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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2023

☐ **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	**86-0226984**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

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

(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

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

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

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

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

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

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

At August 1, 2023, there were 34,069,210 shares outstanding of the registrant's common stock.

UNIVERSAL TECHNICAL INSTITUTE, INC.
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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q and the documents incorporated by reference herein contain forward-looking statements within the meaning of the safe harbor from civil liability provided for such statements by the Private Securities Litigation Reform Act of 1995 (set forth in Section 21E of the Securities Exchange Act of 1934, as amended ("Exchange Act") and Section 27A of the Securities Act of 1933, as amended ("Securities Act"), 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;
- our failure to maintain eligibility for or the ability to process federal student financial assistance;
- regulatory investigations of, or actions commenced against, us or other companies in our industry;
- changes in the state regulatory environment or budgetary constraints;
- our failure to execute on our growth and diversification strategy;
- our failure to realize the expected benefits of our acquisitions, including, without limitation, Concorde Career Colleges, Inc.;
- our failure to successfully integrate our acquisitions, including, without limitation, Concorde Career Colleges, Inc.;
- 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;
- 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;
- a loss of our senior management or other key employees;
- the effect of public health pandemics, epidemics or outbreak, including COVID-19; and
- risks related to other factors discussed in our 2022 Annual Report on Form 10-K filed with the SEC on December 12, 2022 (the "2022 Annual Report on Form 10-K").

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 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 Quarterly Report on Form 10-Q, 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. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

UNIVERSAL TECHNICAL INSTITUTE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except par value and per share amounts)
(Unaudited)

	June 30, 2023	September 30, 2022
Assets		
Cash and cash equivalents	$ 110,511	$ 66,452
Restricted cash	3,572	3,544
Held-to-maturity investments	—	28,918
Receivables, net	25,156	16,450
Notes receivable, current portion	5,964	5,641
Prepaid expenses	11,153	6,139
Other current assets	8,123	8,809
Total current assets	164,479	135,953
Property and equipment, net	266,238	214,292
Goodwill	28,459	16,859
Intangible assets, net	19,148	14,215
Notes receivable, less current portion	29,930	30,231
Right-of-use assets for operating leases	182,111	132,038
Deferred tax asset, net	5,231	3,365
Other assets	11,140	5,958
Total assets	$ 706,736	$ 552,911
Liabilities and Shareholders' Equity		
Accounts payable and accrued expenses	$ 64,898	$ 66,680
Dividends payable	1,263	—
Deferred revenue	57,484	54,223
Operating lease liability, current portion	21,290	12,959
Long-term debt, current portion	2,478	1,115
Other current liabilities	3,522	2,745
Total current liabilities	150,935	137,722
Operating lease liability	170,886	129,302
Long-term debt	160,225	66,423
Other liabilities	4,562	4,067
Total liabilities	486,608	337,514
Commitments and contingencies (Note 16)		
Shareholders' equity:		
Common stock, $0.0001 par value, 100,000 shares authorized, 34,151 and 33,857 shares issued	3	3
Preferred stock, $0.0001 par value, 10,000 shares authorized; 676 shares of Series A Convertible Preferred Stock issued and outstanding, liquidation preference of $100 per share	—	—
Paid-in capital - common	151,426	148,372
Paid-in capital - preferred	66,481	66,481
Treasury stock, at cost, 82 shares	(365)	(365)
Retained earnings (deficit)	521	(1,307)
Accumulated other comprehensive income	2,062	2,213
Total shareholders' equity	220,128	215,397
Total liabilities and shareholders' equity	$ 706,736	$ 552,911

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

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2023	**2022**	**2023**	**2022**
Revenues	$ 153,286	$ 100,966	$ 437,110	$ 308,127
Operating expenses:				
Educational services and facilities	88,377	53,216	236,715	150,326
Selling, general and administrative	64,246	45,796	189,335	138,892
Total operating expenses	152,623	99,012	426,050	289,218
Income from operations	663	1,954	11,060	18,909
Other (expense) income:				
Interest income	1,632	68	4,260	88
Interest expense	(2,957)	(552)	(7,017)	(1,251)
Other income (expense), net	89	(291)	540	(336)
Total other expense, net	(1,236)	(775)	(2,217)	(1,499)
(Loss) income before income taxes	(573)	1,179	8,843	17,410
Income tax benefit (expense) (See Note 15)	64	(336)	(3,224)	5,609
Net (loss) income	$ (509)	$ 843	$ 5,619	$ 23,019
Preferred stock dividends	(1,263)	(1,296)	(3,791)	(3,913)
(Loss) income available for distribution	$ (1,772)	$ (453)	$ 1,828	$ 19,106
Income allocated to participating securities	—	—	(684)	(7,272)
Net (loss) income available to common shareholders	$ (1,772)	$ (453)	$ 1,144	$ 11,834
Earnings per share (See Note 18):				
Net (loss) income per share - basic	$ (0.05)	$ (0.01)	$ 0.03	$ 0.36
Net (loss) income per share - diluted	$ (0.05)	$ (0.01)	$ 0.03	$ 0.35
Weighted average number of shares outstanding:				
Basic	34,067	33,257	33,956	33,032
Diluted	34,067	33,257	34,402	33,550

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

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2023	**2022**	**2023**	**2022**
Net (loss) income	$ (509)	$ 843	$ 5,619	$ 23,019
Other comprehensive income (loss):				
Unrealized gain (loss) on interest rate swaps, net of taxes	513	334	(151)	1,368
Comprehensive income	$ 4	$ 1,177	$ 5,468	$ 24,387

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

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

	Common Stock		Preferred Stock		Paid-in Capital - Common	Paid-in Capital - Preferred	Treasury Stock		Retained Earnings (Deficit)	Accumulated Other Comprehensive Income	Total Shareholders' Equity
	Shares	Amount	Shares	Amount			Shares	Amount			
Balance as of September 30, 2022	33,857	$ 3	676	$ —	$ 148,372	$ 66,481	(82)	$ (365)	$ (1,307)	$ 2,213	$ 215,397
Net income	—	—	—	—	—	—	—	—	2,648	—	2,648
Issuance of common stock under employee plans	223	—	—	—	—	—	—	—	—	—	—
Shares withheld for payroll taxes	(73)	—	—	—	(525)	—	—	—	—	—	(525)
Stock-based compensation	—	—	—	—	1,169	—	—	—	—	—	1,169
Preferred stock dividends	—	—	—	—	—	—	—	—	(1,277)	—	(1,277)
Unrealized loss on interest rate swaps, net of taxes	—	—	—	—	—	—	—	—	—	(126)	(126)
Balance as of December 31, 2022	34,007	$ 3	676	$ —	$ 149,016	$ 66,481	(82)	$ (365)	$ 64	$ 2,087	$ 217,286
Net income	—	—	—	—	—	—	—	—	3,480	—	3,480
Issuance of common stock under employee plans	175	—	—	—	—	—	—	—	—	—	—
Shares withheld for payroll taxes	(33)	—	—	—	(223)	—	—	—	—	—	(223)
Stock-based compensation	—	—	—	—	2,113	—	—	—	—	—	2,113
Preferred stock dividends	—	—	—	—	—	—	—	—	(1,251)	—	(1,251)
Unrealized loss on interest rate swaps, net of taxes	—	—	—	—	—	—	—	—	—	(538)	(538)
Balance as of March 31, 2023	34,149	$ 3	676	$ —	$ 150,906	$ 66,481	(82)	$ (365)	$ 2,293	$ 1,549	$ 220,867
Net loss	—	—	—	—	—	—	—	—	(509)	—	(509)
Issuance of common stock under employee plans	4	—	—	—	—	—	—	—	—	—	—
Shares withheld for payroll taxes	(2)	—	—	—	(13)	—	—	—	—	—	(13)
Stock-based compensation	—	—	—	—	533	—	—	—	—	—	533
Preferred stock dividends	—	—	—	—	—	—	—	—	(1,263)	—	(1,263)
Unrealized gain on interest rate swap, net of taxes	—	—	—	—	—	—	—	—	—	513	513
Balance as of June 30, 2023	34,151	$ 3	676	$ —	$ 151,426	$ 66,481	(82)	$ (365)	$ 521	$ 2,062	$ 220,128

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

	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			
Balance as of September 30, 2021	32,915	$ 3	700	$ —	$ 142,314	$ 68,853	(82)	$ (365)	$ (21,996)	$ (279)	$ 188,530
Net income	—	—	—	—	—	—	—	—	14,822	—	14,822
Issuance of common stock under employee plans	111	—	—	—	—	—	—	—	—	—	—
Shares withheld for payroll taxes	(37)	—	—	—	(301)	—	—	—	—	—	(301)
Stock-based compensation	—	—	—	—	706	—	—	—	—	—	706
Preferred stock dividends	—	—	—	—	—	—	—	—	(1,323)	—	(1,323)
Unrealized gain on interest rate swap	—	—	—	—	—	—	—	—	—	173	173
Balance as of December 31, 2021	32,989	$ 3	700	$ —	$ 142,719	$ 68,853	(82)	$ (365)	$ (8,497)	$ (106)	$ 202,607
Net Income	—	—	—	—	—	—	—	—	7,354	—	7,354
Issuance of common stock under employee plans	177	—	—	—	—	—	—	—	—	—	—
Shares withheld for payroll taxes	(42)	—	—	—	(327)	—	—	—	—	—	(327)
Stock-based compensation	—	—	—	—	1,534	—	—	—	—	—	1,534
Preferred stock dividends	—	—	—	—	—	—	—	—	(1,294)	—	(1,294)
Unrealized gain on interest rate swap	—	—	—	—	—	—	—	—	—	861	861
Balance as of March 31, 2022	33,124	$ 3	700	$ —	$ 143,926	$ 68,853	(82)	$ (365)	$ (2,437)	$ 755	$ 210,735
Net income	—	—	—	—	—	—	—	—	843	—	843
Issuance of common stock under employee plans	2	—	—	—	—	—	—	—	—	—	—
Shares withheld for payroll taxes	—	—	—	—	(5)	—	—	—	—	—	(5)
Preferred stock conversion	724	—	(24)	—	2,372	(2,372)	—	—	—	—	—
Stock-based compensation	—	—	—	—	1,033	—	—	—	—	—	1,033
Preferred stock dividends	—	—	—	—	—	—	—	—	(1,296)	—	(1,296)
Unrealized gain on interest rate swap	—	—	—	—	—	—	—	—	—	334	334
Balance as of June 30, 2022	33,850	$ 3	676	$ —	$ 147,326	$ 66,481	(82)	$ (365)	$ (2,890)	$ 1,089	$ 211,644

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

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

	Nine Months Ended June 30,	
	2023	**2022**
Cash flows from operating activities:		
Net income	$ 5,619	$ 23,019
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	18,649	12,124
Amortization of right-of-use assets for operating leases	15,439	12,636
Bad debt expense	1,447	2,077
Stock-based compensation	3,815	3,273
Deferred income taxes	2,594	(6,283)
Training equipment credits earned, net	1,299	(921)
Unrealized (loss) gain on interest rate swap	(151)	1,368
Other (gains) losses, net	(197)	537
Changes in assets and liabilities:		
Receivables	(2,869)	(8,234)
Prepaid expenses	(3,293)	(1,439)
Other assets	623	(621)
Notes receivable	(22)	956
Accounts payable, accrued expenses and other current liabilities	(13,949)	1,275
Deferred revenue	(16,884)	(16,809)
Operating lease liability	(16,094)	(10,778)
Other liabilities	(759)	(4,274)
Net cash (used in) provided by operating activities	(4,733)	7,906
Cash flows from investing activities:		
Cash paid for acquisition, net of cash acquired	(16,381)	(26,514)
Purchase of property and equipment	(48,847)	(69,608)
Proceeds from maturities of held-to-maturity securities	29,000	—
Return of capital contribution from unconsolidated affiliate	—	188
Net cash used in investing activities	(36,228)	(95,934)
Cash flows from financing activities:		
Proceeds from revolving credit facility	90,000	—
Proceeds from term loan	—	38,000
Debt issuance costs for long-term debt	(484)	(355)
Payment of preferred stock cash dividend	(2,528)	(2,617)
Payments on term loans and finance leases	(1,179)	(19,004)
Payment of payroll taxes on stock-based compensation through shares withheld	(761)	(633)
Net cash provided by financing activities	85,048	15,391
Change in cash, cash equivalents and restricted cash	44,087	(72,637)
Cash and cash equivalents, beginning of period	66,452	133,721
Restricted cash, beginning of period	3,544	12,256
Cash, cash equivalents and restricted cash, beginning of period	69,996	145,977
Cash and cash equivalents, end of period	110,511	70,713
Restricted cash, end of period	3,572	2,627
Cash, cash equivalents and restricted cash, end of period	$ 114,083	$ 73,340

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

	Nine Months Ended June 30,	
	2023	**2022**
Supplemental disclosure of cash flow information:		
Income taxes paid, net of refunds	$ 967	$ 696
Interest paid	6,442	1,208
Training equipment obtained in exchange for services	500	1,247
Depreciation of training equipment obtained in exchange for services	558	691
Accounts payable and accrued expenses for capital expenditures	1,836	(374)
Preferred dividends payable	1,263	1,296
CARES Act funds received for student emergency grants	—	6,689
CARES Act funds disbursed for student emergency grants	—	(6,774)

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

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

Note 1 - Nature of the Business

Universal Technical Institute, Inc., which together with its subsidiaries is referred to as the "Company," "we," "us" or "our," was founded in 1965 and is a leading workforce solutions provider of transportation, skilled trades and healthcare education programs, whose mission is to serve students, partners, and communities by providing quality education and support services for in-demand careers across a number of highly-skilled fields. We offer the majority of our programs in a blended learning model that combines instructor-facilitated online teaching and demonstrations with hands-on labs. In conjunction with the Concorde Career Colleges, Inc. acquisition on December 1, 2022 (the "Concorde Acquisition"), we redefined our reporting structure into two reportable segments as follows:

Universal Technical Institute ("UTI"): UTI operates 16 campuses located in nine states and offers a wide range of degree and non-degree transportation and skilled trades technical training programs under brands such as Universal Technical Institute, Motorcycle Mechanics Institute, Marine Mechanics Institute, NASCAR Technical Institute, and MIAT College of Technology ("MIAT"). UTI also offers manufacturer specific advanced training programs, which include student-paid electives, at our campuses and manufacturer or dealer sponsored training at certain campuses and dedicated training centers. Lastly, UTI provides dealer technician training or instructor staffing services to manufacturers. UTI works closely with over 35 original equipment manufacturers and industry brand partners to understand their needs for qualified service professionals.

Concorde Career Colleges ("Concorde"): Concorde operates across 17 campuses in eight states, offering degree, non-degree, and continuing education programs in the allied health, dental, nursing, patient care and diagnostic fields. Concorde believes in preparing students for their health care careers with practical, hands-on experiences including opportunities to learn while providing care to real patients. Prior to graduation, students will complete a number of hours in a clinical setting or externship, depending upon their program of study. We acquired Concorde on December 1, 2022. See Note 4 on "Acquisitions" for additional information.

"Corporate" includes corporate related expenses that are not allocated to the UTI or Concorde reportable segments. In prior years, these costs were allocated across our former "Postsecondary Education" reportable segment and "Other" category based upon compensation expense. Additional information about our reportable segments is presented in Note 19.

Our primary source of revenues is currently 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 of the Higher Education Act of 1965, as amended ("HEA"), as well as other federal programs. For further discussion, see Note 2 on "Summary of Significant Accounting Policies - Concentration of Risk" and Note 24 on "Government Regulation and Financial Aid" included in our 2022 Annual Report on Form 10-K.

Note 2 - Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, our condensed consolidated financial statements do not include all the information and footnotes required by GAAP for complete financial statements. Normal and recurring adjustments considered necessary for a fair statement of the results for the interim periods have been included. Operating results for the nine months ended June 30, 2023 are not necessarily indicative of the results that may be expected for the year ending September 30, 2023. The accompanying condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our 2022 Annual Report on Form 10-K.

The unaudited condensed consolidated financial statements include the accounts of Universal Technical Institute, Inc. and our wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated. The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Other than described below, there have been no material changes or developments in our significant accounting policies or evaluation of accounting estimates and underlying assumptions or methodologies from those disclosed in Note 2 of our 2022 Annual Report on Form 10-K.

New Significant Accounting Policy for Retail Installment Contract Receivables

Concorde currently and historically offers certain students retail installment contracts for payment of their tuition that is not covered by federal student financial aid or other funding sources. The retail installment contracts are due to Concorde from current and former students, are generally due over a period of up to five years, and bear interest ranging from 0 percent to 15 percent. New retail installment contracts are being issued at interest rates between 0 percent to 9 percent. Due to the fact that there is no interest imposed on certain of the retail installment contracts, primarily while students are actively completing their selected programs, we calculate the imputed interest expense on the retail installment contracts. However, the imputed interest expense is not considered material for such retail installment contracts. Retail installment contract receivables are recorded at amortized cost less an allowance for credit losses that are not expected to be recovered. The allowance for credit losses is recognized at inception and is reassessed each reporting period. The short-term portion of the retail installment contract receivable and related allowance for credit losses are included in “Receivables, net” while the long-term portion of the retail installment contract receivable and related allowance for credit losses is presented in “Other assets” on our condensed consolidated balance sheets.

Reclassifications

As previously noted, as a result of the Concorde Acquisition, beginning with the three months ended December 31, 2022, we have two reportable segments: UTI and Concorde. Additionally, “Corporate” includes corporate related expenses that are not allocated to either the UTI or Concorde reportable segments. The segment disclosures presented in Note 19 for the three and nine months ended June 30, 2022 have been revised from the prior year presentation to reflect the new reportable segments.

Additionally, starting with the three months ended December 31, 2022, we have reclassified “Accrued tool sets” into “Accounts payable and other accrued expenses” on our condensed consolidated balance sheets for reporting purposes. As of September 30, 2022, $3.2 million was reclassified from “Accrued tool sets” to “Accounts payable and other accrued expenses” on the condensed consolidated balance sheets for comparable presentation. The breakout of accrued tool sets is now disclosed in Note 12. Further, the activity related to the accrued tool sets balance is now reported in the “Accounts payable and other accrued expenses” line on the condensed consolidated statement of cash flows for the nine months ended June 30, 2023. We reclassified $0.9 million from “Accrued tool sets” to “Accounts payable and other accrued expenses” on the condensed consolidated statement of cash flow for the nine months ended June 30, 2022 for comparable presentation.

Note 3 - Recent Accounting Pronouncements

Effective in Fiscal 2023

In March 2020, the Financial Accounting Standards Board issued Accounting Standards Update 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 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. On April 3, 2023, we executed an amendment for our Avondale Term Loan (as defined below) to convert the stated rate from LIBOR to Secured Overnight Financing Rate (“SOFR”) (which is further described in Note 13). Additionally, on March 31, 2023, we terminated our existing interest rate swap and entered into a new interest rate swap agreement, effective April 3, 2023, with the Avondale Lender that effectively fixes the interest rate we pay on 50% of the principal amount of the Avondale Term Loan at 3.45% for the entire loan term (which is further described in Note 14). In executing the amendment, we adopted several of the practical expedients allowed under ASU 2020-04, including updating the designated hedged risk in our outstanding cash flow hedging relationship to match the risk presented in the modified interest payments and to continue our hedging relationship that falls within the scope of ASU 2020-04. The adoption of the new guidance in ASU 2020-04 did not have a material impact on our condensed consolidated financial statements.

(In thousands, except per share amounts)

Note 4 - Acquisitions

Concorde Career Colleges

On December 1, 2022, we completed the Concorde Acquisition. Concorde operates 17 campuses across eight states with approximately 7,600 students, and offers its programs via in-person, hybrid and online formats. Concorde offers more than 20 programs across the allied health, dental, nursing, patient care, and diagnostic fields. The acquisition expands our portfolio of offerings into the higher-growth healthcare arena and creates the opportunity to bring workforce educational solutions to a broader array of students and employers.

Under the terms of the Stock Purchase Agreement (the "Purchase Agreement"), dated May 3, 2022, by and among the Company, Concorde, Liberty Partners Holdings 28, L.L.C., a Delaware limited liability company, and Liberty Investment IIC, LLC, a Delaware limited liability company (each a "Seller," and collectively, the "Sellers"); and Liberty Partners L.P., a Delaware limited partnership, in its capacity as a representative of the Sellers, we acquired all of the issued and outstanding shares of capital stock of Concorde for a base purchase price of $50.0 million, less $1.9 million of net adjustments including the post-closing working capital adjustment, for total cash consideration paid of $48.1 million. As a result of the transactions contemplated by the Purchase Agreement, Concorde is now a wholly-owned subsidiary of the Company. We funded the consideration paid for the Concorde Acquisition by the revolving credit facility entered into on November 18, 2022. See Note 13 for further details on the revolving credit facility.

In connection with the Concorde Acquisition, we incurred total transaction costs of $5.3 million, of which $3.0 million was incurred during the year ended September 30, 2022 and $2.3 million was incurred during the nine months ended June 30, 2023. These costs are included in "Selling, general and administrative" expenses in the condensed consolidated statements of operations for the applicable period.

Allocation of the purchase price

Under the acquisition method of accounting, the total purchase price was allocated to the identifiable assets acquired and the liabilities assumed based on our preliminary valuation estimates of the fair values as of the acquisition date. The fair value and allocation of the business combination are preliminary, are based upon management's best estimates and assumptions, and are subject to future revision. We will continue our analysis under the provisions of ASC 805 which allows companies one year to complete acquisition related adjustments which may result in potential adjustments to the carrying value of the respective recorded assets and liabilities.

The preliminary allocation of the purchase price at December 1, 2022 is summarized as follows:

Assets acquired:		
Cash and cash equivalents	$	30,064
Restricted cash		1,689
Accounts receivable, net		6,740
Prepaid expenses		2,957
Other current assets		827
Property and equipment		23,950
Right-of-use assets for operating leases		71,153
Goodwill		11,600
Intangible assets		5,400
Deferred tax assets		4,460
Other assets		4,997
Total assets acquired	$	163,837

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Less: Liabilities assumed		
Accounts payable and accrued expenses	$	15,482
Deferred revenue		20,145
Operating lease liability, current portion		10,011
Long-term debt, current portion [1]		807
Other current liabilities		208
Long-term debt [1]		5,468
Operating lease liability		63,582
Total liabilities assumed		115,703
Net assets acquired	$	48,134

(1) Long-term debt consists of one lease classified as a finance lease under ASC 842.

Due to the timing of the acquisition, the amounts for income tax liabilities, including deferred income taxes, pending finalization of estimates and assumptions in respect of certain tax aspects of the transaction, are considered preliminary and subject to change. Any changes in the amounts for income tax liabilities could cause further changes to intangible assets and property and equipment.

The Company will finalize these amounts no later than one year from the acquisition date once it obtains the information necessary to complete the measurement process. Any changes resulting from facts and circumstances that existed as of the acquisition date may result in adjustments to the preliminary amounts disclosed above which may impact the reported results in the period those adjustments are identified. Since December 31, 2022, we have adjusted the purchase price allocation for operating and finance lease assets and liabilities due to changes in the incremental borrowing rates. Additionally, we identified further adjustments required for accounts receivable, prepaid expenses, deferred income taxes, deferred revenue, and accounts payable and accrued expenses. These adjustments, in conjunction with the updates to the operating and finance lease assets and liabilities, resulted in further changes to both intangible assets and goodwill. These adjustments did not have a material impact on the results of operations since the date of acquisition. Other than a $7.2 million adjustment to operating lease liabilities, these adjustments did not have a material impact on the financial statements since the date of acquisition.
The amount allocated to goodwill of $11.6 million represents the acquired assembled workforce. None of the goodwill is expected to be deductible for tax purposes. Factors that contributed to a purchase price resulting in the recognition of goodwill include Concorde’s strategic fit into our growth and diversification strategy, which is focused on offering a broader array of high-quality, in-demand workforce education solutions which both prepare students for a variety of careers in fast-growing fields and help close the country's skills gap by leveraging key industry partnerships.

The purchase price allocation requires subjective estimates that, if incorrectly estimated, could be material to our condensed consolidated financial statements including the amount of depreciation and amortization expense. The fair value of the property and equipment was estimated using the cost and market approaches as of the valuation date. The fair value of the leases were estimated using the income and market approaches to determine if there was any favorable or unfavorable terms in place.

The intangible assets acquired, which primarily consist of the accreditations and regulatory approvals, trademarks and trade names, and curriculum, were valued using different valuation techniques depending upon the nature of the intangible asset acquired, all of which are considered level 3 as defined in Note 7. The accreditations and regulatory approvals were valued using the multi-period excess earnings method (“MPEEM”) under the income approach. The MPEEM is a variation of discounted cash-flow analysis. Rather than focusing on the whole entity, the MPEEM isolates the cash flows that can be associated with a single intangible asset and measures fair value by discounting them to present value. The trademarks and trade names were valued using the relief from royalty method. The value of the trade name encompasses all items necessary to generate revenue utilizing the trade name. The curriculum was valued using the cost approach.

(In thousands, except per share amounts)

The table below presents the revised summary of the intangible assets acquired as a result of other purchase price allocation updates and the useful lives of these assets:

Intangible Asset	Useful life	Amount	
Accreditations and regulatory approvals	Indefinite	$	3,500
Trademarks and trade names	10 years		500
Curriculum	5 years		1,400
Total		$	5,400

See Note 9 and Note 10 and for additional details on goodwill and intangible assets.

Student receivables

When financial assets are acquired in connection with a business combination, we evaluate whether those acquired financial assets have experienced a more-than-insignificant deterioration in credit quality since origination. Financial assets acquired with evidence of such credit deterioration are referred to as purchased credit deteriorated ("PCD") assets and reflect the acquirer's assessment at the acquisition date. The student receivables acquired in the Concorde Acquisition were reviewed to determine if any had experienced a more-than-insignificant deterioration in credit quality since origination. Student receivables of approximately $2.3 million met the established criteria to indicate a more-than insignificant deterioration in credit quality and were identified as PCD assets. Using our best estimate of projected losses over the term of the contracts, we calculated an allowance for credit losses on these PCD assets of approximately $1.0 million.

Pro forma financial information

The following unaudited pro forma financial information summarizes our results of operations as though the acquisition occurred on October 1, 2021:

	Three Months Ended				Nine Months Ended			
	June 30, 2023		June 30, 2022		June 30, 2023		June 30, 2022	
Revenue	$	153,286	$	146,834	$	473,131	$	448,903
Net (loss) income		(509)		(3,397)		5,498		16,950

The unaudited pro forma financial information includes adjustments to reflect the additional amortization that would have been charged assuming the fair value adjustments to intangible assets and the finance lease asset had been applied from October 1, 2021, with the related tax effects. The unaudited pro forma financial information also includes adjustments to reflect the additional interest expense on the new Credit Facility issued to fund the acquisition (see Note 13 for further details on the Credit Facility). Lastly, the unaudited pro forma financial information includes adjustments to reflect the reduction in depreciation expense assuming the fair value adjustments to property and equipment assets had been applied from October 1, 2021.

This unaudited pro forma financial information is for informational purposes only. It does not reflect the integration of the business or any synergies or incremental costs that may result from the acquisition. As such, it is not indicative of the results of operations that would have been achieved had the acquisition been consummated on October 1, 2021. In addition, the unaudited pro forma financial information amounts are not indicative of future operating results.

MIAT College of Technology

On November 1, 2021, using available operating cash, we acquired all of the issued and outstanding shares of capital stock of MIAT for $26.0 million base purchase price plus $2.8 million working capital surplus for total cash consideration paid of $28.8 million. 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, and welding disciplines.

(In thousands, except per share amounts)

The acquisition, as part of our growth and diversification strategy, allows us to expand MIAT programs throughout UTI brand campuses and extend UTI's presence and programs into the Canton, Michigan 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 acquired MIAT campuses by leveraging our high school and national marketing and admissions infrastructure.

In connection with this acquisition, we incurred total transaction costs of $1.7 million of which $0.9 million were incurred during the year ended September 30, 2022 and $0.8 million during the year ended September 30, 2021. These costs are included in "Selling, general and administrative" expenses in the condensed consolidated statements of operations for the applicable period.

The final allocation of the purchase price at November 1, 2021 is summarized as follows:

Assets acquired:		
Cash and cash equivalents	$	2,301
Accounts receivable, net		3,230
Prepaid expenses		268
Other current assets		507
Property and equipment		3,043
Goodwill		8,637
Intangible assets		16,200
Right-of-use assets for operating leases		14,979
Other assets		314
Total assets acquired	$	49,479
Less: Liabilities assumed		
Accounts payable and accrued expenses	$	1,720
Deferred revenue		1,843
Operating lease liability, current portion		817
Deferred tax liabilities, net		1,975
Operating lease liability		14,216
Other liabilities		93
Total liabilities assumed		20,664
Net assets acquired	$	28,815

The goodwill of $8.6 million arising from the acquisition consists largely of the growth and operating synergies expected from integrating MIAT into UTI. The total amount of goodwill expected to be deductible for tax purposes is approximately $0.6 million. See Note 9 for additional details on goodwill.

The accreditations and regulatory approvals were valued using the multi-period excess earnings method ("MPEEM") under the income approach. The trademarks and trade names were valued using the relief from royalty method. The curriculum was valued using the cost approach. The table below presents a summary of the intangible assets acquired and the useful lives of these assets:

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Intangible Asset	Useful life	Amount
Accreditations and regulatory approvals	Indefinite	$ 12,800
Trademarks and trade names [(1)]	Indefinite	3,000
Curriculum	5 years	400
Total		$ 16,200

(1) During the fourth quarter of 2022, in conjunction with our growth and diversification initiatives, we completed a branding study and determined that the useful life of the MIAT trademarks and trade name was no longer indefinite, and a four-year finite useful life was more appropriate. We completed the required impairment testing when changing from an indefinite to a finite useful life for an intangible asset and determined that the carrying value of the MIAT trademarks and trade name exceeded its fair value. We determined the fair value of intangible asset to be $1.0 million as of September 30, 2022 using the relief from royalty method and recorded an intangible asset impairment charge of $2.0 million during the year ended September 30, 2022.

Pro forma financial information is not presented as the fiscal 2021 revenues and earnings of MIAT were not material to our condensed consolidated statements of operations. MIAT is included in the “UTI” reporting unit and reportable segment disclosed in Note 19 on Segments.

Note 5 - Revenue from Contracts with Customers

Nature of Goods and Services
Revenues across the UTI and Concorde segments 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. Tuition and fee revenue is recognized ratably over the term of the course or program offered.

The majority of the UTI programs are designed to be completed in 28 to 96 weeks. The UTI advanced training programs range from 12 to 23 weeks in duration. UTI also provides dealer technician training or instructor staffing services to manufacturers. Revenues are recognized as transfer of the services occurs.

The majority of Concorde’s core programs are nine to ten months in duration and are billed in full at the start of the program. Clinical programs are 12 to 24 month programs that are billed by academic term. Clinical programs may have up to nine academic terms that last two to three months each. Revenues are recognized as transfer of the services occurs.

In addition to revenue from tuition and fees, UTI and Concorde derive supplemental revenues from 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.

All of our revenues are generated within the United States. The impact of economic factors on the nature, amount, timing and uncertainty of revenue and cash flows is consistent across our various programs for both the UTI and Concorde segments. See Note 19 for disaggregated segment revenue information.

Proprietary Loan Program Notes Receivable

Certain UTI students participate in a proprietary loan program that extends repayment terms for their tuition beyond the time that they are in school. We purchase said loans from the lender. Based on historical collection rates, we believe at least 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. These amounts are presented as “Notes receivable, current portion” and “Notes receivable, less current portion” on our condensed consolidated balance sheets.

(In thousands, except per share amounts)

Retail Installment Contract Receivables

Concorde currently and historically offers certain students retail installment contracts for payment of their tuition that are not covered by federal student financial aid or other funding sources. The retail installment contracts are due to Concorde from current and former students, are generally due over a period of up to five years, and bear interest ranging from 0 percent to 15 percent. New retail installment contracts are being issued at interest rates between 0 percent to 9 percent. Due to the fact that there is no interest imposed on certain of the retail installment contracts, primarily while students are actively completing their selected programs, we calculate the imputed interest expense on the retail installment contracts. However, the imputed interest expense is not considered material for such retail installment contracts. The short-term portion of the retail installment contract receivable and related allowance for credit losses are included in “Receivables, net” while the long-term portion of the retail installment contract receivable and related allowance for credit losses is presented in “Other assets” on our condensed consolidated balance sheets.

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:

	June 30, 2023	September 30, 2022
Receivables [1]	$ 60,627	$ 46,826
Deferred revenue	57,484	54,223

(1) Receivables includes tuition receivables, retail installment contract receivables and notes receivable, both current and long term.

During the nine months ended June 30, 2023, the deferred revenue balance included decreases for revenues recognized during the period, increases related to new students who started their training programs during the period and the addition of deferred revenue from the Concorde Acquisition.

Note 6 - Investments

In July 2022, we invested a portion of our cash and cash equivalents in short-term investments which primarily consist of corporate and government bonds with a minimum credit rating of A. We had the ability and intention to hold these investments until maturity and therefore classified these investments as held-to-maturity and recorded them at amortized cost and presented them in “Held-to-maturity investments” on our consolidated balance sheets as of September 30, 2022. As of June 30, 2023, there were no outstanding held-to-maturity investments as all of the securities matured by December 31, 2022 and there were no new purchases of held-to-maturity investments during the nine months ended June 30, 2023.

The amortized cost, gross unrealized gains or losses, and fair value of investments classified as held-to-maturity at September 30, 2022 were as follows:

	September 30, 2022			
		Gross Unrealized		Estimated Fair
Due in less than 1 year:	Amortized Cost	Gains	Losses	Market Value
Corporate and government bonds	$ 28,918	$ —	$ (19)	$ 28,899

(In thousands, except per share amounts)

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:

		Fair Value Measurements Using		
	June 30, 2023	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Money market funds[1]	$ 9,304	$ 9,304	$ —	$ —
Notes receivable[2]	35,894	—	—	35,894
Total assets at fair value on a recurring basis	$ 45,198	$ 9,304	$ —	$ 35,894
Revolving credit facility and term loans[4]	157,401	—	157,401	—
Total liabilities at fair value on a recurring basis	$ 157,401	$ —	$ 157,401	$ —

		Fair Value Measurements Using		
	September 30, 2022	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Money market funds[1]	$ 23,439	$ 23,439	$ —	$ —
Notes receivable[2]	35,872	—	—	35,872
Corporate and government bonds[3]	28,899	28,899	—	—
Total assets at fair value on a recurring basis	$ 88,210	$ 52,338	$ —	$ 35,872
Term loans[4]	68,083	—	68,083	—
Total liabilities at fair value on a recurring basis	$ 68,083	$ —	$ 68,083	$ —

(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 condensed consolidated balance sheets as of June 30, 2023 and September 30, 2022.

(In thousands, except per share amounts)

(2) Notes receivable relate to UTI's proprietary loan program and are reflected as "Notes receivable, current portion" and "Notes receivable, less current portion" in our condensed consolidated balance sheets as of June 30, 2023 and September 30, 2022.

(3) Corporate and government bonds are reflected as "Held-to-maturity investments" in our condensed consolidated balance sheets as of September 30, 2022.

(4) The Credit Facility and Term Loans bear interest at rates commensurate with market rates, and therefore, the respective carrying values approximate fair value (Level 2).

Note 8 - Property and Equipment, net

Property and equipment, net consisted of the following:

	Depreciable Lives (in years)	June 30, 2023	September 30, 2022
Land	—	$ 25,601	$ 16,603
Buildings and building improvements	3-30	160,893	126,244
Leasehold improvements	1-20	82,755	86,751
Training equipment	3-10	105,600	96,907
Office and computer equipment	3-10	34,510	31,900
Curriculum development	3-5	2,416	20,130
Software developed for internal use	1-5	12,594	12,150
Vehicles	5	1,406	1,458
Right-of-use assets for finance leases	2-15	5,603	215
Construction in progress	—	16,217	16,359
		447,595	408,717
Less: Accumulated depreciation and amortization		(181,357)	(194,425)
Total		$ 266,238	$ 214,292

Depreciation expense related to property and equipment was $6.5 million and $18.2 million for the three and nine months ended June 30, 2023, and $4.5 million and $12.0 million for the three and nine months ended June 30, 2022.

In March 2023, we purchased the three primary buildings and the associated land at our UTI Orlando, Florida campus which was previously leased. The purchase resulted in an increase in our buildings of $15.2 million, an increase in land of $9.0 million and the reclassification of assets from leasehold improvements to building improvements of $19.1 million.

Note 9 - Goodwill

Our goodwill balance of $28.5 million as of June 30, 2023 represents the excess of the cost of an acquired business over the estimated fair values of the assets acquired and liabilities assumed. The changes in the carrying value of goodwill are presented in the table below.

	June 30, 2023	September 30, 2022
Balance at beginning of period	$ 16,859	$ 16,859
Additions to Goodwill for acquisition of Concorde	11,600	—
Balance at end of period	$ 28,459	$ 16,859

Of the $28.5 million recorded as goodwill as of June 30, 2023, $11.6 million resulted from the acquisition of Concorde, $8.6 million relates to the acquisition of MIAT as of November 1, 2021, and $8.2 million resulted from the acquisition of our motorcycle and marine education business in Orlando, Florida in 1998. As indicated in Note 1, as a result of the Concorde Acquisition, we have two reportable segments. Prior to the three months ended December 31, 2022, all goodwill related to our Postsecondary Education reportable operating segment for UTI.

(In thousands, except per share amounts)

The table below summarizes the goodwill balance by reportable segment:

	June 30, 2023	September 30, 2022
UTI	$ 16,859	$ 16,859
Concorde	11,600	—
Total	$ 28,459	$ 16,859

Goodwill is reviewed at least annually for impairment, which may result from the deterioration in the operating performance of the acquired businesses, adverse market conditions, adverse changes in applicable laws or regulations and a variety of other circumstances. Our goodwill is tested annually for impairment as of August 1 and more frequently if events or circumstances lead to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. There were no indicators of goodwill impairment as of June 30, 2023.

Note 10 - Intangible Assets

The following table provides the gross carrying value, accumulated amortization, net book value and remaining useful life for those intangible assets that are subject to amortization as of June 30, 2023:

	Gross Carrying Value	Accumulated Amortization	Net Book Value	Weighted Average Remaining Useful Life (Years)
Accreditations and regulatory approvals	$ 16,300	$ —	$ 16,300	Indefinite
Trademarks, trade names and other	1,942	(597)	1,345	5.34
Curriculum	1,800	(297)	1,503	4.22
Total	$ 20,042	$ (894)	$ 19,148	4.75

The following table provides the gross carrying value, accumulated amortization, net book value and remaining useful life for those intangible assets that were subject to amortization as of June 30, 2022:

	Gross Carrying Value	Accumulated Amortization	Net Book Value	Weighted Average Remaining Useful Life (Years)
Accreditations and regulatory approvals - MIAT	$ 12,800	$ —	$ 12,800	Indefinite
Trademarks and trade names - MIAT	3,000	—	3,000	Indefinite
Curriculum - MIAT	400	(53)	347	4.33
Non-compete agreement and trade name	442	(345)	97	2.83
Total	$ 16,642	$ (398)	$ 16,244	3.99

Amortization expense for the nine months ended June 30, 2023 and 2022 was $0.5 million and $80 thousand, respectively.

As of June 30, 2023, of the $20.0 million gross carrying value of intangible assets, $5.4 million relates to the Concorde Acquisition, $14.2 million relates to the MIAT acquisition completed on November 1, 2021, and $0.4 million relates to previously recorded non-compete agreements and trade names. The remaining weighted average useful lives shown are calculated based on the net book value and remaining amortization period of each respective intangible asset. Amortization is computed using the straight-line method based on estimated useful lives of the related assets. Our indefinite-lived intangible assets are reviewed at least annually for impairment as of August 1, or more frequently if there are indicators of impairment. There were no indicators of impairment for our indefinite-lived intangible assets as of June 30, 2023.

Note 11 - Leases

As of June 30, 2023, we have facility leases at 29 of our 33 campuses and three corporate office locations under non-cancelable operating or finance leases, some of which contain escalation clauses and requirements to pay other fees associated with the leases. The facility leases have original lease terms ranging from 5 to 20 years and expire at various dates through 2036. 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 June 30, 2023, 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 condensed 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.

The components of lease expense are included in “Educational services and facilities” and “Selling, general and administrative” on the condensed 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 three and nine months ended June 30, 2023 and 2022 were as follows:

	Three Months Ended June 30,		Nine Months Ended June 30,	
Lease Expense	**2023**	**2022**	**2023**	**2022**
Operating lease expense[1]	$ 7,765	$ 4,990	$ 21,742	$ 17,724
Finance lease expense:				
Amortization of leased assets	227	18	552	54
Interest on lease liabilities	88	1	210	2
Variable lease expense	2,186	1,586	6,443	4,059
Sublease income	(29)	(32)	(86)	(122)
Total net lease expense	$ 10,237	$ 6,563	$ 28,861	$ 21,717

(1) Excludes the expense for short-term leases not accounted for under ASC 842, which was not significant for the three and nine months ended June 30, 2023 and 2022.

Supplemental balance sheet, cash flow and other information related to our leases was as follows (in thousands, except lease term and discount rate):

Leases	**Classification**	**June 30, 2023**	**September 30, 2022**
Assets:			
Operating lease assets	Right-of-use assets for operating leases[1]	$ 182,111	$ 132,038
Finance lease assets	Property and equipment, net[2]	5,073	22
Total leased assets		$ 187,184	$ 132,060

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Leases	Classification	June 30, 2023	September 30, 2022
Liabilities:			
Current			
Operating lease liabilities	Operating lease liability, current portion[1]	$ 21,290	$ 12,959
Finance lease liabilities	Long-term debt, current portion	823	23
Noncurrent			
Operating lease liabilities	Operating lease liability[1]	170,886	129,302
Finance lease liabilities	Long-term debt	4,976	—
Total lease liabilities		$ 197,975	$ 142,284

(1) As noted in Note 4, during the nine months ended June 30, 2023, our right-of-use assets and operating lease liability increased due to the acquisition of Concorde. This increase was partially offset in March 2023, with the purchase of the three primary buildings and associated land that we previously leased at the UTI Orlando, Florida campus, as discussed in Note 8. This purchase reduced our right-of-use assets balance by approximately $10.5 million and our leased liabilities by approximately $12.4 million.

(2) The finance lease assets and liabilities as of June 30, 2023, consist of one facility lease and as of September 30, 2022, were made up of three equipment leases. Finance lease assets are recorded net of accumulated amortization of $0.5 million and $0.2 million as of June 30, 2023 and September 30, 2022, respectively.

Lease Term and Discount Rate	June 30, 2023	September 30, 2022
Weighted-average remaining lease term (in years):		
Operating leases	8.12	8.92
Finance lease	5.58	0.33
Weighted average discount rate:		
Operating leases	4.77 %	3.91 %
Finance lease	6.02 %	3.08 %

	Nine Months Ended June 30,	
Supplemental Disclosure of Cash Flow and Other Information	**2023**	**2022**
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 16,094	$ 9,174
Financing cash flows from finance leases	499	55
Non-cash activity related to lease liabilities:		
Lease assets obtained in exchange for new operating lease liabilities [1]	$ 4,857	$ 7,899

(1) Excludes the operating leases recorded for the Concorde and MIAT acquisitions discussed in Note 4. During the three months ended June 30, 2023, Concorde renewed the campus lease for their Orlando, Florida campus and signed a new lease for a smaller corporate office in Kansas City, Kansas.

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Maturities of lease liabilities were as follows:

	As of June 30, 2023	
Years ending September 30,	**Operating Leases**	**Finance Lease**
Remainder of 2023	$ 4,933	$ 284
2024	31,228	1,159
2025	30,584	1,193
2026	29,533	1,229
2027	27,994	1,266
2028 and thereafter	107,106	1,743
Total lease payments	231,378	6,874
Less: interest	(39,202)	(1,075)
Present value of lease liabilities	192,176	5,799
Less: current lease liabilities	(21,290)	(823)
Long-term lease liabilities	$ 170,886	$ 4,976

Note 12 - Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consisted of the following:

	June 30, 2023	September 30, 2022
Accounts payable	$ 13,619	$ 21,746
Accrued compensation and benefits	32,180	28,430
Other accrued expenses	14,783	13,328
Accrued tool sets	4,316	3,176
Total accounts payable and accrued expenses	$ 64,898	$ 66,680

Note 13 - Debt

	June 30, 2023			September 30, 2022
	Interest Rate	**Maturity Date**	**Carrying Value of Debt[6]**	**Carrying Value of Debt[6]**
Revolving Credit Facility[1]	7.41 %	Nov 2025	$ 90,000	$ —
Avondale Term Loan[2]	7.21 %	May 2028	29,464	30,083
Lisle Term Loan[3]	7.16 %	Apr 2029	37,937	38,000
Finance lease[4]	6.02 %	Various	5,799	23
Total debt			163,200	68,106
Debt issuance costs presented with debt [5]			(497)	(568)
Total debt, net			162,703	67,538
Less: current portion of long-term debt			(2,478)	(1,115)
Long-term debt			$ 160,225	$ 66,423

(1) Interest on the Revolving Credit Facility (as defined below) accrues at annual rate equal to Term SOFR plus a margin of 2.0% and a lender specific spread of 0.15%.

(2) Interest on the Avondale Term Loan (as defined below) accrues at annual rate equal to Term SOFR plus 2.0% and a tranche adjustment of 0.046%.

(3) Interest on the Lisle Term Loan (as defined below) accrues at annual rate equal to Term SOFR plus 2.0%.

(4) The finance lease is related to a facility lease with an annual interest rate of 6.02% that matures in 2029. See Note 11 for additional details on our finance lease.

(5) The unamortized debt issuance costs as of June 30, 2023 relate to the Avondale Term Loan and the Lisle Term Loan.

(6) The Credit Facility, Term Loans and finance leases bear interest at rates commensurate with market rates, and therefore, the respective carrying values approximate fair value (Level 2).

Revolving Credit Facility

On November 18, 2022, we entered into a $100.0 million senior secured revolving credit facility with Fifth Third Bank, a national banking association (the “Credit Facility” or “Revolving Credit Facility”), which includes a $20.0 million sub facility that is available for letters of credit. The Credit Facility has a term of three years, unless earlier terminated pursuant to the terms and conditions set forth in the credit agreement.

This agreement provides that borrowings under the Credit Facility will amortize on an interest-only basis during its term with principal able to be borrowed, re-paid and re-borrowed throughout the term of the Credit Facility and with the outstanding principal due and payable at maturity. Advances made under the Credit Facility bear interest at a floating rate equal to, at our option, either (a) a variable rate equal to the greater of: (i) 3.50%, or (ii) the rate that the lender publicly announces, publishes or designates from time to time as its index rate or prime rate, or any successor rate thereto, in effect at its principal office, or (b) a variable rate equal to the greater of (i) 0%, or (ii) Term SOFR relating to quotations for one (1) or three (3) months, as selected by us or as otherwise set pursuant to the terms of the credit agreement, as applicable, plus, in the case of any Term SOFR loan, an adjustment equal to 0.10% if the interest period is one (1) month and 0.15% if the interest period is three (3) months. Interest in the case of tranche rate loans will be increased by an applicable margin that varies from 1.75% up to 2.25% based on our then-current total leverage ratio. In executing the Credit Facility, we incurred $0.5 million in debt issuance costs which have been recorded in “Other assets” on the condensed consolidated balance sheets as of June 30, 2023. On November 28, 2022, we drew $90.0 million from the Credit Facility in support of the closing of the Concorde Acquisition at an interest rate of 6.54%. In December 2022, a $1.8 million letter of credit was issued on the Credit Facility. The remaining availability under the Credit Facility as of June 30, 2023 was $8.2 million.

We are also subject to certain customary affirmative and negative covenants under the credit agreement, including financial covenants such as total leverage ratio, a fixed charge coverage ratio, and a quick ratio. In addition, we are required to maintain a financial responsibility composite score of at least 1.4 as of the end of the fiscal year ending September 30, 2023 and of at least 1.5 as of the end of any fiscal year thereafter. Lastly, we are subject to a “clean off” provision, under which the amount outstanding on the Credit Facility will not exceed $20.0 million for a single 30 consecutive day period from our initial draw and ending on December 31, 2024. As of June 30, 2023, we were in compliance with all covenants under our Credit Facility.

Avondale Term Loan

In connection with the Avondale, Arizona building purchase in December 2020, we entered into a credit agreement with Fifth Third Bank, national banking association (the “Avondale Lender”) on May 12, 2021 in the maximum principal amount of $31.2 million with a maturity of seven years (the “Avondale Term Loan”). Originally, the Avondale Term Loan bore interest at the rate of LIBOR plus 2.0%. On April 3, 2023, we executed an amendment for our Avondale Term Loan to convert the stated rate from LIBOR to SOFR. As of April 3, 2023, the Avondale Term Loan bears interest at the rate of Term SOFR plus 2.0% and a tranche rate adjustment of 0.046%.

Principal and interest payments are due monthly. The Avondale Term Loan is secured by a first priority lien on our Avondale, Arizona property, including all land and improvements. Additionally, we entered into an interest rate swap agreement with the Avondale Lender. See Note 14 below for further discussion on the interest rate swap.

(In thousands, except per share amounts)

Lisle Term Loan

On April 14, 2022, our consolidated subsidiary, 2611 Corporate West Drive Venture LLC (the "Borrower"), entered into a new Loan Agreement ("Lisle Loan Agreement") with Valley National Bank (the "Lisle Lender"), to fund the acquisition and retire the prior loan agreement with Western Alliance bank, via a term loan in the original principal amount of $38.0 million with a maturity of seven years (the "Lisle Term Loan"). The Lisle Term Loan bears interest at a rate of one-month Term SOFR plus 2.0%. The Lisle Term Loan is secured by a mortgage on the Lisle, Illinois campus and is guaranteed by the Company. In connection with the Lisle Term Loan, we entered into an interest rate swap agreement. See Note 14 below for further discussion on the interest rate swap.

Debt Covenants for our Term Loans

We are subject to certain customary affirmative and negative covenants in connection with our term loans, including, without limitation, certain reporting obligations, certain limitations on restricted payments, limitations on liens, encumbrances and indebtedness and a debt service coverage ratio covenant. Events of default under the Avondale Term Loan and the Lisle Term Loan include, among others, the failure to make payments when due, breach of covenants, and breach of representations or warranties. For further discussion of our debt covenants, see Note 15 on "Debt" included in our 2022 Annual Report on Form 10-K. As of June 30, 2023, we were in compliance with all term loan debt covenants.

Debt Maturities

Scheduled principal payments due on our debt for the remainder of 2023 and for each year through the period ended September 30, 2027, and thereafter were as follows at June 30, 2023:

Maturity	Revolving Credit Facility & Term Loans	Finance Lease	Total
Remainder of 2023	$ 409	$ 198	$ 607
2024	1,672	844	2,516
2025	71,763	932	72,695
2026	21,836	1,027	22,863
2027	1,909	1,128	3,037
Thereafter	59,812	1,670	61,482
Subtotal	157,401	5,799	163,200
Debt issuance costs presented with debt	(497)	—	(497)
Total	$ 156,904	$ 5,799	$ 162,703

Note 14 - 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.

On May 12, 2021, in connection with the Avondale Term Loan discussed in Note 13, we entered into an interest rate swap agreement with the Avondale Lender that effectively fixes the interest rate on 50% of the principal amount of the Avondale Term Loan at 3.50% for the entire loan term, or seven years (the "Avondale Swap"). On May 12, 2021, the Avondale Swap was designated as an effective cash flow hedge for accounting and tax purposes. As discussed in Note 13, on March 31, 2023, we terminated our existing interest rate swap and entered into a new interest rate swap agreement, effective April 3, 2023, with the Avondale Lender that effectively fixes the interest rate we pay on 50% of the principal amount of the Avondale Term Loan at 3.45% for the entire loan term. Further, the floating rate we receive under this new swap has been converted to one month Term SOFR, versus one month LIBOR under the previous swap. In executing the amendment, we adopted several of the practical expedients allowed under ASU 2020-04, including updating the designated hedged risk in our outstanding cash flow hedging relationship to match the risk presented in the modified interest payments and to continue our hedging relationship that falls within the scope of ASU 2020-04. The adoption of the new guidance in ASU 2020-04 did not have a material impact on our condensed consolidated financial statements and the Avondale Swap is still designated as an effective cash flow hedge for accounting and tax purposes.

(In thousands, except per share amounts)

On April 14, 2022, in connection with the Lisle Term loan discussed in Note 13, we entered into an interest rate swap agreement with the Lisle Lender that effectively fixes the interest rate on 50% of the principal amount of the Lisle Term Loan at 4.69% for the entire loan term, or seven years (the “Lisle Swap”). On April 14, 2022, the Lisle 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” 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” 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” is recognized in “Interest expense” in the condensed consolidated statements of operations. Of the net amount of the existing gains that are reported in “Accumulated other comprehensive income” as of June 30, 2023, we estimate that $1.0 million will be reclassified to “Interest expense” within the next twelve months. As of June 30, 2023, the notional amount of the Avondale Swap and Lisle Swap was approximately $14.7 million and $19.0 million, respectively.

Fair Value of Derivative Instruments

The following table presents the fair value of our Avondale Swap and Lisle Swap (Level 2) which are designated as cash flow hedges and the related classification on the condensed consolidated balance sheets as of June 30, 2023 and September 30, 2022:

Interest Rate Swaps	**June 30, 2023**	**September 30, 2022**
Other current assets	$ 943	$ 632
Other assets	1,555	2,067
Total fair value of assets designated as hedging instruments	$ 2,498	$ 2,699

(In thousands, except per share amounts)

Effect of Cash Flow Hedge Accounting on the Consolidated Statements of Operations and Accumulated Other Comprehensive Income

The table below presents the effect of cash flow hedge accounting for our Avondale Swap and Lisle Swap on the condensed consolidated statement of operations and "Accumulated other comprehensive income" for the three and nine months ended June 30, 2023 and 2022:

	Amount of Gain (Loss) Recognized in Other Comprehensive Income (Loss) on Derivative, net of taxes	Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income
	Three Months Ended June 30, 2023	
Avondale Swap and Lisle Swap	$ (926)	$ (242)
	Nine Months Ended June 30, 2023	
Avondale Swap and Lisle Swap	$ (368)	$ (569)
	Three Months Ended June 30, 2022	
Avondale Swap	$ 349	$ (86)
	Nine Months Ended June 30, 2022	
Avondale Swap	$ 1,277	$ (193)

Note 15 - Income Taxes

Our income tax benefit for the three months ended June 30, 2023 was $0.1 million, or 11.2% of pre-tax loss, compared to an income tax expense of $0.3 million, or 28.5% of pre-tax income, for the three months ended June 30, 2022. For the nine months ended June 30, 2023, our income tax expense was $3.2 million, or 36.5% of pre-tax income, compared to an income tax benefit of $5.6 million, or 32.2% of pre-tax income, for the nine months ended June 30, 2022. The effective income tax rate for the three and nine months ended June 30, 2023 differed from the federal statutory rate of 21% primarily due to non-deductible executive compensation, transaction costs and state and local income and franchise taxes. The effective income tax rate for the three and nine months ended June 30, 2022 differed from the federal statutory rate of 21% primarily as a result of the release of a significant portion of the valuation allowance (as discussed further below), offset by current state tax expenses.

As of each reporting date, management considers new evidence, both positive and negative, that could affect its view of the future realization of deferred tax assets. During the three months ended March 31, 2022, based in part on our sustained positive earnings in recent quarters, we determined that there was sufficient evidence to meet the more likely than not realizability threshold and support the reversal of a majority of the previously recorded valuation allowance against our deferred tax assets. The release of the valuation allowance resulted in the recognition of certain deferred tax assets on the condensed consolidated balance sheets and a non-cash tax benefit recorded in the condensed consolidated statement of operations for the period. As of June 30, 2023, we continued to maintain a valuation allowance related to certain federal and state attributes which are not expected to be utilized prior to expiration.

Note 16 - Commitments and Contingencies

Snap-on Tools Product Support Agreement

In February 2023, UTI entered into a new agreement with Snap-on Industrial ("Snap-on Tools"), as a result of the expiration of the previous agreement, that allows UTI to purchase promotional tool kits for its students at a discount from the list price (see below paragraph). In addition, UTI earns credits that are redeemable for Snap-on Tools equipment that is utilized in UTI training programs. Credits are earned on UTI's purchases as well as purchases made by students enrolled in the UTI programs. As part of the agreement, UTI has agreed to grant Snap-on Tools exclusive access to its campuses, to display advertising and primarily use their tools to train UTI students. Additionally, per the new agreement, UTI receives a quarterly product donation allowance towards the purchase of tools and equipment which are to be utilized in the UTI training programs at its campuses. The credits and allowances under this agreement may be redeemed in multiple ways. This agreement will expire in December 2027. A net prepaid expense with Snap-on Tools has resulted from an excess of credits earned over credits used of $2.3 million and $4.0 million as of June 30, 2023 and September 30, 2022, respectively, which is included in "Other current assets" in the condensed consolidated balance sheets.

UTI 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 discount, is accrued during the time period in which the UTI students begin attending school until they have progressed to the point that the promotional tool set vouchers are provided. The condensed consolidated balance sheets include a liability in "Accounts payable and accrued expenses" for the tool sets that are expected to be redeemed of $4.3 million and $3.2 million as of June 30, 2023 and September 30, 2022, respectively. Additionally, UTI's liability to Snap-on Tools for vouchers redeemed by students was $0.4 million and $2.3 million as of June 30, 2023 and September 30, 2022, respectively, and is included in "Accounts payable and accrued expenses" in the condensed consolidated balance sheets.

Surety Bonds

Each of our campuses must be authorized by the applicable state education agency in the state 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 June 30, 2023 and September 30, 2022, the total face amount of these surety bonds was approximately $21.9 million and $20.5 million, respectively. The Concorde Acquisition contributed $4.6 million to the face value outstanding as of June 30, 2023.

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 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 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 claims. We are not currently a party to any material legal proceedings, but note that legal proceedings could, generally, have a material adverse effect on our business, cash flows, results of operations or financial condition.

Note 17 - 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 June 30, 2023 and

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September 30, 2022, 675,885 shares of Series A Convertible Preferred Stock ("Series A Preferred Stock") were issued and outstanding, respectively. The liquidation preference associated with the Series A Preferred Stock was $100 per share at June 30, 2023 and September 30, 2022.

Pursuant to the terms of the Certificate of Designations of the Series A Preferred Stock, 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 Dividends"). If we do not pay Cash Dividends, 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 Dividends rate then in effect plus 2.0% per year. Cash Dividends are payable semi-annually in arrears on September 30 and March 31 of each year and begin to accrue on the first day of the applicable dividend period. Approximately $1.3 million of Cash Dividends were accrued as of June 30, 2023.

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 have not repurchased any shares under the share repurchase program, including during the nine months ended June 30, 2023 or 2022.

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 EPS 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 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 share units and convertible preferred stock. The basic and diluted weighted average shares outstanding are the same for the three months ended June 30, 2023 and 2022, 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 EPS under the two-class or as-converted method, as well as the anti-dilutive shares excluded:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2023	**2022**	**2023**	**2022**
Basic earnings per common share:				
Net (loss) income	$ (509)	$ 843	$ 5,619	$ 23,019
Less: Preferred stock dividend declared	(1,263)	(1,296)	(3,791)	(3,913)
Net (loss) income available for distribution	(1,772)	(453)	1,828	19,106
Income allocated to participating securities	—	—	(684)	(7,272)

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	Three Months Ended June 30,		Nine Months Ended June 30,	
	2023	2022	2023	2022
Net (loss) income available to common shareholders	$ (1,772)	$ (453)	$ 1,144	$ 11,834
Weighted average basic shares outstanding	34,067	33,257	33,956	33,032
Basic (loss) income per common share	$ (0.05)	$ (0.01)	$ 0.03	$ 0.36
Diluted earnings per common share:				
Method used:	*Two-class*	*Two-class*	*Two-class*	*Two-class*
Net (loss) income available to common shareholders	$ (1,772)	$ (453)	$ 1,144	$ 11,834
Weighted average basic shares outstanding	34,067	33,257	33,956	33,032
Dilutive effect related to employee stock plans	—	—	446	518
Weighted average diluted shares outstanding	34,067	33,257	34,402	33,550
Diluted income per common share	$ (0.05)	$ (0.01)	$ 0.03	$ 0.35
Anti-dilutive shares excluded:				
Outstanding stock-based grants	522	624	562	6
Convertible preferred stock	20,297	20,297	20,297	20,297
Total anti-dilutive shares excluded	20,819	20,921	20,859	20,303
Dilutive shares under the as-converted method (1)	54,857	54,174	54,699	53,847

(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.

Note 19 - Segment Information

During the three months ended December 31, 2022, and in conjunction with the Concorde Acquisition (as discussed in Note 4), we revised our reportable segments to reflect the manner in which the chief operating decision-maker evaluates performance and allocates resources. We have two reportable segments as follows:

UTI: UTI operates 16 campuses located in 9 states and offers a wide range of degree and non-degree transportation and skilled trades technical training programs under brands such as Universal Technical Institute, Motorcycle Mechanics Institute, Marine Mechanics Institute, NASCAR Technical Institute, and MIAT. UTI also offers manufacturer specific advanced training programs, which include student-paid electives, at our campuses and manufacturer or dealer sponsored training at certain campuses and dedicated training centers. Lastly, UTI provides dealer technician training or instructor staffing services to manufacturers.

(In thousands, except per share amounts)

Concorde: Concorde operates across 17 campuses in 8 states, offering degree, non-degree and continuing education programs in the allied health, dental, nursing, patient care and diagnostic fields. Concorde believes in preparing students for their health care careers with practical, hands-on experiences including opportunities to learn while providing care to real patients. Prior to graduation, students will complete a number of hours in a clinical setting or externship, depending upon their program of study.

"Corporate" includes corporate related expenses that are not allocated to the UTI or Concorde reportable segments and is included to reconcile segment results to the condensed consolidated financial statements. In prior years, these costs were allocated across our former "Postsecondary Education" reportable segment and "Other" category based upon compensation expense. Prior periods have been updated to conform to the revised presentation.

Summary information by reportable segment is as follows:

	UTI	Concorde	Corporate	Consolidated
Three Months Ended June 30, 2023				
Revenues	$ 100,852	$ 52,434	$ —	$ 153,286
Income (loss) from operations	8,136	1,941	(9,414)	663
Depreciation and amortization	5,121	1,531	3	6,655
Net income (loss)	6,795	2,028	(9,332)	(509)
Three Months Ended June 30, 2022				
Revenues	$ 100,966	$ —	$ —	$ 100,966
Income (loss) from operations	11,389	—	(9,435)	1,954
Depreciation and amortization	4,545	—	16	4,561
Net income (loss)	10,859	—	(10,016)	843
Nine Months Ended June 30, 2023				
Revenues	$ 313,985	$ 123,125	$ —	$ 437,110
Income (loss) from operations	37,753	7,404	(34,097)	11,060
Depreciation and amortization	14,990	3,637	22	18,649
Net income (loss)	34,755	7,531	(36,667)	5,619
Nine Months Ended June 30, 2022				
Revenues	$ 308,127	$ —	$ —	$ 308,127
Income (loss) from operations	50,130	—	(31,221)	18,909
Depreciation and amortization	12,077	—	47	12,124
Net income (loss)	48,950	—	(25,931)	23,019
As of June 30, 2023				
Total assets	$ 443,085	$ 134,935	$ 128,716	$ 706,736
As of September 30, 2022				
Total assets	$ 436,917	$ —	$ 115,994	$ 552,911

Note 20 - Government Regulation and Financial Aid

As discussed at length in our 2022 Annual Report on Form 10-K, our institutions participate in a range of government-sponsored student assistance programs. The most significant of these is the federal student aid programs administered by the U.S. Department of Education ("ED") pursuant to Title IV of the HEA, commonly referred to as the Title IV Programs. Generally, to participate in the Title IV Programs, an institution must be licensed or otherwise legally authorized to operate in the state where it is physically located, be accredited by an accreditor recognized by ED, be certified as an eligible institution by ED, offer at least one eligible program of education, and comply with other statutory and regulatory requirements. See "Part I, Item 1. Regulatory Environment" in our 2022 Annual Report on Form 10-K.

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. States can and often do revisit, revise, and expand their regulations governing postsecondary education and recruiting.

All UTI institutions and the Concorde Career Colleges, Kansas City institution are authorized to participate in the State Authorization Reciprocity Agreement ("SARA"). SARA is an agreement among member states, districts and territories of the United States of America that establishes comparable national standards for interstate offering of post-secondary distance education courses and programs. SARA is overseen by a national council and administered by four regional education compacts. Forty-nine states (all but California), the District of Columbia, Puerto Rico and the U.S. Virgin Islands have joined SARA. Each of our institutions holds either the state or SARA authorizations required to operate and offer postsecondary education programs, and to recruit in the states in which it engages in recruiting activities.

State Licensing Boards

Many educational programs leading to professional licensure in a regulated profession require approval from, and are subject to, ongoing oversight by state agencies or boards. Certain Concorde healthcare programs, such as the Vocational Nursing, Practical Nursing, Dental Assistant, Massage Therapy, Nursing Practice (RN) programs, require and have obtained state licensure. Such programs are required to meet the standards of the state licensure agency or board and must periodically renew their licenses by completing a comprehensive license renewal process.

Institutional Accreditation

Institutional 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 the UTI institutions and 14 of the Concorde institutions are accredited by the Accrediting Commission of Career Schools and Colleges ("ACCSC"). The remaining two Concorde institutions are accredited by the Council on Occupational Education ("COE"). Both ACCSC and COE are accrediting agencies recognized by ED. ACCSC and COE review 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 and COE require institutions to disclose certain institutional information to current and prospective students, as well as to the public, and require that our schools and 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. See "Part I, Item 1. Regulatory Environment - Accreditation" in our 2022 Annual Report on Form 10-K for further details and the current status of UTI campus' accreditation.

Programmatic Accreditation

In addition to institutional accreditation, programmatic accreditation may be required for particular educational programs. Programmatic accreditors review specialized and professional programs in a range of fields and disciplines within an institution to ensure the public that an academic program has undergone a rigorous review process and found to meet high standards for educational quality. Certain Concorde healthcare programs, including the Physical Therapist Assistant, Dental Hygiene, Neurodiagnostic Technology, Polysomnographic Technology, Respiratory Therapy, Surgical Technology, Radiologic Technology, Diagnostic Medical Sonography, Cardiovascular Sonography, Occupational Therapy Assistant, Pharmacy Technician, and Occupational Therapy Assistant programs, have obtained programmatic accreditation. Such programs are required to meet the standards of their programmatic accreditor and must periodically renew their accreditation by completing a comprehensive programmatic accreditation renewal 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." To remain eligible to participate in the federal student aid programs, a proprietary institution must derive at least 10% of its revenues for each fiscal year 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."

- *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 its 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. 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 in Title IV Programs, 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. 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.

- *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 measures an institution's overall financial health. The composite score utilizes information provided in the institutions' annual audited financial statements and 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. 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. 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. ED has recently undertaken, or proposed to undertake, rulemakings on the following topics:
    - Between October and December 2021, ED held three rounds of negotiations as part of the Affordability and Student Loans rulemaking. The negotiators considered nine issue areas, including the borrower defense to repayment rule, closed school loan discharges and loan repayment plans. Second, between January and March of 2022, ED held three rounds of negotiations as part of the Institutional and Programmatic Eligibility rulemaking. The negotiators considered seven issue areas, including standards of administrative capability, factors of financial responsibility, gainful employment, change of ownership and control, ability to benefit, certification procedures, and the 90/10 rule. On October 28, 2022, ED published a final rule amending regulations governing Pell Grants for prison education programs, the 90/10 rule, and changes in ownership and control, effective July 1, 2023. On November 1, 2022, ED published a final rule governing borrower defense to repayment rule, closed school loan discharges, pre-dispute arbitration and class action waiver clauses, interest capitalization on Federal student loans, Public Student Loan Forgiveness, total and permanent disability discharges, and false certification discharges, also effective July 1, 2023.
    - On May 19, 2023, ED published a Notice of Proposed Rulemaking covering the following topics: financial value transparency and gainful employment, financial responsibility, administrative capability, certification procedures, and ability to benefit. The comment period for this proposed rule ended on June 20, 2023. The regulated community is awaiting the final rule.
    - In Fall 2023, ED is planning to convene another round of negotiated rulemaking. Potential topics for this rulemaking session include: accreditation and related issues; institutional eligibility, including State authorization; third-party servicers and related issues; distance learning; return of Title IV funds; cash management; the use of deferments and forbearances, and Federal TRIO programs.

- *Non-Discrimination Rulemakings.* On July 12, 2022, ED published a proposed rule to amend the regulations implementing Title IX of the Education Amendments of 1972 ("Title IX"). The regulated community is awaiting a final Title IX rule. ED also has indicated that it will be proposing a rule to amend regulations related to nondiscrimination on the basis of disability in the Summer of 2023.

Other Benefit or Aid Programs

The Department of Veterans Affairs ("VA"), the Department of Defense, the Department of Labor, the Department of Education (through non-Title IV programs), and certain states provide support to postsecondary students through programs, grants, benefits, loans, or scholarships. All of our institutions that engage in such programs must comply with the eligibility and participation requirements applicable to each of these funding programs, which vary by funding agency and program.

For example, each year we derive a portion 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.

Additionally, some states provide financial aid to our students in the form of grants, loans, or scholarships. The UTI campuses in Long Beach, Rancho Cucamonga and Sacramento, California, as well as the Concorde campuses in Garden Grove, North Hollywood and San Diego, California 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.

Consumer Protections Laws and Regulations

As a postsecondary educational institution, we are subject to a broad range of consumer protection and other laws, such as those that relate to recruiting, marketing, the protection of personal information, student financing and payment servicing. Such laws and regulations are enforced by federal agencies, including the Federal Trade Commission ("FTC") and the Consumer Financial Protection Bureau ("CFPB") and various state agencies and state attorneys general.

We received a January 18, 2022 letter from the CFPB explaining that it was assessing whether UTI "is subject to the CFPB's supervisory authority based on its activities related to student lending." The CFPB's letter then requested certain information about extensions of credit to UTI students; generally explained the source and scope of the CFPB's regulatory authority; and advised that, after it reviewed the requested materials, the CFPB "anticipates providing guidance regarding whether UTI is subject to CFPB's supervisory authority." We have provided the requested information and are awaiting further guidance, if any, from the CFPB.

Both UTI and Concorde, along with 68 other proprietary institutions, received an October 6, 2021 letter from the FTC providing notice that engaging in deceptive or unfair conduct in the education marketplace violates consumer protection laws and could lead to significant civil penalties. The notice stated that an institution's receipt of the letter "does not reflect any assessment as to whether they have engaged in deceptive or unfair conduct," and the FTC did not request any information.

We devote significant effort to complying with state and federal consumer protection laws and regulations.

Distance Education

Institutions that offer instruction outside of their Home State must comply with federal regulations governing state authorization for distance education in order to participate in the Title IV student financial aid programs. We continue to work to ensure that our programming complies with applicable distance education rules and standards. We also will closely monitor any new rulemakings that concerns state authorization or distance education.

To date, we have received approval from ACCSC and COE 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.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the condensed consolidated financial statements and related notes included in this Quarterly Report on Form 10-Q and those in our 2022 Annual Report on Form 10-K. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in such forward-looking statements as a result of certain factors, including but not limited to those described under "Risk Factors" in our 2022 Annual Report on Form 10-K and included in Part II, Item 1A of this Quarterly Report on Form 10-Q. See also "Cautionary Note Regarding Forward-Looking Statements" on page ii of this Quarterly Report on Form 10-Q.

Company Overview

Universal Technical Institute, Inc., which together with its subsidiaries is referred to as the "Company," "we," "us" or "our," was founded in 1965 and is a leading workforce solutions provider of transportation, skilled trades and healthcare education programs, whose mission is to serve students, partners, and communities by providing quality education and support services for in-demand careers across a number of highly-skilled fields. We offer the majority of our programs in a blended learning model that combines instructor-facilitated online teaching and demonstrations with hands-on labs.

Concord Career Colleges Acquisition

On December 1, 2022, we completed the acquisition contemplated by the previously announced Stock Purchase Agreement (the "Purchase Agreement"), dated May 3, 2022, by and among the Company, Concorde Career Colleges, Inc., a Delaware corporation ("Concorde"); Liberty Partners Holdings 28, L.L.C., a Delaware limited liability company, and Liberty Investment IIC, LLC, a Delaware limited liability company (each a "Seller," and collectively, the "Sellers"); and Liberty Partners L.P., a Delaware limited partnership, in its capacity as a representative of the Sellers. Under the terms of the Purchase Agreement, we acquired of all of the issued and outstanding shares of capital stock of Concorde for a base purchase price of $50.0 million, less $1.9 million in net adjustments including the post-closing working capital adjustment, for total cash consideration paid of $48.1 million. See the "Liquidity and Capital Resources" section of this MD&A for a discussion on the financing used to fund the acquisition. The risks and uncertainties related to the acquisition are described in Item 1A. "Risk Factors" of our 2022 Annual Report on Form 10-K for the fiscal year ended September 30, 2022. See Note 4 of the notes to the condensed consolidated financial statements herein for additional details.

In conjunction with the Concorde acquisition on December 1, 2022, we redefined our reporting structure into two reportable segments as follows:

Universal Technical Institute ("UTI"): UTI operates 16 campuses located in nine states and offers a wide range of degree and non-degree transportation and skilled trades technical training programs under brands such as Universal Technical Institute, Motorcycle Mechanics Institute, Marine Mechanics Institute, NASCAR Technical Institute, and MIAT College of Technology ("MIAT"). UTI also offers manufacturer specific advanced training programs, which include student-paid electives, at our campuses and manufacturer or dealer sponsored training at certain campuses and dedicated training centers. Lastly, UTI provides dealer technician training or instructor staffing services to manufacturers. UTI works closely with over 35 original equipment manufacturers and industry brand partners to understand their needs for qualified service professionals.

Concorde Career Colleges ("Concorde"): Concorde operates across 17 campuses in eight states, offering degree, non-degree, and continuing education programs in the allied health, dental, nursing, patient care and diagnostic fields. Concorde believes in preparing students for their health care careers with practical, hands-on experiences including opportunities to learn while providing care to real patients. Prior to graduation, students will complete a number of hours in a clinical setting or externship, depending upon their program of study.

"Corporate" includes corporate related expenses that are not allocated to the UTI or Concorde reportable segments. In prior years, these costs were allocated across our former "Postsecondary Education" reportable segment and "Other" category based upon compensation expense. See Note 19 of the notes to the condensed consolidated financial statements herein for additional details on our segments.

All of our campuses are accredited and are eligible for federal student financial assistance funds under the Higher Education Act of 1965, as amended, commonly referred to as Title IV Programs, which are administered by the U.S. Department of

Education. 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 and under the Workforce Innovation and Opportunity Act.

We believe that our industry-focused educational model and national presence has 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.

Overview of the Three and Nine Months Ended June 30, 2023

Student Metrics

	Three Months Ended June 30,		%	Nine Months Ended June 30,		%
	2023	2022	Change	2023	2022	Change
UTI						
Total new student starts	3,333	3,166	5.3 %	7,681	7,409	3.7 %
Average undergraduate full-time active students	11,544	12,025	(4.0)%	12,524	12,881	(2.8)%
End of period undergraduate full-time active students	11,908	12,077	(1.4)%	11,908	12,077	(1.4)%
Concorde(1)						
Total new student starts	1,967	—	100.0 %	4,540	—	100.0 %
Average undergraduate full-time active students	7,050	—	100.0 %	7,536	—	100.0 %
End of period undergraduate full-time active students	6,581	—	100.0 %	6,581	—	100.0 %
Consolidated						
Total new student starts	5,300	3,166	67.4 %	12,221	7,409	64.9 %
Average undergraduate full-time active students	18,594	12,025	54.6 %	20,060	12,881	55.7 %
End of period undergraduate full-time active students	18,489	12,077	53.1 %	18,489	12,077	53.1 %

(1) Student data for Concorde presented in the nine months ended June 30, 2023 column represents the period of UTI's ownership, or December 1, 2022 through June 30, 2023.

For three months ended June 30, 2023, the increase in UTI new student starts was primarily due to the opening of two new campuses in May and August of 2022 and improved demand at a majority of the remaining UTI campuses. For nine months ended June 30, 2023, the increase in UTI new student starts was primarily due to the opening of two new campuses in May and August of 2022. The decrease in the UTI average undergraduate full-time active students and end of period undergraduate full-time active students was due to the decline in student starts, excluding the new campuses and MIAT campuses, over the past several quarters. On a consolidated basis, the acquisition of Concorde increased our new student starts and our average and end of period undergraduate full-time active students.

Our ability to start new students can be influenced by various factors including: impacts of 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 to fund their education; unemployment rates; competition; adverse media coverage, legislative, or 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 can cast the aggregate "for-profit" education industry in a negative light; and pandemics and or other national, state or local emergencies as declared by various government authorities.

Operations

Revenues for the three months ended June 30, 2023 were $153.3 million, an increase of $52.3 million, or 51.8%, from the comparable period in the prior year. Excluding Concorde, which contributed $52.4 million of revenue during the three months ended June 30, 2023, UTI revenues were roughly flat when compared to the prior year, driven primarily by lower average full time undergraduate active students, and offset by the two new campuses opened in fiscal 2022 along with an overall increase in average revenue per student.

Revenues for the nine months ended June 30, 2023 were $437.1 million, an increase of 41.9% or $129.0 million, from the comparable period in the prior year. Excluding Concorde, which contributed $123.1 million of revenue during the nine months ended June 30, 2023, UTI revenues increased by 1.9% when compared to the prior year due primarily to the two new campuses opened in fiscal 2022 along with an overall increase in average revenue per student, partially offset by lower average full time undergraduate active students.

We had income from operations of $0.7 million and $11.1 million during the three and nine months ended June 30, 2023, compared to income from operations of $2.0 million and $18.9 million during the three and nine months ended June 30, 2022. The decrease for both periods in our income from operations was primarily driven by increased costs associated with our new campuses and program rollouts and both ongoing and one-time costs associated with our growth and diversification strategy. Additionally, 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.

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 nine months ended June 30, 2023, we executed the following as part of our growth and diversification strategy:

- As part of our growth and diversification strategy, we have obtained full regulatory approval for nearly all of the 15 new programs across our campus footprint, including Aviation, HVACR, Robotics, Industrial Maintenance and Wind Energy Technician training to UTI and NASCAR Tech branded campuses, and initiated efforts to add Auto and Diesel Essentials to the MIAT Canton, Michigan campus. In July 2023 we started the following programs: Aviation at the UTI Avondale, Arizona campus; HVACR at the UTI Austin, Texas campus; Wind Energy Technician training at the UTI Rancho Cucamonga, California campus; and Welding at the UTI Sacramento, California campus. Additional program launches are expected throughout the fourth quarter of 2023 and into fiscal 2024.
- We executed a new agreement which continues the UTI partnership with Snap-on Tools to ensure automotive, diesel, motorcycle, marine and collision repair technician students have the tools and training they need to launch careers in the transportation industry.
- We purchased the three primary buildings and associated land at our UTI Orlando, Florida campus in March 2023, for approximately $26.2 million, including closing costs and other fees, which is expected to generate future cost savings.
- We closed on the acquisition of Concorde on December 1, 2022. Concorde is a leading provider of industry-aligned healthcare education programs in fields such as nursing, dental hygiene and medical diagnostics. Concorde currently operates 17 campuses across eight states with approximately 7,600 students, and offers its programs in ground, hybrid and online formats. The acquisition aligns with our growth and diversification strategy, which is focused on offering a broader array of high-quality, in-demand workforce education solutions which both prepare students for a variety of careers in fast-growing fields and help close the country's skills gap by leveraging key industry partnerships.
- UTI expanded the Volvo TEKNIKER Apprentice Program, a 12-week, manufacturer-paid apprentice program to Volvo's training facility in Ridgeville, South Carolina. Previously this program was only offered at UTI's Avondale, Arizona campus. These are the only two locations in the country offering the program.

In addition, we continue to pursue other opportunities that align with our growth and diversification strategy.

Regulatory Environment

See Note 20 of the notes to our condensed consolidated financial statements herein for a discussion of our regulatory environment.

Results of Operations: Three Months Ended June 30, 2023 Compared to Three Months Ended June 30, 2022

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

	Three Months Ended June 30,	
	2023	2022
Revenues	100.0 %	100.0 %
Operating expenses:		
Educational services and facilities	57.7 %	52.7 %
Selling, general and administrative	41.9 %	45.4 %
Total operating expenses	99.6 %	98.1 %
Income from operations	0.4 %	1.9 %
Interest income	1.1 %	0.1 %
Interest expense	(1.9)%	(0.5)%
Other income (expense), net	0.1 %	(0.3)%
Total other expense, net	(0.7)%	(0.7)%
(Loss) income before income taxes	(0.4)%	1.2 %
Income tax benefit (expense)	— %	(0.3)%
Net (loss) income	(0.3)%	0.8 %
Preferred stock dividends	(0.8)%	(1.3)%
Loss available for distribution	(1.2)%	(0.4)%
Income allocated to participating securities	— %	— %
Net loss available to common shareholders	(1.2)%	(0.4)%

Revenues

The following table presents revenue by segment (in thousands):

	Three Months Ended June 30, 2023			Three Months Ended June 30, 2022		
	UTI	Concorde	Consolidated	UTI	Concorde	Consolidated
Revenue	$ 100,852	$ 52,434	$ 153,286	$ 100,966	$ —	$ 100,966
Year over Year % Change	(0.1)%	100.0 %	51.8 %			

Revenues for the three months ended June 30, 2023 were $153.3 million, an increase of $52.3 million, or 51.8%, as compared to revenues of $101.0 million for the three months ended June 30, 2022.

UTI

Revenues for UTI for the three months ended June 30, 2023 were $100.9 million, roughly flat compared to the prior year period. Revenue decreased primarily due to a 4.0% decrease in average students during the quarter. The decrease was offset by the addition of two new campuses in fiscal 2022 and increased revenue per student.

Concorde

Revenues for Concorde for the three months ended June 30, 2023 were $52.4 million. During the quarter, we had student starts of 1,967. This is a decrease from the prior quarter but was primarily a result of timing of program starts.

Educational services and facilities expenses

Educational services and facilities expenses were $88.4 million for the three months ended June 30, 2023, which represents an increase of $35.2 million as compared to $53.2 million for the three months ended June 30, 2022, which is primarily due to the acquisition of Concorde on December 1, 2022 and both ongoing and one-time costs associated with our growth and diversification strategy.

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

	Three Months Ended June 30, 2023		
	UTI	**Concorde**	**Consolidated**
Salaries, employee benefits and tax expense	$ 28,216	$ 20,951	$ 49,167
Bonus expense	(227)	—	(227)
Stock-based compensation	15	—	15
Compensation and related costs	28,004	20,951	48,955
Occupancy costs	7,211	5,520	12,731
Depreciation and amortization expense	4,795	1,314	6,109
Supplies, maintenance and student expense	7,511	4,082	11,593
Contract services expense	874	138	1,012
Other educational services and facilities expense	5,793	2,184	7,977
Total educational services and facilities expense	$ 54,188	$ 34,189	$ 88,377

	Three Months Ended June 30, 2022		
	UTI	**Concorde**	**Consolidated**
Salaries, employee benefits and tax expense	$ 26,926	$ —	$ 26,926
Bonus expense	763	—	763
Stock-based compensation	68	—	68
Compensation and related costs	27,757	—	27,757
Occupancy costs	8,774	—	8,774
Depreciation and amortization expense	4,285	—	4,285
Supplies, maintenance and student expense	5,216	—	5,216
Contract services expense	1,593	—	1,593
Other educational services and facilities expense	5,591	—	5,591
Total educational services and facilities expense	$ 53,216	$ —	$ 53,216

UTI

Compensation and related costs increased by $0.2 million for the three months ended June 30, 2023 primarily due to increased instructor salaries related to the opening of two new campuses in fiscal 2022 and new program expansions in fiscal 2022 and 2023, offset by adjustments to accrued bonuses and stock-based compensation expense for expected achievement against performance targets.

Occupancy costs decreased by $1.6 million for the three months ended June 30, 2023. The decrease was primarily due to the purchase of the three primary buildings at our Orlando, Florida campus in March 2023 and the consolidation of the MMI and UTI campuses in Arizona into a single site during fiscal 2022.

Depreciation expense increased by $0.5 million for the three months ended June 30, 2023 primarily due to purchasing the three primary buildings at the Orlando, Florida campus along with the capital expenditures related to construction and new equipment costs for the new campuses and program expansions during fiscal 2023 and 2022.

Supplies, maintenance and student expense increased by $2.3 million primarily due to the increased cost of student housing of $2.1 million in support of relocation students.

Selling, general and administrative expenses

Selling, general and administrative expenses for the three months ended June 30, 2023 were $64.2 million. This represents an increase of $18.5 million, as compared to $45.8 million for the three months ended June 30, 2022, which is primarily due to the acquisition of Concorde on December 1, 2022 and both ongoing and one-time costs associated with our growth and diversification strategy.

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

	Three Months Ended June 30, 2023			
	UTI	Concorde	Corporate	Consolidated
Salaries, employee benefits and tax expense	$ 17,603	$ 6,202	$ 4,442	$ 28,247
Bonus expense	1,547	1,184	690	3,421
Stock-based compensation	265	—	253	518
Compensation and related costs	19,415	7,386	5,385	32,186
Advertising and marketing expense	13,346	5,790	—	19,136
Professional and contract services expense	2,077	230	1,854	4,161
Other selling, general and administrative expenses	3,689	2,898	2,176	8,763
Total selling, general and administrative expenses	$ 38,527	$ 16,304	$ 9,415	$ 64,246

	Three Months Ended June 30, 2022			
	UTI	Concorde	Corporate	Consolidated
Salaries, employee benefits and tax expense	$ 13,870	$ —	$ 4,411	$ 18,281
Bonus expense	2,515	—	840	3,355
Stock-based compensation	185	—	780	965
Compensation and related costs	16,570	—	6,031	22,601
Advertising and marketing expense	13,925	—	—	13,925
Professional and contract services expense	1,151	—	1,935	3,086
Other selling, general and administrative expenses	4,715	—	1,469	6,184
Total selling, general and administrative expenses	$ 36,361	$ —	$ 9,435	$ 45,796

UTI

Compensation and related costs increased by $2.8 million for the three months ended June 30, 2023 primarily due to an increase in headcount to support growth and diversification initiatives as compared to the prior year, partially offset by adjustments to accrued bonuses and stock-based compensation expense due to expected achievement against performance targets.

Advertising and marketing expense decreased by $0.6 million for the three months ended June 30, 2023, primarily due to timing of spend. We continue to target cost-efficient marketing with an increased focus on digital media. UTI advertising and marketing expense as a percentage of revenues decreased to 13.2% for the three months ended June 30, 2023 as compared to 13.8% in the prior year.

Professional and contract services expense increased by $0.9 million, primarily due to one-time costs incurred related to growth and diversification initiatives.

Other selling, general and administrative costs decreased by $1.0 million for the three months ended June 30, 2023, primarily due to a reduction of bad debt expense of $0.6 million.

Concorde

Selling, general and administrative expenses for Concorde for the three months ended June 30, 2023 were $16.3 million. Concorde advertising and marketing expense as a percentage of revenues for the three months ended June 30, 2023 was 11.0%.

Corporate

Selling, general and administrative expenses for Corporate remained flat for the three months ended June 30, 2023. Accrued bonuses and stock-based compensation expense decreased for expected achievement against performance targets. Other selling, general and administrative expenses increased due to integration costs of $0.7 million and increased software cost of $0.2 million.

Income taxes

Income tax benefit for the three months ended June 30, 2023 was $0.1 million, or 11.2% of pre-tax loss, compared to an income tax expense of $0.3 million, or 28.5% of pre-tax income, for the three months ended June 30, 2022. The effective income tax rate for the three months ended June 30, 2023 differed from the federal statutory rate of 21% primarily due to non-deductible executive compensation, transaction costs and state and local income and franchise taxes. The effective income tax rate for the three months ended June 30, 2022 differed from the federal statutory rate of 21% primarily as a result of the release of a significant portion of the valuation allowance offset by current state tax expenses. See Note 15 of the notes to the condensed consolidated financial statements herein for additional details.

Preferred stock dividends

As of June 30, 2023 and 2022, 675,885 shares of Series A Convertible Preferred Stock were issued and outstanding. Pursuant to the Certificate of Designations of the Series A Preferred Stock, we recorded a preferred stock cash dividend of $1.3 million for the three months ended June 30, 2023 and 2022, respectively.

Income (loss) available for distribution

Income (loss) available for distribution refers to net income (loss) reduced by dividends on our Series A Preferred Stock. As a result of the foregoing, we reported a loss available for distribution of $1.8 million and $0.5 million for the three months ended June 30, 2023 and 2022, respectively.

Income allocated to participating securities

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 earnings per share 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. For the three months ended June 30, 2023 and 2022, we were in a loss position and had no income allocated to participating securities.

Net income (loss) available to common shareholders

We had $1.8 million and $0.5 million of net loss available to common shareholders for the three months ended June 30, 2023 and 2022, respectively.

Results of Operations: Nine Months Ended June 30, 2023 Compared to Nine Months Ended June 30, 2022

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

	Nine Months Ended June 30,	
	2023	2022
Revenues	100.0 %	100.0 %
Operating expenses:		
Educational services and facilities	54.2 %	48.8 %
Selling, general and administrative	43.3 %	45.1 %
Total operating expenses	97.5 %	93.9 %
Income from operations	2.5 %	6.1 %
Interest income	1.0 %	— %
Interest expense	(1.6)%	(0.4)%
Other income (expense), net	0.1 %	(0.1)%
Total other (expense), net	(0.5)%	(0.5)%
Income before income taxes	2.0 %	5.7 %
Income tax (expense) benefit	(0.7)%	1.8 %
Net income	1.3 %	7.5 %
Preferred stock dividends	(0.9)%	(1.3)%
Income available for distribution	0.4 %	6.2 %
Income allocated to participating securities	(0.2)%	(2.4)%
Net income available to common shareholders	0.3 %	3.8 %

Revenues

The following table presents revenue by segment (in thousands):

	Nine Months Ended June 30, 2023			Nine Months Ended June 30, 2022		
	UTI	Concorde	Consolidated	UTI	Concorde	Consolidated
Revenue	$ 313,985	$ 123,125	$ 437,110	$ 308,127	$ —	$ 308,127
Year over Year % Change	1.9 %	100.0 %	41.9 %			

Revenues for the nine months ended June 30, 2023 were $437.1 million, an increase of $129.0 million, or 41.9%, as compared to revenues of $308.1 million for the nine months ended June 30, 2022.

UTI

Revenues for UTI for the nine months ended June 30, 2023 were $314.0 million. an increase of 1.9% versus the prior period. Revenue increased primarily due to the addition of two new campuses in fiscal 2022, and an overall increase in average revenue per student. This was partially offset by a 2.8% decrease in overall average undergraduate full-time active students due to lower student starts across many campuses over the last several quarters.

Concorde

Revenues for Concorde, which represent seven months as Concorde was acquired on December 1, 2022, were $123.1 million. Concorde programs are offered year round, however, there can be fluctuations in the student population due to the timing and size of class starts which are dictated by the accrediting bodies governing the clinical and core programs.

Educational services and facilities expenses

Educational services and facilities expenses were $236.7 million for the nine months ended June 30, 2023, which represents an increase of $86.4 million as compared to $150.3 million for the nine months ended June 30, 2022, which is primarily due to the acquisition of Concorde on December 1, 2022 and both ongoing and one-time costs associated with our growth and diversification strategy.

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

	Nine Months Ended June 30, 2023		
	UTI	Concorde	Consolidated
Salaries, employee benefit and tax expenses	$ 84,197	$ 47,206	$ 131,403
Bonus expense	1,081	—	1,081
Stock-based compensation	195	—	195
Compensation and related costs	85,473	47,206	132,679
Occupancy costs	22,837	12,876	35,713
Depreciation and amortization expense	13,975	3,264	17,239
Supplies and maintenance and student expense	17,158	9,097	26,255
Contract services expense	2,951	313	3,264
Other educational services and facilities expense	15,992	5,573	21,565
Total educational services and facilities expense	$ 158,386	$ 78,329	$ 236,715

	Nine Months Ended June 30, 2022		
	UTI	Concorde	Consolidated
Salaries, employee benefit and tax expenses	$ 77,423	$ —	$ 77,423
Bonus expense	1,878	—	1,878
Stock-based compensation	169	—	169
Compensation and related costs	79,470	—	79,470
Occupancy costs	27,258	—	27,258
Depreciation and amortization expense	11,264	—	11,264
Supplies, maintenance and student expense	14,180	—	14,180
Contract services expense	3,736	—	3,736
Other educational services and facilities expense	14,418	—	14,418
Total educational services and facilities expense	$ 150,326	$ —	$ 150,326

UTI

Compensation and related costs increased by $6.0 million for the nine months ended June 30, 2023 primarily due to increased instructor salaries related to the opening of two new campuses in fiscal 2022 and new program expansions in fiscal 2022 and 2023, offset by adjustments to accrued bonuses for expected achievement against performance targets.

Occupancy costs decreased by $4.4 million for the nine months ended June 30, 2023. The decrease was primarily due to purchasing the Lisle, Illinois campus in February 2022 and the three primary buildings at our Orlando, Florida campus in March 2023, as well as the consolidation of the MMI and UTI campuses in both Arizona and Florida into single sites during fiscal 2022.

Supplies, maintenance and student expense increased by $3.0 million primarily due to the increased cost of student housing of $2.1 million in support of relocation students.

Other educational services and facilities expense increased by $1.6 million during the nine months ended June 30, 2023. The increase was primarily due to a gain of $1.6 million in the prior year period as a result of the settlement of the Lisle, Illinois campus lease.

Selling, general and administrative expenses

Selling, general and administrative expenses for the nine months ended June 30, 2023 were $189.3 million. This represents an increase of $50.4 million, as compared to $138.9 million for the nine months ended June 30, 2022, which is primarily due to the acquisition of Concorde on December 1, 2022 and both ongoing and one-time costs associated with our growth and diversification strategy.

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

	Nine Months Ended June 30, 2023			
	UTI	Concorde	Corporate	Consolidated
Salaries, employee benefit and tax expense	$ 49,943	$ 14,926	$ 14,707	$ 79,576
Bonus expense	7,773	1,852	2,808	12,433
Stock-based compensation	981	—	2,639	3,620
Compensation and related costs	58,697	16,778	20,154	95,629
Advertising and marketing expense	40,874	13,572	—	54,446
Professional and Contract services expense	5,983	327	7,080	13,390
Other selling, general and administrative expenses	12,292	6,715	6,863	25,870
Total selling, general and administrative expenses	$ 117,846	$ 37,392	$ 34,097	$ 189,335

	Nine Months Ended June 30, 2022			
	UTI	Concorde	Corporate	Consolidated
Salaries, employee benefit and tax expense	$ 41,841	$ —	$ 13,712	$ 55,553
Bonus expense	8,153	—	2,952	11,105
Stock-based compensation	458	—	2,721	3,179
Compensation and related costs	50,452	—	19,385	69,837
Advertising and marketing expense	40,353	—	—	40,353
Professional and Contract services expense	2,939	—	7,935	10,874
Other selling, general and administrative expenses	13,927	—	3,901	17,828
Total selling, general and administrative expenses	$ 107,671	$ —	$ 31,221	$ 138,892

UTI

Compensation and related costs increased by $8.2 million for the nine months ended June 30, 2023 primarily due to an increase in headcount to support our growth and diversification initiatives as compared to the prior year.

Advertising and marketing expense increased by $0.5 million for the nine months ended June 30, 2023, primarily due to timing of spend along with incremental investment to support our growth objectives. We continue to target cost-efficient marketing with an increased focus on digital media. Advertising and marketing expense as a percentage of revenues decreased slightly to 13.0% for the nine months ended June 30, 2023 as compared to 13.1% in the prior year.

Professional and contract services expense increased by $3.0 million primarily due to one-time costs incurred related to our growth and diversification initiatives.

Other selling, general and administrative expenses decreased by $1.6 million primarily due to a decrease in bad debt expense.

Concorde

Selling, general and administrative expenses for Concorde for the seven months ended June 30, 2023, were $37.4 million. Concorde advertising and marketing expense as a percentage of revenue for the nine months ended June 30, 2023 was 11.0%.

Corporate

Selling, general and administrative expenses for Corporate increased by $2.9 million for the nine months ended June 30, 2023. This was primarily due to an increase in other selling, general and administrative costs which increased by $3.0 million due to increased integration costs of $2.0 million, software costs of $0.5 million, and travel related expense of $0.5 million. Additionally, salaries, benefits and tax increased by $1.0 million due to an increase in headcount to support growth and diversification initiatives as compared to the prior year but was offset by a decrease in professional and contract services expenses of $0.9 million due to one-time costs incurred in the prior year related to our growth and diversification initiatives.

Income taxes

Our income tax expense for the nine months ended June 30, 2023 was $3.2 million, or 36.5% of pre-tax income, compared to an income tax benefit of $5.6 million, or 32.2% of pre-tax income, for the nine months ended June 30, 2022. The effective income tax rate for the nine months ended June 30, 2023 differed from the federal statutory rate of 21% primarily due to non-deductible executive compensation, transaction costs and state and local income and franchise taxes. The effective income tax rate for the nine months ended June 30, 2022 differed from the federal statutory rate of 21% primarily as a result of the release of a significant portion of the valuation allowance offset by current state tax expenses. See Note 15 of the notes to the condensed consolidated financial statements herein for additional details.

Preferred stock dividends

As of June 30, 2023 and 2022, 675,885 shares of Series A Convertible Preferred Stock were issued and outstanding, respectively. Pursuant to the Certificate of Designations of the Series A Preferred Stock, we recorded a preferred stock cash dividend of $3.8 million and $3.9 million for the nine months ended June 30, 2023 and 2022, respectively.

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 of $1.8 million and $19.1 million for the nine months ended June 30, 2023 and 2022, respectively.

Income allocated to participating securities

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 earnings per share 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 amount of income allocated to the participating securities for the nine months ended June 30, 2023 and 2022 was $0.7 million and $7.3 million, respectively.

Net income available to common shareholders

After allocating the income to the participating securities, we had $1.1 million and $11.8 million of net income available to common shareholders for the nine months ended June 30, 2023 and 2022, respectively.

Non-GAAP Financial Measures

Our earnings before interest income, income taxes, depreciation and amortization (“EBITDA”) for the three and nine months ended June 30, 2023 were $7.4 million and $30.2 million respectively, compared to $6.2 million and $30.7 million for the three and nine months ended June 30, 2022. We define EBITDA as net income, before interest (income) expense, income tax expense (benefit), 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 a performance measure internally. To obtain a complete understanding of our performance, this measure should be examined in connection with net income determined in accordance with GAAP. Since the items excluded from this measure should be examined in connection with net income in determining financial performance under GAAP, this measure should not be considered an alternative to net income 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 (loss) income, as follows (in thousands):

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2023	2022	2023	2022
Net (loss) income	$ (509)	$ 843	$ 5,619	$ 23,019
Interest income	(1,632)	(68)	(4,260)	(88)
Interest expense	2,957	552	7,017	1,251
Income tax (benefit) expense	(64)	336	3,224	(5,609)
Depreciation and amortization	6,655	4,561	18,649	12,124
EBITDA	$ 7,407	$ 6,224	$ 30,249	$ 30,697

Liquidity and Capital Resources

Overview of Liquidity

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 over the next 12 months and beyond. 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, in existing markets where we continue to optimize utilization of our campus facilities.

Our aggregate cash and cash equivalents were $110.5 million as of June 30, 2023, an increase of $44.1 million from September 30, 2022.

Strategic Uses of Cash

On December 1, 2022, using funds from our new revolving credit facility, we acquired all of the issued and outstanding shares of capital stock of Concorde for a base purchase price of $50.0 million, less $1.9 million in net adjustments including the post closing working capital adjustment, for total cash consideration paid of $48.1 million. The net cash consideration, taking into account cash acquired from Concorde, was $16.4 million. See Note 4 of the notes to the condensed consolidated financial statements herein for additional details on the acquisition.
As previously noted, we purchased three buildings and land at our Orlando, Florida campus in March 2023 for approximately $26.2 million, including closing costs and other fees. We used previously drawn funds from our revolving credit facility to complete the purchase.

We believe that additional strategic uses of our cash resources may include consideration of additional strategic acquisitions and organic growth initiatives, purchase of real estate assets, subsidizing funding alternatives for our students, and the repurchase of common stock, 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.

Long-term Debt

As of June 30, 2023, we had $163.2 million of long-term debt outstanding, which is comprised of two term loans and a revolving credit facility. Of the $163.2 million outstanding, $29.5 million relates to a term loan that bears interest at the rate of Term SOFR plus 2.0% and a tranche rate adjustment of 0.046% over the seven-year term secured in connection with the Avondale, Arizona campus property purchased in December 2020. Approximately $37.9 million relates to a term loan that bears interest at the rate of Term SOFR plus 2.0% over the seven-year term, secured in connection with the Lisle, Illinois campus property. For each of the term loans, a derivative interest rate swap is in place that fixes the interest rate on 50% of the loan at a market rate at the time the derivative was initiated. The remaining $90.0 million relates to funds drawn from the $100.0 million revolving credit facility that was secured in connection with the Concorde acquisition. See Note 13 and Note 21 of the notes to the condensed consolidated financial statements herein for additional details on the term loans and the revolving credit facility.

Dividends

We currently do not pay a cash dividend on our common stock. For our outstanding Series A preferred shares, we currently pay preferred stock cash dividends of approximately $2.5 million during March and September of each fiscal year, which is subject to adjustment for any preferred stock conversions that occur during the year.

Principal Sources of Liquidity

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 UTI 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. Similarly, we bear all credit and collection risk for students paying through UTI cash payment plans and those under a retail installment contract at Concorde. These factors, together with the timing of when our students begin their programs, affect the timing and seasonality of our operating cash flow.

Operating Activities

Our net cash used in operating activities was $4.7 million for the nine months ended June 30, 2023, compared to net cash provided by operating activities of $7.9 million for the nine months ended June 30, 2022.

Net income, after adjustments for non-cash items, for the nine months ended June 30, 2023 provided cash of $48.5 million. The non-cash items included $18.6 million for depreciation and amortization expense, $15.4 million for amortization of right-of-use assets for operating leases, $3.8 million for stock-based compensation expense, $2.6 million related to changes in deferred tax assets, and $1.4 million for bad debt expense.

Changes in operating assets and liabilities used cash of $53.2 million primarily due to the following:

- The change in deferred revenue when excluding the initial purchase price allocation for Concorde used cash of $16.9 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 June 30, 2023 as compared to September 30, 2022.
- Changes in our operating lease liability, primarily as a result of rent payments, used cash of $16.1 million. This amount is an increase from the prior year due to leases assumed in the acquisition of Concorde.
- The decrease in accounts payable and accrued expenses used cash of $13.9 million primarily related to the timing of payments to vendors and for payroll and bonus accruals.
- The increase in prepaid expenses used cash of $3.3 million primarily due to prepayments made by Concorde since the acquisition, as well as prepayments for insurance and advertising.
- The change in receivables when excluding the initial purchase price allocation for Concorde used cash of $2.9 million and was primarily due to the timing of Title IV disbursements and other cash receipts on behalf of our students.

Net income, after adjustments for non-cash items, for the nine months ended June 30, 2022 provided cash of $47.8 million. The non-cash items included $12.6 million for amortization of right-of-use assets for operating leases, $12.1 million for depreciation and amortization expense and $3.3 million for stock-based compensation expense, partially offset by a change in deferred tax assets of $6.3 million.

Changes in operating assets and liabilities used cash of $39.9 million primarily due to the following:

- The decrease in deferred revenue used cash of $16.8 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 June 30, 2022 as compared to September 30, 2021.
- Changes in our operating lease liability, primarily as a result of rent payments, used cash of $10.8 million.
- The increase in receivables used cash of $8.2 million and was primarily due to the timing of Title IV disbursements and other cash receipts on behalf of our students.
- The change in other liabilities used cash of $4.3 million primarily due to the reclassification of the CARES payroll tax deferral to current liabilities.

Investing Activities

During the nine months ended June 30, 2023, cash used in investing activities was $36.2 million. The cash outflow was primarily related to the purchase of property and equipment of $48.8 million. During the nine months ended June 30, 2023, we purchased three buildings and the associated land at our Orlando, Florida campus for $26.2 million, including closing costs and other fees. Additionally, we had continued capital expenditures for further construction at the UTI Austin, Texas and Miramar, Florida campuses, in addition to program expansion costs for both UTI and Concorde. Further, on December 1, 2022, we completed the acquisition of Concorde which resulted in $16.4 million of cash paid for acquisitions, net of cash acquired. Partially offsetting the cash outflows, is the $29.0 million in proceeds from maturities of held-to-maturity securities.

During the nine months ended June 30, 2022, cash used in investing activities was $95.9 million. The cash outflow was primarily related to the purchase of property and equipment of $69.6 million, of which $28.4 million related to the purchase of our Lisle, Illinois campus. Other capital expenditures included investments for the consolidation of the MMI and UTI campuses in Florida and Arizona into a single site, new UTI campuses in Austin, Texas and Miramar, Florida, and the rollout of new programs at our campuses. Additionally, we purchased MIAT for $26.5 million, net of cash consideration received.

Financing Activities

During the nine months ended June 30, 2023, cash provided by financing activities was $85.0 million which was primarily related to proceeds from our revolving credit facility of $90.0 million, partially offset by the semi-annual payment of preferred stock dividends of $2.5 million, repayment of long-term debt of $1.2 million, $0.8 million in payroll taxes paid for stock-based compensation through shares withheld, and debt issuance costs related to long term debt of $0.5 million.

During the nine months ended June 30, 2022, cash used by financing activities was $15.4 million which was primarily related to proceeds from our new term loan related to the Lisle, Illinois campus purchase of $38.0 million, offset by the repayment of long-term debt of $19.0 million and the semi-annual payment of preferred stock dividends of $2.6 million.

Seasonality and Trends

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, UTI has had lower student populations in the third quarter than in the remainder of the year because fewer students are enrolled during the summer months. Additionally, UTI has had higher student populations in the fourth quarter than in the remainder of the year because more students enroll during this period. Concorde typically has higher student populations in January and August through October for its core programs and in February for its clinical programs. UTI and Concorde core program expenses do not vary significantly with changes in student population and revenues. Concorde clinical program expenses fluctuate based on the academic calendar and season due to the timing of clinical starts. We expect quarterly fluctuations in operating results to continue as a result of seasonal enrollment patterns. However, such patterns may change as a result of new school openings, new program introductions, increased enrollments of adult students or acquisitions.

Critical Accounting Policies and Estimates

The preparation of financial statements and related disclosures in conformity with GAAP and management’s discussion and analysis of our financial condition and operating results require management to make judgments, assumptions and estimates that affect the amounts reported. There were no significant changes in our critical accounting policies and estimates in the nine months ended June 30, 2023 from those previously disclosed in Part II, Item 7 of our 2022 Annual Report on Form 10-K.

Recent Accounting Pronouncements

For information regarding recent accounting pronouncements, see Note 3 of the notes to the condensed consolidated financial statements herein.

Item 3. 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. As of June 30, 2023, we held $110.5 million in cash and cash equivalents. During the nine months ended June 30, 2023, we earned interest income of $4.3 million. As we have a conservative 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, Arizona property through a $31.2 million term loan that bore interest at the rate of LIBOR plus 2.0% with a maturity of seven years. On April 3, 2023, we executed an amendment for our Avondale term loan to convert the stated rate from LIBOR to SOFR. As of June 30, 2023, the fair value of our long-term debt was $29.5 million and bears interest on the outstanding principal amount at a rate equal to Term SOFR plus 2.0% and a tranche adjustment of 0.046%, which was 7.21% as of June 30, 2023.

On April 14, 2022, we entered into a credit agreement to finance the Lisle, Illinois property through a $38.0 million term loan that bears interest at the rate of Term SOFR plus 2.0% with a maturity of seven years. As of June 30, 2023, the fair value of our long-term debt was $37.9 million and bears interest on the outstanding principal amount at a rate equal to Term SOFR plus 2.0%, which was 7.16% as of June 30, 2023.

We believe the carrying value of the debt approximates fair value as the interest rate is a floating rate equal to Term SOFR 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 SOFR. To mitigate this exposure, we entered into interest rate swap agreements that effectively fix the interest rates on 50% of the principal amounts of the term loans at 3.45% and 4.69% for the entire loan term on our Avondale and Lisle debt, respectively.

On November 18, 2022, we entered into a $100.0 million senior secured revolving credit facility that bears variable interest in a maturity of three years. On November 28, 2022, we drew $90.0 million from the credit facility in support of the closing of the Concorde acquisition.

During the nine months ended June 30, 2023, we recorded interest expense of $7.0 million on our outstanding debt. Assuming all terms of our outstanding long-term debt remained the same, a hypothetical 10.0% change (up or down) in the variable rates would result in a $12.4 million change to our annual interest expense for the portion of the long-term debt not hedged by the interest rate swap agreements.

Item 4. CONTROLS AND PROCEDURES

Evaluation of 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), pursuant to Exchange Act Rule 13a-15 as of the end of the period covered by this report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2023 to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management, including our 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

On December 1, 2022, we completed the acquisition of Concorde Career Colleges, Inc. We intend to exclude the acquired business from our assessment and report on internal control over financial reporting for the year ended September 30, 2023, as permitted under SEC rules. Other than the foregoing, there were no changes in our internal control over financial reporting identified in connection with the evaluation required by Exchange Act Rule 13a-15(d) or 15d-15(d) that occurred during the three months ended June 30, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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.

PART II. OTHER INFORMATION

Item 1. 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 1A. RISK FACTORS

In addition to the other information set forth in this Quarterly Report on Form 10-Q, including the information contained in Part I, Item 3, you should carefully consider the factors discussed in Part I, Item IA of our 2022 Annual Report on Form 10-K, which could materially affect our business, financial condition or operating results. The risks described in this Quarterly Report on Form 10-Q and in our 2022 Annual Report on Form 10-K are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or operating results.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

Item 5. OTHER INFORMATION

(a) None.

(b) None.

(c) During the three months ended June 30, 2023, no director or officer (as defined in Rule 16a-1(f) of the Exchange Act) of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-rule 10b5-1 trading arrangement,” as each term is defined in Item 408 of Regulation S-K.

Item 6. EXHIBITS

The following exhibits required by Item 601 of Regulation S-K are filed or furnished with this report, as applicable:

Exhibit Number	Description
2.1	Stock Purchase Agreement, dated May 3, 2022, by and among Universal Technical Institute, Inc., Concorde Career Colleges, Inc., Liberty Partners Holdings 28, L.L.C., Liberty Investment IIC, LLC, and Liberty Partners L.P. (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated May 3, 2022).
10.1*	Consent Letter, dated June 26, 2023, by and among Universal Technical Institute, Inc., Fifth Third Bank, National Association, and the other loan parties thereto.
10.2*	First Amendment to Credit Agreement, dated April 3, 2023, by and among Universal Technical Institute, Inc., Universal Technical Institute of Arizona, LLC, and Fifth Third Bank, National Association.
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1+	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.
32.2+	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.
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.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

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* Filed herewith.

\+ Furnished herewith.

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.

UNIVERSAL TECHNICAL INSTITUTE, INC.

Date:	August 8, 2023	By:	*/s/ Jerome A. Grant*
		Name:	Jerome A. Grant
		Title:	Chief Executive Officer (Principal Executive Officer)

FIFTH THIRD BANK

June 26, 2023

Universal Technical Institute, Inc.
4225 E. Windrose Drive, Suite 200
Phoenix, Arizona 85032
Attn: Jerome Grant, Chief Executive Officer

Re: Consent under that certain Credit Agreement, dated as of November 18, 2022 (as heretofore amended, the "***Credit Agreement***"), by and among UNIVERSAL TECHNICAL INSTITUTE, INC., a Delaware corporation (the "***Borrower***"), the Loan Parties party thereto, and FIFTH THIRD BANK, NATIONAL ASSOCIATION, as Lender (in such capacities, the "***Lender***").

Ladies and Gentlemen:

Reference is made to the Credit Agreement. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned thereto in the Credit Agreement.

The Borrower has notified the Lender that it will not be able to (a) complete the transfer of its depository accounts, remittance accounts and custodial accounts within the period set forth in Section 4.8 of the Credit Agreement, or (b) deliver the deposit account control agreements with respect to each Deposit Account (other than Excluded Accounts) within the period set forth in Schedule 4.13 of the Credit Agreement, and has requested that the Lender extend the time period for compliance therewith to August 15, 2023 (the "***Requested Extension***").

Each Loan Party and Lender also desire to amend and restate Section 6.5 of the Credit Agreement in its entirety with the following (the "***Amendment***"):

"6.5. Maximum Outstandings. Notwithstanding the other terms and conditions hereof, Borrower will not permit the Revolving Exposure to exceed $20,000,000 for a single thirty (30) consecutive day period, during the period commencing on the date of the Initial Draw and ending on December 31, 2024.

For purposes of determining satisfaction of any term or condition that requires compliance on a pro forma basis with the covenants set forth in Sections 6.1 and 6.2 prior to the date the Borrower delivers financial statements for the Fiscal Quarter ending December 31, 2022, compliance will be determined based on the most recently filed 10K or 10Q of the Borrower, and will assume that the financial covenant levels applicable on December 31, 2022 are applicable on the last day of the fiscal period covered by such 10-K or 10-Q filed with the SEC."

Subject to the terms and conditions hereof, the Lender and each Loan Party hereby consents to, acknowledges and agrees to the Requested Extension and the Amendment. Such consent and agreement is provided on one-time basis only and shall not modify or otherwise affect the Loan Parties' obligations to comply fully with the terms of the Loan Documents and each other duty, term, condition and covenant contained in the Loan Documents in the future. Nothing contained herein shall be deemed to constitute a modification of any other rights or remedies the Lender may have under any Loan Document or under applicable law. The Loan Parties and Lender each acknowledge and agree that the provisions of the Credit Agreement and the other Loan Documents are, and shall remain, in full force and effect and are in all respects confirmed, approved and ratified.

To induce the Lender to execute this letter and provide the Requested Extension and Amendment, the Loan Parties' hereby represent and warrant to the Lender that, as of the date hereof, after giving effect to the Requested Extension and Amendment granted herein, (a) the representations or warranties contained in the Loan Documents are true and correct as of the date hereof, except to the extent that any such representation or warranty expressly relates to an earlier date (in which event such representations and warranties shall have been true and correct as of such earlier date), and (b) after giving effect to this letter, no Default or Event of Default has occurred and is continuing on the date hereof.

This letter agreement may be executed in any number of counterparts, each of which shall constitute an original, but all of which when taken together shall constitute but one agreement. Delivery of an executed counterpart of this letter agreement by facsimile or other secure electronic format (.pdf) shall be effective as an original. This letter agreement shall be effective upon receipt by the Lender of counterparts of this letter agreement executed by the Borrower, the other parties indicated on the signature pages hereto, and the Lender.

[*signature pages follow*]

This letter agreement shall be governed by and construed in accordance with the laws of the State of New York.

Very truly yours,

FIFTH THIRD BANK, NATIONAL ASSOCIATION
as Lender

By: Jeff Thom
Name: Jeff Thom
Title: Senior Vice President

ACCEPTED AND AGREED TO:

LOAN PARTIES:

UNIVERSAL TECHNICAL INSTITUTE, INC.,
as Borrower

By: ______________________________
Name: Jerome Grant
Title: Chief Executive Officer

COLLEGES OF DENTAL AND MEDICAL ASSISTANTS, INC.,
as a Guarantor

By: ______________________________
Name: Jerome Grant
Title: President

CONCORDE CAREER COLLEGES, INC.,
as a Guarantor

By: ______________________________
Name: Jerome Grant
Title: President

CUSTOM TRAINING GROUP, INC.,
as a Guarantor

By: ______________________________
Name: Jerome Grant
Title: President

HCP ED HOLDINGS, INC.,
as a Guarantor

By: ______________________________
Name: Jerome Grant
Title: President

MICHIGAN INSTITUTE OF AERONAUTICS, INC.
d/b/a MIAT College of Technology,
as a Guarantor

By: ______________________________
Name: Jerome Grant
Title: President

SOUTHERN CALIFORNIA COLLEGE OF MEDICAL AND DENTAL ASSISTANTS, INC.,
as a Guarantor

By: ______________________________
Name: Jerome Grant
Title: President

STUDENT FUNDING GROUP, LLC,
as a Guarantor

By: Universal Technical Institute, Inc.
Its Sole Member

By: ______________________________
Name: Jerome Grant
Title: Chief Executive Officer

U.T.I, OF ILLINOIS, INC.,
as a Guarantor

By: ______________________________
Name: Jerome Grant
Title: President

UNITED HEALTH CAREERS INSTITUTE, INC.,
as a Guarantor

By: ______________________________
Name: Jerome Grant
Title: President

UNIVERSAL TECHNICAL INSTITUTE NORTHEAST, LLC,
as a Guarantor

By: UTI Holdings Inc.
Its Sole Member

By: ______________________________
Name: Jerome Grant
Title: President

UNIVERSAL TECHNICAL INSTITUTE OF ARIZONA, INC.,
as a Guarantor

By: ______________________________
Name: Jerome Grant
Title: President

UNIVERSAL TECHNICAL INSTITUTE OF CALIFORNIA, INC.,
as a Guarantor

By: ______________________________
Name: Jerome Grant
Title: President

UNIVERSAL TECHNICAL INSTITUTE OF NORTH CAROLINA, INC.,
as a Guarantor

By: ______________________________
Name: Jerome Grant
Title: President

UNIVERSAL TECHNICAL INSTITUTE OF NORTHERN CALIFORNIA, INC.,
as a Guarantor

By: ______________________________
Name: Jerome Grant
Title: President

UNIVERSAL TECHNICAL INSTITUTE OF NORTHERN TEXAS, LLC,
as a Guarantor

By: Universal Technical Institute of Texas, Inc.
Its Sole Member

By: ____________________
Name: Jerome Grant
Title: President

UNIVERSAL TECHNICAL INSTITUTE OF PENNSYLVANIA, INC.,
as a Guarantor

By: ____________________
Name: Jerome Grant
Title: President

UNIVERSAL TECHNICAL INSTITUTE OF PHOENIX, INC.,
as a Guarantor

By: ____________________
Name: Jerome Grant
Title: President

UNIVERSAL TECHNICAL INSTITUTE OF SOUTHERN CALIFORNIA, LLC,
as a Guarantor

By: Universal Technical Institute of California, Inc.
Its Sole Member

By: ____________________
Name: Jerome Grant
Title: President

UNIVERSAL TECHNICAL INSTITUTE OF TEXAS, INC.,
as a Guarantor

By: ______________________
Name: Jerome Grant
Title: President

UNIVERSAL TECHNICAL INSTITUTE VENTURES, LLC,
as a Guarantor

By: Universal Technical Institute, Inc.
Its Manager

By: ______________________
Name: Jerome Grant
Title: Chief Executive Officer

UNIVERSAL TECHNICAL INSTITUTE OF ARIZONA, LLC,
as a Guarantor

By: Universal Technical Institute of Arizona, Inc.
Its Sole Member

By: ______________________
Name: Jerome Grant
Title: President

UTI HOLDINGS INC.,
as a Guarantor

By: ______________________
Name: Jerome Grant
Title: President

UTI SOUTH FLORIDA, LLC,
as a Guarantor

By: Universal Technical Institute of Arizona, Inc.
Its Sole Member

By: ______________________
Name: Jerome Grant
Title: President

UTI WEST TEXAS, LLC,
as a Guarantor

By: Universal Technical Institute of Texas, Inc.
Its Sole Member

By: ______________________
Name: Jerome Grant
Title: President

FIRST AMENDMENT TO CREDIT AGREEMENT

This FIRST AMENDMENT TO CREDIT AGREEMENT (this "Amendment"), dated as of April 3, 2023, by and among UNIVERSAL TECHNICAL INSTITUTE, INC., a Delaware corporation ("UTI"), UNIVERSAL TECHNICAL INSTITUTE OF ARIZONA, LLC, a Delaware limited liability company ("UTI AZ", and, individually and collectively with UTI, hereinafter, the "Borrower") and FIFTH THIRD BANK, NATIONAL ASSOCIATION, a federally chartered institution ("Lender").

WHEREAS, Borrower and Lender entered into that certain Credit Agreement, dated as of May 12, 2021, (as amended, restated, supplemented or otherwise modified from time to time in accordance with its provisions, the "Credit Agreement").

WHEREAS, Borrower has requested that Lender amend certain provisions of the Credit Agreement as set forth herein, and Lender is willing to consent to such request and to so amend the Credit Agreement to reflect such modifications, all on the terms and subject to the conditions of this Amendment.

NOW, THEREFORE, in consideration of the premises set forth above and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Definitions. Capitalized terms used and not defined in this Amendment shall have the respective meanings given to them in the Credit Agreement.

2. Amendments to the Credit Agreement. Subject to the terms and conditions herein, the Credit Agreement is hereby amended in its entirety to read in the form attached hereto as Exhibit A (inclusive of any updated schedules and exhibits appended thereto).

3. Continuing Effect. Borrower and Lender each acknowledge and agree that the provisions of the Credit Agreement and the other Loan Documents are, and shall remain, in full force and effect and are in all respects confirmed, approved and ratified (subject to the waivers set forth in Section 3 hereof). Should there be any conflicts between the terms of the Loan Documents and the terms of this Amendment, the terms of this Amendment shall prevail. Nothing in this Amendment shall be construed to modify, waive or otherwise alter Lender's rights or remedies under the Loan Documents (subject to the waivers set forth in Section 3 hereof). The amendments contained herein shall not be construed as a waiver or amendment of any other provision of the Credit Agreement or the other Loan Documents or for any purpose except as expressly set forth herein (including, without limitation, as set forth in Section 3 hereof) or a consent to any further or future action on the part of the Borrower that would require the waiver or consent of Lender.

4. Release. Borrower hereby knowingly and voluntarily releases all claims, counterclaims, setoffs, actions or causes of actions, damages or liabilities of any kind or nature whatsoever whether at law or in equity, in contract or in tort, whether now accrued or hereafter maturing (collectively, "Claims") against Lender, its direct or indirect parent corporation or any direct or indirect affiliates of such parent corporation, or any of the foregoing's respective directors, officers, employees, agents, attorneys and legal representatives, or the heirs, administrators, successors or assigns of any of them that directly or indirectly arise out of, are based upon, or are in any manner connected with any transaction, event, circumstance, action, or failure to act, whether known or unknown, which occurred, existed, was taken, permitted or begun at any time prior to the Effective Date in connection with the Loan Documents.

5. Conditions Precedent. This Amendment shall become effective upon the date (the "Effective Date") on which the Lender shall have received:

A. This Amendment, duly executed and delivered by Borrower;

B. All fees and expenses incurred in each case in connection with this Amendment and the Loan Documents by Lender;

C. Satisfactory evidence that all corporate and other proceedings that are necessary in connection with this Amendment have been taken to the Lender and its counsel's satisfaction, and the Lender and such counsel shall have received all such counterpart originals or certified copies of such documents as the Lender may request;

D. A certificate signed by a responsible officer for Borrower, certifying that such Person's organizational documents are in full force and effect on the date thereof, together with a good standing certificate issued as of a recent date by the applicable Secretary of State, with respect to Borrower; and

E. Such other information and documents as may reasonably be required by Lender and its counsel in connection with this Amendment.

6. Representations and Warranties. Borrower hereby represents and warrants to Lender that:

A. Each of the representations and warranties of each Borrower set forth in the Credit Agreement or a Guaranty, as applicable, and each other Loan Document are true and correct are true and correct in all material respects (or in all respects if qualified by materiality) on and as of the Effective Date, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct in all material respects (or in all respects if qualified by materiality) as of such earlier date, after giving effect to this Amendment, and no Default or Event of Default has occurred and is continuing on and as of the Effective Date.

B. Borrower has taken all necessary action to authorize the execution, delivery and performance of this Amendment, and this Amendment constitutes the legal, valid and binding obligation of Borrower, enforceable against Borrower in accordance with their terms.

C. No consent or authorization of, filing with, notice to or other act by, or in respect of, any governmental authority or any other Person is required in connection with this Amendment or the execution, delivery, performance, validity or enforceability of this Amendment, except consents, authorizations, filings and notices which have been obtained or made and are in full force and effect.

7. Loan Document. Borrower and Lender each acknowledge and agree that this Amendment constitutes a Loan Document.

8. Incorporated Terms. The provisions set forth in Section 7.10 [Governing Law; Jurisdiction] and Section 7.11 [JURY TRIAL WAIVER] are incorporated herein by reference, with full force and effect.

9. Counterparts. This Amendment may be executed in any number of counterparts, all of which shall constitute one and the same agreement, and any party hereto may execute this Amendment by signing and delivering one or more counterparts. Delivery of an executed counterpart of this Amendment electronically or by facsimile shall be effective as delivery of an original executed counterpart of this Amendment.

[Remainder of Page Intentionally Blank; Signature Page Follows]

IN WITNESS WHEREOF, Borrower has executed this Amendment as of the first written date above.

BORROWER:

UNIVERSAL TECHNICAL INSTITUTE, INC.,
a Delaware corporation

By:________________________
Name: Jerome Grant
Title: Chief Executive Officer

UNIVERSAL TECHNICAL INSTITUTE OF ARIZONA, LLC,
a Delaware limited liability company

By:________________________
Name: Jerome Grant
Title: Chief Executive Officer

[Signature Page to First Amendment to Credit Agreement]

LENDER:

FIFTH THIRD BANK, NATIONAL ASSOCIATION

By: Jeff Thom

Name: Jeff Thom
Its: Senior Vice President

[Signature Page to First Amendment to Credit Agreement]

Exhibit A

Credit Agreement (as amended)

See attached.

CREDIT AGREEMENT

This CREDIT AGREEMENT (the "Agreement") is entered into as of May 12, 2021 (the "Effective Date"), by and among UNIVERSAL TECHNICAL INSTITUTE, INC., a Delaware corporation ("UTI"), UNIVERSAL TECHNICAL INSTITUTE OF ARIZONA, LLC, a Delaware limited liability company ("UTI AZ", and, individually and collectively with UTI, hereinafter, the "Borrower"), and FIFTH THIRD BANK, NATIONAL ASSOCIATION, a federally chartered institution ("Lender").

Section 1 Definitions. Certain capitalized terms have the meanings set forth on Exhibit A attached hereto.

Section 2 Term Loan.

2.1 Term Loan.

(a) Subject to the terms and conditions hereof and in reliance upon the representations and warranties contained herein, Lender agrees to make a Loan Advance to Borrower on the Effective Date in a maximum principal amount not to exceed $31,150,000.00 (the "Term Loan" or "Loan"). Lender's commitment to make the Term Loan shall expire at 2:00 p.m. U.S. Eastern Standard Time on the Effective Date.

(b) Borrower shall execute and deliver to Lender a promissory note in the principal amount of the Term Loan (the "Term Note") and bearing interest at such rate, and payable upon such terms, as specified in Sections 2.1, 2.2 and 2.3 of this Agreement, and in the Term Note.

(c) Amounts borrowed under the Term Loan and repaid or prepaid may not be reborrowed.

(d) The proceeds of the Term Loan will be used by Borrower for general working capital of Borrower and for such other business or commercial purposes.

(e) Notwithstanding any provision to the contrary, whether herein or in the other Loan Documents, the entire unpaid balance of the Term Loan, plus all accrued and unpaid interest, and any other charges, advances and fees, if any, outstanding shall be due and payable in full on the Termination Date.

2.2 Interest. The Loans and the Notes will automatically bear interest at a floating rate per annum equal to the Tranche Rate, plus the Tranche Rate Adjustment, plus the Applicable Margin. Any adjustment in the applied interest rate resulting from a change in the Tranche Rate, or any Successor Rate utilized by Lender to fund or maintain its funding of all or any portion of the Loan hereunder shall become effective as of the opening of business on the date of each change (or if not a Business Day, the beginning of the next Business Day), provided however, that the first adjustment in the Tranche Rate following the First Amendment Effective Date shall occur on April 1, 2023. Lender shall not be required to notify Borrower of any adjustment in the Tranche Rate; however, Borrower may request a quote of the prevailing Tranche Rate on any Business Day. Interest accruing based on the Tranche Rate or Successor Rate shall be: (i) calculated based on a 360-day year and charged for the actual number of days elapsed and (ii) payable in arrears on the first day of each calendar month, commencing on June 1, 2021.

2.3 Tranche Rate Provisions.

(a) [Reserved].

(b) Temporary Replacement of the Tranche Rate and Tenor Replacement. In the event Lender shall determine that: (i) the Tranche Rate is unavailable, unrepresentative, or unreliable, (ii) the Tranche Rate as determined by Lender will not adequately and fairly reflect the cost to Lender of funding the Tranche Rate Loans, or (iii) the making or funding of Tranche Rate Loans has become impracticable; then, in any such case, Lender shall promptly provide notice of such determination to Borrower (which shall be conclusive and binding on Borrower absent manifest error), and each Tranche Rate Loan will automatically become a Base Rate Loan, and the obligations of Lender to make Tranche Rate Loans shall be suspended until Lender determines that the circumstances giving rise to such suspension no longer exist, in which event Lender shall so notify Borrower.

At any time (including in connection with the implementation of a Successor Rate), Lender may remove any tenor of a Tranche Rate that is unavailable, non-representative, or not in compliance with or aligned with the International Organization of Securities Commissions (IOSCO) Principles for Financial Benchmarks, in Lender's sole discretion, for Tranche Rate settings; provided however that Lender may reinstate such previously removed tenor for Tranche Rate settings, if Lender determines in its sole discretion that such tenor has become available and representative again.

(c) Tranche Rate Replacement.

(i) Notwithstanding anything to the contrary herein or in any other Loan Document (and any Rate Management Agreement shall be deemed not to be a "Loan Document" for purposes of this Section 2.3(c)), but without limiting Section 2.3(b) above, if Lender determines (which determination shall be conclusive and binding on Borrower absent manifest error) that any of the circumstances described in Section 2.3(b)(i)-(iii) has occurred and is unlikely to be temporary or the administrator of the Tranche Rate or a governmental authority having or purporting to have jurisdiction over Lender has made a public statement identifying a specific date (the "Scheduled Unavailability Date") after which the Tranche Rate will no longer be representative or made available or used for determining the interest rate of loans or otherwise cease or no longer be in compliance or aligned with the International Organization of Securities Commissions (IOSCO) Principles for Benchmarks, and there is no successor administrator satisfactory to Lender, then on a date and time determined by Lender, but no later than the Scheduled Unavailability Date, the Tranche Rate will be replaced hereunder and under any other Loan Document with Daily Simple SOFR.

(ii) Notwithstanding anything to the contrary herein, if Lender determines that the Successor Rate designated in Section 2.3(c)(i) above is not available or administratively feasible, or if any of the circumstances described in Section 2.3(c)(i) with regard to the Tranche Rate has occurred with respect to a Successor Rate then in effect, Lender may replace the Tranche Rate or any then current Successor Rate in accordance with this Section 2.3(c) with another alternative benchmark rate and a Spread Adjustment, giving due consideration to any evolving or then existing convention for similar U.S. dollar denominated credit facilities and any recommendations of a relevant governmental authority, and which Spread Adjustment or method for calculating such Spread Adjustment shall be published on an information service as selected by Lender from time to time in its reasonable discretion.

(iii) If the Successor Rate is based on Daily Simple SOFR, interest shall be due and payable on a monthly basis.

(iv) Any such alternative benchmark rate and Spread Adjustment shall constitute a Successor Rate hereunder. Any Successor Rate shall become effective on the date set forth in a written notice provided by Lender to Borrower (such date to be five or more Business Days after the date of such notice), and, for the avoidance of doubt, from and after such date (i) all Tranche Rate Loans shall bear interest at the Successor Rate; and (ii) all references herein and in any other Loan Documents to "Tranche Rate" shall mean and refer to the Successor Rate.

(v) Notwithstanding anything to the contrary herein, if the Successor Rate would be less than the Floor, the Successor Rate will be deemed to be the Floor for the purposes of this Agreement and the other Loan Documents.

(vi) Lender does not warrant or accept any responsibility for, and shall not have any liability with respect to, the administration, submission, or any other matter related to the Tranche Rate or any Successor Rate, including the selection of such rate, any related Spread Adjustment, or any Conforming Changes, or whether the composition or characteristics of any Successor Rate and Spread Adjustment or Conforming Changes will be similar to, or produce the same value or economic equivalence of, the initial Tranche Rate.

(vii) Notwithstanding anything to the contrary contained herein, if, after the Effective Date, Borrower enters into a Rate Management Agreement with respect to all or part of a Tranche Rate Loan and the floating interest rate under the Rate Management Agreement is Daily Simple SOFR, Lender may replace the Tranche Rate hereunder with Daily Simple SOFR and a Spread Adjustment without the consent of any other party hereto; provided further that, if subsequent thereto, Lender and Borrower amend such Rate Management Agreement to include, or terminate such Rate Management Agreement and enter into a new Rate Management Agreement with, a floating interest rate thereunder of the original Tranche Rate, then Lender may further replace Daily Simple SOFR hereunder with the original Tranche Rate (and a Spread Adjustment, if applicable) hereunder without the consent of any other party hereto; and, in either such event, (A) such rate shall be a Successor Rate hereunder, and (B) Lender shall provide written notice thereof to Borrower.

(d) Illegality. Notwithstanding any other provisions hereof, if any law shall make it unlawful for Lender to make, fund or maintain Tranche Rate Loans, Lender shall promptly give notice of such circumstances to Borrower. In such an event, all outstanding Tranche Rate Loans shall be converted automatically to Successor Rate Loans.

(e) Tranche Rate Breakage Fee. Borrower shall promptly pay to Lender an amount equal to any losses, expenses and liabilities (including any loss (including interest paid) in connection with the redeployment of funds procured by Lender at the Tranche Rate) that Lender sustains as a result of funding or maintaining any Tranche Rate Loan in accordance with the terms hereof.

(f) Increased Costs. If, after the Effective Date, any change in law: (i) shall impose, modify or deem applicable any reserve (including any reserve imposed by the Board of Governors of the Federal Reserve System, or any successor thereto, but excluding any reserve included in the determination of the Tranche Rate pursuant to the provisions of this Agreement), special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by Lender, or (ii) shall impose on Lender any other condition affecting its Tranche Rate Loans, any of its notes issued pursuant hereto (if any) or its obligation to make Tranche Rate Loans; and the result of anything described in these clauses (i) and (ii) above is to increase the cost to (or to impose a cost on) Lender of making or maintaining any Tranche Rate Loan, or to reduce the amount of any sum received or receivable by Lender under this Agreement or under any of its notes issued pursuant hereto (if any) with respect thereto, then upon demand by Lender, Borrower shall promptly pay directly to Lender such additional amount as will compensate Lender for such increased cost or such reduction, as long as such amounts have accrued on or after the day which is nine (9) months prior to the date on which Lender first made demand therefor (except that, if the occurrence giving rise to such increased cost or reduction is retroactive, then the nine (9) month period referred to above shall be extended to include the period of retroactive effect thereof).

(g) Conforming Changes. In connection with the use, implementation, or administration of the Tranche Rate, including any temporary or permanent replacement for the Tranche Rate, Lender will have the right to make Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Loan Document, any such Conforming Changes will become effective without any further action or consent of any other party to this Agreement or any other Loan Document. Lender will promptly notify Borrower of the effectiveness of any Conforming Changes in connection with the use, implementation, or administration of the Tranche Rate, or any temporary or permanent replacement of the Tranche Rate.

2.4 Payments; Late Payments.

(a) The principal amount of the Term Note will be payable in eighty-four (84) monthly installments of principal, plus accrued interest, which will be due beginning on June 1, 2021 and continuing on the first day of each calendar month thereafter. The eighty-four (84) monthly installments of principal will be in such amounts as set forth on Schedule I attached hereto, plus accrued interest, and the eighty-fifth (85^{th}) and final installment will be in the amount of the entire unpaid balance of the Term Loan, plus all accrued and unpaid interest, and any other charges, advances and fees, if any, outstanding under the Term Loan. Notwithstanding anything herein to the contrary, the outstanding principal plus accrued and unpaid interest will be due and payable on the Termination Date.

(b) All payments by Borrower under this Agreement and the Notes will be in lawful money of the United States of America, and, unless otherwise provided in this Agreement or instructed by Lender in writing from time to time, Borrower will make all payments required under this Agreement, the Notes and under any of the other Loan Documents in immediately available funds to an account designated by Lender from time to time.

(c) Borrower shall make all payments of principal, interest and all other Obligations no later than 3:00 p.m. U.S. Eastern Standard Time, on the day such payments are due. For purposes of computing interest and fees as of any date, all payments shall be deemed received on the Business Day on which immediately available funds therefor are received by Lender prior to 3:00 p.m. Cincinnati, Ohio time. Payments received by Lender after 2:00 p.m. Cincinnati, Ohio time on any Business Day or on a day that is not a Business Day shall be deemed to have been received on the following Business Day. In the event any payment becomes due and payable on a date which is not a good Business Day, such payment shall become due and payable on the next successive Business Day.

(d) Borrower agrees that, with regard to late payments: (i) Borrower shall pay to Lender a late payment fee equal to three percent (3%) of any payment of principal not paid when due (whether by maturity, acceleration or otherwise), and (ii) any portion of the Obligation not paid when due (whether by maturity, acceleration or otherwise) shall bear interest thereafter until paid at the Default Rate; provided that this Section 2.3(d) shall not be deemed to constitute a waiver of any Event of Default or an agreement by Lender to permit any late payments whatsoever. Borrower acknowledges that late payment to Lender of any sums due hereunder or the Notes will cause Lender to incur costs not contemplated hereunder or the other Loan Documents, the exact amount of which will be impracticable or extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges. Borrower and Lender agree that the late payment fee represents a fair and reasonable estimate of the costs Lender will incur by reason of late payment.

(e) "Default Rate" means three percent (3%) in excess of the interest rate otherwise in effect under amounts outstanding under such Note. In no event shall the interest rate accruing under such Note be increased to be in excess of the maximum interest rate permitted by applicable state or federal usury laws then in effect.

2.5 Prepayment.

(a) Optional. Borrower may prepay any portion of the Loans in whole or in part at any time without premium or penalty; provided that if Borrower makes any such prepayment in respect of the Term Loan other than on a regularly scheduled payment date, Borrower (a) with such prepayment, shall pay all accrued interest on the principal amount prepaid (unless less than all of the principal amount of the Term Note is being prepaid, in which case such interest shall be due and payable on the next scheduled interest payment date), and (b) shall promptly reimburse Lender and hold Lender harmless solely as may be required under the Rate Management Agreement and subject to the terms therein. Lender's reasonable determination of the amount of such reimbursement shall be conclusive in the absence of manifest error.

(b) Required. If, pursuant to Sections 4.22, 4.23 or 4.24, Borrower is not in compliance with the requisite Funded Indebtedness to Consolidated EBITDA, Loan to Value, or Debt Service Coverage Ratio requirements on the dates of determination as further set forth in this Agreement and borrower elects to cure, Borrower shall promptly, within the timeframes set forth below in Section 5.1(m), (i) pay down the Term Loan to Lender in immediately available funds in an amount as may be necessary to cure any such breach, or (ii) provide the Resizing Amount in accordance with the terms of this Agreement. If Borrower has delivered to Lender a Resizing Amount pursuant to Section 5.1(m) hereof, and subsequently provides written confirmation to Lender of compliance with the Funded Indebtedness to Consolidated EBITDA, Debt Service Coverage Ratio or Loan to Value covenant set forth below in Sections 4.22, 4.23 or 4.24, then so long as no Event of Default then exists as of the date Borrower demonstrates such compliance, Lender will return the Resizing Amount (whether cash or a letter of credit)(along with any interest actually earned on such Resizing Amount collateral) to Borrower.

2.6 One General Obligation. All advances of credit to, or for the benefit of, Borrower under this Agreement and under any other Loan Document constitute one loan, and all of the Obligations constitute one obligation. The Loans and all other advances or extensions of credit to, or for the benefit of, Borrower under this Agreement or the other Loan Documents and all other Obligations are made on the security of the Mortgage.

Section 3 Representations and Warranties.

Borrower hereby warrants and represents to Lender the following as of the date hereof:

3.1 Organization and Qualification. Borrower is a limited liability company or corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, has the power and authority to carry on its business and to enter into and perform this Agreement and the other Loan Documents, and is qualified and licensed to do business in each jurisdiction in which the failure to be so qualified and in good standing could reasonably be expected to have a Material Adverse Effect.

3.2 Due Authorization. The execution, delivery and performance by Borrower of this Agreement and the other Loan Documents has been duly authorized by all necessary action, and shall not contravene any law or any governmental rule or order binding on Borrower, or the articles of organization, articles of incorporation, operating agreement, bylaws, or other governing instruments of Borrower, nor, to Borrower's knowledge, violate any agreement or instrument by which Borrower is bound nor result in the creation of a lien on any assets of Borrower except the lien granted to Lender. Borrower has duly executed and delivered to Lender this Agreement and the other Loan Documents and they are valid and binding obligations of Borrower enforceable against it according to their respective terms, except as limited by equitable principles and by bankruptcy, insolvency or similar laws affecting the rights of creditors generally.

3.3 Litigation. There are no suits or proceedings pending or, to Borrower's knowledge without investigation, threatened against or affecting Borrower or the Property which would reasonably be expected to result in a Material Adverse Effect, and no proceedings before any governmental body are pending or, to the knowledge of Borrower without investigation, threatened against Borrower or the Property which would reasonably be expected to result in a Material Adverse Effect.

3.4 Utilities; Authorities. All utilities necessary for the use, operation and occupancy of the Property (including, without limitation, water, storm sewer, sanitary sewer and drainage, electric, gas and telephone facilities) are available at the boundaries of the Real Property (or in the streets adjoining the Real Property), and all requirements for the use of such utilities have been fulfilled. To Borrower's knowledge, all building, zoning, safety, disabled persons, health, fire, water district, sewerage and environmental protection agency permits and other licenses and permits which are required by any governmental authority for the use, occupancy and operation of the Property have been obtained by or furnished to Borrower and are in full force and effect.

3.5 Laws and Taxes. To Borrower's knowledge without investigation, Borrower is in material compliance with all laws, regulations, rulings, orders, injunctions, decrees, conditions or other requirements applicable to or imposed upon Borrower by any law or by any governmental authority, court or agency, the failure of which would reasonably be expected to result in a Material Adverse Effect. Borrower has filed all required tax returns and reports (or filed appropriate extensions therefore) that are now required to be filed by it in connection with any federal, state and local tax, duty or charge levied, assessed or imposed upon Borrower or its assets, including unemployment, social security, and real estate taxes, the failure of which would reasonably be expected to result in a Material Adverse Effect. Borrower has paid all taxes which are now due and payable on the Property. To Borrower's actual knowledge, no taxing authority has asserted or assessed any additional tax liabilities against Borrower which are outstanding on this date which would reasonably be expected to result in a Material Adverse Effect.

3.6 Financial Condition. All financial statements relating to Borrower or the Property which have been delivered to Lender are, to Borrower's knowledge, true and correct in all material respects as of the date of such reports and have been prepared in accordance with generally accepted accounting principles consistently applied, or such other form as requested in accordance with Section 4.4 hereof. Borrower has no material obligations or liabilities of any kind that are known to Borrower and which are reasonably likely to have a Material Adverse Effect that are not disclosed in those financial statements, and, to Borrower's knowledge, there has been no change resulting in a Material Adverse Effect in the financial condition of Borrower nor has Borrower suffered any damage, destruction or loss which has had a Material Adverse Effect since the submission of the most recent financial information to Lender.

3.7 No Defects. To Borrower's knowledge, there are no defects in the design or construction of the Property which would have a Material Adverse Effect.

3.8 Defaults. To Borrower's actual knowledge, Borrower is not in breach of any material agreement applicable to it or the Property which would reasonably be expected to result in a Material Adverse Effect, and there does not now exist any material default or violation by Borrower of or under any of the terms, conditions or obligations of its articles of organization, articles of incorporation, operating agreement, bylaws, or other governing instruments.

3.9 Environmental Laws. Except as previously disclosed in the Environmental Report and except as disclosed and agreed to in the Indemnity, Borrower has no actual knowledge of the presence on, under or about the Property, now or in the past, of any Hazardous Substances, or of the transportation to or from the Property of any Hazardous Substances.

3.10 Margin Stock. No part of the Loans shall be used to purchase or carry, or to reduce or retire or refinance any credit incurred to purchase or carry, any margin stock (within the meaning of Regulations U and X of the Board of Governors of the Federal Reserve System) or to extend credit to others for the purpose of purchasing or carrying any margin stock. If requested by Lender, Borrower shall furnish to Lender statements in conformity with the requirements of Federal Reserve Form U-1.

3.11 Purchase Options. As of the Effective Date, no Person has any outstanding exercisable rights with respect to the purchase or sale of any portion of the Property, including, without limitation, any right of first offer or refusal, or purchase option.

3.12 Full Disclosure. No representation or warranty made by Borrower in this Agreement or any other Loan Document to which it is a party, or in any other document furnished from time to time in connection herewith or therewith knowingly contains or will knowingly contain at the time such representation is made or such document furnished, any untrue statement of a material fact or knowingly omits or will knowingly omit to state any material fact necessary to make the statements herein or therein not misleading.

Section 4 Covenants. Borrower covenants with Lender that, from and after the date of this Agreement until the Obligations are paid and satisfied in full:

4.1 Compliance with Laws. Borrower shall comply or use commercially reasonable efforts to cause compliance in all material respects with all laws, regulations, rulings, orders, injunctions, decrees, conditions or other requirements applicable to or imposed upon Borrower by any law or by any governmental authority, court or agency governing the use and operation of the Property. Reasonable evidence of such compliance shall be submitted to Lender on written request.

4.2 Inspection. Upon reasonable prior written notice, Borrower shall permit inspection of the Property by Lender and any agent or designee of Lender. In addition, upon reasonable prior written or oral notice, Borrower shall permit Lender and/or its agents and designees access to and the right to inspect, audit and copy all books, records, contracts and other documents and information relating to the Property. All such books, records and accounts of operations relating to the Property shall be kept in accordance with sound accounting practices consistently applied. Borrower shall promptly respond to any inquiry from Lender for information with respect to the Property, provided that Borrower shall only be required to provide such requested information that is prepared by Borrower in the ordinary course of Borrower's business; and provided, however, that Lender shall at all times be entitled to rely upon any statements or representations made by Borrower or any agent thereof.

4.3 Mechanics' and Similar Liens and Claims Borrower shall not permit any mechanics', labor, materialmans' and/or similar lien or stop notice claims to be filed or otherwise asserted against the Property or Lender in respect of the Property, or against any funds due any contractor or subcontractor, and Borrower shall promptly (and in any event within 30 days after Borrower has received notice of such filing) discharge or cause to be discharged (or bond over in accordance with applicable law) the same in case of the filing of any claims for lien or proceedings for the enforcement thereof; provided that in connection with any such lien or claim which Borrower may in good faith desire to contest, Borrower may contest the same by appropriate legal proceedings diligently prosecuted, but only if Borrower shall furnish to and Lender such security or indemnity as Lender requests (and bonding over shall suffice as acceptable security for Lender). With respect to the matters set forth in this Section 4.3, if Borrower shall (a) fail promptly to discharge or bond over any asserted liens or claims in accordance with the above terms and conditions, or (b) fail promptly to contest asserted liens or claims or to give security or indemnity in the manner provided in this Section 4.3, or (c) having commenced to contest the same, and having given such security or indemnity, fail to prosecute such contest with diligence, or to maintain such indemnity or security so required by Lender for its full amount, or (d) upon adverse conclusion of any such contest, fail promptly to cause any judgment or decree to be satisfied and lien to be released, then Lender may, but shall not be required to, following written notice to Borrower and a reasonable opportunity to cure (which shall be not less than thirty (30) days), procure the release and discharge of any such claim and any judgment or decree thereon and, further, may, in its sole discretion, effect any settlement or compromise of the same if, in the reasonable judgment of Lender, the validity, applicability, or non-payment of such shall place the Property in imminent danger of being sold, forfeited, terminated, canceled or lost, and any amounts so expended by Lender, including premiums paid or security furnished in connection with the issuance of any surety company bonds, shall be deemed to constitute disbursements of the proceeds of the Loans hereunder, shall be payable upon demand and shall bear interest from the date so disbursed until paid at the Default Rate. In settling, compromising or discharging any claims for lien or otherwise as permitted under this Section 4.3, Lender shall not be required to inquire into the validity or amount of any such claim.

4.4 Financial Statements; Compliance Certificates. In addition to any other financial statements required to be delivered to Lender pursuant to the provisions of any of the other Loan Documents, Borrower will or will cause from time to time to be furnished to Lender the following information and reports concerning Borrower and/or the Property:

(a) Within thirty (30) days after filing, a copy of Borrower's 10-K;

(b) Within thirty (30) days after filing, a copy of Borrower 10-Q;

(c) Within ninety (90) days after the end of each fiscal year of Borrower, a projected income statement substantially in the form attached as Exhibit B for the subsequent fiscal year prepared in accordance with generally accepted accounting principles consistently applied.

(d) Within thirty (30) days after filing the annual report on form 10-K or each quarterly report on form 10-Q of Borrower, a compliance certificate in form and substance satisfactory to the Lender demonstrating compliance with Section 4.22 and 4.23 hereof, certified by the Chief Executive Officer, Chief Financial Officer, or General Counsel, or such other responsible officer as may be authorized from time to time by Borrower to deliver or enter into such documentation with Lender.

4.5 Affirmation of Representations and Warranties. Borrower agrees that all representations and warranties of Borrower contained in Section 3 of this Agreement shall remain true in all material respects as of the date they were made until the Loans and all Obligations are repaid and satisfied in full.

4.6 Title. Except for (a) the Mortgage and other security for the Obligations, (b) the lien of general real estate taxes payment of which is not yet due, (c) mechanics', labor, materialmans' or other similar liens which are contested in the manner permitted in Section 4.3 above, and (d) any other Permitted Exceptions, Borrower shall keep its fee simple title to the Property free and clear of all liens (other than Permitted Encumbrances), claims and encumbrances, whether senior or junior to or at parity with the Mortgage. Notwithstanding the foregoing, and provided that no Event of Default has occurred and is continuing, Borrower may, without the consent of Lender, grant easements, restrictions, covenants, reservations and rights of way, in the ordinary course of business for one-way or reciprocal access, parking, water and sewer lines, telephone and telegraph lines, electric lines, cellular towers and other utilities, parking and access or for other similar purposes ("Permitted Easements"), provided that Borrower uses commercially reasonable efforts to provide Lender not less than ten (10) Business Days prior written notice thereof accompanied by the applicable documentation pertaining to such transfer, conveyance or encumbrance, and no such transfer, conveyance or encumbrance shall impose liabilities or obligations on Borrower that would be reasonably likely to have a Material Adverse Effect. In connection with any Permitted Easement, if Borrower requests Lender's consent thereto and provides Lender with a form of the instrument reasonably necessary or appropriate to subordinate the lien of the security instrument to such easements, restrictions, covenants, reservations and rights of way or other similar grants, Lender shall not unreasonably withhold its consent and shall execute and deliver such instrument upon receipt by Lender of (a) a copy of the instrument of transfer, (b) an certificate from Borrower certifying that the conditions set forth in subsection (ii) hereof have been satisfied and (c) reimbursement of all Lender's reasonable actual out-of-pocket costs and expenses (including reasonable attorneys' fees and expenses) incurred in connection with Lender's review of such action and the documentation related thereto, and the execution and delivery by Lender of the instruments to be delivered by Lender pursuant to this Section 4.6 provided that such instrument does not impose any liability upon Lender.

4.7 Proceedings Affecting Property. If any proceedings are filed seeking to enjoin or otherwise prevent or declare invalid or unlawful the occupancy, use, maintenance or operation of the Property, or any portion thereof, Borrower shall use commercially reasonable efforts to cause such proceedings to be vigorously contested in good faith, and in the event of an adverse ruling or decision, prosecute all commercially reasonable allowable appeals therefrom, and shall, without limiting the generality of the foregoing, resist the entry or seek the stay of any temporary or permanent injunction that may be entered, and use its commercially reasonable efforts to bring about a favorable and speedy disposition of all such proceedings. All such proceedings, including without limitation, all of Lender's costs, and fees and disbursements of Lender's counsel in connection with any such proceedings, whether or not Lender is a party thereto, shall be at Borrower's expense. To the extent that Lender incurs any such expenses, including attorneys' fees and fees and charges for court costs, bonds and the like, Borrower shall reimburse Lender for such expenses and the amount due Lender shall bear interest at the rate under the Term Loan from the date so incurred by Lender until repaid to Lender and shall be payable to Lender on demand. Disposal and Encumbrance of Property. Except as otherwise expressly provided in the Loan Documents, Borrower shall not suffer, permit or enter into any agreement for any sale, lease, transfer, or in any way encumber or dispose of or grant or suffer any security or other assignment (collateral or otherwise) of or in all or any portion of the Property, except for Permitted Leases (as defined below), Permitted Encumbrances, and any modification or amendment of the same. Any consent given by Lender or any waiver of default under this Section, shall not constitute a consent to, or waiver of any right, remedy or power of Lender under any subsequent default hereunder.

4.8 Notice of Material Adverse Effect. Borrower shall promptly give to Lender notice of the occurrence of any Material Adverse Effect.

4.9 Limitation on Distributions. Provided that Borrower is not in breach of the covenant set forth in Section 4.23 (Debt Service Coverage Ratio) of the Credit Agreement (or Borrower has provided the Resizing Amount in accordance with this Agreement), and provided further that no Event of Default then exists, Borrower may, without the consent of Lender declare or pay any dividend or distributions, including, but not limited to, Preferred Dividends.

4.10 Additional Documents. Except with regard to any subordinate financing, Borrower shall not execute or record any document pertaining to, affecting or running with all or any portion of the Property, including, without limitation, any plat or subdivision map, without the prior written approval of Lender of the form and substance of such documents, which approval shall not be unreasonably withheld. Upon granting such approval, Lender agrees to execute such consents and subordination agreements with respect to such documents as are acceptable to Lender in its reasonable discretion.

4.11 Costs. Borrower shall reimburse Lender for any and all fees, costs and expenses including, without limitation, reasonable attorneys' fees, other professionals' fees, appraisal fees, title fees, environmental assessment fees (including Phase I and Phase II assessments), expert fees, court costs, litigation and other expenses (collectively, the "Costs") incurred or paid by Lender or any of its officers, employees or agents in connection with: (a) the preparation, negotiation, procurement, review, administration or enforcement of this Agreement, the Notes, any other Loan Documents or any instrument, agreement, document, policy, consent, waiver, subordination, release of lien, termination statement, satisfaction of mortgage, financing statement or other lien search, recording or filing related thereto (or any amendment, modification or extension to, or any replacement or substitution for, any of the foregoing), whether or not any particular portion of the transactions contemplated during such negotiations is ultimately consummated, (b) any out-of-pocket fees and expenses related to this Agreement, and (c) the defense, preservation and protection of Lender's rights and remedies thereunder, including without limitation, its security interest in the Property or any other property pledged to secure the Loans, whether incurred in bankruptcy, insolvency, foreclosure or other litigation or proceedings or otherwise. The Costs shall be due and payable upon demand by Lender and such Costs incurred by Lender up to and including the Effective Date shall be included in the closing statement with the Title Company. If thereafter Borrower fails to pay the Costs when upon such demand, Lender is entitled to disburse such sums as an additional advance under the terms of this Agreement. Thereafter, the Costs shall bear interest from the date incurred or disbursed at the highest rate set forth herein. This provision shall survive the termination of this Agreement and/or the repayment of any amounts due or the performance of any Obligation.

4.12 Changes in Property Restrictions. Borrower shall not initiate, join in or consent to any change in any applicable zoning ordinance, general plan or similar law, or to any private restrictive covenant or any similar public or private restriction on the use of the Property, except with the prior written consent of Lender (not to be unreasonably withheld, conditioned or delayed).

4.13 Existence. Borrower shall maintain its existence and/or qualified to do business as a limited liability company or corporation, as applicable, in good standing under the laws of the State of Delaware and each other jurisdiction in which it is required to be so qualified.

4.14 Notice of Certain Matters. Borrower shall give notice to Lender, within fifteen (15) days after Borrower obtains actual knowledge thereof, of each of the following:

(a) any litigation or claim affecting or relating to the Property and involving an amount in excess of $1,000,000.00, whether covered by insurance or not, that could reasonably be expected to have a Material Adverse Effect;

(b) any dispute between Borrower and any governmental agency relating to the Property, the adverse determination of which would reasonably be expected to have a Material Adverse Effect;

(c) the creation or imposition of any mechanics', labor, materialmans' or other similar lien or other lien against the Property that is not discharged or bonded over within 15 days from the date of Borrower's actual knowledge thereof; except as disclosed in the Environmental Report, the presence of any Hazardous Substances on, under or about the Property (other than as used in the normal course of Borrower's operations at the Property); any enforcement, clean-up, removal or other action or requirement of any governmental agency relating to any such Hazardous Substances; and the existence of any occurrence or condition on any property or in the vicinity of the Property that could cause the Property to be otherwise subject to any restrictions relating to Hazardous Substances and result in a Material Adverse Effect; and/or

(d) any occurrence of a Material Adverse Effect.

4.15 Further Assurances. Borrower shall execute and acknowledge (or cause to be executed and acknowledged) and deliver to Lender all documents, and take all actions, reasonably required by Lender from time to time to confirm the rights created or now or hereafter intended to be created under the Loan Documents, to protect and further the validity, priority and enforceability of the Loan Documents, to subject to the Loan Documents and any property intended by the terms of any Loan Document to be covered by the Loan Documents, or otherwise to carry out the purposes of the Loan Documents.

4.16 Amendment of Organizational Documents. Borrower shall deliver to Lender a copy of any amendment to the articles or organizational document of Borrower reasonably promptly after the execution of any such amendment.

4.17 Merger; Disposition of Assets. UTI AZ shall not (a) merge or consolidate with any entity unless UTI AZ shall be the continuing or surviving Person, (b) [intentionally deleted], or (c) consummate, or take or permit any action to effectuate, a statutory division under applicable law (including any transfer or allocation of assets effected by any such statutory division) of UTI AZ.

4.18 Intentionally Deleted.

4.19 Insurance. Borrower shall maintain insurance in accordance with the Mortgage and comply with all covenants related thereto.

4.20 Casualty Loss; Proceeds of Insurance. Borrower will give the Lender prompt written notice of any loss or damage to the Property, or any part thereof, by fire or other casualty. In case of loss or damage covered by any one of the insurance policies maintained with respect to the Property, all proceeds of such insurance policies will be applied in accordance with the Mortgage.

4.21 Condemnation and Eminent Domain. Any and all awards heretofore or hereafter made or to be made to Borrower (or any subsequent owner of the Property, or any part thereof) by any governmental or other lawful authority for the taking, by condemnation or eminent domain, of all or any part of the Property (including any award from the United States government at any time after the allowance of a claim therefor, the ascertainment of the amount thereto, and the issuance of a warrant for payment thereof), are hereby assigned by the Borrower to the Lender, which awards will be prosecuted and applied in accordance with the Mortgage.

4.22 Funded Indebtedness to EBITDA Ratio. Borrower shall not permit its Funded Indebtedness to Consolidated EBITDA, on a consolidated basis, to be greater than 3.50 to 1.00 at the end of any fiscal quarter in respect of any trailing twelve (12) month period, as of each determination date, which determination dates shall commence on June 30, 2021, and occur on the last day of each fiscal quarter thereafter.

4.23 Debt Service Coverage Ratio. Borrower shall not permit its Debt Service Coverage Ratio, on a consolidated basis, to be less than 1.25 to 1.00 in respect of any trailing twelve (12) month period as of each determination date, which determination dates shall commence on September 30, 2021, and occur on each September 30th thereafter.

4.24 Loan to Value. Commencing on the third year anniversary of the making of the Effective Date, and upon any date thereafter (but not more than once prior to the Termination Date), Lender may require a maximum loan to value of 70% based on a new appraisal on each determination date thereafter, at Borrower's cost ("Loan to Value").

Section 5. Events of Default and Remedies.

5.1 Events of Default. The occurrence of any of the following events shall be an event of default (each, an "Event of Default"):

(a) Any representation or warranty made by or on behalf of Borrower herein, in any of the Loan Documents or in any other statement, certificate or document delivered to Lender pursuant to any such Loan Document, is incorrect or misleading when made, deemed made or reaffirmed; or

(b) Borrower defaults in the payment of any principal or interest on the Term Note when due and payable (whether by acceleration or otherwise) and such amount is not received by Lender within five (5) days thereafter, or Borrower defaults in the payment of any other sum required to be paid to Lender under any Loan Document within seven (7) days following written notice to Borrower that the same is due and payable; or

(c) Other than with respect to Sections 4.22, 4.23, and 4.24, Borrower fails to observe, comply with or perform any other covenant, condition or agreement herein or in any of the other Loan Documents and fails to cure such default within thirty (30) days after receipt of notice from Lender of the occurrence thereof (provided that, with respect to any default or breach specified in this subsection (c) that cannot be cured by within such 30 day period and Borrower shall have commenced the cure within such 30 day period, and thereafter diligently and expeditiously proceeds to cure the same, such 30 day period shall be extended for so long as it shall require Borrower in the exercise of due diligence to cure the same (up to a maximum of 90 days), provided that such grace period shall not apply to (i) a breach of any covenant that, in Lender's good faith judgment, cannot be cured, or (ii) any failure to maintain insurance in accordance with the Mortgage not cured within five (5) days, or (iii) any additional breach of a covenant for which an Event of Default exists but has not been cured within the permitted time therefor, provided however, that nothing in this subsection (iii) shall in any way limit Borrower's ability to cure such breach(es) which may have been undertaken, but not yet complete).

(d) A court enters a decree or order for relief with respect to Borrower in an involuntary case under any applicable bankruptcy, insolvency or other similar law then in effect, or appoints a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) for Borrower or any substantial part of its Property, or orders the wind-up or liquidation of Borrower's affairs; or a petition initiating an involuntary case under any such bankruptcy, insolvency or similar law is filed, and in each case, is pending for sixty (60) days without dismissal; or

(e) Borrower commences a voluntary case under any applicable bankruptcy, insolvency or other similar law in effect, or makes any general assignment for the benefit of creditors, or fails generally to pay its debts as such debts become due, or takes company or other action in furtherance of any of the foregoing; or

(f) Any event occurs which may, in Lender's reasonable determination, have a Material Adverse Effect upon the Property or any portion thereof or upon Borrower's financial condition, operations, assets or prospects; or

(g) An Event of Default under any Loan Document; or

(h) The dissolution of Borrower; or

(i) The commencement of any foreclosure proceedings, proceedings in aid of execution, attachment actions, levies against, or the filing by any taxing authority of a lien against any of the Property or any property securing the repayment of any of the Obligations which lien is not removed (or bonded over which stays such actions) within thirty (30) days thereafter; or

(j) (i) The validity or effectiveness of any of the Loan Documents or its transfer, grant, pledge, mortgage, or assignment by the party executing such Loan Document is impaired or challenged; (ii) any party executing any of the Loan Documents asserts that any of such Loan Documents is not a legal, valid and binding obligation of the party thereto enforceable in accordance with its terms; (iii) the security interest or lien purporting to be created by any of the Loan Documents shall for any reason cease to be a valid, perfected lien subject to no other liens other than liens permitted by the terms of this Agreement; or (iv) any Loan Document is amended, hypothecated, subordinated, terminated or discharged, or any Person is released from any of its covenants or obligations under any of the Loan Documents except as permitted by Lender in writing; or

(k) the filing of any lien, charge or encumbrance against the Property or any part thereof, other than a Permitted Encumbrance, Permitted Lease, or as may otherwise be expressly set forth in the Loan Documents, which is not removed to the satisfaction of Lender within a period of ten (10) days thereafter; or

(l) an event of default (after notice and opportunity to cure available therein) under any Rate Management Agreement, including without limitation, nonpayment by Borrower of any Rate Management Obligation or the breach by Borrower of any term, provision or condition contained in therein; or

(m) Borrower fails to maintain the required Funded Indebtedness to Consolidated EBITDA, Debt Service Coverage or Loan to Value Ratio pursuant to Sections 4.22, 4.23 or 4.24 and, within ten (10) days after the earlier of (i) the date Borrower is required to deliver the compliance certificate required under Section 4.4 hereof or (ii) delivery of written notice from Lender of such failure, Borrower fails to do one of the following: (a) pay down the outstanding principal balance of the Loan by an amount necessary to cause the Debt Service Coverage or Loan to Value Ratio to be restored to the required ratio (the "Resizing Amount") and agrees to permanently reduce the availability of the Loans by such amount, or (b) deposit the Resizing Amount in an interest-bearing demand deposit account in Borrower's name with and pledged to Lender as collateral for the Loan, or (c) deliver to Lender an irrevocable letter of credit in the face amount of the Resizing Amount in form and substance, and issued by a financial institution, satisfactory to Lender in its sole discretion, and having an "evergreen provision" and expiring not earlier than thirty (30) days after the Termination Date, to be held as collateral for the Loans (subject to the terms of Section 2.5 hereof).

5.2 Remedies. If any Event of Default occurs and is then continuing, Lender may elect to exercise any one or more of the following remedies all of which are cumulative, and all without presentment, demand, protest or notice of any kind, as the same are hereby expressly waived by Borrower, unless otherwise required by applicable law:

(a) declare all Obligations to be immediately due and payable, whereupon such Obligations shall immediately become due and payable, or

(b) proceed to realize upon the Property or any portion thereof or any property securing the Obligations, including, without limitation, causing all or any part of the Property to be transferred or registered in its name or in the name of any other Person in accordance with applicable law regarding enforcing the security interest on the Property, with or without designation of the capacity of such nominee, and Borrower shall be liable for any deficiency remaining after disposition of any Property and waives all valuation and appraisement laws, or

(c) offset and apply to all or any part of the Obligations all moneys, credits and other property of any nature whatsoever of Borrower now or at any time hereafter in the possession of, in transit to or from, under the control or custody of, or on deposit with (whether held by Borrower individually or jointly with another party), Lender, including but not limited to certificates of deposit, or

(d) make any advances without thereby waiving its right to demand payment of the Note, its right not to make any further advances, or any of its other rights or remedies, or

(e) perform obligations of Borrower under the Loan Documents in such manner as Lender may determine, or

(f) exercise any and all rights and remedies provided by applicable law and/or the Loan Documents.

5.3 Default Rate. During the continuance of an Event of Default, all amounts of principal outstanding as of the date of the occurrence of such Event of Default shall accrue interest at the Default Rate, in Lender's sole discretion, without notice to Borrower. This provision does not constitute a waiver of any Event of Default or an agreement by Lender to permit any late payments whatsoever.

5.4 No Remedy Exclusive. No remedy set forth herein is exclusive of any other available remedy or remedies, but each is cumulative and in addition to every other remedy available under this Agreement, the Loan Documents or as may be now or hereafter existing at law, in equity or by statute, and each may be exercised together, separately and in any order. Borrower waives any requirement of marshalling of assets that may be secured by any of the Loan Documents.

5.5 Effect of Termination; Voluntary Termination.

(a) The termination of this Agreement shall not affect any rights of either party or any obligation of either party to the other, arising prior to the effective date of such termination, and the provisions hereof shall continue to be fully operative until all transactions entered into, rights created or Obligations incurred prior to such termination have been fully disposed of, concluded or liquidated. The security interest, lien and rights granted to Lender hereunder and under the Loan Documents shall continue in full force and effect, notwithstanding the termination of this Agreement or the fact that no portion of the Loans is outstanding to Borrower, until all of the Obligations have been indefeasibly paid and satisfied in full.

(b) Borrower may terminate this Agreement (i) by giving Lender written notice ("Termination Notice") of the date on which this Agreement is to terminate ("Voluntary Termination Date") at least ten (10) days before the Voluntary Termination Date, unless such election is revoked by Borrower in writing delivered to Lender, and (ii) by paying on any such Voluntary Termination Date all of the Obligations. Upon the Voluntary Termination Date (unless such termination is revoked as set forth above), (1) the Term Loan and all other Obligations will automatically and immediately become due and payable, and (2) Lender's obligations under this Agreement and the other Loan Documents arising on and after that effective date of termination will automatically terminate immediately, without notice or demand, which Borrower hereby expressly waives.

5.6 No Adequate Remedy at Law. Borrower recognizes that no remedy at law shall provide adequate relief to Lender in the event that Borrower shall fail to pay, perform, observe or discharge any of its Obligations under this Agreement, the Note or the other Loan Documents, and, accordingly, Lender and Borrower agree that Lender shall be entitled to temporary and permanent injunctive relief in any such case without the necessity of proving that it has incurred actual damages.

Section 6 Conditions Precedent.

6.1 Conditions to Loan Advance. Prior to the making of any Loan Advance, Borrower shall execute and/or deliver to Lender those of the following documents and other items required to be executed and/or delivered by Borrower, and shall cause to be executed and/or delivered to Lender those of the following documents and other items required to be executed and/or delivered by others, all of which documents and other items shall contain such provisions as shall be required to conform to this Agreement and otherwise shall be satisfactory in form and substance to Lender:

(a) Loan Documents. The Loan Documents.

(b) Insurance. The policies of insurance as provided herein.

(c) Title Insurance Policy. An ALTA 2006 Loan Policy of Title Insurance (the "Title Policy") issued by the Title Company in the full amount of the Notes insuring that the Mortgage will be a first priority lien upon the fee simple title to the Real Property to the extent of advances of the Loans made by Lender from time to time under this Agreement, subject to no liens, claims, exceptions or encumbrances except the Permitted Exceptions and containing the following endorsements and such other endorsements as the Lender may require:

(i) Comprehensive Endorsement (ALTA Endorsement 9.1-06);

(ii) Access Endorsement (ALTA Endorsement 17-06 or 17.1-06, as applicable);

(iii) Tax Parcel Endorsement (ALTA Endorsement 18-06 or 18.1-06 as applicable);

(iv) Waiver of Arbitration Endorsement;

(v) Usury Endorsement;

(vi) Variable Rate Endorsement;

(vii) Subdivision;

(viii) Environmental Protection Lien; and

(ix) Such additional endorsements as may be reasonably required by Lender based upon its review of the Title Policy and Survey.

(d) Title Clearance Documents. Copies of such documents, if any, as Borrower has provided the Title Company in connection with the issuance and underwriting of the Title Policy.

(e) Recorded Documents. Copies of all recorded documents described in the Title Policy.

(f) Searches. Current Uniform Commercial Code, federal and state tax lien and judgment searches, pending suit and litigation searches and bankruptcy court filings searches covering Borrower and disclosing no matters objectionable to Lender.

(g) Opinion of Counsel. Opinion letter from legal counsel for Borrower (which counsel must be approved by Lender with respect to the issuance of such opinion) opining to the authority of said parties to execute, deliver and perform their respective obligations under the Loan Documents, to the validity and binding effect and enforceability of the Loan Documents and to such other matters as Lender and its counsel shall require.

(h) Flood Plain. Evidence that (a) no portion of the Real Property is located in an area designated by the U.S. Secretary of Housing and Urban Development as having special flood hazards, or if any portion of the Real Property is so located, evidence that flood insurance is in effect; and (b) no portion of the Real Property is located in a federally, state or locally designated wetland or other type of government protected area.

(i) Environmental Report. Evidence that the environmental condition of the Property is satisfactory to Lender. Such evidence shall include, but shall not be limited to, a Phase I environmental audit certified to Borrower and Lender and setting forth an asbestos evaluation and other environmental investigations of the Property and the areas surrounding the Property (the "Environmental Report"). Such testing and investigation shall be performed by an environmental professional acceptable to Lender in a manner satisfactory to Lender.

(j) Financial Conditions. Evidence that, as of the date of the Loan Advance, there has been no Material Adverse Effect since the date of the most recent financial statements or projections delivered to Lender or the most recent inspections of the condition of the Property made by the Lender, as the case may be.

(k) Appraisal. An appraisal acceptable to Lender indicating that the amount of the Term Loan is not more than seventy percent (70%) of the aggregate fair market "as is" value of the Property.

(l) Organizational Documents. A certified copy (certified, where applicable, by the state office in which such documents were filed, and in all other cases by the secretary or other appropriate representative of the entity) of: (i) the articles of organization or incorporation, and operating agreement or bylaws of Borrower, as applicable; (ii) resolutions by the Borrower authorizing the execution and delivery of the documents evidencing and securing the Loans; (iii) an incumbency certificate, including specimen signatures for all individuals executing any of the Loan Documents for the Borrower executing any of the Loan Documents; (iv) certificates of good standing for the Borrower that is an entity from the Secretary of State of the State of Delaware; and (v) all other instruments and documents concerning the formation and existence for the Borrower that is an entity, and the execution and delivery of the Loan Documents by the Borrower, required by the Lender.

(m) Additional Documents. Such other papers and documents regarding Borrower or the Property as Lender may require.

6.2 Conditions Precedent in General. In addition to the other conditions set forth herein, the obligation of Lender to make any Loan Advance shall be conditioned upon and subject to the payment to Lender of all loan fees then owing from Borrower to Lender and to satisfaction of all of the following conditions:

(a) The Lender shall have received all documents, instruments and reports referred to in Article 4, in form and substance reasonably acceptable to the Lender, as of the date of such disbursement.

(b) All representations and warranties contained in this Agreement and in the other Loan Documents shall be true in all material respects on and as of the date of such disbursement.

(c) Borrower shall have performed all of its obligations under all Loan Documents which are required to be performed on or prior to the date of such disbursement.

(d) There shall be no Material Adverse Effect in the financial condition of Borrower as reasonably determined by Lender as of the date of such disbursement.

(e) No Event of Default shall have occurred that has not been waived in writing by Lender, and no event or circumstance that with the giving of notice, the passage of time, or both, would constitute an Event of Default shall then exist.

(f) No litigation or proceedings are pending (including proceedings under Title 11 of the United States Code) against Borrower or the Property, which litigation or proceedings, in the reasonable judgment of Lender, would adversely affect Borrower's ability to perform its respective obligations under the Loan Documents or adversely affect the Property or any portion thereof.

Section 7 Miscellaneous Provisions.

7.1 Miscellaneous. This Agreement, the exhibits and the other Loan Documents are the complete agreement of the parties hereto and supersede all previous understandings relating to the subject matter hereof.

Subject to Lender's rights set forth in Section 2.2 hereof, this Agreement may be amended only in writing signed by the party against whom enforcement of the amendment is sought. This Agreement may be executed in counterparts. If any part of this Agreement is held invalid, illegal or unenforceable, the remainder of this Agreement shall not in any way be affected. This Agreement is and is intended to be a continuing agreement and shall remain in full force and effect until the Loans and Obligations are finally and irrevocably paid and satisfied in full and this Agreement is terminated.

7.2 Waiver by Borrower. Borrower waives notice of non-payment, diligence, demand, presentment, notice or non-payment or dishonor, protest or notice of protest of any collateral or otherwise, and all other notices (except those notices specifically provided for in this Agreement and the other Loan Documents); consents to any renewals or extensions of time of payment of any Obligations; consent to the release without notice of any party liable on any of the Obligations; consents to the addition without notice of parties liable on any of the Obligations; and consents to the acceptance or release without notice of collateral, all without in any way affecting its liability. Borrower hereby waives all suretyship defenses, or impairment of collateral, including but not limited to, all defenses set forth in the Uniform Commercial Code.

7.3 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the respective legal representatives, successors and assigns of the parties hereto; however, without Lender's prior written consent, Borrower may not assign or transfer any of its rights or delegate any of its Obligations under this Agreement or any of the Loan Documents. Lender (and any subsequent assignee) may transfer and assign any of its rights or delegate any of its duties under this Agreement or may transfer or assign partial interests or participations in the Loans or Notes to other Persons provided that, at all times on and after the Effective Date, the "Lender" (as defined in this Agreement and the other Loan Documents) is also "Party A" under the Rate Management Agreement, it being the intention of the parties that the Rate Management Agreement, this Agreement, and the Loan Documents all be between Lender and Borrower. Lender may disclose to all prospective and actual assignees and participants all financial, business and other information about Borrower which Lender may possess at any time.

7.4 Security. The Obligations are secured as provided in this Agreement, the Mortgage, in the other Loan Documents and in each other document or agreement that by its terms secures the repayment or performance of the Obligations (or any portion thereof).

7.5 Survival. All representations, warranties, covenants and agreements made by Borrower herein and in the Loan Documents shall survive the execution and delivery of this Agreement, the Loan Documents and the issuance of the Notes, and will continue until all Obligations are paid and satisfied in full.

7.6 Delay or Omission. No delay or omission on the part of Lender in exercising any right, remedy or power arising from any Event of Default or otherwise shall impair any such right, remedy or power or any other right remedy or power or be considered a waiver or any right, remedy or power or any Event of Default nor shall the action or omission to act by Lender upon the occurrence of any Event of Default impair any right, remedy or power arising as a result thereof or affect any subsequent Event of Default of the same or different nature.

7.7 Notices. Any notices under or pursuant to this Agreement shall be deemed duly sent when delivered in hand or when mailed by registered or certified mail, return receipt requested or by recognized overnight courier service addressed as follows:

To Borrower:	Universal Technical Institute, Inc. 4225 E. Windrose Drive, Suite 200 Phoenix, Arizona 85032 Attention: Troy Anderson, Chief Financial Officer
With a copy to:	DLA Piper LLP (US) Attn: David Lewis, Esq. 2525 E Camelback Rd., Suite 1000 Phoenix, AZ 85016
To Lender:	Fifth Third Bank, National Association 38 Fountain Square Plaza

Cincinnati, Ohio 45263
Attention: Commercial Loan Department

Either party may change such address by sending written notice of the change to the other party.

7.8 No Partnership. Nothing contained herein or in any of the Loan Documents is intended to create or shall be construed to create any partnership, joint venture or other relationship between Lender and Borrower other than as expressly set forth herein or therein and shall not create any joint venture, partnership or other relationship.

7.9 Indemnification. If after receipt of any payment of all or part of the Obligations, Lender is for any reason compelled to surrender such payment to any Person, because such payment is determined to be void or voidable as a preference, impermissible setoff, or diversion of trust funds, or for any other reason, this Agreement shall continue in full force and effect and Borrower shall be liable to, and shall indemnify, save and hold Lender, its officers, directors, attorneys, and employees harmless of and from the amount of such payment surrendered. The provisions of this Section 7.9 shall be and remain effective notwithstanding any contrary action which may have been taken by Lender in reliance on such payment, and any such contrary action so taken shall be without prejudice to Lender's rights under this Agreement and shall be deemed to have been conditioned upon such payment becoming final, indefeasible and irrevocable. In addition, to the extent permitted by applicable law, except to the extent of the gross negligence or willful misconduct of Lender, its agents, employees, contractors, and licensees, Borrower shall indemnify, defend, save and hold Lender, its officers, directors, attorneys, and employees harmless of, from and against all claims, demands, liabilities, judgments, losses, damages, costs and expenses, joint or several (including all accounting fees and attorneys' fees reasonably incurred), that Lender or any such indemnified party may incur by third party claims arising out of this Agreement, any of the Loan Documents or any act taken by Lender hereunder. The provisions of this Section 7.9 shall survive the termination of this Agreement.

7.10 Governing Law; Jurisdiction. This Agreement, the Note and the other Loan Documents are delivered in, are intended to be performed in, will be controlled, interpreted, construed and enforceable in accordance with and governed by the internal laws of, the State Arizona (except to the extent expressly stated in the Mortgage, Assignment of Leases, or Indemnity Agreement), without regard to principles of conflicts of law. Borrower agrees that the state and federal courts in Hamilton County, Ohio or Maricopa County, Arizona, shall have non-exclusive jurisdiction over all matters arising out of the Loan Documents and consent to jurisdiction and venue of such courts and waives any argument that venue in such forum and venue is not convenient, and that service of process in any such proceeding shall be effective if mailed to Borrower at their address described in the Notices section of this Agreement. Nothing contained herein shall affect the right of Lender to serve process in any other manner permitted by law.

7.11 JURY TRIAL WAIVER. LENDER AND BORROWER HEREBY WAIVES THE RIGHT TO TRIAL BY JURY OF ANY MATTERS ARISING OUT OF OR IN ANY WAY RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY WHETHER IN CONTRACT, TORT OR OTHERWISE. THIS PROVISION AND THE WAIVER SET FORTH HEREIN ARE MATERIAL INDUCEMENTS TO LENDER TO PROVIDE THE FINANCING DESCRIBED HEREIN AND IN THE LOAN DOCUMENTS.

7.12 PATRIOT ACT NOTICE. Borrower hereby acknowledges that it seeks to comply with all applicable laws concerning money laundering and related activities. To help the government fight the funding of terrorism and money laundering activities, federal law requires all financial institutions to obtain, verify, and record information that identifies each party who opens an account. Lender will ask each party to a financial transaction their name, address and other information that will allow Lender to identify such party. Lender may also ask to see other documents that substantiate a party's identity.

7.13 Entire Agreement; No Oral Modifications. The Loan Documents to which Borrower is a party, collectively constitute the entire understanding between Lender and Borrower as to the matters contemplated therein and may not be modified, amended or terminated except by written agreement signed by both Lender and Borrower.

7.14 Approvals, Consents and Waiver. No approval, acceptance or consent of Lender required by any provision of the Loan Documents, nor any statement or waiver of any required approval, acceptance, acceptability, consent or condition, shall be deemed to have occurred until set forth in writing, signed by Lender, and delivered to Borrower. Any approval, acceptance, consent, waiver or statement of acceptability granted by Lender shall be applicable only to the particular occurrence, circumstance or instance identified in such writing, and shall not constitute a continuing approval, acceptance, consent, waiver or statement of acceptability or be otherwise applicable to any other occurrence, circumstance or instance, whether similar or dissimilar. When this Agreement, any other Loan Document refers to the consent or approval of Lender, or provides that any document, matter, act, event, occurrence or Person must be satisfactory or acceptable to Lender or words of similar import, such consent or approval may be given or withheld by Lender, and such document, matter, act, event, occurrence or Person must be satisfactory or acceptable to Lender, in its sole and absolute discretion, unless otherwise expressly provided herein or therein.

7.15 Time Is of the Essence. Time is of the essence of the Loan Documents and of every part hereof, and Borrower therefore acknowledges that Lender has no obligation to grant any extension of any provision thereof, and any extension which Lender may elect to grant may be conditioned upon such terms and conditions as Lender may impose in its sole discretion.

7.16 Severability. In the event of any invalidity or unenforceability of any Loan Document or any provision of any Loan Documents, the remainder of the Loan Documents shall remain in full force and effect.

7.17 Headings. Headings herein are used for convenience of reference only and do not define or limit the scope of provisions of this Agreement.

7.18 Interpretation. Each of the Loan Documents shall be construed without regard to whether it was prepared or drafted by one party or the other or either of their attorneys.

7.19 Electronic Signatures; Counterparts. This Agreement and the other Loan Documents may be signed by facsimile signatures or other electronic delivery of an image file reflecting the execution hereof, and, if so signed: (a) may be relied on by each party as if the document were a manually signed original and (b) will be binding on each party for all purposes. This Agreement may be executed in multiple counterparts, each of which shall be an original but all of which together shall constitute one and the same instrument.

7.20 Limitation Upon Interest. In the event that the interest and/or charges in the nature of interest, if any, provided for by this Agreement or by any other Loan Document, or the amount paid, or agreed to be paid, to Lender for the use, forbearance or detention of money to be loaned under this Agreement or the other Loan Documents, or for the performance or payment of any covenant or obligation contained herein or therein, contravenes a legal or statutory limitation applicable to the Term Loan, if any, Borrower will pay only such amounts as would legally be permitted; provided, however, that if the defense of usury and all similar defenses are unavailable to Borrower, Borrower will pay all amounts provided for herein. If, for any reason, amounts in excess of the amounts permitted in the foregoing sentence have been paid, received, collected or applied hereunder, whether by reason of acceleration or otherwise, then, and in that event, any such excess amounts will be applied to principal, unless principal has been fully paid, in which event such excess amount will be refunded to Borrower. Borrower agrees to pay an effective rate of interest equal to the rate stated in this Agreement and the Term Note, plus any additional rate, if any, resulting from any charge or fee in the nature of interest paid or to be paid by Borrower and/or any other obligor in connection with the indebtedness secured by the Loan Documents, or any benefit received or to be received by Lender in connection with the indebtedness or the Loan Documents.

7.21 Waiver of Offsets; Counterclaims. Borrower hereby waives the right to assert a counterclaim, other than a compulsory counterclaim, in any action or proceeding brought against it by Lender to offset any obligations to make the payments required by the Loan Documents. No failure by Lender to perform any of its material obligations hereunder will result in any offset against any payments which Borrower is obligated to make under any of the Loan Documents.

7.22 Document Imaging, Electronic Transactions and the UETA. Without notice to or consent of Borrower, Lender may create electronic images of this Agreement and the other Loan Documents and destroy paper originals of any such imaged documents. Provided that such images are maintained by or on behalf of Lender as part of Lender's normal business processes, Borrower agrees that such images have the same legal force and effect as the paper originals, and are enforceable against Borrower. Furthermore, Borrower agrees that Lender may convert any Loan Document into a "transferrable record" as such term is defined under, and to the extent permitted by, the Uniform Electronic Transactions Act as in effect in the State of Arizona, as amended from time to time, and any successor statute, and any regulations promulgated thereunder from time to time (the "UETA"), with the image of such instrument in Lender's possession constituting an "authoritative copy" under the UETA.

[Signature Pages Intentionally Omitted]

EXHIBIT A

Definitions

"Affiliate" means, as to Borrower, (a) any person or entity which, directly or indirectly, is in control of, is controlled by or is under common control with, Borrower.

"Applicable Margin" means, as to Tranche Rate Loans, 2.00% per annum, and as to Base Rate Loans, 0.00% per annum.

"Assignment of Leases" shall mean that certain Assignment of Rents and Leases of even date herewith encumbering the Property by Borrower for the benefit of Lender to secure the Term Loan, as the same may be amended, restated, modified, extended or supplemented and in effect from time to time.

"Base Rate" means a variable per annum rate, as of any date of determination, equal to the Prime Rate. The Base Rate is a reference rate and does not necessarily represent the lowest or best rate actually charged to any customer. Lender may make commercial loans or other loans at rates of interest at, above or below the Base Rate. Any change in the Base Rate shall be effective for purposes of this Agreement on the date of such change without notice to Borrower.

"Business Day" means any day other than a Saturday, Sunday or federal holiday and (i) with respect to all notices and determinations, including interest payment dates, in connection with Term SOFR, any day that commercial banks in New York, New York are required by law to be open for business and that is a U.S. Government Securities Business Day and (ii) in all other cases, any day on which commercial banks in Cincinnati, Ohio are required by law to be open for business; provided that, notwithstanding anything to the contrary in this definition of "Business Day", at any time during which a Rate Management Agreement with Lender is then in effect with respect to all or a portion of the Note, then the definitions of "Business Day" and "Banking Day", as applicable, pursuant to such Rate Management Agreement shall govern with respect to all applicable notices and determinations in connection with such portion of the Note subject to such Rate Management Agreement.

"Certificate of Designations" means the Certificate of Designations of the Series A Convertible Preferred Stock, dated June 26, 2016, which fixes the voting powers, designations, preferences and relative, participating, optional or other special rights, qualifications, limitations or restrictions of the Series A Preferred Stock.

"Conforming Changes" means, with respect to the use, administration of, or any conventions associated with the Tranche Rate or any proposed Successor Rate, as applicable, any changes to the terms of this Agreement related to the timing, frequency, and methodology of determining rates and making payments of interest, including changes to the definition of Business Day, lookback periods or observation shift, prepayments, and borrowing, conversion, or continuation notices, and other technical, administrative, or operational matters, as may be appropriate, in the discretion of Lender, to reflect the adoption and implementation of such applicable rate and to permit the administration thereof by Lender in an operationally feasible manner and, to the extent feasible, consistent with market practice.

"Consolidated EBITDA" means, for any period, the sum of the following determined on a consolidated basis, without duplication, for the Borrower and its subsidiaries in accordance with GAAP; (a) consolidated income of the Borrower and its subsidiaries, plus (b) the sum of the following, to the extent deducted in determining income for such period: (i) the provision for income taxes payable during such period, (ii) interest expense, (iii) amortization, depreciation and other non-cash charges including net stock-based compensation (except to the extent that such non-cash charges are reserved for cash charges to be taken in the future), (iv) fees, costs, and expenses (including legal, accounting and financing costs) expensed during such period in connection with any of potential acquisitions, new program, and campus start-up costs, and (v) the amount of any non-recurring restructuring charge, reserve, integration costs, or other business optimization expense or cost including those one-time charges related to severance and expenses relating to Borrower's stated growth and diversification strategy, less (c) the sum of the following, without duplication, to the extent included in determining consolidated income for such period: (i) any extraordinary gains or unusual and non-recurring gains for such period (ii) interest income and (iii) non-cash gains or non-cash items increasing consolidated income for such period.

"Daily Simple SOFR" means a rate based on SOFR with interest accruing on a simple daily basis in arrears with a methodology and conventions selected by Lender.

"Debt Service Coverage Ratio" means the ratio of (a) the sum of Borrower's Consolidated EBITDA (less Preferred Dividends) and other extraordinary items, to (b) the current portion of Long Term Debt and interest paid, for the measurement period.

"Effective Date" has the meaning set forth in the first paragraph of this Agreement.

"Environmental Report" has the meaning set forth in Section 6.1(i) of this Agreement.

"Excluded Swap Obligation" means, with respect to any guarantor of a Swap Obligation, including the grant of a security interest to secure the guaranty of such Swap Obligation, any Swap Obligation if, and to the extent that, such Swap Obligation is or becomes illegal under the Commodity Exchange Act or any rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof) by virtue of such guarantor's failure for any reason to constitute an "eligible contract participant" as defined in the Commodity Exchange Act and the regulations thereunder at the time the guaranty or grant of such security interest becomes effective with respect to such Swap Obligation. If a Swap Obligation arises under a master agreement governing more than one swap, such exclusion shall apply only to the portion of such Swap Obligation that is attributable to swaps for which such Swap Obligation or security interest is or becomes illegal.

"Floor" means 0.00%.

"First Amendment Effective Date" means April 1, 2023

"Funded Indebtedness" means all Indebtedness (i) in respect of money borrowed or (ii) evidenced by a note or a debenture (senior or subordinated), or (iii) in respect of rent or hire of property under leases or lease arrangements which under generally accepted accounting principles are required to be capitalized, or (iv) in respect of obligations under conditional sales or other title retention agreements.

"Hazardous Substances" shall have the meaning set forth in the Indemnity Agreement.

"Improvements" shall mean all buildings, structures, paving, lighting, landscaping, utility lines and equipment and all other site improvements and all other improvements on the Real Property.

"Indebtedness" means (i) all items (except items of capital stock, of capital surplus, of general contingency reserves or of retained earnings, deferred income taxes, and amount attributable to minority interest of any) which in accordance with generally accepted accounting principles would be included in determining total liabilities as shown on the liability side of a balance sheet as at the date as of which Indebtedness is determined, (ii) all indebtedness secured by any mortgage, pledge, lien or conditional sale or other title retention agreement to which any property or asset owned or held is subject, whether or not the indebtedness secured thereby shall have been assumed (excluding non-capitalized leases which may amount to title retention agreements but including capitalized leases), and (iii) all indebtedness of others which an entity has directly or indirectly discounted or sold with recourse or agreed (continently or otherwise) to purchase or repurchase or otherwise acquire, or in respect of which such entity or any subsidiary has agreed to apply or advance funds (whether by way of loan, stock purchase, capital contribution or otherwise) or otherwise to become directly or indirectly liable.

"Indemnity Agreement" shall mean that certain Environmental Release, Hold Harmless and Indemnity dated as of even date herewith by Borrower in favor of Lender.

"Liquidation Preference" means the liquidation preference of the Series A Preferred Stock, as adjusted from time to time, pursuant to the Certificate of Designations. The Liquidation Preference as of March 31, 2021 was $100 per share of Series A Preferred Stock.

"Loan Advance" shall mean a disbursement of all or any portion of the Loans.

"Loan Documents" means this Agreement, the Note, the Mortgage, the Assignment of Rents and Leases, the Indemnity Agreement, and each Rate Management Agreement between Borrower and Lender; and "Loan Document" means any one of the Loan Documents.

"Long Term Debt" means Indebtedness which either by its terms is not payable in full within one (1) year from the date incurred, or the repayment of which may, at the option of the obligor, be extended for a period of more than one (1) year from the date incurred.

"Material Adverse Effect" means a material adverse effect on (a) Borrower's (taken as whole): (i) business, operations, prospects or financial condition, or (ii) ability to perform any of its material obligations or the negative covenants in Section 5 of this Agreement, or other material obligations under any of the Loan Documents; (b) the recoverable value of the Property or Lender's rights or interests therein; (c) the enforceability or validity on any Loan Document, or the perfection or priority in the collateral granted thereunder, or (d) the ability of Lender to exercise any of its material rights or remedies under the Loan Documents or under applicable law.

"Mortgage" shall mean that certain Deed of Trust, Assignment of Rents and Leases, Security Agreement and Fixture Filing and that certain Assignment of Rents and Leases each of even date herewith encumbering the Property by Borrower for the benefit of Lender to secure the Obligations, as each of the same may be amended, restated, modified, extended or supplemented and in effect from time to time.

"Note(s)" shall mean the Term Note.

"Obligation(s)" means all loans, advances, indebtedness, liabilities and obligations of Borrower owed to Lender whether now existing or hereafter arising under this Agreement, the Note, the Mortgage, the Indemnity, the Assignment of Rents, and the other Loan Documents, any and all Rate Management Obligations, all obligations to perform or forbear from performing acts under the Loan Documents, all amounts disbursed by Lender for the benefit of or at the request of Borrower under the Loan Documents, and all expenses and attorneys' fees incurred by Lender under this Agreement; provided that the "Obligations" shall exclude any Excluded Swap Obligations.

"Permitted Encumbrances" means any liens, obligations, agreements or items of record that are subordinate to the Deed of Trust.

"Permitted Exceptions" shall mean the exceptions to the title of the Real Property listed on Schedule B-1 to the Title Policy and all Permitted Leases.

"Permitted Leases" shall mean commercial leases of the Property executed by Borrower (i) with any affiliate of Borrower, and (ii) for any leases with any third party that is not an affiliate of Borrower, with the prior written consent of Lender (not to be unreasonably withheld, conditioned or delayed), which at the request of Lender, shall be subject to a subordination, non-disturbance, and attornment agreement on Lender's then current-form (with any commercially reasonable changes requested by such tenant).

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, governmental authority or other entity.

"Preferred Dividends" means the noncumulative cash dividend on each share of Series A Preferred Stock payable out of UTI's legally available funds semi-annually in arrears on September 30 and March 31 of each year which begin to accrue on the first day of the applicable dividend period at a rate of seven and one-half percent (7.5%) per annum on the Liquidation Preference then in effect, as such amount is adjusted from time to time pursuant to the Certificate of Designations, before any dividends are declared, set apart or paid upon any capital stock of UTI ranking junior to the Series A Preferred Stock; provided, however, if the foregoing cash dividend is not paid, the Liquidation Preference is increased to an amount equal to the Liquidation Preference then in effect plus an amount reflecting that Liquidation Preference multiplied by the cash dividend rate then in effect plus two percent (2.0%) per annum.

"Prime Rate" means, as of any date, the greater of: (a) 3.5% (b) the rate that Fifth Third Bank, N.A.publicly announces, publishes or designates from time to time as its index rate or prime rate, or any successor rate thereto, in effect at its principal office. Such rate is a reference rate and does not necessarily represent the lowest or best rate actually charged to any customer. Fifth Third may make commercial loans or other loans at rates of interest at, above or below its index rate or prime rate.

"Property" shall have the meaning set forth in the Mortgage.

"Rate Management Agreement" means the ISDA Master Agreement between UTI and the Lender executed on or about the date hereof, and any schedules, confirmations and documents and other confirming evidence between the parties confirming transactions thereunder, all whether now existing or hereafter arising, and in each case as amended, modified or supplemented from time to time.

"Rate Management Obligations" means any and all obligations of Borrower to Lender or any affiliate of Fifth Third Bancorp, whether absolute, contingent or otherwise and howsoever and whensoever (whether now or hereafter) created, arising, evidenced or acquired (including all renewals, extensions and modifications thereof and substitutions therefore), under or in connection with (i) any and all Rate Management Agreements, and (ii) any and all cancellations, buy backs, reversals, terminations or assignments of any Rate Management Agreement.

"Real Property" shall have the meaning set forth in the Mortgage.

"Series A Preferred Stock" means UTI's Series A Preferred Stock, par value $0.0001 per share.

"Spread Adjustment" means a mathematical or other adjustment to an alternate benchmark rate selected pursuant to Section 2.3(c) of the Agreement and such adjustment may be positive, negative, or zero, subject to the specific Spread Adjustments set forth in Section 2.3(c).

"Successor Rate" shall mean any successor index rate determined pursuant to Section 2.3(c) from time to time, including any applicable Spread Adjustment.

"Successor Rate Loans" means any Loans that accrue interest by reference to the Successor Rate.

"Swap Obligation" means any Rate Management Obligation that constitutes a "swap" within the meaning of section 1a(47) of the Commodity Exchange Act, as amended from time to time.

"Term SOFR" means, with respect to a Tranche Rate Loan, the forward-looking SOFR rate administered by CME Group, Inc. (or other administrator selected by Lender) and published on the applicable Bloomberg LP screen page (or such other commercially available source providing such quotations as may be selected by Lender), fixed by the administrator thereof two Business Days prior to the commencement thereof for a 1-month interest period (provided, however, that if Term SOFR is not published for such Business Day, then Term SOFR shall be determined by reference to the immediately preceding Business Day on which such rate is published), adjusted for reserves if Lender is required to maintain reserves with respect to the Loans, all as determined by Lender in accordance with the Agreement and Lender's loan systems and procedures periodically in effect.

"Termination Date" means the earliest of: (i) May 12, 2028, (ii) the date upon which the entire outstanding balance under the Notes shall become due pursuant to the provisions hereof (whether as a result of acceleration by Lender or otherwise), and (iii) the date upon which the Loans shall be repaid in full.

"Title Company" shall mean First American Title Insurance Company.

"Title Policy" shall have the meaning set forth in Section 6.1(c) of this Agreement.

"Tranche Rate" means the greater of (a) the Floor and (b) Term SOFR. Each determination by Lender of the Tranche Rate shall be conclusive and binding in the absence of manifest error. Notwithstanding anything to the contrary contained in the Agreement, at any time during which a Rate Management Agreement is then in effect with respect to all or a portion of the Obligations bearing interest based upon the Tranche Rate or any Successor Rate, the Floor shall be disregarded and no longer of any force and effect with respect to such Obligations (or portion thereof) subject to such Rate Management Agreement.

"Tranche Rate Adjustment" means, with respect to any Tranche Rate Loan, a percentage per annum equal to 0.046%.

"Tranche Rate Loans" means any Loans that accrue interest by reference to the Tranche Rate in accordance with Section 2.3 of the Agreement and the other terms of the Agreement.

"Uniform Commercial Code" shall have the meaning set forth in the Mortgage.

"U.S. Government Securities Business Day" means any day other than a Saturday, Sunday, or day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in United States government securities.

<u>SCHEDULE I</u>

TERM LOAN PRINCIPAL PAYMENT SCHEDULE

See attached.

Attachment A

Universal Technical Institute, Inc.
Principal Payment Schedule

	Payment Date	Principal Amount Due
1	06/01/21	$66,100.00
2	07/01/21	$66,100.00
3	08/01/21	$66,100.00
4	09/01/21	$66,100.00
5	10/01/21	$66,100.00
6	11/01/21	$66,100.00
7	12/01/21	$66,100.00
8	01/01/22	$66,100.00
9	02/01/22	$66,100.00
10	03/01/22	$66,100.00
11	04/01/22	$66,100.00
12	05/01/22	$66,100.00
13	06/01/22	$68,500.00
14	07/01/22	$68,500.00
15	08/01/22	$68,500.00
16	09/01/22	$68,500.00
17	10/01/22	$68,500.00
18	11/01/22	$68,500.00
19	12/01/22	$68,500.00
20	01/01/23	$68,500.00
21	02/01/23	$68,500.00
22	03/01/23	$68,500.00
23	04/01/23	$68,500.00
24	05/01/23	$68,500.00
25	06/01/23	$70,900.00
26	07/01/23	$70,900.00
27	08/01/23	$70,900.00
28	09/01/23	$70,900.00
29	10/01/23	$70,900.00
30	11/01/23	$70,900.00
31	12/01/23	$70,900.00
32	01/01/24	$70,900.00
33	02/01/24	$70,900.00
34	03/01/24	$70,900.00
35	04/01/24	$70,900.00
36	05/01/24	$70,900.00
37	06/01/24	$73,500.00
38	07/01/24	$73,500.00
39	08/01/24	$73,500.00
40	09/01/24	$73,500.00
41	10/01/24	$73,500.00
42	11/01/24	$73,500.00
43	12/01/24	$73,500.00
44	01/01/25	$73,500.00
45	02/01/25	$73,500.00
46	03/01/25	$73,500.00
47	04/01/25	$73,500.00
48	05/01/25	$73,500.00

	Payment Date	Principal Amount Due
49	06/01/25	$76,100.00
50	07/01/25	$76,100.00
51	08/01/25	$76,100.00
52	09/01/25	$76,100.00
53	10/01/25	$76,100.00
54	11/01/25	$76,100.00
55	12/01/25	$76,100.00
56	01/01/26	$76,100.00
57	02/01/26	$76,100.00
58	03/01/26	$76,100.00
59	04/01/26	$76,100.00
60	05/01/26	$76,100.00
61	06/01/26	$78,800.00
62	07/01/26	$78,800.00
63	08/01/26	$78,800.00
64	09/01/26	$78,800.00
65	10/01/26	$78,800.00
66	11/01/26	$78,800.00
67	12/01/26	$78,800.00
68	01/01/27	$78,800.00
69	02/01/27	$78,800.00
70	03/01/27	$78,800.00
71	04/01/27	$78,800.00
72	05/01/27	$78,800.00
73	06/01/27	$81,600.00
74	07/01/27	$81,600.00
75	08/01/27	$81,600.00
76	09/01/27	$81,600.00
77	10/01/27	$81,600.00
78	11/01/27	$81,600.00
79	12/01/27	$81,600.00
80	01/01/28	$81,600.00
81	02/01/28	$81,600.00
82	03/01/28	$81,600.00
83	04/01/28	$81,600.00
84	05/01/28	$81,600.00
85	05/12/28	Remaining Schedule

EXHIBIT B

Form of Projected Income Statement

UTI Preliminary Outlook*

P&L	FYE [next fiscal year]
Total Revenue	
Total Costs and Expenses	
Operating Income	
Margin %	
Net Income	
Net Income Margin %	
EBIT	
EBIT Margin %	
Adjusted EBITDA	
Adjusted EBITDA Margin %	

*Note: Forecast is preliminary and is not a commitment by UTI to achieve these figures. Projections are subject to change as more information becomes available and outlook continues to be refined over time.

Exhibit 31.1

**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-Q 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: August 8, 2023

/s/ Jerome A. Grant
Jerome A. Grant
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

**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-Q 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: August 8, 2023

/s/ Troy R. Anderson
Troy R. Anderson
Executive Vice President and Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 32.1

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 quarterly report of Universal Technical Institute, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2023, 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: August 8, 2023

/s/ Jerome A. Grant
Jerome A. Grant
Chief Executive Officer
(Principal Executive Officer)

This certification accompanies the Quarterly Report on Form 10-Q 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 Quarterly Report on Form 10-Q), irrespective of any general incorporation language contained in such filing.

Exhibit 32.2

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 quarterly report of Universal Technical Institute, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2023, 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: August 8, 2023

/s/ Troy R. Anderson
Troy R. Anderson
Executive Vice President and Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

This certification accompanies the Quarterly Report on Form 10-Q 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 Quarterly Report on Form 10-Q), irrespective of any general incorporation language contained in such filing.