13,232	12,187
Supplies and maintenance expense	13,069	15,282
Student expense	4,158	3,186
Contract services expense	2,516	2,801
Taxes and licensing expense	2,422	2,319
Other educational services and facilities expenses	10,717	(2,099)
<b>Total educational services and facilities expense</b>	<b>\$ 166,818</b>	<b>\$ 155,932</b>

Compensation and related costs increased \$4.8 million for the year ended September 30, 2021, as compared to the prior year:

- Salaries expense increased \$4.0 million primarily related to incremental headcount developing new learning products as we continue to invest in and develop our online curriculum and increases in instructor salaries and overtime as the prior year had reduced instructor headcount due to lower student counts and as a result of cost reduction actions taken during the COVID-19 pandemic.
- Bonus expense increased \$1.0 million. The increase was the result of actual achievement against management bonus plan metrics in the current year.

Occupancy costs decreased \$6.3 million during fiscal year 2021. The decrease was primarily attributable to cost reductions from closing our Norwood, Massachusetts campus, downsizing our Exton, Pennsylvania and Sacramento, California campuses, and purchasing our Avondale, Arizona campus in December 2020. Our future occupancy costs will increase due to the addition of the new Austin, Texas and Miramar, Florida campus locations. In order to have the campuses ready for the anticipated opening dates in fiscal 2022, we took possession of the Austin campus building in September 2021 and the Miramar campus in October 2021 to complete tenant improvements. Lease expense begins at the possession date. Additionally, future occupancy costs will be favorably impacted as we complete our campus consolidation plans for both MMI Phoenix, Arizona and MMI Orlando, Florida.

Depreciation and amortization expense increased \$1.0 million during the year ended September 30, 2021 primarily due to the purchase of the Avondale, Arizona campus during fiscal year 2021.

Supplies and maintenance expense decreased by \$2.2 million primarily due to \$5.7 million in laptops purchased for our students to support their transition to the new blended on-line learning model in fiscal 2020, while we only purchased \$2.6 million in laptops in the current year. In fiscal 2020, the laptops were one of the allowable costs qualifying for reimbursement from the institutional HEERF funds received which is reflected in the "Other educational services and facilities expense" line.

Student expense increased by \$1.0 million primarily due to a \$1.1 million increase in student housing expense.

Other educational services and facilities expense increased by \$12.8 million. The increase is primarily related to a credit of \$13.3 million for the reimbursement of allowable costs related to the changes in delivery of instruction due to the coronavirus during the year ended September 30, 2020, while the year ended September 30, 2021 includes a \$0.3 million credit for allowable costs. The allowable costs are included in the relevant line items above. See Note 22 of the notes to the Consolidated Financial Statements within Part II, Item 8 of this Annual Report on Form 10-K for further information on the HEERF funds.

#### **Selling, general and administrative expenses**

Our selling, general and administrative expenses for the year ended September 30, 2021 were \$153.3 million, representing an increase of \$4.6 million, or 3.1%, as compared to \$148.7 million for the year ended September 30, 2020.

The following table sets forth the significant components of our selling, general and administrative expenses (in thousands):

	<b>Year Ended September 30,</b>	
	<b>2021</b>	<b>2020</b>
Salaries expense	\$ 56,644	\$ 57,266
Employee benefits and tax	10,965	11,539
Bonus expense	14,671	11,116
Stock-based compensation	1,748	2,013
Compensation and related costs	<u>84,028</u>	<u>81,934</u>
Advertising expense	38,748	39,707
Other selling, general and administrative expenses	18,828	17,961
Contract services expense	5,509	4,307
Professional services expense	5,409	3,828
Depreciation and amortization expense	796	963
Total selling, general and administrative expenses	<u>\$ 153,318</u>	<u>\$ 148,700</u>

Compensation and related costs increased by \$2.1 million for the year ended September 30, 2021, as compared to the prior year:

- Bonus expense increased by \$3.6 million. The increase was the result of higher student counts and related admissions representative graduation incentives, and actual achievement against management bonus plan metrics in the current year.
- Salaries expense decreased by \$0.6 million, primarily due to a decrease in admission representative salaries of \$1.0 million, which was partially offset by a \$0.4 million increase in salaries to support our growth strategy.
- Employee benefits and tax decreased by \$0.6 million, primarily due to a decrease in medical claims.

Advertising expense decreased by \$1.0 million for the year ended September 30, 2021, as compared to the prior year. The decrease was attributable to targeted cost-efficient marketing efforts, with a shift away from television advertising toward



digital media. Advertising expense as a percentage of revenues decreased to 11.6% for the year ended September 30, 2021 as compared to 13.2% in the prior year.

Other selling, general and administrative expenses increased by \$0.9 million for the year ended September 30, 2021, as compared to the prior year, primarily due to increases of \$0.8 million in software costs and \$0.4 million in charitable contributions, which were partially offset by a decrease of \$0.8 million in occupancy costs primarily due to relocating our headquarters to a more cost-effective location. Other selling, general and administrative expenses includes a \$0.6 million credit for the reimbursement of allowable costs related to the changes in the delivery of instruction due to the coronavirus, while the prior year included a \$1.8 million credit for allowable costs. The allowable costs are included in the relevant line items above. See Note 22 of the notes to the Consolidated Financial Statements within Part II, Item 8 of this Annual Report on Form 10-K for further information on the HEERF funds.

Contract services expense increased by \$1.2 million and professional services increased by \$1.6 million for the year ended September 30, 2021. The increases were primarily due to costs incurred related to our growth and diversification initiatives, including the acquisition of MIAT which closed in November 2021.

#### ***Other income, net***

Other income for the year ended September 30, 2021 was \$0.2 million, a decrease of \$1.0 million as compared to other income of \$1.3 million for the year ended September 30, 2020. The \$0.2 million of other income in fiscal 2021 was comprised primarily of \$0.4 million of gains on our non-qualified deferred compensation plan due to investment performance which was partially offset by \$0.3 million of interest expense on our Term Loan (as defined below). Fiscal 2020 other income was primarily attributable to interest income on held-to-maturity securities.

#### ***Income taxes***

Our income tax expense for the year ended September 30, 2021 was \$0.6 million, or (4.0)% of pre-tax income, compared to an income tax benefit of \$10.6 million, or (408.7)% of pre-tax loss, for the year ended September 30, 2020. The effective income tax rate in each period differed from the federal statutory tax rate of 21% primarily as a result of changes in the valuation allowance and state taxes. Our income tax expense/benefit was impacted by a decrease in the valuation allowance of \$3.2 million and \$6.1 million during the years ended September 30, 2021 and 2020, respectively. The significant decrease in the valuation allowance for the year ended September 30, 2020, and the related income tax benefit, was primarily attributable to the carryback of NOLs under the provisions of the CARES Act and the adoption of ASC 842 as of October 1, 2019. We will maintain a valuation allowance on our deferred tax assets until sufficient positive evidence exists to support its reversal. See Note 14 of the notes to our Consolidated Financial Statements within Part II, Item 8 of this Annual Report on Form 10-K for further discussion.

#### ***Preferred stock dividends***

On June 24, 2016, we sold 700,000 shares of Series A Preferred Stock for \$70.0 million in cash, less \$1.2 million in issuance costs. Pursuant to the terms of the certificate of designation defining the rights, preferences, and privileges of the Series A Preferred Stock, we paid preferred stock cash dividends totaling \$5.3 million during the years ended September 30, 2021 and 2020, respectively. See Note 16 of the notes to our Consolidated Financial Statements within Part II, Item 8 of this Annual Report on Form 10-K for further discussion of the preferred stock.

#### ***Income available for distribution***

Income available for distribution refers to net income reduced by dividends on our Series A Preferred Stock. As a result of the foregoing, we reported income available for distribution for the years ended September 30, 2021 and 2020 of \$9.3 million and \$2.7 million, respectively.

***For a discussion of the financial results of operations for the year ended September 30, 2020 compared to the year ended September 30 2019, refer to Part II, Item 7 of our [2020 Form 10-K](#) filed with the SEC on December 3, 2020 which discussion is incorporated herein by reference and which is available free of charge on the SEC's website at [www.sec.gov](http://www.sec.gov).***

## Non-GAAP Financial Measures

Our earnings before interest, tax, depreciation and amortization (“EBITDA”) for the years ended September 30, 2021, 2020 and 2019 were \$29.5 million, \$9.4 million and \$11.4 million, respectively. We define EBITDA as net income (loss) for the year, before interest (income) expense, income tax (benefit) expense, and depreciation and amortization.

EBITDA is a non-GAAP financial measure which is provided to supplement, but not substitute for, the most directly comparable GAAP measure. We choose to disclose this non-GAAP financial measure because it provides an additional analytical tool to clarify our results from operations and helps to identify underlying trends. Additionally, this measure helps compare our performance on a consistent basis across time periods. Management also utilizes EBITDA as an internal performance measure. To obtain a complete understanding of our performance, this measure should be examined in connection with net income (loss) determined in accordance with GAAP. Since the items excluded from this measure are significant components in understanding and assessing financial performance under GAAP, this measure should not be considered to be an alternative to net income (loss) or any other measures derived in accordance with GAAP as a measure of our operating performance or profitability. Exclusion of items in our non-GAAP presentation should not be construed as an inference that these items are unusual, infrequent or non-recurring. Other companies, including other companies in the education industry, may calculate EBITDA differently than we do, limiting its usefulness as a comparative measure across companies. Investors are encouraged to use GAAP measures when evaluating our financial performance.

EBITDA reconciles to net income (loss) as follows (in thousands):

	Year Ended September 30,		
	2021	2020	2019
Net income (loss)	\$ 14,581	\$ 8,008	\$ (7,868)
Interest expense (income), net	282	(1,142)	1,729
Income tax expense (benefit)	602	(10,602)	203
Depreciation and amortization <sup>(1)</sup>	14,028	13,150	17,291
EBITDA	\$ 29,493	\$ 9,414	\$ 11,355

(1) Includes depreciation of training equipment obtained in exchange for services of \$1.2 million, \$1.3 million and \$1.4 million for the years ended September 30, 2021, 2020 and 2019, respectively.

## Liquidity and Capital Resources

Based on past performance and current expectations, we believe that our cash flows from operations, cash on hand and investments will satisfy our working capital needs, capital expenditures, commitments and other liquidity requirements associated with our existing operations, as well as announced growth and diversification initiatives through at least the next fiscal year. Our cash position is available to fund strategic long-term growth initiatives, including opening additional campuses in new markets and the creation and expansion of new programs, such as welding, in existing markets and campus facilities.

Our aggregate cash and cash equivalents were \$133.7 million as of September 30, 2021, an increase of \$56.9 million from September 30, 2020. There were no held-to-maturity investments as of September 30, 2021. We had short-term held-to-maturity investments of \$38.1 million as of September 30, 2020. We had \$30.9 million of long-term debt outstanding as of September 30, 2021 and no long-term debt outstanding as of September 30, 2020.

We believe that additional strategic uses of our cash resources may include consideration of strategic acquisitions, the repurchase of common stock, purchase of real estate assets, and subsidizing funding alternatives for our students, among others. To the extent that potential acquisitions are large enough to require financing beyond cash from operations, cash and cash equivalents, and short-term investments, or we need capital to fund operations, new campus openings or expansion of programs at existing campuses, we may enter into additional credit facilities, issue debt or issue additional equity.

As previously noted, we purchased our Avondale, Arizona campus at the end of December 2020, for approximately \$45.2 million, including closing costs and other fees. Due to the timing of the close for the Avondale property, we used available operating cash for the purchase. On May 12, 2021, we entered into a credit agreement to refinance the Avondale property through a \$31.2 million term loan that bears interest at the rate of LIBOR plus 2.0% over the seven year term (the “Term Loan”). In connection with the Term Loan, we entered into an interest rate swap agreement with the lender that effectively

fixes the interest rate on 50% of the principal amount of the term loan at 3.5% for the entire loan term. The Term Loan is secured by a first priority lien on our Avondale, Arizona property, including all land and improvements. See Note 12 of the notes to the consolidated financial statements herein for additional details on the Term Loan.

Additionally, on March 29, 2021, we entered into a definitive agreement to acquire MIAT from HCP & Company for a purchase price not to exceed \$26.0 million in cash, subject to closing working capital adjustments. On November 1, 2021, following the satisfaction of all closing conditions, we closed the acquisition using cash on hand to pay the \$26.0 million consideration contemplated under the definitive agreement.

We currently do not pay a cash dividend on our common stock. We paid preferred stock cash dividends of \$5.3 million during the years ended September 30, 2021, 2020, and 2019, respectively.

Our principal source of liquidity is operating cash flows and existing cash and cash equivalents. A majority of our revenues are derived from Title IV Programs and various veterans benefits programs. Federal regulations dictate the timing of disbursements of funds under Title IV Programs. Students must apply for new funding for each academic year consisting of 30-week periods. Loan funds are generally provided in two disbursements for each academic year. The first disbursement for first-time borrowers is usually received 30 days after the start of a student's academic year, and the second disbursement is typically received at the beginning of the 16th week from the start of the student's academic year. Under our proprietary loan program, we bear all credit and collection risk and students are not required to begin repayment until six months after the student completes or withdraws from his or her program. These factors, together with the timing of when our students begin their programs, affect our operating cash flow.

### **Operating Activities**

Our net cash provided by operating activities was \$55.2 million and \$11.0 million for the years ended September 30, 2021 and 2020, respectively.

Net income, after adjustments for non-cash items, provided cash of \$47.7 million for the year ended September 30, 2021. The non-cash items included \$15.6 million for amortization of right-of-use assets for operating leases, \$14.0 million for depreciation and amortization expense, \$1.7 million for stock based compensation expense and \$1.7 million for bad debt expense.

Changes in operating assets and liabilities for the year ended September 30, 2021 provided cash of \$7.4 million primarily due to the following:

- The increase in deferred revenue provided cash of \$17.0 million and was primarily attributable to the timing of student starts, the number of students in school and where they were at period end in relation to completion of their program at September 30, 2021 as compared to September 30, 2020.
- The decrease in receivables provided cash of \$8.5 million and was primarily due to the timing of Title IV disbursements and other cash receipts on behalf of our students.
- The decrease in the income taxes receivable provided cash of \$7.1 million and was primarily attributable to receipt of the remaining income tax refund originally recorded in fiscal 2020 as a result of the CARES Act which allowed us to carryback NOLs from previous years.
- Changes in our operating lease liability as a result of rent payments used cash of \$20.5 million.
- The increase in prepaid expense and other current liabilities used cash of \$4.4 million primarily related to prepaid insurance as of September 30, 2021.

Net income, after adjustments for non-cash items, for the year ended September 30, 2020 provided cash of \$48.8 million. The non-cash items included \$24.3 million for amortization of right-of-use assets for operating leases, \$11.8 million for depreciation and amortization expense, \$2.1 million for stock-based compensation expense, and \$1.8 million for bad debt expense.

Changes in operating assets and liabilities for the year ended September 30, 2020 used cash of \$37.7 million primarily due to the following:

- Changes in our operating lease liability as a result of rent payments used cash of \$25.6 million.

- The increase in receivables used cash of \$13.7 million and was primarily attributable to the timing of Title IV disbursements and other cash receipts on behalf of our students. Due to the COVID-19 pandemic, more students took a leave of absence in fiscal 2020 and our campuses suspended operations for a period of time during the second quarter. The COVID-19 pandemic has impacted the pace in which students progress through their programs.
- The increase in the income taxes receivable used cash of \$7.0 million and was primarily attributable to the CARES Act, which allowed us to carryback NOLs from fiscal 2019 and fiscal 2018 and record an \$11.3 million income tax refund. Of the \$11.3 million income refund recorded, \$4.2 million was received during fiscal 2020.
- The increase in deferred revenue used cash of \$2.2 million and was primarily attributable to the timing of student starts, the number of students in school and where they were at period end in relations to completion of their program at September 30, 2020 as compared to September 30, 2019. We had deferred revenue of \$6.1 million as of September 30, 2020 due to students retaking courses that were previously completed and the additional time needed to complete in-person catch-up labs that were unable to be completed during the time the campuses were closed due to the COVID-19 pandemic.
- The increase in accounts payable and accrued expenses provided cash of \$7.0 million primarily related to the timing of payments to vendors and bonus accruals.

#### ***Investing Activities***

For the year ended September 30, 2021, net cash used in investing activities was \$23.0 million. The cash outflow was primarily related to the purchase of property and equipment of \$61.6 million, of which \$45.2 million related to the purchase of the building at our Avondale, Arizona campus location, while the remaining amount represented capital expenditures for the Lisle, Illinois and Bloomfield, New Jersey welding program expansions, the Orlando, Florida and Sacramento, California consolidations, and other campus investments. The purchase of property and equipment was partially offset by proceeds from maturities of held-to-maturity securities of \$37.7 million.

For the year ended September 30, 2020, net cash used in investing activities was \$45.8 million. The cash outflow was primarily related to the net purchase of \$38.4 million in held-to-maturity investments with a portion of the proceeds received from a public offering of our common stock in February 2020. Net cash used in investing activities was also impacted by purchases of property and equipment of \$9.3 million which includes capital expenditures for the Houston, Texas and Long Beach, California welding program expansions.

#### ***Financing Activities***

For the year ended September 30, 2021, net cash provided by financing activities was \$24.8 million which was primarily the result of the \$31.2 million in proceeds received from the financing of the Avondale, Arizona property in May 2021. This was partially offset by our semi-annual payments of preferred stock dividends of \$5.3 million.

For the year ended September 30, 2020, net cash provided by financing activities was \$43.1 million and related primarily to the \$49.2 million of net proceeds received from a public offering of our common stock in February 2020, partially offset by our semi-annual payments of preferred stock dividends of \$5.3 million.

*For a discussion of our liquidity for the year ended September 30 2019, refer to Part II, Item 7 of our [2020 Form 10-K](#) filed with the SEC on December 3, 2020 which discussion is incorporated herein by reference and which is available free of charge on the SEC's website at [www.sec.gov](http://www.sec.gov).*

#### ***Share Repurchase Program***

On December 10, 2020, our Board of Directors authorized a new share repurchase plan that would allow for the repurchase of up to \$35.0 million of our common stock in the open market or through privately negotiated transactions. This new share repurchase plan replaced the previously authorized plan from fiscal 2012. Any repurchases under this new stock repurchase program require the approval of a majority of the voting power of our Series A Preferred Stock. We did not repurchase any shares during the year ended September 30, 2021.

## Off-Balance Sheet Arrangements

Each of our campuses must be authorized by the applicable state education agency in which the campus is located to operate and to grant certificates, diplomas or degrees to its students. Our campuses are subject to extensive, ongoing regulation by each of these states. Additionally, our campuses are required to be authorized by the applicable state education agencies of certain other states in which our campuses recruit students. Our insurers issue surety bonds for us on behalf of our campuses and admissions representatives with multiple states to maintain authorization to conduct our business. We are obligated to reimburse our insurers for any surety bonds that are paid by the insurers. As of September 30, 2021, the total face amount of these surety bonds was approximately \$15.3 million.

## Related Party Transactions

Information concerning certain related party transactions is included in Note 10 of the notes to our Consolidated Financial Statements within Part II, Item 8 of this Annual Report on Form 10-K.

For a description of additional information regarding related party transactions, see the information included in our proxy statement for the 2022 Annual Meeting of Stockholders under the heading "Certain Relationships and Related Transactions."

## Seasonality

Our operating results normally fluctuate as a result of seasonal variations in our business, principally due to changes in total student population and costs associated with opening or expanding our campuses. Our student population varies as a result of new student enrollments, graduations and student attrition. Historically, we have had lower student populations in our third quarter than in the remainder of our year because fewer students are enrolled during the summer months. Additionally, we have had higher student populations in our fourth quarter than in the remainder of the year because more students enroll during this period. Our expenses, however, do not vary significantly with changes in student population and revenues and, as a result, such expenses do not fluctuate significantly on a quarterly basis. We expect quarterly fluctuations in operating results to continue as a result of seasonal enrollment patterns. Such patterns may change, however, as a result of new school openings, new program introductions, increased enrollments of adult students or acquisitions. Furthermore, our revenues for the first quarter ending December 31 are impacted by the closure of our campuses for a week in December for a holiday break and during which we do not earn revenue.

(Dollars shown in thousands)

	Revenues					
	Year Ended September 30,					
	2021		2020		2019	
	Amount	Percent	Amount	Percent	Amount	Percent
Three Month Period Ending:						
December 31	\$ 76,125	22.7 %	\$ 87,234	29.0 %	\$ 83,050	25.1 %
March 31	77,709	23.2 %	82,717	27.5 %	81,746	24.7 %
June 30	83,768	25.0 %	54,483	18.1 %	79,042	23.8 %
September 30	97,481	29.1 %	76,327	25.4 %	87,666	26.4 %
Fiscal year	\$ 335,083	100.0 %	\$ 300,761	100.0 %	\$ 331,504	100.0 %

The increase in revenues from December 31, 2020 to September 30, 2021 was primarily related to student growth and the rebound in full-time active students during fiscal 2021 as the COVID-19 pandemic became more contained and vaccines became available. Our revenue recognized for active students improved in fiscal 2021 versus fiscal 2020, but was still impacted by COVID-19, with lower average revenue per student versus pre-COVID levels driven by the pace in which students were progressing through their programs and by students retaking courses previously completed or attempted.

The decline in revenues from December 31, 2019 to June 30, 2020 was primarily due to the impact of the COVID-19 pandemic as a higher number of students went on leave of absence. Additionally, timing of revenue recognition for active students was impacted by additional time needed to complete in-person catch-up labs that were unable to be completed during the time the campuses were closed and by students retaking courses that were previously completed. The increase in revenue for the three months ended September 30, 2020 was primarily due to our successful transition of our on-campus, in-person education model to a blended training model that combines instructor-facilitated online teaching and demonstrations

with hands-on labs. During the year ended September 30, 2020, the COVID-19 pandemic impacted our financials throughout each of the three months ended March 31, 2020, June 30, 2020, and September 30, 2020, and therefore are not comparative for seasonality effects.

(Dollars shown in thousands)		Income (Loss) from Operations					
		Year Ended September 30,					
		2021		2020		2019	
Three Month Period Ending:	Amount	Percent	Amount	Percent	Amount	Percent	
December 31	\$ 775	5.2 %	\$ 4,254	(109.9) %	\$ (7,205)	92.4 %	
March 31	(1,661)	(11.1) %	(499)	12.9 %	(5,580)	71.5 %	
June 30	3,052	20.4 %	(13,779)	356.0 %	(455)	5.8 %	
September 30	12,781	85.5 %	6,153	(159.0) %	5,438	(69.7) %	
Fiscal year	\$ 14,947	100.0 %	\$ (3,871)	100.0 %	\$ (7,802)	100.0 %	

The increase in income from operations from December 31, 2020 to September 30, 2021 was primarily due to increased revenue as well as continued execution of cost control measures.

During the year ended September 30, 2020, the COVID-19 pandemic impacted our financials throughout each of the three months ended March 31, 2020, June 30, 2020 and September 30, 2020, and therefore, are not comparative for seasonality effects. Management's continued cost control efforts contributed to the improvement in income (loss) from operations for the each of the three months ended March 31, 2019, June 30, 2019 and September 30, 2019, as compared to the same periods in fiscal 2018.

#### Effect of Inflation

To date, inflation has not had a significant effect on our operations.

#### Critical Accounting Estimates

Our discussion of our financial condition and results of operations is based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States, or GAAP. During the preparation of these financial statements, we are required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates and assumptions, including those related to revenue recognition, our proprietary loan program, allowance for uncollectible accounts, goodwill recoverability, self-insurance claim liabilities, income taxes and contingencies. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances. The results of our analysis form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions, and the impact of such differences may be material to our consolidated financial statements.

Our significant accounting policies are discussed in Note 2 of the notes to our Consolidated Financial Statements within Part II, Item 8 of this Annual Report on Form 10-K. We believe that the following accounting estimates are the most critical to aid in fully understanding and evaluating our reported financial results, and they require management's most subjective and complex judgments in estimating the effect of inherent uncertainties.

#### Revenue recognition

Revenues consist primarily of student tuition and fees derived from the programs we provide after reductions are made for discounts and scholarships that we sponsor and for refunds for students who withdraw from our programs prior to specified dates. We apply the five-step model outlined in Accounting Standards Codification Topic 606, *Revenue from Contracts from Customers* ("ASC 606"). Tuition and fee revenue is recognized ratably over the term of the course or program offered. Approximately 99% of our revenues for each of the years ended September 30, 2021, 2020 and 2019, respectively, consisted

of gross tuition. The majority of our core programs are designed to be completed in 36 to 90 weeks, and our advanced training programs range from 12 to 23 weeks in duration. We supplement our revenues with sales of textbooks and program supplies and other revenues, which are recognized as the transfer of goods or services occurs. Deferred revenue represents the excess of tuition and fee payments received as compared to tuition and fees earned and is reflected as a current liability in our consolidated balance sheets because it is expected to be earned within the next 12 months.

For most of our programs, we have transitioned our on-campus, in-person education model to a blended training model that combines instructor-facilitated online teaching and demonstrations with hands-on labs. We continue to recognize revenue ratably over the term of the course or program offered. All of our campuses were fully operational during fiscal 2021, and as of September 30, 2021, all students were attending in person for labs at our campuses with less than 1% of students with catch-up lab work outstanding. As a result, there was no deferred revenue related to the impact of COVID-19 as of September 30, 2021, while we had \$6.1 million of deferred revenue as of September 30, 2020.

#### *Other*

We provide dealer technician training or instructor staffing services to manufacturers. Revenues are recognized as transfer of the services occurs.

#### *Proprietary Loan Program*

In order to provide funding for students who are not able to fully finance the cost of their education under traditional governmental financial aid programs, commercial loan programs or other alternative sources, we established a private loan program with a bank. Through our proprietary loan program, we, in substance, provide the students who participate in this program with extended payment terms for a portion of their tuition. Based on historical collection rates, we can demonstrate that a portion of these loans are collectible. Accordingly, we recognize tuition and loan origination fees financed by the loan and any related interest revenue under the effective interest method required under the loan based on this collection rate.

Under the terms of the proprietary loan program, the bank originates loans for our students who meet our specific credit criteria with the related proceeds used exclusively to fund a portion of their tuition. We then purchase all such loans from the bank at least monthly and assume all of the related credit risk. The loans bear interest at market rates ranging from approximately 7% to 10%; however, principal and interest payments are not required until six months after the student completes or withdraws from his or her program. After the deferral period, monthly principal and interest payments are required over the related term of the loan. The repayment term is up to 10 years.

Under ASC 606, the portion of tuition revenue related to the proprietary loan program is considered a form of variable consideration. We estimate the amount we ultimately expect to collect from the portion of tuition that is funded by the proprietary loan program, resulting in a note receivable. Estimating the collection rate requires significant management judgment. Upon adoption of ASU 2016-13, *Financial Instruments-Credit Losses: Measurement of Credit Losses on Financial Instruments (Topic 326)* as of October 1, 2020, we revised our estimated collection rate to only include historical collections from the past ten years as we determined that such population better represents our current expected collections and aligns with the typical term of the loan. The estimated amount is determined at the inception of the contract and we recognize the related revenue as the student progresses through school. Each reporting period, we update our assessment of the variable consideration associated with the proprietary loan program.

#### *Allowance for uncollectible accounts*

We maintain an allowance for uncollectible accounts for estimated losses resulting from the inability, failure or refusal of our students to make required payments. We offer a variety of payment plans to help students pay that portion of their education expenses not covered by financial aid programs or alternate fund sources, which are unsecured and not guaranteed.

We use estimates that are subjective and require judgment in determining the allowance for doubtful accounts, which are principally based on accounts receivable, historical percentages of uncollectible accounts, customer credit worthiness and changes in payment history when evaluating the adequacy of the allowance for uncollectible accounts. We also monitor and consider external factors such as changes in the economic and regulatory environment. We use an internal group of collectors, augmented by third party collectors as deemed appropriate, in our collection efforts. When a student with Title IV loans withdraws, Title IV rules determine if we are required to return a portion of Title IV funds to the lender. We are then

entitled to collect these funds from the students, but collection rates for these types of receivables is significantly lower than our collection rates for receivables for students who remain in our programs.

Although we believe that our allowance is adequate, if we underestimate the allowances required, additional allowances may be necessary, which would result in increased selling, general and administrative expenses in the period such determination is made.

### **Goodwill**

Goodwill represents the excess of the cost of an acquired business over the estimated fair values of the assets acquired and liabilities assumed. Goodwill is reviewed at least annually for impairment, which might result from the deterioration in the operating performance of the acquired business, adverse market conditions, adverse changes in the applicable laws or regulations and a variety of other circumstances. Any resulting impairment charge would be recognized as an expense in the period in which impairment is identified.

We perform our annual goodwill impairment assessment during the fourth quarter of each fiscal year. In performing our impairment tests, we first consider the option to assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit or intangible, as applicable, is less than its carrying amount. If we conclude that it is more likely than not that the fair value is less than the carrying amount based on our qualitative assessment, or that a qualitative assessment should not be performed, we proceed with the quantitative impairment tests to compare the estimated fair value of the reporting unit to the carrying value of its net assets.

The process of evaluating goodwill and indefinite-lived intangibles for impairment is subjective and requires significant judgment at many points during the analysis. If we elect to perform an optional qualitative analysis, we consider many factors including, but not limited to, general economic conditions, industry and market conditions, our market capitalization, financial performance and key business drivers, long-term operating plans and potential changes to significant assumptions used in the most recent fair value analysis for the reporting unit.

When performing a quantitative goodwill impairment test, we generally determine the fair value of reporting units using an income-based approach consisting of a discounted cash flow valuation method. The fair value determination consists primarily of using unobservable inputs under the fair value measurement standards, and we believe our related assumptions are consistent with a reasonable market participant view while employing the concept of highest and best use of the asset.

We believe the most critical assumptions and estimates in determining the estimated fair value of our reporting units include, but are not limited to, future tuition revenues, operating costs, working capital changes, capital expenditures and a discount rate. The assumptions used in determining our expected future cash flows consider various factors such as historical operating trends particularly in student enrollment and pricing and long-term operating strategies and initiatives.

### **2021 Impairment Testing**

Our total recorded goodwill was \$8.2 million as of September 30, 2021 which resulted primarily from the acquisition of our motorcycle and marine education business in 1998 in Orlando, Florida. We completed our 2021 annual goodwill impairment tests and determined that it was more likely than not that the fair value of the reporting units exceeded the carrying value and concluded that goodwill was not impaired. As a result, we did not perform the quantitative goodwill impairment evaluation.

### **Income taxes**

We are subject to the income tax laws of the United States, which are complex and subject to different interpretations by the taxpayer and the relevant governmental taxing authorities. As a result, significant judgments and interpretations are required in determining our provision for income taxes.

Each reporting period, we estimate the likelihood that we will be able to recover our deferred tax assets, which represent timing differences in the recognition of revenue and certain tax deductions for accounting and tax purposes. The realization of deferred tax assets is dependent, in part, upon future taxable income. In assessing the need for a valuation allowance, we consider all available evidence, including our historical profitability and projections of future taxable income. If, based on the weight of available evidence, it is more likely than not the deferred tax assets will not be realized, we record a valuation allowance. Such valuation allowance is maintained on our deferred tax assets until sufficient positive evidence exists to



support its reversal in future periods. The weight given to the positive and negative evidence is commensurate with the extent to which the evidence may be objectively verified. Significant judgment is required to determine if, and the extent to which, valuation allowances should be recorded against deferred tax assets. Changes in the valuation allowance are included in our statement of operations as a charge or credit to income tax benefit (expense).

As a result of our assessment, income tax benefit (expense) within our statements of operations was impacted by decreases of \$3.2 million and \$6.1 million in the valuation allowance during the years ended September 30, 2021 and 2020, respectively. The amount of the deferred tax assets considered realizable, however, could be adjusted in future periods if estimates of future taxable income during the carryforward period are increased and if additional weight may be given to subjective evidence such as our projections for growth. We will continue to evaluate our valuation allowance in future periods for any change in circumstances that causes a change in judgment about the realizability of the deferred tax assets.

Although we believe that our estimates are reasonable, changes in tax laws or our interpretation of tax laws, and the outcome of future tax audits could significantly impact the amounts provided for income taxes in our consolidated financial statements. Additionally, actual operating results and the underlying amount and category of income in future years could render our current assessment of recoverable deferred tax assets inaccurate.

### **Contingencies**

In the ordinary conduct of our business, we are subject to occasional lawsuits, investigations and claims, including, but not limited to, claims involving students and graduates and routine employment matters. When we are aware of a claim or potential claim, we assess the likelihood of any loss or exposure. If it is probable that a loss will result and the amount of the loss can be reasonably estimated, we record a liability for the loss. If the loss is not probable or the amount of the loss cannot be reasonably estimated, we disclose the nature of the specific claim if the likelihood of a potential loss is reasonably possible and the amount involved is material. Generally, we expense legal fees as incurred. There can be no assurance that the ultimate outcome of any of the lawsuits, investigations or claims pending against us will not have a material adverse effect on our financial condition or results of operations.

### **Recent Accounting Pronouncements**

Information concerning recently issued accounting pronouncements which are not yet effective is included in Note 3 of the notes to our Consolidated Financial Statements within Part II, Item 8 of this Annual Report on Form 10-K. As indicated in Note 3, we are still evaluating the impact of the recently issued accounting pronouncements on our financial statements.

### **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Our principal exposure to market risk relates to changes in interest rates.

We invest our cash and cash equivalents in money market funds and short-term corporate and municipal bonds. As of September 30, 2021, we held \$133.7 million in cash and cash equivalents. During the fiscal year ended September 30, 2021, we earned interest income of \$0.1 million. As we have a restrictive investment policy, our financial exposure to fluctuations in interest rates related to our interest income is expected to remain low. We do not believe that the value or liquidity of our cash and cash equivalents and investments have been significantly impacted by current market events.

On May 12, 2021, we entered into a credit agreement to finance the Avondale property through a \$31.2 million term loan that bears interest at the rate of LIBOR plus 2.0% with a maturity of seven years. As of September 30, 2021, the fair value of our long-term debt was \$31.0 million and bears interest on the outstanding principal amount at a rate equal to the LIBOR plus 2.0%, which was 2.08% as of September 30, 2021. We believe the carrying value of the debt approximates fair value as the interest rate is a floating rate equal to the LIBOR plus 2.0%, which is representative of market rates for similar instruments. It is anticipated that the fair market value of our debt will continue to be immaterially affected by fluctuations in interest rates and we do not believe that the value of our debt has been significantly impacted by current market events. The variable rate of interest on our long-term debt can expose us to interest rate volatility due to changes in LIBOR. To mitigate this exposure, on May 12, 2021, we entered into an interest rate swap agreement that effectively fixes the interest rate on 50% of the principal amount of the term loan at 3.5% for the entire loan term.

During the fiscal year ended September 30, 2021, we recorded interest expense of \$0.4 million on our outstanding debt. Assuming all terms of our outstanding long-term debt remained the same, a hypothetical 1.0% change (up or down) in the

one-month LIBOR would result in a \$0.1 million change to our annual interest expense for the portion of the long-term debt not hedged by the interest rate swap agreement.

#### ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following financial statements of the Company and its subsidiaries are included below on pages F-2 to F-46 of this report:

	Page Number
<a href="#">Management's Report on Internal Control Over Financial Reporting</a>	<a href="#">F- 2</a>
<a href="#">Reports of Independent Registered Public Accounting Firm</a>	<a href="#">F- 3</a>
<a href="#">Consolidated Balance Sheets as of September 30, 2021 and 2020</a>	<a href="#">F- 6</a>
<a href="#">Consolidated Statements of Operations for the years ended September 30, 2021, 2020 and 2019</a>	<a href="#">F- 7</a>
<a href="#">Consolidated Statements of Other Comprehensive Income (Loss) for the years ended September 30, 2021, 2020 and 2019</a>	<a href="#">F- 8</a>
<a href="#">Consolidated Statements of Shareholders' Equity for the years ended September 30, 2021, 2020 and 2019</a>	<a href="#">F- 9</a>
<a href="#">Consolidated Statements of Cash Flows for the years ended September 30, 2021, 2020 and 2019</a>	<a href="#">F- 10</a>
<a href="#">Notes to Consolidated Financial Statements</a>	<a href="#">F- 12</a>

#### ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

#### ITEM 9A. CONTROLS AND PROCEDURES

##### Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of September 30, 2021, pursuant to Exchange Act Rule 13a-15. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that our disclosure controls and procedures as of September 30, 2021 were effective in ensuring that (i) information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and (ii) information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

##### Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Exchange Act Rules 13a-15(d) or 15d-15(d) that occurred during the quarter ended September 30, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

##### Report of Management on Internal Control Over Financial Reporting and Attestation Report of Independent Registered Public Accounting Firm

Management's Report on Internal Control Over Financial Reporting and the attestation report of our Independent Registered Public Accounting Firm with respect to the effectiveness of our internal control over financial reporting are included on pages F-2 and F-3, respectively, of this Annual Report on Form 10-K.

**Limitations on Effectiveness of Controls and Procedures**

Our management, including our Chief Executive Officer and our Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls over financial reporting will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, misstatements, errors and instances of fraud, if any, within our company have been or will be prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls also can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks that internal controls may become inadequate as a result of changes in conditions, or through the deterioration of the degree of compliance with policies or procedures.

**Management's Certifications**

The Company has filed as exhibits to its Annual Report on Form 10-K for the year ended September 30, 2021, filed with the SEC, the certifications of the Chief Executive Officer and the Chief Financial Officer of the Company required by Section 302 of the Sarbanes-Oxley Act of 2002.

The Company has submitted to the NYSE the most recent Annual Chief Executive Officer Certification as required by Section 303A.12(a) of the NYSE Listed Company Manual.

**ITEM 9B. OTHER INFORMATION**

None.

### PART III

#### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Below is a list of our Executive Officers and Board of Directors as of the year ended September 30, 2021:

<b>Executive Officer</b>	<b>Position</b>
Jerome A. Grant	Chief Executive Officer
Troy R. Anderson	Executive Vice President and Chief Financial Officer
Sherrell E. Smith	Executive Vice President, Campus Operations & Services
Bart H. Fesperman	Senior Vice President, Chief Commercial Officer
Todd A. Hitchcock	Senior Vice President, Chief Strategy and Transformation Officer
Christopher E. Kevane	Senior Vice President, Chief Legal Officer
Sonia C. Mason	Senior Vice President, Chief Human Resources Officer
Eric A. Severson	Senior Vice President, Admissions
Lori B. Smith	Senior Vice President, Chief Information Officer

<b>Director</b>	<b>Position</b>
Robert T. DeVincenzi	Chairman of the Board, Universal Technical Institute, Inc.; Principal Partner, Lupine Venture Group
David A. Blaszkiewicz	President and Chief Executive Officer, Invest Detroit
George W. Brochick	Executive Vice President - Strategic Development, Penske Automotive Group, Inc.
Jerome A. Grant	Chief Executive Officer, Universal Technical Institute, Inc.
LTG (R) William J. Lennox	Former Superintendent of the United States Military Academy at West Point; Chief Executive Officer, Lennox Strategies, LLC
Kimberly J. McWaters	Former President and Chief Executive Officer, Universal Technical Institute, Inc.; President and CEO of Fresh Start Women's Foundation
Loretta L. Sanchez	Former U.S. Congresswoman; Chief Executive Officer, Datamatica, LLC
Christopher S. Shackelton	Managing Partner, Coliseum Capital Management, LLC
Linda J. Srere	Former President, Young and Rubicam Advertising
Kenneth R. Trammell	Former Executive Vice President and Chief Financial Officer, Tenneco Inc.

The information required by this Item is incorporated by reference from our Proxy Statement to be filed in connection with our 2022 Annual Meeting of Stockholders within 120 days after the end of fiscal year ended September 30, 2021.

#### ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference from our Proxy Statement to be filed in connection with our 2022 Annual Meeting of Stockholders within 120 days after the end of fiscal year ended September 30, 2021.

#### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item is incorporated by reference from our Proxy Statement to be filed in connection with our 2022 Annual Meeting of Stockholders within 120 days after the end of fiscal year ended September 30, 2021.

#### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item is incorporated by reference from our Proxy Statement to be filed in connection with our 2022 Annual Meeting of Stockholders within 120 days after the end of fiscal year ended September 30, 2021.

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information required by this Item is incorporated by reference from our Proxy Statement to be filed in connection with our 2022 Annual Meeting of Stockholders within 120 days after the end of fiscal year ended September 30, 2021.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as part of this Annual Report on Form 10-K:

- (1) The financial statements required to be included in this Annual Report on Form 10-K are included in Item 8 of this Report.
- (2) All other schedules have been omitted because they are not required, are not applicable, or the required information is shown on the financial statements or the notes thereto.
- (3) Exhibits:

Exhibit Number	Description
2.1#	<a href="#">Stock Purchase Agreement by and among HCP ED Holdings, LLC, HCP ED Holdings, Inc., Michigan Institute of Aeronautics, Inc. D/B/A MIAT College of Technology, and Universal Technical Institute, Inc. dated March 29, 2021. (Incorporated by reference to Exhibit 2.1 to the Registrant's Quarterly Report on Form 10-Q dated May 7, 2021.)</a>
3.1	<a href="#">Fifth Amended and Restated Certificate of Incorporation of Universal Technical Institute, Inc. dated February 26, 2021. (Incorporated by reference to Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q dated May 7, 2021.)</a>
3.2	<a href="#">Fourth Amended and Restated Bylaws of Universal Technical Institute, Inc., a Delaware Corporation (as amended on February 26, 2021). (Incorporated by reference to Exhibit 3.2 to the Quarterly Report on Form 10-Q dated May 7, 2021.)</a>
3.3	<a href="#">Certificate of Designation, Preferences and Rights of Series A Convertible Preferred Stock. (Incorporated by reference to Exhibit 3.1 to the Form 8-K filed by the Registrant on June 24, 2016.)</a>
3.4	<a href="#">Certificate of Designation, Preferences and Rights of Series E Junior Participating Preferred Stock. (Incorporated by reference to Exhibit 3.1 to the Form 8-K filed by the Registrant on June 30, 2016.)</a>
4.1	<a href="#">Specimen Certificate evidencing shares of common stock. (Incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form S-1 dated October 3, 2003, or an amendment thereto (No. 333-109430).)</a>
4.2	<a href="#">Registration Rights Agreement, dated December 16, 2003, between the Registrant and certain stockholders signatory thereto. (Incorporated by reference to Exhibit 4.2 to the Registrant's Registration Statement on Form S-1 dated October 3, 2003, or an amendment thereto (No. 333-109430).)</a>
4.3	<a href="#">Registration Rights Agreement dated June 24, 2016 by and between the Registrant and Coliseum Holdings I, LLC. (Incorporated by reference to Exhibit 4.1 to the Form 8-K filed by the Registrant on June 24, 2016.)</a>
4.4	<a href="#">Rights Agreement, dated as of June 29, 2016, by and between the Registrant and Computershare Inc., as Rights Agent. (Incorporated by reference to Exhibit 4.1 to the Form 8-K filed by the Registrant on June 30, 2016.)</a>
4.5	<a href="#">Amendment to Rights Agreement, dated as of February 21, 2017, by and between the Registrant and Computershare Inc., as Rights Agent. (Incorporated by reference to Exhibit 4.1 to the Form 8-K filed by the Registrant on February 21, 2017.)</a>
4.6+	<a href="#">Description of Securities.</a>
10.1*	<a href="#">Universal Technical Institute Executive Benefit Plan, effective March 1, 1997. (Incorporated by reference to Exhibit 10.2 to the Registrant's Registration Statement on Form S-1 dated October 3, 2003, or an amendment thereto (No. 333-109430).)</a>
10.2*	<a href="#">Management 2002 Option Program. (Incorporated by reference to Exhibit 10.5 to the Registrant's Registration Statement on Form S-1 dated October 3, 2003, or an amendment thereto (No. 333-109430).)</a>
10.3*	<a href="#">Universal Technical Institute, Inc. 2003 Incentive Compensation Plan (as amended March 1, 2017). (Formerly known as the 2003 Stock Incentive Plan). (Incorporated by reference to Exhibit 10.1 to the Form 8-K filed by the Registrant on March 3, 2017.)</a>

Exhibit Number	Description
10.4.1*	<a href="#">Form of Restricted Stock Unit Agreement. (Incorporated by reference to Exhibit 10.1 to the Form 8-K filed by the Registrant on September 11, 2013.)</a>
10.4.2*	<a href="#">Form of Restricted Stock Unit Agreement. (Incorporated by reference to Exhibit 10.1 to the Form 8-K filed by the Registrant on September 10, 2014.)</a>
10.4.3*	<a href="#">Form of Performance Unit Award Agreement. (Incorporated by reference to Exhibit 10.4.3 to the Annual Report on Form 10-K filed by the Registrant on December 1, 2017.)</a>
10.4.4*	<a href="#">Form of Performance Unit Award Agreement. (Incorporated by reference to Exhibit 10.4.4 to the Annual Report on Form 10-K filed by the Registrant on December 1, 2017.)</a>
10.4.5*	<a href="#">Form of Performance Cash Award Agreement. (Incorporated by reference to Exhibit 10.4.5 to the Annual Report on Form 10-K filed by the Registrant on December 1, 2017.)</a>
10.4.6*	<a href="#">Form of Performance Cash Award Agreement. (Incorporated by reference to Exhibit 10.4.6 to the Annual Report on Form 10-K filed by the Registrant on December 1, 2017.)</a>
10.5	<a href="#">Lease Agreement, dated July 2, 2001, as amended February 27, 2015, between Delegates LLC, as landlord, and The Clinton Harley Corporation, as tenant, (Incorporated by reference to Exhibit 10.14 to the Registrant's Registration Statement on Form S-1 dated October 3, 2003, or an amendment thereto (No. 333-109430), and Exhibit 10.1 to the Form 10-Q filed by the Registrant on May 1, 2015.)</a>
10.6	<a href="#">Form of Indemnification Agreement by and between the Registrant and its directors and officers. (Incorporated by reference to Exhibit 10.7 to the Form 8-K filed by the Registrant on August 6, 2014.)</a>
10.7*	<a href="#">Deferred Compensation Plan. (Incorporated by reference to Exhibit 10.1 to the Form 8-K filed by the Registrant on April 6, 2010.)</a>
10.8*	<a href="#">Employment Agreement, dated April 8, 2014, between the Registrant and Kimberly J. McWaters. (Incorporated by reference to Exhibit 10.1 to a Form 8-K filed by the Registrant on April 11, 2014.)</a>
10.11.1*	<a href="#">Offer Letter, dated as of August 2, 2012, between the Registrant and Sherrell E. Smith. (Incorporated by reference to Exhibit 10.1 to the Form 8-K filed by the Registrant on August 21, 2012.)</a>
10.11.2*	<a href="#">Addendum Letter, dated as of August 7, 2012, between the Registrant and Sherrell E. Smith. (Incorporated by reference to Exhibit 10.2 to the Form 8-K filed by the Registrant on August 21, 2012.)</a>
10.13*	<a href="#">Form of Retention/Recognition Bonus Agreement. (Incorporated by reference to Exhibit 10.1 to the Form 8-K filed by the Registrant on June 13, 2011.)</a>
10.14*	<a href="#">Universal Technical Institute, Inc. Severance Plan, as amended October 1, 2019. (Incorporated by reference to Exhibit 10.1 to the Form 8-K filed by the Registrant on September 24, 2019.)</a>
10.15	<a href="#">Securities Purchase Agreement dated June 24, 2016, between the Registrant and Coliseum Holdings I, LLC. (Incorporated by reference to Exhibit 10.1 to the Form 8-K filed by the Registrant on June 24, 2016.)</a>
10.16*	<a href="#">Retirement Agreement and Release of Claims, dated as of October 31, 2019, by and between the Registrant and Kimberly J. McWaters, as amended. (Incorporated by reference to Exhibit 10.16 to the Form 10-K filed by the Registrant on December 6, 2019.)</a>
10.17*	<a href="#">Employment Agreement, dated November 1, 2019, by and between the Registrant and Jerome A. Grant. (Incorporated by reference to Exhibit 10.2 to the Form 8-K filed by the Registrant on October 21, 2019.)</a>
10.18	<a href="#">Credit Agreement, dated May 12, 2021, by and among the Company, Universal Technical Institute of Arizona, LLC and Fifth Third Bank, National Association (incorporated herein by reference to Exhibit 10.1 to the Current report on Form 8-K filed with the SEC on May 12, 2021).</a>
10.19	<a href="#">Term Promissory Note, issued by the Company, dated May 12, 2021 (incorporated herein by reference to Exhibit 10.2 to the Current report on Form 8-K filed with the SEC on May 12, 2021).</a>
10.20	<a href="#">Deed of Trust, Security Agreement and Fixture Filing dated May 12, 2021 (incorporated herein by reference to Exhibit 10.3 to the Current report on Form 8-K filed with the SEC on May 12, 2021).</a>
10.21	<a href="#">Universal Technical Institute, Inc. 2021 Equity Incentive Plan. (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed by the Registrant on February 26, 2021).</a>
21.1+	<a href="#">Subsidiaries of the Registrant.</a>

Exhibit Number	Description
23.1+	<a href="#">Consent of Deloitte &amp; Touche LLP.</a>
24.1	<a href="#">Power of Attorney. (Included on signature page.)</a>
31.1+	<a href="#">Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2+	<a href="#">Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1+	<a href="#">Certification of Chief Executive Officer pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
32.2+	<a href="#">Certification of Chief Financial Officer pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

\* Indicates a contract with management or compensatory plan or arrangement.

+ Filed herewith.

# Certain schedules and exhibits to this agreement have been omitted pursuant to Item 601(a)(5) of Regulation S-K. A copy of any omitted schedule and/or exhibit will be furnished to the SEC upon request.



## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: December 2, 2021

UNIVERSAL TECHNICAL INSTITUTE, INC.

By: /s/ Jerome A. Grant  
Jerome A. Grant, Chief Executive Officer

## POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Jerome A. Grant and Troy R. Anderson, or either of them, as his true and lawful attorneys-in-fact and agents, with full power of substitution and re-substitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K and any documents related to this report and filed pursuant to the Securities Exchange Act of 1934, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

### SIGNATURE

### TITLE

### DATE

<u>/s/ Jerome A. Grant</u> Jerome A. Grant	Chief Executive Officer (Principal Executive Officer)	December 2, 2021
<u>/s/ Troy R. Anderson</u> Troy R. Anderson	Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	December 2, 2021
<u>/s/ Robert T. DeVincenzi</u> Robert T. DeVincenzi	Chairman of the Board	December 2, 2021
<u>/s/ David A. Blaszkiewicz</u> David A. Blaszkiewicz	Director	December 2, 2021
<u>/s/ George W. Brochick</u> George W. Brochick	Director	December 2, 2021
<u>/s/ William J. Lennox, Jr.</u> William J. Lennox, Jr.	Director	December 2, 2021
<u>/s/ Kimberly J. McWaters</u> Kimberly J. McWaters	Director	December 2, 2021

/s/ Loretta L. Sanchez  
Loretta L. Sanchez

Director

December 2, 2021

/s/ Christopher S. Shackelton  
Christopher S. Shackelton

Director

December 2, 2021

/s/ Linda J. Srere  
Linda J. Srere

Director

December 2, 2021

/s/ Kenneth R. Trammell  
Kenneth R. Trammell

Director

December 2, 2021

UNIVERSAL TECHNICAL INSTITUTE, INC. AND SUBSIDIARIES  
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## MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for the company and for assessing the effectiveness of internal control over financial reporting as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States.

Internal control over financial reporting includes policies and procedures that pertain to maintaining records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions of the company's assets; providing reasonable assurance that transactions are recorded as necessary to permit preparation of our financial statements in accordance with accounting principles generally accepted in the United States; providing reasonable assurance that receipts and expenditures of company assets are made in accordance with management and director authorization; and providing reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of company assets that could have a material effect on our financial statements.

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

Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework established in "*Internal Control — Integrated Framework (2013)*" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company's internal control over financial reporting was effective as of September 30, 2021.

The effectiveness of the Company's internal control over financial reporting as of September 30, 2021 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report which appears herein.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Universal Technical Institute, Inc.

### Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Universal Technical Institute, Inc. and subsidiaries (the “Company”) as of September 30, 2021, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2021, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended September 30, 2021, of the Company and our report dated December 2, 2021 expressed an unqualified opinion on those consolidated financial statements.

### Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

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

/s/ DELOITTE & TOUCHE LLP

Phoenix, Arizona  
December 2, 2021

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Universal Technical Institute, Inc.

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Universal Technical Institute, Inc. and subsidiaries (the "Company") as of September 30, 2021 and 2020, the related consolidated statements of operations, of other comprehensive income (loss), of shareholders' equity, and of cash flows for each of the three years in the period ended September 30, 2021, and the related notes ("collectively referred to as the financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2021, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of September 30, 2021, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated December 2, 2021, expressed an unqualified opinion on the Company's internal control over financial reporting.

### Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matter

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

#### **Revenues - Proprietary Loan Program Revenue Recognition - Refer to Note 2 in the FY 2021 Form 10K**

##### *Critical Audit Matter Description*

The portion of tuition revenue related to the Company's proprietary loan program is considered a form of variable consideration, in accordance with ASC 606, Revenue from Contracts with Customers. The Company estimates the amount it expects to collect on these loans by calculating the amount due compared to historical loan collections over the past 10 years, and recognizes that amount of estimated revenue over the student's program, resulting in a Notes Receivable balance of \$36.1 million as of September 30, 2021. The Company evaluates the collectability rate of its outstanding loans each quarter, which requires significant management judgment. The Company currently uses the actual collection experience over the past 10 years to determine the expected collection rate.

The key judgment made by management is the length of historical collection experience used to calculate the expected collection rate and requires a high degree of auditor judgement in determining the reasonableness of the period of time used by management to estimate the expected collection rate.

*How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to the expected collection rate for the proprietary loan program included the following, among others:

- Tested the design and effectiveness of the Company's internal controls related to the Company's evaluation of the proprietary loan program expected collection rate.
- Considered how the expected collection rate might change if the Company had used a different time period in the calculation of the expected collection rate, and what impact it would have on the financial statements.
- Performed a trend analysis by comparing recent repayment trends and collection rates by quarter over the past 3 years compared to the expected collection rate calculated to evaluate whether the expected collection rate estimate is reasonable.
- Recalculated the expected collection rate based on the actual collection rates of the loan portfolio for the most recent 10 years.
- Evaluated the underlying historical loan data by making selections of loans included in the data population and traced to source documentation, and recalculated the amount of the loan due as of the reporting date.
- Agreed monthly loan collection amounts for selected months to bank statements.
- Tested completeness of the loan data population by tracing a selection of students from historical accounting records to the underlying population used to calculate the expected collection rate.

*/s/ DELOITTE & TOUCHE LLP*

Phoenix, Arizona  
December 2, 2021

We have served as the Company's auditor since 2015.

**UNIVERSAL TECHNICAL INSTITUTE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

(In thousands, except par value and per share amounts)

Assets	September 30, 2021	September 30, 2020
Cash and cash equivalents	\$ 133,721	\$ 76,803
Restricted cash	12,256	12,116
Held-to-maturity investments	—	38,055
Receivables, net	17,151	35,411
Notes receivable, current portion	5,538	5,184
Prepaid expenses	6,658	6,121
Other current assets	8,068	6,489
Total current assets	183,392	180,179
Property and equipment, net	122,051	72,743
Goodwill	8,222	8,222
Notes receivable, less current portion	30,586	27,609
Right-of-use assets for operating leases	159,075	144,663
Other assets	9,244	8,565
Total assets	\$ 512,570	\$ 441,981
<b>Liabilities and Shareholders' Equity</b>		
Accounts payable and accrued expenses	\$ 54,397	\$ 51,891
Deferred revenue	57,648	40,694
Accrued tool sets	3,292	3,148
Operating lease liability, current portion	14,075	23,666
Long-term debt, current portion	876	129
Other current liabilities	2,430	2,112
Total current liabilities	132,718	121,640
Deferred tax liabilities, net	674	674
Operating lease liability	153,228	134,089
Long-term debt	29,850	131
Other liabilities	7,570	8,925
Total liabilities	324,040	265,459
Commitments and contingencies (Note 15)		
Shareholders' equity:		
Common stock, \$0.0001 par value, 100,000 shares authorized, 32,915 and 32,730 shares issued, and 32,833 and 32,647 shares outstanding as of September 30, 2021 and 2020, respectively	3	3
Preferred stock, \$0.0001 par value, 10,000 shares authorized; 700 shares of Series A Convertible Preferred Stock issued and outstanding as of September 30, 2021 and 2020, liquidation preference of \$100 per share	—	—
Paid-in capital - common	142,314	141,002
Paid-in capital - preferred	68,853	68,853
Treasury stock, at cost, 82 shares as of September 30, 2021 and 2020, respectively	(365)	(365)
Retained deficit	(21,996)	(32,971)
Accumulated other comprehensive income (loss)	(279)	—
Total shareholders' equity	188,530	176,522
Total liabilities and shareholders' equity	\$ 512,570	\$ 441,981

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



**UNIVERSAL TECHNICAL INSTITUTE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In thousands, except per share amounts)

	<b>Year Ended September 30,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
Revenues	\$ 335,083	\$ 300,761	\$ 331,504
Operating expenses:			
Educational services and facilities	166,818	155,932	178,317
Selling, general and administrative	153,318	148,700	160,989
Total operating expenses	320,136	304,632	339,306
Income (loss) from operations	14,947	(3,871)	(7,802)
Other income:			
Interest income	83	1,152	1,491
Interest expense	(365)	(10)	(3,220)
Equity in earnings of unconsolidated affiliate	—	—	399
Other income	518	135	1,467
Total other income, net	236	1,277	137
Income (loss) before income taxes	15,183	(2,594)	(7,665)
Income tax (expense) benefit	(602)	10,602	(203)
Net income (loss)	\$ 14,581	\$ 8,008	\$ (7,868)
Preferred stock dividends	5,250	5,264	5,250
Income (loss) available for distribution	\$ 9,331	\$ 2,744	\$ (13,118)
<b>Earnings per share (See Note 18):</b>			
Net income (loss) per share - basic	\$ 0.17	\$ 0.05	\$ (0.52)
Net income (loss) per share - diluted	\$ 0.17	\$ 0.05	\$ (0.52)
<b>Weighted average number of shares outstanding:</b>			
Basic	32,766	29,812	25,438
Diluted	33,123	30,113	25,438

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

**UNIVERSAL TECHNICAL INSTITUTE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME (LOSS)**  
(In thousands)

	<b>Year Ended September 30,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
Net income (loss)	\$ 14,581	\$ 8,008	\$ (7,868)
Other comprehensive income (loss):			
Unrealized loss on derivative contract	(279)	—	—
Comprehensive income (loss)	<u>\$ 14,302</u>	<u>\$ 8,008</u>	<u>\$ (7,868)</u>

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

**UNIVERSAL TECHNICAL INSTITUTE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
(In thousands)

	Common Stock		Preferred Stock		Paid-in Capital - Common	Paid-in Capital - Preferred	Treasury Stock		Retained Deficit	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
	Shares	Amount	Shares	Amount			Shares	Amount			
<b>Balance as of September 30, 2018</b>	32,169	\$ 3	700	\$ —	\$ 186,732	\$ 68,853	(6,865)	\$ (97,388)	\$ (31,555)	\$ —	\$ 126,645
Net loss	—	—	—	—	—	—	—	—	(7,868)	—	(7,868)
Issuance of common stock under employee plans	465	—	—	—	—	—	—	—	—	—	—
Shares withheld for payroll taxes	(135)	—	—	—	(629)	—	—	—	—	—	(629)
Stock-based compensation	—	—	—	—	1,390	—	—	—	—	—	1,390
Preferred stock cash dividends declared	—	—	—	—	—	—	—	—	(5,250)	—	(5,250)
<b>Balance as of September 30, 2019</b>	32,499	\$ 3	700	\$ —	\$ 187,493	\$ 68,853	(6,865)	\$ (97,388)	\$ (44,673)	\$ —	\$ 114,288
Adjustment for the adoption of ASC 842	—	—	—	—	—	—	—	—	8,958	—	8,958
Net income	—	—	—	—	—	—	—	—	8,008	—	8,008
Issuance of common stock under employee plans	328	—	—	—	—	—	—	—	—	—	—
Shares withheld for payroll taxes	(97)	—	—	—	(698)	—	—	—	—	—	(698)
Stock-based compensation	—	—	—	—	2,077	—	—	—	—	—	2,077
Shares issued for equity offering	—	—	—	—	(47,870)	—	6,783	97,023	—	—	49,153
Preferred stock cash dividends declared	—	—	—	—	—	—	—	—	(5,264)	—	(5,264)
<b>Balance as of September 30, 2020</b>	32,730	\$ 3	700	\$ —	\$ 141,002	\$ 68,853	(82)	\$ (365)	\$ (32,971)	\$ —	\$ 176,522
Net income	—	—	—	—	—	—	—	—	14,581	—	14,581
Cumulative effect from adoption of ASC 326	—	—	—	—	—	—	—	—	1,644	—	1,644
Issuance of common stock under employee plans	251	—	—	—	—	—	—	—	—	—	—
Shares withheld for payroll taxes	(66)	—	—	—	(421)	—	—	—	—	—	(421)
Stock-based compensation	—	—	—	—	1,733	—	—	—	—	—	1,733
Preferred stock cash dividends declared	—	—	—	—	—	—	—	—	(5,250)	—	(5,250)
Unrealized loss on derivative contract	—	—	—	—	—	—	—	—	—	(279)	(279)
<b>Balance as of September 30, 2021</b>	32,915	\$ 3	700	\$ —	\$ 142,314	\$ 68,853	(82)	\$ (365)	\$ (21,996)	\$ (279)	\$ 188,530

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

**UNIVERSAL TECHNICAL INSTITUTE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)

	<b>Year Ended September 30,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities:</b>			
Net income (loss)	\$ 14,581	\$ 8,008	\$ (7,868)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	14,027	11,804	13,222
Amortization of assets subject to financing obligation	—	—	2,682
Amortization of right-of-use assets for operating leases	15,605	24,273	—
Bad debt expense	1,718	1,767	1,166
Stock-based compensation	1,733	2,077	1,390
Deferred income taxes	—	345	—
Equity in earnings of unconsolidated affiliate	—	—	(399)
Training equipment credits earned, net	364	541	302
Unrealized loss on derivative contract	(279)	—	—
Other (gains) losses, net	(13)	(52)	561
Changes in assets and liabilities:			
Receivables	8,483	(13,749)	(1,483)
Notes receivable	(1,687)	2,286	1,298
Prepaid expenses and other current assets	(4,391)	(1,016)	3,157
Other assets	(768)	(76)	1,016
Accounts payable and accrued expenses	1,790	7,020	2,942
Deferred revenue	16,954	(2,192)	4,650
Income tax receivable	7,145	(6,989)	166
Accrued tool sets and other current liabilities	2,025	1,863	300
Deferred rent liability	—	—	(1,677)
Operating lease liability	(20,469)	(25,617)	—
Other liabilities	(1,633)	739	321
Net cash provided by operating activities	<u>55,185</u>	<u>11,032</u>	<u>21,746</u>
<b>Cash flows from investing activities:</b>			
Purchase of property and equipment	(61,586)	(9,262)	(6,453)
Proceeds from disposal of property and equipment	280	64	34
Purchase of held-to-maturity investments	—	(69,678)	—
Proceeds received upon maturity of investments	37,651	31,289	—
Proceeds from insurance policy	427	1,566	—
Return of capital contribution from unconsolidated affiliate	277	261	267
Net cash used in investing activities	<u>(22,951)</u>	<u>(45,760)</u>	<u>(6,152)</u>
<b>Cash flows from financing activities:</b>			
Proceeds from term loan	31,150	—	—
Debt issuance costs related to the term loan	(272)	—	—
Proceeds from equity offering	—	49,153	—
Payment of preferred stock cash dividend	(5,250)	(5,264)	(5,250)
Payment of financing obligation, term loan and finance leases	(383)	(99)	(1,319)
Payment of payroll taxes on stock-based compensation through shares withheld	(421)	(698)	(629)
Net cash provided by (used in) financing activities	<u>24,824</u>	<u>43,092</u>	<u>(7,198)</u>
Change in cash, cash equivalents and restricted cash	<u>57,058</u>	<u>8,364</u>	<u>8,396</u>
Cash and cash equivalents, beginning of period	76,803	65,442	58,104
Restricted cash, beginning of period	12,116	15,113	14,055
Cash, cash equivalents and restricted cash, beginning of period	<u>88,919</u>	<u>80,555</u>	<u>72,159</u>
Cash and cash equivalents, end of period	133,721	76,803	65,442
Restricted cash, end of period	12,256	12,116	15,113
Cash, cash equivalents and restricted cash, end of period	<u>\$ 145,977</u>	<u>\$ 88,919</u>	<u>\$ 80,555</u>

**UNIVERSAL TECHNICAL INSTITUTE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**  
(In thousands)

	<b>Year Ended September 30,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Supplemental disclosure of cash flow information:</b>			
Taxes (refunded) paid	\$ (6,712)	\$ (113)	\$ 37
Interest paid	349	7	3,220
Training equipment obtained in exchange for services	679	985	772
Depreciation of training equipment obtained in exchange for services	1,174	1,345	1,387
Change in accrued capital expenditures during the period	(1,203)	(490)	316
CARES Act funds received for student emergency grants (See Note 22)	20,039	16,565	—
CARES Act funds disbursed for student emergency grants (See Note 22)	(19,745)	(17,184)	—
CARES Act funds received for institutional costs (See Note 22)	2,677	13,889	—
CARES Act funds for institutional costs included in Receivables, net (See Note 22)	—	1,797	—

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

**UNIVERSAL TECHNICAL INSTITUTE, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(In thousands, except per share amounts)

**Note 1 - Business Description**

Founded in 1965, with more than 225,000 graduates in its history, Universal Technical Institute, Inc. (“we,” “us” or “our”) is a leading provider of transportation and technical training programs. As of September 30, 2021, we offered certificate, diploma or degree programs at 12 campuses across the United States under the banner of several well-known brands, including Universal Technical Institute (“UTI”), Motorcycle Mechanics Institute and Marine Mechanics Institute (collectively, “MMI”) and NASCAR Technical Institute (“NASCAR Tech”). Additionally, we offer manufacturer specific advanced training (“MSAT”) programs, including student-paid electives, at our campuses and manufacturer or dealer sponsored training at certain campuses and dedicated training centers.

We work closely with over 35 original equipment manufacturers and industry brand partners to understand their needs for qualified service professionals. Revenues generated from our schools consist primarily of tuition and fees paid by students. To pay for a substantial portion of their tuition, the majority of students rely on funds received from federal financial aid programs under Title IV Programs of the Higher Education Act of 1965, as amended (“HEA”), as well as from various veterans benefits programs. For further discussion, see Note 2 on “Summary of Significant Accounting Policies - Concentration of Risk” and Note 21 on “Government Regulation and Financial Aid.”

We offer the majority of our programs in a blended learning model that combines instructor-facilitated online teaching and demonstrations with hands-on labs. This blended learning format has allowed us to continue to offer our programs to our students during the COVID-19 pandemic and aligns with an increasing trend of online education now being offered as individuals seek life-long learning opportunities. On-campus labs are designed to meet or exceed the current national guidelines recommended by the Centers for Disease Control (“CDC”) as well as state and local mandates, while still meeting our accreditation and curriculum requirements.

**Note 2 - Summary of Significant Accounting Policies*****Principles of Consolidation***

The accompanying consolidated financial statements include the accounts of UTI and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

***Use of Estimates***

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make certain estimates and assumptions. Such estimates and assumptions affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates and assumptions, including those related to revenue recognition, our proprietary loan program, allowance for uncollectible accounts, investments, property and equipment, goodwill recoverability, self-insurance claim liabilities, income taxes, contingencies and stock-based compensation. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances. The results of our analysis form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions, and the impact of such differences may be material to our consolidated financial statements.

***Revenue Recognition******Postsecondary education***

Revenues consist primarily of student tuition and fees derived from the programs we provide after reductions are made for discounts and scholarships that we sponsor and for refunds for students who withdraw from our programs prior to specified dates. We apply the five-step model outlined in Accounting Standards Codification Topic 606, *Revenue from Contracts from Customers* (“ASC 606”). Tuition and fee revenue is recognized ratably over the term of the course or program offered. Approximately 99% of our revenues for each of the years ended September 30, 2021, 2020 and 2019, respectively, consisted of gross tuition. The majority of our core programs are designed to be completed in 36 to 90 weeks, and our advanced training programs range from 12 to 23 weeks in duration. We supplement our revenues with sales of textbooks and program

**UNIVERSAL TECHNICAL INSTITUTE, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(In thousands, except per share amounts)

supplies and other revenues, which are recognized as the transfer of goods or services occurs. Deferred revenue represents the excess of tuition and fee payments received as compared to tuition and fees earned and is reflected as a current liability in our consolidated balance sheets because it is expected to be earned within the next 12 months.

*Other*

We provide dealer technician training or instructor staffing services to manufacturers. Revenues are recognized as transfer of the services occurs.

***Proprietary Loan Program***

In order to provide funding for students who are not able to fully finance the cost of their education under traditional governmental financial aid programs, commercial loan programs or other alternative sources, we established a private loan program with a bank. Through our proprietary loan program, we, in substance, provide the students who participate in this program with extended payment terms for a portion of their tuition. Based on historical collection rates, we can demonstrate that a portion of these loans are collectible. Accordingly, we recognize tuition and loan origination fees financed by the loan and any related interest revenue under the effective interest method required under the loan based on this collection rate.

Under the terms of the proprietary loan program, the bank originates loans for our students who meet our specific credit criteria with the related proceeds used exclusively to fund a portion of their tuition. We then purchase all such loans from the bank at least monthly and assume all of the related credit risk. The loans bear interest at market rates ranging from approximately 7% to 10%; however, principal and interest payments are not required until six months after the student completes or withdraws from his or her program. After the deferral period, monthly principal and interest payments are required over the related term of the loan. The repayment term is up to 10 years.

The bank provides these services in exchange for a fee at a percentage of the principal balance of each loan and related fees. Under the terms of the related agreement, we transfer funds for loan purchases to a deposit account with the bank in advance of the bank funding the loan, which secures our related loan purchase obligation. Such funds are classified as restricted cash in our consolidated balance sheet.

All related expenses incurred with the bank or other service providers are expensed as incurred within educational services and facilities expense and were approximately \$1.1 million, \$0.9 million and \$1.1 million for the years ended September 30, 2021, 2020, and 2019, respectively.

The portion of tuition revenue related to the proprietary loan program is considered a form of variable consideration. We estimate the amount we ultimately expect to collect from the portion of tuition that is funded by the proprietary loan program, resulting in a note receivable. Estimating the collection rate requires significant management judgment. Upon adoption of ASU 2016-13, *Financial Instruments-Credit Losses: Measurement of Credit Losses on Financial Instruments (Topic 326)* as of October 1, 2020, we revised our estimated collection rate to only include historical collections from the past ten years as we determined that such population better represents our current expected collections and aligns with the typical term of the loan. The estimated amount is determined at the inception of the contract, and we recognize the related revenue as the student progresses through school. Each reporting period, we update our assessment of the variable collection rate associated with the proprietary loan program.

***Restricted Cash***

Restricted cash includes funds held as collateral for certain of the surety bonds that our insurers issue on behalf of our campuses and admissions representatives with multiple states, which are required to maintain authorization to conduct our business, funds transferred in advance of loan purchases under our proprietary loan program and funds held for students from Title IV financial aid program funds that result in credit balances on a student's account.

**UNIVERSAL TECHNICAL INSTITUTE, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(In thousands, except per share amounts)

**Allowance for Uncollectible Accounts**

We maintain an allowance for uncollectible accounts for estimated losses resulting from the inability, failure or refusal of our students to make required payments. We offer a variety of payment plans to help students pay that portion of their education expenses not covered by financial aid programs or alternate fund sources, which are unsecured and not guaranteed. Management analyzes accounts receivable, historical percentages of uncollectible accounts, customer credit worthiness and changes in payment history when evaluating the adequacy of the allowance for uncollectible accounts. We use an internal group of collectors, augmented by third party collectors as deemed appropriate, in our collection efforts. Although we believe that our allowance is adequate, if the financial condition of our students deteriorates, resulting in an impairment of their ability to make payments, or if we underestimate the allowances required, additional allowances may be necessary, which would result in increased selling, general and administrative expenses in the period such determination is made.

**Property and Equipment**

Property, equipment and leasehold improvements are recorded at cost less accumulated depreciation and amortization. Depreciation and amortization expense are calculated using the straight-line method over the estimated useful lives of the related assets. Amortization of leasehold improvements is calculated using the straight-line method over the remaining useful life of the asset or term of lease, whichever is shorter. Costs relating to software developed for internal use and curriculum development are capitalized and amortized using the straight-line method over the related estimated useful lives. Such costs include direct costs of materials and services as well as payroll and related costs for employees who are directly associated with the projects. Maintenance and repairs are expensed as incurred.

We review the carrying value of our property and equipment for possible impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. We evaluate our long-lived assets for impairment by examining estimated future cash flows. These cash flows are evaluated by using probability weighting techniques as well as comparisons of past performance against projections. Assets may also be evaluated by identifying independent market values. If we determine that an asset's carrying value is impaired, we will write-down the carrying value of the asset to its estimated fair value and charge the impairment as an operating expense in the period in which the determination is made. There were no significant impairment charges required for the years ended September 30, 2021, 2020 and 2019.

**Goodwill**

Our goodwill balance of \$8.2 million as of September 30, 2021, 2020 and 2019, resulted from the acquisition of our motorcycle and marine education business in 1998 and is allocated to our MMI Orlando, Florida campus that provides the related educational programs. Goodwill represents the excess of the cost of an acquired business over the estimated fair values of the assets acquired and liabilities assumed. Goodwill is reviewed at least annually for impairment, which may result from the deterioration in the operating performance of the acquired business, adverse market conditions, adverse changes in the applicable laws or regulations and a variety of other circumstances. Any resulting impairment charge would be recognized as an expense in the period in which impairment is identified. After performing a qualitative analysis, there were no indicators of goodwill impairment as of September 30, 2021.

**Self-Insurance Plans**

We are self-insured for claims related to employee health and dental care and claims related to workers' compensation. Liabilities associated with these plans are estimated by management with consideration of our historical loss experience, severity factors and independent actuarial analysis. Our claim liabilities are based on estimates, and while we believe the amounts accrued are adequate, the ultimate losses may differ from the amounts provided. Our recorded net liability related to self-insurance plans was \$2.9 million as of September 30, 2021.

**Leases**

We lease the majority of our administrative and educational facilities under operating lease agreements. Upon adoption of Accounting Standards Codification Topic 842, *Leases* ("ASC 842") as of October 1, 2019, we derecognized our previously recorded deferred rent balance. ASC 842 requires lessees to recognize a right-of-use ("ROU") asset and a lease liability on



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the balance sheet for substantially all leases, with the exception of short-term leases. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of income. We adopted ASC 842 under a modified retrospective method without the recasting of comparative periods' financial information. See Note 9 "Leases" for additional disclosures on our leases.

**Advertising Costs**

Costs related to advertising are expensed as incurred and totaled approximately \$38.7 million, \$39.7 million and \$41.2 million for the years ended September 30, 2021, 2020, and 2019, respectively.

**Stock-Based Compensation**

Historically, we have issued restricted stock units and stock options. Restricted stock units are subject to vesting with service and performance conditions. We measure all share-based payments to employees at estimated fair value. We recognize the compensation expense for restricted stock units with only service conditions on a straight-line basis over the requisite service period. We granted restricted stock units with both service and performance conditions during the years ended September 30, 2021 and 2020. We did not grant any stock options during the years ended September 30, 2021 and 2020. Shares issued under our equity compensation plans are new shares.

Compensation expense associated with restricted stock units is measured based on the grant date fair value of our common stock. The requisite service period for restricted stock units and performance units is generally the vesting period.

We estimate the fair value of performance units using a Monte Carlo simulation which requires assumptions for expected volatility, risk-free rates of return, and dividend yields. Expected volatilities are derived using a method that calculates historical volatility over a period equal to the length of the measurement period for UTI. We use a risk-free rate of return that is equal to the yield of a zero-coupon U.S. Treasury bill that is commensurate with each measurement period, and we assume that any dividends paid were reinvested.

Stock-based compensation expense of \$1.8 million, \$2.1 million and \$1.4 million was recorded for the years ended September 30, 2021, 2020 and 2019, respectively. The tax benefit related to stock-based compensation recognized was \$0.5 million, \$0.5 million, and \$0.4 million for the years ended September 30, 2021, 2020 and 2019, respectively. See Note 17 "Stock-Based Compensation" for further discussion.

**Income Taxes**

We recognize deferred tax assets and liabilities for the estimated future tax consequences of events attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. We also recognize deferred tax assets for net operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which the differences are expected to be recovered or settled. Deferred tax assets are reduced through a valuation allowance if it is more likely than not that the deferred tax assets will not be realized. See Note 14 "Income Taxes" for additional details.

**Concentration of Risk**

Financial instruments that potentially subject us to concentrations of credit risk consist principally of cash and cash equivalents, restricted cash, short-term investments and receivables. As of September 30, 2021, we held cash and cash equivalents of \$133.7 million and restricted cash of \$12.3 million.

We place our cash and cash equivalents and restricted cash with high quality financial institutions and limit the amount of credit exposure with any one financial institution. We mitigate the concentration risk of our investments by limiting the amount invested in any one issuer. We mitigate the risk associated with our investment in corporate bonds by requiring a minimum credit rating of A. We have the ability and intention to hold these investments until maturity and therefore have classified these investments as held-to-maturity and recorded them at amortized cost.

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We extend credit for tuition and fees, for a limited period of time, to a majority of our students. A substantial portion is repaid through the student's participation in federally funded financial aid programs. Transfers of funds from the financial aid programs to us are made in accordance with the ED requirements. Approximately 68% of our revenues, on a cash basis, were collected from funds distributed under Title IV Programs for the year ended September 30, 2021 as calculated under the 90/10 rule. Additionally, approximately 14% of our revenues, on a cash basis, were collected from funds distributed under various veterans benefits programs for the year ended September 30, 2021.

The financial aid and veterans benefits programs are subject to political and budgetary considerations. There is no assurance that such funding will be maintained at current levels. Extensive and complex regulations govern the financial assistance programs in which our students participate. Our administration of these programs is periodically reviewed by various regulatory agencies. Any regulatory violation could be the basis for the initiation of potential adverse actions, including a suspension, limitation, placement on reimbursement status or termination proceeding, which could have a material adverse effect on our business. ED and other regulators have increased the frequency and severity of their enforcement actions against postsecondary schools which have resulted in the imposition of material liabilities, sanctions, letter of credit requirements and other restrictions and, in some cases, resulted in the loss of schools' eligibility to receive Title IV funds or in closure of the schools.

If any of our institutions were to lose its eligibility to participate in federal student financial aid programs, the students at that institution would lose access to funds derived from those programs and would have to seek alternative sources of funds to pay their tuition and fees. Students obtain access to federal student financial aid through an ED prescribed application and eligibility certification process. Student financial aid funds are generally made available to students at prescribed intervals throughout their predetermined expected length of study. Students typically apply the funds received from the federal financial aid programs to pay their tuition and fees. The transfer of funds is from the financial aid program to the student, who then uses those funds to pay for a portion of the cost of their education. The receipt of financial aid funds reduces the student's amounts due to us and has no impact on revenue recognition, as the transfer relates to the source of funding for the costs of education, which may occur either through Title IV or other funds and resources available to the student.

#### ***Fair Value of Financial Instruments***

The carrying value of cash equivalents, restricted cash, accounts receivable, accounts payable, accrued liabilities and deferred tuition approximates their respective fair value as of September 30, 2021 and 2020 due to the short-term nature of these instruments.

#### ***Start-up Costs***

Costs related to the start-up of new campuses and programs are expensed as incurred.

#### ***Derivative Financial Instruments***

On occasion, we may use interest rate swaps to manage interest rate risk and limit the impact of future interest rate changes on earnings and cash flows, primarily with variable-rate debt. We do not use derivative financial instruments for trading or speculative purposes. We recognize all derivatives at fair value within the line items "Other current assets," "Other assets," "Other current liabilities," and "Other liabilities" on the condensed consolidated balance sheet. Management reviews our derivative positions and overall risk management strategy on a regular basis. We only enter into transactions that we believe will be highly effective at offsetting the underlying risk, and we do not use derivatives for trading or speculative purposes.

We may choose to designate our derivative financial instruments, which are generally interest rate swaps, to hedge future interest payments on variable debt. At inception of the transaction, we formally designate and document the derivative financial instrument as a hedge of a specific underlying exposure, the risk management objective, and strategy for undertaking the hedge transaction. We formally assess both at inception and at least quarterly thereafter, the effectiveness of our hedging transactions. Due to the high degree of effectiveness between the hedging instruments and the underlying exposures hedged, fluctuations in the value of the derivative financial instruments will generally be offset by the changes in the cash flows or fair value of the underlying exposures being hedged.

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Changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recorded in “Accumulated other comprehensive income (loss)” on the condensed consolidated balance sheets. For cash flow hedges, we report the effective portion of the gain or loss as a component of “Accumulated other comprehensive income (loss)” and reclassify it to “Interest expense” in the condensed consolidated statements of operations over the corresponding period of the underlying hedged item. The ineffective portion of the change in fair value of a derivative financial instrument is recognized in “Interest expense” at the time the ineffectiveness occurs. To the extent the hedged forecasted interest payments on debt related to our interest rate swap is paid off, the remaining balance in “Accumulated other comprehensive income (loss)” is recognized in “Interest expense” in the condensed consolidated statements of operations.

See Note 13 “Derivative Financial Instruments” for additional disclosures related to our derivative financial instruments.

### **Reclassifications**

Due to the new term loan that was executed during the year ended September 30, 2021, which is described in further detail in Note 12, we added two new lines to the condensed consolidated balance sheet: “Long-term debt, current portion,” and “Long-term debt.” We have presented both the liabilities related to the term loan and finance leases in these new lines as of September 30, 2021. For the period ended September 30, 2020, \$0.1 million of short-term finance lease liabilities was reclassified from “Other current liabilities” to “Long-term debt, current portion” and long-term finance lease liabilities of \$0.1 million were reclassified from “Other liabilities” to “Long-term debt” on the condensed consolidated balance sheet for comparable presentation.

### **Note 3 - Recent Accounting Pronouncements**

#### **Accounting Pronouncements Effective in Fiscal 2021**

In June 2016, the Financial Accounting Standards Board (“FASB”) issued ASU 2016-13, *Financial Instruments—Credit Losses: Measurement of Credit Losses on Financial Instruments* (Topic 326). This update significantly changes the way that entities measure credit losses. The new standard requires that entities estimate credit losses based upon an “expected credit loss” approach rather than the historical “incurred loss” approach. The new approach requires entities to measure all expected credit losses for financial assets based on historical experience, current conditions and reasonable forecasts of collectability. The change in approach impacts the timing of recognition of credit losses. This standard is effective for financial statements issued by public companies for annual and interim periods beginning after December 15, 2019. These changes became effective for the Company’s fiscal year beginning October 1, 2020. Upon adoption on October 1, 2020, we recorded an increase in our receivables balance related to our proprietary loan program of \$1.6 million, with the corresponding amount recorded as an increase to retained earnings. No other adjustments were deemed necessary in applying this new guidance.

#### **Accounting Pronouncements Effective in Fiscal 2022**

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* (“ASU 2019-12”). The amendments in ASU 2019-12 simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. We have evaluated the new guidance and determined that there is no material impact on our results of operations, financial condition and financial statement disclosures.

#### **Other**

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* (“ASU 2020-04”), which provides optional expedients and exceptions for applying GAAP to contract modifications, hedging relationships and other transactions affected by reference rate reform, if certain criteria are met. This new guidance only applies to contracts and other transactions that reference London Interbank Offered Rate (“LIBOR”) or another reference rate expected to be discontinued due to reference rate reform. An entity may elect to apply the amendments for contract modifications as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or prospectively from a date within an interim period that includes or is subsequent to March

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12, 2020, up to the date that the financial statements are available to be issued. The amendments in ASU 2020-04 do not apply to contract modifications made after December 31, 2022. Given the interest rate for our new term loan (which is further described in Note 12) references LIBOR, we are currently evaluating the new reference rate reform practical expedients and will consider adopting this guidance when we are required to modify our contract for the discontinuation of LIBOR.

**Note 4 - Revenue from Contracts with Customers**

**Nature of Goods and Services**

See Note 2 “Summary of Significant Accounting Policies” for a description of the nature of revenues.

*Postsecondary Education*

Revenues consist primarily of student tuition and fees derived from the programs we provide after reductions are made for discounts and scholarships that we sponsor and for refunds for students who withdraw from our programs prior to specified dates. We apply the five-step model outlined in ASC 606, *Revenue from Contracts from Customers*. Tuition and fee revenue is recognized ratably over the term of the course or program offered. The majority of our programs are designed to be completed in 36 to 90 weeks, and our advanced training programs range from 12 to 23 weeks in duration. We supplement our revenues with sales of textbooks and program supplies and other revenues, which are recognized as the transfer of goods or services occurs. Deferred revenue represents the excess of tuition and fee payments received as compared to tuition and fees earned and is reflected as a current liability in our condensed consolidated balance sheets because it is expected to be earned within the next 12 months.

Additionally, certain students participate in a proprietary loan program that extends repayment terms for their tuition. We purchase said loans from the lender and, based on historical collection rates, believe a portion of these loans are collectible. Accordingly, we recognize tuition and loan origination fees financed by the loan and any related interest revenue under the effective interest method required under the loan based on the amount we expect to collect, and we recognize these revenues ratably over the term of the course or program offered.

*Other*

We provide dealer technician training or instructor staffing services to manufacturers. Revenues are recognized as transfer of the services occurs.

We provide postsecondary education and other services in the same geographical market, the United States. The impact of economic factors on the nature, amount, timing and uncertainty of revenue and cash flows is consistent among our various postsecondary education programs. See Note 20 “Segment Information” for disaggregated segment revenue information.

**Contract Balances**

Contract assets primarily relate to our rights to consideration for a student’s progress through our training program in relation to our services performed but not billed at the reporting date. The contract assets are transferred to the receivables when the rights become unconditional. Currently, we do not have any contract assets that have not transferred to a receivable. Our deferred revenue is considered a contract liability and primarily relates to our enrollment agreements where we received payments for tuition but we have not yet delivered the related training programs to satisfying the related performance obligations. The advance consideration received from students or Title IV funding is deferred revenue until the training program has been delivered to the students.

The following table provides information about receivables and deferred revenue resulting from our enrollment agreements with students:

	September 30,	
	2021	2020
Receivables, which includes Tuition and Notes Receivable	\$ 46,489	\$ 53,144
Deferred revenue	\$ 57,648	\$ 40,694

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During the year ended September 30, 2021, the deferred revenue balance included decreases for revenues recognized during the period and increases related to new students who started their training programs during the period.

**Transaction Price Allocated to the Remaining Performance Obligations**

Tuition and fee revenue is recognized ratably over the term of the course or program offered. The majority of our undergraduate programs are designed to be completed in 36 to 90 weeks, and our advanced training programs range from 12 to 23 weeks in duration.

**Impacts of COVID-19**

During fiscal 2020, for most of our programs we transitioned our on-campus, in-person education model to a blended learning model that combines instructor-facilitated online teaching and demonstrations with hands-on labs so that our students could continue their education during the COVID-19 pandemic. On-campus labs are designed to meet the current national guidelines recommended by the Centers for Disease Control (“CDC”) as well as state and local mandates, while still meeting our accreditation and curriculum requirements.

All of our campuses were fully operational during the year ended September 30, 2021, and as of September 30, 2021, all students were attending in-person labs at our campuses with less than 1% of students with catch-up lab work outstanding. As a result there was no deferred revenue related to the impact of COVID-19 as of September 30, 2021.

**Note 5 - Receivables, net**

Receivables, net consist of the following:

	September 30,	
	2021	2020
Tuition receivables	\$ 16,265	\$ 23,565
Tax receivables <sup>(1)</sup>	—	7,145
Other receivables	3,673	6,494
Total receivables	19,938	37,204
Less: allowance for uncollectible accounts	(2,787)	(1,793)
Receivables, net	\$ 17,151	\$ 35,411

(1) Primarily related to an income tax receivable recorded as a result of the net operation loss provisions in the CARES Act. See Note 14 “Income Taxes” for further discussion.

The allowance for uncollectible accounts is estimated using our historical write-off experience applied to the receivable balances for students who are no longer attending school due to graduation or withdrawal or who are in school and have receivable balances in excess of financial aid available to them. We write off receivable balances against the allowance for uncollectible accounts at the time we transfer the balance to a third party collection agency.

The following table summarizes the activity for our allowance for uncollectible accounts for the years ended September 30, 2021, 2020 and 2019:

	Year Ended September 30,		
	2021	2020	2019
Balance at beginning of period	\$ 1,793	\$ 1,097	\$ 999
Additions to bad debt expense	1,718	1,767	1,166
Write-offs of uncollectible accounts	(724)	(1,071)	(1,068)
Balance at end of period	\$ 2,787	\$ 1,793	\$ 1,097

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**Note 6 - Investments**

In February 2020, we raised approximately \$49.5 million in net proceeds from an underwritten public offering of shares of our common stock. See Note 16 “Shareholders’ Equity” for further details on the equity offering. We invested a portion of the proceeds from the equity offering in held-to-maturity securities, which primarily consist of corporate bonds from large cap industrial and selected financial companies with a minimum credit rating of A. We have the ability and intention to hold these investments until maturity and therefore have classified these investments as held-to-maturity and recorded them at amortized cost.

As of September 30, 2021, there were no outstanding held-to-maturity investments as all of the securities matured and there were no new purchases of held-to-maturity investments during fiscal 2021. The amortized cost, gross unrealized gains or losses, and fair value of investments classified as held-to-maturity at September 30, 2020 were as follows:

Due in less than 1 year:	Amortized Cost	September 30, 2020		Estimated Fair Market Value
		Gains	Losses	
Corporate and municipal bonds	\$ 38,055	\$ 10	\$ (33)	\$ 38,032

Investments are exposed to various risks, including interest rate, market and credit risk. As a result, it is possible that changes in the values of these investments may occur and that such changes could affect the amounts reported in the condensed consolidated financial statements.

**Note 7 - Fair Value Measurements**

The accounting framework for determining fair value includes a hierarchy for ranking the quality and reliability of the information used to measure fair value, which enables the reader of the financial statements to assess the inputs used to develop those measurements. The fair value hierarchy consists of three tiers:

*Level 1:* Defined as quoted market prices in active markets for identical assets or liabilities.

*Level 2:* Defined as inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, model-based valuation techniques for which all significant assumptions are observable in the market or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

*Level 3:* Defined as unobservable inputs that are not corroborated by market data.

Any transfers of investments between levels occurs at the end of the reporting period. Assets measured or disclosed at fair value on a recurring basis consisted of the following:

	September 30, 2021	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds <sup>(1)</sup>	\$ 62,100	\$ 62,100	\$ —	\$ —
Notes receivable <sup>(2)</sup>	36,124	—	—	36,124
Total assets at fair value on a recurring basis	\$ 98,224	\$ 62,100	\$ —	\$ 36,124

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	September 30, 2020	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds <sup>(1)</sup>	\$ 43,322	\$ 43,322	\$ —	\$ —
Notes receivable <sup>(2)</sup>	32,793	—	—	32,793
Corporate bonds <sup>(3)</sup>	33,119	33,119	—	—
Municipal bonds and other <sup>(3)</sup>	4,913	4,913	—	—
<b>Total assets at fair value on a recurring basis</b>	<b>\$ 114,147</b>	<b>\$ 81,354</b>	<b>\$ —</b>	<b>\$ 32,793</b>

- (1) Money market funds and other highly liquid investments with maturity dates less than 90 days are reflected as “Cash and cash equivalents” in our consolidated balance sheet as of September 30, 2021 and 2020.
- (2) Notes receivable relate to our proprietary loan program.
- (3) Corporate bonds, municipal bonds and other are reflected as “Held-to-maturity investments” in our condensed consolidated balance sheet as of September 30, 2020.

**Note 8 - Property and Equipment, net**

Property and equipment, net consisted of the following:

	Depreciable Lives (in years)	September 30,	
		2021	2020
Land <sup>(1)</sup>	—	\$ 8,355	\$ 3,189
Building and building improvements <sup>(1)</sup>	3-35	71,036	28,046
Leasehold improvements	1-28	63,502	62,899
Training equipment	3-10	91,191	91,731
Office and computer equipment	3-10	31,718	33,524
Curriculum development	5	19,692	19,692
Software developed for internal use	1-5	12,524	11,951
Vehicles	5	1,436	1,502
Right-of-use assets for finance leases	2-3	215	359
Construction in progress	—	10,171	2,213
		<u>309,840</u>	<u>255,106</u>
Less: accumulated depreciation and amortization		(187,789)	(182,363)
<b>Property and equipment, net</b>		<b>\$ 122,051</b>	<b>\$ 72,743</b>

- (1) During the year ended September 30, 2021, land and buildings and building improvements increased primarily due to the purchase of the building and land at our Avondale, Arizona campus location. The total purchase price was approximately \$45.2 million, of which \$5.1 million was allocated to land and \$40.1 million was allocated to buildings and building improvements based upon the appraised values.

**Note 9 - Leases**

As of September 30, 2021, we lease 9 of our 12 campuses and our corporate headquarters under non-cancelable operating leases, some of which contain escalation clauses and requirements to pay other fees associated with the leases. Additionally, as of September 30, 2021, we have recorded the lease for our new Austin, Texas campus which is expected to open during the second quarter of fiscal 2022. Our facility leases have original lease terms ranging from 8 to 20 years and expire at

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various dates through 2033. In addition, the leases commonly include lease incentives in the form of rent abatements and tenant improvement allowances. We sublease certain portions of unused building space to third parties, which as of September 30, 2021, resulted in minimal income. All of the leases, other than those that may qualify for the short-term scope exception of 12 months or less, are recorded on our consolidated balance sheets.

Some of the facility leases are subject to annual changes in the Consumer Price Index (“CPI”). While lease liabilities are not remeasured as a result of changes to the CPI, changes to the CPI are treated as variable lease payments and recognized in the period in which the obligation for those payments was incurred. Many of our lease agreements include options to extend the lease, which we do not include in our minimum lease terms unless they are reasonably certain to be exercised. There are no early termination with penalties, residual value guarantees, restrictions or covenants imposed by our facility leases.

**Significant Assumptions and Judgments**

To determine if a contract is or contains a lease, we considered whether (1) explicitly or implicitly identified assets have been deployed in the contract and (2) we obtain substantially all of the economic benefits from the use of that underlying asset and direct how and for what purpose the asset is used during the term of the contract. If we determine a contract is, or contains, a lease, we assess whether the contract contains multiple lease components. We consider a lease component to be separate from other lease components in the contract if (a) we can benefit from the right of use either on its own or together with other resources that are readily available to us and (b) the right of use is neither highly dependent on nor highly interrelated with the other right(s) to use underlying assets in the contract. In contracts involving the use of real estate, we separate the right to use land from other underlying assets unless the effect of separating the land is insignificant to the resulting lease accounting. We have elected to account for the lease and non-lease components as a single lease component.

For all leases we are a party to, the discount rate implicit in the lease was not readily determinable. Therefore, we used our incremental borrowing rate for each lease to determine the present value of the lease. We determined the incremental borrowing rate applicable to each lease through a model that represents the rate of interest we would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment. The incremental borrowing rate was applied to each lease based on the remaining term of the lease.

The components of lease expense are included in “Educational services and facilities” and “Selling, general and administrative” on the consolidated statement of operations, with the exception of interest on lease liabilities, which is included in “Interest expense.”

The components of lease expense during the years ended September 30, 2021 and 2020 were as follows:

Lease Expense	Year ended September 30,	
	2021	2020
Operating lease expense <sup>(1)</sup>	\$ 22,623	\$ 29,348
Finance lease expense:		
Amortization of leased assets	123	102
Interest on lease liabilities	6	7
Variable lease expense	3,682	4,120
Sublease income	(444)	(744)
Total net lease expense	\$ 25,990	\$ 32,833

(1) Excludes the expense for short-term leases not accounted for under ASC 842, which was not significant for the years ended September 30, 2021 and 2020.



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Supplemental balance sheet, cash flow and other information related to our leases was as follows:

Leases	Classification	September 30,	
		2021	2020
<b>Assets:</b>			
Operating lease assets	Right-of-use assets for operating leases	\$ 159,075	\$ 144,663
Finance lease assets	Property and equipment, net <sup>(1)</sup>	94	257
Total leased assets		<u>\$ 159,169</u>	<u>\$ 144,920</u>
<b>Liabilities:</b>			
Current			
Operating lease liabilities	Operating lease liability, current portion	\$ 14,075	\$ 23,666
Finance lease liabilities	Long-term debt, current portion	73	129
Noncurrent			
Operating lease liabilities	Operating lease liability	153,228	134,089
Finance lease liabilities	Long-term debt	23	131
Total lease liabilities		<u>\$ 167,399</u>	<u>\$ 158,015</u>

(1) Finance lease assets are recorded net of accumulated amortization of \$0.1 million as of September 30, 2021 and 2020, respectively.

Lease Term and Discount Rate	September 30,	
	2021	2020
Weighted-average remaining lease term (in years):		
Operating leases	9.37	9.34
Finance leases	1.32	2.05
Weighted average discount rate:		
Operating leases	4.31 %	4.37 %
Finance leases	3.08 %	3.08 %

Supplemental Disclosure of Cash Flow Information and Other Information	Year ended September 30,	
	2021	2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 20,469	25,617
Financing cash flows from finance leases	119	99
Non-cash activity related to lease liabilities:		
Lease assets obtained in exchange for new operating lease liabilities	\$ 30,017	20,321
Lease assets obtained in exchange for new finance lease liabilities	—	215

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Maturities of lease liabilities were as follows:

Years ending September 30,	As of September 30, 2021	
	Operating Leases	Finance Leases
2022	\$ 19,205	\$ 75
2023	21,380	23
2024	21,179	—
2025	21,480	—
2026	21,299	—
2027 and thereafter	100,202	—
Total lease payments	204,745	98
Less: interest	(37,442)	(2)
Present value of lease liabilities	167,303	96
Less: current lease liabilities	(14,075)	(73)
Long-term lease liabilities	\$ 153,228	\$ 23

**Related Party Transactions for Leases**

Since 1991, two of our properties comprising our Orlando, Florida location have been leased from entities controlled by John C. White, a former director on our board of directors. Effective as of November 30, 2020, Mr. White voluntarily retired from our board of directors. During October and November 2020, we paid rent expense to the entities controlled by Mr. White of \$0.3 million, and \$2.0 million for the years ended September 30, 2020 and 2019. The leases extend through August 19, 2022 and August 31, 2022 with annual base lease payments for the first year under this lease totaling approximately \$0.3 million and \$0.7 million, with annual adjustments based on the higher of (i) an amount equal to 4% of the total annual rent for the immediately preceding year or (ii) the percentage of increase in the CPI. These transactions were not considered significant for the year ended September 30, 2021.

**Note 10 - Investment in Unconsolidated Affiliate**

In 2012, we invested \$4.0 million to acquire an equity interest of approximately 28% in a joint venture (JV) related to the lease of our Lisle, Illinois campus facility. In connection with this investment, we do not possess a controlling financial interest as we do not hold a majority of the equity interest, nor do we have the power to make major decisions without approval from the other equity member. Therefore, we do not qualify as the primary beneficiary. Accordingly, this investment is accounted for under the equity method of accounting and is included in "Other assets" in our consolidated balance sheets. We recognize our proportionate share of the JV's net income or loss during each accounting period and any return of capital as a change in our investment.

Our equity in earnings of unconsolidated affiliates was \$0.4 million for the years ended September 30, 2021, 2020 and 2019.

Investment in our unconsolidated affiliate consists of the following:

	September 30,			
	2021		2020	
	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
Investment in JV	\$ 4,627	28.0 %	\$ 4,494	28.0 %

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Investment in our unconsolidated affiliate included the following activity during the period:

	Year ended September 30,	
	2021	2020
Balance at beginning of period	\$ 4,494	\$ 4,338
Equity in earnings of unconsolidated affiliate	410	417
Return of capital contribution from unconsolidated affiliate	(277)	(261)
Balance at end of period	<u>\$ 4,627</u>	<u>\$ 4,494</u>

Through September 30, 2019, the activity from equity in earnings of the unconsolidated affiliate was included in "Total other income, net" on the consolidated statements of operations. In conjunction with the adoption of ASC 842, beginning October 1, 2019, the activity is included in "Educational services and facilities" on the consolidated statements of operations.

**Note 11 - Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses consisted of the following:

	September 30,	
	2021	2020
Accounts payable	\$ 13,702	\$ 12,471
Accrued compensation and benefits	29,506	28,053
Other accrued expenses	11,189	11,367
Accounts payable and accrued expenses	<u>\$ 54,397</u>	<u>\$ 51,891</u>

**Note 12 - Debt**

	September 30, 2021			September 30, 2020
	Interest Rate	Maturity Date	Carrying Value of Debt <sup>(4)</sup>	Carrying Value of Debt <sup>(4)</sup>
Term Loan <sup>(1)</sup>	2.08 %	May 2028	\$ 30,886	\$ —
Finance leases <sup>(2)</sup>	3.08 %	Various	96	260
Total debt			30,982	260
Debt issuance costs presented with debt <sup>(3)</sup>			(256)	—
Total debt, net			30,726	260
Less: current portion of long-term debt			(876)	(129)
Long-term debt			<u>\$ 29,850</u>	<u>\$ 131</u>

(1) Interest on the Term Loan (as defined below) accrues at annual rate equal to the monthly LIBOR plus 2.0%.

(2) Our finance leases include finance lease arrangements related to various equipment with a weighted-average annual interest rate of approximately 3.08%, which mature in varying installments between 2021 and 2023. See Note 9 for additional details on our finance leases.

(3) The unamortized debt issuance costs as of September 30, 2021 relate entirely to the Term Loan.

(4) Our Term Loan and finance leases bear interest at rates commensurate with market rates and therefore the respective carrying values approximate fair value (Level 2).

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**Term Loan**

In connection with the Avondale, Arizona building purchase in December 2020, we entered into a Credit Agreement with Fifth Third Bank, National Association (the “Lender”) on May 12, 2021 in the maximum principal amount of \$31.2 million with a maturity of seven years (the “Term Loan”). The Term Loan bears interest at the rate of LIBOR plus 2.0%. Principal and interest payments are due monthly. The Term Loan is secured by a first priority lien on our Avondale, Arizona property, including all land and improvements. Additionally, on May 12, 2021, we entered into an interest rate swap agreement with the Lender that effectively fixes the interest rate on 50% of the principal amount of the Term Loan, or approximately \$15.6 million, at 3.5% for the entire loan term. See Note 13 below for further discussion on the interest rate swap.

We are subject to customary affirmative and negative covenants under the Credit Agreement, including, without limitation, certain reporting obligations and certain limitations on restricted payments, and limitations on liens, encumbrances and indebtedness. The Term Loan is also subject to certain financial maintenance covenants. The debt service coverage ratio shall not be less than 1.25 to 1.00 and is defined as the ratio of the sum of consolidated income (loss) for the year, to the extent deducted in determining income for such period, before income taxes, interest expense, amortization, depreciation and other non-cash charges including net stock-based compensation, fees and expenses related to potential acquisitions and expansion of operations and certain non-recurring charges, including relating to restructuring, business optimization and diversification strategy, less any extraordinary non-recurring gains, interest income and non-cash gains (“Consolidated EBITDA”) (less dividends payable on our Series A Preferred Stock) and other extraordinary items to the current portion of long-term debt and interest paid during the period being measured (which commenced on September 30, 2021 and is tested annually thereafter on a trailing 12-month basis). The funded debt to Consolidated EBITDA ratio is required to be no greater than 3.50 to 1.00 (which commenced on June 30, 2021 and is tested quarterly thereafter on a trailing 12-month basis). Beginning on May 12, 2024, the Lender may request new appraisals of the Avondale property in order to maintain the ratio of the amortized loan balance to the value of the location at 70%, the approximate ratio that existed at May 12, 2021. Events of default under the Credit Agreement include, among others, the failure to make payments when due, breach of covenants (including certain financial maintenance covenants) and breach of representations or warranties. If we fail to meet the minimum debt service coverage ratio, loan-to-value or debt yield and fail to cure such non-compliance within a time period acceptable to the Lender, we will be in default. As of September 30, 2021, we were in compliance with all debt covenants.

**Debt Maturities**

Scheduled principal payments due on our debt for each year through the period ended September 30, 2026, and thereafter were as follows at September 30, 2021:

Maturity	Term Loan	Finance Leases	Total
2022	\$ 803	\$ 73	\$ 876
2023	832	23	855
2024	861	—	861
2025	892	—	892
2026	924	—	924
Thereafter	26,574	—	26,574
Subtotal	30,886	96	30,982
Debt issuance costs presented with debt	(256)	—	(256)
Total	\$ 30,630	\$ 96	\$ 30,726

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**Note 13 - Derivative Financial Instruments**

In the normal course of business, our operations are exposed to market risks, including the effect of changes in interest rates. We may enter into derivative financial instruments to offset these underlying market risks. See Note 2 for our derivative financial instruments policy.

On May 12, 2021, in connection with the Term Loan discussed in Note 12, we entered into an interest rate swap agreement with the Lender that effectively fixes the interest rate on 50% of the principal amount of the Term Loan, or approximately \$15.6 million, at 3.5% for the entire loan term, or seven years (the "Swap"). On May 12, 2021, the Swap was designated as an effective cash flow hedge for accounting and tax purposes.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recorded in "Accumulated other comprehensive income (loss)" on the condensed consolidated balance sheets. For cash flow hedges, we report the effective portion of the gain or loss as a component of "Accumulated other comprehensive income (loss)" and reclassify it to "Interest expense" in the condensed consolidated statements of operations over the corresponding period of the underlying hedged item. The ineffective portion of the change in fair value of a derivative financial instrument is recognized in "Interest expense" at the time the ineffectiveness occurs. To the extent the hedged forecasted interest payments on debt related to our interest rate swap is paid off, the remaining balance in "Accumulated other comprehensive income (loss)" is recognized in "Interest expense" in the condensed consolidated statements of operations. Of the net amount of the existing losses that are reported in "Accumulated other comprehensive income (loss)" as of September 30, 2021, we estimate that \$0.2 million will be reclassified to "Interest expense" within the next twelve months. As of September 30, 2021, the notional amount of our Swap was approximately \$15.4 million.

**Fair Value of Derivative Instruments**

The following table presents the fair value of our Swap (Level 2) which is designated as a cash flow hedge and the related classification on the condensed consolidated balance sheet as of September 30, 2021:

	<b>Interest Rate Swap</b>	
Other current liabilities	\$	194
Other liabilities		85
Total fair value of liabilities designated as hedging instruments	\$	279

**Effect of Cash Flow Hedge Accounting on Accumulated Other Comprehensive Income (Loss)**

The table below presents the effect of cash flow hedge accounting for our Swap on "Accumulated other comprehensive income (loss)" as of September 30, 2021:

	<b>Amount of Gain (Loss) Recognized in Other Comprehensive Income (Loss) on Derivative</b>	<b>Location of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income</b>	<b>Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income</b>
	<b>Year Ended September 30, 2021</b>		
Interest Rate Swap	\$ (365)	Interest expense	\$ (86)

**Effect of Cash Flow Hedge Accounting on the Condensed Consolidated Statement of Operations**

The table below presents the effect of cash flow hedge accounting for our Swap on the condensed consolidated statement of operations for the year ended September 30, 2021:

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		<b>Interest Expense</b>
<b>Interest Rate Swap</b>		
Amount of gain (loss) reclassified from accumulated other comprehensive income (loss) into income	\$	(86)

**Note 14 - Income Taxes**

The components of income tax benefit (expense) for the years ended September 30, 2021, 2020 and 2019 are as follows:

	<b>Year Ended September 30,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Current (expense) benefit:</b>			
United States federal	\$ 5	\$ 11,250	\$ 2
State	(607)	(303)	(205)
Total current (expense) benefit	(602)	10,947	(203)
<b>Deferred (expense) benefit:</b>			
United States federal	—	(345)	—
State	—	—	—
Total deferred (expense) benefit	—	(345)	—
Total income tax (expense) benefit	<u>\$ (602)</u>	<u>\$ 10,602</u>	<u>\$ (203)</u>

The income tax provision differs from the tax that would result from application of the statutory federal tax rate of 21.0% to pre-tax income for the years ended September 30, 2021, 2020 and 2019. The reasons for the differences are as follows:

	<b>Year Ended September 30,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
Income tax (expense) benefit at statutory rate	\$ (3,188)	\$ 545	\$ 1,610
State income taxes, net of federal tax benefit	(480)	(246)	(165)
Decrease (increase) in valuation allowance	3,229	6,135	(1,514)
Net operating losses carryback to higher federal statutory rate years	—	4,270	—
Other, net	(163)	(102)	(134)
Total income tax (expense) benefit	<u>\$ (602)</u>	<u>\$ 10,602</u>	<u>\$ (203)</u>

The components of the deferred tax assets (liabilities) recorded in the accompanying consolidated balance sheets were as follows:

	<b>September 30,</b>	
	<b>2021</b>	<b>2020</b>
<b>Gross deferred tax assets:</b>		
Right-of-use assets for operating leases	\$ 43,039	\$ 40,515
Deferred compensation	\$ 707	\$ 802
Accrued compensation	2,277	3,940
Accrued tool sets	865	831
Other reserves and accruals	2,815	2,665
Deferred revenue	4,595	4,406

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	September 30,	
	2021	2020
Net operating losses	5,442	6,729
Tax credit carryforwards	247	293
Charitable contribution carryovers	893	1,527
Deductions limited by Section 382	670	764
Other	83	—
Valuation allowance	(13,492)	(17,449)
Total gross deferred tax assets	48,141	45,023
<b>Gross deferred tax liabilities:</b>		
Operating lease liability	(40,984)	(37,083)
Amortization of goodwill and intangibles	(2,056)	(2,056)
Depreciation and amortization of property and equipment	(4,587)	(5,547)
Prepaid and other expenses deductible for tax	(1,188)	(1,011)
Total gross deferred tax liabilities	(48,815)	(45,697)
Net deferred tax liabilities	\$ (674)	\$ (674)

The following table summarizes the activity for the valuation allowance for the years ended September 30, 2021, 2020 and 2019:

	Year Ended September 30,		
	2021	2020	2019
Balance at beginning of period	\$ 17,449	\$ 25,673	\$ 23,112
Additions (reductions) to income tax	(3,957)	(5,947)	2,561
Write-offs <sup>(1)</sup>	—	(2,277)	—
Balance at end of period	\$ 13,492	\$ 17,449	\$ 25,673

(1) The write-offs during the year ended September 30, 2020 of \$2.3 million related to our adoption of ASC 842 as of October 1, 2019.

We have valuation allowances of \$13.5 million and \$17.4 million against the deferred tax assets as of September 30, 2021, and 2020, respectively, based on our assessment of the ability to utilize the deferred tax assets. The valuation allowances established relate to all federal and state deferred tax assets, for which we determined that it was more likely than not that a benefit will not be realized. In assessing whether a valuation allowance was required for the deferred tax assets, we considered the weight of all available positive and negative evidence.

During the year ended September 30, 2020, we recorded an income tax refund of approximately \$11.3 million as a result of certain provisions of the CARES Act, of which \$7.1 million remained outstanding as of September 30, 2020. As of September 30, 2021, we have received the remaining outstanding income tax refund. For additional information on the CARES Act, see the "COVID-19 and the CARES Act" section of Note 21 on "Government Regulation and Financial Aid."

As of September 30, 2021, we had approximately \$12.9 million and \$44.2 million in net operating losses for federal and state tax purposes, respectively. The federal net operating losses can be carryforward indefinitely, while the state net operating losses expires in the years 2027 through 2042 if not utilized.

The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations. ASC 740 states that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes,

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on the basis of the technical merits. We believe that all of our tax positions meet the more-likely-than not test and therefore no uncertain tax positions were recorded as of September 30, 2021.

We file income tax returns for federal purposes and in many states. Our tax filings remain subject to examination by applicable tax authorities for certain length of time, generally three to four years, following the tax year to which these filings relate. In fiscal 2019 and 2020, we filed returns to carry back federal and certain state net operating losses to prior years. The statute of limitations for adjustment of the net operating losses utilized on these tax returns remains open an additional three to four years, depending on jurisdiction, from the date these returns were filed.

**Note 15 - Commitments and Contingencies**

***Licensing Agreements***

We have entered into various licensing agreements with varying expiration dates that give us the right to use certain materials, trademarks, trade names, trade dress, and other intellectual property in connection with the operation of our campuses and the development of our courses. The expense for the license fees under these various agreements totaled \$2.0 million, \$2.2 million and \$2.2 million for the years ended September 30, 2021, 2020 and 2019, respectively, and were recorded in "Educational services and facilities expenses" on the consolidated statements of operations.

***Snap-on Tools Product Support Agreement***

We have an agreement with Snap-on Tools that allows us to purchase promotional tool kits for our students at a discount from the list price. In addition, we earn credits that are redeemable for equipment from the Snap-on Tools that we use in our business. Credits are earned on our purchases as well as purchases made by students enrolled in our programs. We have agreed to grant Snap-On Tools exclusive access to our campuses, to display advertising and to use their tools to train our students. The credits under this agreement may be redeemed in multiple ways, which historically has been for additional equipment at the full retail list price, which is more than we would be required to pay using cash. The renewal was executed in October 2017 and expires October 31, 2022. The renewal allows us to redeem our credits for a portion of the tool sets we purchase for our students. Any product credits remaining at termination will expire 60 days after the date of termination. A net prepaid expense with Snap-on Tools resulted from an excess of credits earned over credits used of \$4.8 million and \$5.5 million as of September 30, 2021 and 2020, respectively, included in "Other current assets" in our consolidated balance sheets.

Students are provided a Career Starter Tool Set Voucher which can be redeemed for a tool set near graduation. The cost of the tool sets, net of the credit, is accrued during the time period in which the students begin attending school until they have progressed to the point that the promotional tool set vouchers are provided. Our consolidated balance sheets include an "Accrued tool sets" liability of \$3.3 million and \$3.1 million as of September 30, 2021 and 2020, respectively. Additionally, our liability to Snap-on Tools for vouchers redeemed by students was \$1.6 million and \$1.9 million as of September 30, 2021 and 2020, respectively, and is included in "Accounts payable and accrued expenses" in our consolidated balance sheets.

***Surety Bonds***

Each of our campuses must be authorized by the applicable state education agency in which the campus is located to operate and to grant certificates, diplomas or degrees to its students. Our campuses are subject to extensive, ongoing regulation by each of these states. Additionally, our campuses are required to be authorized by the applicable state education agencies of certain other states in which our campuses recruit students. Our insurers issue surety bonds for us on behalf of our campuses and admissions representatives with multiple states to maintain authorization to conduct our business. We are obligated to reimburse our insurers for any surety bonds that are paid by the insurers. As of September 30, 2021, the total face amount of these surety bonds was approximately \$15.3 million.

***Legal***

In the ordinary conduct of our business, we are periodically subject to lawsuits, demands in arbitration, investigations, regulatory proceedings or other claims, including, but not limited to, claims involving current or former students, routine



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employment matters, business disputes and regulatory demands. When we are aware of a claim or potential claim, we assess the likelihood of any loss or exposure. If it is probable that a loss will result and the amount of the loss can be reasonably estimated, we would accrue a liability for the loss. When a loss is not both probable and estimable, we do not accrue a liability. Where a loss is not probable but is reasonably possible, including if a loss in excess of an accrued liability is reasonably possible, we determine whether it is possible to provide an estimate of the amount of the loss or range of possible losses for the claim. Because we cannot predict with certainty the ultimate resolution of the legal proceedings (including lawsuits, investigations, regulatory proceedings or claims) asserted against us, it is not currently possible to provide such an estimate. The ultimate outcome of pending legal proceedings to which we are a party may have a material adverse effect on our business, cash flows, results of operations or financial condition.

**Note 16 - Shareholders' Equity**

***Common Stock***

Holders of our common stock are entitled to receive dividends when and as declared by our Board of Directors and have the right to one vote per share on all matters requiring shareholder approval. On June 9, 2016, our Board of Directors voted to eliminate the quarterly cash dividend on our common stock. Any future common stock dividends require the approval of a majority of the voting power of the Series A Preferred Stock.

***Preferred Stock***

Preferred Stock consists of 10,000,000 authorized preferred shares of \$0.0001 par value each. As of September 30, 2021 and 2020, 700,000 shares of Series A Preferred Stock were issued and outstanding. The liquidation preference associated with the Series A Preferred Stock was \$100 per share at September 30, 2021 and 2020.

On June 24, 2016, we entered into a Securities Purchase Agreement ("Purchase Agreement") with Coliseum Holdings I, LLC ("Purchaser") to sell to the Purchaser 700,000 shares of Series A Preferred Stock for a total purchase price of \$70.0 million. The Series A Preferred Stock is perpetual, and therefore does not have a maturity date. The description below provides a summary of certain material terms of the Series A Preferred Stock as set forth in the Certificate of Designations ("Certificate of Designations") of the Series A Preferred Stock:

***Rank***

The Series A Preferred Stock will, with respect to dividend rights and rights upon liquidation, winding up or dissolution, rank senior to our common stock and each other junior class or series of shares that we may issue in the future. The Series A Preferred Stock will also rank junior to any future indebtedness.

***Dividends***

We may pay a cash dividend on each share of the Series A Preferred Stock at a rate of 7.5% per year on the liquidation preference then in effect ("Cash Dividend"). The Cash Dividend is payable before any dividends would be declared or paid to common stockholders or other junior stockholders. If we do not pay a Cash Dividend, the liquidation preference shall be increased to an amount equal to the current liquidation preference in effect plus an amount reflecting that liquidation preference multiplied by the Cash Dividend rate then in effect plus 2.0% per year ("Accrued Dividend"). Cash Dividends are payable semi-annually in arrears on September 30 and March 31 of each year, and will begin to accrue on the first day of the applicable dividend period. We paid Cash Dividends of \$5.3 million during the years ended September 30, 2021 and 2020.

The Series A Preferred Stock includes participation rights such that, in the event that we pay a dividend or make a distribution on the outstanding common stock, we shall also pay to each holder of the Series A Preferred Stock a dividend on an as converted basis.

If we are required to or elect to obtain stockholder and regulatory approval and if such approval is not obtained within the time periods set forth in the Certificate, the dividend rates with respect to the Cash Dividend and Accrued Dividend will be

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increased by 5.0% per year, not to exceed a maximum of 14.5% per year, subject to downward adjustment on obtaining the foregoing approvals.

*Liquidation Preference*

In the event of voluntary or involuntary liquidation, dissolution or winding up of our company, holders of the Series A Preferred Stock are entitled to receive, before any distribution or payment to the holders of any common or junior stock, an amount per share of Series A Preferred Stock equal to the liquidation preference then in effect, which would include any Accrued Dividends. Alternatively, the holder may choose to receive the amount that would be payable per share of common stock issued upon conversion of the Series A Preferred Stock immediately prior to such liquidation event.

Mergers (regardless of whether we remain the surviving entity), sale of substantially all of our assets or any other recapitalization, reclassification or other transaction in which substantially all of our common stock is exchanged or converted into cash or other property are considered "Deemed Liquidation Events." The Certificate of Designations provides that, in the case of a Deemed Liquidation Event, each holder of Series A Preferred Stock shall be entitled to receive the liquidation amount they would receive under a normal liquidation event; however, the liquidation amount must be in the same form of consideration as is payable to the holders of our common stock.

The liquidation preference associated with the Series A Preferred Stock was \$100 per share at September 30, 2021 and 2020.

*Voting*

Holders of Series A Preferred Stock are entitled to vote with the holders of shares of common stock on an as converted basis, subject to the Continuing Caps as discussed below.

A majority of the voting power of the Series A Preferred Stock must approve certain significant actions, including, without limitation, the issuance of certain equity securities; the repurchase, redemption or acquisition of our common stock; the incurrence of debt; the consummation of certain acquisitions, mergers or other such transactions; and the sale of material assets.

The Certificate of Designations includes a Conversion Cap and an Investor Voting Cap (each as defined in the Certificate of Designations), which generally prohibit: (i) the conversion of Series A Preferred Stock into common stock; and (ii) the voting of common stock issuable upon conversion of the Series A Preferred Stock, to the extent that such conversion results in the issuance of a number of shares of common stock exceeding 4.99% of our outstanding shares of common stock as of June 24, 2016 or that has voting power that exceeds 4.99% of the voting power of our outstanding shares of common stock as of June 24, 2016.

The Certificate of Designations provides that the Conversion Cap and the Investor Voting Cap may only be removed upon our receipt of: (i) certain stockholder approvals required by Section 312.03 of the New York Stock Exchange Listed Company Manual ("NYSE Rule 312"); and (ii) either (A) Education Regulatory Approval (as defined in the Certificate of Designations), or (B) a good faith determination by our board of directors that Education Regulatory Approval is not required. Our stockholders approved a proposal at the annual meeting of stockholders on [February 27, 2020](#), in accordance with the listing standards of the NYSE, that satisfied NYSE Rule 312.

In August 2020, the Purchaser notified us that it intended to distribute all 700,000 Series A Preferred Stock to its members, and that certain of its members would subsequently distribute their Series A Preferred Stock to (i) limited partners affiliated with the Purchaser and certain other entities for whom Coliseum Capital Management, LLC (an affiliate of the Purchaser) holds voting and dispositive power with respect to the Series A Preferred Stock (the "Affiliated Holders"), which six Affiliated Holders, following such distribution, will own Series A Preferred Stock that would represent, on an as converted basis, approximately 24.9% of our outstanding shares of common stock and voting power, and (ii) limited partners unaffiliated with the Purchaser (the "Unaffiliated Holders"), which 12 Unaffiliated Holders, following such distribution, each will own Series A Preferred Stock that would represent, on an as converted basis, 9.9% or less of our outstanding shares of common stock and voting power (collectively, the "Distributions").

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In connection with the Distributions, our board of directors, based on advice of legal counsel, determined that: (i) no Education Regulatory Approval would be required for the Unaffiliated Holders to remove the Conversion Cap and the Investor Voting Cap with respect to the Series A Preferred Stock acquired in the Distributions; and (ii) as to the Series A Preferred Stock held by the Affiliated Holders, no Education Regulatory Approval is required prior to the Affiliated Holders (A) converting a number of Series A Preferred Stock into common stock provided that the number of shares of common stock issued pursuant to such conversion, in the aggregate, is less than or equal to 9.9% of the number of shares of common stock outstanding on an as converted basis as of the date of the Distributions, and (B) voting a number of Series A Preferred Stock provided that the voting power of such Series A Preferred Stock and any shares of common stock issued upon conversion of such Series A Preferred Stock is less than or equal to 9.9% of the voting power of the common stock outstanding as of the date of the Distributions (the foregoing limitations, the "Continuing Caps").

The removal of the Conversion Cap and Voting Cap became effective as of the date of the Distributions, subject to the Continuing Caps remaining in place with respect to the Series A Preferred Stock distributed to the Affiliated Holders. Education Regulatory Approval continue to be required for, and the Continuing Caps will remain in place with respect to, the Series A Preferred Stock acquired by the Affiliated Holders in the Distributions to the extent such shares, on an as converted basis, represent in excess of 9.9% of our common stock and voting power as of the date of the Distributions. The Affiliated Holders may, at any time, request that we seek Education Regulatory Approval or make a good faith determination that such approval is not required.

*Optional Conversion by Purchaser*

The Series A Preferred Stock are convertible to common stock at any time at the option of the holder. Following the Distributions, the Conversion Cap currently applies to the Affiliated Holders.

*Optional Conversion by Our Company*

If at any time following the third anniversary of the issuance of the Series A Preferred Stock, the volume weighted average price of our common stock equals or exceeds 2.5 times the conversion price of the Series A Preferred Stock, or \$8.33 as of September 30, 2021, for a period of 20 consecutive trading days ("Conversion Trigger"), we may, at our option and subject to obtaining any required stockholder and regulatory approvals, require that any or all of the then outstanding Series A Preferred Stock be automatically converted into our common stock at the conversion rate. We may not elect such conversion during the closed trading window periods in which any director or executive officer of our company is prohibited by us to, directly or indirectly, purchase, sell or otherwise acquire or transfer any equity security of our company. If we are unable to obtain the necessary regulatory approvals to remove the Conversion Cap within 120 days of giving our notice of intent to convert, we will have the option to redeem all of the Series A Preferred Stock at a premium.

*Conversion Rate and Conversion Price*

The conversion rate for the Series A Preferred Stock will be calculated by dividing the current liquidation preference by the conversion price then in effect. The initial and current conversion price for the Series A Preferred Stock is \$3.33 per share. The conversion price is subject to adjustment upon the occurrence of certain common stock events, as defined in the Purchase Agreement, including stock splits, reverse stock splits or the issuance of common stock dividends.

*Optional Special Dividend and Conversion on Certain Change of Control*

Upon a change of control, at the written election by holders of a majority of the then outstanding shares of Series A Preferred Stock, we shall declare and pay a special cash dividend in the amount equal to either 1.5 or 2.0 times the Cash Dividend rate, depending on the type of change in control, multiplied by the liquidation preference per share then in effect.

*Redemption at the Option of Our Company*

We have the ability to redeem the Series A Preferred Stock at any time after the third anniversary of the issue date, provided that the Conversion Trigger has not been met on the date of the redemption notice. Holders of the Series A Preferred Stock will be able to convert their shares into common stock if neither the Investor Voting Cap nor Conversion Cap is in effect. If

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they do not provide notice of conversion within 10 days of receipt of the redemption notice, the redemption will proceed at a price per share equal to the product of the current conversion rate and 2.5 times the conversion price. If either the Investor Voting Cap or Conversion Cap is in effect at the date of the notice of redemption, the holder may request that we obtain the necessary regulatory approval for its removal.

After the tenth anniversary of the issue date, we have the ability to redeem the Series A Preferred Stock in whole or in part at any time. Holders of the Series A Preferred Stock will then be able to convert their shares into common stock if neither the Investor Voting Cap nor Conversion Cap is in effect. If they do not provide notice of conversion within 10 days of receipt of the redemption notice, the redemption will proceed at a price per share equal to the current liquidation preference. If either the Investor Voting Cap or Conversion Cap is in effect at the date of the notice of redemption, the holder may request that we obtain the necessary regulatory approval for its removal.

*Anti-dilution*

The conversion price of the Series A Preferred Stock is subject to certain customary anti-dilution protections should we effect certain common stock events, such as stock splits, stock dividends or subdivisions, reclassifications or combinations of our common stock. In such events, the conversion price will be adjusted in a proportionate manner to the change in outstanding share of common stock immediately preceding and immediately after the event.

*Reservation of Shares Issuable upon Conversion*

We are required, at all times, to reserve and keep available out of our authorized and unissued shares of common stock the number of shares that would be issuable upon conversion of all Series A Preferred Stock, assuming that the Conversion Cap does not apply. If this reserve is not sufficient at any point to allow for full conversion, we shall be required to take action to increase our pool of authorized but unissued shares.

Under the Securities Act, we were not required to register the offer or sale of the Series A Preferred Stock to the Purchaser. In conjunction with the Purchase Agreement, the parties entered into a Registration Rights Agreement in order to grant the Purchaser certain demand and piggyback registration rights covering the purchased shares. In the event that the Purchaser requests such registration of the Series A Preferred Stock, the Registration Rights agreement provides that we shall bear all expenses associated with the registration, with the exception of underwriting discounts and commissions and brokerage fees. On October 18, 2019, we filed a [Form S-3](#) with the Securities and Exchange Commission to register shares of common stock currently held by selling stockholders as well as shares of common stock issuable upon the optional conversion of Series A Convertible Preferred Stock held by the selling stockholders. That registration statement became effective on October 30, 2019.

*Equity Offering*

On February 20, 2020, we entered into an Underwriting Agreement with B. Riley FBR, Inc., as representative of the several underwriters named therein (the "Underwriters"), to issue and sell an aggregate of 6,782,610 shares (the "Firm Shares") of our common stock, par value \$0.0001 per share (the "Common Stock"), in a public offering, at a price to the public of \$7.75 per share, pursuant to a registration statement on [Form S-3](#) (Registration No. 333-236146) (the "Registration Statement") and the accompanying [prospectus](#), and related [prospectus supplement](#), filed with the SEC (the "Offering"). In addition, we granted the Underwriters an option ("Option") to purchase up to an additional 1,017,390 shares of the Common Stock for a period of 30 days from February 20, 2020.

The Offering of the Firm Shares closed on February 25, 2020. The net proceeds from the Offering were approximately \$49.2 million, after deducting underwriting discounts. Direct costs of \$0.4 million related to the offering were recorded to equity during the three months ended March 31, 2020. The Underwriters did not exercise the Option in full for the additional 1,017,390 shares. The 6,782,610 shares purchased were issued from Treasury Stock on February 25, 2020, leaving 82,287 shares in Treasury stock. We intend to use the proceeds for working capital, capital expenditures, and other general corporate purposes, which may include the addition of new campuses, the expansion of existing programs and the development of new programs, and the purchase of real property and campus infrastructure. We may also use a portion of the net proceeds to fund potential strategic acquisitions of complementary businesses, assets, services or technologies.

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**Share Repurchase Program**

On December 10, 2020, our Board of Directors authorized a new share repurchase plan that would allow for the repurchase of up to \$35.0 million of our common stock in the open market or through privately negotiated transactions. This new share repurchase plan replaced the previously authorized plan from fiscal 2012. Any repurchases under this new stock repurchase program require the approval of a majority of the voting power of our Series A Preferred Stock. We did not repurchase any shares during the year ended September 30, 2021.

**Note 17 - Stock-Based Compensation**

Our stock-based compensation is governed by the 2021 Equity Incentive Compensation Plan ("2021 Plan"). The 2021 Plan was adopted by our Board of Directors in January 2021 and approved by our shareholders at the February 2021 annual meeting. The 2021 Plan replaces the Management 2002 Stock Option Program and the 2003 Incentive Compensation Plan, as amended (the "Former Plans"). Under the 2021 Plan, we are authorized to issue incentive compensation convertible into up to 2.0 million shares of common stock, increased by 0.7 million shares that remained available for future grants of awards under the Former Plans immediately prior to termination. Additionally, subject to and in accordance with the 2021 Plan, 1.5 million shares that are subject to outstanding awards under the Former Plans that are subsequently expired, forfeited, or are otherwise terminated will also become available for awards under the 2021 Plan. As of September 30, 2021, 2.6 million shares remained available for future grants under the 2021 Plan.

**Stock-Based Compensation Expense**

We measure the cost of employee services received in exchange for awards of restricted stock units based on the market value of our common shares at the date of grant. The fair value of the restricted stock units is amortized on a straight-line basis over the requisite service period.

Certain restricted stock units are subject to a performance condition established at the date of grant (or "Performance Units"). We estimate the fair value of Performance Units using a Monte Carlo simulation which requires assumptions for expected volatility, risk-free rates of return, and dividend yields. Expected volatilities are derived using a method that calculates historical volatility over a period equal to the length of the measurement period for UTI. We use a risk-free rate of return that is equal to the yield of a zero-coupon U.S. Treasury bill that is commensurate with each measurement period, and we assume that any dividends paid were reinvested. Actual results against the performance condition are measured at the end of the performance period, which typically coincides with the vesting period. The fair value of the Performance Units is amortized on a straight-line basis over the requisite service period based upon the fair market value on the date of grant, adjusted for the anticipated or actual achievement against the established performance condition.

We estimate the fair value of each stock option grant on the date of grant using the Black-Scholes option-pricing model. The estimated fair value is affected by our stock price, as well as assumptions regarding a number of complex and subjective variables, including, but not limited to, our expected stock price volatility, the expected term of the awards and actual and projected employee stock exercise behaviors. We evaluate our assumptions on the date of each grant.

We did not grant stock options during the years ended September 30, 2021 and 2020. We granted 210,000 stock options during the year ended September 30, 2019 which became fully vested and exercisable on the date of the grant. The following assumptions were used to value options granted during the year ended September 30, 2019:

	<b>Year Ended September 30, 2019</b>
Expected years until exercised	7
Risk-free interest rate	2.84 %
Expected volatility	52.4 %
Expected dividends	— %

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For all stock-based compensation expense, we account for forfeitures as they occur. The following table summarizes the operating expense line and the impact on net income (loss) in the consolidated statements of operations in which stock-based compensation expense has been recorded for the years ended September 30, 2021, 2020 and 2019:

	Year Ended September 30,		
	2021	2020	2019
Educational services and facilities	\$ 60	\$ 64	\$ —
Selling, general and administrative	1,748	2,013	1,440
Total stock-based compensation expense	<u>\$ 1,808</u>	<u>\$ 2,077</u>	<u>\$ 1,440</u>
Income tax benefit	\$ 452	\$ 519	\$ 360

**Stock Options**

During fiscal 2019, we issued stock options with an exercise price equal to the closing price of our stock on the grant date which vested upon issuance. These options, under the Former Plans, have an expiration date of seven years. Under the 2021 Plan, the maximum term of any option granted under the 2021 Plan is ten years and, unless otherwise permitted by our Compensation Committee, an option generally will remain exercisable for three months following the participant's termination of service, provided that if service terminates as a result of the participant's death or disability, the option generally will remain exercisable for 12 months, but in any event the option must be exercised no later than its expiration date.

The following table summarizes stock option activity under the Former Plans and the 2021 Plan for the years ended September 30, 2021, 2020 and 2019:

	Number of Shares (In thousands)	Weighted Average Exercise Price (per Share)	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding as of September 30, 2018	—	\$ —	—	\$ —
Granted	210	\$ 3.14		
Outstanding as of September 30, 2019	210	\$ 3.14	6.19	\$ 483
Outstanding as of September 30, 2020	210	\$ 3.14	5.18	\$ 407
Outstanding as of September 30, 2021	210	\$ 3.14	3.14	\$ 760
Stock options exercisable as of September 30, 2021	<u>210</u>	<u>\$ 3.14</u>	4.18	\$ 760

**Restricted Stock Units and Performance Units**

*Restricted Stock Units*

Our restricted stock units are issued at fair market value, which is based on the closing price of our stock on the grant date. Restricted stock units generally vest ratably over a three year service period from the date of grant. As of September 30, 2021, unrecognized stock compensation expense related to restricted stock units was \$2.6 million which is expected to be recognized over a weighted average period of 2.0 years.

*Performance Units*

Our outstanding Performance Units vest over a two or three year service period from the date of the grant and are based upon a mix of certain pre-established targets for revenue, compounded annual total shareholder return for the measurement period

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and net income. On the settlement date for each measurement period, participants will receive shares of our common stock equal to 0% to 187.5% of the performance units originally granted depending on the actual achievement against the performance metrics for that measurement period. The performance units vest subject to a market condition and on the settlement date which is expected to be no later than two and a half months after the end of each measurement period. As of September 30, 2021, unrecognized stock compensation expense related to performance units was \$1.7 million, which is expected to be recognized over a weighted average period of 2.3 years.

The following table summarizes the activity for restricted stock units and Performance Units granted under the Former Plans and 2021 Plan for the years ended September 30, 2021, 2020 and 2019:

	RSU		PSU	
	Number of Shares (In thousands)	Weighted Average Grant Date Fair Value per Share	Number of Shares (In thousands)	Weighted Average Grant Date Fair Value per Share
<b>Outstanding as of September 30, 2018</b>	572	\$ 2.95	278	\$ 2.69
Granted	—	\$ —	—	\$ —
Adjustment to grant based on achieved attainment level	—	\$ —	23	\$ —
Vested	(228)	\$ 3.17	(108)	\$ 3.11
Forfeited	(108)	\$ 2.96	(60)	\$ 2.75
<b>Outstanding as of September 30, 2019</b>	236	\$ 2.74	133	\$ 2.40
Granted	306	\$ 7.46	314	\$ 7.72
Adjustment to grant based on achieved attainment level	—	\$ —	33	\$ —
Vested	(141)	\$ 2.62	(100)	\$ 2.32
Forfeited	(63)	\$ 2.96	(39)	\$ 2.48
<b>Outstanding as of September 30, 2020</b>	338	\$ 7.01	341	\$ 7.30
Granted	376	\$ 6.11	371	\$ 6.37
Adjustment to grant based on achieved attainment level	—	\$ —	11	\$ —
Vested	(130)	\$ 6.31	(39)	\$ 2.48
Forfeited	(36)	\$ 6.90	(42)	\$ 7.30
<b>Outstanding as of September 30, 2021</b>	548	\$ 6.56	642	\$ 6.97

**Note 18 - Earnings per Share**

We calculate basic earnings per common share (“EPS”) pursuant to the two-class method as a result of the issuance of the Series A Preferred Stock on June 24, 2016. Our Series A Preferred Stock is considered a participating security because, in the event that we pay a dividend or make a distribution on the outstanding common stock, we shall also pay each holder of the Series A Preferred Stock a dividend on an as-converted basis. The two-class method is an earnings allocation formula that determines EPS for common stock and participating securities according to dividend and participation rights in undistributed earnings. Under this method, all earnings, distributed and undistributed, are allocated to common shares and participating securities based on their respective rights to receive dividends. The Series A Preferred Stock is not included in the computation of basic EPS in periods in which we have a net loss, as the Series A Preferred Stock is not contractually obligated to share in our net losses.

Diluted earnings per common share is calculated using the more dilutive of the two-class method or as-converted method. The two-class method uses net income available to common shareholders and assumes conversion of all potential shares

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other than the participating securities. The as-converted method uses net income and assumes conversion of all potential shares including the participating securities. Dilutive potential common shares include outstanding stock options, unvested restricted stock units, unvested performance units and convertible preferred stock. The basic and diluted weighted average shares outstanding are the same for year ended September 30, 2019 as a result of the net loss available to common shareholders and anti-dilutive impact of the potentially dilutive securities.

The following table summarizes the computation of basic and diluted earnings per common share under the two-class or as-converted method, as well as the anti-dilutive shares excluded:

	<b>Year Ended September 30,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Basic earnings per common share:</b>			
Net income (loss)	\$ 14,581	\$ 8,008	\$ (7,868)
Less: Preferred stock dividend declared	(5,250)	(5,264)	(5,250)
Income (loss) available for distribution	9,331	2,744	(13,118)
Income allocated to participating securities	(3,647)	(1,135)	—
Net income (loss) available to common shareholders	<u>\$ 5,684</u>	<u>\$ 1,609</u>	<u>\$ (13,118)</u>
Weighted average basic shares outstanding	32,766	29,812	25,438
Basic income (loss) per common share	<u>\$ 0.17</u>	<u>\$ 0.05</u>	<u>\$ (0.52)</u>
<b>Diluted earnings per common share:</b>			
<i>Method used:</i>			
	<i>Two-class</i>	<i>Two-class</i>	<i>Two-class</i>
Net income (loss) available to common shareholders	\$ 5,684	\$ 1,609	\$ (13,118)
Weighted average basic shares outstanding	32,766	29,812	25,438
Dilutive effect related to employee stock plans	357	301	—
Weighted average diluted shares outstanding	<u>33,123</u>	<u>30,113</u>	<u>25,438</u>
Diluted income (loss) per common share	<u>\$ 0.17</u>	<u>\$ 0.05</u>	<u>\$ (0.52)</u>
<b>Anti-dilutive shares excluded:</b>			
Outstanding stock-based grants	186	14	733
Convertible preferred stock	21,021	21,021	21,021
Total anti-dilutive shares excluded	<u>21,207</u>	<u>21,035</u>	<u>21,754</u>
Dilutive shares under the as-converted method <sup>(1)</sup>	54,144	51,134	46,971

(1) The dilutive shares under the as-converted method assume conversion of the Series A Preferred Stock and are presented here merely for reference. In a net income position, diluted earnings per share is determined by the more dilutive of the two-class method or the as-converted method.



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**Note 19 - Employee Benefit Plans**

We sponsor a defined contribution 401(k) plan, under which our employees elect to withhold specified amounts from their wages to contribute to the plan and we have a fiduciary responsibility with respect to the plan. The plan provides for matching a portion of employees' contributions at management's discretion. We made matching contributions of approximately \$1.1 million, \$1.0 million and \$1.0 million to the 401(k) plan for the years ended September 30, 2021, 2020 and 2019, respectively.

Additionally, we have a deferred compensation plan into which certain members of management are eligible to defer a maximum of 75% of their regular compensation and a maximum of 100% of their incentive compensation. We are not obligated to fund the deferred compensation plan; however, we have purchased life insurance policies on the participants in order to fund the related benefits and such policies have been placed into a rabbi trust. Our obligations under the deferred compensation plan totaled \$2.8 million and \$3.0 million as of September 30, 2021 and 2020, respectively, and are included in "Other liabilities" while the cash surrender value of the life insurance policies totaled \$3.1 million and \$3.3 million as of September 30, 2021 and 2020, respectively, and are included in "Other assets" in our consolidated balance sheets.

**Note 20 - Segment Information**

Our principal business is providing postsecondary education. We also provide manufacturer-specific training, and these operations are managed separately from our campus operations. These operations do not currently meet the quantitative criteria for segments and therefore are reflected in the "Other" category. Our equity method investment and other non-postsecondary education operations are also included within the "Other" category. Corporate expenses are allocated to "Postsecondary Education" and the "Other" category based on compensation expense.

Summary information by reportable segment is as follows:

	<u>Postsecondary Education</u>	<u>Other</u>	<u>Consolidated</u>
<b>Year Ended September 30, 2021</b>			
Revenues	\$ 323,476	\$ 11,607	\$ 335,083
Income (loss) from operations	15,841	(894)	14,947
Depreciation and amortization <sup>(1)</sup>	13,941	86	14,027
Net income (loss)	15,475	(894)	14,581
<b>Year Ended September 30, 2020</b>			
Revenues	\$ 287,195	\$ 13,566	\$ 300,761
Loss from operations	(3,493)	(378)	(3,871)
Depreciation and amortization <sup>(2)</sup>	11,698	106	11,804
Net income (loss)	8,386	(378)	8,008
<b>Year Ended September 30, 2019</b>			
Revenues	\$ 316,589	\$ 14,915	\$ 331,504
Loss from operations	(6,685)	(1,117)	(7,802)
Depreciation and amortization <sup>(2)</sup>	15,747	157	15,904
Net loss	(7,149)	(719)	(7,868)

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	<u>Postsecondary Education</u>	<u>Other</u>	<u>Consolidated</u>
<b>As of September 30, 2021</b>			
Total assets	\$ 504,934	\$ 7,636	\$ 512,570
<b>As of September 30, 2020</b>			
Total assets	\$ 435,144	\$ 6,837	\$ 441,981

(1) Includes depreciation of training equipment obtained in exchange for services of \$1.2 million for the year ended September 30, 2021.

(2) Excludes depreciation of training equipment obtained in exchange for services of \$1.3 million and \$1.4 million for the years ended September 30, 2020 and 2019, respectively.

**Note 21 - Government Regulation and Financial Aid**

Our institutions are subject to extensive regulatory requirements imposed by a wide range of federal and state agencies, as well as by institutional and programmatic accreditors. These requirements, which are frequently being revisited, revised, and expanded, cover virtually every aspect of our schools' operations, and our institutions are subject to periodic audits and program compliance reviews by various external agencies for compliance with these requirements. Each of our institutions' administration of the federal programs of student financial assistance under Title IV of the HEA ("Title IV Programs") also must be audited annually by independent accountants and the resulting audit report submitted to ED for review. The approvals granted by these regulatory entities permit our schools to operate and to participate in a variety of government-sponsored financial aid programs, including Title IV Programs. If our institutions fail to comply with any of these regulatory requirements, our regulators could take an array of adverse actions, up to and including revocation of the approval granted by the agency. Such adverse actions could have a material adverse effect on our academic or operational initiatives, cash flows, results of operations, or financial condition. Below, we discuss certain, specific elements of this regulatory environment.

**State Authorization**

To operate and offer postsecondary programs, and to be certified to participate in Title IV Programs, each of our institutions must obtain and maintain authorization from the state in which it is physically located (its "Home State"). To engage in recruiting or educational activities outside of its Home State, each institution also may be required to obtain and maintain authorization from the states in which it is recruiting or engaging in educational activities. The level of regulatory oversight varies substantially from state to state and is extensive in some states. State laws may establish standards for instruction, qualifications of faculty, location and nature of facilities and equipment, administrative procedures, marketing, recruiting, student outcomes reporting, disclosure obligations to students, limitations on mandatory arbitration clauses in enrollment agreements, financial operations, and other operational matters. Some states prescribe standards of financial responsibility and mandate that institutions post surety bonds. Many states have requirements for institutions to disclose institutional data to current and prospective students, as well as to the public. And some states require that our schools meet prescribed performance standards as a condition of continued approval.

**Accreditation**

Accreditation is a non-governmental process through which an institution voluntarily submits to ongoing qualitative reviews by an organization of peer institutions. Institutional accreditation by an ED-recognized accreditor is required for an institution to be certified to participate in Title IV Programs. All of our institutions are accredited by the Accrediting Commission of Career Schools and Colleges ("ACCSC"), which is an accrediting agency recognized by ED. ACCSC reviews the academic quality of each institution's instructional programs, as well as the administrative and financial operations of the institution to ensure that it has the resources necessary to perform its educational mission, implement continuous improvement processes, and support student success. Our institutions must submit annual reports, and at times, supplemental reports, to demonstrate ongoing compliance and improvement. ACCSC requires institutions to disclose certain institutional information to current and prospective students, as well as to the public, and requires that our schools and

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programs meet various performance standards as a condition of continued accreditation. Institutions must periodically renew their accreditation by completing a comprehensive renewal of accreditation process.

**Title IV Programs**

The federal government provides a substantial part of its support for postsecondary education through Title IV Programs in the form of grants and loans to students who can use those funds at any institution that has been certified as eligible to participate by ED. All of our institutions are certified to participate in Title IV Programs. Significant factors relating to Title IV Programs that could adversely affect us include:

- *The 90/10 Rule.* As a condition of participation in Title IV Programs, proprietary institutions must agree when they sign their PPA to comply with the 90/10 rule. Under the current 90/10 rule, to remain eligible to participate in the federal student aid programs, a proprietary institution must derive at least 10% of their revenues for each fiscal year from sources other than Title IV Program funds. Under the American Rescue Plan Act of 2021 (“ARPA”), a proprietary institution must derive at least 10 percent of its revenue from sources other than “Federal education assistance funds.” Federal education assistance funds are defined as “federal funds that are disbursed or delivered to or on behalf of a student to be used to attend such institution.” Pursuant to ARPA, the earliest this revision to the 90/10 rule may take effect is for institutional fiscal years beginning on or after January 1, 2023.

A proprietary institution is subject to sanctions if it exceeds the 90% level for a single year, and loses its eligibility to participate in Title IV Programs if it derives more than 90% of its revenue from Title IV Programs/Federal education assistance funds, as applicable, for two consecutive fiscal years.

We are currently reviewing the potential impact of the change in the 90/10 rule created under ARPA and will be monitoring any proposed or final regulations promulgated by ED to carry out this change.

- *Administrative Capability.* To continue its participation in Title IV Programs, an institution must demonstrate that it remains administratively capable of providing the education it promises and of properly managing the Title IV Programs. ED assesses the administrative capability of each institution that participates in Title IV Programs under a series of standards listed in the regulations, which cover a wide range of operational and administrative topics, including the designation of capable and qualified individuals, the quality and scope of written procedures, the adequacy of institutional communication and processes, the timely resolution of issues, the sufficiency of recordkeeping, and the frequency of findings of noncompliance, to name a few. ED’s administrative capability standards also include thresholds and expectations for federal student loan cohort default rates (discussed below), satisfactory academic progress, and loan counseling. Failure to satisfy any of the standards may lead ED to find the institution ineligible to participate in Title IV Programs, require the institution to repay Title IV Program funds, change the method of payment of Title IV Program funds, place the institution on provisional certification as a condition of its continued participation or take other actions against the institution.
- *Three-Year Student Loan Default Rates.* To remain eligible to participate in Title IV Programs, institutions also must maintain federal student loan cohort default rates below specified levels. An institution whose three-year cohort default rate is 15% or greater for any one of the three preceding years is subject to a 30-day delay in receiving the first disbursement on federal student loans for first-time borrowers. As of September 30, 2021, only Universal Technical Institute of Texas was subject to a 30-day delay in receiving the first disbursement on federal student loans for first-time borrowers due to a three-year cohort default rate that was 15% or greater for one of the three most recent years.
- *Financial Responsibility.* All institutions participating in Title IV Programs also must satisfy specific ED standards of financial responsibility. Among other things, an institution must meet all of its financial obligations, including required refunds to students and any Title IV Program liabilities and debts, be current in its debt payments, comply with certain past performance requirements, and not receive any adverse, qualified, or disclaimed opinion by its accountants in its audited financial statements. Each year, ED also evaluates institutions’ financial responsibility by calculating a “composite score,” which utilizes information provided in the institutions’ annual audited financial statements. The composite score is based on three ratios: (1) the equity ratio which measures the institution’s capital resources, ability to borrow and financial viability; (2) the primary reserve ratio which measures the institution’s ability to support current

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operations from expendable resources; and (3) the net income ratio which measures the institution's ability to operate at a profit. Between composite score calculations, ED also will reevaluate the financial responsibility of an institution following the occurrence of certain "triggering events," which must be timely reported to the agency.

- **Title IV Program Rulemaking.** ED is almost continuously engaged in one or more negotiated rulemakings, which is the process pursuant to which it revisits, revises, and expands the complex and voluminous Title IV Program regulations. Recent and significant negotiated rulemakings include the Gainful Employment Rulemaking, the Borrower Defense to Repayment Rulemaking, and the Accreditation and Innovation Rulemaking. New regulations associated with these rulemakings took effect on July 1, 2020, and additional, new rules took effect on July 1, 2021. Additionally, on May 26, 2021, ED announced its intention to establish multiple rulemaking committees and for these committees to prepare proposed regulations. These regulations could involve revisiting and potentially revising regulations across 14 different topics areas identified by ED, including the rules governing changes in ownership, standards of administrative capability, borrower defense to repayment, closed school loan discharges, mandatory pre-dispute arbitration clauses, and gainful employment. It is expected that these negotiated rulemakings would occur throughout 2022 and 2023, and that any resulting rules would become effective during that time or thereafter. ED has also invited public commentary on other matters around potential gaps in post secondary outcomes including retention, completion, loan repayment and student loan default. The potential outcome, if any, from these announced actions is unknown at this time. We devote significant effort to understanding the effects of ED regulations and rulemakings on our business and to developing compliant solutions that also are congruent with our business, culture, and mission to serve our students and industry relationships.

***Other Federal and State Student Aid Programs***

Some of our students also receive financial aid from federal sources other than Title IV Programs, such as the programs administered by the VA, the Department of Defense ("DOD") and under the Workforce Investment Act. Additionally, some states provide financial aid to our students in the form of grants, loans or scholarships. Our Long Beach, Rancho Cucamonga and Sacramento, California campuses, for example, are currently eligible to participate in the Cal Grant program. All of our institutions must comply with the eligibility and participation requirements applicable to each of these funding programs, which vary by funding agency and program.

In 2021, we derived approximately 14% of our revenues, on a cash basis, from veterans' benefits programs, which include the Post-9/11 GI Bill, the Montgomery GI Bill, the Reserve Education Assistance Program ("REAP") and VA Vocational Rehabilitation. To continue participation in veterans' benefits programs, an institution must comply with certain requirements established by the VA.

***COVID-19 and the CARES Act***

On March 13, 2020, the United States declared a national emergency concerning the COVID-19 pandemic, effective March 1, 2020. ED, consistent with its authority under then-existing statutes and regulations, issued guidance on March 5, 2020, outlining a range of accommodations intended to address interruptions of study related to COVID-19. On March 27, 2020, President Trump signed the CARES Act, which provided additional flexibilities and accommodations, beyond those offered by the ED in its March 5, 2020 guidance, particularly with regard to the campus-based assistance programs, the measurement of satisfactory academic progress, and the return of unearned Title IV Program funds to ED. Shortly thereafter, on April 3, 2020, ED issued further guidance, providing additional regulatory flexibilities, and in some cases, implementing the accommodations provided for in the CARES Act. ED periodically updated and supplemented this guidance over the following months. Guidance also was published regarding immigration, discrimination, safety, and privacy issues, as well as the Higher Education Emergency Relief Fund ("HEERF") established under the CARES Act.

On December 11, 2020, ED published a notice in the Federal Register extending the end dates of COVID-19-related waivers and modifications, and introducing several new flexibilities using its authority granted by the Higher Education Relief Opportunities for Students ("HEROES") Act of 2003. In most cases the waivers and modifications were extended through the end of the payment period that begins after the date on which the federally-declared national emergency related to COVID-19 is rescinded.

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On December 27, 2020, President Trump signed a \$2.3 trillion spending bill that combined a \$1.4 trillion omnibus appropriations bill for federal fiscal year 2021 with \$900 billion in supplemental appropriations to provide relief for the COVID-19 pandemic. As part of the omnibus appropriations bill, Congress simplifies the Free Application for Federal Student Aid, provides a \$15 million increase to the Federal Supplemental Educational Opportunity Grant program, and adds an additional \$10 million for Federal Work Study. This latter piece of legislation is known as the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 ("CRRSAA"). The CRRSAA extends the Paycheck Protection Program and allocates to it an additional \$284.5 billion, and includes The Higher Education Emergency Relief Fund II ("HEERF II"), which makes an addition \$22.7 billion available to higher education institutions to mitigate the impact of the COVID-19 pandemic. Of this amount, private, proprietary institutions are allocated approximately \$681 million and may only use HEERF II funding to provide emergency financial aid grants to students. On January 14, 2021, ED made extensive guidance available regarding the administration of the HEERF II program.

On March 11, 2021, President Biden signed into law the ARPA, a \$1.9 trillion economic relief package. The ARPA provides almost \$40 billion in funding available to higher education institutions under the Higher Education Emergency Relief III ("HEERF III"). Of this amount, private, proprietary institutions are allocated approximately \$396 million and may only use HEERF III funding to provide emergency financial aid grants to students. On May 11, 2021, ED published guidance regarding the administration of the HEERF III program.

On March 31, 2021, ED published its Guide for Compliance Attestation Engagements of Proprietary Schools Expending Higher Education Emergency Relief Fund Grants (the "Guide"). We completed the required audit of our participation in the HEERF grant program for the year ended September 30, 2020 which was filed with the ED on July 26, 2021.

We have reviewed and implemented many of the flexibilities created by Congress and ED's guidance. We continue to review new guidance from ED and to implement available legislative and regulatory relief as applicable.

#### ***Distance Education***

In response to the COVID-19 pandemic, ED provided broad approval for institutions to use distance education without going through the standard ED approval process. ED also permitted accreditors to waive their distance education review requirements. Taking advantage of these flexibilities, we transitioned our students into blended program formats, which permitted their non-clinical training to be offered online.

ED's temporary flexibilities currently remain in place, and will continue through the end of the payment period that begins after the date on which the federally-declared national emergency related to COVID-19 is rescinded. However, having observed that our blended learning programs offer a range of academic, operational, and financial efficiencies, we have determined to seek the permanent approvals that will permit us to continue offering blended learning programming after the noted temporary flexibilities have expired. We also continue to work to ensure that our blended learning programming complies with applicable distance education rules and standards, including ED's new distance education rules, which became effective July 1, 2021. We intend to offer our Automotive, Diesel, Automotive/Diesel, Motorcycle and Marine programs in a blended learning format on a permanent basis. Additionally, we intend to continue to invest in our blended learning platform and curriculum to further enhance the student experience and student outcomes.

To date, we have received approval from ACCSC to permanently offer blended format programs that utilize both distance and on-ground education. Additionally, we have received permanent approvals by all state education authorizing agencies to offer blended format programs. Finally, we are working to secure approval from the Florida State veterans agency to classify our MMI non-degree, blended programs as resident training for purposes of VA benefits, to ensure that veterans enrolling in these programs can access their VA benefits after December 21, 2021, when applicable waivers are currently set to expire.

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**Note 22 - Higher Education Emergency Relief Fund under the CARES Act**

***Fiscal 2020 HEERF I Grants for Students and for Significant Changes to the Delivery of Instruction Due to the Coronavirus under the CARES Act***

In 2020, the CARES Act established the HEERF. The HEERF includes approximately \$14.0 billion in relief funds to be distributed directly to institutions of higher education. The most significant portion of that funding allocation provides that \$12.56 billion will be distributed to institutions using a formula based on student enrollment. Of the amount allocated to each institution under this formula, at least 50% must be reserved to provide students with emergency financial aid grants to help cover expenses related to the disruption of campus operations due to coronavirus. The remaining funds must be used “to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus.”

In order to access the HEERF funds, institutions must complete two Funding and Certification Agreements (the “HEERF Agreements”), one for the emergency financial grants to students portion and the other for the institutional portion, which obligate the recipient to administer the funds in a manner that is consistent with the CARES Act and federal laws and regulations cited in the HEERF Agreements. The HEERF Agreements also subject the recipient to a range of audit requirements, as well as quarterly and annual reporting requirements. ED has emphasized that institutions should be prepared to report the use of the funds and to describe any internal controls the institution has in place to ensure that funds were used for allowable purposes and in accordance with cash management principles. The agency also has encouraged institutions to keep detailed records of how they are expending all funds received under the HEERF. A failure to administer the HEERF funds in accordance with applicable laws at regular intervals could result in a future repayment liability.

The allocations to the higher education institutions were set by a formula prescribed in the CARES Act, which is weighted significantly by the number of full-time students who are Pell-eligible, but also takes into consideration the total population of the school and the number of students who were not enrolled full-time online before the COVID-19 outbreak. ED utilized the most recent data available from the Integrated Postsecondary Education Data System and Federal Student Aid for this calculation. In May 2020, we were granted approximately \$33.0 million in HEERF funds for emergency grants to students and to cover institutional costs associated with significant changes to the delivery of instruction due to coronavirus.

***HEERF Funds for Student Grants***

Per the HEERF Agreements, at least 50% of HEERF funds received were to be used exclusively for emergency financial aid grants to students impacted by COVID-19, supporting their efforts to stay in school and continue their training toward graduation and future careers. In May 2020, we received approximately \$16.5 million designated for student grants and deposited these funds into a separate restricted cash account. As of September 30, 2020, we have awarded all \$16.5 million designated for student grants to approximately 9,000 students.

***HEERF Funds for Significant Changes to the Delivery of Instruction Due to Coronavirus***

In addition, in May of 2020 we were awarded approximately \$16.5 million for the institutional portion of the HEERF funds. Such funds may be used to provide additional emergency financial aid grants to students, to cover institutional costs associated with significant changes to the delivery of instruction due to coronavirus, or not used at all and returned to the government.

Per the CARES Act, the HEERF Agreements, and ED guidance, the following requirements are generally applicable to all allowable institutional costs:

- Funds may only be used to cover institutional costs associated with significant changes to the delivery of instruction due to the coronavirus.
- Costs must have been incurred on or after March 13, 2020.
- Funds must generally be spent one calendar year (365 days) from the date of award.
- The use of funds must be documented and reported.

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As explained in the HEERF Agreements for the Institutional Portions, we have “discretion in determining how to allocate and use the funds provided under the CARES Act, provided the funds will be spent only on those costs for which Recipient has a reasoned basis for concluding such costs have a clear nexus to significant changes to the delivery of instruction due to the coronavirus.” Institutional costs that the ED has specifically designated as allowable include: additional emergency grants to students; reimbursements for refunds made to students for services the institution could no longer provide such as housing, food, room and board, and tuition; technology costs including laptops, hotspots, and other information technology equipment and software to enable students to participate in distance learning; qualified scholarships and payment for future academic terms; payments to a third-party service provider or online program manager for each additional student using the distance learning platform; purchases to ensure the physical safety of the students on campus; and purchases of equipment or software, paying for online licensing fees, or paying for internet service to enable students to transition to distance learning as such costs are associated with a significant change in the delivery of instruction due to the coronavirus. The ED has specifically prohibited costs related to pre-enrollment recruiting activities, endowments, capital outlays associated with facilities to athletics, sectarian instruction, or religious worship, executive compensation, investor benefits, and to pay student balances or student debt.

Prior to the COVID-19 crisis, the majority of our training programs were delivered exclusively through in-person instruction at our campus locations. In order to allow our students to continue their education during the COVID-19 crisis, beginning on March 25, 2020, we shifted our predominantly on-campus, in-person education model to a blended training model that combines instructor-facilitated online teaching and demonstrations with hands-on labs. We incurred significant costs for the initial development and implementation of our online training program for students including software purchases, audio/video equipment purchases and labor hours to record the instructional videos and for training of faculty, and enhancements to the online student experience. In May 2020, we resumed in-person labs at eight of our campus locations. Four of our campuses resumed in-person labs in June 2020, and our final campus to resume in-person labs in Bloomfield, New Jersey opened on July 1, 2020. On-campus labs have been re-designed or modified to meet the guidelines set by the CDC, as well as state and local jurisdictions for health, safety and social distancing. In order to comply with these new guidelines, we incurred costs for sanitization supplies, partitions, labor hours and other related expenses to ensure safety and social distancing. Additionally, we purchased laptops to provide to our students to assist their transition to the online blended training model. We also incurred costs as we continued to improve and enhance the delivery of our online instruction for students. In total, we incurred approximately \$15.1 million between March 15, 2020 and September 30, 2020 related to the changes in the delivery of instruction due to the coronavirus. We have consulted with our outside regulatory counsel and believe that all of these costs are allowable expenses for the institutional HEERF funds under the CARES Act. However, we cannot guarantee that ED will agree with our foregoing conclusion. We have offset our total operating expenses by \$15.1 million for the year ended September 30, 2020. Of the \$15.1 million, \$13.3 million was recorded in “Educational services and facilities” and \$1.8 million was recorded in “Selling, general and administrative” on the consolidated statement of operations for the year ended September 30, 2020.

Additionally, during the year ended September 30, 2020, we used \$0.6 million of the institutional funds for additional emergency grants to our students. Including the additional student grants, the total institutional funds spent during fiscal 2020 was \$15.7 million.

As of September 30, 2020, we had drawn down \$13.9 million of the institutional funds into our operating cash account as partial reimbursement for the \$15.7 million of eligible costs incurred during the year ended September 30, 2020. As of September 30, 2020, \$2.7 million remained in our G5 account with the ED and is not included in our “Cash and cash equivalents” on our consolidated balance sheet.

During the year ended September 30, 2021, we incurred \$0.9 million in allowable costs related to the changes in the delivery of instruction due to the coronavirus, thereby utilizing the remaining available funds. Of the \$0.9 million incurred, \$0.3 million was recorded in “Educational services and facilities” and \$0.6 million was recorded in “Selling, general and administrative” on the consolidated statements of operations for the year ended September 30, 2021. During the year ended September 30, 2021, we drew down the remaining \$2.7 million in funds from our G5 account with the ED.

**UNIVERSAL TECHNICAL INSTITUTE, INC. AND SUBSIDIARIES**  
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***Fiscal 2021 HEERF II Grant for Students under the CRRSAA and HEERF III Grant for Students under the ARPA***

The CRRSAA includes HEERF II, which makes an additional \$22.7 billion available to higher education institutions. Of this amount, private, proprietary institutions are allocated approximately \$681 million. The statute permits proprietary institutions to use HEERF II funds to provide financial aid grants to students, and requires that institutions prioritize the grants to students with exceptional need, such as students who receive Pell Grants. On January 14, 2021, ED issued guidance regarding the administration of the HEERF II program. In accordance with the ED's allocation schedule, during the year ended September 30, 2021, we were granted approximately \$16.8 million for purposes of funding HEERF II student grants.

The ARPA provides almost \$40 billion in funding available to higher education institutions under the HEERF III. Of this amount, private, proprietary institutions are allocated approximately \$396 million and may only use HEERF III funding to provide emergency financial aid grants to students. In accordance with the ED's allocation schedule, during the year ended September 30, 2021, we were granted approximately \$9.9 million for purposes of funding HEERF III student grants.

During the year ended September 30, 2021, we awarded approximately \$19.7 million in HEERF II and HEERF III grants to over 10,660 students. The HEERF II and HEERF III funds were drawn down as student grants were distributed with approximately \$0.3 million included in "Restricted cash" on our consolidated balance sheet as of September 30, 2021 which relates to pending student grants and outstanding checks.

**Note 23 - Subsequent Events**

On November 1, 2021, we completed the acquisition contemplated by the previously announced Stock Purchase Agreement (the "Purchase Agreement"), dated March 29, 2021, by and among UTI, HCP Ed Holdings, LLC, a Delaware limited liability company ("Seller"), HCP Ed Holdings, Inc., a Delaware corporation and wholly owned subsidiary of Seller ("HCP"), and Michigan Institute of Aeronautics, Inc. d/b/a MIAT College of Technology, a Michigan corporation and wholly subsidiary of HCP ("MIAT"). MIAT is a post-secondary school that offers vocational and technical certificates and degrees across aviation maintenance, energy technology, wind energy technology, robotics and automation, non-destructive testing, heating ventilation air conditioning and refrigeration ("HVACR"), and welding disciplines. HCP is MIAT's holding company that owns no assets other than the issued and outstanding shares of MIAT.

The acquisition is part of our growth and diversification strategy and will allow us to expand MIAT programs throughout UTI brand campuses and extend UTI's presence and programs into the Canton, MI market where MIAT has been for over 50 years. Other expected synergies include operating and purchasing cost efficiencies and broadening the opportunity for student growth at the MIAT campuses by leveraging the national our marketing and admissions infrastructure.

Under the terms of the Purchase Agreement, we acquired all of the issued and outstanding shares of capital stock of HCP from the Seller for total consideration of \$26.0 million in cash, subject to closing working capital adjustments. As a result, HCP is now a wholly-owned subsidiary of UTI, and MIAT remains as a wholly-owned subsidiary of HCP. The consideration paid was funded by available operating cash.

In connection with this acquisition, we incurred transaction costs of \$0.8 million during the year ended September 30, 2021, which are included in "Selling, general and administrative" expenses in the accompanying consolidated statements of operations.

As of the date of this filing, the initial accounting for the business combination, including the allocation of the purchase price to the identifiable assets acquired and the liabilities assumed, is incomplete. We have engaged a third party specialist to assist with the valuation of the property, plant and equipment and intangible assets. We expect to disclose a preliminary allocation of the November 1, 2021 purchase price in our Form 10-Q for the three months ended December 31, 2021.



## UNIVERSAL TECHNICAL INSTITUTE, INC.

DESCRIPTION OF THE REGISTRANT'S SECURITIES  
REGISTERED PURSUANT TO SECTION 12 OF THE  
SECURITIES EXCHANGE ACT OF 1934

The following description of the registered securities of Universal Technical Institute, Inc. is intended as a summary only and therefore is not a complete description. It is subject to and qualified in its entirety by reference to our Restated Certificate of Incorporation (our "**Restated Certificate of Incorporation**"), Amended and Restated Bylaws (our "**Bylaws**"), Certificate of Designations of Series A Convertible Preferred Stock (the "**Series A Certificate of Designations**"), and Certificate of Designation, Preferences and Rights of Series E Junior Participating Preferred Stock (the "**Series E Certificate of Designations**"), each of which are incorporated by reference as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.6 is a part. We encourage you to read our Restated Certificate of Incorporation, our Bylaws, Series A Certificate of Designations, Series E Certificate of Designations and the applicable provisions of the General Corporation Law of the State of Delaware (the "**DGCL**"), for additional information. As used in this Exhibit 4.6, the terms "Company," "we," "our," and "us" refer to Universal Technical Institute, Inc.

**General**

Our authorized capital stock consists of 100,000,000 shares of common stock, par value \$0.0001 per share, and 10,000,000 shares of preferred stock, par value \$0.0001 per share, of which (i) 700,000 are designated as Series A Preferred Stock (the "**Series A Shares**") and (ii) 100,000 are designated as Series E Junior Participating Preferred Stock (the "**Series E Shares**"). Our common stock is registered under Section 12(b) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"). Neither the Series A Shares nor the Series E Shares are registered under the Exchange Act.

As of November 30, 2021, there were 32,832,555 shares of our common stock, 700,000 Series A Shares and no Series E Shares outstanding.

**Common Stock****Voting Rights**

Each share of common stock entitles its holder to one vote. Shares of common stock vote as a single class on all matters on which stockholders are entitled to vote, except as otherwise provided in our Restated Certificate of Incorporation or as required by law. Generally, all matters to be voted on by stockholders, other than the election of directors, must be approved by a majority of the shares of our issued and outstanding capital stock on an as-converted basis present in person or represented by proxy and entitled to vote on the subject matter, voting as a single class. Subject to the rights of the holders of any series of preferred stock to elect directors under certain circumstances, directors must be elected by a plurality of the voting power present in person or represented by proxy and entitled to vote generally in the election of directors.

**Dividends**

Each share of common stock entitles its holder to receive dividends and other distributions in cash, stock or property as declared by our board of directors (our "**Board**"), subject to any preferential rights of any outstanding shares of preferred stock and other provisions in our Restated Certificate of Incorporation.

### ***Other Rights***

Upon liquidation, dissolution or winding up, after payment in full of the amounts required to be paid to creditors and holders of preferred stock, if any, all holders of common stock are entitled to receive a pro rata amount of any distribution of the remaining assets.

No shares of common stock are subject to redemption or conversion or have preemptive rights to purchase additional shares of our common stock or other. There are no sinking fund provisions applicable to our common stock.

### **Preferred Stock**

Our Board has the authority, without any action on the part of our stockholders, to designate and issue preferred stock in one or more series and to designate the rights, powers, preferences and privileges of each series and any qualifications, limitations or restrictions thereof, which may be greater or less than the rights applicable to our common stock.

### ***Undesignated Preferred Stock***

It is not possible to state the actual effect of the issuance of any shares of preferred stock upon the rights of holders of common stock until our Board determines the specific rights of the holders of preferred stock. However, the effects might include, among other things:

- restricting dividends on common stock;
- diluting the voting power of common stock;
- impairing the liquidation rights of common stock; or
- delaying or preventing our change of control without further action by our stockholders.

Our Board is authorized to determine the terms with respect to the series of preferred stock being offered, which may include (without limitation) the following:

- whether dividends on that series of preferred stock will be cumulative or noncumulative;
- the dividend rate or method for determining the rate;
- the liquidation preference per share of that series of preferred stock, if any;
- the conversion provisions applicable to that series of preferred stock, if any;
- any redemption or sinking fund provisions applicable to that series of preferred stock;
- the voting rights of that series of preferred stock, if any; or
- the terms of any other powers, preferences or rights, if any, and the qualifications, limitations or restrictions thereof, applicable to that series of preferred stock.

### ***Series A Preferred Stock***

On June 24, 2016, we issued and sold 700,000 Series A Shares to Coliseum Holdings I, LLC ("**Coliseum**") for a total purchase price of \$70,000,000 pursuant to a Securities Purchase Agreement (the "**Purchase Agreement**"). In connection with the Purchase Agreement, we filed with the office of the Secretary of State of the State of Delaware the Series A Certificate of Designations, which sets forth the rights and preferences of the Series A Shares. The description below provides a summary of certain material terms of the Series A Shares as set forth in the Series A Certificate of Designations.

### ***Rank***

The Series A Shares, with respect to dividend rights and rights upon liquidation, winding up or dissolution, rank senior to our common stock and each other junior class or series of shares that we may issue in the future. The Series A Shares also rank junior to any future indebtedness.

## *Dividends*

We may pay a noncumulative cash dividend on each Series A Share at a rate of 7.5% per year on the Liquidation Preference (as defined in the Series A Certificate of Designations) then in effect (“**Cash Dividend**”). The Cash Dividend is payable before any dividends would be declared or paid to common stockholders or other junior stockholders. If we do not declare and pay a Cash Dividend, the Liquidation Preference on the Series A Shares is increased to an amount equal to the Liquidation Preference in effect at the start of the applicable dividend period, plus an amount equal to such then applicable Liquidation Preference multiplied by the total of the Cash Dividend rate then in effect plus 2.0% per year (an “**Accrued Dividend**”). If and to the extent declared, Cash Dividends are payable semi-annually in arrears on September 30 and March 31 of each year, and will begin to accrue on the first day of the applicable dividend period.

The Series A Shares have participation rights such that, in the event that we pay a dividend or make a distribution on our outstanding common stock, we are required to also pay to each holder of the Series A Shares a dividend on an as-converted to common stock basis.

If we are required or elect to obtain Regulatory Approval (as defined below) and such approval is not obtained within the time periods set forth in the Series A Certificate of Designations, the dividend rates with respect to the Cash Dividend and the Accrued Dividend will be increased by 5.0% per year, not to exceed a maximum of 14.5% per year. In the event that we ultimately obtain Regulatory Approval after expiration of the time periods set forth in the Series A Certificate of Designations, the increased dividend rates with respect to the Cash Dividend and Accrued Dividend would be reversed.

## *Liquidation Preference*

In the event of voluntary or involuntary liquidation, dissolution or winding up of our company, holders of the Series A Shares are entitled to receive, before any distribution or payment to the holders of any common or junior stock, an amount per Series A Share equal to the Liquidation Preference then in effect, which would include any Accrued Dividends. Alternatively, the holder may choose to receive the amount that would be payable per share of common stock issued upon conversion of the Series A Shares immediately prior to such liquidation event. The initial Liquidation Preference under the Series A Certificate of Designations was \$100 per share, the original issue price of the Series A Shares.

Mergers (regardless of whether we remain the surviving entity), a sale of substantially all of our assets or any other recapitalization, reclassification or other transaction in which substantially all of our common stock is exchanged or converted into cash or other property are considered “**Deemed Liquidation Events**.” The Series A Certificate of Designations provides that, in the case of a Deemed Liquidation Event, each holder of Series A Shares shall be entitled to receive the liquidation amount they would receive under a normal liquidation event; however, such liquidation amount must be in the same form of consideration as is payable to the holders of our common stock.

## *Voting*

Holders of Series A Shares are entitled to vote with the holders of shares of our common stock on an as-converted basis, subject to the Continuing Caps, as discussed and defined below.

A majority of the voting power of the Series A Shares must approve certain significant actions, including, without limitation, (i) the amendment to any provision of our Restated Certificate of Incorporation or Bylaws in a manner adverse to the rights, preferences, privileges or voting powers of the Series A Shares; (ii) the increase of the number of members of our Board above twelve members; (iii) the issuance of certain equity securities; (iv) the repurchase, redemption or acquisition of our common stock; (v) the incurrence of debt other than in a form required by a regulatory agency; (vi) the consummation of certain acquisitions, mergers or other such transactions; and (vii) the sale or license of material assets. The Series A Certificate of Designations defines “Regulatory Approval” as (i) the approvals by the holders of common stock that are required under the listing standards of the New York Stock

Exchange (the “**NYSE**”), including NYSE Listed Company Manual Section 312.03 (“**NYSE Rule 312**”), and (ii) the approval of any person, entity, or organization that engages in granting or withholding educational approvals for, administers financial assistance to or for students of, or otherwise regulates private postsecondary schools, including without limitation the Department of Education, any state education department or agency, any guaranty agency, and any institutional accreditation agency, in each case, as applicable, to remove the Conversion Cap and Investor Voting Cap (each as defined in the Series A Certificate of Designations) (collectively, the “**Regulatory Approval**”).

The Conversion Cap and Investor Voting Cap generally prohibit: (i) the conversion of the Series A Shares into common stock; and (ii) the voting of common stock issuable upon conversion of the Series A Shares, to the extent that such conversion results in the issuance of a number of shares of common stock exceeding 4.99% of our outstanding shares of common stock as of June 24, 2016 or that has voting power that exceeds 4.99% of the voting power of our outstanding shares of common stock as of June 24, 2016.

The Series A Certificate of Designations provides that the Conversion Cap and Investor Voting Cap may only be removed upon our receipt of: (i) certain stockholder approvals required by NYSE Rule 312; and (ii) either (A) Education Regulatory Approval (as defined in the Series A Certificate of Designations), or (B) a good faith determination by our Board that Education Regulatory Approval is not required. Our stockholders approved a proposal at the annual meeting of stockholders on February 27, 2020, in accordance with the listing standards of the NYSE in accordance with the requirements of NYSE Rule 312.

In August 2020, Coliseum notified us that it intended to distribute all 700,000 Series A Shares to its members, and that certain of its members would subsequently distribute their Series A Shares to (i) limited partners affiliated with Coliseum and certain other entities for whom Coliseum Capital Management, LLC (an affiliate of Coliseum) holds voting and dispositive power with respect to the Series A Shares (the “**Affiliated Holders**”), which Affiliated Holders, following such distribution, will own Series A Shares that would represent, on an as-converted basis, approximately 24.9% of our outstanding shares of common stock and voting power, and (ii) limited partners unaffiliated with the Purchaser (the “**Unaffiliated Holders**”), which Unaffiliated Holders, following such distribution, will each own Series A Shares that would represent, on an as-converted basis, 9.9% or less of our outstanding shares of common stock and voting power (collectively, the “**Distributions**”).

In connection with the Distributions, our Board, based on advice of legal counsel, determined that: (i) no Education Regulatory Approval is required for the Unaffiliated Holders to remove the Conversion Cap and Investor Voting Cap with respect to the Series A Shares acquired in the Distributions; and (ii) as to the Series A Shares held by the Affiliated Holders, no Education Regulatory Approval is required prior to the Affiliated Holders (A) converting a number of Series A Shares into common stock provided that the number of shares of common stock issued pursuant to such conversion, in the aggregate, is less than or equal to 9.9% of the number of shares of common stock outstanding on an as-converted basis as of the date of the Distributions, and (B) voting a number of Series A Shares, provided that the voting power of such Series A Shares and any shares of common stock issued upon conversion of such Series A Shares is less than or equal to 9.9% of the voting power of the common stock outstanding as of the date of the Distributions (the foregoing limitations, the “**Continuing Caps**”).

The removal of the Conversion Cap and Investor Voting Cap became effective as of the date of the Distributions, subject to the Continuing Caps remaining in place with respect to the Series A Shares distributed to the Affiliated Holders in connection with the Distributions. Education Regulatory Approval is still required for, and the Continuing Caps remain in place with respect to, the Series A Shares acquired by the Affiliated Holders in the Distributions to the extent such shares, on an as-converted basis, represent greater than 9.9% of our common stock and voting power as of the date of the Distributions. The Affiliated Holders may, at any time, request that we seek Education Regulatory Approval or make a good faith determination that such approval is not required.

#### *Optional Conversion by Coliseum*

The Series A Shares are convertible into common stock at the Conversion Rate (as defined the Series A Certificate of Designations) at any time at the option of the holder. Following the Distributions, the Conversion Cap currently only applies to the Affiliated Holders.

#### *Optional Conversion by Our Company*

If at any time after June 24, 2019, the volume weighted average price of our common stock equals or exceeds 2.5 times the Conversion Price (as defined in the Series A Certificate of Designations) of the Series A Shares for a period of 20 consecutive trading days (the “**Conversion Trigger**”), we may, at our option and subject to obtaining any required Regulatory Approval, require that any or all of the then outstanding Series A Shares be automatically converted into our common stock at the Conversion Rate. We may not elect to effectuate a conversion during certain time periods, including the closed trading window periods in which any director or executive officer of the Company is prohibited by us to directly or indirectly purchase, sell or otherwise acquire or transfer any of our equity securities. If we are unable to obtain the necessary Regulatory Approval to remove the Conversion Cap within 120 days of giving our notice of intent to convert, we would have the option to redeem all Series A Shares at a premium, and during the time periods, in each case as set forth in the Series A Certificate of Designations.

#### *Conversion Rate and Conversion Price*

The Conversion Rate for the Series A Shares will be calculated by dividing the current Liquidation Preference by the Conversion Price then in effect. The initial Conversion Price for the Series A Shares was \$3.33 per share. The Conversion Price is subject to adjustment upon the occurrence of certain common stock events, as defined in the Purchase Agreement, including stock splits, reverse stock splits or the issuance of common stock dividends.

#### *Optional Special Dividend and Conversion on Certain Changes of Control*

Upon a Change of Control (as defined in the Series A Certificate of Designations), at the written election by the holders of a majority of the then outstanding Series A Shares, we shall declare and pay a special cash dividend in the amount equal to either 1.5 or 2.0 times the Cash Dividend rate, depending on the type of Change of Control, multiplied by the Liquidation Preference per share then in effect.

#### *Redemption at the Option of Our Company*

We have the ability to redeem the Series A Shares at any time after June 24, 2019, provided that the Conversion Trigger has not been met on the date of our redemption notice. After receiving our redemption notice, the holders of the Series A Shares will be able to convert their shares into common stock if neither the Conversion Cap nor the Investor Voting Cap is in effect. If the holders of the Series A Shares do not provide notice of conversion within 10 days of receipt of our redemption notice, the redemption will proceed at a price per share equal to the product of the then current Conversion Rate and 2.5 times the Conversion Price. If either the Investor Voting Cap or the Conversion Cap is in effect at the date of our redemption notice, the holders of a majority of the then outstanding Series A Shares may request that we obtain the necessary Regulatory Approval for its removal. If the necessary Regulatory Approval is not obtained within 120 days of such request, we have the ability to effectuate the redemption at a price per share equal to the product of the then current Conversion Rate and the greater of 2.5 times the Conversion Price and the 20-day volume weighted average price of our common stock measured at the close of business on the business day immediately preceding the date of redemption.

After June 24, 2026, we will have the ability to redeem the Series A Shares in whole or in part at any time. After receiving our redemption notice, the holders of the Series A Shares will then be able to convert their shares into common stock if neither the Investor Voting Cap nor the Conversion Cap is in effect. If the holders of the Series A Shares do not provide notice of conversion within 10 days of receipt of our redemption notice, the redemption will proceed at a price per share equal to the Liquidation Preference then in effect. If either the Investor Voting Cap or the Conversion Cap is in effect at the date of our redemption notice, the holders of a majority of the then outstanding Series A Shares may request that we obtain the necessary Regulatory Approval for its removal.

If the Regulatory Approval is not obtained within 120 days of such request, we have the ability to effectuate the redemption at a price per share equal to the greater of the Liquidation Preference then in effect per share and the product of the then current Conversion Rate and the closing price of our common stock on the date immediately

preceding the date of such redemption. If at any time prior to our redemption, the necessary Regulatory Approval is obtained, the holders of the Series A Shares have the option to convert such shares into our common stock.

#### *Anti-Dilution*

The Conversion Price of the Series A Shares is subject to certain customary anti-dilution protections should we effect certain common stock events, such as stock splits, stock dividends or subdivisions, reclassifications or combinations of our common stock. In such events, the Conversion Price will be adjusted in a proportionate manner to the change in outstanding shares of common stock immediately preceding and immediately after the event.

#### *Reservation of Shares Issuable upon Conversion*

We are required, at all times, to reserve and keep available out of our authorized and unissued shares of common stock the number of shares that would be issuable upon conversion of all Series A Shares, assuming that the Conversion Cap does not apply. If this reserve is not sufficient at any point to allow for full conversion, we are required to take action to increase our pool of authorized but unissued shares.

Pursuant to the Series A Certificate of Designations, for so long as Coliseum, its affiliates or any of its or its affiliates' transferees approved by us beneficially own at least a majority of the then outstanding Series A Shares, the holders of Series A Shares, by the vote or written consent of the holders of a majority of the then outstanding Series A Shares, shall have the right to designate one member to our Board who, subject to applicable law and regulations (including NYSE listing standards), may be appointed to a minimum of two committees of our Board.

#### *Series E Preferred Stock*

On June 29, 2016, our Board declared a dividend of one preferred stock purchase right (a "**Right**") for each outstanding share of our common stock. The dividend was payable to holders of record as of the close of business on July 11, 2016. The specific terms of the Rights are contained in the Rights Agreement, dated as of June 29, 2016 (as amended, the "**Rights Agreement**"), by and between the Company and Computershare Inc., as rights agent. Our Board authorized the adoption of the Rights Agreement to protect against any potential future use of coercive or abusive takeover techniques and to help ensure that our stockholders are not deprived of the opportunity to realize the full and fair value of their investment. In general terms, and subject to certain exceptions, the Rights Agreement restricted any person or group from acquiring beneficial ownership of 15% or more of our outstanding common stock, or, in the case of any person or group that owns 15% or more of our outstanding common stock on the date of announcement of our entry into the Rights Agreement, an additional 0.25% of the shares of common stock. The Rights Agreement expired on February 21, 2017, pursuant to the terms of that certain Amendment to Rights Agreement dated February 21, 2017, by and between the Company and Computershare Inc., as rights agent.

In connection with our entry into the Rights Agreement, we filed the Series E Certificate of Designations with the office of the Secretary of State of the State of Delaware, which sets forth the rights and preferences of the Series E Shares. The Series E Certificate of Designations initially designated 100,000 Series E Shares. Our Board may authorize and issue additional Series E Shares, from time to time, without obtaining consent of the holders of Series E Shares. The description below provides a summary of certain material terms of the Series E Shares set forth in the Series E Certificate of Designations.

#### *Rank*

The Series E Shares, with respect to dividend rights and rights upon liquidation, winding up or dissolution, ranks senior to our common stock, subject to the prior and superior rights of any series of preferred stock. The Series E Shares rank junior to all other series of preferred stock as to the payment of dividends and the distribution of assets, unless the terms of any such series shall provide otherwise.

## *Dividends*

We may pay quarterly dividends payable in cash on the last day of March, June, September and December in each year (each such date being referred to herein as a “**Quarterly Dividend Payment Date**”), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a Series E Share, in an amount per share (rounded to the nearest cent) equal to the greater of (a) \$1.00 or (b) subject to the provision for adjustment as provided in the Series E Certificate of Designations, one thousand (1,000) times the aggregate per share amount of all cash dividends, and 1,000 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in shares of common stock or a subdivision of the outstanding shares of common stock (by reclassification or otherwise), declared on the common stock since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a Series E Share. The Series E Certificate of Designations provides that, at any time after June 29, 2016 (the “**Rights Dividend Declaration Date**”), in the event we (i) declare any dividend on our common stock payable in shares of common stock, (ii) subdivide the outstanding common stock, or (iii) combine the outstanding common stock into a smaller number of shares, then in each such case the amount to which holders of Series E Shares were entitled immediately prior to such event under clause (ii) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of common stock outstanding immediately after such event and the denominator of which is the number of shares of common stock that were outstanding immediately prior to such event. As long as dividends or distributions payable to the Series E Shares are in arrears, we are restricted from declaring or paying dividends on, making any other distributions on, or redeeming or purchasing or otherwise acquiring for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series E Shares.

## *Voting*

The Series E Shares are not redeemable. Each Series E Share shall entitle the holder to 1,000 votes on all matters submitted to a vote of our stockholders. Except as otherwise provided in the Series E Certificate of Designations or by law, the holders of Series E Shares and the holders of shares of common stock are entitled to vote together as one class on all matters submitted to a vote of our stockholders.

## **Anti-Takeover Effects of our Restated Certificate of Incorporation, Bylaws, Series E Certificate of Designations and the DGCL**

Some provisions of the DGCL, our Restated Certificate of Incorporation, Bylaws and Series E Certificate of Designations could make the following more difficult:

- acquisition of us by means of a tender offer or merger;
- acquisition of us by means of a proxy contest or otherwise; or
- removal of our incumbent officers and directors.
- 

These provisions, summarized below, are expected to discourage coercive takeover practices and inadequate takeover bids. These provisions also are designed to encourage persons seeking to acquire control of us to first negotiate with our Board. We believe that the benefits of the potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure our company outweigh the disadvantages of discouraging those proposals because negotiation of them could result in an improvement of their terms.

## *Classified Board*

Our Restated Certificate of Incorporation provides that our Board will be divided into three classes. The term of each class of directors expires at the end of the third annual meeting of stockholders following the annual meeting at which such director was elected. This system of electing and removing directors may initially discourage a third party from making a tender offer or otherwise attempting to obtain control of us because it generally makes it more difficult for stockholders to replace a majority of our directors.

#### *Size of Board and Vacancies*

Our Bylaws provide that the number of directors on our Board will be fixed or changed by resolution of a majority of our Board. Except as otherwise provided by a certificate of designations, newly created directorships resulting from any increase in our authorized number of directors or any vacancies in our Board resulting from death, resignation, removal from office or other cause will be filled solely by the majority vote of our remaining directors in office.

#### *No Stockholder Action by Written Consent*

Our Restated Certificate of Incorporation provides that subject to the rights of holders of preferred stock to act by written consent, any stockholder action may be effected only at a duly called annual or special meeting of stockholders and may not be effected by a written consent or consents by stockholders in lieu of such a meeting.

#### *Amendment of Our Bylaws*

Our Restated Certificate of Incorporation and Bylaws provide that our Bylaws may only be amended by resolution adopted by a majority of our Board, except for certain provisions concerning takeover or change of control which may only be amended with the affirmative vote of two-thirds of the members of our Board.

#### *Amendment of Our Restated Certificate of Incorporation*

Our Restated Certificate of Incorporation provides (i) except as otherwise required by law notwithstanding any other provision in the Restated Certificate of Incorporation, the affirmative vote of the holders of at least 66-2/3% of the total voting power of all outstanding shares of capital stock entitled to vote thereon, voting together as a single class, is required to amend, alter, change or repeal, or adopt any provision inconsistent with, Articles V (Board of Directors), VI (Limitation of Liability of Directors), VII (Calling of Special Meeting of Stockholders), VIII (Stockholder Action by Written Consent) and X (Amendment of Certificate of Incorporation).

#### *Stockholder Meetings*

Our Restated Certificate of Incorporation and Bylaws provide that except as otherwise required by law and subject to the rights of holders of preferred stock, if any, a special meeting of our stockholders may be called only by the chairman of our Board, our Board pursuant to a resolution adopted by a majority of the total number of directors, whether or not there exist any vacancies or unfilled seats in previously authorized directorships, or a committee that is duly designated by our Board and shall be called by our Secretary by written request.

No business other than that stated in the notice of a special meeting of stockholders may be transacted at such special meeting.

#### *Requirements for Advance Notification of Stockholder Nominations and Proposals*

Our Bylaws establish advance notice procedures with respect to stockholder proposals and nomination of candidates for election as directors other than nominations made by or at the direction of our Board or a committee of our Board.

In general, for nominations or other business to be properly brought before an annual meeting by a stockholder, the stockholder must give notice in writing to our Secretary 90 to 120 days before the first anniversary of the preceding year's annual meeting, or if no annual meeting was held in the preceding year, or if the date of the annual meeting is more than 30 days before or after the anniversary, such notice must be delivered, by the later of the 10th day after the annual meeting is announced or 90 days prior to the date of such meeting, and the business must be a proper matter for stockholder action. Among other things the stockholder's notice must include for each proposed nominee and business, as applicable, (i) all required information under the Exchange Act, (ii) the proposed nominee's written consent to serve as a director if elected, (iii) a brief description of the proposed business, (iv) the reasons for



conducting the business at the meeting, (v) the stockholder's material interest in the business, (vi) the stockholder's name and address and (vii) the class and number of our shares which the stockholder owns.

In general, only such business may be conducted at a special meeting of stockholders as brought before the meeting pursuant to our notice of meeting. At a special meeting of stockholders at which directors are to be elected pursuant to our notice of meeting, a stockholder who is a stockholder of record at the time of giving notice and on the record date for the meeting, who is entitled to vote at the meeting and who complies with the notice procedures, may nominate proposed nominees. In the event we call a special meeting of stockholders to elect one or more directors, a stockholder may nominate a person or persons if the stockholder's notice is delivered to our Secretary not earlier than 120 days before the meeting nor later than the later of 90 days prior to the meeting and the 10th day after the meeting is announced.

Only such persons who are nominated in accordance with the procedures set forth in our Bylaws may be eligible to serve as directors and only such business may be conducted at a meeting of stockholders as brought before the meeting in accordance with the procedures set forth in our Bylaws. Except as otherwise required by our governing documents, the chairman of the meeting has the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed in accordance with the procedures set forth in our Bylaws and, if any proposed nomination or business is not in compliance with our Bylaws, to declare that such defective proposal or nomination shall be disregarded.

#### *Delaware Anti-Takeover Law*

Our Restated Certificate of Incorporation subjects us to Section 203 of the DGCL.

In general, Section 203 of the DGCL prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder for a period of three years following the date the person became an interested stockholder, unless the business combination or the transaction in which the person became an interested stockholder is approved in a prescribed manner.

Generally, a "business combination" includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. Generally, an "interested stockholder" is a person that together with affiliates and associates, owns or within three years prior to the determination of interested stockholder status, did own, 15% or more of a corporation's voting stock. This may have an anti-takeover effect with respect to transactions not approved in advance by our Board, including discouraging attempts that might result in a premium over the market price for the shares of our capital stock.

#### *No Cumulative Voting*

Our Restated Certificate of Incorporation and Bylaws do not provide for cumulative voting in director elections.

#### *Issuance of Series E Preferred Stock*

Our Board may issue Series E Shares to protect against any potential future use of coercive or abusive takeover techniques. The Series E Shares, with respect to dividend rights and rights upon liquidation, winding up or dissolution, rank senior to our common stock, subject to the prior and superior rights of any series of preferred stock. Each Series E Share shall entitle the holder to 1,000 votes on all matters submitted to a vote of our stockholders. Except as otherwise provided in the Series E Certificate of Designations or by law, the holders of Series E Shares and the holders of shares of common stock are entitled to vote together as one class on all matters submitted to a vote of our stockholders. Our ability to issue Series E Shares may discourage hostile takeovers.

## SUBSIDIARIES OF THE REGISTRANT

<b>SUBSIDIARY</b>	<b>STATE OF INCORPORATION</b>	<b>DBA</b>
UTI Holdings, Inc.	Arizona	None
Universal Technical Institute of Arizona, Inc.	Delaware	None
Universal Technical Institute of California, Inc.	California	None
Universal Technical Institute of Massachusetts, Inc.	Delaware	None
Universal Technical Institute of North Carolina, Inc.	Delaware	NASCAR Technical Institute
Universal Technical Institute of Northern Texas, LLC	Delaware	None
Universal Technical Institute of Pennsylvania, Inc.	Delaware	None
Universal Technical Institute of Phoenix, Inc.	Delaware	Universal Technical Institute Motorcycle Mechanics Institute; Universal Technical Institute Marine Mechanics Institute; Universal Technical Institute Automotive Division
Universal Technical Institute of Southern California, LLC	Delaware	None
Universal Technical Institute of Texas, Inc.	Texas	None
Universal Technical Institute Ventures, LLC	Delaware	None
U.T.I. of Illinois, Inc.	Illinois	None
Custom Training Group, Inc.	California	None

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statement Nos. 333-111899, 333-111900, 333-180017, and 333-217492 on Form S-8, and 333-236146 and 333-234253 on Form S-3 of our reports dated December 2, 2021, relating to the consolidated financial statements of Universal Technical Institute, Inc. and subsidiaries, and the effectiveness of Universal Technical Institute, Inc. and subsidiaries' internal control over financial reporting, appearing in this Annual Report on Form 10-K for the year ended September 30, 2021.

*/s/ DELOITTE & TOUCHE LLP*

Phoenix, Arizona

December 2, 2021

**Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350,  
As Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Jerome A. Grant, certify that:

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

Date: December 2, 2021

/s/ Jerome A. Grant

Jerome A. Grant  
Chief Executive Officer  
(Principal Executive Officer)

**Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350,  
As Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Troy R. Anderson, certify that:

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

Date: December 2, 2021

/s/ Troy R. Anderson

Troy R. Anderson

Executive Vice President and Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

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

In connection with the annual report of Universal Technical Institute, Inc. (the "Company") on Form 10-K for the period ended September 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jerome A. Grant, Chief Executive Officer of the Company, certify, to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: December 2, 2021

*/s/ Jerome A. Grant*

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Jerome A. Grant  
Chief Executive Officer  
(Principal Executive Officer)

This certification accompanies the Annual Report on Form 10-K to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Universal Technical Institute, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Annual Report on Form 10-K), irrespective of any general incorporation language contained in such filing.

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

In connection with the annual report of Universal Technical Institute, Inc. (the "Company") on Form 10-K for the period ended September 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Troy R. Anderson, Chief Financial Officer of the Company, certify, to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: December 2, 2021

*/s/ Troy R. Anderson*

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Troy R. Anderson

Executive Vice President and Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

This certification accompanies the Annual Report on Form 10-K to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Universal Technical Institute, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Annual Report on Form 10-K), irrespective of any general incorporation language contained in such filing.